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Underwriting: The Producer's Responsibility During The Life Of The Contract

One of the main reasons why clients buy life insurance is to replace income that would be lost upon their death. It is a commitment by two parties to provide something. One party provides funding for that policy and the other party provides a payout at a certain time (the client's death). But beyond the commitment, this transaction is a contract that binds both parties to uphold that commitment **unless** there was an indication that one party was not completely forthright in providing the information needed to evaluate the circumstances that precipitated that commitment. In other words, the information a producer provides during the evaluation process is considered to be truthful and honest throughout the life of that contract or there will be severe consequences.

Selling life insurance provides protection for the applicant, as well as providing income for a producer's family. Given the lack of understanding between mortality risk assessment and clinical medicine assessment, not many applicants (or sometimes producers) understand the consequences of not providing complete detail of an applicant's medical history. **As a result, there is a misconception that after the policy is in force, the producer's involvement with that policy is complete.** Many producers believe, at this point, the contract between the carrier and the applicant is now in place and, at the applicant's demise, the insurance carrier will simply hold up their end of the bargain and pay the claim. **But it's not that simple.**

The producer's involvement on the front end can certainly affect the results at the time of an insurance claim or even right after policy placement. While it is extremely important for a producer to conduct thorough field underwriting, it is even more important that as much information and clarification as possible be provided to the underwriter to assess the client's mortality risk. Even those small details that from a clinical perspective may seem insignificant can have a significant impact at claim time.

Underwriters have a strong desire to trust that the producer is completing the detailed field underwriting. But what happens when this does not occur?

During the underwriting process, carriers have a number of internal checks and balances to make sure that the information the producer and client are providing are factual. Most of the time the items provided and the items discovered mirror each other. However, there are times when that information does not match up. **Another misconception is that this only happens at the time of application.** However, it can occur any time during the life of the contract. If this information is discovered to have been incorrect or purposely left out, then this could result in the claim being denied on the basis of misrepresentation. The last place a producer wants to be is in the center of a claim fight as a result of him not completing detailed field underwriting.

Misrepresentation or an error that is discovered later in the life of the contract usually doesn't come from the hands of the

applicant, as he is simply answering the questions that were asked. A great deal of the time, producers take it upon themselves to decide what is important, what's not important, or see the mortality assessment from a clinical perspective and not from the mortality view that underwriting will determine. Sometimes this can stem from the producer providing unrealistic expectations to the client in order to close the deal or simply being in a rush to get the policy placed.

However, a producer determining mortality himself can lead to major consequences, and not just at claim time. It may also taint future cases submitted to a carrier due to the experience with that producer's decision to assess mortality risk himself or not be very candid with his client's medical history.

It's not just at claim time that the carrier can discover inaccurate information. It can

be immediately after the placement of the policy, as there may still be information being followed up on or received that can change the risk assessment of that newly placed policy. At this juncture, if there is an error that has been discovered, carrier underwriting departments leave decisions on rescission and cancellation to the legal department. In other words, it's out of the underwriter's hands. At this point, even if the producer attempts to "clear up" the situation, it won't turn out well because a level of distrust is now established. In other words, "why should we believe you now?"

In summary, the legal effect of not being detailed, clear and providing complete information at the time of application can lead to strong legal ramifications. Not just at claim time, but at any time during the life of the

policy if there is a concern with misrepresentation. As long as the producer provides complete and accurate information, because underwriting is subjective, negotiations can take place in order to lower the rate. But a producer trying to make the process quicker or presumably smoother by taking risk assessment into his own hands can lead to severe consequences which totally contradict the purpose of life insurance—protection. 🌐

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