

9.

Companies Specializing in Life Expectancy

TO APPRECIATE THE CHALLENGE confronting those who specialize in predicting life expectancy, consider this from a transplant surgeon at the University of Pittsburgh. Dr. Robert Kormos concluded that life expectancy following heart transplant is hard to predict because it depends on a number of factors including

- Age
- Health prior to transplant
- Patient compliance
- Immunological match of donor to recipient
- Era in which the transplant occurred (due to improved methods)

Transplants have become so successful, according to Dr. Kormos, that “many centers have patients alive eight to ten years after transplant.”¹

In another study to determine the accuracy of life expectancy predictions for terminal cancer patients, the researchers found that “the majority of physicians overestimated survival times.” For a number of reasons they also concluded that a “clinical estimate of life expectancy by itself is not an accurate predictor of prognosis. Better estimates of survival may be achieved by adding other clinical indicators to the prognostic model.”²

In September 2004 the *Journal of the American Medical Association* published the results of two long-term studies on healthy aging. Both studies concluded that a Mediterranean diet—rich in fruits, vegetables, whole grains, and olive oil—coupled with a healthy lifestyle was associated with a 50 percent lower rate of mortality. This applied to all causes as well as death from specific causes. The first study was conducted over a period of ten years and followed men and women aged seventy to ninety.

Studies such as these indicate not only the need for more information, especially in regard to the elderly, but also that great changes are taking place in how life expectancy is predicted. They also indicate the necessity for companies that specialize in life expectancy to keep abreast of new research and to factor new information into their methods. Whether or not they do so is a question that can only be answered by obtaining the most current information from the companies. It can be misleading if they provide a summary of “expected-to-actual” data.

Expected is the estimate; actual is the date of death. The comparison supposedly indicates how accurate the companies are in predicting mortality. But, as the adage warns, numbers can lie. Or they can mislead. The summaries typically include all deaths from all causes, including car accidents or suicide. If the cause of death was not health related, that should be noted and, possibly, correlated with the percentage of the population for that age group that dies from non-health-related causes. To do otherwise is to risk skewing the results.

Another problem is, who analyzed the data that produced the expected-to-actual results? Usually these results are determined by the company that provided the estimates. Unaffiliated actuaries may have different results for the same data.

Yet another problem is the long life expectancies typical for life settlements. Statistically reliable data may not be available for the insureds whose life expectancies are ten or more years. They may not be included in the summaries provided to investors—unless they died earlier than estimated—and the cause may be other than health related.

One way to insure that you are not receiving biased data is to insist on estimates from two or more companies. Although many life settlement companies do solicit at least two estimates, investors may receive the report that works best for the provider—the one with the shortest life expectancy. Shorter life expectancies bring in more investor money. More investor money means higher commissions for sales agents and higher instant profits for the provider company.

It happens. That is why the state of Florida in 2000 amended its viatical statutes to add, among other regulations, a requirement that investors receive “all the life expectancy certifications obtained by the provider.” Investors must receive these no later than five days prior to the transfer or sale of the insurance policy.³ Despite the new law, in August