



Life insurance in a Global Pandemic

"This is the end, beautiful friend," sang Jim Morrison in 1967. Apparently it wasn't the summer of love for the iconic frontman of the Doors. 53 years later it remains a haunting song. Was it about a breakup with a girlfriend, or something more foreboding?

The 1960s could be seen as a time for such a song – civil rights unrest, President Kennedy shot, the threat of nuclear Armageddon, the war in Vietnam expanding and expanding. Today, with markets in turmoil, oil prices plummeting amid geopolitical posturing, and most of all a world pandemic, we likely have more angst now than the world did then. Famine and war are two of humanity's ancient foes, but the third, pestilence, has always had the fiercest bite.

So perhaps it is not surprising that we have been fielding questions about our industry a lot in the last week. They have been good questions from thoughtful clients. Given the common themes in those questions, we thought a newsletter might be appreciated.

Some Facts

The world is awash in facts concerning Covid19, so we won't pummel you with them. But here are a few that relate to insurance questions you may have.

- As of March 16 there are 102 cases in B.C. and 425 confirmed cases in Canada (and a further 16 presumptive cases). There have been 4 deaths. But the rate of spread in Canada, doubling every three days, has us on the same track as Italy was on. Efforts to lower that growth rate may be effective. If not, 100 cases becomes 1,000,000 in 40 days.
- The death rate for influenza is about 0.1%. That is, one person out of 1,000 that has the flu will die from it. The death rate from Covid 19 is much higher - in China it has been 3.9%. The global rate is 3.7%, but that may be climbing.
- The rate of death in China has been studied quite a lot. For those with no other health issues (cardiovascular disease, diabetes, cancer, hypertension, chronic respiratory disease) the death rate was 0.9%. It is also a disease that effects different ages very differently. For children, the rate is so close to zero that it may as well be that. For those in their 40s, for instance, it is still only 0.4% (including those with other significant health issues, so much lower assumedly for the healthy). But for those in their 70s, it is a worrisome 8.0%.

And Now, Insurance

Here are some of the questions that we have fielded:

Q. I have heard that claims are not being paid for people travelling to different parts of the world. Is that true?

A. This relates only to *travel insurance*. If you travel, then you may not have your medical bills covered. None of this has anything to do with life insurance.

Q. Are insurers still offering life insurance? Have rates gone up?

A. Yes, all Canadian insurers are offering life insurance on the same basis as before Covid 19. To date, there has been no change in rates. Once a policy is in force, the insurer is not allowed to change the price on that policy, nor can they cancel it except in the case of fraud or material misstatement (ie you told them you had no intention of taking a trip to China, but had your tickets booked, as an example.)

Q. Is getting life insurance more difficult now? Is underwriting more stringent?

A. Yes, but not a lot more difficult so far. The only change we have seen so far is that no insurer will accept a case where foreign travel to China is contemplated. We expect to see that expand to other foreign travel as well. In such cases, they will delay offering to insure until the trip is complete, and a quarantine period has passed. Given the low rate of deaths in the young, we don't anticipate underwriting becoming stricter for them. It may for older clients, but it has not to date. If you are over age 50 and considering insurance, it would be prudent to move swiftly.

Q. How stable are Canadian insurers?

A. Very. If we consider the old, large insurers, all of them came through WW1, the Spanish Flu, the Great Depression and WW2 just fine. That was a 31 year nightmare. This is unlikely to last one year. In fact, for investment grade participating policies from those insurers, they continued to pay a dividend every year through that 31 year period, as they do today. The mortality assumptions that they use to price insurance assume much worse mortality than we actually have. As well, insurers have teams running "what if" scenarios as their daily job. Things like pandemics are what they expect to see on occasion.

Q. We are supposed to practice "social distancing", so is it possible to acquire insurance?

A. Without question we need to adopt the best possible practices to contain the spread of Covid 19, including social distancing. We have been using remote meeting technology for some time at our firm, and will use it extensively at this time. Insurers have moved away from paper applications to electronic applications that can be done remotely. Insurers in the face of Covid 19 have increased the maximum amount we can underwrite without a face to face meeting to \$5M, and will accept requests to increase that on a case-by-case basis. We can also do insurance without a meeting with a nurse for up to \$1M for those under 50. Where a nurse is needed (ie for clients over 50) that continues to be possible, however, we are concerned that that may change at any time, as some providers have already shut down.

There you are. We hope that answers some of your questions. And there are positives. Getting around to working on life insurance or other facets of estate planning is, in our experience, something that is put off for a later day. Maybe you have a bit more time right now, and this could be one of the things that can move up your priority list.