
Claims

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Medical Claims

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Settling Claims Using Medically Rated Structured Settlements

By Don McNay and Angela Luhys

Structured Settlements have a 20-year history as a claim settlement tool for personal injury, workers' compensation, and employment cases. As most claim professionals know, structured settlements offer tax-free money to claimants and keep them from dissipating income. The after-tax rate of return for a structured settlement is far greater than claimants can achieve with other types of secure investments.

Something that many claim professionals overlook is the tremendous advantage of obtaining a medically underwritten structured settlement. Allowing life insurance companies that market structured settlements to provide a rated age, based on the life expectancy of the claimant, can enhance the rate of return on a life annuity dramatically.

What Affects Life Expectancy?

Everything we do affects our life expectancy. How we live, what we eat, and most importantly illnesses, health problems, or injuries we may have, or have had in the past. Insurance companies take all these elements into consideration in order to determine an estimate of how long a prospective client will live. In structured settlements, a shorter life expectancy means a higher rate of return.

Should medical information only be submitted on severely injured people?

A common perception among claim professionals and many structured settlement consultants is not to submit medical information for underwriting unless the claimant is severely injured. A person does not have to be quadriplegic, however, in order to benefit from or have a high rated age. Some of the highest rated ages we see are in smokers or people with chronic health problems, such as high blood pressure or diabetes. Someone's rated age can be elevated for even less obvious things like physiological disorders, drinking problems, or chronic pain.

An often-used analogy is that the underwriting on a medically rated annuity is the opposite of how insurance companies rate people for life insurance. Whereas a person would have to pay extra for life insurance if he smoked, were overweight, or had high blood pressure, he gets a better rate

for his structured settlement annuity because of these health risks.

Possible Saving Settlements

A 20-year-old quadriplegic is not expected to have the average life expectancy of a healthy, able person of age group; rather, her life expectancy may actually be closer to that of someone in her early 50s. An annuity paying \$1000 a month for the rest of her life for a 20-year-old woman would cost \$175,943. With a rated age of 51, however, the same annuity would cost \$146,374, and the woman would still receive \$1000 a month, a savings of \$30,000, or roughly 17 percent.

This type of savings can allow a company to settle within a reserve when it might not have been possible previously.

A 50-year-old man who is healthy and a non-smoker might have a premium of \$149,000 for a life annuity. If that man is a smoker and has a rated age of 55, the cost drops to \$138,979. This is a savings of more than \$10,000, or 9 percent, for a risk factor that many people overlook when preparing a case for settlement.

All structured settlement consultants have the ability to gather medical information and submit that information to life insurance carriers to obtain rated ages. Some structured settlement companies have brought in medical directors to prepare the medical information for presentation to the life insurance carriers.

The medical director will comb through the medical records and put together a report that will give the insurers a full picture of the claimant's medical history. By making it easier for carriers to see complete medical history, it has been found that life insurance companies are more inclined to give better rated ages to those submissions that come from medical directors. In fact, an internal study has shown that life companies, on average, increase their rated ages by 11.4 percent when the medical information comes from a medical director, as opposed to a submission without a report from a medical director.

Claim professionals who understand and use medically underwritten structured settlement annuities have at their disposal a variety of ways to save money on settling a claim. Structured settlement consultants who use medical directors can work with life insurance carriers to get the best rated ages and rates possible.

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