



## Even Santa Needs Life Insurance

**Situation:** In celebration of the holiday season, we like to lighten the mood rather than tackle a highly technical aspect of insurance. As a financial professional, you're likely aware of the benefits life insurance provides and know how it can provide an income stream in the event of an unexpected death. Santa Claus provides a lighthearted illustration of just how important it is: if anything were to happen to him without a life insurance policy in place, it's reasonable to assume that it might be difficult for Mrs. Claus to keep the toy manufacturing empire at the North Pole open. So for our final message of the year, we are going to give our readers a little peek behind the scenes of the factors a carrier might consider when underwriting jolly old Saint Nicholas for key person coverage.

**Solution:** Underwriters look at several different factors including: lifestyle, medical records, occupation, hobbies, driving records, and financial history to determine an insured's rate classification. Basically, an underwriter's review of a file can be divided into two broad categories. The first category includes a health and safety assessment, which is typically referred to as a medical assessment. The other category is a financial assessment. A favorable medical rating is an important first step to getting a case issued, but it can still be declined during the underwriting process by failing to meet the financial underwriting parameters established by the carrier reviewing the case.

Some insurance carriers become known for the niches they fill. For example, some carriers are

good at underwriting an insured with diabetes, high cholesterol, specific cancer history, or build issues. Others are good at assessing specific financial situations such as business, charity, and inherited wealth. Despite Santa's reputation as a role model for good behavior, it's obvious that his behavior might cause some underwriting concerns. That is why it's important for Santa's financial advisor to work with a life insurance brokerage general agency like DBS that has a knowledgeable and experienced underwriting team with access to several insurance carriers. With this background, let's consider Santa's medical factors.

**Santa's Medical Assessment.** There are no two ways about it, Santa is an underwriter's nightmare. It's clear he engages in some rather risky behavior. His December 24<sup>th</sup> escapades are documented in numerous stories. Dashing from rooftop to rooftop in an open aircraft (sleigh) with a limited guidance system (reindeer with a shiny red nose) and no signs of a seatbelt will likely result in a table or flat extra rating with most carriers. A review of his MVR records likely contains a few speeding tickets, given his ability to visit every good child in one night. Let's not overlook his rosy-cheeked face, which might be an indication that he is tipping some brandy – hopefully not while driving. The fact that on one day each year he stays out all night while shimmying down chimneys and breaking into strangers' houses does not help to mitigate this aspect of the medical assessment.



In addition, Santa's penchant for high-fat and high-sugar treats with his obvious girth is a cause for concern. Obesity is a leading cause of diabetes and heart disease. It's reported that Santa periodically smokes a pipe which will cause most carriers to classify him as a smoker. Despite these risk factors, by all accounts Santa is very old, but still very active.<sup>1</sup> Maybe there's more to his health habits than immediately meets the eye.

It's likely that Santa maintains an exercise program during the balance of the year so that he can remain "lively and quick." After all, he carries a lot of toys which requires him to be strong. In addition, he has been married to Mrs. Claus a long time and has several pets. Studies indicate that both factors provide several health benefits.

Considering that he is able to fly around the world and finesse his way up-and-down millions of chimneys in a single night, it appears that he is in good shape. But, his risky travel behavior will likely cause him to be rated.

<sup>1</sup> Recent fake news falsely reported that Saint Nicholas died in 343 A.D. and that his tomb was discovered in 2017 beneath his namesake church in Demre on the Mediterranean coast of southern Turkey. As the story goes Saint Nicholas was a monk who gave away his hefty inheritance and chose to help the poor and sick. He was also a patron saint of sailors and was, of course, especially fond of children. He was known for his anonymous gift-giving and generosity. It's believed that he began his gift-giving spree by putting coins in the shoes of anyone who left them out for him on his feast day of December 6.



**Santa's Financial Assessment.** While it appears that Santa might be able to pass a medical assessment, it's not clear what he will qualify for financially. Typically, insurance carriers use a multiple of individual compensation as a guideline to determine the face amount on a key person. For a person like Santa who presides over a business, often the multiple is ten times compensation. So, for a person making \$250,000, a carrier will consider a face amount of \$2.5 million. Amounts beyond this can be acquired, but usually need to be explained in a cover letter.

Despite Santa's long-standing popularity, along with unmatched contributions to the world, there is no evidence that he gets paid in anything other than milk and cookies. According to a 2014 survey, approximately a third of the population felt Santa doesn't need to be compensated for his work because what he does is out of the goodness of his heart. Key people in not-for-profit organizations often do not receive the same level of compensation found in for-profit businesses. When we run into situations like this, we often need to look to other means of determining the impact their loss will have on the business.

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Fortunately for us, each year *Insure.com* determines what Santa would earn based on a pre-set list of tasks matched to occupations and wage data from the Bureau of Labor Statistics. Like past announcements, the 2020 publication provides a breakdown of tasks performed by Mr. Kringle. It's clear from the list that Santa has a unique skill set which includes roles in taking care of reindeer, cookie taster, and private detective. However, the bulk of Santa's time is spent running the workshop. For 2020, *Insure.com* found that when all the components from the following list of tasks performed by Santa are tallied up, his salary would be \$157,000. This is a two percent increase over last year:



Professional shopper  
*Sales*



Sitting in mall to speak with children  
*Customer service representative*



Letter reader  
*Correspondence clerk*



Going down chimneys  
*Chimney sweeper*



Running the workshop  
*Manager industrial engineer*



Announcer  
"Merry Christmas to all"  
*Announcer*



Pilot of sleigh  
*Pilot*



Distributor of gifts  
*Shipping/Receiving clerk*



Labor negotiator of elves  
*Labor relations specialist*



Cookie & milk taster  
*Agricultural Inspector*



Wrapper of gifts  
*Packer*



List checker  
(checking it twice)  
*Accountant/Auditor*



Taking care of reindeer  
*Farmworker*



Investigator  
(knows if you've been good or bad)  
*Private detective*

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On top of wages, it's possible to include incidental perks not received by the rank and file – elves in this case. Santa's compensation package covers lodging and transportation, which can be included in the calculation to come up with a key person face amount. Based on this data, most insurance carriers would feel comfortable offering Santa a key person policy in the range of \$1.5 to \$2 million.

The holidays are often a time spent with family. It can also be a time to embrace the child in us and enjoy the magic of the season. But after the presents are unwrapped and the good china put away, we have a responsibility to provide sufficient life insurance to care for our family. We should not ignore income replacement, mortgage payments, childcare, and education expenses that arise after a death in the family. Shopping for coverage is easy with DBS. From all of us at DBS, we wish you a happy and safe holiday season.



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