

The Underwriting Process

Q - Now that a personal statement has been completed for insurance, what happens next?

A - The underwriter will assess the personal statement to determine whether any issues such as health, family history, occupation, hobby, work location, pose **more** than normal risk than what a '**standard life**' would.

Q - What does posing more than normal risk of a 'standard life' mean?

A - This means, at any given age and barring any unforeseen future event, the insured demonstrates **no propensity** to particular diseases nor is involved in a lifestyle that exposes them to undue risk of injury **beyond the norm**.

Note: It is this '**life**' that insurance premiums are calculated on, and all other lives are **compared** to it when the underwriter assesses an application.

Q - Are there any additional requirements the underwriter may utilise to assess an application?

A - **Yes**, the following are examples:

- § Blood tests
- § Medical examination
- § Medical report from Doctor
- § Clarification of unclear information provided in personal statement
- § Financial information eg business financials, personal tax returns, supporting income evidence from employer or accountant.
- § Report by Adviser detailing reasons for high level of insurance required by insured.
- § Any additional information, which presents a clearer picture to the underwriter.

Q - Who pays for the blood tests, medical reports and medical examinations?

A - Normally the insurer will fund the costs where they have instigated the requirement. The insured may also undergo additional tests/examinations at their expense, if they choose to supply further information, or if it's an unusual test, not supported by the insurer.

Q - What happens once all further requirements have been assessed?

A - After gathering all the required information to assess an application, the underwriter will either conclude the insured to be a standard risk **or** a higher than normal risk. A higher risk means they compare unfavourably in health and/or lifestyle to that of a standard life.

Q - What happens where a higher risk has been assessed?

A - In this case the underwriter will more than likely offer insurance terms known as '**modified terms**'.

Q - What are the types of Modified Terms?

A - The following modified terms are offered **either** individually, or as a combination:

- § **Exclusion**: An event or pre-existing condition for which the insurer won't pay a claim e.g. lower back exclusion for history of a back ailment. Without the exclusion in place, the insurer would either have imposed an exorbitant premium or declined the application.

Note: The good news is usually the other regular policy conditions are included at standard terms.

- § **Loading**: Sometimes a person's risk of dying or becoming ill or injured is greater than average because of a risk factor that cannot reasonably be covered by an exclusion E.g. being overweight increases your chance of many serious illnesses, such as heart attack, diabetes etc and hang-gliding as a regular pastime increases the risk of a serious injury.

In this case the insurer may apply a '**loading**' which is an additional premium on top of the standard premium to cover the extra risk.

Note: The good news is that while you pay a higher premium, you are generally fully covered for all situations i.e. no exclusions.

- § **Decline**: This occurs in less than 2% of cases, where the underwriter assesses the insured to be too great a risk to accept with a loading or exclusion and therefore terms are not offered. E.g. A person who has recently been diagnosed with an illness such as cancer.

Note: The good news is, that after a given period, generally 12 months from date of diagnosis of illness, the insured may submit a further application.

- § **Deferral**: In general applications are deferred where an insureds circumstance will change in the near future. For example where they will be undergoing an operation in the near future, or have been recommended to undergo an operation. Or they maybe travelling overseas to a high-risk location e.g. Iraq.

Note: The good news is, that after the event has passed and the outcome is positive, the insured is encouraged to reapply for terms.

Q - Are Modified Terms permanent?

A - Modified terms are usually flexible and after a standard timeframe of 12 months, the insured may reapply to seek the removal of the modified terms. However, in the case where it is a **permanent** loading or exclusion, this will be explained to the insured at the time modified terms are offered.

Q- Are there any other options available?

A – **Yes**, we may approach further insurers to assess the case, or request the same insurer to conduct the tests again. For example, it is not uncommon for blood tests results to be inaccurate where the insured has not properly prepared the night before i.e. no alcohol and fasting for minimum of 12 hours.

Q - How long does the underwriting process take?

A - The underwriting process generally takes up to 90 days. During this period, the insurer will generally automatically cover the insured for accident cover only at no cost, known as **'Interim Accident Cover'**.

Note: The interim cover will generally become effective, when the insurer receives the first premium, normally provided at the same time the personal statement is submitted for assessment.

Q - What happens if the application is declined, or the insured does not wish to proceed with terms?

A - In the case where an application is declined, **or** the insured decides not to accept the modified terms, **or** the insured decides not to proceed under the **'14 day cooling off period'**, then the first premium will be refunded to the applicant.

Summary

We all **'self-insure'** against one another to provide a cost effective way of protecting ourselves and/or our families in times of need i.e. death, permanent disablement, trauma, accident or illness.

To achieve a fair and equitable outcome for all insured persons, where an individual is considered a **higher than normal risk** i.e. they're a higher risk of making a claim and therefore their need for insurance is greater, then **modified terms** are offered to **'smooth'** the risk, ensuring a sustainable system long term, similar to the Health Fund Industry.

At HPH Solutions, we will endeavour to achieve the most favourable terms available for your circumstances, by consulting with the underwriters on your behalf.