



LIC Final Expense Survey – 2024 Sales Data Glossary

Contents

Final Expense Insurance	2
Automated Underwriting	2
Distribution Channel Categories	3
Independent	3
Affiliated	3
Direct to Consumer	3
Non-Forfeiture Options	3
Reduced Paid-Up Insurance (RPU).....	3
Extended-Term Insurance (ETI)	3
Policy Count.....	3
Premium	4
Product Type Categories	4
Full Death Benefit.....	4
Graded Death Benefit.....	4
Limited/Modified Death Benefit	4
Rescission Ratio.....	4
Underwriting Categories	4
Fully Underwritten.....	4
Simplified Issue	4
Guaranteed Issue.....	4

Contact:

Audrey Wittenburg, FLMI, ACS, Director of Operations, LIC, awittenburg@loma.org

Final Expense Insurance

“Final expense” is a generic term that loosely refers to small face amount life insurance products intended to cover burial and other death-related expenses. Since there is no clear industry definition of final expense, it comprises a wide range of products — primarily non-participating whole life — distinguished by the following characteristics:

- Small face amounts: average face amount generally less than \$25,000
- Target demographic: lower-income seniors
- Purpose: to cover end-of-life costs
- Simplified or guaranteed issue

Final expense products may be sold direct to consumer, by traditional agents, or by agents who primarily focus on the final expense market through an affiliation with independent marketing organizations (IMOs). There are consistent practices that define this distribution model:

- Most agents rely on leads generated from direct mail campaigns.
- Most agents are affiliated with a single IMO but represent multiple final expense carriers.
- Most products use a knockout application where the worst risks are declined, the best risks receive an immediate death benefit, and the intermediate risks receive a limited or graded death benefit.
- Many companies provide point of sale decisions via a telephone interview, prescription drug check, and Medical Information Bureau (MIB) check.

Note that there are exceptions to all the above, but, overall, this is a good starting point to understand the specific final expense products reflected in this report.

Final expense insurance as defined here does not include preneed products, no-commission products, fully underwritten products (requiring labwork, medical exam), or insurance sold for “final expense” purposes through banks or worksite distribution.

Automated Underwriting

- For the purpose of this survey, **Automated Underwriting** is defined as strictly using automated risk selection tools (no telephone interview, underwriter review, or human decision-making).
- **“Both automated and human underwriting”** refers to applications that started with automated underwriting and then were referred for human underwriting.

Distribution Channel Categories

- **Independent:** Independent Insurance Distribution reflects producers who do not have an exclusive contract with one company and are not obligated to sell the products of one company. Include non-face-to-face approaches channeled through “Independent Insurance Distribution” (such as selectquote.com). Do not include other channel sales that flowed through intermediaries (such as BGAs or IMOs), instead report them in their respective channels.
- **Affiliated:** A direct sales force of agents under contract with one company who sell primarily that company’s products.
- **Direct to Consumer:** Non-face-to-face distribution programs directed by the manufacturer such that no third-party distributor has a financial incentive for the program’s success.
 - **Direct to Consumer:** Buyer-initiated purchases made in response to direct home office (i.e., manufacturer) offerings through mail, media advertising, or purchases resulting from home office telemarketing efforts. The customer may speak with a home office or third party representative who may assist with the sale, but does not offer products manufactured by other companies.
 - **Internet Direct to Consumer:** Internet sales in which the consumer submits an online application to the manufacturer’s website. This does not include sales initialized by internet leads, sales initiated by a producer or producer website and submitted via e-mail, or sales stemming from aggregator or other third-party/intermediary websites or other non-face-to-face methods.

Non-Forfeiture Options

- **Reduced Paid-Up Insurance (RPU):** Reduced paid-up insurance nonforfeiture option allows the death benefit to remain in place without requiring any future premium payments. However, the death benefit is reduced to the cash value of the original life insurance policy.
- **Extended-Term Insurance (ETI):** Extended term insurance nonforfeiture option allows the purchase of term life insurance with a death benefit equal to that of the original whole life policy. The new policy would be purchased with the cash value of the original life insurance policy. The length of the new extended term coverage would be equal to the number of years that premiums were paid on the original policy.

Policy Count

Policies reported for this survey should be excluding those not taken or declined.

Premium

Premium reported for this survey should be annualized premium for issued and paid policies at the time of reporting (as opposed to premium collected). Annualized premium is planned recurring premium plus 10 percent of single premium (where planned recurring reflects the amount a policyholder plans on paying each year and single reflects one lump-sum payment intended to cover the entire cost of a policy).

Product Type Categories

- **Full Death Benefit:** Payout of the full death benefit even if death occurs in years 1 and 2.
- **Graded Death Benefit:** Payout of a percentage of face amount in years 1 and 2 (full face amount thereafter).
- **Limited/Modified Death Benefit:** Return of premium with interest in years 1 and 2 (full face amount thereafter).

Rescission Ratio

Rescission ratio equals number of rescinded claims divided by total contestable claims.

Underwriting Categories

- **Fully Underwritten:** Policies where the applicant was required to give blood/urine and undergo a paramedical exam. Final expense policies are generally not fully underwritten.
- **Simplified Issue:** Policies that have some or all parts of the issue and underwriting process simplified/removed. They generally have a limited number of health questions on the application with no medical or paramedical exam required. Medical information gathered from databases may be used in the underwriting process, and these policies are counted as Simplified Issue for this survey.
- **Guaranteed Issue:** Policies that do not require underwriting. There are no health questions or medical exams required. Proposed insureds who apply and meet specified conditions are automatically issued a policy.