Transitioning To Life Underwriting

A Primer For Health Underwriters

Hank George, FALU, CLU, FLMI

Founder and First Chairperson, LOMA Health Underwriting Study Group
President and CEO, HankGeorge, Inc.

By December 31, 2013, thousands of health insurance underwriters will be faced with a limited number of alternatives:

- Find another position in their present company or another health insurer (quite possibly at a significant decrease in compensation)

- Leave the industry and find employment elsewhere

- Retire

- Become a life, disability income, critical illness or long term care underwriter, or perhaps for some other ancillary product line

- Work in an underwriting service position such as a teleinterviewer for a life insurer or industry service provider

This guide is intended to assist health underwriters who choose to transition from health underwriting to life underwriting.

There are far more life underwriters in America than DI, CI and LTC underwriters combined; and because the author's experience and expertise is centered mainly in life risk appraisal, we will focus on this option only.

This said, health underwriters should also learn about and possibly consider these three lines of morbidity risk assessment.

Like health insurers, we on the life side of the industry have both individual and group products. The substantial majority of life underwriters work on the individual side and there are major differences between individual and group underwriting

This paper is focused on individual underwriting but many things we will cover also pertain to small group products (wherein group members are first assessed as individuals before a price is quoted for insuring the whole group).

Is there really a viable opportunity for a health underwriter to become a successful life underwriter?

Absolutely!

I know several ex-health underwriters who have successfully moved into life underwriting.

After all, at least 80% of life underwriting is medical…and most veteran health underwriters are well versed in medical impairments.

A health underwriter brings to the table a medical knowledge database essentially as robust as that of a nurse. *And we have hundreds of nurses working as life underwriters!*

How is life underwriting different than health underwriting?

The core distinction is that dying is (almost) all that matters.

I say "almost" for 2 reasons:

1. Nearly all life policies are issued with a rider called waiver of premium (where the insurance premium is paid if the insured is disabled). We occasionally decline WP coverage because of the morbidity risk.

2. Some life policies also provide for disability, long-term care and/or critical illness benefits as riders and these, too, may be denied based on morbidity factors.

Despite these caveats, the vast majority of the life underwriter's time devoted to case assessment is focused on matters that increase the risk of dying.

We have little or no concern, in terms of insurability, for many medical conditions that are **RED FLAGS** to a health underwriter.

What are some examples of how life and health underwriting differ on the same impairment?

Health underwriters are unlikely to approve coverage for many applicants suffering from common functional syndromes like fibromyalgia (FM), functional dyspepsia (FD), irritable bowel syndrome (IBS) and chronic fatigue syndrome (CFS). And those that are accepted are apt to be rated or restricted.

From a life underwriting perspective, however, these functional syndromes only matter – in the absence of some but not all common comorbidities – in three relative uncommon contexts:

1. Did the attending physician do a sufficient workup to rule out serious underlying causes, such as systemic lupus erythematosus in fibromyalgia and inflammatory bowel disease or cancer in IBS?

2. Does a concern for an underlying disease linger because the patient is resistant to conventional therapies?

3. Is there good reason to be concerned about comorbid major psychiatric disorders (which are more prevalent in these syndromes)?

In other words, upwards of 95% of cases of these four prevalent syndromes will be approved "as applied for" (no rating) for life insurance coverage, with the occasional one requiring denial of WP (and the matter only considered further if coverage is sought with a DI or LTC rider).

We take the same approach to herniated disks, osteoarthritis and countless other non-life threatening conditions fraught with excess morbidity risk.

Diabetes is virtually uninsurable for health coverage, whereas most diabetics qualify for coverage on some basis for life insurance.

Persons with stable angina pectoris are often insured, as are those who have had angioplasties, bypass procedures and even MIs.

We also accept a portion of applicants afflicted with multiple sclerosis and probably 90% who suffer from uncomplicated ulcerative colitis that does not involve the entire length of the colon (pancolitis) or shown evidence of dysplasia.

You see from these examples that the most important difference between medical assessments of life vs. health insurance risks is the approach we take to their potential consequences. For us, it is primarily about dying prematurely.

Embracing this new approach should be readily achievable by most veteran health underwriters who are willing to learn.

What options do life underwriters have when they take final action (make their decision) on a case?

- Approve it "as applied for"
- Approve it "other than as applied for"
- Decline

Since life insurance applicants usually seek coverage on the most favorable basis possible (even when they know they won't qualify!), "approved as applied for" these days usually means issuing coverage in the insurer's "best" preferred class.

Nearly all American life insurers offered so-called "preferred risk" coverage. This started as – for want of a better way of saying it – a marketing gimmick and quickly caught on with agents and buyers.

Most insurers have several classes of preferred are typically designated as:

- Super Preferred (best class)
- Preferred
- Smoker Preferred (smokers who otherwise meet preferred criteria)

Typically there is a list of anywhere from 6 to a dozen or more preferred criteria and those for super-preferred are more restrictive (harder to qualify for) than the criteria for (regular) preferred.

If the applicant applies for super-preferred rates and only qualifies for preferred rates, then the policy will be issued "other than as applied for" even though the individual is actually a better risk than someone issued at "standard" rates.

Those that are neither preferred nor standard are either rated (charged a higher premium) or declined.

Most insurers assess extra premiums in two ways:

1. With debits, based on the percentage of extra risk and expressed as table 1, 2 3 and so on, up to whatever multiple of standard rates the insurer will accept. In most companies this is 500% extra risk.

2. With a flat extra premium anywhere from $2 to $7 (sometimes more) per thousand dollars of coverage, and typically for a fixed interval (called "temporary

flat extra”) for medical conditions.

Most “flat extras” are used on cancer cases. They are also used for aviation, avocation and occupation risks, where they are typically considered permanent (or removed when the insured’s circumstances change).

When the medical risk exceeds 500% of expected mortality, the application is declined.

In some of these cases, the effect of this action is really more of a postponement rather than a flat out declination because the underwriter will cite specific circumstances where the further consideration will be given. This often happens when abnormal findings are found on laboratory tests that require further clinical assessment by the applicant’s own doctor.

Can life insurers reassess insurability at intervals once the policy is in force?

No, they cannot do so at their own volition in the absence of misrepresentation or fraud.

We often say that:

> **Life underwriters are expected to decide if someone they have never even seen is at heightened risk of premature death with a mere smattering of information and to do this as fast as possible in face of withering pressure (from people who play golf with the CEO) to make a decision they can almost never change, which is as favorable as possible from the perspective of the agent and his client.**

No, the job is not as bad as this pessimistic snapshot makes it sound!

Fact is most life underwriters I know tell me that enjoy what they do.

When can underwriting decisions be changed?

- When the applicant refuses the policy and later reapplies for coverage
- When evidence of material misrepresentation is discovered during the first 2 years that the policy is in force
- Whenever there is clearcut evidence of intent to commit fraud
- When the insured requests reconsideration of the original action and sufficient new evidence justifying more favorable underwriting

- When the policy lapses and the former insured requests that his policy be reinstated

"Material misrepresentation" is loosely defined as information that should have been – but was not – disclosed by the applicant at the time he applied for coverage. This information must have sufficient implications that would have justified issuing the policy on a different basis or declining to insure the applicant.

In these cases the policy will either be reformed (recalled and reissued on the proper basis) or rescinded (deemed not in force).

Reconsideration of a rated policy may be entertained at the discretion of the insurer and the outcome depends on the evidence submitted by the insured covering the interval since the policy was placed in force.

Some insurers will proactively advise applicants of the conditions required for reconsideration eligibility at the time the policy is issued.

What kinds of companies sell life insurance?

There are 3 main types of insurers: stock, mutual and fraternal.

Most health insurers are stock companies, like the vast majority of other corporations. So are the majority of life insurers.

Mutual companies do not issue stock, are owned collectively by the policy owners and operated on their behalf.

Fraternal insurers function both as fraternal associations (or societies) with benefits unrelated to insurance and also as life insurers offering coverage to those who belong to the fraternal association.

Many of the fraternals are religion-based while others focus on nationalities or provide coverage without these limiting criteria (but only if the insurance seeker is a member of the fraternal association).

There is little meaningful difference in how the underwriters do their jobs based on whether their employer is a stock, mutual or fraternal life insurer.

What are the main modes of distribution of life insurance?

The dominant way life insurance is sold is via sales professionals.

They may be called agents, brokers, advisors…*and, at times, by a few terms I can't mention here!*

Brokers are wholly independent and may send their business mainly to one company or to many carriers. More on brokers in a moment…

"Career" agents write all of their business (in theory, anyway) with one company and only use other insurers when their "employer" declines the risk. *Employer* is in quotes because these agents are compensated largely or wholly on a commission basis and they are not, technically speaking, employees of their insurer they represent.

"Independent agents" typically write business for a number of life companies and may also write property/casualty business for one or more carriers as well.

"Producers" is now the most widely used collective term for all of these folks who sell life insurance. This is the non-specific term of reference I mainly use for persons who sell life insurance.

Most of the larger property/casualty insurers also offer life insurance, which some of their agents sell more vigorously than they do P/C products and others ignore entirely, concentrating on automobile, homeowner and other nonlife coverages.

Many life companies also use alternative modes of distribution and some do business largely or wholly on this basis. It is likely that the use of at least some of the following modes will increase substantially in the years ahead.

- Direct mail
- Internet
- Worksite
- Telemarketing
- Banks
- Associations (dental association and other professional groups)

In addition, some companies offer what are called "final expense" coverage used for just what the name implies.

How is brokerage market life underwriting different from the rest?

The life brokerage industry is very sophisticated.

There are hundred of firms of all sizes that act as intermediaries between brokers and insurers. Some are called brokerage general agencies (BGAs).

The larger ones have their own underwriters, who prepare cases written by brokers for submission to anywhere from one to as many as ten or more life insurers.

The expertise of many brokerage agency underwriters and even the more wizened brokers is often at least equal to that of the average home office underwriter. And these folks can be *very* persuasive when trying to get cases issued on what they consider a desirable basis.

Many brokers specialize in substandard (rated) cases, jumbo face amounts and/or the elder (geriatric, older age) market. These cases can pose formidable challenges for even the most experienced life underwriters.

Most life insurers derive at least a portion (and in some cases, all) of their business in the brokerage market. They may also have career agents and use one or multiple alternative distribution modes at the same time.

Brokers frequently submit a preliminary inquiry (also called an "informal " or "quick quote") asking the insurer to make a tentative quote on how coverage will <u>probably</u> be issued, subject to completing an application and submitting required evidence of insurability (called "requirements," just as in health insurance).

These preliminary inquiries are typically used when the proposed insured is a substandard or even likely uninsurable risk. They are often sent to multiple companies to get the best tentative offer.

At what ages and face amounts is life insurance offered?

Most life companies offer coverage from soon after birth until age 75 or older. Some even write policies to age 90.

Face amounts range from as little as a few thousand dollars in certain niche markets to 8 figures. Many larger companies have an <u>average</u> application face amount of $300,000 to $400,000.

What life products do they write?

The two main life insurance products are permanent (cash value) and term insurance.

Universal life is a variation of the basic whole life concept.

Term insurance coverage may be on an annual renewable basis covering a fixed interval such as 10 years. Some of these have an annually decreasing face amount because they are designed to accommodate mortgage protection.

In addition, some companies write joint life (insurance on spouses with claim paid when either the first or second person dies) and single premium coverage where the entire premium is paid at one time.

Among the riders often available are waiver of premium (paying the premiums if the insured is disabled), accidental death (doubling the death claim when death is due to accidental causes), additional purchase benefits (allowing insureds to purchase additional coverage at stated intervals without having to be re-underwritten) and family coverage (additional insurance on spouse and children).

Some carriers have riders that provide disability income and long term care protection as well as critical illness insurance riders that pay a claim when the insured is diagnosed with certain specified "critical illnesses" such as heart attacks, strokes and cancer.

What is the role of reinsurance on the life side of the industry?

Whereas reinsurance is a minor matter for health insurance, it is a huge consideration in life insurance.

There are approximately 10 reinsurers active in the US market at this time. This number changes over years as reinsurers enter, withdraw or merge.

Most of the reinsurers doing business here are transnational firms with their headquarters in Europe. The largest reinsurer in terms of coverage written at this time – RGA Re in St. Louis – is a domestic company that also does reinsurance business globally.

The working relationship between a reinsurer and an insurer (called a "direct writing" company) is encompassed in a document called a reinsurance treaty that both parties sign. This treaty contains all the points of agreement including premium rates the reinsurers will charge to the direct writing company as well as certain stated underwriting criteria that the direct writing company agrees to abide by on cases it sends to that reinsurer.

Carriers with very high retention limits (amount of coverage they will retain without reinsuring) make comparatively less use of reinsurance than smaller companies that retain less of the risk…but all life insurers will make use of the opportunity to reinsure at least some cases.

Sometimes insurers cede ("sell" to the reinsurer) a fixed percentage of the face amount of all cases, independent of their retention limit. The other approach is to cede only that portion of the risk exceeding their retention for that age or, if rated, for the extent of the rating.

Reinsurance may be automatic (where the reinsure accepts the risk assessment done by the insurer and does not underwrite the case) or facultative (where the reinsurer underwrites the risk and, in effect, makes an offer to the insurer stating the rating class at which it will agree to cover the risk).

Most reinsurers have underwriting manuals and they make them available to insurers with whom they have a reinsurance treaty. Probably 85% or more of life insurers do not have their own internal underwriting manuals and rely upon reinsurers for these guidelines.

Reinsurers conduct periodic audits of their direct writing clients. These audits are done to determine if the direct writing company is underwriting cases submitted to that reinsurer in the manner agreed upon in the treaty and also if there are any glaring judgement errors in how the direct writing companies' underwriters assess these risks.

Reinsurers may also reinsure some of the risk they take from insurers. They use companies called retrocessionaires, which specialize in this service.

Most life underwriters deal directly with their reinsurer peers on a more or less daily basis, especially if their companies submits a sizeable amount of insurance to reinsurers on a facultative basis.

For the most part, reinsurance underwriters are highly competent and have, on average, more years of experience. They can be a priceless resource for the client insurer's underwriters when questions arise.

What are the 3 main domains of life underwriting?

They are medical, lay and financial underwriting.

Except on large cases, the vast majority of risk analysis is medical in nature. We will cover medical underwriting further on.

Lay underwriting addresses a wide range of risk issues unrelated to medical conditions or financial issues. These include:

- Aviation
- Occupation
- Avocations
- Foreign travel/residence
- Driving record
- Criminal record
- Citizenship status
- Military service status

Insurers usually have fairly fixed guidelines for all of these "lay" aspects of underwriting and thus they are not as complicated or judgement-driven as medical and financial underwriting.

The main consideration in aviation underwriting is applicants who fly airplanes other than regularly scheduled commercial flights for airlines.

Pilots who do not qualify in terms of experience, type of aircraft, circumstances under which they fly (i.e., crop dusting) are often charged an additional premium as a permanent flat extra. This extra premium is only removed if the pilot quits flying planes.

Most avocations do not require a rating unless the participant engages in high-risk aspects, such as deep scuba diving, stock car racing, mountain climbing and so on. In these cases, a flat extra premium is assessed just as with aviation.

Occupation underwriting is a huge issue in disability income insurance but far less so in life risk assessment. There are many occupations that are potentially assessed flat extra premiums and a few that are even declined…but most underwriters do not see very many applicants engaged in these jobs unless they work in a largely blue collar market.

> *In my career, the potentially rated occupation I encountered most often was bartender and I tended to underwrite them as generously as possible (having been a beneficiary of their savvy advice on more than one occasion!).*

Nearly all life insurers make routine use of motor vehicle records (MVRs) obtainable from nearly all states. Given the impact of trauma mortality and the fact that the #1 source of this risk derives from operating motor vehicles, it makes sense that we would want to identify high-risk drivers.

Our toughest practices are on substance use violations (driving while intoxicated or "under the influence" of alcohol or drugs).

Individuals convicted of one DWI may be postponed for a period of time and/or rated with a temporary flat extra premium. Once the applicant has had 2 or more DWIs, our practices become quite strict and they may not be eligible for coverage for many years.

We are also focused on reckless driving, many moving violations, multiple accidents and both suspended and revoked licenses. We typically ask about driving records on our applications in addition to ordering MVRs, and then question the applicant further if the information on the two does not jibe.

Most insurers ask about criminal histories and some routinely check criminal records. Most classes of offenses often result in adverse underwriting action on some basis.

The other main issue is foreign travel/residence and the key questions are where, why and how long. In recent years, insurers have been constrained in some states in terms of how much foreign travel/residence underwriting they can do.

Once again, lay underwriting is not complex, relies heavily on fixed guidelines (most of which are known to the agents and brokers) and this is by far the easiest of the 3 domains of life underwriting to master.

What is the nature of life insurance financial underwriting?

Save perhaps for health underwriters who majored in business or accounting, financial underwriting will likely pose the greatest challenge for those who decide to continue their risk appraisal careers on the life side.

Because I specialized in medical underwriting after just a couple of years as a line underwriter, I am far from the ideal choice to write about this subject. *Fortunately, on this occasion all we need is a brief overview!*

The core questions in financial underwriting are:

- If the proposed policyowner is not also the insured person, does this intended owner of the policy have an insurable interest in the proposed insured's life?

- Are the beneficiaries appropriate?

- What is the purpose of the insurance?

Life insurance may be for personal reasons (including estate taxes) or business reasons such as key person insurance.

Coverage may also be sought for charitable donations and many other reasons. Some of them are – as they say in England – a bit "dodgy" (if not outright illegal!).

- Is the amount of insurance appropriate in the context of the reason it is being purchased (e.g., is the key person *really* worth *that much* to the company)?

- Is the amount of coverage consistent with the insured's earnings/net worth? Is his net worth what he says it is or has he exaggerated based on further review of all the information at hand.

The amount of coverage for income replacement for survivors in the event of premature death is usually limited by some multiple of the insured's income.

- Are there any compliance issues?

- Have there been any bankruptcies or other financially compromising situations?

On large cases, underwriters may have to delve deeply into financial matters, looking at financial statements and even tax returns. They may also use specialized financial reports prepared by industry service companies, various Internet databases and also social media sites in their investigations.

There are jumbo cases where the medical aspect of the case is favorable and the underwriter spends many days gathering and pouring over financial and related matters. However, these are by far the exceptions to the rule save for a all but a small percentage of underwriters.

The depth of some of these issues can be quite complex. For this reason, most larger life insurers have underwriters who specialize in financial issues and also accountants and others available to assist underwriters who specialize in financial risk analysis.

One thing is certain: when there is financial antiselection at play, for some reason people tend to die a lot more often than actuarial tables say they should!

What resources does the life underwriter have to assess the medical risk?

The short answer is: a lot more on the average life case as compared to the average health case!

Health underwriting focuses mainly on answers to application questions and, as deemed necessary, attending physicians' statements (APSs).

Not so life underwriters, who typically have a mix of requirements at hand on fully underwritten cases for amounts of $100,000 or higher.

These are the screening requirements used on such cases by most or all mainstream life insurers in the individual market:

- Application risk history, taken by the agent, paramedical examiner or via a teleinterview that includes drilldown questions for all "yes" answers

- MIB report – virtually all life insurers belong to the MIB

- APS – sometimes ordered based on the insured's age and the face amount but for the most part requested electively by the underwriter because of admitted medical history, etc.

- Paramedical with the same components as those used in health insurance. Now we have a new version called a "smart paramedical" where the examiner records the medical history on a laptop or iPad rather than on the paper paramedical document.

- Blood and urine profiles

- In some cases an oral fluid profile in lieu of a urine profile, which consists of HIV-1, cotinine and cocaine tests

- MVR – as discussed previously

- Pharmacy records (Rx profile)

- PSA is also used in screening, mainly at ages 55 and over

There are some screening requirements whose use is declining:

- M.D. examinations are almost extinct.

- Exercise ECGs are only done on 7 figure applications and mainly over age 50 except in a handful of companies.

- Resting ECG use has declined steadily over the last decade but it remains a core component of screening over age 50 and at higher face amounts thresholds.

Many life underwriters have acquired a modicum of ability to screen resting ECGs and some are very skilled in this regard. Basic screening is not nearly as challenging as it may seem and any health underwriter can get this proficiency easily if need be.

There are also some screening tests that are becoming more popular:

- NT-proBNP – the finest cardiac marker we have ever had; now used by 70% of insurers

- Glycosylated hemoglobin (HbA1-c) – used by nearly every insurer on known diabetics and increasingly used to screen over age 50

- Microalbumin (MA) – used to screen as well as to further assess cases with proteinuria

- Hepatitis C antibodies – use in screening is increasing steadily and it is also ordered when the proposed insured has elevated ALT or low cholesterol

On a purely reflexive basis, driven by findings on other tests or in the medical history, insurers often use:

- Carbohydrate deficient transferrin (CDT) – an alcohol marker that elevates in the presence of steady heavy alcohol intake

- Free-PSA – an enhancement on PSA screening that pinpoints a subset of persons with borderline or elevated PSA who are more likely to have prostate cancer

At ages 70 and older, many companies do either cognitive and/or physical frailty screening.

Cognitive screening may be done with any of a half dozen or more tests, the most widely used of which is 10 Word Delayed Recall test.

Frailty screening has a smaller number of options and the dominant one is Timed Get-Up and Go.

In addition, some insurers ask elders about Activities of Daily Living (ADLs) and Instrumental Activities of Daily Living (IADLs) on paramedicals or teleinterviews.

What is simplified issue?

It is a very old approach to product design with its roots in group insurance, which has now been revived, reconfigured and deployed as a means of attracting more individual life business from what we call "the middle market."

This market is the multicultural middle class, which is notoriously underserved by most insurers (because most producers focus on the top 10-20% who can afford the bigger premiums; hence, the bigger commissions!).

The cost of full underwriting is too great for this market. Thus, insurers have designed simplified issue products that ask fewer risk questions and are appraised mainly with rapid access information (MIB, MVR, Rx profile, teleinterview, etc.).

Because the depth of underwriting is less, there will be greater mortality from this type of business. This means the premiums must be somewhat higher than for coverage that is assessed with paramedicals, lab tests and so on.

The reason simplified coverage works is that this difference in cost is not all that great and the product has appeal to people who buy insurance in banks, at worksites, via telemarketing and direct mail, and in other modes of distribution.

What are underwriting engines?

This term has come to be used for straight-through new business processing systems that have the capacity to make at least some underwriting decisions without the cases being seen by human underwriters.

Engines are coming on strong in life underwriting, especially for relatively smaller policies and at younger ages.

Engines play a disproportionate role in processing simplified life cases because the number of risk elements to assess is much less than with full underwriting.

What is the role of medical directors on the life side?

Just like in health underwriting, they are a key resource for underwriters when complicated medical issues need to be resolved.

Mortality risk appraisal is medically more complex than risk assessment for health insurance and hence life underwriters probably have more questions for medical officers than health underwriters.

Three factors accounting for this greater degree of complexity are:

1. We get more information about each applicant
2. We cannot use medical riders
3. The fastest growing market segment is ages 65 and over; these are the persons with the most medical impairments

Medical directors also play a key role working with chief underwriters and actuaries in determining underwriting policies and practices as well as maintaining in-house manuals and underwriter training.

In most life companies, the chief medical director now reports to the chief underwriter. Only a handful of companies sustain the obsolete approach where the chief underwriter (a line position) reports to the chief MD (a staff function).

What are the job levels in underwriting?

Most companies have most or all of the following positions in the pecking order of life underwriters:

- Trainee – usually someone hired off the street; initial training can take anywhere from 3 months to a year or more.

- Junior underwriter – those who survive boot camp and get a signature limit (maximum face amount they can approve without help). Most underwriters who survive in the job eventually get to the next level.

- Senior underwriter – here the signature authority and autonomy expands greatly. It may take anywhere from 2 to 5 years to reach this level. Many underwriters stay at this level for their entire career, especially those not keen to have any managerial accountabilities.

- Consultant – these underwriters have the highest signature authority save for the chief underwriter. It takes an average of 10 years to reach this level and it is usually the highest technical level for underwriters. These folks often do the audits on senior underwriters and may have other management type roles as well.

- Chief underwriter – the name tells all. In some companies, the chief underwriter also has jurisdiction over the claims department as well.

In many companies, everyone involved in new business reports to the chief underwriter, either directly or via supervisors. These supervisors may be former underwriters or come from other roles in the organization.

In some insurers, the chief underwriter only has underwriters reporting to him/her and the clerical staff reports to a separate manager.

And there are even some companies where the underwriters and cleric staff have a different boss and the chief underwriter is left with just a few senior technical people as his/her direct reports.

How much do life underwriters get paid?

This question is difficult to answer because pay scales vary widely based on company size, market and, of course, geographic differences in cost of living.

It is likely that an underwriter in Boston or San Francisco will make more than one in a medium-sized Midwestern or Southern community just because of cost of living differences.

If I had to guess, I would peg the compensation range for senior underwriters anywhere from $40,000 to $80,000 (recognizing that this wide range reflects the aforementioned considerations).

I know chief underwriters in very small companies barely making $100,000 and some in the largest companies that make 3 or more times this amount. There are so many factors to consider in terms of number of subordinates, span of control, ancillary duties and so on. On balance, I would guess that the average life underwriter makes 20-25% more than the average health underwriter…as they should because it is a more challenging job at least in terms of case complexity.

I would wager life underwriters have greater company-paid opportunities to pursue credentials and probably also to attend meetings than their health underwriting peers. Of course, this varies widely and some companies are a lot more tight-fisted than others.

Do life underwriters often work remotely?

Indeed they do.

Fact is, the percentage of underwriters working from home continues to increase and I anticipate this trend will continue. It appears to confer significant advantages to both parties.

Some companies have the vast majority of their underwriters working remotely. Some do so from home in the same community while many others do this from a thousand of miles away. The technology to accommodate remote underwriting has grown by leaps and bounds.

Some – mainly smaller – companies do not have detached underwriters, although a few of them will let underwriters based in the home office work from home one or more days a week.

Several large carriers have large regional offices in addition to the home office.

The enthusiasm for working remotely appears to have cooled a bit among underwriters because companies have become a tad more restrictive in what they will condone. In the early years of "telecommuting," underwriters had more latitude terms of their schedules than they do now.

On the other hand, there are major advantages as well.

If a health underwriter joins a life company, there will likely be an interval when that person will be asked to work at the home office…until the company is comfortable that the underwriter knows enough to work successfully from home.

How are life underwriters audited?

Audits by more experienced underwriters, usually consultants and in smaller companies by the chief underwriter, are a reality of the job. They play a role in performance assessment and can be quite helpful in finding and correcting problems.

Life companies do audits anywhere from monthly (rare) to quarterly/semiannually (most common) to annually (rare). They look at a batch of cases, usually a mix of standard/preferred, rated and declined risks…sometimes only cases where action has been taken while other companies also include pending cases (especially ones that are *starting to smell* because they have been around so long!).

The audit is focused on quality of underwriting.

Quality is one of 2 major aspects of performance that determine salary increases and, in part, promotability.

The other major driver is productivity.

In the "old days," nearly all of underwriter case management and decision-making was judged on quality of assessments and productivity was the lesser issue.

Not any more. Now an underwriter with "average" work quality and "high" productivity will fare as well as one with "outstanding" quality but "average or below average" number of cases handled.

There are issues besides quality of decision-making and productivity that come into the picture. These include how effectively the underwriter interacts with producers (a major consideration on the life side) and caliber of file documentation. The auditor should be able to grasp the reasoning of the underwriter from the thoroughness of file documentation.

As an aside, one deadly comment I've seen from time to time is "*…should have been rated table 2 but I took it standard because the agent says he needed it to make the Million Dollar Round Table.*"

We should never make our decisions on this basis!

The decision should be the best possible one given all the facts available to the underwriter. Qualifying for the MDRT – important as it is to the producer – is not a basis for changing a decision!

Does speaking a second language confer advantages?

Absolutely.

America is a multicultural melting pot.

Many companies have a substantial share of clients who speak Spanish. A few carriers write a fair amount of business in Latin America where the APSs are in Spanish. I know companies that get a significant flow of business from Korean, Vietnamese, Russian and other nationally groups residing here.

What is the professional designation in life underwriting?

FALU – Fellow of the Academy of Life Underwriting – which is earned by passing a series of tests.

Today, being an FALU gives one an inside track to life underwriting jobs.

See www.alu.com for more about this program and also for the ALU exam textbooks that can be purchased, rather affordably, as a learning resource for health underwriters transitioning to life underwriting.

What other resources are out there for health underwriters who seek to prepare for a new career in life underwriting?

There are far more than if one were transitioning in the other direction!

Here are some resources you need to consider:

1. Join the Association of Home Office Underwriters (AHOU), the national professional underwriters' organization. Membership is individual and any health underwriter (employed or otherwise) can be a member. Visit www.ahou.org. AHOU has a lot of educational material accessible to members only.

2. Subscribe to On the Risk (OTR), the official magazine of the ALU. It has outstanding content for underwriters in every issue and it is very inexpensive. Visit www.ontherisk.com.

3. Get – and read cover to cover – a copy of my book *Underwriting: What Every Producer Must Know*. It is the convenient single volume source of insight into underwriting for new life underwriters. You can get it at Amazon.com or from Esther at esther@hankgeorgeinc.com for $39.95.

4. Subscribe to Hot Notes, my monthly free e-newsletter. It is loaded with underwriting knowledge, mainly medical. Visit http://www.hankgeorgeinc.com/HotNotes. Once you're a subscriber and if you are actively looking for a life underwriting job, post your information under Job Seekers, which is a part of Hot Notes. Details are available at http://hankgeorge.com/hotnotes/.

5. Subscribe to Underwriter Alert, an excellent free periodical also addressing solely issues of interest to underwriters. Visit ualert@aol.com and ask my old friend John Krinik to add you to the e-mailing list.

6. Become a registered member of InsureIntell. This free Internet site provides access to an amazing volume of underwriting information, including announcements every other week of new content sent directly to your e-mail

address if you so desire. Visit www.insureintell.com

7. Get copies of life insurance applications from insurers. See how they're structured and what is included.

8. There are underwriting associations in most states and/or cities where there are a fair numbers of life companies. You can see the list of state/local associations at www.ahou.org. You are inherently eligible to be a member. Join, attend all events, network, and get to know people, because nothing works better than this for getting a broad perspective and making potentially valuable contacts.

9. LOMA has a course on underwriting. Get more details at www.loma.org.

You see now that there are numerous resources available to you – mostly free or at minimal cost – that can help prepare you for transitioning to life underwriting.

If this is your goal, no better time to get started than right now.

Hopefully this paper has been of some assistance to you.

If you have any questions, contact me any time at hank@hankgeorgeinc.com. It would be my pleasure to help in any way I can.

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