

ADVISOR CONFERENCE REPORT

Underwriting Blues

Many advisors submit incomplete applications

BY BRYAN BORZYKOWSKI

CI COVERAGE There's almost nothing more frustrating than waiting for an insurance application to be approved or denied, but don't blame the underwriter for the sluggish progress. In fact, if anyone's slowing down the process, it's the advisor.

Shelina Esmail, head of living benefits and chief underwriter with Canada Life, told a crowd of advisors at the World Critical Illness Insurance Conference April that a significant number of applications she sees aren't filled out correctly. Often, questions are left unanswered or information isn't fully explained.

"I can assure you, about 20% to 25% of applications submitted to head office are incomplete," she says. "Sometimes we don't even know what type of insurance the application is for."

Many times advisors will fill out parts of the application, but they'll leave out a few questions in the middle.

In the past, applications that

were incomplete would often be denied, but now underwriters are trying to pick up where the advisor left off. However, that means more time to get an answer and a lot of back-and-forth between the underwriters, advisors and doctors.

During that back-and-forth process, underwriters often discover important details about an applicant that the advisor failed to identify, which drag things out even longer. "One of the biggest struggles we have in underwriting is when we get a first APS [attending physician's statement], we find out there are four different doctors in the background."

Esmail admits that she takes a lot of heat when she calls advisors out for not completing an application – "Do you want to know when he had a hangnail?" is one rhetorical question she received from a disgruntled advisor – but with most CI policies paying out within the first three years of approval, underwriters have to be meticulous. "It's a non-cancellable contract," she

says. "I have one opportunity to assess the risk, and the minute I approve the case, Canada Life has to put aside reserves."

But taking the time to complete the application fully isn't the only duty the advisor has. Esmail says it's the advisor's job to manage his or her client's expectations – something they often fail to do.

"Recognize where the risk assessment is for each product," she explains. "When talking about life insurance, no one cares about sciatica or marital problems. When it comes to disability insurance, that sciatica is a big issue."

For critical illness, family history is significant, especially if relatives have had cancer or heart problems in the past. When these issues come up, tell clients that their back problems could be

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excluded from a policy, but that there's a good chance they'll be covered for everything else.

"Later, you can say, 'Do you remember that we discussed this in the past, that history of stress may be a problem?'" she says, adding that managing client expectations will ease frustrations when they're either denied or see exclusions on their approval.

But maybe most unnerving for underwriters is having to chase down multiple APSs. Esmail cites an example of an applicant who said, simply, that he had a thyroid problem. Canada Life requested an APS, and when the underwriters received it, they saw that the problem wasn't as simple as hyperthyroidism. So they sent for another, more detailed APS. The second APS said the issue was inconclusive, so finally, on the third APS, the doctor said that there was a malignancy.

"When a client tells you that his doctor is referring him to another doctor, that's clue number one that there may be something wrong," says Esmail. "What is he referring you for? When is the appointment scheduled for? Ask those questions. When the underwriter files returns and says we can't

underwrite, that causes grief."

Esmail has another piece of advice for advisors – don't resubmit a critical illness application to another insurance company. "When it comes to CI, there's only one reinsurer, Munich Re," she says. "Don't try to shop everywhere; we use the same guidelines. If there's a family history of cancer, we're all going to take the same action."

Of course, not all advisors fail in their underwriting – those with high-net-worth clients tend to take the most care with their applications. "Every question is answered," Esmail says of advisors who deal with \$1 million or \$2 million CI cases. "The application is dated, signed, all the medical questions are completed, and when I send a request out for additional information, the call I get from them is 'Can you give me the name of the doctor?' not 'Why do you need this info?'"

Clearly, Esmail is frustrated by the lack of respect many advisors have for underwriters and the application process. So, she says, make it easier on her – and your client – by following procedures. "I've often been called incompetent," she says. "It's not in my best interest to have this conversation every day."