



Chapter 23

Health Insurance Underwriting & Premiums

Risk Factors

- **Moral** – lifestyles; Habits;
- **Occupation** -
- **Physical** – height, weight, hernias, etc.

Occupational Classes

- **AAA** – professionals
- **AA** - sales people
- **A** – truck drivers
- **B** – something riskier than above
- **C** – Deep water oil well divers
- **Uninsurable**

Other Risk Factors

- Age
- Sex/Gender
- Medical History
- Avocations - hobbies

Classification of Applicants

- Preferred
- Standard
- Substandard –
 - Attaching an exclusion rider or waiver for impairment
 - Charging an extra premium
 - Limiting the type of policy

Primary Premium Factors

- **Morbidity** – average # of people who will become sick or disabled & the duration
- **Interest** – the higher the interest rate assumption, the lower the premium
- **Expense** –

Secondary Premium Factors

- Benefits
- Claims experience
- Age & Sex – women under age 55 have greater frequency & duration; premiums higher
- Occupation & Hobbies

Taxation of Disability Income Benefits

- **Individual**
 - **Premiums not tax deductible**
 - **Benefits are tax free**
- **Group**
 - **Premiums paid by employer are tax deductible**
 - **Benefits are taxed**

Taxation of Medical Expense Insurance

- Reimbursed medical expenses are not tax deductible
- Un-Reimbursed medical expenses are tax deductible
 - Only the amount that exceeds 7.5% of Adjusted Gross Income
 - Prescription drugs; insulin; hospital expenses, physicians services, dental care, medical insurance premiums
- Benefits received to offset losses are not taxed
- Self-Employed
 - All amounts paid for medical care (including premiums) are tax deductible

Medical Cost Management – four methods

- Case Management – large long-term claims
- Ambulatory Surgery – out-patient
- Mandatory 2nd opinion
- Pre-certification review – even for an emergency (notify with-in 24 hours)