An Early Start to Insurance

Having a child is one of the most miraculous events in a parent's lifetime. Seeing that little human being for the first time is indescribable. The sheer joy and elation of making a small person is unforgettable. For the first time, the parents now have something to love and care for even more than themselves.

Leaving the hospital is another memorable occasion. It is now time to protect and nurture this bouncing bundle of joy. But leaving the hospital may not be as easy as the new parents may think. There are lots of papers to sign, approvals from the doctors and one more very important item that has to be checked. No, it is not a certificate that you passed a course in childcare. It is not a certificate that you studied infant Cardiopulmonary Resuscitation (CPR). It is not a certificate that you have made your home "child proof." The item that the hospital staff would like to see is an approved infant carrier for the car[1].

While some may believe that this is urban legend, it is actually true. It is certainly within a new parent's rights to take the baby home on the subway, by foot, by bus or even by taxi without using a car seat. But the hospital staff in most cities will ask to see the child seat. This could be to protect the hospital from a costly lawsuit if the infant should be injured and the family claims it did not know that a car seat was required. More realistically, the hospital staff just wants to make sure that the child is safe.

But what if something happens to the parents on the trip home? The death or disability of the family breadwinner or major caretaker would challenge the future of the child greatly. Isn't an insurance policy covering the life and disability of the parents just as important as a car seat? The policy could be state-mandated and guaranteed issue. If all new parents are required to purchase such a policy, the cost would be minimized.

This policy could cover more than just the life and disability of the parents, it could also cover the cost of care if the child is born with a debilitating disease or disorder. If a child is born with autism, for example, treatment costs are estimated at USD 60,000 per year[2]. Of course, it depends upon the severity of the autism as some children diagnosed with this disorder are able to attend public schools and others having to be institutionalized.

According to the Centers for Disease Control and Prevention (CDC), about 1-in-44 children, at 8-years old, have been diagnosed with autism in the US[3]. Many of these children may meet the technical definition of autism but can still lead mostly normal lives. The sheer volume of these 8-year-old children identified, however, highlights the need for some type of insurance that would defray the cost of care.

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[1] https://www.romper.com/pregnancy/hospital-car-set-requirements
[2] https://www.beaconhealthoptions.com/autisms-cost/
[3] https://www.cdc.gov/mmwr/volumes/70/ss/ss7011a1.htm

In her International Insurance Society (IIS) essay entitled *Planning and Caring for Special-Needs Children*, Molly Hanzelka describes the tedious and frustrating journey that she has taken as the parent of a special-needs child[4]. She explains that wealthy families can afford early-age treatment for children diagnosed with autism, which research has shown can have major long-term positive effects on the development of the child[5]. Destitute families will have access to many of these treatments free of charge from existing governmental programs. It is the group in the middle that suffer the most. These families have enough resources *not* to qualify for free services and treatments, yet are not wealthy enough to afford the USD 60,000+ in annual care.

These are exactly the families who would benefit most from an insurance policy that could cover death and disability of the major family breadwinner and disability of the child. There are no real options to cover the care and treatment of a disabled child, except for governmental programs described in Hanzelka's IIS essay. A governmentally-mandated private policy covering the life and disability of the parents and the disability of the child could provide needed care and take pressure off of existing governmental programs which are already backlogged for years, according to Hanzelka's article.

There is precedence for governmentally-mandated private insurance policies as all drivers are required to own an auto insurance policy. The main purpose of mandatory auto insurance policies is to cover a person injured in an automobile accident. Wouldn't covering a child that is born with a debilitating disease also make sense? This policy could model itself after the Swiss health insurance system. Switzerland ranks fourth in worldwide life expectancies with an average of 84.25 years, well above the 79.11-year average for the US putting it into 46th place (see Figure 1 below)[6]. While there are many factors that increase the life expectancy of a country's population, the health insurance system is certainly one important factor.

FIGURE 1: Life Expectancy by Country

Rank	Country	2020 Life Expectancy
1	Hong Kong	85.29
2	Japan	85.03
3	Macao	84.68
4	Switzerland	84.25
5	Singapore	84.07
6	Italy	84.01
7	Spain	83.99
8	Australia	83.94
9	Channel Islands	83.60
10	Iceland	83.52
…	…	…
40	Maldives	79.89
41	Czech Republic *and* Mayotte	79.85
42	Barbados	79.64
43	Curaçao	79.41
44	Poland *and* Lebanon	79.27
45	Cuba	79.18

[4] https://www.internationalinsurance.org/leaders_of_tomorrow_planning_and-caring_for_special_needs_children

[5] https://www.nichd.nih.gov/health/topics/autism/conditioninfo/treatments/early-intervention

[6] https://www.worldometers.info/demographics/life-expectancy/

46	United States	79.11
47	Panama	79.10
48	Croatia	79.02
49	Albania	78.96
50	Oman	78.58
…	…	…
192	Chad	55.17
193	Central African Republic	54.36

Source: United Nations Population Division via Worldometer.info

Many people unfamiliar with the Swiss health insurance system assume that it is a single-payor, governmental program. This is not the case. Each Swiss citizen is required to purchase a private individual health insurance. The basic coverages are mandated by law and all providers must have a basic coverage option. At the end of the year, the net earnings of all providers are pooled for basic coverage. If the result is positive, the basic rates will decrease the following year. If the results are negative, the rates increase. That is, the providers are compensated for their expenses, but profits are distributed amongst the policyholders (and losses are recouped from policyholders). Providers make profits and differentiate themselves from their extra-basic plans which may include semi-private or private room hospitalization, lower deductibles, lower co-pays and higher limits.

This new parent insurance plan could be run in the same fashion as the Swiss health insurance system state-by-state. Providers could offer the basic plan and extra-basic plans. Losses would generate higher rates the following year while profits would lower rates. This lowers risk and reward for the carriers in favor of spreading the risk among the policyholders. It also gives carriers an opportunity to obtain data to be better able to price this risk.

New parents would quickly learn that having a baby is a huge responsibility and warrants the proper insurance on both the parents and the child. It would demonstrate to the parents the benefits of life and disability insurance from an early age. And, owning one policy will most likely lead to future insurance purchases including life insurance, health insurance and annuities. Feeling protected can help parents sleep easier at night, until the baby wakes up for its 2:00 am feeding.

But having insurance coverage for a childhood disability is not the only challenge that occurs for the families of disabled children. Proper financial planning is essential. While life insurance on the lives of the parents is important, the entire family will need to plan for retirement and care for the child after the death of the parents. The CDC estimates that approximately 17% of families have to deal with a developmentally disabled child[7]. Again, not all disabilities require extra care, but it appears that the market for financial planning of families with disabled children is quite large. The life insurance industry should better address this gap with specially-trained financial planners.

A simple internet search will yield very few experts in the field of families with special-needs children. Not only does the government have special programs that should be fully explored, but there are specific tax laws that assist these families as well. For example, the family may want to set up a Special Needs Trust for the child so that assets can transferred to the trust and distributed to the child for medical care[8]. This could allow the child to continue receiving assistance from governmental programs because the assets are not owned by the child.

[7] https://www.cdc.gov/ncbddd/developmentaldisabilities/about.html
[8] https://legaldictionary.net/special-needs-trust/

As Hanzelka pointed out in her essay, navigating through this incredibly complex system of potential governmental assistance can be frustrating and exhausting. Having a professional to help steer through rough waters should add comfort. In addition, this financial expert could help with a larger financial plan for siblings of the disabled child. With the number of families enduring the emotional and financial consequences of raising a disabled child, it seems that becoming an expert in this field of financial planning could be a rewarding endeavor – emotionally and financially.

While the focus of this article is on families with special-needs children, the 83% of families with children who are born healthy would also benefit from an all-encompassing mandatory insurance policy at the birth of a child. And, they would benefit from expert financial planning. Starting early is a key factor in the family's security throughout its lifecycle. The US seems to be moving more in this direction with the passage of the Setting Every Community Up for Retirement Enhancement (SECURE) Act 2.0. Among other enhancements, the SECURE Act 2.0 will allow automatic enrollment into 401k plans. Getting an early start to retirement savings is equally as important as covering the life or disability of a newborn's parents.

Having to care for a disabled child will hamper the financial planning of even the wealthiest families. A mandated governmental insurance program could get families early development services so vital for the disabled child and help ease the burden on their financial planning. Not only would it help the families, but it would also help governmental programs by taking pressure off of an already financially and resource-stressed system. And, it makes a family feel good that it has provided for itself.

Insurance provides an important service for society. It covers the financial burdens caused by premature death or disability of a breadwinner, outliving one's assets, medical treatments, property damage, cyber-attacks and other unforeseen events. But it is often not the first thing that a new family will think about. Intervention from the government can give a much-needed nudge in the right direction to protect a new family from the many uncertainties that could occur. The "worst" thing that could happen is that the family does not need the insurance so it feels that the cost of coverage was "wasted." This is an alignment of interest worth fighting for by the insurance industry lobby groups.

Having a first child is truly a magical event. Having insurance coverage for the parents and new child can make this event even more magical and a lot less stressful.

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Ronald Klein
IIS Research Expert: Life and Health

About the Author:
Ronnie has over 40 years of insurance and reinsurance experience having worked and lived in 3 countries. In his current role, Ronnie serves as Executive Director to the Bermuda International Long-Term Insurers and Reinsurers (BILTIR) association. He also is a Collaborating Expert of Health and Ageing for The Geneva Association located in Zürich. Ronnie is Co-Chair of the Programming Committee for the ReFocus Conference and served on the Board of Directors of the Society of Actuaries. Before this, Ronnie worked as the Head of Life Reinsurance for Zurich Insurance Group in Zürich, Head of Life Reinsurance for AIG in New York and Global Head of Life Pricing for Swiss Re in London. Ronnie began his career at Mutual of New York. A little-known fact is that Ronnie holds a patent (US20060026092A1) for the first Mortality Bond issued called Vita when he was with Swiss Re.