

FUNDAMENTALS OF RISK SELECTION: A RESOURCE GUIDE

	Page
Acknowledgements.....	ii
Introduction.....	iv
1. What is Underwriting?.....	1
2. Developing Critical Thinkers in Underwriting.....	7
3. Basic Professional Ethics and Guiding Principles for Underwriters.....	17
4. Overview of Life Insurance Company Framework and Processes.....	19
5. Insurance Contract and Agency Law.....	29
6. MIB, Inc.....	39
7. Underwriting Assessment – Medical.....	44
8. Underwriting Assessment – Non-medical.....	47
Appendix A: Common Medical Terminology.....	50
Appendix B: Resource Guide for Underwriters.....	66
Appendix C: Recommended Training Outline.....	70

ACKNOWLEDGEMENTS

The Academy of Life Underwriting expresses its sincere appreciation to the following members of the Curriculum Group, past and current, who have contributed to the material in this Resource Guide, and for their dedication to the creation of quality underwriting training materials and textbooks. Their commitment to underwriting professionalism and their enthusiasm for the educational programs for the Academy has resulted in valuable educational tools for the benefit of underwriters worldwide.

- Hope Adams, FALU
- Lori Ammons, FALU
- Kevin Cunningham, FALU
- Jennifer Dahl, FALU
- Donna Daniels, FALU
- Frank Goetz, FALU
- Lisa Gutierrez, FALU
- Jeanne Hollinger, FALU
- Dion Holt, FALU
- Jennifer Johnson, FALU
- Sylvia Kirkpatrick, FALU
- Carol Krick, FALU
- Joanne Lackenbauer, FALU
- Mike McFarland, FALU
- Jodi McDonald, FALU
- Marty Meyer, FALU
- Mary Midoux, FALU
- Karen Padrucco, FALU
- Roland Paradis, FALU
- Vikki Poncelet, FALU
- Michelle Privett, FALU
- Kristin Ringland, FALU

- Paula Romano, FALU
- Jim Schmitz, FALU
- Vicky Sheehan, FALU
- Pete Trivella, FALU

The material contained in this booklet cannot be reprinted without the express, written permission of the Academy of Life Underwriting.

INTRODUCTION

If you're like most people, you've probably heard the word "underwriter" but have never been quite sure what it really meant. What is underwriting? What does an underwriter do? What qualifications or education do you need to become an underwriter? How does someone get started? Where does underwriting fit in the insurance industry? The purpose of this booklet is to answer some of these questions by providing the reader with a glimpse into the world of the underwriting professional.

Individuals looking to pursue a career in underwriting can use this information as an introduction into the role of the home office underwriter, while managers and trainers can use the material for educational purposes for themselves and their teams. Home office and field associates can enhance their relationship with underwriters by better understanding the responsibilities and basic functions underwriters perform. Attorneys, actuaries, accountants, producers, client service representatives, claims examiners, and anyone else coming in contact with underwriters on a regular basis will have a greater appreciation of what makes underwriters tick, the challenges they face regularly, and the continued effort they must put forth to stay at the top of their game.

The Academy of Life Underwriting's (ALU) curriculum follows the natural progression of an underwriter's professional development. The authors and members of the ALU Curriculum Group have created material that is not only a first class introduction to underwriting but also serves as an appropriate prelude to the additional course material offered by the ALU.

With this Resource Guide, we touch on the fundamental aspects of risk classification. The next step, ALU 101, goes into more detail on the basics of underwriting, covering topics such as anatomy and physiology, insurable interest, legal requirements,

regulatory concerns, and common medical impairments. The course work continues with ALU 201 and ALU 202, both diving deeper into intermediate topics. ALU 201 covers medical impairments in greater detail than found in ALU 101, with discussion of additional diseases, disorders, treatments, and mortality implications. ALU 202 covers non-medical and financial topics ranging from how a product is priced to how to interpret financial statements and what to do in the event an underwriter goes to court. Our last course, ALU 301, focuses on advanced topics such as comorbidity, underwriting chronic diseases, and the advanced management issues of creating a high performance team, tele-underwriting, compliance obligations, and ethics.

Whether you use this book as a reference tool or as a model for your underwriter training program, we're sure you'll find it to be an excellent resource and springboard towards a more formal educational program for you and your associates. Education and self-development are important indicators of the motivation and potential success of an individual. In addition to the desire to learn, they show a level of commitment and dedication that supports a true career professional.

It is our sincere hope that you find this booklet useful and that you continue to pursue your own professional development by taking advantage of the excellent materials provided by the ALU. Whether you take the ALU exams, write articles for a professional journal, or attend seminars regularly, by continuously developing your skills you enhance your marketability and support the professionalism of the home office underwriter.

Roland G. Paradis, FALU
Past Curriculum Strategy
Coordinator

Edited by the Curriculum Group
2017

1. – What Is Underwriting?

In the context of life insurance, underwriting is the process of evaluating medical and non-medical information about an individual and determining the effect these factors statistically have on life expectancy or mortality. This process of evaluation is often referred to as risk classification. Of course, no one can accurately predict how long any particular individual will live, but by grouping together individuals with similar risk factors, overall life expectancy can be accurately determined.

Why is risk classification necessary?

Life insurance allows a person to purchase protection against financial loss occurring at the time of death. By purchasing insurance, the individual participates in a pool with others who have also bought insurance. In this way, the financial loss is spread out and the cost of providing benefits for the death claims that occur is greatly reduced.

In order to be as fair as possible to all those sharing in the risk pool, each individual is evaluated based on medical and non-medical risk factors to determine the degree of risk he/she adds to the pool. People are then grouped into smaller pools with others who represent similar risks. Each receives protection at a cost that reflects his/her proportionate share of the expected cost of benefits for that pool.

Without the evaluation process, there would be no way of knowing the risks taken on and the cost needed to make the pool work financially. In addition, if the degree of risk were not considered, many people would pay more than their fair share, in order to provide for the smaller number of people who present a higher risk.

How are risks classified?

There are many factors that have been proven to affect life expectancy. Among these are age, gender, smoking habits,

physical condition, medical history, occupation, avocation, financial stability, and the use of alcohol or drugs.

After a review of all available pertinent information, the appropriate risk class is determined for each individual. A risk class is a group of people who present a similar degree of risk to the insurance company. The risk classes used by insurance companies are:

Standard Class – Individuals included in this class have a normal life expectancy and present an average risk.

Preferred Class – Individuals in this class have a better than average life expectancy

Rated (Extra Risk) Class – Individuals in this class have medical or non-medical factors that make their life expectancy lower than normal. Since the degree of risk is greater than average, higher premium rates are charged on these policies.

Uninsurable Class – This risk class includes those who carry a greater risk than the insurance company is willing to assume.

In addition, an insurance company can decide to postpone making any offer to insure a person until a condition has been further evaluated.

Does everyone in the Rated Class present the same risk?

No. The Rated Class is further divided into groups that correspond to the amount of extra risk they present to the insurance company.

Two people with the same impairment may not present the same degree of risk. For example, two 50-year-old men with diabetes can be classified differently, depending on various factors such as how long they have had the condition, how closely it is being

monitored, and how successfully it is being controlled.

What information is needed to complete the qualification process?

In order to complete the process and make an informed decision, the insurance company will need to determine the level of risk that each individual represents. To do this, the company will gather information that enables it to make that decision. The underwriter is the person at the company charged with making an accurate assessment of the risk using the right balance of information/requirements. Most companies will produce a grid that provides their agents and brokers with guidelines as to what requirements are necessary based on the age of the individual applying for coverage and the amount for which they're applying. These grids are guidelines only and have been developed based on cost benefit studies that compare the cost of a requirement or test with the amount of information it provides. If too many requirements are ordered, the cost of acquiring the business becomes prohibitive. If too few requirements are ordered, the company runs the risk of inadequately assessing the individual and collecting too little money to support the pool.

The primary source of information is the insurance application, which is normally divided into two parts.

Part I – In addition to providing basic identifying information such as name and address, the Part I provides the insurance company with basic non-medical data, such as age, gender, occupation, tobacco use, driving record, aviation experience, financial information, and avocations. The Part I also provides the product and face amount being applied for, and allows for authorizations and applicant signatures.

Part II – Covers medical information which includes past history and present health. Depending on the individual's age and/or the amount of insurance being considered, the Part II can also include a physical examination performed by a nurse practitioner, a paramedical examiner, or a physician.

Additionally, depending on the individual's age and the amount of coverage being applied for, as well as an individual's past medical history or current health status, the insurance company underwriter can require any of the following:

Blood Profile – The blood profile consists of a collection of tests that screen the blood for the possibility of existing or undiagnosed impairments. In individuals with known medical conditions, this series of tests can be a good indicator as to the degree of control.

The following are a few of the tests included in the blood profile:

- cardiovascular – total cholesterol, HDL cholesterol, cholesterol/HDL ratio, triglycerides
- diabetes – glucose, fructosamine, hemoglobin A1C
- kidney function – BUN, creatinine
- liver function – AST, ALT, GGT, alkaline phosphatase, bilirubin
- prostate health – prostate specific antigen (PSA)
- HIV status – HIV antibody

Urinalysis – A urine sample can be collected at the time of the examination to determine the presence or absence of some of the following:

- glucose – an indication of diabetes/diabetic control
- albumin – a protein elevated in kidney abnormalities
- red and white blood cells – indicating possible infection, polyp, stones in the urinary tract, or tumors
- nicotine/cotinine – an indicator of smoking status or tobacco usage
- cocaine – indication of drug usage

Paramedical Examination – The paramedical examination consists of health history declarations, similar to the Part II, and measurements of build (height and weight), blood pressure, and pulse. Build and blood pressure are two of the most common factors considered in medical underwriting.

Attending Physician's Statement (APS) – Attending physician's statements can often provide more detailed information regarding the proposed insured's medical history. An APS can also be requested from specialists the individual has consulted in order to provide a more complete medical picture of the individual for the underwriter.

Electrocardiograms (EKG/ECG) & Stress Tests (Stress EKG/ECG, Treadmill) – These studies are records of the electrical activity that takes place in the heart at rest (EKG/ECG) and under stress (Stress Tests). A measure of the electrical current as it flows through the heart can provide valuable insight regarding the presence of coronary artery disease (CAD), hypertension (high blood pressure), heart valve or heart muscle disorders, and abnormal heart rhythms.

Personal History Interviews (also called Phone History Interviews or PHIs) – a phone interview with the proposed insured. This is usually conducted by a third party (other than the agent/producer or the underwriter) in the home office or by an outside vendor. It consists of general questions regarding the individual's finances, personal habits, medical history, and current health.

Investigative Consumer Report (also called an Inspection Report) – a report conducted by a consumer reporting agency that typically includes information such as identity and residence verification, estimate of net worth and income, occupation, avocations, medical history, habits, and other personal characteristics. Sources of information can be business associates, neighbors, friends, and public records. Individuals have the right to be personally interviewed as part of any Investigative Consumer Report that is completed.

Motor Vehicle Report (MVR) – a report obtained from the Department of Motor Vehicles in the state where the applicant is a licensed driver. The report includes information such as the status of the license, current address, and motor vehicle violations. Information from an MVR can screen out driving behaviors to avoid early death claims, providing a valuable piece of the overall

risk analysis.

Pharmacy Database Search – search engines that access multiple pharmaceutical databases to retrieve information on applicants. Information includes prescribed and over the counter medications, names and contact information for the prescribing physician, and dates of fills.

Who has access to information being gathered?

Information the life insurance company collects will not be given to anyone without the written consent (authorization) of the individual. The only people who have access to this information are employees of the company or those reinsurers who service the policy and those who have an insurance-related, regulatory, legal, or research need for the information.

Information provided by the proposed insured and the results of all tests are treated as confidential except that the company can make a brief report of it to MIB. This is a nonprofit membership organization of life insurance companies that operates an information exchange on behalf of its members. A later chapter will cover MIB in more detail.

This material contains portions of copyrighted information from The Lincoln National Life Insurance Company, used with permission.

2. – Developing Critical Thinkers in Underwriting

Marv Reber, MassMutual

Insurance companies need underwriters to be critical thinkers. Critical thinking underwriters are those who can quickly and accurately couple all the facts and nuances of a case with a broad and deep database of knowledge and make logical mortality decisions, often with limited information. Critical thinking is one of the most sought-after skills that managers desire in underwriters and is often the skill that separates the top-notch underwriters from their peers. When underwriting skill is described as both an art and a science, critical thinkers are the ones that have developed this artistic talent for blending mortality concerns with a marketing and sales focus. But who are these critical thinkers, what skills do they possess, and how do we develop our underwriters to think in this manner?

What is critical thinking?

Critical thinking is defined in many different ways and terms. It is certainly the opposite of illogical or irrational thinking and it differs from creative thinking or simple knowledge and aptitude. Some very broad definitions include:

- *thinking that has a purpose*
- *thinking that seeks to challenge existing knowledge*
- *reasonable reflective thinking focused on deciding what to believe or do*
- *the intentional application of rational, higher order thinking skills*

A more precise definition might be:

Critical thinking is the intellectually disciplined process of actively and skillfully conceptualizing, applying, analyzing, synthesizing, and evaluating information generated by observation, experience, reflection, reasoning, or communication, as a guide to belief and action.

Although a bit wordy, this definition certainly applies to home office underwriting decisions. Underwriters gather and analyze information and use their knowledge, experience, and skills to make underwriting decisions. Perhaps a simple definition of critical thinking for the home office underwriter might be:

Critical thinking in life underwriting is the careful decision-making process used to select and classify insurance risks by applying relevant data in a holistic manner based on observation, experience, reflection, and reasoning.

What are the characteristics of a critical thinker?

If you were asked to look at a group of underwriters that you were familiar with, and to identify whether each person in the group is a critical thinker or not, you would probably be able to do it. You would clearly group some as critical thinkers, and others not. Some you would categorize as borderline. Others completing this same exercise might arrive at very similar results. You believe you have made good choices but can you explain how you made your choices? What is it that good critical thinkers are doing that poor ones aren't? What approaches do good critical thinkers exhibit on a consistent basis?

Experts have identified six cognitive skill characteristics that lead to good critical thinking. These include:

- Interpretation—to understand the significance of experiences, beliefs, rules, and procedures
- Analysis—to identify relationships among statements, questions, concepts, and descriptions
- Evaluation—to assess the credibility of statements
- Inference—to form hypotheses
- Explanation—to be able to state justifying reasons
- Self-regulation—to monitor one's own cognitive activities and know what you don't know

In addition to possession of these skills, critical thinkers have the ability to recognize when critical thinking is required. When presented with an interesting problem, they choose to have an intellectual curiosity or spirit of inquisitiveness and concern for the critical thinking process.

Applying these critical thinking characteristics to underwriters, you might look for individuals who:

- Ask questions
- Seek out challenges
- Define and solve problems
- Recognize relevant data and place in a hierarchy
- Analyze assumptions and biases
- Keep emotion from their decisions
- Avoid oversimplification
- Consider other interpretations and reasoning

Deductive and Inductive Reasoning: What is the difference?

Inference is one of the skill characteristics listed above as essential to critical thinking. The ability to form a hypothesis from observations is important to the underwriting decision-making process. Inferences can be arrived at through deductive and inductive reasoning, although inferences from inductive reasoning are more important in underwriting.

There are two broad methods of reasoning, the deductive approach and the inductive approach. Deductive reasoning moves from the more general to the more specific. This is often referred to as a “top down” approach. In the deductive reasoning process, the learner begins with a theory concerning his/her topic of interest. From the theory, various hypotheses are identified that can be tested. The process undergoes a narrowing when observations are made that address the hypotheses. Specific data collected are used to support or challenge these hypotheses. In the end, these observations and data either confirm or question the

validity of the original theory.

Theory → Hypothesis → Observation → Confirmation

Inductive reasoning works in the opposite direction, moving from specific observations toward broader generalizations. This is often referred to as the “bottom up” approach. With inductive reasoning, specific observations are made. When a pattern, trend, or regularity is detected, a tentative hypothesis is made. General conclusions or theories can be drawn after repeated study.

Observation → Pattern → Tentative Hypothesis → Theory

Deductive reasoning is concerned with testing and confirmation of hypotheses while inductive reasoning is more open-ended and exploratory, particularly at the outset when observations may lead learners in various directions.

The discipline of underwriting requires inductive reasoning. Inductive reasoning takes place when underwriters gather bits of specific information (e.g., medical, lay, financial) and combine them with their own knowledge, prior experiences, and known mortality statistics to make observations about what they believe to be true. A series of observations will assist in the development of a conclusion.

Consider the following series of observations and subsequent conclusion:

Observation: Fred was late for work this morning.

Observation: Fred’s hair was uncombed and messy.

Observation: Fred had not shaved today.

Prior Experience: Fred is very self-conscious about his appearance.

Conclusion: Fred overslept.

What are the stages of critical thinking development?

As thinkers develop, they move through several general stages. Starting as novices, they grow as they gain experience. Growth can be at different rates however, and some thinkers never reach

the top level. Several general levels of thinking expertise are defined below.

- Novice—Has very little experience or understanding. Behavior is limited and inflexible with only awareness to basic objectives and measures.
- Advanced Beginner—Recognizes recurrent themes and global characteristics. Operates under general guidelines.
- Competent—Can formulate goals and plans. Has some mastery and can cope with a variety of situations. Lacks speed and flexibility.
- Proficient—Perceives situations as whole, rather than in components. Uses rules and perception to modify situations as events change.
- Expert—Has intuitive grasp of situations without awareness of rules or irrelevant data. Performance is fluid, flexible, and highly proficient.

Using the five levels of expertise above as a starting point, we can rework each level into a classification pertinent to underwriting.

- Underwriter Trainee—A new underwriter with very little experience and limited knowledge of underwriting. Has the ability to use a procedure manual to make easy decisions.
- Procedures-based Underwriter—Decisions are made using a fixed set of procedures and a limited knowledge base. This underwriter looks at every case in the same sequence and applies standards without regard to nuances.
- Observer Underwriter—A keen observer who shows a glimmer of higher level skills. Makes appropriate well-thought-out decisions with types of cases he/she has seen before. Has difficulty with cases where he/she has had limited exposure.
- Knowledge-based Underwriter—Higher levels of knowledge and experience in underwriting. Has an ability to use a wide variety of tools and analytical reasoning to reach decisions. Uses past experiences extensively to assist in decision-making process.

- Critical Thinking Underwriter—Possesses high level skill of pattern recognition and constructs vivid mental models without thinking from a strict rules standpoint. Has had broad exposure to case studies with the ability to integrate a wide variety of tools and analytical reasoning into the decision. Great flexibility, creativity and visual imagery are used in conjunction with a variety of information sources. Considers cases holistically with ability to weigh relevance of data.

How do you develop critical thinkers?

Critical thinkers do not develop by simply having many years of experience. It is rather the opportunity for decision-makers to experience many different scenarios and situations that is a more important determinant of expertise than the number of years of experience. In addition, there are numerous factors that assist in the development of critical thinkers. These include formal and informal education, training methods, and feedback mechanisms. Specific factors are listed below:

- Having a solid educational background. Individuals with college degrees are more likely to have had practice using critical thinking skills to solve problems.
- Having extensive training in the specialized field. Initial training followed by refreshers.
- Having a mentor early in one's career.
- Having an extended period of on-the-job training.
- Receiving timely, consistent, and specific feedback on performance. Positively reinforced feedback should be balanced with constructive feedback.
- Having technology available to assist with decision making.
- Practicing collaborative learning. Active learning within groups increases interest and promotes critical thinking skills. Consensus thinking should be avoided, however.
- Having time to reflect. To make better decisions, there must be time built in to reflect critically.

- Reviewing case studies. Presenting a situation as a story without a conclusion and leading individuals through a discussion.
- Giving individuals conflicting information that they must think through.

How do you develop critical thinkers in underwriting?

To develop critical thinkers in underwriting, one must apply the methods listed above to the traditional underwriter learning environment. These practical applications are designed to fit into the underwriter's daily activities, to provide job enrichment opportunities, and to assist management in developing a core group of critical thinkers.

There are a dozen thoughts listed below but these only scratch the surface. These should stimulate readers to develop additional ideas that can be implemented within their own underwriting operations.

1. Hire critical thinkers. Certainly the easiest thing to do when a departmental opening occurs is to make sure that the replacement has critical thinking skills. This can be accomplished by utilizing an interview questioning process that uncovers the desired thinking skills. Open-ended questions should be used that present a scenario or case study that requires the interviewee to think through and explain his or her answer logically. "What if" questions are valuable because they provoke different answers based on different circumstances presented. A second point of consideration in hiring is to choose people who want to learn and be challenged rather than individuals who are sensitive to critique and feedback. A larger organization may be able to develop an analytical testing tool that has the ability to identify levels of critical thinking. Some people will argue that critical thinking is an inherent talent that you either possess or you do not possess. According to this argument, the following items

would be considered ancillary or complementary to developing critical thinkers and the selection process would be the key criterion because it attempts to identify critical thinkers who can then receive further development.

2. Work beyond signature limits with scrutiny. Create a systematic process of giving cases with face amounts outside the underwriter's authority to be worked under the scrutiny of a referral person. Underwriters gain immensely when they have an opportunity to understand how more difficult cases are completed.
3. Rotate underwriters between regions. Larger underwriting operations have geographic regions, large case units, contract change underwriting, or term upgrade areas. The greater exposure an underwriter has to the different regions, products, and methods, the better capability he/she has for understanding customers and making accurate decisions.
4. Schedule interaction with experts. Develop a rounding process where departmental knowledge experts (e.g., medical director, RN, CPA) meet and interact with underwriters to discuss cases. In this process, underwriters present cases following appropriate research as opposed to simply asking for an answer or a rating classification, and presentations include the underwriter's recommended decision or opinion with supporting documentation. Medical directors will then cover alternative scenarios and seek explanations to enhance the discussion. Junior underwriters and managers may listen in to gain greater understanding.
5. Allow presence at case appeal. Underwriters should have the ability to stay involved with a case if it is appealed to higher levels. The original underwriter should make the presentation to appeals committees or management and learn why decisions are made or changed.
6. Establish mentoring programs. As underwriters with potential are identified, a mentoring relationship should be established with experienced peers to assist with their

- development. A mentor can share valuable information on the requirements needed to get to the next skill level.
7. Use a rotating referral pyramid. Create a pyramid structure where junior level underwriters share difficult cases with mid-level underwriters who can then refer to senior level underwriters, if necessary. Although presented orally, referrals should be written up in advance, causing the presenter to research the case more thoroughly. An environment in which decision thought processes are shared will lead to better understanding among underwriters. Once the pyramid is established, rotate the underwriters occasionally so they can experience a number of different perspectives.
 8. Teach. There is no better way to learn something than to teach that topic. In depth preparation provides presenters with detailed explanations and background information they may not have known previously. These presentations are best if done on pertinent topics, difficult underwriting concepts, or case studies. Topics that create an awareness of the business environment surrounding underwriting will also assist underwriters in the decision-making process.
 9. Employ upward evaluation. Solicit feedback from peers, associates that work for you, or intercompany customers for performance reviews. People all around can assist with feedback on the skill development of an individual. Positive feedback will reinforce decision-making skills.
 10. Provide access to committee assignments and process improvements. Provide underwriters with opportunities outside the routine case underwriter role. Assignment to projects or committees encompassing a broad base of knowledge will enhance their business awareness and contribute to the underwriter position within the organization.
 11. Perform audits. Create a process that routinely and systematically audits the underwriting decisions of underwriters. Use the audit results as a learning opportunity as opposed to a punitive measure. Rotate auditors to provide different perspectives.

12. Create a risk tolerant environment. Underwriters will not develop critical thinking skills in an environment where they are not encouraged to take calculated risks, to be artistic, and to ask questions. The focus should be as much on *how* the decision was reached as it is on *what* decision was reached.

Conclusion

It is important for insurance companies to hire and develop critical thinking underwriters. Underwriters need to consider facts and render decisions based on what is relevant. One of the key skills that critical thinking underwriters develop is the ability to analyze data in context. Companies cannot afford to put “bad” mortality on the books, or to lose “good” mortality cases when a critically reasoned analysis would allow for a more liberal interpretation and policy placement. Critical thinkers, utilizing a large database of knowledge, work to determine the relevance of factors prior to assigning weights. Having individuals who are capable of summarizing complex ideas clearly and in a fair manner, and who are able to provide coherent and justifiable explanations, will grow sales and add profit to the corporate bottom line. Creation of a critical thinking environment will present growth opportunities for both underwriters and their companies.

3. – Basic Professional Ethics

Professional underwriters are expected to be highly principled individuals possessing an inherent sense of right and wrong.

It is their responsibility to adhere to the Guiding Principles for Underwriters, written standards that afford the underwriting profession added credibility and authority when dealing with clients, employers, and official regulators.

These guiding principles, incorporated into the by-laws of the Canadian Institute of Underwriters, and published on the Association of Home Office Underwriters website, are for the self-guidance of the underwriter. They are intended to ensure that underwriters are aware of their responsibility in undertaking the task of underwriting. They also serve to reassure consumers, legislators, and regulating bodies that the underwriting process includes principles that extend beyond any personal or company self-interest.

Guiding Principles for Underwriters

It is the responsibility of each underwriter to:

- Act promptly, while exercising sound, objective, and consistent judgment in making underwriting decisions.
- Follow established risk classification principles that differentiate fairly on the basis of sound actuarial principles and/or reasonable anticipated mortality or morbidity experience.
- Treat all underwriting information with the utmost confidentiality and use it only for the express purpose of evaluating and classifying the risk.
- Comply with the letter and spirit of insurance legislation and regulations, particularly as they apply to risk classification, privacy, and disclosure.

- Avoid any underwriting action which is in conflict with the obligation to act independently and without bias.
- Act responsibly as an employee, with scrupulous attention to the mutual trust required in an employer-employee relationship.
- Provide information and support to sales personnel to help them fulfill their field underwriting responsibilities in selecting risks and submitting underwriting information.
- Strive to attain Fellowship in the Academy of Life Underwriting, maintain a high level of professional competency through continued education, and help promote the further education of all underwriters.
- Maintain the dignity and sound reputation of the underwriting profession.
- Increase the public's understanding of underwriting and provide information about risk classification.

4. – Overview of Life Insurance Company Framework and Processes

Purpose

To present a contextual structure upon which to build a knowledge base of a life insurance company's functional design and workflow. Furthermore, to place the underwriting department within this contextual structure in order to highlight the risk selection role and detail its interactions with both internal functional units and external support services.

Approach

Every life insurance company is uniquely structured to enable it to meet the needs of its clients. Because each company has different clients, not all companies have the same organizational design or encompass all the processes that will be touched on in this section. Therefore, as you read, keep in mind this is just intended to give an overview. Any company you interact with can have both similarities and differences to what is described below.

No department or functional unit in a life insurance company works autonomously. Every department/unit works with other departments/units on a daily basis. Two-way communication and intertwined processes are the norms. However, in order to delineate the various organizational units in a simplified and systematic fashion, we will discuss each department's contribution and impact on the processing of a single application for life insurance. Presenting the information in this format gives the illusion that the evolution from application to in force life insurance policy is a one-way, step-by-step process. It is, in fact, a complex set of dynamic interactions.

Product Design

Long before an application for life insurance is taken, many hours are devoted to developing, designing, and implementing a

new life insurance product. The departments involved in the product design and development process include marketing, legal, actuarial, compliance, information technology (IT), and underwriting.

The marketing department solicits feedback from producers regarding the types of products their clients are requesting. The legal and compliance departments develop the appropriate language for the policy contract as well as all the marketing materials. The product must be compliant with federal and state laws and must be approved for sale in all the states in which it will be sold. The IT department has to establish the new product in the information system so the application can be processed and the subsequent life insurance policy can be issued and maintained. The actuarial department has to develop a pricing structure to ensure the profitability of the product line.

The underwriting department has multiple roles in product design process. It provides input regarding product benefits, riders, and specifications. The underwriting department also provides data to the actuarial department about underwriting costs that need to be considered when developing the pricing structure of the new product. Input from the underwriting department is vital to the development of the application and supplemental forms. These forms must be both user-friendly for the producer and client and logically designed to make data transfer from the form to the computer system quick and easy.

Application Submission

Applications can be submitted to an insurance company through many different distribution channels. Each distribution channel must have a way to submit the application to the company as well a way to follow up on the application as it goes through the process of becoming a policy. The distribution channel used is typically reflective of who first initiated the contact between the applicant and the company.

Applications that are initiated by the applicant are typically secondary to a life event that has triggered a need for life insurance such as marriage, home purchase, childbirth, or employment change. When the applicant realizes he needs life insurance, he has a multitude of ways to learn about the types of life insurance products available and the variety of life insurance companies selling products. Often the first step is an internet search. The internet search can provide a basic definition of the different types of life insurance products available and some of the more common features and riders. Additionally, most life insurance companies and many of the brokerage general agencies (BGA) and independent marketing organizations (IMO) have websites where consumers can get additional information and often a general quote of cost based on very basic information about the consumer (sex, age, build, smoker/non-smoker). Consumers can also contact an insurance agent/broker or a financial planner that they have previously worked with to get more information on the life insurance products that they sell. Furthermore, some banks, credit unions, fraternal organizations, community organizations, and membership clubs also sell to or act as a conduit for consumers seeking life insurance.

Applications can be initiated by the company through direct/indirect marketing vehicles (i.e., mail, newspaper, radio, TV, internet) or through a sales agent (producer). The direct/indirect marketing vehicles can be the consumer's first exposure to life insurance products and the catalyst for the consumer to seek out more information. Producers can be employees of the life insurance company, selling only that company's products, or agents with the ability to sell products from multiple companies working either independently or through BGAs/IMOs.

Before any application can be taken, the life insurance company and its representative must be in compliance with state and federal regulations regarding the sale of life insurance products. The regulations are too extensive to fully cover here; however,

this is a good place to discuss a few of the more basic regulations covering producers. Producers must be licensed in the state in which the life insurance sale takes place. Some life insurance products (and other financial products) also require producers to have passed a Financial Industry Regulatory Authority (FINRA) Series 6 exam. Furthermore, continuing education is required to maintain licensing. Additionally, producers must be contracted with the life insurance companies whose products they are selling. The licensing department is charged with keeping track of each producer who is or wishes to be contracted with the company to ensure he is up-to-date on all the licensing and continuing education requirements. Each application that is submitted must be submitted by a contracted, licensed agent. The underwriting department must work closely with the Licensing Department to make sure that no application submitted by an unlicensed agent becomes an issued policy. There are severe legal penalties for insurance companies and producers who sell products without adequate licensing.

Producers are the life-blood of most life insurance organizations. It is in the company's best interest to provide as many tools and resources as possible to producers in order for them to focus on finding consumers who are in need of life insurance products and then to assist them in the application process. Many producers are contracted with multiple companies, each of which has multiple products with a variety of features. It is impossible for any producer to keep track of all the specifics on all the policy types for all the companies with whom he is contracted. It is the sales department's job to provide tools and resources to producers to facilitate the sales process. The sales department provides producers with on-line resources and tools as well as telephone access to specialized in-house sales experts. The sales department conducts one-on-one "on the spot" training to producers who reach out to them with particular product or service questions. Employees of the sales department also travel to various producer meetings and events to educate current and potential producers about the

company's products and services. The underwriting department relies on the sales team to keep producers apprised of product changes as well as to improve the overall quality of the applications submitted through their informational and training programs. The sales department can also be a resource once an application has been submitted, relaying pertinent information to and from the producer to assist in the underwriting process.

Once the application and any accompanying documentation/paperwork reach the insurance company's home office (by mail, fax, or electronic submission) the documents must be stored and secured. Most companies have converted to electronic storage whereby images of the documents are scanned into an electronic file by a mail/indexing department. The underwriting department depends on the mail/index team to keep all the documents together and add any subsequently submitted documents to the imaged file. Any money sent in with the application is turned over to the premium accounting department so it can be properly applied to the policy. Once the imaged file is established, it is forwarded to the submission team, which transfers all the data from the application and additional paperwork to the computer system to establish the application information in the database. The submission team also does the first "scrub" of the application noting any missing or conflicting information and adding these requirements to the system so the producer can review them. The underwriting department is heavily reliant on these two teams to initiate the underwriting process. Mistakes made in the indexing or submission step can delay the underwriting process significantly.

New Business/Underwriting/Underwriting Support/Issue

Once the application has been submitted, the initial underwriting process begins. New business/underwriting support team members are charged with following up on the receipt of all application requirements and supporting the underwriting process. The term "requirement" refers to any

additional information needed for the application process to be completed. Some of the requirements are computer system generated based on the policy type, the amount of coverage applied for, and the proposed insured's age. Other requirements are manually generated by the new business/underwriting support teams due to missing, incorrect, or conflicting application information or documentation.

The replacement compliance team, typically included under the new business department umbrella, ensures that all regulations regarding the replacement of a life insurance product with another are followed by the producer and the company. They can add requirements to the application to carry out their responsibilities. The underwriter can manually generate a requirement based on the review of the application and supporting documentation, as well as a review of the proposed insured's medical history and exam results, if an exam was completed.

The medical team, traditionally managed under the purview of the underwriting department, can also suggest additional requirements. The medical team's responsibilities include recommending in-house guidelines for various medical conditions, educating the underwriting team on more complex medical conditions, and reviewing the medical records of proposed insureds with more complicated medical histories. Based on their review of a proposed insured's medical history and/or exam information, they can suggest additional requirements be obtained.

The issue team, also typically managed under the new business department umbrella, completes the last "scrub" of the application after it is approved by the underwriter and generates the new policy. Requirements can be added, even at this last step, to make sure the policy is correctly issued. Finally, there can be delivery requirements. These are requirements that need to be received but not necessarily before the policy is issued. Delivery requirements are signed and dated by the client upon

their receipt of the policy and then returned to the company to finalize the policy. Delivery requirements can be automatically generated by the computer system or manually generated by any of the home office teams/departments mentioned above. While all requirements are generated by home office systems and personnel, the fulfillment of the requirements can be through internal systems and processes or by external vendors.

Simple requirements such as correcting a date of birth, clarifying a beneficiary relationship, or establishing a payment method, can usually be satisfied with a question to the producer or by having the producer ask the applicant to complete a more detailed form. These types of requirements can be relayed to the appropriate department either by an email or a phone call into the customer service team. The customer service team is typically a phone unit that facilitates two-way communication between the producer and the underwriting and new business departments. Producers can call into the unit to get information on outstanding requirements and to provide information to satisfy outstanding requirements. Once the correct information is obtained, the application can then be amended with the correct information.

More complex information, not readily available for the producer or applicant/proposed insured to provide, sometimes needs to be procured by an outside vendor. The insurance company contracts with a vendor and pays the vendor to secure the required information. For example, life insurance companies do not typically ask proposed insureds to provide copies of their medical records. A vendor that specializes in obtaining copies of medical records is tasked with the records retrieval. Requests for a proposed insured's motor vehicle report or prescription data are also run through a vendor service because the vendor has already secured access to the necessary databases and can provide a quick turn-around time, taking usually only minutes to hours. Using a vendor eliminates any inconvenience and is significantly quicker than asking the proposed insured to track down and forward this information. If

an exam is required, paramedical examiners are the vendors that interview proposed insureds about their medical history, record their vitals, and obtain their blood and urine samples. The blood and urine samples are then forwarded to another vendor - a lab company. Lab companies process the blood and urine samples and provide the results to the insurance company electronically. Other outside vendors provide a wide array of services including personal history interviews (PHI), financial data collection, criminal data collection, and medical records review and summation.

The underwriter reviews all application information and any additional data obtained from the applicant and the producer, as well as any vendor-supplied information to determine if an offer on the application can be made. If the underwriter approves the application for an offer and the offer is accepted, the application goes to the Issue Team to generate the printed policy. The printed policy is then forwarded to the producer for delivery to the policyholder.

Post Issue

The producer make an appointment with the new policy holder to deliver the policy, if the policy is not directly mailed to him. During the appointment, the producer reviews all the policy features again, answers any questions the policyholder has, and has the policyholder sign any delivery requirements that need to be forwarded to the company. During this review, occasionally an error will be discovered or the client expresses a desire to make changes to the policy. Most companies provide a period of time for the policyholder, after the policy is delivered, to review the policy for any errors or make any policy changes such as adding a rider or changing the face amount. Some changes can trigger additional requirements, such as an increase in the face amount of the policy, and must be reviewed by an underwriter. Fortunately, most changes do not need underwriter review and can be routinely made by support staff. The policy

is reissued, typically by the issue team, and a new policy is sent out.

Some policy changes can be made throughout the life of the policy such as changing the beneficiary or the payment method or even adding a newborn baby to an existing child rider. These types of changes are handled by the policy owner services department without the need for underwriter review. Other requested changes can need to be approved by an underwriter. These types of changes typically involve a change in the rate class and therefore a change in the policy premium. They include requests to change a rate class from a “tobacco” class to a “non-tobacco” class if a client is no longer using tobacco, and requests to change to a better rate class due to an improved or resolved health condition. Policy owner services will follow up on the appropriate documentation and any requirements that are necessary for the underwriter to review in order to approve the change. If the change is approved, the policy owner services department makes all the necessary changes in the system to reflect the new rate class and premium.

The claims department reviews and processes all death claims. Most death claims are routinely processed and benefits are paid to the policy beneficiaries in a timely manner. Occasionally, if a death seems suspicious or the claims processor feels there may have been material misrepresentation, the underwriting department and/or legal department can be involved in the claim review. The underwriting department can also be involved in the claim review if the applicant died while their application was pending approval or during the contestable period (first 1-2 years of the policy, depending on each state’s regulations). The claims department also works closely with the underwriting and actuarial departments to ensure a particular product’s mortality statistics are in line with the cost/pricing assumptions made by the actuarial department when pricing the product and that the underwriting on the product supports the pricing structure. Excessively liberal underwriting can lead to death claims beyond what was anticipated in the product pricing and result in

poor product profitability. Excessively conservative underwriting can lead to poor product sales and insufficient premium dollars to cover the product's costs, also resulting in poor profitability.

Summary

The information in this section is intended to provide an overview of the various departments and functional units within a life insurance company and how they relate to the risk selection process. Many departments were not included in this overview because they do not directly impact the risk selection process. This in no way diminishes their contributions to the organization. We cannot stress enough that each company has its own unique history, structure, and goals. No overview can include all the possible organizational permutations. Hopefully this provides a solid foundation upon which to build your knowledge of life insurance organizations and how they approach the risk selection process.

5. – Insurance Contract and Agency Law

The purchase of life insurance can be a confusing experience for individuals unfamiliar with the terminology and processes involved. Frequently the transaction is initiated by a sales person, rather than the buyer and can be the buyer's first introduction to life insurance.

In the past, this lack of knowledge combined with an initial lack of buyer interest caused misunderstanding and conflicts. These conflicts were often resolved in a courtroom and led to the development of legal standards in insurance contract and agency law.

While significant differences do exist in some states/provinces/territories, basic insurance contract and agency law is similar throughout the United States and Canada. This chapter focuses on the similarities; occasional reference is made to common law in order to illustrate points of insurance contract and agency law and their effect on the underwriting function.

Contract Law

A contract can be defined as an agreement between two parties. If the agreement meets specific requirements, the agreement can be enforced in a court of law. A life insurance contract is an agreement between the applicant (usually the insured) and the insurance company.

The agreement consists of one or more promises. A *unilateral* contract is formed when only one party to the contract makes a promise. A *bilateral* contract involves promises by both parties. A life insurance contract is unilateral. The life insurance company promises to pay a specified amount of insurance upon the death of the insured. This promise is enforceable in a court of law. The applicant however, does not promise to pay premiums and is not legally bound to do so. If the premium is not paid, the contract is terminated in most situations and the insurance company has no legal responsibility

for the promise that it made.

Contracts can be formal or informal. A formal contract is in writing and expresses the intention or promise being made and is usually a signed agreement. An example of a formal contract is an agreement signed between a builder and contractor for specific services at a specific price.

An informal contract can be oral and is equally enforceable if it is the intention of the parties involved to enter into a contract. Life insurance is an example of an informal contract. An informal insurance contract is created when the sales person accepts an application and the first premium from an individual. The sales person issues a receipt providing temporary insurance covering the period until such time as underwriting is complete. This receipt contains the terms under which the insurance is payable and constitutes a formal contract. These terms also make reference to the terms in the policy that is yet to be issued. This reference constitutes the informal portion of the agreement.

An informal contract may also be created immediately upon completion of underwriting. If the applicant is approved at standard rates, a binding oral contract is created immediately even though the applicant has not yet received the actual insurance policy.

Since insurance contracts are informal, insurers are not required by law to issue a written policy as evidence of a contract. However, this practice has become commonplace as it provides the applicant and the insurer with a record of contract terms and conditions, which may easily be misunderstood or forgotten years later if left in oral form.

Legally Binding Contract

Common law describes a binding contract as one that is *legal in form*. There must be an *offer* made by one party and *acceptance* of the offer by the other. The parties to the agreement must be *legally competent* to enter into a contract.

- **Legal in Form**—The very nature of the agreement must be one that is not contrary to the law. An example of an illegal contract is one that requires one party to perform a criminal act.
- **Offer and Acceptance**—Creating a contract begins with a proposal by the offeror. If the offeree accepts the proposal, a contract is created. In the life insurance setting, the applicant becomes the offeror by submitting an application to the insurance company with the first premium. The application is processed through the underwriting department, where one of three decisions will be made:
 - If the proposed insured is uninsurable, the offer to insure is rejected by the insurance company and the premium is refunded.
 - If the proposed insured is deemed to be a standard risk, the offer to insure is accepted and a binding contract is created.
 - If the proposed insured is assessed with an additional mortality charge, the offer to insure is rejected, but a counteroffer is made. The insurance company is now the offeror while the proposed insured becomes the offeree and determines if he/she will accept the terms of the counteroffer. In this situation a binding contract occurs upon delivery of the modified policy to the client and collection of the additional premium.

If the first premium is not submitted concurrently with the application, the application is considered to be an invitation to the insurer to make an offer. If the insurance company makes an offer, a binding contract is not in effect until the first premium is collected, thereby representing acceptance of the offer by the applicant.

- **Duration of the Offer**—Frequently the offer is held open for a specified period of time. If there is no expiration date, it is presumed to be open for a reasonable length of time. In the life insurance setting, the underwriting department must take action on the applicant’s offer to insure in a reasonable time frame. Otherwise, unjustified delay or even silence may result in liability by the insurer.

- **Competent Parties**—In addition to the legal requirements of offer and acceptance, a contract can be enforced only if the parties to the agreement are legally competent at the time the contract is created. Certain individuals are deemed to be contractually incompetent and, in certain situations, can deem the contract void from its inception or voidable upon acquiring legal competence. The legally incompetent individuals who are of most interest to an insurance company include minors and mentally incapacitated persons.
 - Minors – Common law throughout the United States and Canada deems an individual of age 18 to be competent to enter into a contract. However, for insurance contracts, this age has been lowered to 15 in the United States and 16 in Canada, except for Quebec, which is age 18.
 - Mentally Incapacitated Persons – Contractual competency usually does not exist if the individual has an appointed guardian to act on his/her behalf. If there is no guardian, the individual’s ability to understand the complexity of the contract will govern his/her contractual capacity.

The underwriter must be satisfied that the applicant is legally competent to enter into an insurance contract. This requirement is intended for the protection of the

applicant from unscrupulous persons who may seek to take advantage of the individual. Lack of attention by the underwriter can place liability on the insurer if the very existence of the insurance contract on the life of an incompetent applicant leads to adverse criminal circumstances.

From the business side, the underwriter must ensure that the insurance company is not entering into an agreement with an incompetent individual who can later void the contract. In this situation, all premiums are usually returned to the applicant. This results in lost revenues from the past and the future and non-recovery of expenses incurred at the time of issue. Ultimately, there could be a net loss by the insurer as a result of the contract being voided.

- **Consideration**—Consideration is the thing of value given by the offeror in exchange for a promise to be made by the offeree. An informal contract must include adequate consideration in addition to the requirements of legality, offer, acceptance, and competency. In the case of a life insurance contract, the consideration is the application and initial premium offered by the applicant in exchange for the insurer's promise to pay the death benefit under the circumstances specified in the policy.

Agency Law

An agent is defined as one who acts on behalf of another (i.e., the principal). An agent so authorized can legally contract with third parties on behalf of the principal and the principal will be legally bound by these actions.

In the insurance setting the agent solicits applications for insurance on behalf of the insurance company. A contract between the two parties defines the agent's authority and duties. The law further requires that the agent be licensed in the state/province/territory in which he/she does business.

Otherwise the insurance company cannot legally accept an application submitted by the agent.

A broker is an agent licensed to sell insurance for more than one company in order to provide the best possible product to suit the applicant's needs. In this capacity, he/she is acting as the agent for the person seeking insurance. However, he/she also continues to be an agent of the insurance company when collecting the first premium and delivering the policy. The insurance agent has certain legal and moral obligations to both the applicant and the insurer in the course of doing business. Of these obligations, only a few are truly within the underwriter's control, thereby imposing a responsibility on the underwriter. They include application and related forms, disclosure, replacement, and forgery.

- **Application and Related Forms**— Most states in the U.S. require that forms used by the insurance company be approved in the state in which the policy is being sold. This regulation does not exist in Canada.
Disclosure— Due to the lack of insurance knowledge in the general population, the applicant is given a number of documents to aid in his/her understanding of the insurance purchase. A policy guide provides basic insurance terminology and simple descriptions of the various types of life insurance. A policy summary/illustration discloses detailed financial information applicable to a particular policy. This illustration is a legal requirement in Canada and in most states in the U.S. for products that offer an investment element in addition to life insurance (e.g. universal life products).
- **Replacement**—Replacement of existing insurance is not always in the best interest of the applicant. If replacement is intended, the agent must provide the applicant with a Notice Regarding Replacement. The form provides a comparison of the existing and

proposed insurance coverage, in order to ensure that the client has given adequate consideration to the change.

- **Forgery**—Forgery is the act of signing another person’s name with the intention of fraudulently presenting the signature as authentic. A missed signature can easily occur while completing one of the many forms during a life insurance sale. However, forging an applicant’s signature can cause serious problems for both the agent and the insurer

Clearly, it is the responsibility of the agent to complete the proper forms, obtain proper signatures, make full disclosure, and act with professionalism. However, the underwriter ultimately bears the final burden to ensure that many of these elements are in place and the proper signatures acquired

- **Agent’s Duty to Inform**—The agent is obligated to inform the insurer of all material facts surrounding the application for insurance. A material fact of any nature is one that would influence the underwriter’s decision to issue a policy. Failure by the agent to present all material facts as known to him/her can result in liability to the agent that in some cases can become a criminal issue.
- **Premium Collection**
Most companies authorize the agent to collect the first premium at the time of application thereby creating a temporary contract, legally binding to the company. In this situation, it is important that the agent remit the premium in a timely manner in order for the underwriting department to act promptly on the applicant’s offer to insure.

Duties of the Applicant – Material Misrepresentation

As stated previously, the applicant is not legally bound to an insurance contract and can release both parties from obligation simply by not paying the premium. However, the applicant does have a legal responsibility to disclose to the best of his/her knowledge, any information requested during the application and underwriting process. Failure to do so may constitute material misrepresentation. Material misrepresentation occurs when the applicant mistakenly or intentionally fails to disclose a material fact. Material information is that which is significant to the decision to issue. The result of material misrepresentation is that a policy is issued that would not have been offered, had the insurer been aware of the facts.

The discovery of material misrepresentation can occur during claim review or while the insured is still alive. If the discovery is made within the contestable period (the two years following the policy issue date in most states), the company has the right to void the contract. If the insured is living, the company will rescind the policy and refund all premiums paid, thereby deeming the contract void from inception. If the misrepresentation is discovered at claim time, the company would deny payment of the benefit. After the contestable period, insurers in the U.S. have limited ability to contest the policy. In Canada, an insurer can contest the policy after the contestable period has expired on the basis of fraudulent misrepresentation. In this situation, the insurer must prove that the applicant intentionally withheld information material to the risk for the sole purpose of inducing the insurer to issue a policy.

While the applicant has the duty to disclose, the ramifications of material misrepresentation are minimal. In most situations, the contract is merely terminated and the premiums are refunded to the applicant. There is little for the applicant to lose and much to gain if a policy is issued, a factor that is important to the underwriter when assessing every insurance application.

Waiver and Estoppel

Waiver

Waiver is the voluntary and intentional giving up of a known right. The waiving party must be aware of its right in order to exercise this right. The three types of waiver are *express*, *implied*, and *waiver by silence*.

- Express waiver is one that is clearly communicated either orally or in written form. In the insurance setting, this may occur when the underwriter waives the right to obtain a medical requirement deemed necessary based on the proposed insured's age and the amount of coverage requested.
- Implied waiver results from the party's words or actions alone. The most common situation of implied waiver occurs when an underwriter fails to seek answers to unanswered questions on the application.
- Waiver by silence occurs if the party has a legal duty to speak within a certain time period. This can occur if the underwriter learns of adverse medical history two months after a policy is issued and finds it necessary to rescind the policy based on this information. If the underwriter fails to act on this information in a reasonable time frame, he/she may be denying the insured the opportunity to seek insurance elsewhere.

Estoppel

The root word "estop" means to stop, bar, prevent, or preclude. Estoppel is imposed by the courts and will prevent a party from exercising a right, due to something the party did or said that led another party to believe a contract was valid. In the first two bullet points under waiver above, the underwriter was aware of his/her right to additional information but chose not to exercise

that right either by communicating this decision or merely by his/her actions. In the third bullet point, the underwriter did not act in a timely manner. In these three situations, the company can be estopped from denying benefits in the future based on the information in question, as its words, actions, or failure to act led the insured to believe that he/she has coverage in force.

Summary

The knowledge of insurance contract and agency law is important to the development of an underwriter's career. Legal contracts placed with competent individuals serve to protect not only the interest of the company but also the interest of the public as a whole. When this aspect is combined with the other elements of risk selection, the successful underwriter is not only establishing an exciting career but is performing a task that is vital to the success of his/her employer.

6. – MIB, Inc.
Sue Corey, MIB, Inc.

MIB

Operating since 1902, MIB is a membership corporation, sometimes described as an "information exchange." MIB is owned by its member insurance companies and was once known as "Medical Information Bureau." Although MIB's official name changed in 1978 when it incorporated, it is still frequently identified as "Medical Information Bureau."

MIB operates as a "nationwide specialty consumer reporting agency" that is governed by the federal Fair Credit Reporting Act ("FCRA"). Under FCRA, MIB provides "consumer reports," but its reports are not considered credit reports because they are not used to evaluate credit risk. MIB's primary mission is to detect and deter fraud in the application process for life, health, disability income, critical illness, and long-term care insurance. MIB's Checking Service protects insurers from attempts to conceal, omit, or misrepresent information that is material to the sound and equitable underwriting of these types of individually underwritten insurance.

Under MIB's bylaws, to be eligible for membership in MIB, the business entity must be organized as an insurance company conducting life or health business, duly licensed and in good standing with appropriate regulating authorities, have a medical director who is a qualified physician in good repute at its domicile, and follow specific rules governing the confidentiality and use of MIB information. MIB is composed of nearly 420 life and health insurance companies throughout Canada and the United States.

To ensure consumer protection, MIB requires its members to provide a self-audit report on an annual basis and to allow an audit of pre-selected files every three years. When the audit

findings are less than satisfactory, a follow-up audit is promptly scheduled to ensure that remedial action is taken. Under the MIB company visit program, MIB furnishes education and guidance regarding MIB rules and procedures and ensures compliance.

MIB Reports

MIB has very specific prerequisites for searching its Checking Service database. A basic requirement is that a member must have a current application for insurance and an authorization, signed by the proposed insured, expressly naming MIB as an information source. The authorization should elicit the proposed insured's affirmative consent to the insurer's search of MIB as well as consent to report his or her personal information to MIB. The member company is required to furnish each individual proposed insured with a Pre-Notice, describing MIB, its services, and the right to request and arrange disclosure in keeping with FCRA requirements. The notice includes contact information so that consumers can obtain a copy of their MIB Consumer File, if any, or to seek a correction if they feel the information is inaccurate. Only authorized medical, underwriting, and claims personnel of a member company can have access to MIB record information. When a member receives information through MIB, it must be held in such a manner that will maintain its confidential character. The information will not be released to non-member companies, credit or consumer reporting agencies, or governmental agencies without a court order or authorization from the consumer. MIB removes information reported by member insurance companies from a consumer's MIB file after seven years in order to comply with the prohibition in the FCRA against reporting obsolete information.

If a record exists, the information is returned in coded form. An underwriter compares the contents of an MIB report with the information the proposed insured supplied. If an

inconsistency exists, depending on how significant, the underwriter may need to investigate further. The Guide to Investigation, included in our MIB Primer, is available to member companies and provides many detailed suggestions and guidelines on how to proceed in this situation.

If the attempt to reconcile an inconsistency proves futile, then the underwriter can contact the reporting company through MIB with a Request for Details. The original reporting company, in turn, contacts the requesting company with the information that triggered the coded report. The amount and content of information furnished in answer to a request for details is at the discretion of the reporting member. Any details provided shall not be considered information furnished through MIB. Making underwriting decisions on the sole basis of a reported code is expressly prohibited under the MIB General Rules. Underwriters must do the necessary research to find out the specifics of the condition that was reported.

Reporting Underwriting Information to MIB

Member companies have the responsibility of reporting to MIB a brief, coded report of conditions and findings significant to a proposed insured's mortality or morbidity. Members are authorized to make such reports to MIB under the terms of the MIB Authorization.

Reportable information includes those impairments listed in the MIB coding manual that are received from an original medical or other source, from official records, or from the proposed insured during the application process. Over the years, the manual has been updated with new medical concerns, findings, and terminology. Among the most commonly reported conditions are build, hypertension, diabetes, and other test results. Non-medical codes can alert the underwriter to possible over-insurance, criminal activity, adverse driving record, hazardous sports, and aviation activity.

MIB members do not report their final underwriting decision to MIB.

In order to provide a more thorough understanding of MIB principles and procedures, MIB provides the MIB Primer, which includes General Rules, a Guide to Investigation, Internal Procedural Rules, and Group Rules and Reinsurance Rules.

Post-Notice

An MIB member must notify a proposed insured with a Post-Notice whenever the member received any information from MIB pertaining to the proposed insured that resulted in further investigation of the proposed insured's insurability, and the application for insurance was rated or declined in whole or in part because of information obtained from that investigation. If a member makes an adverse underwriting decision requiring it to provide a Post-Notice, then the consumer is allowed to obtain an additional free disclosure of his or her MIB Consumer File in accordance with the NAIC Information and Privacy Protection Model Act, the FCRA, and other laws that require insurers to explain the basis for any adverse decision.

Other MIB Services

In addition to the basic inquiry or Checking Service described above, a number of other MIB services assist with risk selection and offer protective value during the application process, as well as after issue is completed.

- **Plan-F (Follow-Up) Service** - provides follow-up reports when another member reports a code on the same individual after the initial inquiry. When this happens, a new report is automatically sent to the member who made the initial inquiry, alerting the

underwriter to possible fraud or omission on the original application. Such an alert can lead a member to contest or rescind a contract when the contents of the follow-up report may have led to a different underwriting decision.

- **Insurance Activity Index (IAI)** - tracks the dates of MIB inquiries and returns a report that shows all inquiries made on an individual during the prior two years. This information alerts an underwriter to potential anti-selection by highlighting unusual application activity, which can be the result of an attempt to overinsure or to avoid requirements by splitting coverage across several different companies.
- **Disability Insurance Record Service (DIRS)** - is a shared database of individuals who have applied for disability income insurance. This service provides a report that identifies other members who may have underwritten disability income insurance on a proposed insured within the last five years.

Summary

Changing regulations and public opinion will always impact underwriters in the way they are able to obtain and use information to properly rate the proposed insured. Regulations can limit what they are able to ask for and what physicians are able to release. In the United States, there is discussion regarding a Federal Charter to help create more uniformity within in the insurance industry. The NAIC has responded with the Alliance for Sound State Uniform Regulatory Efficiency (ASSURE) to maintain current state regulation and promote uniformity. Underwriters must be aware of the changing regulatory environment as it impacts risk assessment and the gathering of underwriting information.

7. – Underwriting Assessment - Medical

A number of factors are used to determine the overall risk of the insured. With regard to insurance, the underwriting process and factors can be divided into two categories. The first category is medical information. The second category is non-medical information. The medical requirements can include the following:

Paramedical/Medical exam

The paramedical/medical examination consists of health history declarations, similar to the Part II of the application, and will include current measurements of build (height and weight), blood pressure, pulse, and can include a heart chart.

Blood Test and Urine Specimen

The blood profile consists of a collection of tests that screen the blood for the possibility of existing or undiagnosed impairments. In individuals with known medical conditions, this series of tests can be a good indicator as to the degree of control.

A urine sample may be collected at the time of the examination to determine the presence or absence of some of the following:

- albumin – a protein elevated in kidney abnormalities
- red and white blood cells
- nicotine/cotinine – an indicator of smoking status or tobacco usage
- cocaine – indication of drug usage

Electrocardiogram (EKG/ECG) & Stress Test (Stress EKG/ECG, Treadmill)

These studies are records of the electrical activity that takes place in the heart at rest (EKG/ECG) and under stress (stress

test). A measure of the electrical current as it flows through the heart can provide valuable insight regarding the presence of coronary artery disease (CAD), hypertension (high blood pressure), heart valve or heart muscle disorders, and abnormal heart rhythms. A stress EKG may be required depending on the amount applied for and the age of the individual.

However, the underwriter can request either a current study or one done recently by an attending physician when there is a history of prior abnormal EKGs, the presence of risk factors for CAD (e.g., elevated cholesterol, smoking history, family history), diabetes, a heart attack, or coronary bypass surgery.

Attending Physician Statement

An attending physician's statement (APS) will often provide detailed information regarding the proposed insured's medical history. Occasionally, a statement may also be requested from specialists the individual may have consulted in order to provide a more complete medical picture of the individual for the underwriter.

An APS is the cumulative clinical record of patient care maintained by a medical provider (physician, mid-level care provider such as a nurse practitioner or physician assistant, clinic, or hospital). Records often contain years of detailed well care, diagnostic, and surveillance information. Typically an APS provides the underwriter with a greater amount of specific medical underwriting data than any other single requirement. This information is extremely valuable, is the least intrusive of all medical requirements, and facilitates underwriting decisions that are accurate, fair, and competitive.

Pharmacy Database Records

Pharmacy database records, known by a variety of terms such as pharmaceutical records or Rx profiles, are among the more

recent medical data tools available to an underwriter. Based on an individual's prescription drug claim information as processed by large Pharmacy Benefit Managers (PBMs), these PBMs consolidate claim data into a summary report usable by insurance companies as an additional tool to evaluate an applicant's medical history

The pharmacy benefit record provides such information as medications prescribed, the date the prescription was filled, dosage protocol, and the name of the prescribing physician. The underwriter can use this information to complement and validate information disclosed on the application and/or examination. When the Rx profile and application data are consistent, depending on the company's underwriting practices and risk tolerance, it can be possible to then proceed without more traditional underwriting requirements such as an exam or APS. If the report and application data are inconsistent, the underwriter has an opportunity to determine whether a medication is being taken more frequently than disclosed or not as often as expected. The discovery of significant undisclosed medications/physicians findings of non-compliance with medication, and more recent physician consultations allows the discriminate ordering of additional requirements, assuring resolution of all conflicting information before final action is taken.

8. - Underwriting Assessment - Non-Medical

A number of factors are used to determine the overall risk of the insured. With regard to insurance, the underwriting process and factors can be divided into two categories. The first category is medical information. The second category is non-medical information. The non-medical requirements can include the following:

Personal information

This includes, name, date of birth, address, smoking status, alcohol use, drug use (current and previous), existing insurance, income, net worth, and criminal activity.

Owner and Beneficiary

Life insurance requires insurable interest of the owner and of the beneficiary of the policy. There must exist a relationship between the policy owner and the beneficiary in that the beneficiary will suffer a financial loss in the event of the insured's demise. This can include immediate family members, more distant blood relatives, romantic partners, creditors, employers, and business associates.

Occupation

This provides the name of the employer, job title, and actual job duties. It also provides the length of time at a job, which provides information regarding stability.

Avocations

Some sports and avocations pose a definite hazard and require extra premiums to cover the risk. The participant's experience and qualifications are important (e.g., any training and certification courses), as well as location where avocation is performed and frequency it is done.

Motor Vehicle Report (MVR)

A report obtained from the Department of Motor Vehicles in the

state/province where the proposed insured is a licensed driver. The report includes information such as the status of the license, address, and motor vehicle violations. Information from an MVR can screen out driving behaviors to avoid early death claims, providing a valuable piece of the overall risk analysis.

Financial Information

Financial underwriting is an integral part of the underwriting process and helps prevent anti-selection or speculation. It involves the development and interpretation of financial data to determine the motivation behind the purchase of life insurance and justification of the amount applied. The face value of life insurance policies must not exceed the human life value of the insured, otherwise the indemnity principle would be violated, which creates a moral hazard. Individual life insurance purposes include but are not limited to income replacement, final expenses, debt/mortgage coverage, estate taxes, savings.

Business life insurance needs involve determining an appropriate amount of coverage based upon the specific need (e.g., key person, debt repayment) and/or valuation of a company (for a company buy/sell).

Credit Report

It provides account information from various creditors. It provides information on an individual's borrowing and bill-paying habits.

Inspection Report

A report conducted by a consumer reporting agency that typically includes information such as identity and residence verification, detailed income and net worth figures, occupation, avocations, medical history, habits, and other personal characteristics. Sources of information can be business associates, neighbors, friends, financial institutions, accountants, attorneys, and public records. Inspection reports

are utilized for personal applications. In the event of a business insurance application, the report completed would usually be a business beneficiary report.

Appendix A – Common Medical Terminology

Common medical prefixes with lay terms

Medical prefix	Lay term
aden -	gland
angio -	vessel (blood)
arterio -	artery
arthro -	joint
aud -, aur -	ear
bronchi -, broncho -	bronchial
carcin -	cancer
cardio -	heart
cerebro -	brain
cervic -	neck
chole -	bile
col -	colon
cranio -	skull
edem -	swelling (fluid)
encephal -	brain
endo -	inside, within
gastro -	stomach
hema -	blood
hepato -	liver
inter -	between
intra -	inside
laryng -	larynx
leuko -	white
lymph -	fluid
mamm -, mast -	breast
melan -	black

nephro -	kidney
neuro -	nerve
ocul -	eye
osteo -	bone
peri -	around
pneumo -	lung
procto -	rectum
pseudo -	false
psycho-	mind, soul
pulm -	lung
tachy -	rapid
thrombo -	clot
vesic -	bladder, sac

Lay medical terms with associated medical prefix

Lay term	Medical prefix
around	peri -
artery	arterio -
between	inter -
bile	chole -
black	melan -
bladder, sac	basic -
brain	cerebro -
breast	mamm -, mast -
bronchial	bronchi -, broncho -
cancer	carcin -
clot	thrombo -
colon	col -
ear	aud -, aur -
eye	ocul -

false	pseudo -
fluid	lymph -
gland	aden -
heart	cardio -
inside	intra -
inside, within	endo -
joint	arthro -
kidney	nephro -
larynx	laryng -
liver	hepato -
lung	pneumo -
lung	pulm -
mind, soul	psycho -
neck	cervic -
nerve	neuro -
rapid	tachy -
rectum	procto -
skull	cranio -
stomach	gastro -
swelling (fluid)	edem -
swelling (blood)	angio -
white	leuko -

Common medical suffixes with the appropriate lay term

Medical suffix	Lay term
- algia	pain
- crine	secrete within
- dema	swelling (fluid)
- ectomy	surgical removal

- emia	blood
- itis	inflammation
- megaly	enlarged
- ology	study of
- olysis	breakdown
- oma	tumor
- pathy	disease
- penia	deficiency
- phobia	fear
- plegia	paralysis
- sclerosis	hardening
- scope	picture, inspection
- uria	urine

Common acronyms found in medical reports

Acronym	Full definition
A	
A&P	auscultation and percussion
A/G	albumin-globulin ratio
A2	aortic second sound
AA	Alcoholics Anonymous
	aortic arch
AAA	abdominal aortic aneurysm
Ab	antibody
Abd	abdomen
ABG	arterial blood gas
ac	before meals
ACTH	adrenocorticotrophic hormone
ACVD	acute cardiovascular disease

AD	right ear
ADD	attention deficit disorder
ADHD	attention deficit hyperactivity disorder
AF	atrial fibrillation
Ag	antigen
AI	aortic insufficiency
AIDS	acquired immune deficiency syndrome
Alb	albumin
ALT	alanine aminotransferase
AMI	anterior myocardial infarction
ANA	anti-nuclear antibody test
AODM	adult onset diabetes mellitus
AOM	acute otitis media
AP	angina pectoris
	alkaline phosphatase
	anteroposterior
	attending physician
APC	atrial/auricular premature contraction
APS	attending physician statement
APTT	activated partial thromboplastin time
ARF	acute renal failure
AS	aortic stenosis
	ankylosing spondylitis
	left ear
ASA	aspirin
ASCVD	arteriosclerotic cardiovascular disease
ASD	atrial septal defect
AST	aspartate aminotransferase
AV	arteriovenous
AVM	arteriovenous malformation
AWMI	anterior wall myocardial infarction

B

BAC	blood alcohol content
BBB	bundle branch block
BCC	basal cell carcinoma
BCP	birth control pills
BE	bacterial endocarditis
	barium enema
bid	twice per day
BMR	basal metabolic rate
BMT	bone marrow transplant
BNP	b-type natriuretic peptide
BOM	bilateral otitis media
BP	blood pressure
BPH	benign prostatic hypertrophy
BS	blood sugar
	breath sounds
BUN	blood urea nitrogen
Bx	biopsy

C

c	with
C&S	culture and sensitivity
c/o	complains of
Ca	cancer, carcinoma
	calcium
CA	cardiac arrest
Ca ⁺⁺	calcium
CAD	coronary artery disease
CAH	chronic active hepatitis

CAT	computerized axial tomography
CBC	complete blood count
CC	chief complaint
	coronary care
CCMS	clean catch midstream (urine specimen)
CCU	coronary care unit
CD	contagious disease
CDT	carbohydrate deficient transferrin
CEA	carcinoembryonic antigen
CF	cardiac failure
	cystic fibrosis
CGN	chronic glomerulonephritis
CHD	congenital heart disease
CHF	congestive heart failure
CHOL	cholesterol
CIN	cervical intra-epithelial neoplasia
CIRC	circumflex coronary artery
CIS	carcinoma in situ
CK	creatine kinase
CLBBB	complete left bundle branch block
CNS	central nervous system
CO	carbon monoxide
CO2	carbon dioxide
COLD	chronic obstructive lung disease
COPD	chronic obstructive pulmonary disease
CP	cerebral palsy
	chest pain
CPE	complete physical exam
CPK	creatine phosphokinase
CPR	cardiopulmonary resuscitation
CRBBB	complete right bundle branch block

CRF	chronic renal failure
CSF	cerebro-spinal fluid
CT	coronary thrombosis clotting time
CUC	chronic ulcerative colitis
CV	cardiovascular
CVA	cerebrovascular accident, stroke
CVD	cerebrovascular disease cardiovascular disease
Cx	cervix

D

D&C	dilatation and curettage
d/c	discontinue
DIFF	differential blood cell count
DIG	digoxin
DIP	distal interphalangeal joint
DJD	degenerative joint disease
DKA	diabetic ketoacidosis
DLE	discoid lupus erythematosus
DM	diabetes mellitus
DNA	did not appear deoxyribonucleic acid
DOB	date of birth
DOE	dyspnea on exertion
DTs	delirium tremens
DUB	dysfunctional uterine bleeding
DUI	driving under the influence (of alcohol or drugs)
DVT	deep vein thrombosis
DWI	driving while intoxicated
Dx	diagnosis

E

EBCT	electron beam computed tomography
EBV	Epstein-Barr virus
ECG/EKG	electrocardiogram
ECT	electroconvulsive therapy
EEG	electroencephalogram
ENT	ear, nose, and throat
EENT	eye, ear, nose, and throat
EMG	electromyelogram
EOM	extra-ocular movements
ETOH	alcohol

F

FEV	forced expiratory volume
FHx	family history
FNA	fine needle aspiration
FVC	forced vital capacity
fx	fracture

G

GB	gallbladder
	Guillain-Barre syndrome
GE	gastroenterology
GGT	gamma-glutamyl transferase
GI	gastro-intestinal
GLOB	globulin
GLU	glucose
GTT	glucose tolerance test
GU	gastric ulcer
	genitourinary

GXT graded exercise test
GYN gynecology

H

H&P history and physical
HA headache hemolytic anemia
HAV hepatitis A virus
Hb hemoglobin
HbA1c glycosylated hemoglobin
HBV hepatitis B virus
Hct hematocrit
HCV hepatitis C virus
HD bedtime Hodgkin disease heart disease
HDL high-density lipoprotein
HEENT head, eye, ear, nose, throat
HF hay fever,
 heart failure
Hgb hemoglobin
HIV human immunodeficiency virus
HOS home office specimen
hpf high power field
hs at bedtime
Ht height
HTN hypertension
Hx history

I

I&D incision and drainage
IC individual consideration
 intensive care
ID identification

	infectious disease
Ig	immunoglobulin
IHSS	idiopathic hypertrophic subaortic stenosis
IRBBB	incomplete right bundle branch block
IV	intra-venous
IWMI	inferior wall myocardial infarction

J

JRA	juvenile rheumatoid arthritis
-----	-------------------------------

K

KUB	kidney, ureter, bladder
kg	kilogram

L

LAD	left axis deviation left anterior descending (coronary artery)
lb	pound
LBBS	left bundle branch block
LCA	left coronary artery
LDL	low density lipoprotein
LFT	liver function test
LLL	left lower lobe
LSB	left sternal border
LVE	left ventricular enlargement
LVH	left ventricular hypertrophy

M

MCH	mean corpuscular volume
MCL	mid clavicular line
MCV	mean corpuscular volume

mg	milligram
MI	myocardial ischemia/myocardial infarction
ml	milliliter
MM	malignant melanoma
	multiple myeloma
mm	millimeter
MPV	mean platelet volume
MR	mental retardation
	mitral regurgitation
MRI	magnetic resonance imaging
MS	mitral stenosis
	multiple sclerosis
	musculo-skeletal
MVP	mitral valve prolapse

N

N&V	nausea and vomiting
NED	no evidence of disease
NIDDM	non-insulin-dependent diabetes mellitus
NKA	no known allergies
noc	nocturia
NPO	nothing by mouth
NSA	no significant abnormality
NSR	normal sinus rhythm
NT-proBNP	N-terminal pro b-type natriuretic peptide

O

OA	osteoarthritis
OBS	organic brain syndrome
OD	right eye
OM	otitis media

OS	left eye
P	
p	after
P&A	percussion and auscultation
PAC	premature atrial contraction
Pap	Pap smear
PAT	paroxysmal atrial tachycardia
Path	pathology
PCI	percutaneous coronary intervention
PE	physical exam
	pleural effusion
	pulmonary edema
PERRLA	pupils equal, round, react to light, & accommodation
PFT	pulmonary function test
Phx	past medical history
PLT	platelet
PMH	past medical history
PMI	point of maximum impulse
PND	post nasal drip
	paroxysmal nocturnal dyspnea
PP	post prandial (after meals)
prn	as needed (pro re nata)
PSA	prostatic specific antigen
PTCA	percutaneous transluminal coronary angioplasty
PVC	premature ventricular contraction
PVD	peripheral vascular disease
Px	physical examination
	prognosis

Q

q	every
qd	every day
qid	four times a day
QNS	quantity not sufficient

R

RAD	right axis deviation
RBBB	right bundle branch block
RBC	red blood cell
RCA	right coronary artery
RLL	right lower lobe
ROM	range of motion
ROS	review of systems
RSR	regular sinus rhythm
RVE	right ventricular enlargement
RVH	right ventricular hypertrophy
Rx	prescription

S

s	without
SBO	small bowel obstruction
SCC	squamous cell carcinoma
SG	specific gravity
SGOT	serum glutamic oxaloacetic transaminase
SGPT	serum glutamic pyruvic transaminase
SLE	systemic lupus erythematosus
SOB	shortness of breath
Stat	at once
SVT	supraventricular tachycardia
Sx	symptoms

T

T&A	tonsillectomy and adenoidectomy
TIA	transient ischemic attack
TIBC	total iron-binding capacity
tid	three times a day
TNTC	too numerous to count
TPR	temperature, pulse, respiration
TRIG	triglycerides
TSH	thyroid-stimulating hormone
TURP	transurethral resection of the prostate
TVC	total vital capacity

U

UA	uric acid
	urinalysis
UC	ulcerative colitis
UCHD	usual childhood diseases
UGI	upper gastro-intestinal
Ur	urine

V

VS	vital signs
VSD	ventricular septal defect

W

WBC	white blood cells/white blood cell count
W/D	well developed
WDWN	well developed, well nourished
WNL	within normal limits
WPW	Wolff-Parkinson-White syndrome

Wt weight

X

XRY x-ray

Numbers

2^0 secondary to

Appendix B - Resources

The following is a selection of books, periodicals, and web sites that the home office underwriter might find interesting. This is not meant to be an all-inclusive list but just an introduction to what is available to the professional underwriter.

BOOKS

TITLE	AUTHOR or PUBLISHER
Again, Does It Make Sense?	Morton, Ross
ALU 101, 201, 202, 301 Textbooks	Academy of Life Underwriting
Cancer: Principles and Practice of Oncology	Devita, Vincent, T., Rosenberg, Steven A., Hellman
Does it Make Sense?	Will, Charles A.
Dorland's Medical Dictionary	Dorland
Getting It Issued	George, Hank
Harrison's Principles of Internal Medicine	McGraw Hill
Hurst's The Heart	Fuster, Valentin (ed) Alexander, Wayne (ed), O'Rourke, Robert, Wellens, Hein J. J.
Interpretation of Diagnostic Tests	Wallach, Jacques
Medical Selection of Life Risks	Brackenridge, RDC and Elder, W. John
Merck Manual	Beers, Mark
Multiple Medical Impairment Study	Mortality and Morbidity Liaison Committee
Rapid Interpretation of EKGs	Dale Dubin, M.D.
Robbins Pathologic Basis of Disease	Cotran, Ramzi S, Kumar, Vinay, Collins, Tucker, Robbins, Stanley L., Schmitt, Bill
Taber's Cyclopedic Medical Dictionary	F.A. Davis Company

INDUSTRY and UNDERWRITING ORGANIZATIONS

Academy of Life Underwriting website	www.alu-web.com
A.M. Best (ratings & information on insurance company financial performance)	www.ambest.com
The American College (insurance and financial industry/services courses)	www.theamericancollege.edu
Association of Home Office Underwriters (includes links to regional and local underwriting associations)	www.ahou.org
Canadian Institute of Underwriting (includes links to underwriting reference sources)	www.ciu.ca
CLU LIMRA	www.theamericancollege.edu www.limra.com
LOMA (Life Office Management Assoc.)	www.loma.org
MIB	www.mib.com
Mortality and Morbidity Liaison Committee	www.soa.org
NAIC (National Assoc. of Insurance Commissioners)	www.naic.org
Wall Street Journal Society of Actuaries Washington Post	www.wsj.com www.soa.org www.washingtonpost.com

NON-MEDICAL INFORMATION

U.S. Census Bureau	www.census.gov/population
NIOSH, National Institute for Occupational Safety and Health	www.cdc.gov/niosh
OSHA (Occupational, Safety and Health Administration-On-	www.osha.gov

Line information and statistics on workplace safety)	
Google translator	www.translate.google.com

PHARMACY/DRUG INFORMATION

Food and Drug Administration	www.fda.gov
Nurses Physician’s Desk Reference	www.pdr.net
Prescription Drug Search Engines	www.drugs.com www.Medicinenet.com www.rxlist.com

UNDERWRITING TOOLS

Guide to Law Online	www.loc.gov/law/guide
Measurement Converter	www.convert-me.com/en
ICD-10 code	www.icd10data.com
Merck Manual	www.merckmanuals.com
Travel Warnings – from Canada	www.voyage.gc.ca
Medical Abbreviation/Dictionary lookup	www.medilexicon.com
Travel Warnings from U.S.	www.travel.state.gov/travel
Stock Quotes – Canadian	www.tmx.com
Stock Quotes – U.S.	www.nyse.com/
Reference Desk	www.refdesk.com
Universal Currency Converter	www.xe.com/ucc
World Fact Book	www.cia.gov
IRS	www.irs.gov
U.S. Visa documentation	www.uscis.gov
Directory of visas	www.us-immigration.com

MEDICAL WEB SITES

AMA (American Medical Association)	www.ama-assn.org
American Academy of	www.aaimedicine.org

Insurance Medicine	
Heart Association	www.heart.org
American Psychiatric Association	www.psych.org
British Journal	www.bmj.com
Canadian Cancer Society & National Cancer Institute of Canada	www.cancer.ca
Canadian Health Institute	www.cihi.ca
Center for Disease Control	www.cdc.gov
Guide to Medical Info and Support On the Internet	www.webmd.com
The Lancet (On-line medical journal)	www.thelancet.com
Mayo Clinic	www.mayoclinic.org
Medscape	www.medscape.com
New England Journal of Medicine	www.nejm.org
National Institute of Health	www.nih.gov
National Cancer Institute	www.nci.nih.gov
National Cancer Institute (SEER)	www.seer.cancer.gov
Sloan Kettering cancer prediction tools	www.mskcc.org/nomograms/
World Health Organization	www.who.ch

Appendix C - Recommended Training Outline

1. Overview of Underwriting

- “Fundamentals of Risk Selection: A Resource Guide”

2. Overview of Products

- ALU 101, Chapter 9, “Life Insurance Products, Marketing, and Distribution”

3. Overview of Application, Forms, and Compliance Issues

- ALU 101, Chapter 14, “Insurance Regulation, Basic Compliance, and the MIB”
- ALU 101, Chapter 10, “Contract Law and Legal Factors Affecting Underwriting”

4. Underwriting Basics

- “Essentials of Anatomy And Physiology,” Chapter 1, Organization and General Plan of the Body
- “Essentials of Anatomy and Physiology,” Chapter 4, Tissues and Membranes
- “Essentials of Anatomy and Physiology,” Chapter 5, The Integumentary System

5. Reinsurance

- ALU 202, Chapter 9, “Fundamentals of Life Reinsurance”

6. Review of Labs and Practice Cases

- ALU 101, Chapter 1, “Diagnostic Tests”
- ALU 101, Chapter 6, “Basic Laboratory Testing”

7. Underwriting Build and Blood Pressure

- ALU 101, Chapter 2, “Build and Blood Pressure”

8. Financial Underwriting

- ALU 101, Chapter 8, “Introduction to Financial Underwriting
- ALU 202, Chapter 6, “Financial Underwriting: Planning for Personal Needs”

9. Underwriting Respiratory Disorders

- “Essentials of Anatomy and Physiology,” Chapter 15, The Respiratory System
- ALU 201, Chapter 7, “The Respiratory System”

10. Underwriting Aviation

- ALU 101, Chapter 11, “Aviation”

11. Underwriting Digestive System Disorders

- “Essentials of Anatomy and Physiology,” Chapter 16, The Digestive System
- ALU 201, Chapter 1, “The Gastrointestinal System”
- ALU 201, Chapter 2, “Liver and Bile Duct Disorders”

12. Underwriting Occupations, Avocations, and Driving

- ALU 101, Chapter 7, “Motor Vehicle Risk”
- ALU 101, Chapter 12, “Selected Avocations, Professional Sports, and Occupations”

13. Underwriting Endocrine System Disorders

- “Essentials of Anatomy and Physiology,” Chapter 10, The Endocrine System
- ALU 101, Chapter 3, “Diabetes”
- ALU 201, Chapter 9, “An Overview of Endocrinology”

14. Underwriting Nervous System Disorders

- “Essentials of Anatomy and Physiology,” Chapter 8, The Nervous System
- ALU 201, Chapter 5, “Disorders of the Nervous System”

- ALU 201, Chapter 6, “Underwriting Mental Illness and Psychiatric Disorders”
- 15. Underwriting Drug and Alcohol Abuse**
- ALU 202, Chapter 12, “Underwriting Alcohol and Substance Use Disorders”
- 16. Underwriting Genitourinary System Disorders**
- “Essentials of Anatomy and Physiology,” Chapter 18, The Urinary System
 - ALU 201, Chapter 4, “The Reproductive System”
 - ALU 201, Chapter 8, “Disorders of the Kidney and Urinary Tract
- 17. Underwriting Foreign Residence**
- ALU 101, Chapter 13, “International Risk”
- 18. Underwriting Circulatory System Disorders**
- “Essentials of Anatomy and Physiology,” Chapter 12, The Heart
 - “Essentials of Anatomy and Physiology,” Chapter 13, The Vascular System
 - ALU 101, Chapter 5, “Coronary Artery Disease”
 - ALU 201, Chapter 13, “Coronary Artery Disease”
 - ALU 201, Chapter 14, “The Vascular System, Non-Cardiac”
- 19. Underwriting Hematological Disorders**
- “Essentials of Anatomy and Physiology,” Chapter 11, Blood
 - ALU 201, Chapter 12, “Hematological Disorders”
- 20. Underwriting Musculoskeletal Disorders**
- “Essentials of Anatomy and Physiology,” Chapter 6, The Skeletal System

- ALU 201, Chapter 10, “Musculoskeletal System Disorders”

21. Underwriting Cancer

- ALU 101, Chapter 4, “Cancer”
- ALU 201, Chapter 3, “Four Cancers: Malignant Melanoma of the Skin, Prostate, Breast, & Colorectal Cancer”

22. Pharmacology

- ALU 201, Chapter 15, “Pharmacology”

Advanced Training and Continuing Education Outline

Medical

1. Cardiology

- ALU 201, Chapter 11, “Adult Valvular Heart Disease”
- ALU 301, Chapter 6, “An Underwriter’s Guide to Cardiac Diagnostic Testing”
- ALU 301, Chapter 7, “Introduction to Electrocardiography and Cardiac Arrhythmias”
- ALU 301, Chapter 13, “Congenital Heart Disease”

2. Cancer

- ALU 301, Chapter 8, “Childhood Cancers”
- ALU 301, Chapter 9, “Leukemias and Lymphomas”
- ALU 301, Chapter 10, “Advanced Cancer Underwriting”

3. Immunity

- ALU 301, Chapter 1, “Overview of the Immune System”
- ALU 301, Chapter 4, “An Overview of Infectious Diseases”

4. Neurology

- ALU 301, Chapter 11, “Neurological Disorders”

5. Musculoskeletal

- ALU 301, Chapter 3, “Rheumatoid Arthritis”

6. Gastrointestinal

- ALU 301, Chapter 2, “Inflammatory Bowel Disease”

Nonmedical

1. Product and Pricing

- ALU 202, Chapter 1, “The Relationship of Product Pricing and Underwriting”
- ALU 202, Chapter 2, “Cost-Benefit Analysis of Underwriting Requirements”
- ALU 202, Chapter 3, “Life Tables, Underwriting, and an Introduction to Mortality Analysis”
- ALU 202, Chapter 4, “Preferred Risk Underwriting”
- ALU 202, Chapter 8, “Morbidity Risks”

2. Legal & Legislation

- ALU 202, Chapter 10, “Underwriting Consequences in a Legal Setting”
- ALU 202, Chapter 11, “The Impact of Legislation and Regulation on the Life Insurance Industry”

3. Miscellaneous Nonmedical Topics

- ALU 202, Chapter 5, “Post-Issue Policy Changes”
- ALU 202, Chapter 7, “Multilife Underwriting”
- ALU 202, Chapter 13, “Life Claims”
- ALU 202, Chapter 14, “Managing the Underwriting Department”
- ALU 202, Chapter 15, “Red Flags, Anti-Selection, and Fraud”
- ALU 301, Chapter 5, “Underwriting the Elderly”

- ALU 301, Chapter 12, “Business Valuation and Financial Statement Analysis”