

Mortality, COVID Spikes, and Life Expectancy



WRITTEN BY

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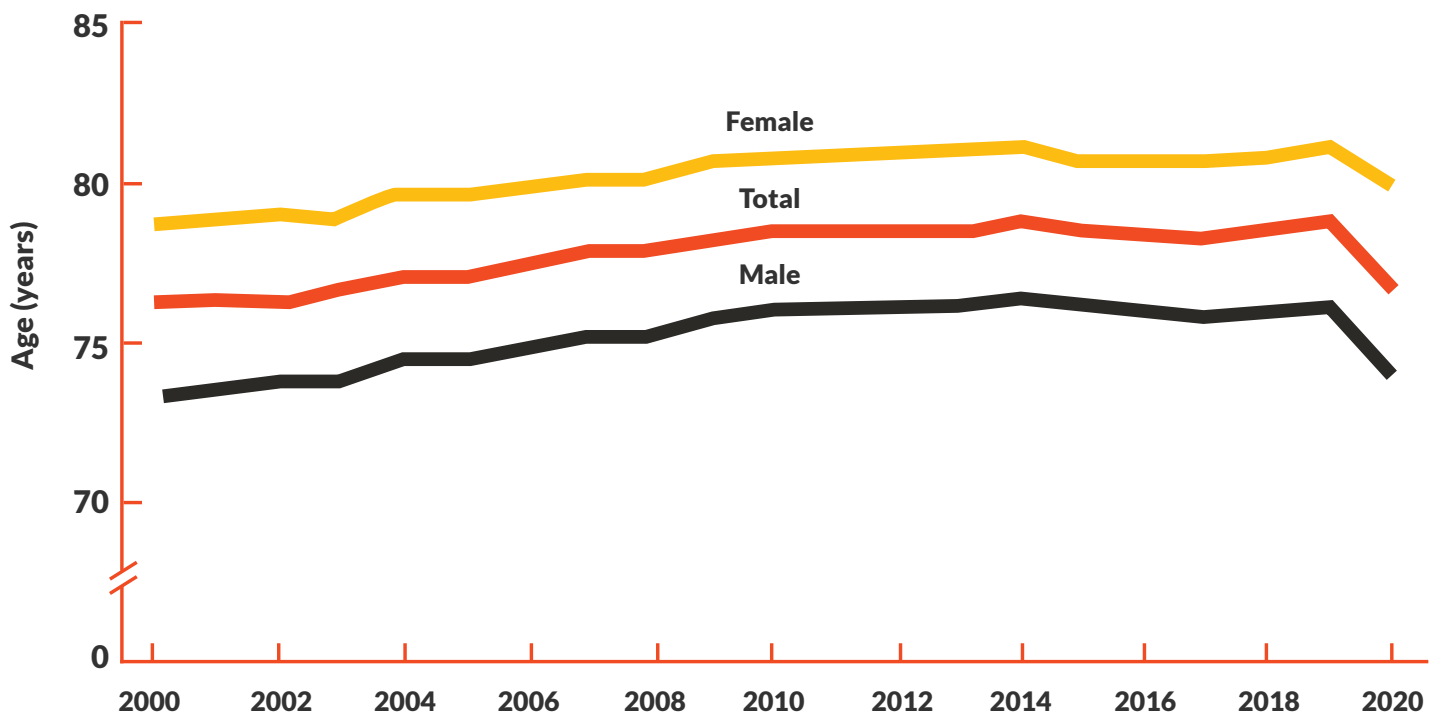




In 2020, life insurance policies paid out more than \$90 billion in death benefits. The 15.4% increase in payouts was the largest annual increase since the 1918 flu pandemic. The CEO of OneAmerica stated that death rates in the ages 18-64 age segment are 40% higher than normal and well above the expectations for a 1-in-200 year event level. The CDC reported a 2020 decline in life

expectancy of 1.5 years...the largest such decline since World War II. There's simply no denying that COVID has impacted the life insurance industry. And while we can start to assess the level of impact, it's important to remember that this is a persistent, ongoing situation that will require further vigilance to understand the long term effects.

Figure 1. Life expectancy at birth, by sex: United States, 2000 - 2020



U.S. Department of Health and Human Services • Centers for Disease Control and Prevention • National Center for Health Statistics • National Vital Statistics System

For example, it appears COVID has had an impact on death claims. But it's hard to pinpoint exactly how many of the death claims paid out by insurers were COVID-related because of reporting issues. However, carriers have also expressed increases in deaths from suicide and drug use likely influenced by the emotional and financial stress from COVID. That's just the short term impact. Insurers will be closely monitoring the impact of "long COVID" on mortality as well as the potential for untreated or undiagnosed health issues during the pandemic to influence mortality down the road.

Carriers are not the only ones considering the impact of COVID on mortality, either. New sales rose at their fastest pace in 25 years also as COVID made mortality a real possibility in the minds of many Americans. That's a significant achievement given carriers periodically put restrictions on buying new insurance as they coped with mortality, staffing shortages, and economic fallout. On a positive note, carriers were forced to embrace electronic policy delivery and fluidless underwriting making it easier than ever for consumers to get new coverage.

Another unfortunate reality spurred by COVID was a drop-off in policyowners' ability to keep up with their premiums on their policies. Many insureds struggled to pay premiums due to cash flow interruptions or changes in financial resources. How many policies will be off track now? Will you be able to identify the policies in trouble and reach out to policyowners to discuss ways to get a policy back on track or perhaps even alternatives that may be more suitable for their needs in the aftermath of COVID? Policy servicing platforms like Proformex can help you quickly assess which of your clients may have suffered the most impact. You can get a short-list of which policies in your book of business need attention most, and you can turn that information into a branded, meaningful touchpoint with your clients who are sure to appreciate your diligence amidst ongoing uncertainty.

COVID won't be done with the life insurance industry or its policyowners for the foreseeable future whether it's claims, earnings rates changes, market volatility, or premium deviations. Fortunately, COVID has opened the eyes of many consumers to the value of life insurance. There's simply no better time to be discussing life insurance with your clients.

ⁱ<https://www.wsj.com/articles/covid-spurs-biggest-rise-in-life-insurance-payouts-in-a-century-11639045802>

ⁱⁱ<https://www.thinkadvisor.com/2022/01/04/covid-19-driving-group-life-deaths-past-200-year-event-levels-oneamerica/>

ⁱⁱⁱhttps://www.cdc.gov/nchs/pressroom/nchs_press_releases/2021/202107.htm

^{iv}<https://www.cdc.gov/nchs/data/vsrr/vsrr015-508.pdf>



About the Author - Kelly Lytle

Kelly joined Proformex in 2019 and now serves as Vice President of Sales.

Previously with Proformex, Kelly oversaw carrier partnerships and customer operations.

Prior to Proformex, Kelly oversaw business development for Findaway's AudioEngine, the world's largest B2B audiobook platform. While at Findaway, he also created and launched Findaway Voices, a global marketplace helping authors create, market, and sell audiobooks.

He has extensive experience leading and growing software businesses in addition to working for Citigroup and AllianceBernstein.

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