

Demystifying The Underwriting Process



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“Why hasn't my policy been issued yet?” How many times has the agent heard this? In my 18 years in the insurance and financial services business, I know that I have heard that question many times. And it is a complex question to answer, especially if the insurance applicant is not educated about the underwriting process. The insurance applicant usually thinks that the agent is responsible for everything that happens and it is the agent's fault if there is a delay in issuing the policy.

As a result of this situation, I decided that I needed a way to show insurance applicants that the life insurance underwriting process is multi-faceted, involving many different people and organizations that go way beyond the agent's ability to control what happens and when.

By using the chart on page 56, I make clear to the insurance applicant what happens to his application after I shake his hand, thank him for his confidence, and stroll out the door back to my own office.

As I discuss the chart with the insurance applicant, I indicate the time

frames involved and prepare him for what can go wrong that might cause a delay in processing. I know, from my years of experience, that the following are possible: The blood or urine sample can be lost or misplaced in the lab; the physicians may not respond in a timely manner to the attending physician requests; the insurance applicant may not respond to the personal history interview call because he was not

told he might be getting a call (so I now remember to tell him before I leave the application meeting).

Some things are under my control as an agent, such as ordering the medical examination; making sure it took place, and if it did not, rescheduling it in a timely fashion; making sure the insurance applicant knows he will receive a personal history interview telephone call; following up on the attending

physician requests with my in-house underwriter; and enlisting the applicant's help if the physician delays his response unreasonably.

Additionally, it helps to keep the insurance applicant informed as to where

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I/R Code: 8100 Underwriting

we are in the underwriting process and the estimated time to completion. I always tell my clients that an application takes at least eight weeks to underwrite, and sometimes longer. It is better to give a conservative estimate

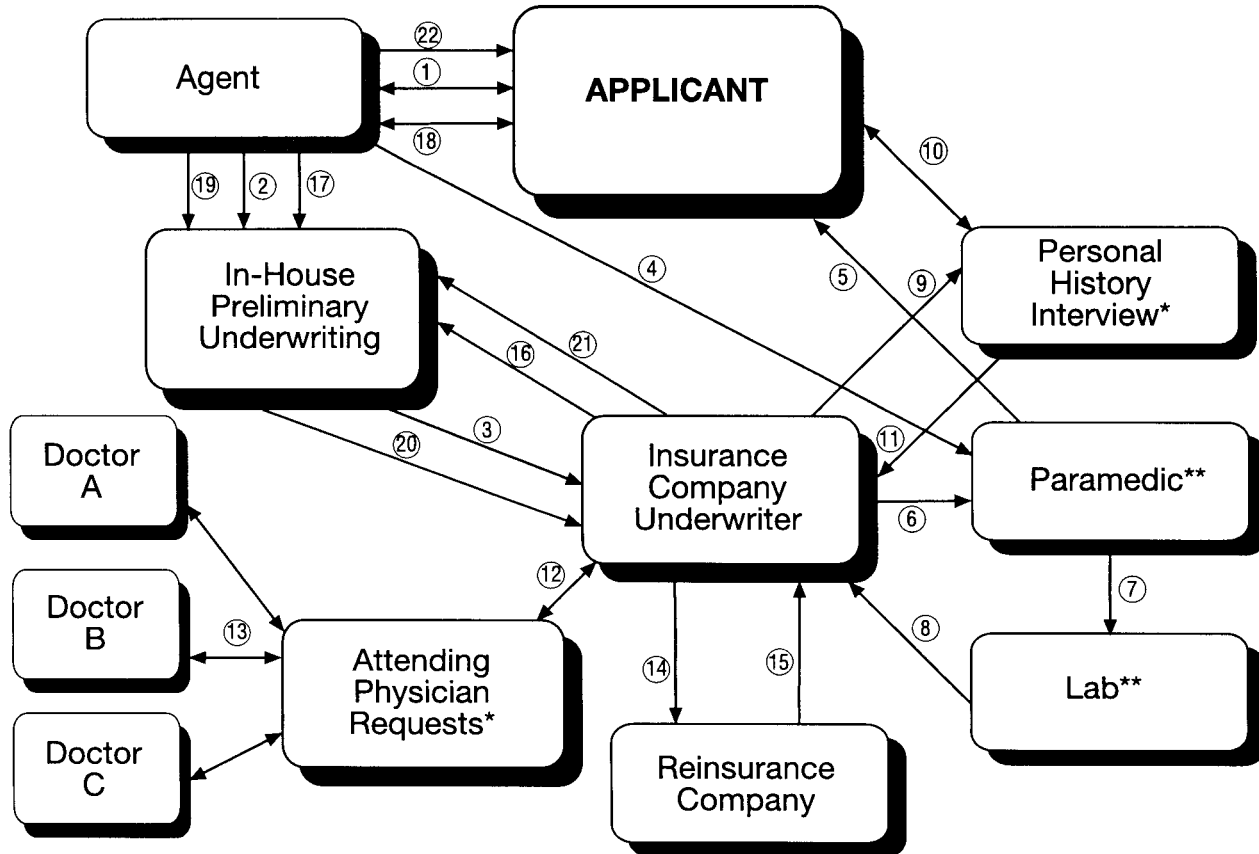
and have the clients pleased when the process takes less time than to have them angry with me when the process takes longer than I had estimated.

If you provide the insurance applicant with the chart below, educate him

as to the process, and continually inform him of the progress, you will deliver a policy to an appreciative client. And since you have given him such great service, ask for referrals!



The Insurance Application Process



* May be handled by a department within the insurance company or by an independent firm

** Independent firm

1. Agent meets with applicant.
2. Agent gives application to in-house underwriter.
3. In-house underwriter sends application to insurance company underwriter.
4. Agent calls paramedic service to arrange applicant's examination.
5. Exam is scheduled, including blood and urine, ECG, if required.
6. After meeting with the applicant, the paramedic sends the written medical history information to the insurance company underwriter for review.
7. Blood and urine are sent to lab for analysis.
8. Results of analysis are sent to insurance company underwriter.
9. Insurance company underwriter requests personal history interview to verify the information on the application.
10. Applicant is contacted for a personal

- history interview via telephone.
11. Personal history interview results are sent back to the insurance company underwriter.
12. Insurance company underwriter reviews application and orders attending physician statements from physicians listed in paramedic exam.
13. Physicians receive request for information and must return information to insurance company underwriter.
14. Insurance company underwriter reviews all medical and personal history information. If there is a question of insurability, all information is sent to reinsurer(s) for review.
15. Reinsurer(s) respond with an offer or decline.
16. Insurance company underwriter makes decision and relays decision to in-house underwriter.

17. Decision is relayed to agent.
18. Agent relays underwriting decision to applicant. Applicant decides to accept or reject offer.
19. Agent relays decision from the applicant to the in-house underwriter.
20. In-house underwriter relays the decision to the insurance company underwriter.
21. Policy is issued and delivered to the agent via the in-house underwriter.
22. Agent delivers policy to the applicant.

Note: If the underwriting process is delayed for any reason, an age change may occur between the time the applicant applies for the policy and the time of policy approval. The result is a possible increase in premium unless the policy is issued to save age, i.e., the policy is back-dated and issued at the younger age.

Mr. Corby uses this chart to help someone who has applied for life insurance to understand the underwriting process and the time required to issue a policy.