

Underwriting

Financial Underwriting



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UNDERWRITER:

Defined as someone sitting
in an ivory tower 900 miles
from here, trained to say,
"NO."

YOUR JOB:

To convince that
underwriter, with truthful
information, presented in
as favorable a light as
possible that it is desirable,
even possible to say
"YES."

Large cases are no longer exceptional. They are becoming the norm. This presents the agent with the challenge of frequently having to justify the amount of insurance desired to the underwriter.

Good financial underwriting has always been about performing due diligence. Therefore from the underwriter's point of view, the amount applied for must bear some reasonable relationship to the net worth and earning capacity of the individual or business.

Are you likely to convince an underwriter that your applicant who shows very little "Reportable Income" should be issued a jumbo policy? Not likely.

A business that is barely profitable, or unprofitable is seeking a large policy on one or more of its "Key Executives." Does this sound like a risk that will be greeted enthusiastically? Not likely.

Case Presentation

You must relieve the underwriter's anxiety by answering this question before it is asked: *Does it make sense?*

The underwriter needs to know:

- What is the purpose of the insurance?
- How was the amount of insurance arrived at?
- How will the insurance be used to meet individual or business needs?

Financial Information

Are you afraid to ask for a Tax Return or a Financial Statement? Don't be! If your client deserves the insurance he should be willing to provide the requested financial documentation.

With a new venture it is appropriate to get a copy of the business plan.

The business plan will tell the underwriter a great deal about:

- Capital requirements.
- Projections of profitability.
- Experience and skills of the man-

agement team.

- Explain the business, its products, services, and costs.
- The legal structure and financial makeup of the business.

Cover Letter

Get into the habit of writing a good, clear, comprehensive cover letter to the underwriter explaining all of the relevant facts about the risk as you understand them to be.

The difference between success and failure in the jumbo case market is frequently a good cover letter to the underwriter.

Be Aware That Credit Card Debt Can Kill You!

Recent published studies suggest that high levels of credit card debt, especially if that debt represents a high proportion of income, increases the likelihood of health problems.

There is a known correlation between income and health, but the stress of debt seems to be associated with increased levels of physical impairments. Economic stress can lead to psychological stress, which can affect the cardiovascular system, the immune system, and emotional well being.

Excessive debt may trigger a vicious cycle of poor health, leading to financial hardship, which in turn leads to an increase in stress, which then itself leads to deteriorating health.

The Things That Can Kill Your Case

- Recent bankruptcy.
- Recent business losses or severely reduced earnings.
- Large liabilities caused by a legal judgment or heavy debt load.
- Lack of financial documentation.
- New business, limited capitalization, especially in a high risk (dot com) or similar new venture.
- Lack of candor.