

8

# COMPETITIVE UNDERWRITING

## *The Role of Underwriting Advocacy in Obtaining the Best Policy*

**John D. Williams, ChFC®, CLU®, TEP**

*Chairman and CEO*

*Capital Formation Group, Inc.*

I was walking through the lobby of an office building from one appointment to another when an email appeared on my phone. Seeing it was from a client for whom we were currently working to obtain an important life insurance policy, I stopped to read it.

“John, I have a routine dental appointment tomorrow. Is it okay if I go, or should I reschedule?”

With a moment’s reflection, I answered: “Jim, please reschedule. Thank You!” His response: “Okay, thanks John!”

The communication complete, I paused to reflect what someone without any context of the situation would think of this unusual exchange. Here was a grown man asking his financial and life insurance advisor a question about an appointment to get his teeth cleaned. Then, without hesitation, agreeing to reschedule the appointment just as I suggested. It would surely seem odd to the casual observer.

But, of course, there is context to this story. To this client, I was seen as helping him obtain life insurance to fund a critical business succession plan. He trusts me and realizes that along with a team of professionals, I am on his side trying to prevent any unneeded

problems from occurring throughout the underwriting process. In short, we had developed a trusting relationship and I felt fortunate to be in such a position. This position, however, is because of the people, values and processes we employ for clients like Jim.

In a moment, you will understand both why this client asked me for permission to get his teeth cleaned and why I advised him as I did. In this chapter, we will clarify the roles and values of the various individuals involved in obtaining a life insurance policy, and the underlying processes employed during the risk assessment phase.

## WHO THIS CHAPTER WILL HELP

Prior chapters have discussed the planning and design side of life insurance: the importance of choosing the appropriate carrier; product types; teams of professionals; and designing the policy to match the client's needs.

The processes in this chapter take place in tandem with design efforts until the optimal plan for the client is determined—that is, the underwriting of the policy to obtain the best rate for the client. Involved in these processes are: the field underwriter (working most closely with the client), Valmark Underwriting Team, carrier underwriters, client health care providers and the client.

In part, this chapter will demonstrate many important factors that will help any of those parties listed above create a 10X underwriting experience for the client, including:

- Ensuring clients understand our concern is for them, not just obtaining a policy.
- The unique impact that field underwriting can have on client outcomes and the role of trusted advisors in this personal process.
- How to build TRUST between all parties in the process: the client, advisor, insurance carriers and Valmark. Creating trust is the value in using an underwriting team that is working for the client, not the carrier.
- Striking the critical balance between what is required by the carrier and what is not.

Ultimately, as a life insurance advisor, we are ADVOCATES for the client. Everything we do and all the information we ask for is to obtain the very best results for the client. This embodies the 10X philosophy.

## WHAT IS UNDERWRITING ADVOCACY?

Underwriting Advocacy is the art of packaging, clarifying and negotiating to obtain the optimal underwriting class for the client. The Advocacy process is unique in that it utilizes Valmark's own team of in-house underwriters to help drive the process, rather than leaving it all up to the insurance carriers.

It begins by working together to “humanize” the client to the prospective insurance carrier underwriter. We do this so that they view our client as not “just another file,” rather a unique person with a very real need for a one-of-a-kind financial tool that we partner on together to distribute. This is the most personal aspect of acquiring life insurance for all involved.

Given the material influence on policy expenses, Underwriting Advocacy is critical to the insurance buying process. Let's examine the impact of certain factors within the Underwriting process on the price of the policy.

## THE IMPACT OF MORTALITY CHARGES

A major element impacting the price of an insurance contract are mortality charges. These are charges by the carrier directly related to the insurance protection and is the actual cost of the death benefit by the insurance carrier. Age, gender, tobacco use, and underwriting class, for example, directly impact mortality charges and premiums, and insurance carrier underwriters gather information on the proposed insured's health, finances and lifestyle to place the insured into risk classes ranging from Preferred Plus to Standard and rated classes. Preferred Plus risks carry the least mortality risk, while rated classes imply additional risk to the issuer of the contract and therefore, greater premiums (all things equal).

Although mortality charges are one of several expenses in a life insurance policy, they represent by far the largest cumulative expense component over time in a life insurance policy. The risk classification

determines the mortality charges, and the risk classification is locked in for the life of the policy at issue.

Table 1 shows the increase in required premium for a Standard risk class at different purchasing ages. Table 2 demonstrates the premium savings (compared to a Standard underwriting class) of securing a more favorable underwriting classification of Preferred or Preferred Plus at various ages. It also shows the increased premium resulting from a surcharge due to a rated policy.

AGE RELATED COST INCREASE OF WAITING TO BUY LIFE INSURANCE	
Age Purchased	Premium Increase
55	Baseline
60	27%
65	78%
70	141%
75	218%

TABLE 1

IMPACT OF UNDERWRITING CLASSIFICATION ON LIFE INSURANCE PREMIUMS				
Age	Preferred Plus Discount	Preferred Discount	Standard Class	Rated Four Tables Surcharge
55	-27%	-19%	Baseline	38%
60	-22%	-15%	Baseline	47%
65	-23%	-18%	Baseline	50%
70	-25%	-18%	Baseline	49%
75	-18%	-12%	Baseline	49%

TABLE 2

It is important to note that the only real opportunities for a purchaser to influence the expenses on a policy comes at the time the carrier is determining the risk class and via the age at which a policy is acquired. As demonstrated in Table 1 and 2, securing the most favorable

underwriting classification and buying at younger ages (rather than delaying purchase) may offer significant savings on required policy premiums over the life of a policy.

### INFLUENCING THE RISK CLASS

Once assigned, the class affects the premium that will be charged for coverage. We'll go into more detail in a moment on the factors that determine class and how the decision can be influenced. For now, let's examine why class matters and the impact it has on the client.

---

*“The one truly negotiable element of an insurance contract is the underwriting class assigned by the carrier.”*

---

### THE IMPACT OF THE ASSIGNED RISK CLASS

The life insurance application—especially for large and complex cases—can have many unintended impacts on the policy and client relationship if not handled with the proper care.

Applying an enhanced level of risk evaluation and expertise to advocate on the client's behalf can limit surprises and unfavorable outcomes, and ultimately ensure the very best results for the client. And by best results I mean not just the lowest price, but also the least intrusive and smoothest process with as little inconvenience to the client as possible.

Representing, coordinating and clarifying the details of a life insurance case to ensure that the carrier underwriter views the client in the most favorable light is a task not to be undertaken casually. It involves careful coordination between the advisor, client and underwriting team at Valmark.

### COMPETITIVE BIDDING = CONTROL

This advocacy process leverages Valmark's technical risk assessment expertise, along with collective insight into how decisions are made by various carriers. This experiential knowledge, developed over many years, determines which carriers we choose to approach with the client's medical information that we have collected confidentially and packaged for consideration.

Remember, the policies that receive this level of attention are quite large—the kind of business that insurance carriers eagerly desire. Presenting to multiple carriers results in a competitive bidding process that gives advisor and client control in choosing which outcome is in the client’s best interest, even at the earliest stages of the insurance application process.

## THE ADVOCACY TEAM

Our Underwriting Advocacy team typically includes:

- Two former insurance company underwriting directors;
- Two Senior Underwriters with technical skills that match or beat any carrier underwriter;
- A former insurance company medical director and licensed physician;
- An advocate dedicated to each case from a team of individuals, most of whom hold the highest underwriting industry designation.

Now you understand the importance of risk class and the fact that opportunities to influence that classification often exist. Next, we’ll look at the factors that determine the risk class and explore in detail how Underwriting Advocacy can have a positive impact.

## FACTORS THAT DETERMINE RISK CLASS

As advisors, we always explain that the cost of the policy is determined by several factors, including: the contract length, gender, tobacco use and underwriting class.

To help determine the underwriting class, Valmark and carrier underwriters gather:

- Paramedical examination (includes blood, urine sample, vitals and EKG)
- Medical records
- Driving records
- Public database information (such as MIB consumer files and

prescription database<sup>1</sup>)

- Financial data
- Lifestyle and avocation/occupation hazards (if any)

This information is obtained, scrutinized and presented in the best light to prospective carriers by a seasoned team of advocates for our client.

---

*“It is imperative to interpret and sometimes clarify or even correct the client’s health records.”*

---

As mentioned earlier, influencing the assignment of risk class is the only point where negotiation occurs on the client’s behalf. Therefore, it is imperative to interpret and sometimes clarify or even correct the client’s health records (yes, health providers sometimes make mistakes and incorrect information becomes a part of the patient’s records). By doing so, we, as advocates, show the carrier underwriter our knowledge, experience and credibility to make the best case possible.



Key to Success

## THE IMPORTANCE OF CORRECTING PATIENT RECORDS

*We received records on a proposed insured that stated throughout that she had a history of Lymphoma. However, this did not align with any of the other medical evidence in her file, nor was it consistent with what she disclosed. Given this red flag, and the impact we knew that cancer could have on the risk class assigned during underwriting, our team went to work.*

*It turned out that the client had a history of **Lipoma**, not Lymphoma—a big difference from a risk assessment standpoint! We immediately sent a letter to the client’s MD who confirmed our discovery and corrected his records on her. As a result, the case progressed quite successfully.*

---

While insurance carriers will often promote the perception that the underwriting class is a fact-based assessment of risk, the truth is that

underwriting is as much an art as science. It is not uncommon for highly regarded and reputable insurance carriers to have opposing views on the same risk presented to them. Or, for underwriting offers on the same client to come back from the marketplace at Preferred, rated, and everything in between.



#### Case Study

### SHOPPING THE MARKETPLACE

*I have a client, Dan, who was referred to me by an estate planning attorney. He needed life insurance to fund survivor needs for his soon to be spouse. The need was very real, but there was a significant, problematic health history.*

*Dan suffered cancer three times, due to a family genetic trait called Lynch Syndrome. The genetic problem pre-disposes the bearer of this genetic defect to numerous cancers. Dan's last cancer bout was a little over three years ago and had resulted in the removal of a large portion of his intestines.*

*Dan and I talked very openly about this set of facts and I was careful to set expectations properly, as this was a challenging case. In speaking with our underwriters at Valmark, we agreed to begin with an informal inquiry and obtain all medical records. The records lined up very accurately with what Dan had told me personally. Our underwriters at Valmark said we should expect offers all along the spectrum with this case, given the health circumstances.*

*Seven reputable insurance carriers reviewed Dan's file, and the difference in each of their assessments was astounding: four declined the risk outright, one offered a rated contract at Table C, one offered Table C with a small flat extra charge for a few years, and one offered Standard rates. Our ability to package the case and confidentially shop it to the marketplace led to Dan's financial picture being greatly enhanced, as the premium associated with the Standard offer was well within his budget for this purchase.*

## UNDERWRITING ADVOCACY IN DETAIL

While we take certain aspects of the underwriting process for granted, clients do not. Many clients have previously experienced an underwriting process and may mention that they 'know the drill'.

However, as advisors, it's important that we maintain perspective and remember that there are no other financial planning tools that require a client to:

- Give blood
- Provide a urine sample
- Answer detailed medical history questions
- Submit their most personal medical records
- Present to the insurance carrier financial information so private that members of their own family may not even be privy to it

Accordingly, we must treat the process with the utmost care and be especially cognizant of the expectations that we set with the client as we coach them through the process.

### SETTING EXPECTATIONS

As part of the Life Assurance 360™ process (described in detail in *Chapter 7: Purposeful Design*) to determine the carrier/product best suited to the client's objectives, we concurrently begin the underwriting advocacy process to help properly set expectations around risk class.

Next, we typically begin the medical underwriting by having the client fill out an informal inquiry and authorization. The informal inquiry allows our own team of underwriters to obtain the client's basic medical information and identify the doctors involved. The client's authorization allows for all medical records to be released to us from the client's healthcare providers.

We next ask if any health concerns exist in the client's mind. Clients will readily answer this question if asked, though typically will not bring it up on their own. My main emphasis, at this juncture, is to establish four points:

1. Assessing the cost of covering a risk is not like purchasing a commodity, where the only consideration is price. We'll see an example later of the impact a single risk factor can have over the life of a policy.
2. The process takes time. Health providers can take weeks to gather and send medical records to our underwriters.
3. Questions will come up throughout the process and I will request additional information or clarification whenever they do.
4. We are always on the client's side. Everything we do and ask about is in effort to provide the very best outcome for the client.

*“Underestimating the importance of field underwriting can have significant negative consequences down the road.”*

Underestimating the importance of field underwriting can have significant negative consequences down the road. Therefore, it is vital that we put forth our best efforts to gather complete underwriting information from the client early in the process.



Expert Tip

**INQUIRING ON MEDICAL IMPAIRMENTS**

*Besides the aforementioned informal inquiry, Valmark has armed me with pre-qualification questionnaires and specific medical impairment questionnaires to help me comfortably ask my clients the right questions the first time around.*

*For example, if I know my client has atrial fibrillation, I may slip the A-fib questionnaire (see Figure 1) in front of him while I am collecting the authorization so that I can find out details for the underwriting team such as if the A-fib is chronic, or intermittent. The underwriting team has carrier and reinsurance manuals at their fingertips which they'll use in conjunction with the information I've provided to help set expectations for all parties.*

## ATRIAL FIBRILLATION QUESTIONNAIRE

Please answer the following questions to enable us to be as accurate as possible when quoting life insurance alternatives for you. Please note that a full review of all underwriting requirements by the home office insurance carrier is necessary for final determination of a rate class.

Applicant Name: \_\_\_\_\_ Gender: \_\_\_\_\_  
 Applicant Age: \_\_\_\_\_ Tobacco Status: \_\_\_\_\_

1. Date of diagnosis: \_\_\_\_\_
2. Please indicate how your atrial fibrillation has been categorized:
  - Chronic
  - Paroxysmal (intermittent), please specify how often this occurs: \_\_\_\_\_
3. If known, what caused your atrial fibrillation:
 

<input type="checkbox"/> Coronary Artery Disease	<input type="checkbox"/> Alcohol
<input type="checkbox"/> Thyroid Disease	<input type="checkbox"/> Hypertension
<input type="checkbox"/> Valve Disease	<input type="checkbox"/> Cardiomyopathy
<input type="checkbox"/> Sick Sinus Syndrome	<input type="checkbox"/> Unknown or other: _____
4. Are there any symptoms with the irregular heart beat?
  - Yes, please provide details: \_\_\_\_\_
  - No
5. Have any of the following tests been completed? If so, please provide date and results:
  - Stress Test: \_\_\_\_\_
  - Echocardiogram: \_\_\_\_\_
  - Holter Monitor: \_\_\_\_\_
6. How has your atrial fibrillation been treated, check all that apply:
  - No treatment
  - Antiarrhythmic medication, if yes provide details: \_\_\_\_\_
  - Ablation, if yes provide details: \_\_\_\_\_
  - Pacemaker, if yes provide details: \_\_\_\_\_
7. Are you on any medications? If yes, provide details: \_\_\_\_\_
8. Any other major health problems? If yes, provide details: \_\_\_\_\_

**VALMARK**  
FINANCIAL GROUP

Securities offered through ValMark Securities, Inc. Member FINRA, SIPC  
 Advisory Services offered through ValMark Advisers, Inc. A SEC registered investment advisor  
 130 Springside Drive, Akron, OH 44333 800.765.5201

V.08.2017

FIGURE 1

While many agents tell their clients that they will shop their case to obtain the best rate, my partnership with Valmark allows me to confidently tell my clients that they truly will receive the absolute best underwriting offer in the marketplace. With strong technical underwriting expertise (including a Medical Doctor on staff),

proprietary tools, carrier relationships built on trust, and a history of high quality and quantity of business, I know Valmark has the ability to advocate for the best deal for my client.

## PRIVATE UNDERWRITING RISK EVALUATION (PURE™)

---

If the case is particularly complex in terms of the client's medical history or needs, we may employ Valmark's unique, proprietary PURE™ process (Private Underwriting Risk Evaluation). PURE™ is one of Valmark's tools that allows me to confidently assure the client that they will receive the best underwriting offer given their situation.

PURE allows me to confidentially build a robust, carrier-agnostic informal file, including not just medical records, but the majority of underwriting requirements that carriers typically procure during the formal application process, including a complete paramedical exam. This informal file mirrors the formal file that will eventually be compiled by the carrier.

At this point, Valmark's underwriting team will do a thorough review of the informal file. Why would we go to such great lengths? Working off an informal file allows us to:

- **Maintain confidentiality.** The client's full identity and personal details are only divulged at our discretion when we are ready to engage with specific carriers.
- **Eliminate surprises during the formal process.**
  - a. It allows us to address, either with the client or behind the scenes, any medical concerns.
  - b. It gives our team the opportunity to get to know the risk inside and out, which helps us to accentuate the positive aspects and explain any negative factors.
- **Manage first impressions.** It helps our team deliver a more complete package to the carrier underwriter, presenting the case fully yet positively and illustrating to the carrier underwriter that their time on this file is well spent and could very well result in a high target premium placed case.

- **Target the right carriers.** The goal of the informal file is to facilitate a detailed discussion about the client with specific carriers to see their initial or tentative responses to the presented risk.
- **Negotiate.** Once we know the carrier's general assessment of the case, it enables us to negotiate and target the appropriate carrier for a formal application early in the process.
- **Set expectations.** At this point we are in a position to properly estimate outcomes for the client.

The Valmark underwriting resources that I rely upon, especially PURE™, result in higher placement ratios for my business. This not only has a positive impact on the client I am working with at the time, but helps to ensure that future clients will reap the rewards that come from carrier's viewing my business, and Valmark's business, favorably.

## PREPARING THE CLIENT FOR THE EXAM

---

Whether the paramedical exam is completed during the formal underwriting process, as is typically the case, or during the informal process, as in a more extensive PURE case, we always tell the client how to prepare for the exam. This includes what to avoid, what to do leading up to the exam, and what questions to expect from the examiner. See *Figure 2*.

## PREPARING FOR YOUR EXAM



A paramedical examination allows the insurance company to perform a comprehensive evaluation of your current health, and is therefore an important part of the insurance underwriting process. It involves a paramed examiner meeting you at a set time in a private and comfortable setting, such as your home, to ask you several medical questions, record your height, weight, blood pressure and pulse. He or she may also collect blood, urine, and an EKG. The exam generally lasts 30 to 60 minutes.

### On the day of the exam, please come prepared with the following:

- Picture identification
- Names and dosages of current medications
- Names, addresses and phone numbers of any doctors or clinics visited in the past 5 years
- List of medical conditions including date of diagnosis, treatments and results of treatments

### To obtain the most favorable results, we recommend that you take the following courses of action in the days and hours leading up to your exam:

- Continue all prescribed medications as you normally would
- Schedule the exam in the morning and fast for 12-14 hours before the exam (Note, not only is it easier to fast for the morning, but most people have lower blood pressure & pulse in the morning)
- Monitor your diet for the days leading up to the exam – avoid/limit alcohol, fatty foods, excess sugar and salt
- Drink a lot of water leading up the exam, and a glass of water immediately prior to it
- Refrain from caffeine intake the morning of the exam
- Avoid exercise 24 hours prior to the exam, as strenuous workouts can result in falsely elevated liver function tests and poor urinalysis results.
- Get a good night's sleep before the exam and wear comfortable clothing/shoes the day of the exam

Depending on your age and the amount of coverage being applied for, you may be asked to complete a "Senior Supplement." This screening may include questions about your daily activities, a brief cognitive exam, and an activity to test your gait. Some questions may seem basic and overwhelmingly simple – please be patient with the examiner, as insurance carriers are trying to screen out those with obvious cognitive impairment. While nothing needs to be done to prepare for this, it's important that you avoid any distractions and give the examiner your undivided attention.

The paramed exam is a routine part of the insurance application process. By properly preparing for the exam, you can help ensure a smooth appointment and the most favorable results possible!



Securities offered through ValMark Securities, Inc. Member FINRA, SIPC  
Advisory Services offered through ValMark Advisers, Inc. A SEC registered investment advisor  
130 Springside Drive, Akron, OH 44333 800.765.5201

V.01.2017

FIGURE 2

## MANAGING ELECTIVE PROCEDURES

The email exchange I referred to at the beginning of this chapter arose from pre-med guidance I had given the client. We had discussed the

wisdom of avoiding any elective appointments with health providers once the medical exams have been completed and records already requested from the client's health providers.

Why does this matter? The carrier inquiry process lengthens unnecessarily each time another appointment takes place with a healthcare provider *after* the records have already been obtained. Most often, and understandably so, an underwriter will want to see the notes regarding the 'new' visit.

*“After medical records have already been submitted, each new doctor visit can extend the underwriting process.”*

At best, this will extend the process keeping the underwriting window open. At worst, something genuinely problematic could be found. While dental records are not typically obtained in the course of life insurance underwriting, even a routine dental appointment could find an oral tumor or the likes, which would have to be disclosed. (Yes, dentists are trained to look for these types of problems). Thus, my advice: *without symptoms, don't go*. This is part of my coaching process in my role as the member of the underwriting team closest to the client.

On the other hand, I stress that only *elective* appointments should be put off. So, of course, should you have anything that even seems like a real health issue, forget underwriting and go take care of yourself! We'll deal with additional reports as need be.

While only a precaution that I take, my clients end up feeling they are in good hands and that their best interest is at heart when they hear this sense of concern that we have for them as people. They end up understanding the balance we try to create: judging what to avoid in order to efficiently obtain the best financial results, yet caring for the client as a person first and foremost.

## OVERSEEING ALL THE PLAYERS

Many clients understand underwriting and the general risks and costs involved. Yet most do not understand all the variables that an insurance carrier takes into account when assessing risk, assigning class and setting the price of coverage. It is up to me and the rest of the planning team to simultaneously manage client expectations, ensure a smooth process for

them, while also advocating on their behalf with the insurance carrier.

Now let's look at another facet of underwriting: finances.

## EDUCATING CLIENTS ABOUT FINANCIAL INQUIRIES

---

So far, we have explored in detail how medical risk assessment factors into life insurance underwriting. However, the picture would be incomplete if we were to lose sight of the fact that *financial underwriting* is also a part of the insurance application process.

Carriers will request detailed financial information from various sources for a variety of reasons:

- To guard against early lapses owing to a policy owner's inability to afford a policy.
- To ensure that the death benefit applied for is justified, given the stated purpose for coverage and the insured's financial standing.
- To ensure insurable interest between the proposed insured and beneficiary of the policy.

Both clients and their advisors often need assistance in understanding the need to disclose financial information. The typical resistance encountered often takes this form: "We have the money to pay for the policy, what more do you need?"

This makes sense when buying barrels of oil or other commodities. However, it does not consider that carrier underwriters, in addition to assessing mortality risk, are also trained to ask, "Does the amount of coverage make sense for the stated need? Is it financially justified?"



Expert Tip

### KEEPING OTHER PROFESSIONALS IN THE LOOP

*Often, it is not the client that needs to be educated on this topic, but one of his trusted advisors. We have had CPAs, who understandably wish to protect their clients' privacy, balk at this request. In one instance, I had copied a business owner, my client,*

*on a request to his CPA for financial information related to funding a cross purchase plan.*

*I received two replies. One was a terse response from the CPA asking, 'Why is this needed?' I simultaneously received an email from our client providing all of his financials! We had properly educated the client to anticipate this request, but had not communicated it fully to the CPA. The point is that educating ALL parties involved is often necessary.*

---

Although we deal with insurance underwriters on a regular basis, we sometimes forget that other professionals advising the client may not fully understand the process, including the concept of insurance as a way to mitigate risk, nor what that risk fully entails.

Providing financials is one more way to give the underwriter a more well-rounded view of the client. To complete that effort, we also take extra steps to accurately present the client in the best light, which we'll explore next.

## HUMANIZING THE CLIENT TO THE INSURANCE CARRIER

---

Early in the underwriting advocacy process, we typically write a cover letter to accompany the client's file. After all, the insured's voice is limited to the application questions, but a well written cover letter can provide a 'humanized' element to underwriting. As the advisor, I know the client best and thus I am well positioned to introduce the client and case to the Valmark underwriting team as well as the carrier underwriter.

From the onset, I want to be sure that the Valmark underwriting team has a good 'feel' for the case. Of course, a cover letter also presents a great opportunity to directly "sell" the carrier underwriter on the merits of the case. "Help me to help you" is a carrier underwriter cry that I have heard in the past, and a good cover letter is one way in which I can help position the case in a most favorable light. Additionally, a detailed cover letter is my chance to help differentiate my client from the tens of cases that a carrier underwriter might handle on a given day.

---

*“ ‘Help me to help you’ is a carrier underwriter cry that we often hear. A good cover letter is one way to position the case in a most favorable light. ”*

---

I have found that a cover letter is especially helpful for cases that involve the following:

- Complex estate or business sales;
- Large death benefits requiring an explanation of insurance need;
- Smaller face amounts with a need that isn't immediately apparent;
- Unusual cases involving charitable giving or odd beneficiary/ownership arrangements;
- Impaired risk profiles.

A good cover letter provides a holistic view of the case. I typically introduce the client by sharing details of my relationship with them, including how and when we met, whether they are an important referral source or center of influence, and why they are applying for coverage. I also provide details of the need, including the purpose of the coverage, how the amount was determined (including calculations), and a breakdown of the insured's or their business' net worth, income, and assets/liabilities.

If it is a complex planning case, I provide context for all insurance activity, including how much in force coverage already exists, whether the new application involves any replacements, the total amount of coverage to be placed, and whether there is competition to be aware of in the case. Lastly, I address any potential known underwriting hurdles in a favorable light and am careful to always state my goals for the outcome or, said another way, what is needed to place the case.

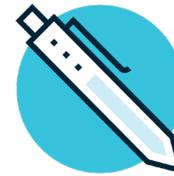
## CULTIVATING TRUST

---

With the need for so much personal and financial information, let's explore the benefits of building and safeguarding trust among all those involved in the process.

## POSING SENSITIVE QUESTIONS

It's a fact: tough and sensitive questions will come up throughout the underwriting process. While it's critical that we maintain utmost privacy for each client, we are often called upon to approach the client with questions or concerns our underwriters uncover. These situations often present an advocacy challenge: to balance our interactions with objectivity and compassion.



Case Study

### PEOPLE BEFORE POLICIES

*I recall a case in which my client, John, and his wife, Dianne, were applying for a survivorship contract and the lab results on Dianne turned out to be extremely alarming. I quickly called her, but was only able to leave a message for her to call me back.*

*John ended up returning my call. He said he knew by the tone of my voice something was very troubling. I proceeded to tell John that, setting underwriting aside, there was a serious enough finding in the lab report to have Dianne see her doctor immediately.*

*This is a client for whom I had been providing comprehensive planning services to for over 25 years! He is not just my client, he is my friend. The call was painful to make and extremely sensitive, to say the least. I did tell him that sometimes mistakes are made by examiners, 'false positives' may occur, and that this may very well turn out to be nothing. However, there was one thing John could be sure of in that moment: I was far more concerned about Dianne's well-being than obtaining the best class for their life insurance policy.*

*This story ended well: the doctor re-did the labs and found everything to be normal. It turned out the blood samples were transported in the paramedical examiner's car on a particularly hot day before being dutifully shipped to the lab! While a straightforward mistake, it caused great stress for all involved. On the positive side, it ended up bringing me closer to these clients because they knew I cared about them as people first and foremost.*

---

Again, the point is when we are called upon to deliver news, or to ask questions, we do so with a balance between objectivity and compassion. Our health is a deeply personal matter, the details of which are generally not shared with others without some level of trust or closeness. As advisors, we are fortunate to be in that position for our clients, as a trusted partner and advocate.

### TEAMWORK IN OVERCOMING ADVERSE FINDINGS

Despite our best efforts to mitigate surprises, adverse findings are a part and parcel of the process at times, but turning a challenging underwriting situation into a ‘win’ can help further enhance your client relationship.



#### Case Study

#### RED FLAG: MEMORY LOSS

*I recently worked with a woman whose medical records showed mild memory loss. We had put together an extensive informal file using Valmark’s PURE process, and Valmark’s lead underwriter was concerned with clinical notes from a recent check-up. He explained the concern and coached*

*me in a way that enabled me to have a delicate conversation about the doctor’s notes with my client.*

*Understanding the gravity of these concerns and why we were addressing them, the client was extremely forthcoming and explained that the mild memory loss was associated with stress, fatigue and anxiety, brought forth by normal hormonal changes occurring as she was going through menopause and a challenging time at work. Of course, it was my pleasure to be empathetic with the client, which helped her be at ease and allowed for a thorough conversation.*

*I then contacted Valmark’s lead Underwriter and presented the client’s explanation for the memory loss comments in her records. He suggested that we prepare an “Underwriting Advocacy Letter” for the client’s doctor to review and sign. The letter stated that the client did not have any significant signs of cognitive decline, and that*

*the memory loss symptoms were most likely temporary in nature and directly related to situational depression. This lined up with the doctor’s view of the situation, and he was happy to sign the letter.*

In the sample case above, our underwriting team presented to the carrier the explanation I obtained from the client and the letter from the client’s doctor to help ease the underwriter’s concerns.

The best possible outcome was achieved, as the two carriers over which we were splitting coverage both accepted our explanation, illustrating that our team has both the technical and strategic skills to help place challenging cases on the books and obtain favorable rates.

*“Trust is the key to the success of this unique hands-on style of underwriting: trust between the advisor and the client, AND trust between the advisor, insurance carriers and Valmark.”*

This also demonstrates how trust between the client and myself, and Valmark’s underwriting team and myself, and finally the carrier underwriters and the Valmark underwriting team, ties together to create a powerful and effective advocacy process for our clients.

### QUANTIFYING “BETTER” RESULTS

The best outcome, of course, means the client ultimately receives a financial benefit in the form of a reduced long-term cost for the life insurance policy. We can attempt to observe the long-term cost by looking at the difference between one table versus another within an underwriting class.

If we use a Universal Life contract with the same death benefit, gender and age we can see the long-term differences in cost. Let’s look at some projections, with the sole difference being the underwriting class: *Preferred* Non-Smoker and *Standard* Non-Smoker:

POLICY TYPE	FIXED UNIVERSAL LIFE	VARIABLE UNIVERSAL LIFE
Situation	<ul style="list-style-type: none"> <li>✓ 50-year-old male</li> <li>✓ Non-smoker</li> <li>✓ \$5 million death benefit</li> <li>✓ 4.5% interest rate assumption</li> <li>✓ Same carrier</li> </ul>	<ul style="list-style-type: none"> <li>✓ 50-year-old male</li> <li>✓ Non-smoker</li> <li>✓ \$5 million death benefit</li> <li>✓ 7% gross (6.32% net) rate of return</li> <li>✓ Same carrier</li> </ul>
Preferred Contract Annual Premium	\$43,424	\$41,902
Standard Contract Annual Premium	\$61,653	\$54,703
Difference	\$18,229 or +42%	\$12,801 or +31%

FIGURE 3

The results in *Figure 3* are compelling. The difference of one underwriting class can mean substantial differences in actual expenditures over a long period. As mentioned, the contracts tested above are all from the same insurance carrier. It may be the case that these differences might not be as pronounced with another carrier.

Given our underwriting process, we would find out the answer to that question in a real client’s case. This ability to pivot from one carrier to another is essential to our advocacy.

*“The ability to pivot from one carrier to another is essential to effective advocacy.”*

**UNDER-PROMISE, OVER-DELIVER**

On a personal note, I have long adhered to the old business adage, “Always under-promise and over-deliver.” Therefore, I was reluctant to show preferred rates for much of my life insurance career. Knowing it is always better to come back to a client with a better offer than assumed, and because I was less than confident about obtaining preferred rates, I would show standard rates at the proposal stage.

Since becoming a Valmark Member, my confidence in underwriting results has grown steadily. For a client in good health (i.e. absent clear health concerns), I now commonly show preferred underwriting classes during the design/proposal stage, with little trepidation that I am extending false hope.

**CURRENT CARRIER TRENDS**

Insurance companies have only one point in time in which to assess risk, assign an underwriting class and issue a policy. In fact, when a client sees themselves as “healthy as a horse,” but a carrier offers a rated contract, clients are left “scratching their head.” This is when it’s important to understand the difference between insurance medicine and clinical medicine.

In clinical medicine, doctors have the opportunity to continually follow up with the client, order additional testing down the road and change the course of treatment over time. Accordingly, they may choose to downplay a particular finding to their patient.

*“Clinical medicine allows a physician to track the patient and change treatment over time. Insurance medicine must assign a rate for the life of a policy.”*

In contrast, insurance medicine requires that a permanent decision must be made on the spot, based on a snapshot of the client’s health obtained from various third-party sources. This is beginning to change though, as some professionals within the industry are looking for ways to increase or reduce charges *after the issuance of a policy*.

For example, one well known carrier out of Boston is trying to change the life insurance conversation, moving away from challenging topics, such as life expectancy and death, and towards more upbeat discussions around ongoing healthy living. This may allow for offering premium discounts and other consumer rewards for clients who are demonstrating healthy habits once the policy is in force.

This also enables a greater sense of client engagement with their life insurance policy, and may create a new form of financial incentive for people to remain healthy.

## BUSINESS CONSIDERATIONS

As mentioned repeatedly throughout this chapter, underwriting is very much a ‘human’ process, and is as much an art as it is a science.

For decades, Valmark has been a name synonymous with trust and integrity in the eyes of insurance carriers. The quality and quantity of business originating from Valmark Member Firms can often provide a carrier underwriter with justification for a “business decision” that may not be directly in line with assigning a rate “by the book.”



Key to Success

### BENEFITS OF REPUTATION AND GOODWILL

*I once worked on a case insuring three business owners of a large private company. The president of the company was the first to begin the underwriting process and had a slightly elevated lab result, causing the carrier underwriter some concern. The underwriter thought a standard (not preferred) offer may be appropriate. Knowing that this would likely steer all three of the shareholders toward a different carrier, we made a simple business case to nudge the underwriter toward preferred for the President. Our logic: the **combined risk** of two decidedly preferred cases along with the president, who was already borderline for preferred status, was compelling enough to obtain the desired preferred rating for all three.*

*While this result made sense, it also required the years of trust between our underwriters and the carrier. In order to be comfortable with preferred on the President of the company, the carrier underwriter had to trust the fact that all three cases would be placed with them, and that this exception would garner enough goodwill from us to lead to future business for them.*

## CONCLUSION

What we have explored can be summed up through the definition of Underwriting Advocacy. We coach, educate, question, build and

maintain confidence with our clients throughout the underwriting process. The level of trust our client has with us is critical, particularly when sensitive questions and/or findings arise.

We humanize our clients throughout the process, presenting them as people worthy of the very best we are able to offer. Done in this manner, underwriting is time spent with clients, sharing some of the most personal aspects of their lives. It can be deeply satisfying. All of this comes together to yield superior results on behalf of the client—what we call a 10X customer experience.

I would like to end by concluding the story that began the chapter.

*Jim’s case closed very well. We were able to obtain the underwriting desired, as a result of the health and financial information we gathered, curated and provided to the selected carrier on behalf of Jim and his company.*

*However, shortly after the contract was complete, I received another short email from him:*

*“John, would it be OK if I go have my broken leg set?”*

Of course, Jim was kidding, but he was alluding with humor to the depth of our relationship throughout the process, specifically my initial coaching regarding non-essential, elective procedures during the underwriting process.

It is always a good sign when an intense personal process allows for a bit of humor. While the advocacy we undertake for our clients has difficult moments, it is most satisfying when implemented with the backing and support of the best people and processes in our industry that embody the essence of Life Insurance 10X.

<sup>1</sup> MIB maintains a health history database used exclusively by its members, such as life insurance companies, to cross reference and verify insurance application information provided by consumers. Individuals may request a free copy of their MIB Consumer File (if one exists) through [www.MIB.com](http://www.MIB.com).

# PROFESSIONAL DESIGNATION DEFINITIONS

- Certified Financial Planner (CFP®) – The CFP® certification marks identify professionals who have met the high standards of competency and ethics established and enforced by CFP Board. CFP Board's Standards of Professional Conduct require CFP® professionals to act in their clients' best interests. For more information, see <https://www.cfp.net/about-cfp-board/cfp-certification-the-standard-of-excellence>
- Certified Public Accountant (CPA) – As with many other professions, accountants have a number of professional credentials and certifications designed to ensure a high level of professionalism. The most widely sought credential is the CPA, or certified public accountant. It is both a designation and a certification process. For more information, see <http://www.aicpa.org/BecomeACPA/Pages/default.aspx>
- Chartered Financial Consultant (ChFC®) – A professional designation representing completion of a comprehensive course consisting of financial education, examinations and practical experience. Chartered Financial Consultant designations are granted by The American College upon completion of seven required courses and two elective courses. For more information, see <https://www.theamericancollege.edu/designations-degrees/ChFC>
- Chartered Life Underwriter (CLU®) – A chartered life underwriter (CLU) is a professional designation for individuals who wish to specialize in life insurance and estate planning. Individuals must complete five core courses and three elective courses, and successfully pass all eight two-hour, 100-question examinations in order to receive the designation. For more information, see <https://www.theamericancollege.edu/designations-degrees/CLU>
- Million Dollar Round Table (MDRT), Top of the Table (TOT) – for a list of membership requirements, see: <https://www.mdr.org/membership/requirements/>
- Association for Advanced Life Underwriting (AALU) – for a list of membership requirements, see: <https://www.aalu.org/membership/join-aalu/>
- Life Underwriter Training Council Fellow (LUTCF) – NAIFA's Life Underwriter Training Council Fellow (LUTCF®) Designation Program is often considered the first designation any insurance professional should earn and has delivered value to more than 70,000 professionals since 1984. For more information, see <http://www.naifa.org/professional-development/pdp/lutcf>
- Registered Financial Consultant (RFC®) – A professional designation awarded by the IARFC to financial consultants who meet high standards of education, experience and integrity. For more information, see: <http://www.iarfc.org/default.asp>
- Licensed Insurance Consultant (LIC) – A counselor's license will allow a person to counsel in one or more of the following areas with the proper qualifications: life (LI) insurance, accident and health (AH) insurance and/or property and casualty (P&C) insurance. Persons admitted to the practice of law in Michigan may counsel insurance without obtaining a license, but cannot represent themselves as licensed counselors by the State of Michigan. For more information, see [http://www.michigan.gov/difs/0,5269,7-303-22535\\_60490\\_23035---,00.html](http://www.michigan.gov/difs/0,5269,7-303-22535_60490_23035---,00.html)
- Trust and Estate Practitioner (TEP) – A designation that is recognized worldwide and is a way to formally identify qualified trust and estate practitioners and distinguish them from non-specialists who occasionally deal with trusts and estates. For more information, see [https://www.step.org/sites/default/files/Basic\\_principles\\_of\\_marketing/Why\\_Become\\_a\\_TEP\\_2011.pdf](https://www.step.org/sites/default/files/Basic_principles_of_marketing/Why_Become_a_TEP_2011.pdf)

# OTHER DISCLOSURES

The material contained in this book is for informational purposes only and is not intended to provide specific advice or recommendations for any individual nor does it take into account the particular investment objectives, financial situation or needs of individual investors.

Any opinions, projections, or recommendations in this report are subject to change without notice and are not intended as individual investment advice.

This material is intended for informational purposes only and should not be construed as legal or tax advice, or investment recommendations. You should consult a qualified attorney, tax adviser, investment professional or insurance agent about the issues discussed herein.

Valmark Financial Group's company disclosures can be found at <http://www.valmarkfg.com/site/resources-section/company-disclosures/>