

FINANCIAL UNDERWRITING

With the decrease in term costs, we are seeing larger policies being requested. It is not uncommon to receive applications for \$1 Million or \$2 Million or more. The fact that the applicant can afford the premium does not fulfill the financial underwriting requirements. There has to be a financial justification for the amount of coverage being requested and most of the time, these justifications are determined using a multiple of income for personal coverage. An example of this; A person between the ages of 46 and 50 can qualify for an amount up to 14 times their annual income. The financial underwriting guidelines can be found in your company provided Underwriting Guide. Always refer to the guidelines when taking any life insurance application. If there is any deviation in the amount applied for and the published financial guidelines, ALWAYS write a letter and attach it to the application and explain to the underwriter the method used to arrive at the amount applied for. (See Buck's Law).

Housewives and retired individuals are treated differently than individuals who work outside the home. Always be aware of this when taking an application. There has to be a demonstrable financial loss in order for the underwriter to approve the case.

Failure to follow the financial guidelines can kill a sale faster than almost anything. In the large case arena, this is the NUMBER ONE reason for not placing cases. Know the rules and place that big case.

WHAT ARE THE BINDING LIMITS?

Binding limits vary by company. You will find the limits listed on the "Conditional Receipt" in your life application. The rules are very specific and must be followed. Never try to bind a policy for more than these two limits. If you do, by law, your client will receive a letter from the underwriter and his check will be returned to him. This is never a good thing.

I am from the old school, and I believe that a sale is never truly "made" until the check is picked up. Whenever possible, I get the check when I take the application – as long it falls within the binding limits.

When you bind a policy by picking up a check, ALWAYS leave the conditional receipt with the client.

WHEN CAN AN AGENT BECOME LIABLE FOR THE CLAIM?

This is a very large question with a very long answer. I cannot list every situation where this might apply, but I can list a few things that you can do to help prevent it.

- 1) Always present all of the facts to the prospect.
- 2) Always keep a copy of every piece of paper that is used in the transaction in your file in your office. Keep it for a very long time!
- 3) Always tell the insurance company EVERYTHING you know about the client and his/her situation. Never assume that any information that you have is not important.
- 4) As an agent for the company, any information that you have is information that you must divulge to the company.
- 5) As an agent, you represent both the company and the client. You must fulfill your duties fully to both parties.

6) Never take shortcuts on anything. Always perform above and beyond what is expected of you.

7) Lawyers get paid on a contingency basis in these types of cases and they will FIND the mistakes and point them out to the judge and the jury.

THE BEST KEPT SECRET IN THE UNDERWRITING GAME

The best kept secret is really no secret at all. However, it is the **NUMBER ONE** *most overlooked* piece in the puzzle. Remember . . . your client is a bunch of writing on a bunch of pieces of paper to the underwriter. The underwriter will NEVER meet your client. He will NEVER get to know him as a person. The only opinion that he will be able to form of your client is what he finds on the pieces of paper.

Help him get to know your client, give him ONE MORE piece of paper! Write a cover letter for each application and tell the underwriter everything that you know about the case – good and bad. Tell him how you arrived at the amount and tell him about the applicant, where he works, about his family. All of this information can influence the underwriter's decision. Writing the letter may take an additional 10 minutes, but it may save WEEKS in the underwriting process!

Over the almost 40 years that I have been practicing my livelihood, I have had the opportunity to work with some exceptional underwriters. Many of these underwriters have taken the time to educate me on the underwriting process and most of what I am relaying to you today came directly from these great friends and underwriters. Without exception, their two cardinal rules are always the same;

Ask and complete EVERY question on the application. Get all of the information and write it legibly with a *black* pen. Never use pencil or any other color of ink. Never leave a space blank – write in "none" or "does not apply" – but NEVER leave a space blank.

Always add a cover letter and give me a visual picture of this person as a human being and not just a number and a pile of paper.

I believe that the advice contained in this guide will serve you as well as it has served me – IF you will put it to use. I will make you a deal. Try these guidelines for 6 months. If our underwriting results don't improve, I will buy your dinner.

DON BOOZER & ASSOCIATES
1-800-543-0886

733 Ft. Worth Drive
Suite 100
Denton TX 76201
Phone: 940-566-0800
Fax: 940-382-0523
www.donboozer.com

**BEST KEPT
SECRETS**

**OF
LIFE INSURANCE
UNDERWRITING**



DON BOOZER & ASSOCIATES
1-800-543-0886

MEMBER
National Brokerage Consortium

BEST KEPT SECRETS REVEALED

I may be misleading you a bit when I promise you the “Best Kept Secrets” of the life insurance underwriting world. In actual fact, these secrets have long existed in our books and seminars, we just didn’t pay much attention to them. They may not be the best kept secrets, but they are surely the least practiced. Today’s cheap term rates have caused a tightening of the underwriting procedures by the reinsurance companies and consequently the underwriting procedures of the life insurance companies. The agents and the clients need every advantage that they can muster. Let’s take these principles one at a time and see if we can find a way to use them to help our clients.

FIELD UNDERWRITE FOR A BETTER PLACEMENT RATIO

Our biggest failing as field underwriters is to not ask enough questions. Today, in addition to health history of the client, we also consider the medical history of the parents and siblings in determining the rate classification. This is because medical science has proven that there are some medical conditions that are handed down from one generation to another. If your father had prostate cancer, your chances are 50% greater that you will as well. You will find most of the proven hereditary conditions in the area of heart disease and cancer, but there are other areas as well. To improve your placement ratio in situations, you MUST ask the family history questions BEFORE you quote the premium. If you quote a *preferred* rate and family history causes the case to be issued *standard* – your placement ratio goes down.

FIVE QUESTIONS TO ASK BEFORE YOU QUOTE THE CASE

- 1) You must ask the basic health questions BEFORE you quote the case as well. Does your client have ANY medical history that might affect the underwriting process?
- 2) Does he have now, or has he ever had diabetes, high blood pressure, cholesterol issues, etc.?
- 3) Does he practice any hazardous activities (Scuba Diving, Skin Diving, Auto Racing, etc.)? These types of activities can make a big difference in the rate assigned.
- 4) What is his height and weight? This question is HUGE in today’s underwriting classifications. The companies are bound by their reinsurance rules and cannot make a 5 pound exception for your client. You need to know what his height is and what his weight is *with his clothes and shoes on* BEFORE you quote the rate. That is the way the examiner is going to weigh him and measure him.
- 5) Did his mother, father, or siblings have cancer or heart disease prior to the age of 60? You MUST know this BEFORE you quote the case.

We will discuss many of these issues in more detail as we go forward, but these are the issues most often *missed* in the pre-underwriting phase of the sale.

MEDICAL CONDITIONS THAT ARE DEAL STOPPERS

The list is fairly short. Alzheimer’s, recent (or current) cancer, recent (or current) heart issues (heart attack, progressive heart disease, pacemaker installation, etc.) There are others, but these are the most common. If your client has any of these issues, you should NOT take an application without first getting a preliminary quote from your Brokerage General Agent (BGA).

MEDICAL CONDITIONS THAT MIGHT STOP THE DEAL

This can be a huge list. Controlled blood pressure, controlled cholesterol, controlled diabetes, controlled hepatitis – pretty much CONTROLLED anything. Medical science has made this an ever changing issue over the past 20 or so years and the improvements just keep on coming. If your client has these or any other “controlled” ailments, get a preliminary quote from your BGA – before you quote the case and before you take an application.

USE QUESTIONNAIRES TO GET A BETTER RATE

Every life insurance company that is serious about their underwriting offers a list of questionnaires to help gain information in the underwriting process. Often, we as agents feel inadequate when faced with a client who has a health history. We don’t know what questions to ask. The questionnaires give you the questions to ask. If you will gather the information before the app is taken, the BGA or the underwriter can usually give you an accurate quote based on the information gathered.

If your prospect has any of the following issues, help them get a better (and quicker) decision by using a questionnaire.

| | | |
|------------|-----------------------|------------------|
| Alcohol | History Diabetes | Tobacco Usage |
| Aviation | Driving Violations | Depression |
| Avocation | General Health Issues | |
| Cancer | Heart Disease | Drug History |
| Chest Pain | Stroke | Criminal History |

All of these areas can be better explained with the use of a questionnaire. If you know the issues in advance and have the answers to the questions, you will be more likely to have a policy issued that you will be able to place. If a client is a “Table D” due to diabetes, TELL THEM WHEN YOU QUOTE THE PRODUCT. In their case, the Table D is the correct rate for them – it is their “standard” rate. Think of it in the same context that your P&C agent uses when he quotes your car insurance. It is the same concept and the client will understand it.

WHEN IS A PROSPECT A STANDARD RISK?

This one seems obvious, but trust me . . . it isn’t to most of us. After you ask your client for their date of birth, ask them for their height and weight! Once you know the answer, look in your field underwriting guide provided by your life insurance company and see if the height and weight excludes the prospect from preferred or super preferred rates. DO NOT QUOTE a preferred or super preferred rate to a guy who is 5’ 8” tall and weighs 220 pounds! He is a STANDARD risk at best.

If you quote him a “super preferred” rate, and you can’t deliver a “standard” rate, you have caused a great deal of effort to be wasted by you, your BGA and the company, AND you have cost each a considerable amount of money. Always quote the correct rate when you know it. Honesty is always the best policy.

You may say that the competition forces you to show the best rate and that may be true. However, after you have quoted the super preferred rate to get in the door, it is your duty as a professional to explain to the client the difference between the rate classifications and how the qualifications work. Then tell him that based on build, you are going to quote him a standard rate. There is no point in taking the app and going through the (*expensive*) underwriting process if you won’t be able to place the policy.

After the family history information, build is the second most often missed pre-underwriting situation.

A family history of cancer or heart disease can also exclude the prospect from receiving better than a standard rate.

THE DIFFERENCE - TOBACCO USE AND SMOKING

Most life insurance companies have their own definitions of these two issues. However, when a company uses the *Non Tobacco* phrase, they mean ANY kind of nicotine inducing item (cigars, pipes, chewing tobacco, snuff, nicotine gum, etc.). ALWAYS ask if they use ANY of these items. If they do – they *cannot* qualify for a non tobacco rate. You must quote them a tobacco rate.

NEVER MAKE THE UNDERWRITER GUESS

If you really want to help your client get life insurance, NEVER make your underwriter guess! In the final analysis, all your underwriter knows about your client is what he or she finds written on pieces of paper. If you leave questions blank or don’t give complete answers, the underwriter has to assume that if there is more than one scenario, that the worst scenario will apply. Companies can go broke if the underwriter automatically defaults to the good scenario every time. The questions that most often are left blank are;

- 1) Occupation and Income of the Client.
- 2) Explanations for “yes” answers in the medical section.
- 3) Existing coverage and pending insurance.
- 4) Replacement of insurance questions AND replacement forms.
- 5) Family history questions.
- 6) Name, address AND phone numbers of medical facilities and doctors. Has the client applied for coverage elsewhere and what will be the disposition of the other applications?
- 7) NEVER leave the answer to a question blank. If the answer is “none,” then write NONE in the space – never leave it blank.

Buck’s Law:

“Never make an underwriter guess. When you do – it will almost always work against you or your client.”