Medical Professionalism in the Life Insurance Industry

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Steadily increasing competition has changed the underwriting environment in most life insurance companies. This article attempts to explore how heightened competition presents a new challenge for medical professionals employed in the industry.

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With a healthy mix of idealism and ambition, most of us applied to medical school assuming that the next 3 or 4 decades of our professional lives would be devoted to the traditional practice of clinical medicine. And although it might appear that our individual decisions to leave clinical practice for the world of corporate medicine represent a retreat from the idealism of our youth, most physicians employed by the life insurance industry actually express a high level of professional satisfaction—indeed, quiet pride—in our second careers.

Some of that satisfaction, I imagine, comes from an appreciation of the ultimate value of our work. While it might seem ludicrous to equate the positive contribution to society made by a busy clinician with the mundane work of risk classification, our industry nevertheless provides modern society with one of its more important safety nets. Consider how different the worlds of Dickens and Hugo would have looked with a well-functioning life insurance system in place.

Unfortunately, these days it is increasingly easy to become distracted from the high-minded purpose of our work by steadily intensifying corporate pressure to sell and survive. Indeed, many in our industry have begun to worry that those same competitive forces might now be endangering the health of an insurance system whose vitality depends on both proper risk classification and adequate pricing. After years of defending the risk classification system from external threats like HIV and genetic testing, it is ever more apparent that the system is also being threatened from within.

Our industry may be unique in that our product that is often delivered after the professional lifetimes of those who developed and sold the product. The buyer trusts the
system to remain solvent over a long period of time. Although structural and regulatory mechanisms exist to discourage an insurer from knowingly and systematically under-pricing their products, many direct companies (and all reinsurers) now factor anticipated future mortality improvements into their pricing assumptions in order to remain competitive. It is unclear what will be the effect on claims-paying ability if these improvements fail to materialize, but it is noteworthy, and perhaps worrisome, that 80% of the life reinsurance risk in this country is now shared among 10 companies.¹

In any case, aggressive pricing only amplifies the importance of careful risk selection, and yet the daily underwriting practices of individual companies receive little or no scrutiny from state regulators and the rating agencies. Here, the integrity of the system is largely dependent on the responsible behavior of underwriters and medical directors. Still, we face constant competitive pressure to retreat from objective mortality assessment. This pressure is felt in the analysis of individual risk but also in the design of underwriting manuals and in the establishment of underwriting requirements. The pressure is also inescapable; we all are either employed by, or must compete against, companies that practice imprudent underwriting. Indeed, sometimes compromise may be entirely appropriate. I see an interesting correlation with the practical realities we all struggled with while in clinical practice. Many excellent physicians will on occasion order an x-ray, prescribe an antibiotic, or administer an analgesic that might not be indicated on a strictly scientific basis. But there are limits to the “art” of medicine; we also have a larger responsibility to limit radiation exposure and antibiotic resistance. And certainly, the preferred treatment of addictive behavior is not more drugs.

I am not ready to suggest that the system should be dragged kicking and screaming into rehab, but all concerned would be well served if medical directors began to regard more overtly the risk classification system itself as the “patient” and started to weigh their options in this larger context. I wish I had a simple 12-step program to propose, but at least the first step towards getting help is always an admission that a problem exists.

The American Academy of Insurance Medicine (AAIM) has responded to some of these concerns by scheduling a lecture and a workshop for the Annual Meeting in 2000 entitled “Does Mortality Really Matter”? Assuming that the answer to that question is in the affirmative, AAIM should, within the spirit and letter of antitrust law, explore what new leadership initiatives our organization might consider to promote responsible underwriting practices.

Several years ago, the American Council of Life Insurers (ACLI) produced a video entitled “Promises to Keep.” The purpose of the video, consistent with the mission of the ACLI, was political; life insurers need to maintain access to medical information, including the results of genetic testing, in order to classify risk properly and assure the integrity of the system.

Now, the AAIM, as a nonpolitical organization of medical professionals with the stated goal of advancing the science and practice of Insurance Medicine, should consider borrowing the title of the ACLI video for its motto. The phrase not only concisely defines a social mission for our organization—to help assure that our companies can keep the most basic promise of the life insurance contract, the ability to pay the policy benefit—it also reminds individual medical directors that our work has a larger purpose and that we have a larger responsibility.

REFERENCE