

UNDERSTANDING THE UNDERWRITING PROCESS



Now that you have decided to purchase life insurance, it is important to understand what will take place prior to receiving a policy. Underwriting is the risk selection process that allows the insurance company to evaluate and price risks. By collecting data about your health, finances, lifestyle, hobbies, avocations, driving history, etc, the insurance company will determine the appropriate premium classification. It is important to understand that underwriting will ultimately protect you as a policyholder. It will allow the company to make informed decisions about the risks they take.

Completing the Application – *Each answer must be completed* and details provided when appropriate. If some of the questions seem repetitious, it is because the insurance company wants to be sure you understood the question and that the answers you provide are consistent.

Special Questionnaires – Lifestyle activities may require additional questionnaires. Foreign travel, hazardous avocations like racing cars/motorcycles/boats/planes, flying a private plane, use of parachutes, hang gliding, etc. may all require a special questionnaire and you may be charged additional premium for participation.

Financial Data – It is likely that you will be asked to provide data about your income and net worth. If your coverage is business related, you should anticipate the need to provide pertinent data about the company involved in the purchase. **Financial justification is required for all insurance purchases.** Your ability to pay a premium is not the only factor used to determine an appropriate amount of coverage.

Names of Physicians – Whether your agent completes medical questions with you or you are asked to participate in an exam (or both), providing the name(s) address, phone and reasons for your visits is very important. In most cases, your doctor will be contacted and asked to provide a report. **Frequently, this is the longest part of the underwriting process** because doctors' offices do not always respond to insurance company requests in a timely fashion. Providing the data about the doctors you've seen early in the process allows the company to request the data sooner. If your doctor does not cooperate you may be asked to contact your doctor.

The Exam – It is likely that you will be asked to **provide a urine specimen, have blood drawn, have your blood pressure checked and answer medical questions.** For larger amounts of coverage, you may be asked to have an EKG, an exercise EKG, a chest X-Ray and an M.D. exam. Please review the attached material about your exam.

Inspection Report – For larger amounts of insurance, **many carriers require that you participate in an interview with a third party inspection company.** The questions from the inspector may be similar to questions you've already answered and will cover topics such as your health, finances, hobbies, business duties, etc. Most inspection reports are completed via the telephone.

Cognitive Testing – Because many insurance companies will now issue policies through age 90, the use of cognitive testing has become much more common for senior applicants. Most cognitive testing is completed with a phone interview.

Motor Vehicle Report (MVR) – The insurance company will obtain a MVR on nearly every application. Some people are confused as to why the life insurance company may want this information. Rest assured, there is significant statistical evidence about those with serious driving infractions and premature death.

Medical Information Bureau (MIB) – The MIB is an information clearinghouse of medical data that nearly all insurance companies use. When you apply for life insurance, the company will know if you've applied elsewhere and what other companies reported to the MIB.