Preventing Elder Financial Abuse: The Role of Insurance Carriers

Walter White, President and CEO
Allianz Life Insurance Company of North America
About Allianz Life

Allianz Life Insurance Company of North America (Allianz Life)

- Founded in 1896
- Provider of financial solutions for wealth accumulation, asset protection, retirement income, and legacy needs
- Leader in index solutions
- $15.7 billion of premium in 2015
- More than 2,000 employees
- Home office in the Twin Cities (MN)

Allianz Life is part of the global financial services leader Allianz SE

- Celebrated 125th anniversary this year
- 85 million customers in over 70 countries
- 31st largest company1 in the world
- 2nd largest active asset manager2
- 2nd largest company in the diversified insurance industry3

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1“Fortune Global 500,“Fortune, July 2013. Fortune’s ranking is based on revenue.
2Allianz SE, P&I/Towers Watson World 500, October 2013. Ranked by total AUM.
1. What is elder financial abuse?
2. What do we know about it?
3. How can we help prevent it?
4. Where do we go from here?
Prominent cases of elder financial abuse take center stage

The story of Mickey Rooney

- Born in 1920, began acting career in 1926\(^1\)
- Starred in over 300 films,\(^1\) and had a successful stage and television career
- With stepson reportedly managing finances, estate dropped to $18,000\(^2\)
- Testified before Senate Special Committee on Aging in 2011, detailing his treatment\(^2\)
- Court-appointed conservator filed suit against stepson and stepson’s wife\(^2\)
- In 2013, conservator agreed to $2.8M judgment\(^2\)

“I felt trapped, scared, used and frustrated. But above all, I felt helpless.”

\(^1\)Internet Movie Database \(^2\)The ‘double life’ of Mickey Rooney, CNBC
What is elder financial abuse?
What is elder financial abuse?

ELDER FINANCIAL ABUSE

Unauthorized or improper use of the financial resources of an elder person for monetary gain

DEFINITION OF ELDER

Someone who is age 65 or older

ATTRACTIVE TARGETS

- Wealth
- Living alone
- Dependence
- Cognitive impairments or diminished capacity

Examples of elder financial abuse

By strangers
- Home repairs
- Predatory lending
- Identity theft
- Internet phishing
- Computer hijacking
- Investment/security schemes

By family
- Grandparent scam
- Charity scam
- Social Security Administration scam
- Bank employee scam
- Medicare scam
- Lottery or sweepstakes scams

52% of cases are perpetrated by family, friends, or caregivers

Family or friends may be designated trustees or be granted POA

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What do we know about it?
Elder financial abuse is a key issue for the insurance industry

- According to a seminal study, exploitation of elderly in U.S. results in an estimated annual financial loss of $2.9 billion\(^1\) (other studies show higher totals)
- Most cases go unreported; for every reported case, five may go unreported\(^2\)
- Demographically, these are our customers – acts of abuse undermine our goal of helping create secure retirements
- Financial professionals are in a unique position to detect abuse

\(^1\)Met Life Mature Market Institute, Study on Elder Financial Abuse, June 2011
The targeted group for abuse is growing

Baby boomers control more than $16 trillion in household investable assets, according to a LIMRA¹

On January 1, 2011, the oldest members of the Baby Boom generation celebrated their 65th birthday

On this day, and for every day following over the next 19 years, 10,000 baby boomers will reach age 65²

By 2030, when all Baby Boomers have reached 65, 18% of the nation will be 65+²

¹ Know Your Customer: How a New Generation of Software Helps Advisors to Identify the Right Solutions for Retirees, LIMRA Regulatory Review, April 2011
² The Baby Boomer Number Game, U.S. News & World Report, March 2012
Diminished capacity also plays important role

- **One in nine people** age 65 and older have Alzheimer’s disease
- Alzheimer’s disease is **6th leading cause of death** in U.S.
- **Today**, there are an estimated **5.1 million** Americans age 65 and older living with Alzheimer’s

**By 2025**, the number of Americans age 65 and older with Alzheimer’s is estimated to reach **7.1 million**.

**By 2050**, the number of Americans age 65 and older with Alzheimer’s is estimated to reach **13.8 million**.

2014 Alzheimer’s Disease Facts and Figures, Alzheimer’s Association
Allianz Life study: Safeguarding our seniors

Research objectives:
- Gain insights to help determine how financial services industry can best address widespread yet preventable problem
- Build greater awareness of frequency to foster more discussion around keeping seniors safe from exploitation

Research scope:
- Study of more than 2,000 Americans
  - Americans ages 65+ (elders)
  - Americans ages 40-64 (potential caregivers)
Allianz Life study: Safeguarding our seniors

RESEARCH FINDINGS: ABUSE IS UNDER-REPORTED

One in five (19%) adults age 40-64 reported having an older friend or family member who has been a victim in the past.

Of this 19%, more than half said victims did not report abuse.
Allianz Life study: Safeguarding our seniors

RESEARCH FINDINGS: IMPACT IS OFTEN SIGNIFICANT

Average financial loss of about $30,000

10% of victims reported suffering losses of $100,000 or more

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<thead>
<tr>
<th>MEDIAN FAMILY NET WORTH&lt;sup&gt;1&lt;/sup&gt;</th>
<th>MEDIAN HOUSEHOLD INCOME&lt;sup&gt;1&lt;/sup&gt;</th>
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<td>Age 65-74: $206,700</td>
<td>Age 65 and older: $33,118</td>
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<sup>1</sup> U.S. Census Bureau Current Population Survey, 2011
Allianz Life study: Safeguarding our seniors

RESEARCH FINDINGS: POTENTIAL SOURCES MISUNDERSTOOD

Perception: Where do you think biggest threats come from (respondents)?

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<tr>
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<th>Elders</th>
<th>Family</th>
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<tr>
<td>Telemarketing</td>
<td>80%</td>
<td>69%</td>
</tr>
<tr>
<td>Internet</td>
<td>68%</td>
<td>47%</td>
</tr>
<tr>
<td>U.S. mail</td>
<td>52%</td>
<td>39%</td>
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Reality: Reported incidents (elder victims)

- 52% Perpetrated by family member, friend, or caregiver
- 22% Perpetrated by a stranger
Allianz Life study: Safeguarding our seniors

RESEARCH FINDINGS: THIRD-PARTY RESOURCES UNDERUTILIZED

Only 8% of elders who indicated they were a victim said they are currently discussing their finances with another person.

Communication builds confidence.
82% of elders who speak with hired professionals are confident they have the resources to protect themselves.
How can we help prevent it?
Perception and opportunity

Perception
Providers of financial services are a primary source of elder financial abuse.

Opportunity
Both carriers and distributors can play a key role in identification and prevention.
Our PR and social media campaigns have generated significant national interest

- First wave of research data released in October and covered by USA Today and CNN Money
- First week media hits from 146 news outlets, with over 88 million impressions
- Second wave of research was just released and has already generated over 20 articles in prominent outlets, including CNBC and Financial Advisor
- Personal video testimonials pushed out via Facebook and Twitter news channel, with total views 2-3 times higher than average
Role of insurance carrier: Safeguarding our Seniors program at Allianz Life

We developed a training program to educate and mobilize our distribution partners

- Presentation and supporting materials designed to help financial professionals identify and prevent abuse of their elder clients
- Delivered by Advanced Markets group to internal/external sales teams and at outside workshops
- Approved for continuing education (CE) credit in all applicable states
We partnered with the Better Business Bureau to enhance their volunteer program aimed at combating abuse

- Allianz Life employees volunteer through BBB to present at senior community centers, assisted living facilities, and other locations around the Twin Cities

We established Allianz Life Elder Caregiver Network for our employees

- Network assists Allianz Life employees who may face challenges caring for elderly parent or friend

We are seeking public and private partnerships to extend our reach

- Focus for many organizations
Role of insurance carrier: Safeguarding our Seniors program at Allianz Life

Our customer service team works to prevent and address suspected elder financial abuse:

- Employee training to help identify and report potential elder financial abuse
- Calls to new customers 75+ help screen for potential abuse or diminished capacity
- “Agent oversight” program helps to identify instances of potential abuse
- Additional communication with customers if abuse is suspected by employees or financial professionals
- Transaction suspension or termination policies in place
Role of distributor:
Key line of defense against elder financial abuse

Look for red flags:

- Does elder client appear to have inappropriate outside influences?
  - Intimidation or bullying
  - Financial “advice” from new friend or family member
  - Undue influence or manipulation to make decisions

- Is there a sudden or unexpected change to financial arrangements?
  - Change of ownership
  - Large or frequent cash withdrawals
  - Unusual purchases of large items
  - Change in beneficiaries
  - Giving away/selling assets

WATCH FOR A BREACH OR FAILURE OF FIDUCIARY RESPONSIBILITY
Role of distributor: Key line of defense against elder financial abuse

Create a safe environment to discuss financial, legacy, and other directives:

- Allow clients to speak openly and honestly without pressure
- Ask probing questions without judgment
- Assess risk tolerance
- Discuss all aspects of retirement, legacy, healthcare, etc.
- Ask who they trust most/least
- Welcome family members/beneficiaries and encourage crucial conversations
Role of distributor: Key line of defense against elder financial abuse

Encourage elder clients to:

- Put all financial decisions in writing now
- Use direct deposits for pension, Social Security, etc.
- Shred unneeded documents and store others securely
- Use social media and the Internet wisely
- Carefully select trusted person to act as agent in all estate-planning matters, but engage multiple family members
Role of distributor:
Key line of defense against elder financial abuse

Identify individuals with legal responsibility and power:

- Trustee
- Power of attorney holder
- Court appointed guardian of the person
- Court appointed conservator of the estate
- Social Security representative payee
- Veteran’s representative
- Estate personal representative (executor)

STATE LAW CONTROLS POWERS GRANTED TO THESE INDIVIDUALS
Role of distributor:
Key line of defense against elder financial abuse

Utilize proper estate planning documents and validate policies/ procedures of product providers:

- **Beneficiary documents**: Life insurance, annuities, IRAs, qualified retirement plans
- **Transfer on death**: Checking and savings accounts
- **Wills**: Legal documents to manage estate and how property should transfer after death
- **Trusts**: Legal documents that specify a trustee to hold and manage property

ELDERS SHOULD BE INSTRUCTED TO CONSULT WITH THEIR ATTORNEY
Where do we go from here?
Next steps at Allianz Life

- Continue to refine and publicize our research to raise awareness
- Continue to educate employees, distributors, and the public through internal/external workshops, and community outreach
- Expand breadth of internal processes and controls to proactively manage risk across customer lifecycle
- Work with distribution partners and other carriers to identify opportunities for greater collaboration
- Monitor and support legislative and regulatory actions
CALL TO ACTION

- Recognize the unique role of the financial services industry in identifying and combating elder financial abuse
- Be proactive and productive, and not defensive and liability-averse
Thank you.
Questions?
Disclosure

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