SUBSTANDARD LIFE INSURANCE CASES

Tales of a Reformed Underwriter

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What is it?
Why use it?
- Creating realistic expectations
- As a "medical close"
  - Do you have a history of . . . ?
  - What medications do you take regularly?
  - What are they used for?

Field Underwriting

Follow-up Questions for Ten Common Impairments
**Diabetes**
- Age at diagnosis
- Type 1 or Type 2
- Degree of control
- Complications

**Hypertension**
- Date of diagnosis
- Degree of control
- Any concurrent impairment

**Coronary Artery Disease**
- Date of diagnosis
- Treatment
- How many vessels? Which ones?
- Current impairments such as diabetes, stroke
- Current follow-up
  - Is it regular?
  - Stress tests?

**Stroke or TIA**
- Date of diagnosis
- Current symptoms
- Neurological deficit remaining
- Number of episodes
- Smoking
**Ulcerative Colitis:**
- Date of diagnosis
- Frequency of flare-ups
- Treatment
- Steroids?
- Date of last episode
- Treatment - effective?
- Current alcohol use
- Acute or chronic

**Hepatitis:**
- Date of diagnosis
- Type B or Type C
- Biopsy done?
- Treatment - effective?
- Biopsy done?
- Current alcohol use
- Acute or chronic

**Chronic Obstructive Pulmonary Disease (COPD):**
- Symptoms
- Recent test results
- Smoking - in the past or current

**Cancer:**
- Date of diagnosis
- Location
- Treatment and date of last treatment
- Pathology report
- Smoking - in the past or current
Alzheimer’s Disease

- Age at onset
- Disease stable?
- Current living arrangements

Epilepsy

- Age at onset
- Type
- Date of last seizure
- Compliant with medication
- Alcohol abuse?

How Do Ratings Work?

- Standard mortality
- Extra mortality tables
- Maximum extra mortality
- Better-than-standard mortality

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The Role of Reinsurance Companies

Reinsurance Companies

What is reinsurance?
- Quota share
- Facultative / Substandard risks
- Policies larger than the direct carrier's retention

How does it work on a rated case?
- Effectiveness diminished over the years
- Fewer in number
- Low interest rate environment
- Pressure by direct carriers for better pricing on all risks

Making a Substandard Risk Less Substandard

Begin a conversation with the underwriter
Look for additional medical records
Clarifying letter from the attending Physician
Pros and cons of additional medical testing
Leverage actions of other carriers if in competition

The Role of Reinsurance Companies

Making a Substandard Risk Less Substandard
Cover Letter

What is it?
Why use it?
What should it cover?
- Purpose of the coverage
- How the face amount was determined
- Address any health issues
- Ask upfront for best possible offer considering any impairment

MIB Misconceptions

Only medical codes are reported
Both good and bad codes are reported
Underwriting classification and reporting company are not reported
Codes cannot be used to determine a substandard classification
The Bureau’s purpose is to identify issues that the current company has the option to investigate
Substandard Underwriting at Ages Above 70

- No table shaving programs
- Greater emphasis on cognitive issues
- Above age 80, generally fewer substandard classifications available
- Cover letter on all cases
- Reinsurers generally not interested in clients age 85 and over

Placing the Substandard Case

- Start with field underwriting
- Create realistic expectation with client
- Package the application with a cover letter
- If necessary, shop the case with a brokerage General Agency or reinsurer
- Discussion with the client
  - Elaborate on the extra work
  - Discuss the excellent offer