



## All Different or Just the Same? Underwriting Childhood Diseases

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In most insurance markets, children are not commonly applicants for policies offered by Life insurers. Nevertheless, more and more markets are discovering children as an attractive target group for a number of types of insurance policies, predominantly for living benefits such as Disability and Critical Illness products. Children can be insured with the same products as adults or with products individually tailored to them and their needs, or a combination of both.

In addition, a second target group that's a common risk on the underwriter's desk is the young adult whose medical history, disclosed as part of the application process, extends into their childhood years.

Clearly, it has become important for underwriters to familiarise themselves with the inherent risks of the prospective childhood group, as well as the young adult group. However, in underwriting a medical history that includes the insured person's childhood, it is of utmost importance to distinguish between these two target groups.

### Insuring children

When an insurance application is submitted for a child, the underwriter needs to pay special attention to the following issues: parents' motivation, choosing a standard or tailored application form, assessing long-term implications of a disease.

#### Motivation to buy insurance cover

An important aspect of insurance cover for children is the question of why the cover is purchased. After all, the parent(s) – not the child – decided to buy Life insurance for the child, and their motivations could be manifold. On the one hand, parents can have a general interest in providing for the child and ensuring his or her security. However, a concrete reason could also exist for their wish of provision. For example, serious illnesses of friends or family might influence insurance decisions, especially those diseases that indicate a genetic disposition of the child. Or health complaints of the child could lead the parents to suspect a more serious illness. Furthermore, maybe deficits in development or behavioural problems, etc. can already be seen, adding to the alarming prospect of an uncertain future course of health and the problems' long-term relevance. If the child is already of school age, learning difficulties, for example, may also cause parents to worry about the future professional success of their child and lead them to consider buying insurance cover.

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All these are legitimate reasons to cover the child through an insurance product. Nevertheless, this involves a considerable risk of anti-selection. A thorough clarification of the risk situation by the insurer is therefore indispensable in order to arrive at a fair assessment appropriate to the risk assumed.

### Application questions – Standard adult or child-tailored

With regard to the application questions to be used, one challenge in particular arises: Should we use the same application form for children and adults? Or should we create a specific one tailored to children?

Of course, several arguments speak in favour of using one common standardised questionnaire: It avoids additional work; it is easier for the sales force to choose the right questionnaire, and both the sales force and the underwriters are already familiar with the company's standard questions and the usual range of answers.

Generally, nothing is wrong with using a uniform application form, as long as the general questionnaire ensures that all important information is obtained.

### Information particularly important for insuring a child

First, the following needs to be said: Children are known to be frequently ill, and the majority of cases are harmless episodes of illness, such as mild infections with fever, etc. Similarly, the number of times a child sees a doctor is higher than for adults, as parents consult a doctor more often out of an abundance of caution with their child than they would for their own concerns. Therefore, the medical history of a child can be very extensive.

However, an extensive history should not lead the underwriter to the conclusion that it conceals serious illnesses that are relevant for the risk assessment. In the application process, it is important to find the right balance between reliably identifying relevant health risks and overburdening parents and risk assessors

in an effort to obtain or evaluate huge amounts of largely irrelevant information.

In any case, the following disease areas should be included in an insurance application form used to underwrite a child:

- Congenital disorders, e.g. congenital heart conditions, chromosomal abnormalities, other birth defects
- Chronic diseases that can occur in childhood, e.g. diabetes (especially type 1), rheumatic diseases, epilepsy, inflammatory bowel diseases, asthma, allergies
- Cancers, e.g. leukaemia or brain tumours
- Mental and behavioural disorders, e.g. eating disorders, autism, ADHD
- Risk factors for future disease, e.g. overweight
- Visual and hearing disorders, especially if these are likely to impair the child's development (language acquisition, school attendance)
- Any indications of developmental delays that may not have yet resulted in any formal diagnosis but may be an indicator of disease, e.g. delays in weight gain and growth

In addition, depending on the product selected, it may also be advisable to query relevant serious illnesses in the family history, provided that the regulatory framework permits this.

### Underwriter's assessment of childhood disease

Depending on the product to be insured, the importance of the different disease areas varies; however, they are nearly always important to assess. Underwriting a child is not fundamentally different from that of an adult, although the final decision, e.g. the exact loading, can of course differ.

Depending on the disease, early diagnosis can be a favourable or unfavourable criterion; in some cases, it is an early onset of the same disease that can also affect an adult.

### For clarification

The term childhood disorders most commonly refers to mental and developmental disorders in childhood. This article, however, refers to the complete medical history, i.e. disorders of any kind that can occur in childhood.

In these cases, early diagnosis can be beneficial because complications can be avoided through good and timely disease control. However, sometimes these are specific childhood forms, which often have a less positive prognosis. Based on the detailed medical information obtained from the applicant, the underwriter will have to tell the favourable from the unfavourable cases.

A special challenge can arise from the following aspect: The younger the child, the shorter the observation period. This makes reliable predictions about the long-term course of the child's development much more difficult. Therefore, especially with very young children, even minor abnormalities deserve special consideration in underwriting.

### Insuring young adults

If a young adult applies for insurance and discloses details of his or her childhood medical history as required in the underwriting process, individual aspects may be assessed quite differently from one another.

Take for example, congenital malformations. Some congenital heart defect may have been successfully treated during childhood and thus have become clinically irrelevant. Most commonly, the treatment took place some years ago. This results in a prolonged observation time and the risk of subsequent complications can be assessed more reliably.

Chronic diseases usually persist, but here, too, the longer observation period helps to make more precise prognoses for the future course. In many cases, increased certainty in the prognosis is more likely to mean a more favourable decision than a high uncertainty.

Individual diseases, e.g. asthma or allergies, can also subside with the onset of adulthood. Although a recurrence can never be completely ruled out, a significantly more favourable assessment is nevertheless possible than in the earlier, acute stage of the disease.

For the assessment of developmental disorders, the higher the age, the greater the information, which in turn enables a more reliable prediction of the future course. In addition to an applicant's compliance in following a recommended course of treatment, success with treatments and knowledge about potential comorbidities, the underwriter can consider the applicant's success or failure at school and, if applicable, performance in the job. These are decisive criteria, especially for Disability insurance.

In the meantime, a young adult may have grown out of certain risk factors, such as childhood obesity, so that risk compensation may no longer be necessary. Similarly, visual and hearing impairments may have been at least adequately compensated for by now. The resulting developmental delays are thus fully compensated for in many cases and can be disregarded.

The same applies to other developmental delays or health abnormalities – they have either turned out to be harmless or have resulted in a concrete diagnosis that now allows a more precise risk assessment.

### Conclusion

Children are a special target group for the insurance industry and deserve individual consideration in underwriting. While many established



practices can be adopted from the assessment of adult risks, it is indispensable to sound underwriting to address the unique features of children's development. Only in this way can abnormalities be adequately evaluated. On the one hand, it avoids targeted anti-selection; on the other hand it avoids not taking into account every small deviation in child development with unnecessary rigour in the risk assessment.

A child's medical history can present very differently from various perspectives – during childhood and then later in retrospect. Generally speaking, underwriting a medical history becomes easier as the child grows up and the picture becomes clearer. Blanket assessments without taking into account the respective age perspectives are therefore fraught with weaknesses and are not recommended.

#### About the author

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