

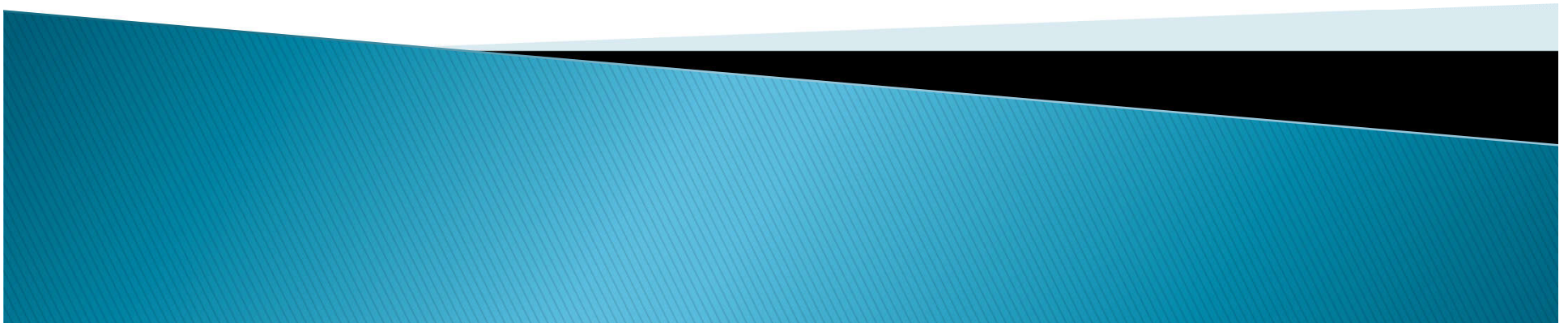
Structured Settlement Underwriting

Principles and Guidelines

June 16, 2016

Kevin Puckett
President/Owner, KP Underwriting,
LLC

kevinp@kpunderwriting.com



Introduction

- Experience
 - Aegon
 - John Hancock
 - KPUnderwriting



Kevin Puckett
President/Owner
KP Underwriting, LLC

What is Life Expectancy and Rated Age?

Life Expectancy – The expected number of years of life remaining at a given age

Example – the average 62 year old male has a remaining life expectancy of 21 years.

Rated Age – is an age given based on an individual's medical impairments and the effect they have on their life expectancy.

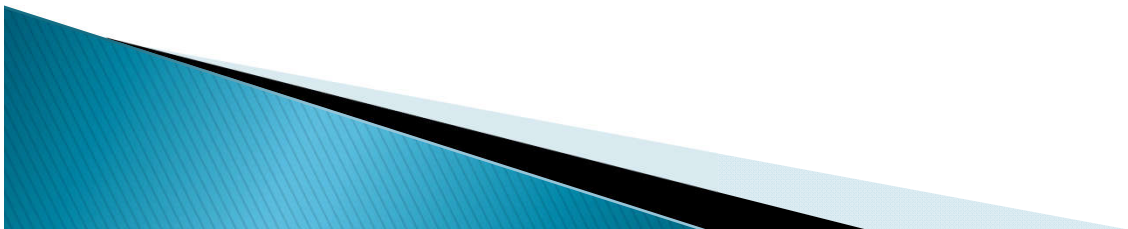
Example – Take a 62 year old male (Life Expectancy of 21 years) with Diabetes, oral controlled and hypertension. The decrease in life expectancy is 4 years. Go to the Life table and subtract 4 years from the 21 years and you have 17 years of life expectancy remaining. The corresponding age is 67. The Rated Age is now 67.

Underwriting Process

- Review of Case
 - DOI – Determine Injury (We are looking for progression of the injury)
 - Determine current functional status of injury
 - Look for medical conditions
 - Document all impairments
 - Rank impairments according to severity
 - Determine current status of medical impairments, such as control and medications. (The more detail, the better)
 - Consult Underwriting manual
 - Apply ratings to most severe impairments
 - Look for co-morbid conditions (Diabetes, Obesity, PVD or renal failure) for additional rating. (2+2=2, 4, or 6)
 - Consult Life Table and apply rating to actual age to determine new life expectancy and rated age

Why are Rated Ages different from company to company?

- ▶ Underwriter Opinion
- ▶ Conservatism
- 1. Modifying rated ages based on sales and mortality studies
- ▶ Policies and Guidelines
- ▶ Underwriting Manual
- ▶ Life Tables

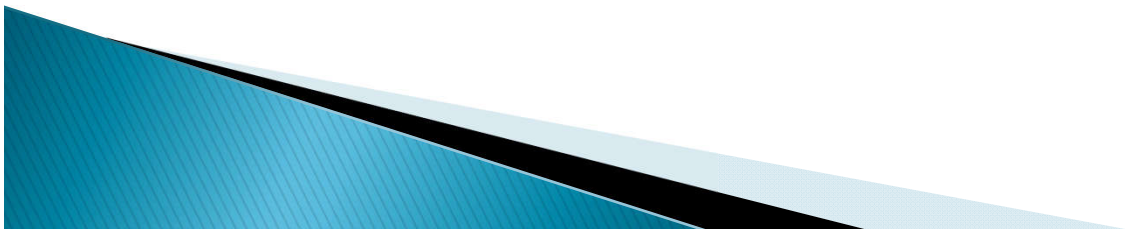


Medical Records

- **Best Medicals for Rated Age**
 - Current, within past two years covering the injury and any residuals, along the any co-morbid medical impairment
 - From Doctor or Hospital
 - Lots of Detail on impairments (For example, medications and/or surgical treatment
 - We are looking for enough detail to let us know how the individual is currently functioning
 - Feel free to contact us with any questions about pertinent medical records
- **Acceptable Medical Information**
 - IME, AME, Life Care Plan, Orthopedic notes
 - Medicals records within past 5 years
 - The older the information, the more conservative the rated age.
 - We do not need every Dr visit, just the ones pointing out new information

Underwriting Manual

- ▶ Primary source used for preparing rated age in each life company
- ▶ Each company writes, prepares and maintains their own. (Should be updated on a yearly basis)
- ▶ Manual is written using impairment specific mortality studies. (Spinal cord injuries, brain injuries, Cerebral Palsy, etc) Most are published online.
- ▶ Additional underwriting materials include:
 1. Brackenridge: Medical selection of Life risk
 2. Clinical Oncology studies
 3. Medical specific website (American Diabetes Associate, American Heart Associate, etc)

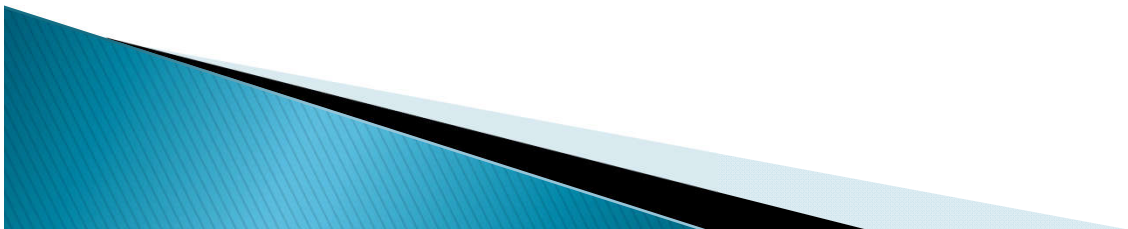


FAQ

- Do all medical impairments add together?
- No, only impairments that compound the each other (For example, Obesity can make Diabetes worse)
- Do the actual age and rated age combine to make final age?
- No, the rated age and the corresponding life expectancy are used for your calculations only.
- Why is the expiration date one year?
- The health history can change within a year, especially at older ages.
- Why is the actual age one year older than your calculation?
- Independent Rated Age providers and life companies use what is known as the Actuarial Age. The Actuarial Age is adjusted when the claimant is within 6 months of their next birthday, the age is adjusted up to age at his next birthday. This is primarily used due to the timeframe it takes to settle a case.
- Is Chronic Opioid use rateable?
- No. If the claimant has a good doctor, they will change the medications before they do permanent damage. However, if the long term use has caused irreversible damage, it would be rateable.
- Can you provide a rated age immediately following the injury (For example one month post injury)
- We can, but it will be very conservative. The claimant needs time to reach maximum medical improvement.

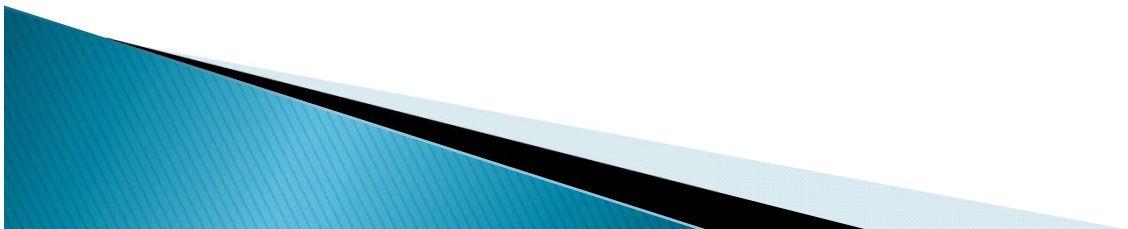
Sample Case

- 40 year old male (Poor information) – DOI (6/1/2011) – Back injury
 - Diabetes, no details (+4–5)
 - Obesity, 250 lbs, no height (+2)
 - Renal trouble, no details (+0)
 - Chronic back pain (+2)
- Rated Age – 44 thru 46
 - Worst impairment – Diabetes (but no details)
 - Co-morbid conditions – Diabetes, obesity, renal trouble (no details, so we have to be conservative)
 - All impairments not added together, worst impairment used.
- 40 year old male (Good details)
 - Diabetes, Insulin dependent, moderate to poor control (+8–10)
 - Obesity (5'5" 250lbs) – (+4–6)
 - Chronic renal failure, Dialysis for 2 years, on transplant list (+10–14)
 - Chronic back pain (+2)
- Rated Age – 54 thru 60



Weight Chart

<u>Height</u>	<u>Weight</u>		<u>Height</u>	<u>Weight</u>	
	<u>Male</u>	<u>Female</u>		<u>Male</u>	<u>Female</u>
4'8"	151	135	5'10"	202	184
4'9"	54	138	5'11"	206	188
4'10"	157	142	6'0"	211	192
4'11"	160	146	6'1"	215	196
5'0"	163	148	6'2"	220	199
5'1"	166	152	6'3"	225	203
5'2"	169	155	6'4"	231	207
5'3"	173	159	6'5"	237	210
5'4"	177	162	6'6"	243	214
5'5"	181	165	6'7"	249	218
5'6"	185	168	6'8"	255	223
5'7"	189	173	6'9"	261	228
5'8"	193	176	6'10"	267	233
5'9"	197	181			



Rateable Medical Impairments

*By: KP Underwriting,
LLC*

- AIDS/HIV
- Alcoholism
- Alzheimer's
- Anemia
- Aneurysm's
- Arm or Leg amputations
- Asthma
- Atrial Fibrillation
- Autism
- Severe 2nd or 3rd degree Burn injuries (TBSA)
- Cancer, Leukemia or Lymphoma
- Cardiomyopathy
- Carotid Stenosis or Bruits
- Cauda Equina syndrome
- Chronic Bronchitis
- Chronic pain, Reflex sympathetic dystrophy (RSD), Complex regional pain syndrome (CRPS)
- Chronic pain, Reflex sympathetic dystrophy (RSD), Complex regional pain syndrome (CRPS)
- Cirrhosis
- Collagen Vascular Diseases
- COPD (Chronic Obstructive Lung Disease)
- Cor Pulmonale or Pulmonary Hypertension
- Coronary Artery Disease
 - Myocardial Infarction (Heart attack)
 - Angioplasty
 - Stent placement
 - Coronary Artery Bypass Graft (CABG)
- Crohn's Disease
- Cystic Fibrosis
- Dementia
- Depression
- Diabetes, Diet controlled, Oral or Insulin controlled
- Dialysis for Kidney problems
- Diverticulosis or Diverticulitis
- Down's Syndrome
- Drug or Substance abuse
- Emphysema
- Epilepsy
- Heart Valve problems or replacements
- Hemiparesis or Quadriparesis
- Hemophilia
- Hepatitis C
- Hodgkin's or Non-Hodgkin's lymphoma
- Hypertension

CONTINUED ON NEXT SLIDE

Rateable Medical Impairments, Continued

*By: KP Underwriting,
LLC*

- Kidney disease or Renal Failure
- Lead Poisoning
- Leukemia
- Lupus (Systemic Lupus Erythematosus)
- Manic Depressive disorder
- Mitral Valve Prolapse
- Multiple Sclerosis
- NASH syndrome
- Obesity (Chart attached)
- Organ transplant (Any type)
- Parkinson's Disease
- Peripheral Vascular Disease (PVD)
- Portal Hypertension
- PTSD
- Rheumatoid Arthritis
- Sarcoidosis
- Schizophrenia or Schizoaffective disorder
- Seizure disorder
- Short Bowel Syndrome
- Short Bowel Syndrome
- Sleep Apnea
- Smoker or Tobacco use
- Spinal Cord Injury, Paraplegia, Quadriplegia
- Stroke, Cerebrovascular Accident (CVA)
- Suicide Attempt
- Transient Ischemic Accident (TIA)
- Transplants of any type
- Traumatic Brain Injury, Closed Head Injury, Encephalopathy of any type.
- Ulcerative Colitis
- Valvular Heart Disease
- Wolfe Parkinson White syndrome

Questions & Answers

