



Anatomy of the Life Insurance Sale

Avoiding underwriting issues that derail a case

by Allan D. Gersten, CLU, CFP®, ChFC, as seen in



Your client claims to be in great health and there's no reason to doubt it. So, why wouldn't you expect the case to sail through underwriting? In your mind, you've already banked the commission... Not so fast. It may not be that simple.

As it turns out, there are unexpected twists and turns in a majority of life insurance applications that will raise questions, require further discussion, create delays, and affect the insurance offer. With that in mind, here are ways advisors can help avoid problems and close cases quickly and as expected.

Encourage client transparency

Most delays in underwriting occur because of medical conditions that are not either fully disclosed or understood by the client. This is why it's imperative for advisors to help clients appreciate the need for transparency.

In some situations, the medical history is "cut and dry" so that it's easy to scope out with various underwriting markets. At other times, the history and medical status is more subjective, requiring details from the client's doctors. From the start, it's the advisor's role to help clients recognize that attempting to hide medical issues won't help, and may even cause problems with their application.

Recognize the factors that can derail a case

1. A client's medical history may not be transparent

Never assume that clients are aware of the details of their own insurability profile. It's not that they try to hide a medical issue, but a physician may not have disclosed, for example, that the client has diabetes or stage 2 chronic kidney disease. In the same way, a physician may mention a medical issue that didn't require treatment so the client down plays the diagnosis.

Then, there are others who are intentionally not forthcoming with pertinent facts that can affect application. Whatever the reason, such miscommunication makes it difficult to reach the coverage objective, which is why it's best to have a frank discussion about the importance of being open from the start. Such a conversation should also include financial and any other information that will make it easy for an underwriter to approve the case.

2. All lab reports are not the same

An insurance company's examination includes a panel of labs for evaluating a client's medical status & prognosis for maintaining good health in the future. A physician may run annual panels testing blood and urine so that the client has an idea of the lab results, while an insurance company may run different tests.

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Doctors don't do nicotine or drug testing, and they don't always check liver enzymes. Some of the tests can be tip-offs to potential problems that are otherwise obscured. When larger face amounts are involved, insurance companies have tests for applicants over 50 years of age that help identify cardiac issues including heart failure, cardiac events, and inflammation that can serve as warning signs for upcoming problems. A personal physician has no reason or financial authorization to perform such unique and highly useful tests.

Adverse test results may raise questions that slow down the underwriting process and result in a decline or postponement of an application.

3. Medical records impact outcomes

The first is the Medical Information Bureau. Advisors should be familiar with impairment codes and be aware that pertinent medical history records are maintained for seven years. Invariably, an insurance company will access these records. If an applicant is forthcoming, there should be no surprises, but, in rare situations, a record can be incorrectly coded.

The second is the Prescription Data Base (PDB). Insurance companies are now using this to make sure they don't miss important information. It's a check against statements noted in the application and in physician statements. In many cases, companies will rely on the PDB instead of requesting attending physician statements.

The third, attending Physician Statements, may have surprises. They can, for example, contain confidential concerns, either significant or irrelevant, that were expressed by the patient or the physician and that then became part of the permanent record. Applicants are shocked when they realize their discussion of alcohol, drug abuse, tobacco use, or other behaviors can significantly affect an insurance offer. Most clients never connect these discussions with their insurability until it's too late.

4. A client may be in denial

It's natural that human beings avoid viewing a medical impairment as contributing to their ultimate demise. This is why it's not uncommon for clients to assume that a particular medical condition shouldn't have a possible impact on their life expectancy and mortality.

5. A doctor didn't fully communicate or even mention an issue or health diagnosis

Many times, a patient's diagnosis is tracked without treatment, as the patient doesn't have any symptoms, which may not show for decades, or ever for that matter. For various reasons, the doctor may not see the need to discuss or alarm a patient with a diagnosis in the absence of symptoms or complaints.

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6. Administrative snags

Processing delays can be created by some medical offices, problems with locating a retired physician, or the difficulty in tracing down legacy medical files, all of which contribute to potential obstacles to timely approvals.

7. Insurance companies view family histories differently

Family history is one of a few basic criteria used to determine whether an offer is preferred or standard. Individual life companies have their own niches for early family cancer, cardiovascular or cerebrovascular deaths of family members. Usually, however, insurers don't take into account the circumstances of a death of a parent due to cardiovascular or cancer when doing a review.

Recognize the role of a client's lifestyle

Such things as personal habits, moral behavior, and poor familial status all have statistical and historical information to indicate the additional mortality involved when one or more of these factors exists. The degree and specifics are closely evaluated for each one to determine the additional risk involved.

Alcohol abuse is an example. Information sources that can impact alcohol abuse risks include motor vehicle reports, a liver enzyme test, lipids testing, carrier reflex Carbohydrate-deficient testing, attending physician statements noting abuse and, a client's inspection report. When a client doesn't want to discuss these areas, it complicates the advisor's ability to reach a satisfactory life insurance solution.

Then, there's following up on missing or inaccurate information on felonies, avocations, and bankruptcies, which can further complicate, delay and even derail a case. It's also worth pointing out that many applicants "shoot themselves in the foot" by admitting to risky behaviors on Facebook. There's no place to hide since insurance companies have access to data sources that can compromise any hope of living a private life. All this adds up to recognizing that applying for life insurance is a serious, and oftentimes, a complicated matter. Those advisors who understand the underwriting pitfalls are best positioned for offering their clients the coverage they need at a reasonable cost.

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