

Survival Characteristics of Three Senior Populations, with a Focus on
Life Settlements

Vincent J. Granieri and Gregory P. Heck

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SOA Living to 100 and Beyond Symposium ***SURVIVAL CHARACTERISTICS OF THREE SENIOR POPULATIONS, WITH A FOCUS ON LIFE SETTLEMENTS***

Vincent J. Granieri, FSA, MAAA, EA

Gregory P. Heck

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EXECUTIVE SUMMARY

Senior populations, while increasingly relevant to society and exhibiting more variability in the range of relative impairment levels, have not received the granular scrutiny afforded younger groups. This paper examines three populations underwritten by an independent life-expectancy provider. The first population is a group of insureds who contemplated settling their life insurance policies in the life-settlement market but did not complete a transaction; either no offer was forthcoming or the offer was deemed undesirable. The second is a group that actually settled their policies. The third is a group of college-educated seniors; some have insurance policies and belong in the first two groups as well. This third population underwent the same underwriting process as the first two as part of a project unrelated to settling a policy. These three populations exhibit varying characteristics with respect to survival from initial underwriting consistent with the theory that there is a third level of selection in the life-settlement transaction. The third level is in addition to the underwriting and wealth effects evident when a life insurance policy is issued and the impact of impairments/conditions evident in underwriting insureds contemplating settling their policies.

The paper then focuses on the two life-settlement populations exclusively, examining the different survival experience observed by gender among them. At this point, the nature of the third level of selection begins to emerge as the effect of insureds and investors selecting against each other. However, it is only when different eras of the life-settlement market are examined that this selection effect can be better defined. The paper concludes that the life-settlement transaction provides opportunities for both investors and insureds to exercise selection during the process and, throughout the short history of the life-settlement industry, each has tried to do so, with varying degrees of success.