

# Report of the Society of Actuaries Financial Underwriting and Fraud Prevention Survey Subcommittee

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Society of Actuaries  
475 N. Martingale Rd., Ste. 600  
Schaumburg, IL 60173  
Phone: 847-706-3500  
Fax: 847-706-3599  
Web site: <http://www.soa.org>

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## Table of Contents

Introduction.....	3
Executive Summary .....	4
Demographics .....	6
Section 1 – Large Case Underwriting Teams and Underwriting Approval Authority .....	8
Section 2 - Underwriting Requirements and Data Gathering .....	14
Section 3 - Financial Underwriting Guidelines and Practices .....	25
Section 4 – Fraud .....	42
Appendix A – List of Contributing Companies .....	49
Appendix B – Financial Underwriting & Fraud Prevention Survey.....	50

## **Introduction**

This Survey, which was conducted by the Society of Actuaries' Committee on Life Insurance Mortality and Underwriting Surveys, was designed to examine the various requirements, guidelines and procedures life insurance companies establish to underwrite an applicant's financial risk and to mitigate financial underwriting and other fraud risk. The questions asked and the data requested were targeted to the chief underwriting officer of the participating company. While multiple past surveys have reviewed medical and preferred guidelines, this Survey focuses on the specific tools and approaches employed by the responding companies to evaluate the financial justification for a life insurance risk and to protect their companies from fraud.

### **Survey Scope**

We approached direct insurance companies domiciled in the United States or Canada to participate in this Survey. The survey was conducted between March and April of 2014. Reinsurers were not included in the data or analysis. We received 42 responses, 37 U.S. companies and five Canadian companies.

### **Caveat and Disclaimer**

While we anticipate and hope that the results prove useful for the industry, it should be noted that, although the data the Survey Subcommittee received was fairly comprehensive, it is by no means a look at the whole industry.

This report is published by the SOA and contains information based on input from companies engaged in the U.S. or Canadian life insurance industry. The information published in this report was developed from actual historical information and does not include any projected information. The SOA and the participating companies do not recommend, encourage or endorse any particular use of the information reported in this report. The SOA makes no warranty, guarantee or representation whatsoever and assumes no liability or responsibility in connection with the use or misuse of this report.

The Survey Subcommittee would like to thank all of the respondents who participated in the Survey. We also thank those who helped us review this document and offered helpful suggestions and thoughtful comments. Finally, the Survey Subcommittee thanks the Society of Actuaries staff for their help in completing this project, especially Jack Luff and Korrel Rosenberg, without whose help this could not have been completed.

Comments about this report and suggestions for future surveys are welcome and can be addressed to the Committee on Life Insurance Mortality and Underwriting Surveys c/o The Society of Actuaries.

### Financial Underwriting and Fraud Prevention Survey Subcommittee

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Yexin (Kathleen) Wang, FSA  
David N. Wylde, FSA, MAAA

SOA Staff Liaison: John A. Luff, FSA, FCIA, MAAA  
SOA Research Liaison: Korrel E. Rosenberg

## **Executive Summary**

The Financial Underwriting and Fraud Prevention Survey, henceforth the Survey, was designed to examine the various requirements, guidelines and procedures life insurance companies establish to underwrite an applicant's financial risks and to mitigate financial underwriting and other fraud risk and was conducted between March and April of 2014. We received 42 responses from direct life insurance carriers in the United States and Canada. Reinsurers were not included as participants in this survey.

After a brief report on the demographics of the respondents, the Subcommittee will review responses in four areas:

1. **Section 1 – Large Case Underwriting Teams and Underwriting Approval Authority**  
A review of how large cases are reviewed within the respondents' companies, and what qualifications the underwriters must meet to review cases.
2. **Section 2 – Underwriting Requirements and Data Gathering**  
A review of the routine or otherwise expected requirements and data gathered in order to underwrite a financial risk.
3. **Section 3 – Financial Underwriting Guidelines and Practices**  
A review of the parameters used to establish insurable amounts and limits of coverage.
4. **Section 4 – Fraud**  
A review of various fraud mitigation practices employed to investigate or otherwise deal with suspected fraud including rebating activity.

A few highlights from the report:

### **Demographics**

- The Survey was distributed to the chief underwriting officer at each company.
- In total, 42 companies participated in the Survey. Company size was defined for the Survey participants in terms of life insurance sold in the prior year. Small companies were defined as <\$1 billion sold (20 respondents), medium companies between \$1 billion and \$50 billion (17 respondents), and large companies >\$50 billion (5 respondents).

### **Section 1 – Large Case Underwriting Teams and Underwriting Approval Authority**

- The Survey gathered information regarding who reviews large or specialized financial cases. Over 50% of respondents have either a large case team or a specialized resource. These results may be influenced by the percentage of respondents from small and medium companies.
- The most relevant factor in establishing underwriting approval authority was audit/review results. The next most relevant factor was years of experience.

### **Section 2 - Underwriting Requirements and Data Gathering**

- Most respondents reported using many of the traditional financial underwriting tools: financial questionnaires, commercial inspection reports, and third party verification. In addition, respondents reported using other tools as well: tax records, personal history interviews, IRS form 4506-T in the US, and database searches, among others. A few respondents reported using social media on a for cause basis.
- On the issue of concentration of risk, whether business or otherwise, professional sports teams were recognized for risk concentration; however, there were other risks noted by a smaller percentage of respondents that may be of interest. Catastrophic cover was not indicated as used by most companies to mitigate any concentration of risk issues.
- For respondents citing Minimum Face Amount requirements on finances, Financial Questionnaire was most commonly indicated, followed by Commercial Inspection Reports, and Third Party Financials.

- Overall, additional financial underwriting requirements start at \$1 million and full requirements are reached between \$5-10 million. Care should be taken interpreting results because the size of the responding companies completing this survey might bias the results.

### **Section 3 - Financial Underwriting Guidelines and Practices**

- Income multiplier was the most commonly used method of establishing financial justification of a risk. Respondents also reported using other methods such as future net worth growth expectations, and net worth multipliers, using the applicant's life expectancy as a factor.
- Nearly half the respondents had updated their financial underwriting guidelines within the last 12 months. Approximately a quarter had not updated their guidelines in over five years.
- Over half of the respondents update their guidelines on only an "as needed" basis. Almost one-fifth of the respondents update their guidelines every five years or sooner.
- Over two-thirds of respondents indicated they do not consider premium financing cases. Of the third that do consider such cases, a large majority require details of the loan or a review of the contract.
- Ninety-four percent of the respondents have a ten times or less maximum income multiplier for key person coverage.

### **Section 4 – Fraud**

- Three quarters of the respondents reported their companies have a team or person that specifically investigates suspected fraud.
- Once fraud is identified, companies reported how cases are escalated and who within the company gets involved. Management teams involved in fraud cases were reported to be as few as two members to as many as eight or more members.
- Respondents reported they do not refer suspected fraud cases to law enforcement when discovered during the course of underwriting. However, more than three-fourths will at least sometimes report it to law enforcement post underwriting.

## Demographics

Respondents were asked for which country they would be filling out this Survey. Of the 42 respondents, there were 37 U.S. companies and five Canadian companies.

Respondents were asked about their company size based upon new life insurance face amount issued in 2012. Small companies were defined as having issued less than \$1 billion of face amount, medium companies between \$1 and \$50 billion of face amount and large more than \$50 billion of face amount.

Size of the Company	# of Respondents
Small (<\$1 billion)	20 (48%)
Medium (\$1-\$50 billion)	17 (40%)
Large (>\$50 billion)	5 (12%)
<b>Total # of Respondents</b>	<b>42</b>

Eighty-eight percent of respondents were small and medium-sized companies.

Respondents were asked which of the following distribution channels their company utilizes and to check all that apply.

Distribution Channels	# of Responses
Brokerage	28 (67%)
Agency building	24 (57%)
Banks/savings institutions	9 (21%)
Direct response	9 (21%)
Personal Producing General Agent (PPGA) Stockbroker	7 (17%)
Worksite marketing	4 (10%)
Home service	3 (7%)
Multi-Line Exclusive Agent (MLEA)	1 (2%)
Other*	6 (14%)
<b>Total # of Respondents</b>	<b>42</b>

\*Other:

- *Direct Marketer*
- *Licensed Agents in Call Centers*
- *Predominantly career GA's/PPGA's - brokerage business small.*
- *Multi-line non exclusive agencies*
- *Independent and embedded wirehouses*

Two-thirds of the respondents have a brokerage distribution channel and over half have an agency-building distribution channel. Sixteen respondents (38%) utilize only one distribution channel, eight respondents (19%) utilize two distribution channels and fourteen respondents (33%) utilize three distribution channels.

Respondents were asked what their company’s percentage of sales breakdown was between term and permanent insurance.

<b>Percentage of Term Sales</b>	<b># of Responses</b>
0 – 25%	11 (29%)
26 – 50%	6 (16%)
51 – 75%	10 (26%)
76 – 100%	11(29%)
<b>Total # of Respondents</b>	<b>38</b>

Over half (55%) of the respondents sell more term insurance than permanent insurance.

## Section 1 – Large Case Underwriting Teams and Underwriting Approval Authority

In this section of the Survey Report, the Subcommittee examines who is involved in the underwriting of large cases and how underwriting approval authorities are established.

1. Respondents were asked if they had any of the following large case or specialized financial underwriting team/resource and to check all that apply.

Large Case or Specialized Underwriting Teams	# of Responses
None	20 (50%)
Large Case Team	10 (25%)
Specialized Financial Underwriting Team/Resource	3 (8%)
Other*	11 (28%)
<b>Total # of Respondents</b>	<b>40</b>

\*Other:

- *VP in Office of the Chief Underwriter*
- *Large case underwriter*
- *One underwriter dedicated to large cases*
- *Cases are distributed based on authority of the underwriter*
- *Distribution specific underwriting teams*
- *Every team is staffed with advanced UW talent*
- *Financial Underwriting Desk*
- *High Net Worth (HNW) Team*
- *Small boutique underwriting that focuses on HNW exclusively*
- *Corporate underwriting advanced risk selection team*
- *We also have access to Chartered Accountants, lawyers, pricing folks who support Large cases*

One quarter of the respondents have a Large Case Team and just over one quarter of the respondents (28%) indicated having some Other type of specialized resource or team.

Half of the respondents do not have a Large Case or Specialized Financial Underwriting Team/Resource. Thirteen of the respondents that do not have a Large Case or Specialized Financial Underwriting Team/Resource are small-sized companies.

2. Respondents were asked if they had established a separate team/resource or if they had a more informal structure.

Separate Team or More Informal	# of Respondents
Established Separate Team/Resource	13 (50%)
More Informal*	13 (50%)
<b>Total # of Respondents</b>	<b>26</b>

\*More Informal:

- *Not separate- HNW is our only market*
- *This is just part of his overall duties*
- *Based on underwriting authority*
- *Large cases are assigned to more senior underwriters*
- *Part of the team, but handles cases \$3,000,000 + or \$10,000+ in premium*



- *Senior level Underwriters dispersed throughout all the underwriting units*
- *Large case team is contained within larger team dedicated to distribution*
- *We do not do large case underwriting*

Half of the respondents had established a separate team/resource. Eleven of the 13 respondents who indicated they had an Established Separate Team/Resource utilized a brokerage distribution channel.

The other half of the respondents had a more informal structure, which generally saw large cases assigned to more senior underwriters.

3. Respondents who had an established separate team or more informal resource(s) were asked about the membership of this team/resource and to check all that apply.

<b>Team/Resource Membership</b>	<b># of Responses</b>
Chief Underwriter and/or Underwriting Officer	14 (54%)
Senior Underwriting Staff	14 (54%)
Underwriting Manager/Director	12 (46%)
Actuaries	2 (8%)
Legal	3 (12%)
Marketing	1 (4%)
Agency/Marketing Rep	-
Accountants	-
Other*	11 (42%)
<b>Total # of Respondents</b>	<b>26</b>

\*Other:

- *Underwriters - 3 are Senior and 1 is Underwriter*
- *Underwriters and New Business Associates*
- *Only Underwriters on the Underwriting large case team...we partner with others*
- *Co-signing based on authority of the underwriter*
- *Underwriting Mgr. with degree in finance*
- *Not a specialized team. Resources assigned binding authority. If case within Underwriter's binding authority, responsibility includes financial underwriters.*
- *Other departments such as pricing or accounting may be contacted as needed for assistance*
- *Financial Desk consists of 2 underwriters who handle all financial referrals Attorney that has experience in Advanced Markets, Legal, Fraud and Data Analysis. Works closely with Chief, Associate or team lead underwriters as appropriate.*
- *Reinsurer(s) if needed*
- *We do not do large case underwriting*

Fourteen of the 26 respondents indicated two of the following three resources were part of the team/resource: Chief Underwriters/Underwriting Officers, Underwriting Managers/Directors and Senior Underwriting Staff. Actuaries, Legal and Marketing were rarely part of the team and Agency/Marketing Rep and Accountants were never a part of the team.

Eight of the 11 respondents who provided "Other" comments indicated underwriters were part of the team.

4A. Respondents were asked the minimum qualifications of the underwriters on the large case team/resource and to check all that apply.

<b>Qualifications of Underwriters on Large Case Team/Resource</b>	<b># of Responses</b>
Underwriting Approval Authority If so, state min approval authority	15 (63%)
Years Experience If so, state min approval authority	11 (46%)
Job Description/Title	12 (50%)
FALU Required	1 (4%)
Other*	10 (42%)
<b>Total # of Respondents</b>	<b>24</b>

\*Other:

- *Team Lead position and aptitude for finance*
- *Excellent communication skills*
- *Technical expertise, communication skills, problem solving, etc.*
- *Some LOMAs, ALUs, CLUs*
- *Not sure how "large case" is defined. Sr. Underwriters (underwriting up to \$5 million) have FALU, minimum 5 years of experience.*
- *Team members selected from most experienced underwriters with excellent risk selection skill sets. FALU is not a requirement but is strongly encouraged.*
- *We do not do large case underwriting*
- *None (2 respondents)*

Five of the 24 respondents (21%) had minimum requirements for Underwriting Approval Authority, Years Experience and Job Description/Title for underwriters on the large case team/resource. Eight respondents had two of those three requirements, while two respondents had no requirements.

4B. Of the 15 respondents who had minimum underwriting approval authorities, 11 provided their minimum approval authority.

<b>Minimum Approval Authority</b>	<b># of Responses</b>
\$1 - \$5 Million	5 (45%)
\$10 Million & Over	6 (55%)
<b>Total # of Respondents</b>	<b>11</b>

Forty-five percent of respondents indicated a minimum approval authority of \$1 - \$5 Million was required for an underwriter to work on the large case team/resource, while another 55% of respondents required the underwriter to have an approval authority of \$10 Million or more. The average approval limit of the \$10 Million and over group was approximately \$20 million. Three of the five respondents with a minimum approval authority of \$1 - \$5 million were small companies and two were medium sized companies. Half of the six respondents with minimum approval authority of \$10 million and over half were small companies and half were large sized companies. 4C. Of the 11 respondents who had a minimum years of experience requirement, nine provided their minimum.

<b>Minimum Years of Experience</b>	<b># of Responses</b>
5 Years	2 (22%)
10 Years	3 (33%)
15 Years	3 (33%)
30 Years	1 (11%)
<b>Total # of Respondents</b>	<b>9</b>

The minimum years of experience ranged from 5 to 30, and two-thirds of the respondents indicated a minimum of 10 or 15 Years of Experience was required of underwriters assessing their larger cases.

4C. Of the 11 respondents who had job description/title requirements, nine provided more information:

- *Senior Underwriter* (2 respondents)
- *Sr Staff Underwriter*
- *Advanced Underwriter II*
- *Consultants and senior consultants*
- *Team Leader*
- *Associate Chief Underwriter*
- *VP*
- *Minimum officer level, underwriting director, underwriting VP*

5. Respondents were asked what criteria were used to refer to the large case team/resource and to check all that apply.

<b>Criteria</b>	<b># of Responses</b>
Based on Face Amount	20 (100%)
All Premium Finance Cases	7 (35%)
Based on Premium	7 (35%)
All Business Insurance Cases	3 (15%)
Other*	9 (45%)
<b>Total # of Respondents</b>	<b>20</b>

\*Other:

- *High producing agents*
- *Any declined Premium Finance case*
- *Certain scenarios with regulatory impact such as genetic testing, foreign residence, etc, as well as face amount*
- *Large case team is responsible for all large cases, financial desk reviews all older age larger face amount cases and suspected fraud*
- *Referrals and a proprietary process for identifying highest risk cases*
- *Type of business*
- *Not a separate team – we underwrite every case*
- *Not a specialized team. Cases randomly assigned by face amount and last 2 digits of member number.*
- *We do not do large case underwriting*

All respondents indicated that cases are referred to the team Based on Face Amount. Thirty-five percent of respondents indicated Premium was a factor in determining which cases are referred to the team and 35% indicated All Premium Finances Cases are referred to the team.

6. Respondents were asked how long their company had a large case team/resource.

<b>Time Period</b>	<b># of Responses</b>
5 Years or Less	12 (57%)
6 – 10 Years	3 (14%)
More than 10 Years	6 (29%)
<b>Total # of Respondents</b>	<b>21</b>

Over half of the respondents (57%) indicated they established the team within the last 5 Years, while 29% have had a large case team for More than 10 Years.

7A. Respondents who did not have a large case team or resource were asked if they require or recommend review by associates outside of the underwriting department.

<b>Require Review by Associates Outside of Underwriting</b>	<b># of Responses</b>
Always	1 (6%)
Sometimes	9 (50%)
Never	8 (44%)
<b>Total # of Respondents</b>	<b>18</b>

Of the 20 respondents who said no to question 1 (no large case or special underwriting team/resource), 18 responded to this question. Over half (56%) of the respondents Sometimes or Always require or recommend a review by associates outside of the underwriting department.

7B. Respondents who indicated they Sometimes or Always require review by associates outside of underwriting were then asked which other disciplines are utilized and to check all that apply.

<b>Other Disciplines</b>	<b># of Responses</b>
Actuaries	5 (50%)
Legal	5 (50%)
Marketing	4 (40%)
Accountants	3 (30%)
Other*	4 (40%)
<b>Total # of Respondents</b>	<b>10</b>

\*Other:

- *Advanced marketing attorney*
- *Medical Director / Chief Underwriter / reinsurance*
- *Reinsurer (2 respondents)*

Of the ten respondents who indicated they Sometimes or Always require or recommend review by associates outside of the underwriting department, half involved Actuaries or Legal. Four of the respondents utilized one resource outside of the underwriting department, two of which indicated the resource to be a reinsurer. Three respondents utilized three outside disciplines with two utilizing actuarial and legal resources. Two respondents

indicated they utilized the same four resources outside of the underwriting department: Accountants, Actuarial, Legal and Marketing.

8. Respondents were asked how relevant the following criteria were in establishing underwriting approval authority.

Criteria	Relevance (# of Responses)					
	1=Very Relevant	2	3 = Neutral	4	5=Not Relevant	N/A
Audit/Review Results	31	8	-	-	-	1
Years of Experience	19	20	-	-	-	1
Underwriting Designations (i.e., FALU, AALU)	6	13	14	1	5	1
Other Educational Requirements	1	5	10	1	4	6
Other*	5	3	1	-	-	1
<b>Total # of Respondents</b>	<b>40</b>					

\*Other:

- 1= Very Relevant
  - *Communication, ability to use resources and look at big picture of case, looked at as a resource by others*
  - *Ability to investigate a wide range of facts and compile into cohesive story. Able to handle brokerage channel well.*
  - *Management and Medical Department review of cases determines signing authority*
  - *Demonstrated risk selection, management, and leadership skillsets*
  - *Job Performance*
- 2 = Relevant
  - *Communication skills, technical knowledge*
  - *Productivity, Field Relationships, Administrative Abilities*
  - *Position (i.e., Senior Underwriter)*
- 3 = Neutral
  - *Publications, websites*
  - *N/A*
  - *All business is facultative at this time*

The most relevant factor was Audit/Review Results, with 31 respondents citing it as Very Relevant and eight more considering it relevant. The next most relevant criteria was Years of Experience. Audit/Review Results and Years of Experience were considered Very Relevant or relevant by 39 of the 40 respondents.

## Section 2 - Underwriting Requirements and Data Gathering

In this section of the Survey Report, the Subcommittee examines the requirements and information companies obtain to assess financial risk. Please note the definitions below of terms used in this section.

### Definitions

4506-T.....	Tax returns from the IRS directly (or Canadian CRA equivalent)
Catastrophe Cover.....	Insurance mitigating the financial impact of a disaster involving multiple insureds or locations
Commercial Inspection.....	An inspection report from an industry service provider
Database e-Inspection.....	Packaged database information from an industry service provider (e.g., LexisNexis)
Database.....	Information from various database sources internally versus a packaged vendor report
Financial Questionnaire.....	Any company financial questionnaire, either application form or separate questionnaire
Income, Balance Sheet.....	Income statement, balance sheet and related reports from the client
Internet Search Engine.....	Any review of search engines for information (e.g., Google)
Other Interview.....	Interview with the client (or others) from an internal interview team
Other.....	Any other requirement via the Internet, a vendor or internal sources
PHI (Personal History Interview).....	Interview with the client (or others) from a commercial source
Real Estate Pricing.....	Any review of real estate pricing sites (e.g., Zillow) in order to obtain a current value of a property
Social Networking.....	Any review of social networking sites (e.g., LinkedIn)
Tax Records.....	Tax returns from a source other than IRS or taxing agency (client, CPA, etc.)
Third Party Financials.....	Any financial information required from a third party such as a CPA, attorney, banker, etc.

## Requirements and Sources of Information

9. Respondents were asked about their company’s financial underwriting requirements and to indicate the age and amount. They were also asked to indicate whether the requirement was only “for cause.” If the requirement was not used, they were instructed to leave the row blank.

In the table below, respondents were asked to indicate the financial underwriting requirements on a per life basis for personal insurance.

Requirements	Personal Insurance (PI)								Order for Cause?
	Minimum Face Amount				Minimum Age				
	#	Lowest	Highest	Most Common	#	Lowest	Highest	Most Common	
4506-T	7	\$1,000,000	\$10,000,001	\$2,000,001	6	0	71	18	13
Commercial Inspection	21	\$0	\$10,000,001	\$5,000,000	10	0	31	18	8
Database	4	\$50,000	\$2,000,000	N/A	3	0	31	N/A	12
Database e-Inspection	9	\$500,000	\$5,000,000	\$5,000,000	6	0	20	18	7
Financial Questionnaire (PI and/or BI)	23	\$500,000	\$10,000,001	\$1,000,000	15	0	70	18	9
Income, Balance Sheet	11	\$500,000	\$10,000,001	\$5,000,000	6	0	18	18	18
Internet Search Engine	6	\$0	\$5,000,000	\$5,000,000	2	0	18	N/A	21
Other Interview	3	\$500,001	\$3,000,000	N/A	2	0	18	N/A	12
PHI	9	\$0	\$10,000,001	N/A	7	0	51	0	10
Real Estate Pricing	2	\$1,000,000	\$1,000,000	N/A	1	71	71	N/A	18
Social Networking	-				-				9
Tax Records	9	\$0	\$10,000,001	\$2,000,001	3	0	18	0	20
Third Party Financials	16	\$0	\$10,000,001	\$5,000,001	8	0	67	18	14
Other*	1	\$2,000,001	\$2,000,001	N/A	1	18	18	N/A	5
<b>Total # of Respondents</b>	<b>34</b>								

NOTE: The # signs in the header refer to the number of responses.

\*Other:

- *ID search and credit report*
- *Utilize internally developed data verification via multiple database checks*
- *Needs analysis*

Notes:

- Included in the responses was one carrier who cited some requirements as being age/amount specific without providing actual amounts.
- One respondent indicated considering Database e-Inspection reports but not currently using.
- 4506-T is a U.S. only requirement; five Canadian companies were included in this survey so they would not be responding to this requirement.
- Additional comments cited by respondents regarding this question:
  - *Amounts shown as requirements are baseline.*
  - *Many requirements are risk based rather than age and face amount*
  - *Have different requirements over issue age 70*
  - *Underwriters consider all inforce and applied for as well as stated purpose and need and then whatever level of documentation is required to evaluate the risk*
  - *Never use commercial inspection reports – do not consider them reliable*

For respondents citing Minimum Face Amount requirements, Financial Questionnaire was most commonly indicated (96%), followed by Commercial Inspection Reports (62%), and Third Party Financials (47%).

For the three requirements listed above, Financial Questionnaires were most often requested starting at \$1 million, with Commercial Inspection Reports and Third Party Financials most commonly required starting at \$5 million.

For respondents citing Minimum Age Requirements, Financial Questionnaire was also most commonly indicated (44%), followed by Commercial Inspection Reports (29%), and Third Party Financials (24%).

For respondents who indicated getting requirements “For Cause”, Internet Search Engine was most common (62%), followed by Tax Records (59%), Real Estate Pricing and Income/Balance Sheet (both with 53%).

Overall, additional financial underwriting requirements start at \$1 million and fully expand between \$5-10 million. Care should be taken interpreting results because the size of the responding companies completing this survey might bias the results.

In the table below, respondents were asked to indicate the financial underwriting requirements on a per life basis for business insurance. Respondents were also asked to indicate the requirements for a business insurance case involves multiple lives, including partners, key persons, owners, etc., if their company requires additional information to cover the entire group or business. If not, they were instructed to leave it blank.

Requirements	Business Insurance (BI) per Life								Order for Cause?
	Minimum Face Amount				Minimum Age				
	#	Lowest	Highest	Most Common	#	Lowest	Highest	Most Common	
4506-T	3	\$1,500,001	\$2,000,000	N/A	2	20	26	N/A	12
Commercial Inspection	17	\$0	\$10,000,001	\$5,000,000	7	18	21	18	7
Database	2	\$100,000	\$2,000,000	N/A	1	0	0	N/A	10
Database e-Inspection	6	\$500,000	\$5,000,000	\$5,000,000	4	18	20	18	5
Financial Questionnaire (PI and/or BI)	13	\$0	\$10,000,001	\$1,000,000	8	0	70	0	7
Income, Balance Sheet	7	\$0	\$10,000,001	N/A	2	18	18	18	16
Internet Search Engine	2	\$18	\$18	\$18	-				17
Other Interview	3	\$0	\$5,000,000	N/A	-				11
PHI	-				4	16	51	18	10
Real Estate Pricing	6	\$0	\$5,000,000	\$1,000,000	-				14
Social Networking	-				-				8
Tax Records	-				-				18
Third Party Financials	4	\$2,000,000	\$5,000,001	N/A	4	16	67	18	12
Other*	10	\$0	\$10,000,001	\$5,000,000	-				5
<b>Total # of Respondents</b>	<b>29</b>								

NOTE: The # signs in the header refer to the number of responses.

\*Other:

- Utilize internally developed data verification via multiple database checks.



Notes:

- While ten respondents provided limits for “Other” in the Minimum Face Amount section, only one respondent indicated specific requirements as shown above.
- Included in the responses was one carrier who cited some requirements as being age/amount specific without providing actual amounts.
- 4506-T is a U.S. only requirement; five Canadian companies were included in this survey.
- Additional comments cited by respondents regarding this question:
  - *Amounts shown as requirements are baseline*
  - *Many requirements are risk based rather than age and face amount*
  - *Requirements are the same as in age and amount grid*
  - *Underwriters consider all inforce and applied for as well as stated purpose and need and then whatever level of documentation is required to evaluate the risk*

For respondents citing Minimum Face Amount requirements, Commercial Inspection Reports was most commonly indicated (59%), followed by Financial Questionnaire (45%), and “Other” (34%).

For the two requirements listed above, Financial Questionnaires were most often requested starting at \$1 million, with Commercial Inspection Reports most commonly required starting at \$5 million.

For respondents citing Minimum Age requirements, Financial Questionnaire was also the most commonly indicated (28%), followed by Commercial Inspection Reports (24%).

For respondents who indicated getting requirements “For Cause”, Tax Records was most common (62%) followed by Internet Search Engine (59%) and Income/Balance Sheet (55%).

In the table below, respondents were asked to indicate the financial underwriting requirements on a per business basis for business insurance. Due to the lack of responses for each requirement, only for cause data is included.

<b>Business Insurance (BI) per Business</b>	
<b>Requirements</b>	<b>Order for Cause?</b>
Income, Balance Sheet	15
Tax Records	15
4506-T	14
Internet Search Engine	14
Real Estate Pricing	13
Third Party Financials	12
Database	11
Other Interview	11
PHI	10
Financial Questionnaire (PI and/or BI)	9
Social Networking	8
Database e-Inspection	7
Commercial Inspection	6
Other*	3
<b>Total # of Respondents</b>	<b>19</b>

\*Other:

- *Utilize internally developed data verification via multiple database checks*

Notes:

- The results for Minimum Face Amount and Minimum Age by Requirement are not shown due to the small number of respondents. See additional commentary below.
- Additional comments cited by respondents regarding this question:
  - *Amounts shown as requirements are baseline*
  - *Many requirements are risk based rather than age and face amount*
  - *Requirements are the same as in age and amount grid*
  - *Underwriters consider all inforce and applied for as well as stated purpose and need and then whatever level of documentation is required to evaluate the risk*

Comments:

- For respondents citing Minimum Face Amount requirements, Commercial Inspection Reports and Financial Questionnaire were the most common (both with 7 of 19 respondents).
- For respondents citing Minimum Age requirements, Financial Questionnaire was also the most commonly indicated (3 of 19 respondents), followed by Commercial Inspection Reports (2 of 19).
- As indicated in the table, most respondents who obtain requirements on a per business basis do so “For Cause.” Income/Balance Sheet and Tax Records were the most common response (both with 15 of 29 respondents), followed by 4506-T and Internet Search Engine (both with 14 of 29).

10. Respondents were asked how their company determined financial underwriting requirements and to check all that apply.

<b>Determined By</b>	<b># of Responses</b>
Competitive Information	28 (90%)
Reinsurer Input	28 (90%)
Internal Research/Experience Studies	14 (45%)
<b>Total # of Respondents</b>	<b>30</b>

Almost all of the respondents indicated their company determined requirements based on Competitive Information (90%) and/or Reinsurer Input (90%). Of the respondents, ten selected all three as an influence or source for determination and 16 selected two of the three. There were four who relied only on one source.

11. Respondents were asked about how the amount was defined for financial underwriting requirements.

<b>Amount Description</b>	<b># of Respondents</b>
Amount Applied For and In Force with All Companies	12 (37%)
Amount Applied For and In Force with Your Company and/or Any Affiliates	10 (30%)
Amount Applied For with Your Company	6 (18%)
Amount Applied For with Your Company plus In Force with All Companies	3 (9%)
Other*	2 (6%)
<b>Total # of Respondents</b>	<b>33</b>

\*Other:

- *In force and pending, all companies, within past 12 months.*
- *Generally speaking amount applied for with our company + In force with all companies, but individual consideration of each case may vary in regards to requirements*

About one-third of respondents (37%) indicated their requirements were based on the Amount Applied For and In Force with All Companies. About another third (30%) indicated their requirements were based on the Amount Applied For and In Force with Your Company and/or Any Affiliates. Six (18%) relied only on the current Amount Applied For with Your Company. Three respondents indicated they do not use concurrent amounts applied for with other companies, but do include in force amounts with other companies.

12. The Survey asked respondents if certain other or additional insurance was included in determining financial underwriting requirements and were asked to check only one response.

<b>In Force Included in Determining Financial Requirements</b>	<b># of Respondents</b>
100% in force with your company	18 (55%)
100% in force with all companies	11 (33%)
Other % of in force with all companies (see below)*	2 (6%)
Other % of in force with your company (see below)**	2 (6%)
<b>Total # of Respondents</b>	<b>33</b>

\*There were two “other” responses regarding another percentage used with regard to all companies and they were:

- *Baseline requirement for age/face are established. Underwriters consider all inforce and applied for as well as stated purpose and need and then order whatever level of documentation is required to evaluate the risk. Never use commercial inspection reports - do not consider them reliable.*
- *100% inforce with our company and other companies issued in the last 12 months*

\*\*There were two “other” responses regarding another percentage used with regard to their company and they were:

- *Established requirements are a baseline. All inforce and applied for is considered, depending upon the specific purpose of insurance.*
- *Typically the amount applied for with consideration for the total inforce with us as well as with other companies*

There were three respondents that offered only comments that are not included in the table above. These comments were:

- *We take into consideration coverage outside of our Company*
- *See # 11 (Question #11 was noted: “In force and pending, all companies, within past 12 month.”)*
- *Total line must be financially justified taking into consideration purpose of coverage (personal vs business) to determine appropriateness of evidence.*

13. Respondents were asked what outside providers of additional financial information their companies used and to check all that apply.

<b>Outside Providers</b>	<b># of Responses</b>
Agent/Producer	29 (85%)
CPA	26 (76%)
Tax Accountant	25 (74%)
Attorney	19 (56%)
Banking Source	15 (44%)
Insurance Service Provider*	10 (29%)
Other**	4 (12%)
<b>Total # of Respondents</b>	<b>34</b>

\*The following were detailed responses on insurance providers utilized (one company indicated use, but did not provide details):

- *Inspection, Inspection Report, Inspection Company (5 respondents)*
- *Inspection services, credit reports*
- *Inspection reports and business inspection reports*
- *NCS/TRV*
- *EMSI, Lexis-Nexis*

\*\*Other outside providers used:

- *Any credible, verifiable third party in a position of knowledge who can provide pertinent data but who does not in any way sit in the income stream resulting from the sale of life insurance*
- *IRS*
- *Financial Investment Advisors*
- *Inspection report completed by a paramedical company*

The outside providers most commonly used were Agent/Producer (85%), CPA (76%), Tax Accountant (74%), and Attorney (56%). There was no consistency among the respondents, with 21 overall combinations of providers being used. For example, 30 respondents indicated using more than one outside provider, while four used only one (two used Agent/Producer and two used CPA). The most used combination was Agent/Producer, CPA, Tax Accountant, Attorney and Insurance Service Provider, used by five respondents.

14. Respondents were asked if they used any online sources and to check all that apply.

<b>Online Sources</b>	<b># of Responses</b>
Internet Search Engine	27 (96%)
LexisNexis	17 (61%)
Real Estate Pricing Sources (e.g., Zillow)	16 (57%)
Social Networking (e.g., LinkedIn, FaceBook, Twitter)	3 (11%)
iiX/Verisk	2 (7%)
V-Pike	1 (4%)
Other*	4 (14%)
<b>Total # of Respondents</b>	<b>28</b>

\*Other:

- *None (see note in commentary)*
- *Dow Jones Factiva*
- *Rarely look at Facebook or LinkedIn (see note in commentary)*
- *Formal in-house data verification database check. Actual database info is proprietary*

Almost all of the respondents (96%) used an Internet Search Engine. Over half used LexisNexis (61%) and/or Real Estate Pricing Sources (57%). There were a variety of response combinations and the most reported combination was the Internet Search Engine/LexisNexis/Real Estate Pricing Sources, used by eight respondents.

15A. Respondents were asked if they request copies of any trusts.

<b>Ask for Copies of Trusts</b>	<b># of Respondents</b>
Always	2 (6%)
Sometimes	24 (71%)
Never	8 (23%)
<b>Total # of Respondents</b>	<b>34</b>

Twenty-six of the respondents (77%) indicated their companies Always or Sometimes request copies of trusts.

15B. If copies of trusts were requested, respondents were then asked who reviews them and to check all that apply.

Reviewers	# of Responses
Underwriter	18 (64%)
Legal	12 (43%)
Specifically Trained Underwriter	4 (14%)
Accountant	-
Other*	7 (25%)
<b>Total # of Respondents</b>	<b>28</b>

\*Other:

- *Underwriter may consult with our legal department*
- *We only get First and Last Page and reviewed by a new Business Associate*
- *Simple trusts are reviewed by experienced underwriter. Most trusts reviewed by in-house counsel.*
- *Financial Underwriting*
- *Attorney*
- *Senior service staff*

NOTE: There were 28 respondents in question 15B, but only 26 respondents in 15A cited Always or Sometimes. Two respondents indicated Never in question 15A, but cited a specific reviewer in 15B.

The two most common responses were Underwriter and Legal (64% and 43%, respectively). Eight respondents indicated using both an Underwriter (specifically trained or otherwise) and Legal to review copies of trusts; this was the most common combination of responses.

15C. Respondents who indicated they do not obtain copies of the trusts were then asked if they obtain copies of the execution/signature pages.

Copies Obtained of Execution Pages	# of Respondents
Always	7 (23%)
Sometimes	14 (47%)
Never	9 (30%)
<b>Total # of Respondents</b>	<b>30</b>

The following table summarizes the responses from questions 15A through 15C.

15A Ask for Copies of Trusts		15B Reviewers of Trusts					15C Obtained Execution Pages		
Respondents		Accounting	Legal	Spec UW	UW	Other	Always	Sometimes	Never
Always	2	-	1	-	2	-	-	1	-
Sometimes	24	-	11	4	15	6	5	11	6
Never	8	-	-	-	1	1	2	2	3
<b>Responses</b>		-	<b>12</b>	<b>4</b>	<b>18</b>	<b>7</b>	<b>7</b>	<b>14</b>	<b>9</b>
<b>Respondents</b>	<b>34</b>	<b>28</b>					<b>30</b>		

The responses to Question 15A are indicated and the further responses to 15B and 15C are then indicated for the 15A respondents. Not all 34 respondents to 15A also responded to 15B and/or 15C. As an example, the two responding “Always” to 15A answered 15B with one using Legal as a reviewer and both using UW (underwriter) as a reviewer. In 15C, one of the two responded that they “Sometimes” ask for execution pages.

The Committee noted the apparent discrepancy of two who answered 15A as “Never” requesting copies of trusts and yet indicating reviewers. The Committee assumption was that, while never asking for copies, the companies had a process for review if they received copies and indicated that in 15B. Further, four of the eight who “Never” requested copies did either “Always” (2) or “Sometimes” (2) request copies of the execution pages.

**Concentration of Risk and/or Catastrophe Cover**

16. In situations where the amount is limited per business entity/group (not per life), respondents were asked if their company considered the catastrophic financial impact of certain situations and to check all that apply.

<b>Catastrophic Financial Impact Considered For</b>	<b># of Responses</b>
Professional Athletes per Team	15 (63%)
Corporate Insurance per Company	9 (38%)
Association Insurance per Group, Association, etc.	3 (13%)
Other Group Limitations*	8 (33%)
<b>Total # of Respondents</b>	<b>24</b>

\*Other:

- *We do above through reinsurance review as well*
- *Concentration of risk by location defined as a geomeasure*
- *Yes to above- this is negotiated with reinsurance*
- *Concentration of risk applied to COLI groups, but not managed within individual life underwriting*
- *Discretionary by case*
- No detail provided (3 responses)

Almost two-thirds of the respondents (63%) indicated their company considered the catastrophic financial impact of Professional Athletic teams. About one third of the respondents considered the impact of either Corporate Insurance (38%) or Other Group Limitations (33%).

Sixteen respondents indicated a single answer and eight offer various combinations. The most frequent answer was the singular response of Professional Athletes per Team with eight. The most common response with combinations was Corporate Insurance per Company/Professional Athletes per Team with three.

17. Respondents were asked if their companies limited coverage due to the concentration of risk for certain situations and to check all that apply.

<b>Concentration of Risk Limits</b>	<b># of Responses</b>
By Professional Sports Team, including Team Coaches and Management	13 (54%)
At a Specific Business Location	8 (33%)
At or Above a Specific Management Level	3 (13%)
By Family	2 (8%)
Other*	7 (29%)
<b>Total # of Respondents</b>	<b>24</b>

\*Other:

- *No specific rules and discussion would be on case by case basis*
- *This depends on the business specifics, but rarely an issue*
- *yes to above- this is negotiated with reinsurance*
- *We usually consult our reinsurers for such decisions*
- No detail provided (2 responses)
- *Discretionary*

Fifty-four percent of the respondents specified that they limit coverage due to concentration risk on Professional Sports Team and 33% indicated they limit coverage due to concentration risk At a Specific Business Location.

Of the 24 respondents, 18 offered a single answer led by eight indicating by Professional Sports Team, including Team Coaches and Management.

18. Respondents were asked if their companies use catastrophe coverage to mitigate concentration of risk.

<b>Catastrophic Coverage Used to Mitigate Risk</b>	<b># of Respondents</b>
Yes	12 (36%)
No	21 (64%)
<b>Total # of Respondents</b>	<b>33</b>

Almost two-thirds of the respondents (64%) indicated their company did not obtain catastrophic coverage to mitigate risk.



### Section 3 - Financial Underwriting Guidelines and Practices

In this section of the Survey Report, the Subcommittee examines financial underwriting guidelines and practices for personal and business insurance.

#### General Financial Underwriting Guidelines

Respondents were asked to indicate the appropriate multiplier, rates, percentages or years applied in order to establish a routinely acceptable maximum face amount. Respondents were asked to indicate the requested information for six issue ages assuming standard mortality and using usual practice (i.e., not business exception levels).

19A. Respondents were asked to indicate which of the following criteria given were used.

<b>Criteria for Maximum Face Amount</b>	<b># of Responses</b>
Income Multiplier	27 (93%)
Future Net Worth Growth Rate	18 (62%)
Period of Time Your Company Uses for Estate Growth (Years)	15 (52%)
Maximum Number of Years Projected for Individual Coverage	10 (34%)
Future Life Expectancy for a Standard Life (Years)	8 (28%)
Percentage of the Life Expectancy Used in Your Calculation	7 (24%)
Net Worth Multiplier	4 (14%)
<b>Total # of Respondents</b>	<b>29</b>

Income Multiplier is the most frequently used criteria (93%), followed by Future Net Worth Growth Rate (62%) and Period of Time Your Company Uses for Estate Growth (52%). Nine respondents (31%) used only Income Multiplier out of the given criteria. Five respondents (17%) used five criteria and four (14%) used at least six out of seven criteria given in the survey.

19B. Respondents were asked what income multiplier was used for six issue ages. Respondents provided an exact income multiplier. The table below summarizes these results.

Income Multiplier	# of Responses for Each Issue Age					
	25	35	45	55	65	75
1x-4x	-	-	-	-	-	7 (24%)
5x	-	-	-	-	2 (7%)	12 (41%)
6x-9x	-	-	-	-	8 (28%)	2 (7%)
10x	-	-	1 (3%)	4 (14%)	15 (52%)	-
15x	2 (7%)	1 (3%)	4 (14%)	13 (45%)	1 (3%)	-
20x	5 (17%)	6 (21%)	11 (38%)	5 (17%)	-	-
25x	8 (28%)	10 (34%)	5 (17%)	-	-	-
30x	11 (38%)	5 (17%)	1 (3%)	-	-	-
35x	1 (3%)	1 (3%)	-	-	-	-
Other Values*	-	4 (14%)	5 (17%)	5 (17%)	1 (3%)	6 (21%)
<b># of Respondents Using this Criteria</b>	<b>27 (93%)</b>					
<b>Total # of Respondents</b>	<b>29</b>					

\*Other Multiplier values not explicitly shown in the table:

- Age 35:
  - 18x
  - 22x (2 respondents, 7%)
  - 23x
- Age 45:
  - 18x (5 respondents, 17%)
- Age 55:
  - 12x (4 respondents, 14%)
  - 14x
- Age 65:
  - 0-10x
- Age 75:
  - Individual consideration (3 respondents, 10%)
  - Did not provide a response for age 75
  - 0x (2 respondents)

Twenty (20x) was the most frequently used multiplier, followed by 25x. The magnitude of the multiplier used decreased as the age increased. The subcommittee is unclear as to what the respondents meant by a 0x multiplier.

More than 30% of respondents used 30X for age 25, 25X for age 35 and 20X for age 45. More than 40% used 15X for age 55, more than half (52%) used 10X for age 65 and more than 40% used 5X for age 75.

The ranges for the issue ages revealed a similar regression from higher to lower multiples with age. Ages 25 and 35 ranged from 15X to 35X, age 45 from 10X to 30X, age 55 from 10X to 20X, age 65 from 5X to 15X and age 75 from 1X to the range of 6 to 9X.

The Committee presumes that “0X” might be meant to signify no multiplier was used or, in reality, “1X” versus no insurance being offered at the specified age.

19C. Respondents were asked what future net worth growth rate was used for six issue ages.

Net Worth Growth Rate	# of Responses for Each Issue Age					
	25	35	45	55	65	75
5%	3 (10%)	3 (10%)	3 (10%)	4 (14%)	3 (10%)	7 (24%)
6%	5 (17%)	5 (17%)	5 (17%)	5 (17%)	9 (31%)	6 (21%)
7%	3 (10%)	3 (10%)	3 (10%)	3 (10%)	3 (10%)	2 (7%)
8%	2 (7%)	2 (7%)	4 (14%)	5 (17%)	1 (3%)	-
10%	4 (14%)	4 (14%)	2 (7%)	-	-	-
Other Values*	1 (3%)	1 (3%)	1 (3%)	1 (3%)	2 (7%)	3 (10%)
<b># of Respondents Using this Criteria</b>	<b>18 (62%)</b>					
<b>Total # of Respondents</b>	<b>29</b>					

\*Other Values: One respondent answered individual consideration for all ages. Another respondent provided information for most of the ages except 65 and 75. One respondent used 0% for age 75.

Six percent was the most frequently used net worth growth rate. Eight respondents (28%) used the same rate for all ages. It was the most frequently used, or one of the most frequently used, rates for all ages except age 75, for which it was the second most frequently used. More than 40% of the respondents used 5% or 6% for ages 65 and 75.

19D. Respondents were asked what period of time their company used for estate growth for six issue ages. Respondents provided an exact time period. The table below summarizes these results.

Period of Time Used for Estate Growth	# of Responses for Each Issue Age					
	25	35	45	55	65	75
0 Years	-	-	-	-	1 (3%)	1 (3%)
1-9 Years	-	-	-	1 (3%)	1 (3%)	8 (28%)
10 Years	1 (3%)	1 (3%)	2 (7%)	2 (7%)	6 (21%)	2 (7%)
15 Years	5 (17%)	4 (14%)	7 (24%)	8 (28%)	4 (14%)	1 (3%)
20 Years	5 (17%)	5 (17%)	2 (7%)	1 (3%)	-	-
25 Years	1 (3%)	1 (3%)	1 (3%)	1 (3%)	-	-
Other Values*	3 (10%)	4 (14%)	3 (10%)	2 (7%)	3 (10%)	3 (10%)
<b># of Respondents Using this Criteria</b>	<b>15 (52%)</b>					
<b>Total # of Respondents</b>	<b>29</b>					

\*Other Values:

- Age 25:
  - 26 years
  - 29 years
  - Individual consideration for all ages (IC)

- Age 35:
  - 17 years
  - 22 years
  - 24 years
  - IC
- Age 45:
  - 17 years
  - 19 years
  - IC
- Age 55:
  - 12.5 years
  - IC
- Age 65:
  - 3/4 life expectancy
  - 11 years
  - IC
- Age 75:
  - 3/4 life expectancy
  - <= 10 years
  - IC

About half of the respondents used a specific number of years. One respondent used the same period for all ages and three respondents used the same period except for age 75. Fifteen Years was the most frequently used period, followed by 20 Years and 10 Years. Fifteen Years was the most frequently used period for ages 45 and 55. For ages 25 and 35, more than 30% used either 15 Years or 20 Years. For age 65, 21% used 10 Years and, for age 75, more than 30% used a period less than 10 Years. The period of time used decreases as the age increases.

19E. Respondents were asked what net worth multiplier was used for each issue age.

Twenty-five out of 29 respondents (86%) did not use the net worth multiplier. One respondent answered individual consideration for all issue ages. Three respondents provided the net worth multiplier used with values ranging from 1x to 3.5x. One company used a constant multiplier for all ages, whereas the other two lowered their multipliers for ages 65 and 75.

19F. Respondents were asked what future life expectancy was used for six issue ages for a standard life.

Future Life Expectancy	Responses for Each Age					
	25	35	45	55	65	75
Lowest	52.9	43.0	34.0	25.9	18.0	12.7
Highest	58.0	48.0	38.6	30.0	22.6	15.0
Average	54.8	45.3	35.8	27.5	20.0	13.7
Most Common*	53.0	48.0	34.0/ 34.4/ 38.0	26.0	18.7/ 19.0/ 22.0	13.0
<b># of Respondents Using this Criteria</b>	<b>8 (28%)</b>					
<b>Total # of Respondents</b>	<b>29</b>					

\*Notes: For ages with more than one most common answer, all answers with the highest frequency were listed in the table. Values presented in the table were rounded to one decimal place.

The future life expectancy used decreases as age increases. In terms of total life expectancy, as age increases the total life expectancy indicated by the future life expectancy used increases. For issue ages 25, 35 and 45, the majority of those who used this criterion used a total life expectancy smaller than or equal to 80 (five out of eight). For issue age 55, all those who used this criterion used a total life expectancy between 80.0 and 85.0. For age 75, all those who used this criterion used a total life expectancy between 87.5 and 90.0.

19G. Respondents were asked what percentage of future life expectancy was used for six issue ages.

Percentage of Future Life Expectancy	# of Responses for Each Issue Age					
	25	35	45	55	65	75
50%	3 (10%)	3 (10%)	3 (10%)	3 (10%)	3 (10%)	4 (14%)
75%	4 (14%)	4 (14%)	4 (14%)	4 (14%)	4 (14%)	3 (10%)
<b># of Respondents Using this Criteria</b>	<b>7 (24%)</b>					
<b>Total # of Respondents</b>	<b>29</b>					

Among the seven respondents who provided the percentage used, six used the same percentage for all ages. Almost half of the respondents who used this criterion used 50% and the other half used 75% for all ages.

19H. Respondents were asked to indicate the maximum number of years projected for individual coverage for six issue ages.

Maximum # of Years Projected	# of Responses for Each Issue Age					
	25	35	45	55	65	75
<10 Years	-	-	-	-	-	6 (21%)
10 Years	-	-	-	1 (3%)	3 (10%)	2 (7%)
15 Years	3 (10%)	3 (10%)	5 (17%)	5 (17%)	3 (10%)	-
20 Years	4 (14%)	4 (14%)	2 (7%)	1 (3%)	-	-
25 Years	1 (3%)	1 (3%)	1 (3%)	1 (3%)	-	-
Other Values*	2 (7%)	2 (7%)	2 (7%)	2 (7%)	4 (14%)	2 (7%)
<b># of Respondents Using this Criteria</b>	<b>10 (34%)</b>					
<b>Total # of Respondents</b>	<b>29</b>					

\*Other Values:

- Answer indicated that the maximum years of projection was to attained age 100
- Age 25:
  - 29 years
- Age 35:
  - 24 years
- Age 45:
  - 19 years
- Age 55:
  - 17.46 years
- Age 65:
  - 3/4 life expectancy
  - 11 years
  - 16.92 years
- Age 75:
  - 3/4 life expectancy

Nine of the ten respondents who used the Maximum Number of Years Projected also used Period of Time Used for Estate Growth to establish a routinely acceptable maximum face amount. Seven of the nine provided the same answer to both questions.

Fifteen was the most frequently used maximum number of years projected. For age 75, eight respondents (28%) used a maximum period less than or equals to 10. For age 65, seven respondents (24%) used a period between 10 and 15. The maximum period used decreases as age increases.

20. Respondents were asked when they last updated their financial underwriting guidelines.

<b>Timeframe</b>	<b># of Respondents</b>
Within the Last 12 Months	13 (42%)
1 – 2 Years Ago	5 (16%)
3 – 5 Years Ago	5 (16%)
Over 5 Years Ago	8 (26%)
<b>Total # of Respondents</b>	<b>31</b>

Nearly half the respondents (42%) had updated their financial underwriting guidelines Within the Last 12 Months. Approximately one quarter (26%) had not updated their guidelines in Over 5 Years.

21. Respondents were asked how often they reviewed and updated the financial underwriting guidelines.

<b>Timeframe</b>	<b># of Respondents</b>
Annually	5 (16%)
Every 2 Years	2 (6%)
Every 3 – 5 Years	4 (13%)
Periodically as Needed	18 (58%)
Other*	2 (6%)
<b>Total # of Respondents</b>	<b>31</b>

\*Other:

- *Whenever they are updated in the reinsurer's manual we use.*
- *In process of reviewing guidelines*

Over half of the respondents (58%) update their guidelines only on an As Needed basis. Another 19% update their guidelines Every 5 Years or sooner.

22. Respondents were asked how they investigate or establish the total amount in force and applied for on a proposed insured and to check all that apply.

<b>Investigation of Total In force and Applied For</b>	<b># of Responses</b>
Application Questions	28 (90%)
Agent Report/Cover Letter	24 (77%)
Inspection Report	23 (74%)
Search Your Company's Databases or Systems	23 (74%)
MIB IAI	22 (71%)
Reinsurer Inquiry	13 (42%)
Other*	1 (<1%)
<b>Total # of Respondents</b>	<b>31</b>

\*Other:

- *Telephone Interview*

The majority of respondents use multiple methods to investigate or establish the total amount in force and applied for. Eleven respondents use six of the methods, while an additional ten respondents use four or five of the methods. The most popular method is via Application Questions, used by 90% of the respondents.

23A. Respondents were asked if they ever encounter cases lacking financial justification.

<b>Lack Financial Justification</b>	<b># of Responses</b>
Yes	30 (97%)
No	1 (3%)
<b>Total # of Respondents</b>	<b>31</b>

23B. Respondents answering "Yes" in question 23A were then asked what actions their company would consider if the amount applied for was not financially justified.

<b>Action if Amount Not Justified</b>	<b>Frequency (# of Responses)</b>			
	<b>Never</b>	<b>Infrequently</b>	<b>Frequently</b>	<b>Always</b>
Decline	-	13 (43%)	15 (50%)	1 (3%)
Reduce Face Amount	-	7 (23%)	23 (77%)	-
Send to Reinsurers for Facultative Opinion	4 (13%)	16 (53%)	9 (30%)	-
Other*	-	-	2 (7%)	-
<b>Total # of Respondents</b>	<b>30</b>			

\*Other

- *May discuss specifics with reinsurance.*
- *Request explanation for face amount from agent of record accompanied by supporting third party financial documentation.*

If the amount applied for was not financially justified, the most frequent actions taken by respondents are to Reduce the Face Amount (77%) or Decline the risk (50%). Less frequently, respondents would send a case to a Reinsurer for Facultative Opinion (53%) or Decline the case (43%).



## Handling Specific Circumstances

The following questions investigate specific underwriting challenges.

24. Respondents were asked if they had different financial underwriting guidelines for different life insurance products.

<b>Guidelines Differ by Product</b>	<b># of Responses</b>
Yes	4 (13%)
No	26 (87%)
<b>Total # of Respondents</b>	<b>30</b>

25. Respondents were asked what limits, if any, are placed on insurance amounts for a non-working spouse.

<b>Limits for Non-Working Spouse</b>	<b># of Respondents</b>
Limited to a Percentage of the Breadwinner's Available Insurance*	8 (26%)
Individual Consideration	7 (23%)
None - Underwritten on the Basis of Family Income and Net Worth	4 (13%)
Amount to Cover Last Expenses	-
Flat Dollar Amount	-
Other**	12 (39%)
<b>Total # of Respondents</b>	<b>31</b>

\*Percentage (not all respondents indicated a percentage):

- 50% (5 respondents)
- 100% up to \$1,000,000
- 50 to 100%

\*\*Other:

“Other” responses fell into two categories – those respondents that generally match the working spouse amount and those that issue 50% of the breadwinner’s amount. In both cases, there were usually some additional limitations.

Match working spouse:

- *Match working spouse up to \$1,000,000, up to \$2.5 if 50%*
- *To age 65, match working spouse's coverage to \$1,000,000*
- *Same amount as the breadwinner's coverage*
- *Up to the amount of the breadwinner assuming adequate finances to cover amounts on both parties*
- *Same as working spouse*
- *Equal to breadwinner's up to 1,000,000 maximum*
- *Generally allow up to, but not exceeding the value of the employed spouse's coverage, but may be reduced based on demonstrated need.*

50% of working spouse:

- *50% of breadwinner but these are typically individually considered*
- *50% of income multiple not to exceed amount in force and applied for on wage earner*
- *Generally 50% of the amount of wage earning spouse, but individual consideration given based on additional financial analysis*
- *Sometimes 50% of breadwinner but could be equal depending on estate planning*
- *General guide of half of the bread winner but depends on the case.*

Approximately 25% of the respondents limit the amount of insurance for a non-working spouse by applying a Percentage to the Breadwinner's amount. If "Other" descriptive responses are included, then over 40% of respondents limit the amount of spouse insurance using a Percentage of the Breadwinner. In nearly all cases, the limiting percentage was 50% (with some limitations). Another quarter (23%) will match the working spouse's amount, again with some limitations. Finally, one-quarter of respondents (23%) use Individual Consideration to determine the spousal amount.

26. Respondents were asked what maximum face amount is allowed on juveniles (aside from any regulatory restrictions).

<b>Maximum Face for Juveniles</b>	<b># of Respondents</b>
Less than the Amount on Parents by a Percentage*	15 (50%)
Individual Consideration	8 (27%)
Flat Dollar Amount**	4 (13%)
Amount to Cover Last Expenses	1 (3%)
None - Underwritten on the Basis of Family Income and Net Worth	1 (3%)
Same Amount as Parents	1 (3%)
More than the Amount on Parents	-
<b>Total # of Respondents</b>	<b>30</b>

\*Percentage (not all respondents indicated a percentage):

- *50% (8 respondents)*
- *50% up to \$250,000*
- *80%*
- *75%*
- *67% of breadwinner*
- *33%*
- *usually 25% of parents but depends on planning*

\*\*Flat amount:

- *\$250,000 (2 respondents)*
- *\$500,000*
- *Same as parent up to \$10,000,000*

One-half of the respondents limit the amount on juveniles to a percentage of the amount on the parents, with 50% being the most frequent response. Over one-quarter of respondents (27%) indicate they use Individual Consideration to determine the amount for juveniles. Of the 13% of respondents indicating a Flat Dollar Amount limit on juveniles, \$250,000 was the most frequent amount.

27A. Respondents were asked if they require all insurable siblings to have the same amount of coverage, same annual premium or same cash surrender value objective.

All Siblings Same Amount	# of Respondents
Yes	23 (74%)
No	8 (26%)
<b>Total # of Respondents</b>	<b>31</b>

27B. Respondents answering “No” in question 27A were asked to provide additional information regarding their financial underwriting guidelines on siblings.

- *Same amount of coverage only*
- *Not precisely the same - but must be similar and reasonable to rule out anti-selection.*
- *Not in this market, any application received is underwritten on an individual basis, generally limited to \$250,000.*
- *Individual consideration*
- *Insurance amount sometimes is a product of the amount of money (premium) being given to a child to purchase insurance. A child in the family may not be insurable for more coverage.*

Nearly three-quarters of the respondents (74%) require all insurable siblings to have the same amount of coverage, same annual premium or same cash surrender value objective.

28. Respondents were asked for considerations when determining a charitable giving limit.

Charitable Giving Limit Basis	Level of Consideration (# of Responses)			
	Never/Not Applicable	Sometimes	Most of the time	Always
Giving History*	3 (10%)	-	10 (33%)	16 (53%)
Percentage of Income**	7 (23%)	3 (10%)	9 (30%)	6 (20%)
Percentage of Net Worth***	7 (23%)	5 (17%)	6 (20%)	5 (17%)
Other****	6 (20%)	-	-	6 (20%)
<b>Total # of Respondents</b>	<b>30</b>			

If respondents answered sometimes, most of the time or always for a particular basis, they were then asked to describe the requirement. Not all respondents answered this follow-up question.

**\*Giving History:**

- *3 yrs annual avg x 10*
- *10 years*
- *15%*
- *Lesser of Life expect. or 20 years*
- *Present value of anticipated contributions during lifetime.*
- *Would need verification*
- *How much, how many years, annual*
- *Accept applicant statement of giving history*
- *Demonstrated pattern of giving*
- *Want to understand pattern and amount*
- *The amount applied must be commensurate with the giving history and the loss the charity would experience at the unexpected death of the insured*

- Typically will look at giving history but someone may want to leave a larger amount at death

**\*\*Percentage of Income (maximum percentage):**

- Understand giving vs income
- Individual consideration
- Does it make sense
- Small enough that it is both reasonable and sustainable
- Amount should be in reason to their income

**\*\*\*Percentage of Net Worth (maximum percentage):**

- Understanding of impact to worth overall
- Individual consideration (2 respondents)
- Comes into play
- Does it make sense
- Up to 50% of investment portfolio value

**\*\*\*\*Other:**

- Insured must have sufficient life ins to cover personal needs. Ins for charity then considered in regular applicable total line of coverage
- Life expectancy
- Future loss/growth of giving to charity based on life expectancy
- Age, impaired risk rating, contract ownership
- Ownership of policy
- Individual consideration

The most frequent basis used in determining a charitable giving limit was Giving History, with 86% of the respondents indicating most or all of the time.

29. Respondents were asked if their company requests a copy of the charitable trust document, whether executed or planned.

<b>Copy of Charitable Trust Requested</b>	<b># of Respondents</b>
Always	5 (16%)
Sometimes	14 (45%)
Never	12 (39%)

A majority of the respondents (61%) Sometimes or Always ask for a copy of the charitable trust document.

30A. Respondents were asked if they consider premium financing cases.

<b>Consider Premium Financing</b>	<b># of Respondents</b>
Yes	10 (32%)
No	21 (68%)

30B. Respondents indicating “Yes” to question 30A were then asked what the requirements were and to check all that apply.

<b>Premium Financing Requirement</b>	<b># of Responses</b>
Details of Loan, including the Lending Institution	7 (70%)
Contract or Loan Review	7 (70%)
Loan Questionnaire (with more details)	4 (40%)
Other*	5 (50%)
<b>Total # of Respondents</b>	<b>10</b>

\*Other:

- *Ages 40-65 only; min annual earned income \$150,000; min net worth \$3,000,000*
- *Interest must be paid out of pocket annually and a viable exit plan other than death.*
- *All cases will be sent to pool reinsurers for facultative review*
- *Full recourse loans only. No nonrecourse or hybrid loans accepted.*
- *We would accept a legitimate case but have never actually received one.*

Over two-thirds of the respondents (68%) indicated they do not consider premium financing cases. Of the third (32%) that do consider such cases, a large majority require Details of the Loan or a Review of the Contract. Of the respondents that consider premium financing, most have multiple requirements, with 50% having three or four.

## **Business Coverage**

31. Respondents were asked what maximum income multiplier is used for key person coverage.

<b>Maximum Income Multiplier For Key Person Coverage</b>	<b># of Respondents</b>
20x	1 (3%)
15x	1 (3%)
10x	19 (66%)
5x	4 (14%)
Other*	4 (14%)
<b>Total # of Respondents</b>	<b>29</b>

\*Other:

- *5-10% dependent upon age, type of business, and ownership structure*
- *Can vary based on individual circumstance – upper limit 15*
- *Generally 5-10X compensation for small to medium cases. For jumbo cases, underwriting focus is on demonstrated economic value of the executive to the organization.*
- *NONE*

Two-thirds of the respondents (66%) have a ten times maximum income multiplier for key person coverage.

32. Respondents were asked what income items are included for key person coverage and to check all that apply.

<b>Income Items for Key Person Coverage</b>	<b># of Responses</b>
Salary	29 (100%)
Bonus	22 (76%)
Other Executive Compensation	19 (66%)
Dividends	10 (34%)
Stock Options	7 (24%)
Other*	3 (10%)
<b>Total # of Respondents</b>	<b>29</b>

\*Other:

- *Will average bonus or stock options if significant to total income.*
- *Consider non-salary forms if likely to continue.*
- *Any executive compensation that is repetitive and performance based. One-time bonuses generally not allowed.*

All of the respondents use Salary as an income item for key person coverage and over three-quarters (76%) include Bonus. Nineteen of the respondents include three or more of the items on the list.

33. Respondents were asked what items they consider when determining the fair market value of a company for buy-sell or other business insurance and to check all that apply.

<b>Consideration for Fair Market Value</b>	<b># of Responses</b>
Book Value	25 (86%)
A Copy of the Buy-Sell Agreement	21 (72%)
Annual Revenue	21 (72%)
Annual Sales	17 (59%)
Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)	12 (41%)
Operating Cash Flow	12 (41%)
Free Capitalization of Earnings	9 (31%)
Discretionary Income	3 (10%)
Reserves	3 (10%)
Other*	3 (10%)
<b>Total # of Respondents</b>	<b>29</b>

\*Other:

- *Professional valuations or attorney opinions*
- *Net income (loss), debt ratio*
- *Specific financial data heavily dependent upon the size of the case and the nature of the business and the competitive landscape of their marketplace.*

Book Value was the most frequently considered item (86%) when determining the fair market value for business insurance, followed by a Copy of the Buy-Sell Agreement and Annual Sales (72% each). Thirteen of the respondents considered five or more of the items, while 16 considered four or less.

## Jumbo

34. Respondents were asked to rank in order of frequency at their company how jumbo violations are handled, with Rank 1 indicating the most frequent. Respondents were asked to indicate “N/A” if an option is not used at their company.

How Jumbo Violations are Handled	# of Responses					
	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	N/A
Negotiate with Reinsurer	16 (57%)	1 (4%)	1 (4%)	-	1 (4%)	6 (21%)
Rescind Policy (if contestable)	-	4 (14%)	-	6 (21%)	3 (11%)	11 (39%)
Rescind Policy (if contestable) and Offer a New Policy at a Reduced Amount	2 (7%)	-	7 (25%)	1 (4%)	1 (4%)	12 (43%)
Retain Excess	-	8 (29%)	3 (11%)	2 (7%)	3 (11%)	8 (29%)
Other*	-	-	1 (4%)	-	-	8 (29%)
<b>Total # of Respondents</b>	<b>28</b>					

\*Other:

- *Obtain facultative coverage*

Two respondents did not provide a ranking because they have never had a jumbo violation.

- *Never had one.*
- *Has never happened to me*

Of the 28 respondents, over half (57%) indicated Negotiate with Reinsurer as the most frequent way to handle jumbo violations. The next most frequent way was to Retain the Excess (29%), followed by Rescind the Policy and Offer a New Policy at a Reduced Amount (25%). The least frequent way to handle jumbo violations was to Rescind the Policy (32% of respondents indicated a rank of 4 or 5).

## Foreign Assets

35. Regarding foreign assets as a part of a financial plan justifying life insurance, respondents were asked if there were any special requirements or reviews and asked to check all that apply.

<b>Special Requirements for Foreign Assets</b>	<b># of Responses</b>
Financial Statements	9 (69%)
Financial Questionnaires on Assets	8 (62%)
OFAC Check	8 (62%)
Descriptions of Assets	7 (54%)
Special Review (If yes, by whom?)*	2 (15%)
4506-T	1 (8%)
Tax Forms through Other Sources	1 (8%)
Other**	4 (31%)
<b>Total # of Respondents</b>	<b>13</b>

\*Special Review:

- *Financial Underwriting*
- *Legal*

\*\*Other:

- *We do not consider foreign assets in our assessment*
- *Inspection report, electronic inspection*
- *We do not include foreign assets in an applicant's net worth*
- *Financial statements from international banks*

Of the 13 respondents, approximately two-thirds require Financial Statements, Financial Questionnaires on Assets or an OFAC Check. Over half (54%) ask for a Description of the Assets. Three respondents indicated using five to seven of the requirements, while four indicated using only one.

36. When foreign assets are part of the financial justification, respondents were asked the maximum amount of coverage their company would consider based on the foreign assets alone.

<b>Maximum Coverage When Foreign Assets Involved</b>	<b># of Respondents</b>
\$1 Million	-
\$5 Million	-
\$10 Million	2 (17%)
\$25 Million	-
Other Amount*	10 (83%)
<b>Total # of Respondents</b>	<b>12</b>

\*Other:

- *Individual consideration (4 respondents)*
- *Not applicable*
- *As determined by treaty relationship with clients.*
- *Must have a meaningful U.S. economic interest*
- *Do not have a maximum guideline*
- *0*
- *\$20 million within own retention. Additional amounts via reinsurance.*



Two respondents (15%) have a maximum coverage amount of \$10 Million based upon foreign assets alone. Another four respondents (33%) would use individual consideration to determine the amount of coverage.

37A. Respondents were asked if their company ever verify foreign assets.

<b>Foreign Assets Verified</b>	<b># of Respondents</b>
Always	4 (31%)
Sometimes	7 (54%)
Never	2 (15%)
<b>Total # of Respondents</b>	<b>13</b>

37B. If foreign assets are never verified, respondents were asked if the amount considered based on foreign assets is reduced. Both of those respondents indicated they never reduced the amount.

37C. Respondents were asked what percentage of verifiable assets they would consider.

- *Individual consideration (4 respondents)*
- *Depends on the verification. Individual consideration. Perhaps 50%.*
- *No set percentage but must be reasonably correspond with amount applied for and in line with total financial risk*
- *We try to verify as much as possible*
- *Would depend on complete picture- we usually have significant U.S. assets alone to justify coverage*
- *We do not include foreign assets in net worth*
- *Dependent upon the purpose of insurance and the taxation of those assets by the resident country and the country where the assets reside.*

37D. Respondents were asked what percentage of non-verifiable assets they would consider.

- *Individual consideration (2 respondents)*
- *0% (2 respondents)*
- *<10%*
- *No set percentage but must be reasonably correspond with amount applied for and in line with total financial risk*
- *Depends on situation and amount applied for*
- *This depends on the nature of the case, details*
- *We do not include foreign assets in net worth*
- *Generally would not consider non verifiable assets held outside of the US.*

## Section 4 – Fraud

In this section of the Survey Report, the Subcommittee reviews various fraud mitigation practices employed by the respondent companies to investigate or otherwise deal with suspected fraud, including rebating activity, rather than material misrepresentations, which may include misstatements of age, gender, medical history, smoking status, income or net worth or other factual misstatements. While the Subcommittee acknowledges material misrepresentation is a form of fraud, we make the distinction in order to study the impact of potentially criminal fraud over opportunistic misstatements. Fraud, for the purposes of the Survey, will refer to significant and overt deceptions such as: forgery and filing falsified documents and/or signatures, fraudulent identity, fraudulent company, faked deaths, fluid swaps, money laundering, etc.

38. Respondents were asked how many individual life claims their companies received in 2013.

Claims Count for 2013	# of Respondents
500-2000	5 (50%)
2100-5000	3 (30%)
5100-up	2 (20%)
<b>Total # of Respondents</b>	<b>10</b>

Claims Count for 2013	# of Respondents
0, Unknown, No response	35

Only 10 companies reported their number of claims in 2013 and the responses varied widely. Half of the companies have a 2013 claim count between 500-2000. This may be due to the fact that 88% of respondents are from medium to small-sized companies.

39. Respondents were asked for their company's recent claims history based on number and total face amount of reported claims.

Of the 42 respondents, less than a third completed the table. It is unclear whether the low participation was due to unavailability of the data, time required to obtain the data, insufficient resources, system issues or some other unidentified constraint. Two companies reported they did not have the information available or did not track the information requested. Due to the lack of sufficient data, the subcommittee will not provide any additional analysis of this question.

The Subcommittee concluded that a more in depth survey targeted to claims managers may be of interest to the industry.

40. Respondents were asked if their company has a team/person that specifically investigates suspected fraud.

Investigation Teams/Person	# of Respondents
Yes	22 (76%)
No	7 (24%)
<b>Total # of Respondents</b>	<b>29</b>

More than 75% of the respondents use specialists or an investigative team to handle suspected fraud.

41. Respondents were asked if their company has an escalation process for suspected fraud.

<b>Escalation Process</b>	<b># of Respondents</b>
Yes	23 (82%)
No	5 (18%)
<b>Total # of Respondents</b>	<b>28</b>

Most of the respondents (82%) have an escalation process for suspected fraud.

42. Respondents were asked if their company hires an outside investigator to investigate possible fraud.

<b>Outside Investigator</b>	<b># of Respondents</b>
Always	1 (4%)
Sometimes	19 (70%)
Never	7 (26%)
<b>Total # of Respondents</b>	<b>27</b>

Almost three-quarters of the respondents Sometimes (70%) or Always (4%) use outside investigators.

43. Respondents were asked if their company has a minimum face amount for the fraud escalation process. If the answer was “Yes”, they were asked to indicate the amount.

<b>Minimum Face Amount</b>	<b># of Respondents</b>
Yes	1 (4%)
No	25 (96%)
<b>Total # of Respondents</b>	<b>26</b>

While all but one respondent indicated they do not have a minimum face amount for the fraud escalation process, the one respondent indicated they refer all amounts.

44. Respondents were asked which of the following methods their company uses to verify the identity of the applicant and to check all that apply.

<b>Tools to Identify Fraud</b>	<b># of Responses</b>
MIB	22 (81%)
Tax or Government Records (i.e., Social Security, Driver's License, Passport, Visas)	20 (74%)
Third-Party Identity Verification (i.e., LexisNexis)	20 (74%)
Other*	2 (7%)
<b>Total # of Respondents</b>	<b>27</b>

\*Other:

- *broker verifies with government issued ID*
- *agent checks IDs, require SSN or TIN*

The tools used to identify fraud were split very evenly between MIB (81%), Tax or Government Records (74%) and Third-Party Identity Verification (74%). Most respondents use multiple methods to verify the identity of the applicants.

45. Respondents were asked what actions their company takes when fraud is discovered during underwriting, as opposed to time of claim or post-policy issue, and to check all that apply.

<b>Actions for Fraud at Application</b>	<b># of Responses</b>
Decline the Application	24 (86%)
Notify the Legal/Compliance Department	17 (61%)
Escalate the Case to a Fraud Prevention Team/Person	16 (57%)
Notify the Sales and Marketing Department	15 (54%)
Obtain Outside Legal Consultation	3 (11%)
Notify Local Law Enforcement	-
Other*	3 (11%)
<b>Total # of Respondents</b>	<b>28</b>

\*Other:

- *We have a review process for policy, agent and agency that begins with Financial Underwriting and eventually includes Sales and Legal*
- *Discretionary*
- *Reporting to applicable state DOI bureau of fraud investigation. Will engage law enforcement if appropriate.*

The question did not specify if the suspected perpetrator was an agent or applicant. The most common actions cited by the respondents were to Decline the Application (86%), followed by Notify the Legal/Compliance Department (61%) and Escalate the Case to a Fraud Prevention Team/Person (57%). Twenty-three of the respondents take two or more of the listed actions, and nine of those respondents take four or more of the listed actions.

46. Respondents were asked whether they go back and audit a block of their cases if they suspect fraud from an agent.

<b>Audit the Agents Block</b>	<b># of Respondents</b>
Always	14 (50%)
Sometimes	13 (46%)
Never	1 (4%)
<b>Total # of Respondents</b>	<b>28</b>

All but one respondent indicated auditing agents block of business if they suspect fraud. This was Always done by 50% of the respondents and Sometimes done by 46%.

47. Respondents were asked if they go back to prior files and investigate if they discover fraud on a subsequent application from a policyholder's prior application.

<b>Prior Applications on Policyholder</b>	<b># of Respondents</b>
Always	21 (75%)
Sometimes	7 (25%)
Never	0 (0%)
<b>Total # of Respondents</b>	<b>28</b>

All respondents indicated going back to prior files to investigate if they discover fraud on a subsequent application. Seventy-five percent Always do this and 25% Sometimes do it.

48. Respondents were asked who handles or otherwise is involved when fraud is identified and to check all that apply.

<b>Who Gets Involved with Identified Fraud</b>	<b># of Responses</b>
Chief Underwriter or Underwriting New Business Manager	20 (74%)
Legal Department	20 (74%)
Compliance Officer or Manager	19 (70%)
Claims Officer or Manager	16 (59%)
Senior Management	12 (44%)
Marketing Officer or Manager	9 (33%)
Chief Risk Officer	6 (22%)
Policyholder Service or Operations Officer or Manager	5 (19%)
Other*	5 (19%)
<b>Total # of Respondents</b>	<b>27</b>

\*Other:

- *Corporate Investigations Division if any company employee is implicated in the fraud*
- *SIU which includes Asst. Chief UW*
- *Financial Underwriting*
- *Financial Crime's Office*
- *Internal Audit*

Many respondents have multiple parties across several disciplines involved once fraud is identified. Eight respondents indicated five or more various managers are involved, and two respondents indicated a group of eight or more. Nineteen respondents included groups of 2 to 4 managers. The most common groups getting involved in the fraud investigation were the Chief Underwriter and Legal Department (both at 74%), Compliance Officer or Manager (70%) and the Claims Officer or Manager (59%).

49. Respondents were asked if they contact law enforcement in cases of fraudulent identity, forgery or other criminal fraud.

Contact Law Enforcement	# of Respondents
Always	4 (16%)
Sometimes	15 (60%)
Never	6 (24%)
<b>Total # of Respondents</b>	<b>25</b>

Respondents for question 45 regarding the handling of applications where fraud was identified did not contact law enforcement for application fraud. However, in cases of fraudulent identity, forgery or outright criminal fraud, 76% of the respondents would Always (16%) or Sometimes (60%) contact law enforcement.

50. Respondents were asked if they seek legal counsel from reinsurance on final actions related to fraud.

Reinsurance Legal Counsel	# of Respondents
Always	2 (8%)
Sometimes	13 (54%)
Never	9 (38%)
<b>Total # of Respondents</b>	<b>24</b>

Almost two-thirds of the respondents (62%) will Always (8%) or Sometimes (54%) contact their reinsurers' legal counsel regarding final actions on fraud cases.

51. Respondents were asked how they are warned about suspicions of rebating and to check all that apply.

Warnings for Rebating	# of Responses
Watch for Multiple MIB and/or IAI Activity on Proposed Insured	16 (73%)
Watch for Early Lapse Activity	12 (55%)
Suspicious or Absent Financial Information on Applications	10 (45%)
Quick Resale of Policies on Secondary Market	9 (41%)
Routinely Monitor Agent/Advisor Activity*	5 (23%)
Other**	5 (23%)
<b>Total # of Respondents</b>	<b>22</b>

\*Routinely Monitor Agent/Advisor Activity:

- *We have a process to review red flags in books of business that begins with Financial Underwriting*
- *Reports regarding replacement, sales mix, method of sale etc.*
- *Suspected rebate cases are monitored for the first 2 years of the contract*
- *review for possible churning*
- *Review of routine reports*

\*\*Other:

- *na*
- *Client surveys*
- *We monitor early requests for policy ownership transfers*
- *we work in a unique high net worth market, this activity is not practiced*
- *Alerts from outside sources; discovered in proprietary internal data verification process*

Respondents use multiple warning systems to identify potential rebating. Eight respondents use four or five of the indicated warning signs, five respondents indicated they used two or three methods, and nine respondents reported relying on only one of the warning systems. The most common warnings about rebating came from MIB/IAI Activity (73%) and Early Lapse Activity (55%).

52. Respondents were asked if they investigate suspicions of agent rebating.

<b>Investigate Suspicions of Rebating</b>	<b># of Respondents</b>
Always	17 (68%)
Sometimes*	4 (16%)
Never	4 (16%)
<b>Total # of Respondents</b>	<b>25</b>

\*Sometimes:

- *If warranted*
- *Work with Marketing*
- *but our product, pricing is very transparent*

Most respondents (84%) will Always (68%) or Sometimes (16%) investigate suspicions of rebating. A minority of the respondents (16%) do not investigate suspicions of rebating.

53. Respondents were asked how they investigate suspicions of rebating and to check all that apply.

<b>Methods for Investigating Rebating</b>	<b># of Responses</b>
Review the Agent's Book of Business	18 (78%)
Interview Agent	16 (70%)
Interview Applicants/Policyholders	16 (70%)
Watch for Quick Resale of Policy on Secondary Market	3 (13%)
Other*	4 (17%)
<b>Total # of Respondents</b>	<b>23</b>

\*Other:

- *Full background search of all parties involved. Trace bank records.*
- *not part of our sales process*
- *Underwriters are not involved in these activities*

For the respondents that investigate rebating, multiple methods are used. Three of the respondents indicated they use all four of the indicated methods, and 16 of the respondents indicated they use two or three methods. The most common methods used were Review the Agent's Book of Business (78%) and Interview Agent and Interview Applicants/Policyholders (both at 70%).

54. Respondents were asked if they terminate an agent for rebating.

<b>Terminate Agent for Rebating</b>	<b># of Respondents</b>
Always	15 (63%)
Sometimes*	6 (25%)
Never	3 (12%)
<b>Total # of Respondents</b>	<b>24</b>

\*Sometimes:

- *Depends on State and case specific facts*
- *depends on the findings of the investigation and the severity of the issue*
- *Subject to our review process*
- *Do not believe this has been an issue*
- *n/a*

Eighty-eight percent of respondents will Always (63%) or Sometimes (25%) terminate an agent for discovered rebating.



## Appendix A – List of Contributing Companies

AAA Life Insurance Company  
American Fidelity Assurance Company  
American General  
American-Amicable Group of Companies  
Americo Life & Annuity  
Amica Life  
Aviva/Global Atlantic  
AXA Equitable  
Bankers Life and Casualty Company  
BMO Life Insurance  
Catholic Financial Life  
Erie Family Life  
Farm Bureau Life  
Farm Bureau Life Insurance Co of Michigan  
Farmers New World Life  
Fidelity & Guaranty Life  
Grange Life Insurance  
Great West Financial  
Guarantee Trust Life  
Industrial Alliance Insurance and Financial Services Inc.  
John Hancock Insurance  
Kansas City Life  
Kilpatrick Life Insurance Company  
Liberty Bankers Life Insurance  
Lincoln Financial Group  
Manulife Financial  
MRS, Inc.  
MTL  
Pacific Life  
Patriot Life  
Penn Mutual Life Insurance Co  
Philadelphia Financial  
Principal Financial Group  
Protective Life  
Prudential  
Royal Neighbors of America  
Sammons Financial Group  
The Wawanesa Life Insurance Company  
Thrivent Financial  
Transamerica Life Canada  
United Farm Family Life Insurance Company  
USAA Life

## **Appendix B – Financial Underwriting & Fraud Prevention Survey**

### **Introduction**

Life insurance underwriters are continuously challenged to make appropriate risk assessments based on a multitude of factors. Some of those factors include the financial need and purpose of the insurance applied for. To assess those aspects of risk, companies establish financial underwriting requirements and practices, as well as guidelines and limits for various financial situations and needs. As financial underwriting requirements and guidelines are used to establish the insurable amount at risk, they also help protect against the potential of financial fraud. In addition, companies discover or confront fraud at times other than underwriting and have established procedures for dealing with this important issue. With these issues in mind, the Subcommittee has decided to include a section regarding fraud mitigation as part of this survey.

The Committee on Life Insurance Mortality and Underwriting Surveys of the Society of Actuaries is undertaking a survey to examine the various requirements, guidelines and procedures life insurance companies establish to underwrite the applicant's financial risks and efforts to mitigate financial underwriting and other fraud risk. Financial fraud can occur at all face amounts. While companies may have more requirements at larger face amounts, the Committee intends to report financial guidelines across the risk spectrum. This survey will focus on fully-underwritten individual life insurance.

The survey seeks to elicit information primarily from chief underwriters with input from the claims and actuarial areas. The survey results will be shared with all participants prior to general release.

The survey is structured into four (4) sections, some of which include short subsections:

1. Large Case Underwriting Teams and Underwriting Approval Authority
2. Financial Underwriting Requirements and Data Gathering
  - a. Definitions
  - b. Requirements and Sources of Information
  - c. Concentration of Risk
3. Financial Underwriting Guidelines and Practices
  - a. General Financial Underwriting Guidelines
  - b. Handling Specific Circumstances
  - c. Jumbo
  - d. Foreign Assets
4. Fraud

## Demographic Information

In this section of the survey, some information about your company and its market(s) will be collected. This survey is intended to be filled out by direct writing companies only for their fully underwritten individual life market(s). Please do not complete this survey if you represent a reinsurer or consulting firm.

1. For which country will you be filling out this survey? If you operate in both countries, please fill out a separate survey for each.

- United States
- Canada

2. What is your company size, based upon new life insurance face amount issued in 2012?

- Small (less than \$1 billion)
- Medium (between \$1 billion and \$50 billion)
- Large (more than \$50 billion)

3. Which of the following distribution channels does your company utilize? (Check all that apply)

- Agency building
- Banks / savings institutions
- Brokerage
- Direct response
- Home service
- MLEA
- PPGA Stockbroker
- Worksite marketing
- Other

4. What is your company's percentage of sales breakdown based on face amount applied for between term and permanent? (Please enter as whole number percentages, i.e., 75% / 25%)

Term

Permanent

## Section 1 - Large Case Underwriting Teams and Underwriting Approval Authority

In this section, we will examine who is involved in the underwriting of large cases.

1. Do you have any of the following? (Check all that apply)

- Large case team
- Other type of specialized resource or team (please describe)
- Specialized financial underwriting team / resource
- None

2. Is this an established separate team / resource or more informal?

- Established separate team / resource
- More informal (please describe)

3. Who is part of this team / resource? (Check all that apply)

- Accountants
- Actuaries
- Agency / Marketing Rep
- Chief Underwriter and / or Underwriting Officer
- Legal
- Marketing
- Senior underwriting staff
- Underwriting Manager / Director
- Other (please describe)

4. What are the minimum qualifications of the underwriters on the large case team / resource? (Check all that apply)

- FALU required
- Job description / title (please describe)
- Underwriting approval authority (If so, state minimum approval authority.)
- Years of experience (If so, state minimum years.)
- Other (please describe)

5. How are cases referred to this team? (Check all that apply)

- All business insurance cases
- All premium finance cases
- Based on face amount
- Based on premium
- Other (please explain)

6. How long have you had such a team?

- Within the last 5 years
- 6-10 years
- More than 10 years

7a. If you don't have a specialized financial underwriting unit and / or large case team, do you require or recommend review by associates outside of the underwriting department?

- Always
- Sometimes
- Never

7b. If always or sometimes, which of the following apply? (Check all that apply)

- Accountants
- Actuaries
- Legal
- Marketing
- Other (please describe)

8. How relevant are the following in establishing underwriting approval authority?

	1 = Very Relevant	2	3 = Neutral	4	5 = Not Relevant	N/A
Audit / Review Results	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Underwriting Designations (i.e., FALU, AALU)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Years of Experience	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other educational requirements (please describe)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (please describe)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Section 2 - Underwriting Requirements and Data Gathering

### Definitions

Financial Questionnaire.....	Any company financial questionnaire, either application form or separate questionnaire
Commercial Inspection.....	An inspection report from an industry service provider
Database e-Inspection.....	Packaged database information from an industry service provider (e.g., LexisNexis)
PHI (Personal History Interview).....	Interview with the client (or others) from a commercial source
Other Interview.....	Interview with the client (or others) from an internal interview team
Database.....	Information from various database sources internally versus a packaged vendor report
Income, Balance Sheet.....	Income statement, balance sheet and related reports from the client
4506-T.....	Tax returns from the IRS directly (or Canadian CRA equivalent)
Tax Records.....	Tax returns from a source other than IRS or taxing agency (client, CPA, etc.)
Third-Party Financials.....	Any financial information required from a third party such as a CPA, attorney, banker, etc.
Internet Search Engine.....	Any review of search engines for information (e.g., Google)
Social Networking.....	Any review of social networking sites (e.g., LinkedIn)
Real Estate Pricing.....	Any review of real estate pricing sites (e.g., Zillow) in order to obtain a current value of a property
Other.....	Any other requirement via the Internet, a vendor or internal sources

**Requirements and Sources of Information**

In this section, we will investigate the requirements and information companies obtain to assess financial risk.

9. What are your financial underwriting requirements? Please indicate the age and amount OR indicate only “for cause” in the table below. If not required, leave the row blank.

	Personal Insurance - Minimum Amount (in thousands)	Personal Insurance - Minimum Age	Personal Insurance - Only "For Cause"
4506-T			<input type="radio"/>
Commercial Inspection			<input type="radio"/>
Database			<input type="radio"/>
Database e-Inspection			<input type="radio"/>
Financial Questionnaire (PI and / or BI)			<input type="radio"/>
Income, Balance Sheet			<input type="radio"/>
Internet Search Engine			<input type="radio"/>
Other Interview			<input type="radio"/>
PHI			<input type="radio"/>
Real Estate Pricing			<input type="radio"/>
Social Networking			<input type="radio"/>
Tax Records			<input type="radio"/>
Third Party Financials			<input type="radio"/>
Other (please describe)			<input type="radio"/>

For the left side of the table, please indicate the financial underwriting requirements on a per life basis. For the right side of the table, indicate the requirements for a business insurance case involving multiple lives, including partners, key persons, owners, etc., if your company requires additional information to cover the entire group or business. If not, leave blank.

	Business Insurance PER LIFE		Business Insurance PER BUSINESS		Business Insurance PER LIFE	Business Insurance PER BUSINESS
	Minimum Amount (in thousands)	Minimum Age	Minimum Amount (in thousands)	Minimum Age	Only "For Cause"	Only "For Cause"
4506-T					<input type="radio"/>	<input type="radio"/>
Commercial Inspection Database					<input type="radio"/>	<input type="radio"/>
Database e-Inspection					<input type="radio"/>	<input type="radio"/>
Financial Questionnaire (PI and / or BI)					<input type="radio"/>	<input type="radio"/>
Income, Balance Sheet					<input type="radio"/>	<input type="radio"/>
Internet Search Engine					<input type="radio"/>	<input type="radio"/>
Other Interview					<input type="radio"/>	<input type="radio"/>
PHI					<input type="radio"/>	<input type="radio"/>
Real Estate Pricing					<input type="radio"/>	<input type="radio"/>
Social Networking					<input type="radio"/>	<input type="radio"/>
Tax Records					<input type="radio"/>	<input type="radio"/>
Third Party Financials					<input type="radio"/>	<input type="radio"/>
Other (please describe)					<input type="radio"/>	<input type="radio"/>

10. How did you determine your requirements? (Check all that apply)

- Competitive information
- Internal research / experience studies
- Reinsurer input
- Other (please describe)

11. Do you determine financial underwriting requirements based on: (Check one)

- Amount applied for with your company
- Amount applied for with your company plus in force with your company and / or any affiliates
- Amount applied for with your company plus in force with all companies
- Amount applied for with all companies plus in force with all companies
- Other (please describe)



12. When determining your financial underwriting requirements, do you include: (Check one)

- 100% in force with your company
- 100% in force with all companies
- Other % of in force with your company (please describe)
- Other % of in force with all companies (please describe)

If other, please explain:

13. What outside providers of additional financial information do you use? (Check all that apply)

- Agent / Producer
- Attorney
- Banking source
- CPA
- Insurance service provider (please describe)
- Tax accountant
- Other (please describe)

14. Do you use any of the following online sources? (Check all that apply)

- iiX / Verisk
- Internet search engine
- LexisNexis
- Real estate pricing sources (e.g., Zillow)
- Social networking (e.g., LinkedIn, FaceBook, Twitter)
- V-Pike
- Other (please describe)

15a. Do you ask for copies of any trusts?

- Always
- Sometimes
- Never

15b. Is yes, who reviews them? (Check all that apply)

- Accountant
- Legal
- Specifically trained underwriter
- Underwriter
- Other (please describe)

15c. If you do not obtain copies of the trusts, do you ask for copies of the execution pages of the trusts?

- Always
- Sometimes
- Never

## Concentration of Risk and / or Catastrophe Cover

16. When the amount is limited per business entity, do you consider the catastrophic financial impact of: (Check all that apply)

- Association insurance per group, association, etc.
- Corporate insurance per company
- Professional athletes per team
- Other group limitations (please describe)

17. Does your company limit coverage due to the concentration of risk for any of the following: (Check all that apply)

- At a specific business location
- At or above a specific management level
- By family
- By professional sports team, including team coaches and management
- Other (please describe)

18. Does your company use catastrophe coverage to mitigate concentration of risk?

- Yes
- No

### Section 3 - Financial Underwriting Guidelines and Practices

In this section, we will review financial underwriting guidelines and practices for personal and business insurance.

#### General Financial Underwriting Guidelines

19. In Table 4, indicate the requested information for each age assuming standard mortality. In order to establish a routinely acceptable maximum face amount, please indicate the appropriate multiplier, rates, percentages or years. Please use your usual practice, not business exception levels.

	25	35	45	55	65	75	Not Used
Income multiplier (e.g., 10x)							<input type="radio"/>
Future net worth growth rate (e.g., 5%)							<input type="radio"/>
Period of time your company uses for estate growth (years)							<input type="radio"/>
Net worth multiplier (e.g., 2x)							<input type="radio"/>
Future life expectancy for a standard life (years)							<input type="radio"/>
Percentage of life expectancy used in your calculation (e.g., 50%)							<input type="radio"/>
Maximum number of years projected for individual coverage							<input type="radio"/>

20. When did you last update your financial underwriting guidelines?

- Within the last 12 months
- 1-2 years ago
- 3-5 years ago
- Over 5 years ago

21. How often are they reviewed and updated?

- Annually
- Every 2 years
- Every 3-5 years
- Periodically as needed
- Other (please describe)

22. How do you investigate or establish the total amount in force and applied for on the proposed insured?

(Check all that apply)

- Agent report / cover letter
- Application questions
- Inspection report
- MIB IAI
- Reinsurer inquiry
- Search your company's databases or systems
- Other (please describe)

23a. Have you ever encountered cases lacking financial justification?

- Yes
- No

23b. If yes, when you consider the amount applied for is not financially justified, what actions might you take?

	Never	Infrequently	Frequently	Always
Decline	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reduce face amount	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Send to reinsurers for facultative opinion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (please describe)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

### Handling Specific Circumstances

The following questions investigate specific underwriting challenges.

24. Do you have different financial underwriting guidelines for different life insurance products?

- Yes
- No

25. What limits, if any, are placed on insurance amounts for a non-working spouse? (Check one)

- Amount to cover last expenses
- Flat amount (Indicate amount)
- Individual consideration
- Limited to a percentage of the breadwinner's available insurance (Please enter as a whole number percentage)
- None - Underwritten on the basis of family income and net worth
- Other (please describe)

26. Aside from any regulatory restrictions, what is the maximum face amount allowed on juveniles? (Check one)

- Amount to cover last expenses
- Flat amount (Indicate amount)
- Individual consideration
- Less than the amount on parents (Please enter as a whole number percentage)
- More than the amount on parents
- None - Underwritten on the basis of family income and net worth
- Same amount as parents

27a. Do you require all insurable siblings to have the same amount of coverage, same annual premium or same cash surrender value objective?

- Yes
- No

27b. If no, please provide additional information regarding your financial underwriting guidelines on siblings.

28. Which of the following are considered when determining the charitable giving limit?

- a. If sometimes, most of the time or always, please describe giving history requirement.
- b. If sometimes, most of the time or always, please provide the maximum percentage.
- c. If sometimes, most of the time or always, please provide the maximum percentage.
- d. Please describe.

	Never / Not Applicable	Sometimes	Most of the Time	Always
a. Giving history	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. Percentage of income	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. Percentage of net worth	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. Other (please describe)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

29. Does your company ask for a copy of the charitable trust, whether executed or planned?

- Always
- Sometimes
- Never

30a. Do you consider premium financing cases?

- Yes
- No

30b. If yes, what are your requirements? (Check all that apply)

- Details of loan, including the lending institution
- Contract or loan review
- Loan questionnaire (with more details)
- Other (please describe)

**Business Coverage**

31. What is the maximum income multiplier you use for key person coverage?

- 5
- 10
- Other (please describe)

32. For key person coverage, what income items are included? (Check all that apply)

- Bonus
- Dividends
- Other executive compensation
- Salary
- Stock Options
- Other (please describe)

33. What items do you consider when determining the fair market value of a company for buy-sell or other business insurance? (Check all that apply)

- A copy of the buy-sell agreement
- Annual revenue
- Annual sales
- Book value
- Discretionary income
- Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)
- Free capitalization of earnings
- Operating cash flow
- Reserves
- Other (please describe)

**Jumbo**

34. Rank in order of frequency (1 = highest & 5 = lowest) at your company how "jumbo violations" are handled. Please check the "N/A" box for any option that is not used at your company.

	Ranking	N/A
Negotiate with reinsurer		<input type="checkbox"/>
Rescind policy (if contestable)		<input type="checkbox"/>
Rescind policy (if contestable) and offer a new policy at a reduced amount		<input type="checkbox"/>
Retain excess		<input type="checkbox"/>
Other (please describe)		<input type="checkbox"/>

## Foreign Assets

35. When there are foreign assets as a part of a financial plan justifying life insurance, are there any special requirements or reviews? (Check all that apply)

- 4506-T
- Descriptions of assets
- Financial questionnaires on assets
- Financial statements
- OFAC check
- Special review (If yes, by whom?)
- Tax forms through other sources
- Other (please describe)
- Not applicable, we do not encounter foreign assets

36. When foreign assets are part of the financial justification, what is the maximum amount of coverage you would consider based on foreign assets alone?

- \$1 million
- \$5 million
- \$10 million
- \$25 million
- Other amount (please describe)

37a. Do you verify foreign assets?

- Always
- Sometimes
- Never

37b. If never, is the amount you would consider based on foreign assets reduced?

- Always
- Sometimes
- Never

37c. If always or sometimes, what percentage of verifiable assets would you consider?

37d. If always or sometimes, what percentage of non-verifiable assets would you consider?

**Section 4 – Fraud**

For the purposes of this survey, material misrepresentations include misstatements of age, gender, medical history, smoking status, income or net worth or other factual misstatements. This survey is generally focused on financial fraud and not on medical material misrepresentation. While the committee acknowledges material misrepresentation is a form of fraud, we make the distinction in order to study the impact of potentially criminal fraud over opportunistic misstatements. Fraud, for the purposes of this survey, will refer to significant and overt deceptions such as: forgery and filing falsified documents and/or signatures, fraudulent identity, fraudulent company, faked deaths, fluid swaps, money laundering, etc.

38. How many individual life claims did your company receive in 2013?

39. What was the total face amount for the individual life claims your company received in 2013?

	2011 - No. of Policies	2011 - Face Amount (in thousands)	2012 - No. of Policies	2012 - Face Amount (in thousands)	2013 - No. of Policies	2013 - Face Amount (in thousands)
Claims Reported during Year						
Contestable Claims Reported						
Claims Investigated for Fraud or Misrepresentation - Incurred during Contestable Period						
Claims Investigated for Fraud - Incurred after Contestable Period						
Contestable Claims Denied due to Fraud						
Claims beyond the Contestable Period Denied due to Fraud						
Live Rescissions during the Contestable Period (Policies Rescinded during the Life of the Insured)						
Live Rescissions after the Contestable Period (Policies Rescinded during the Life of the Insured)						



40. Do you have a team / person that specifically investigates suspected fraud?

- Yes
- No

41. Do you have an escalation process for suspected fraud?

- Yes
- No

42. Do you hire an outside investigator to investigate possible fraud?

- Always
- Sometimes
- Never

43. Do you have a minimum face amount for the fraud escalation process?

- Yes (Indicate amount)
- No

44. Which of the following methods do you use to verify identity of the applicant? (Check all that apply)

- MIB
- Tax or government records (i.e., Social Security, driver's license, passport, Visas)
- Third-party identity verification (i.e., LexisNexis)
- Other (please describe)

45. What do you do when you find fraud during underwriting, as opposed to time of claim or post-policy issue? (Check all that apply)

- Decline the application
- Escalate the case to a fraud prevention team / person
- Notify local law enforcement
- Notify the legal / compliance department
- Notify the sales and marketing department
- Obtain outside legal consultation
- Other (please describe)

46. If you suspect fraud from an agent, do you go back and audit a block of their cases?

- Always
- Sometimes
- Never

47. If you discover fraud on a subsequent application from a policyholder / prior applicant, do you go back to prior policies and investigate?

- Always
- Sometimes
- Never

48. Who handles or otherwise is involved when fraud is identified? (Check all that apply)

- Chief Risk Officer
- Chief Underwriter or Underwriting New Business Manager
- Claims Officer or Manager
- Compliance Officer or Manager
- Legal Department
- Marketing Officer or Manager
- Policyholder Service or Operations Officer or Manager
- Senior Management
- Other (please describe)

49. Do you contact law enforcement in cases of fraudulent identity, forgery or other criminal fraud?

- Always
- Sometimes
- Never

50. Do you seek legal counsel from reinsurance on final actions related to fraud?

- Always
- Sometimes
- Never

*For the next four (4) questions regarding rebating, answer only for jurisdictions where rebating is not allowed.*

51. How are you warned about suspicions of rebating? (Check all that apply)

- Quick resale of policies on secondary market
- Routinely monitor agent / advisor activity (please explain)
- Suspicious or absent financial information on applications
- Watch for early lapse activity
- Watch for multiple MIB and / or IAI activity on proposed insured
- Other (please describe)

52. Do you investigate suspicions of agent rebating?

- Always
- Sometimes (please explain)
- Never

53. How do you investigate suspicions of rebating? (Check all that apply)

- Interview agent
- Interview applicants / policyholders
- Review the agent's book of business
- Watch for quick resale of policy on secondary market
- Other (please describe)

54. Do you terminate an agent for rebating?

Always

Sometimes (please explain)

Never