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'Excess mortality' continuing surge causes concerns



By Doug Bailey.
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Despite some signs that excess mortality rates are declining, life insurance executives continue to drag earnings and surge death claims for years to come.

Excess mortality is the difference between the total number of deaths for a specific period and the number of deaths that were naturally forecasted to occur during that period. Excess mortality numbers were naturally forecasted to climb during the pandemic, but some industries have seen excess mortality numbers diminished as COVID infection rates have declined.

Life insurers paid record levels of claims in 2021 as the pandemic drove mortality claims up. In 2021, the most recent year for which data is available, the industry distributed \$60.98 billion in claims, up from \$59.18 billion in 2020, according to BestLink. The higher-than-normal payouts began in 2020, the first year of the pandemic. The 2021 increase was 10.8%, the largest year-over-year increase since the 1918 Spanish Flu epidemic. The 2021 increase was 10.8% higher than the \$59.18 billion paid out during the same period in 2020. But that's still higher than the \$59.18 billion paid out during the same period in 2020. BestLink.

No standard for measuring excess mortality

"There's no standard way to measure excess mortality," said Josh Stirling, founder of Mortality Analytics, a company that seeks to mitigate mortality losses by providing life insurers with tests to screen for COVID-19. "The most reliable it looks like, generally, we're at 13.9 deaths per 100,000, which is up from 12.5 in 2020. Maybe not, but it should be lower."

The Society of Actuaries poll of its members found that in August of last year 85% of respondents believed excess mortality rates will continue to rise. In August of 2020, the same poll found that 79% believed excess mortality rates will continue to rise. The issue is clouded because figures vary widely depending on how the data is collected and other factors. Some executives think the current numbers are temporary or seasonal. "We believe that insured population will continue to see declining excess deaths as the pandemic subsides," said Fred Tavan, chief pricing officer at Legal & General America, a Maryland-based insurer. "One of the reasons there haven't been any significant changes in insurance premium rates is that the industry from different carriers proves this out."

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Younger adult death rate up 20% in 2023

Others aren't so sanguine and point to statistics from the U.S. Center of Disease (categories. For example, younger adult mortality rates are up more than 20% in : mortality in all ages. And even as COVID-related causes declined in 2022, others r

“Consider the ripples of COVID-19 and its varying impacts, leading to higher rates of death, a domino effect. From a life insurer's standpoint, and those dealing in retirement accounts, how can the industry handle a sudden spike in claims? The surge in excess deaths caught many people who were susceptible to illnesses or passing due to natural causes.”

Chow said there's a real question of whether the insurance industry can sustain itself. “The real concern for life insurers lies in preparing for an unexpected wave of deaths. Do they have enough reserves to weather these outflows, given the excess deaths and readiness to manage this monumental outflow.”

Capgemini just published its World Life Insurance Report that revealed the upcoming year is expected to cause a massive outflow of nearly 40% of life insurers' assets under management. “When we factor in the rise of payouts on death claims, the magnitude of the situation is staggering.”

Industry response questioned

Some observers think the industry has been slow to grasp the burgeoning problem. “The industry has been slow to grasp the burgeoning problem, and have for nearly 500 years,” according to one senior executive.

Stirling believes that expanded, aggressive and proactive health screening of populations is the way forward. Though a startup, Stirling says his organization is poised to announce partnerships with major insurers. His organization's board include current and former executives from Farmers Group, Farmers Group System, and the life and health actuary for the state of Georgia's Commissioner of Insurance. “We are led by insurance people trying to drive risk management around health care. We want to save lives through bracket screening and intervention,” he said. “Screen test and intervention.” Stirling is a former Institute for Highway Safety for life insurers, which was funded by the industry and is now trying to disrupt the industry and create an ecosystem of for-profit companies that will provide health care. *Doug Bailey is a journalist and freelance writer who lives outside of Boston. You can reach him at doug.bailey@innfeedback.com.*

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