

CASE STUDY

M Financial Group
Portland, OR



BACKGROUND

Portland, OR-based M Financial Group partners with more than 145 member firms across the country to manage life insurance and financial services for the ultra-affluent and corporate markets, handling policies up to 10 times larger than typical contracts.

“When you’re trying to assess someone’s mortality risk at this level – or at any level – you’ve got to have a thirst for knowledge,” says Rodger Hergenrader, vice president and chief underwriter at M Financial Group. “Underwriting is a combination of different disciplines, but it’s heavily steeped in clinical medicine and research.”

During his 40-year career, Hergenrader has seen clinical research become more prevalent, thus impacting the factors that insurance medical directors and chief underwriters use to make decisions. “If you don’t keep your eyes open for some of these changes, you’re missing out on a lot.”

During a conversation with a friend (a former chief underwriter at a major reinsurance company who is familiar with companies that have worked in epigenetics), he learned about the diagnostic possibilities offered by epigenetics for the insurance industry.

The subject piqued Hergenrader’s interest, and he began doing research to learn more. That’s when he discovered Behavioral Diagnostics and its affiliation with the University of Iowa. “I was already familiar with the University of Iowa and have an appreciation for the professionalism they bring, so I knew the work they’re doing would be impressive.”

CHALLENGE: DEALING WITH FALSE POSITIVES

To determine alcohol consumption patterns, the insurance industry has been relying on carbohydrate deficient transferrin (CDT) tests for more than 15 years. “I’m always a little bit leery,” Hergenrader says. “We know there are a substantial number of alcohol abusers and alcohol-dependent individuals. False-positive CDTs are a concern. They aren’t unique.”

CDT test results are heavily influenced by specimen viability. After a paramedical staff person takes a blood or urine sample, for example, it’s difficult to track what happens from there. It may be exposed to extreme heat, delayed in transportation, sit all weekend if it was collected on a Friday afternoon, or be placed in a lab queue for days before being processed. (Sometimes, results may indicate some tests were not reportable due to specimen quality at the time of analysis. This is a clue that the CDT result may have quality-control issues.)

When false positives do arise, applicants often become concerned and want more information – so they visit their doctor. “I’ve been very disappointed in our industry’s utilization of CDT because it’s not used clinically,” says Hergenrader. “When clients test positive, it’s difficult to explain it to them and their primary care physicians. This approach has never really been adopted in

clinical medicine. Some doctors aren’t even aware of what CDT tests are or how they work.”

Recently, he encountered a 50-year-old male who was applying for buy-sell coverage with a face amount of \$15 million (permanent coverage).

The prospect’s medical records indicated no history of tobacco use or exposure; alcohol consumption was documented at an average of one glass of wine per day. Other than being treated for hypertension with excellent control, he seemed to be in good health.

During his initial insurance exam, however, an elevated HDL (which is “good cholesterol” and usually favorable) was detected. This prompted a CDT reflex test with a positive (abnormal) result.

“I was initially concerned that we were dealing with a false-positive CDT result because the medical records and other documentation didn’t contain any supporting evidence that the client was an alcohol abuser,” Hergenrader explains. Offers from several carriers ranged from declination to moderate ratings.

SOLUTION: DNA METHYLATION TESTS

Whenever an insurance applicant experiences a false positive, the first thing Hergenrader does is examine medical records. "If a doctor has told this person to stop drinking a number of times, I can corroborate that. It makes sense. I look for individuals who have no other red flags."

In these types of cases, he relies on Behavioral Diagnostics' DNA methylation tests – **Smoke Signature®** and **Alcohol Signature™** – to yield more dependable results. "Approximately half the time, the DNA methylation results suggest that the CDT is a false positive. For the other half, it corroborates with the CDT results."

Hergenrader says the information is valuable either way when it comes to uncovering the truth and determining correct pricing. "That should be our goal in insurance and underwriting: to price individuals properly and equitably based on their mortality," he says.

In the case of the 50-year-old male who was applying for buy-sell coverage, repeat laboratory testing was completed five months later to re-assess – this time using **Smoke Signature** and **Alcohol Signature** epigenetic tests from Behavioral Diagnostics.

After obtaining a whole blood specimen from a local clinic, the saliva test was sent to Behavioral Diagnostics' Iowa-based lab using a secure, prepaid mailer. Confidential, easy-to-read results were provided within three business days.

The results confirmed the initial suspicion of a false-positive CDT and reaffirmed what the prospect's medical records indicated all along: a low threshold of tobacco exposure and alcohol consumption consistent with abstinence to light drinking.

RESULTS: FAIR AND ACCURATE UNDERWRITING

After sharing these updated test results with life insurance carriers, a policy was issued to the prospect at Preferred Best class (the best rate class) and placed by the insurance producer with an annual premium of \$116,600.

"It was very easy to arrange for the exam and lab tests," says Hergenrader. "Working with Behavioral Diagnostics has been a joy – from both the ease of the process to the knowledge I've gained from reviewing Founder Dr. Philibert's work."

Being able to rely on an epigenetic test also helps put applicants' minds at ease because they know they're being underwritten fairly and accurately. "If they feel otherwise, they typically will not purchase coverage," Hergenrader says. "This has implications beyond making a purchase or transaction. When individuals need to protect their families or businesses, the inability to purchase coverage can have a social and economic impact if an unexpected death occurs."



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RODGER HERGENRADER