



## Let's talk about...underwriting

Underwriting. You know it's something "mysterious" that happens when you apply for life insurance. And you know that the end result determines whether you can get the insurance you want and how much it will cost. But what exactly is underwriting?

### What is underwriting?

Simply put, underwriting is the process in which average risk factors are separated from greater risk factors to determine how much insurance you will get and at what price.

### What are risk factors?

Risk factors are what determine your likelihood of suffering an injury or death. They can include your personal health history, family health history, height, weight, age, occupation, habits and hobbies.

Most people have average risk factors – typical health concerns for their age and sex, regular daily and social activities and a job that poses no immediate risk of injury or death.

But some people have greater risk factors. For example, imagine that you are a skydiving instructor who is 57 years old and has been diagnosed with high cholesterol. You can see how your risk for injury or death is significantly higher than the average person. This is where the process of underwriting starts to group people based on their risk and assigns a different classification and/or cost for their insurance coverage.

### Keeping it fair

You don't want to pay for someone else's risky habits or lifestyle. That's the basis of underwriting. When an insurance company can understand your personal risk through the underwriting process, then you only pay for your level of risk.

## What an underwriter needs

In order to more accurately determine your individual level of risk, an underwriter may ask for more information than just your application for life insurance. They may request some, or all, of the following:

**A phone interview** – This is usually a brief conversation meant to verify, or clarify, what is on the insurance application.

**Paramedical exam** – Usually done at your home, a nurse will record basic health information such as your height, weight and blood pressure. They may also take blood or urine samples.

**APS** – This is an Attending Physician's Statement and is a detailed medical history provided by your doctor. All medical information is treated with the utmost confidentiality.

**Investigative Consumer Report** – Provided by an independent consumer reporting agency, this report provides an underwriter with information about your occupation, financial status, habits and lifestyle. If this report is needed, you will be notified.

**Financial information** – You may be asked to provide information about your personal finances. This information will be kept strictly confidential and is used only for the purpose of assessing risk as it relates to your application for insurance.

**MIB, Inc.** – The Medical Information Bureau acts as a source of collective information for insurance companies. They gather and house information provided to them from member life insurance companies during underwriting. The information gathered about you from the MIB during the underwriting process helps

reduce insurance fraud and misrepresentation and helps to keep insurance costs low for everyone. The information stored by the MIB is kept coded and is only available to member companies or upon request by you directly to the MIB. For more information about the MIB, please visit [www.mib.com](http://www.mib.com).

## After the underwriting

When it's all done, you will either be issued the life insurance you applied for, and based on the specific insurance product and your personal situation, you will also get a rating that can vary between Elite, Preferred or Standard Class. Or, you may be given one of the following:

**Rating or extra premium** – If your specific risk factors are considered higher than average, you may get a rating which will result in a higher premium for the insurance you requested.

**Decline** – From time to time, a person's risk factors may be so extensive that an underwriter will need to decline the request for insurance.

**Incomplete** – This means that either the application did not contain enough information to complete the underwriting process, or the underwriter was not able to get the additional information they required within a reasonable length of time. This does not mean that you have been declined. If the required information is received, the underwriting process may be revisited.

If you have any questions about our underwriting process, your advisor can provide additional information.

