

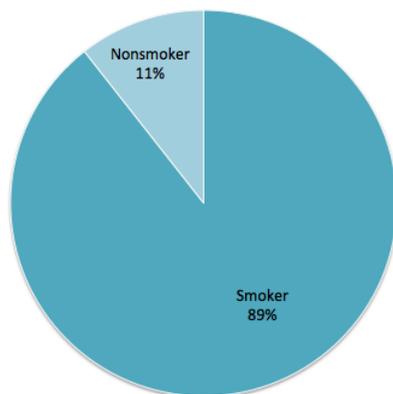
Bloomberg Businessweek
Life Insurers Treat E-Cigs Just Like Other Cigarettes
John Tozzi, May 14, 2014

Does puffing on an e-cigarette count as smoking? As far as life insurance companies are concerned, it does.

A lot of smoke is blown in the running battle over electronic cigarettes. Companies selling e-cigs are promoting them as quitting aides or less harmful alternatives to burning tobacco. Public health advocates urging tighter restrictions say the nicotine vaporizers may carry unknown risks and turn children on to old-fashioned cigarettes. A good way to clear the haze is to ask the insurance companies that actually have money riding on the long-term health effects of vaping.

Life insurers, in particular, charge smokers more because smokers have higher mortality rates—cigarette use take 10 years off life expectancy, according to the Centers for Disease Control. And so far, the companies aren't making much distinction between vaping and lighting up.

In your opinion, if someone is using e-cigarettes, are they a smoker or non-smoker?



A survey of 151 life insurance underwriters at a conference last week showed that nine in 10 considered e-cig users to be smokers. The survey, conducted by Munich American Reassurance Company, captured responses from about 20 percent of conference attendees. The majority said their companies didn't yet have specific policies for e-cigarettes.

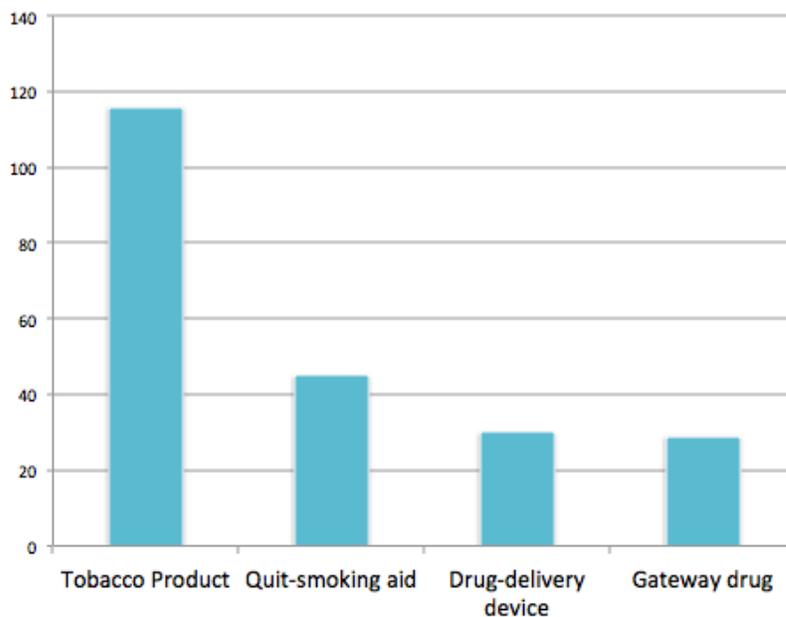
The dilemma for life insurers is that even if electronic cigarettes turn out to be safer than their tobacco counterparts, the insurers have no way to tell the

difference between a smoker and vaper. Underwriters ask people applying for life insurance about their tobacco use and then verify those responses with a blood or urine test for cotinine, a product of metabolizing nicotine found in both products.

“When that test is positive, an underwriter says this individual has used nicotine, so they are a higher risk class,” says Bill Moore, chief underwriter at Munich American, which sells reinsurance policies to U.S. life and disability carriers. “An underwriter has a real challenging time figuring out what the source of that nicotine is.”

A minority of smokers routinely tell life insurers that they’re nonsmokers. So if claiming that nicotine in the blood is from vaping would get them lower rates, some number would likely do that. If they continued to die at higher rates than nonsmokers—triggering disproportionate payouts on their policies—the company would have to raise premiums on everyone to compensate.

Which of the following best classifies e-cigarettes in your opinion? (select all that apply)



There’s some room for nuance in how life insurers treat different forms of tobacco use. Moore says an occasional cigar smoker who discloses the habit and tests as a nonsmoker could be given the nonsmoker rate under many policies.

Insurers will likely treat vaping cautiously, because the long-term risks are still unknown: Nobody has been using e-cigarettes for 20 years. The devices can

deliver much higher doses of nicotine than conventional smokes, which Moore says raises concerns about the risk of high blood pressure or stroke. “Quantifying that is next to impossible until more experience is gathered,” he says.

<http://www.businessweek.com/articles/2014-05-14/life-insurers-treat-e-cigs-just-like-other-cigarettes>