

Underwriting 101

What You Need to Know

Presented by:

The Prudential Insurance Company of America, Newark, NJ
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0232361-00001-00 Ed. 10/2012 Exp. 4/3/2014

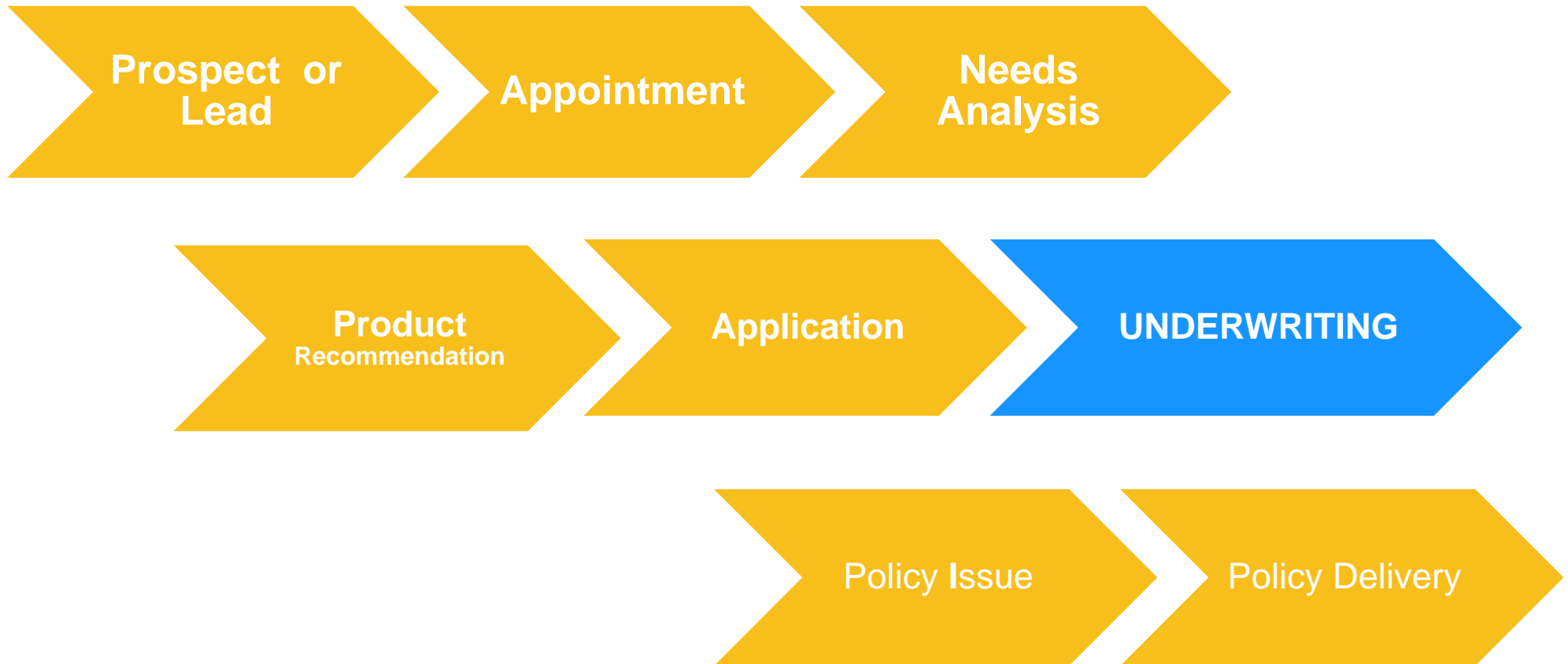


Prudential
Bring Your ChallengesSM

Where Underwriting Fits In



The Sales Process



Underwriting

Three types

- Medical
- Non-medical
- Financial

Two steps

- Determining whether life insurance coverage can be offered.
- Determining what premium rate will apply.

Medical and Non-Medical Underwriting

The evaluation of factors that may affect a client's life expectancy:

- Health and medical history

The evaluation of lifestyle factors that may affect a client's life expectancy and include:

- Avocations
- Aviation
- Occupation
- Lifestyle
- Hobbies

Risk Selection — Cholesterol

Cholesterol

- Cholesterol is a measure of fatty substances (lipids) found normally in the blood.
- Two types of lipids measured:
 - Low-density lipoprotein (LDL)
 - High-density lipoprotein (HDL)
- LDL promotes the deposit of cholesterol on artery walls, which keeps oxygen-carrying blood from getting to the heart muscle.
- HDL, aka “good” cholesterol, is thought to carry cholesterol away from the tissues and may help protect against heart disease.
 - A higher % of HDL can lower the risk of heart disease.
- Cholesterol continues to be a common factor in our Preferred classifications.

Risk Selection — Drugs and Driving

Drug/Alcohol History/Driving

- Abuse of drugs or alcohol may lead to a higher incidence of violent death including accidents, suicides and homicides, and risk of death due to physical disorders that result from years of abuse.
- Alcohol abuse may affect the gastrointestinal tract, liver, heart, and nervous system, and increase the risk of cancer.
- History of careless driving, speeding, or driving while intoxicated increases the risk of motor vehicle accidents.
- Car accidents are a common cause of fatalities among young adults and the elderly.

Risk Selection — Blood Pressure

Blood Pressure (BP)

- Elevated BP indicates the heart is working harder than normal to pump blood, adding stress to the heart and arteries.
- An individual with high BP has a greater risk of heart attack, stroke, and kidney failure, and will be rated according to the levels of BP elevation and related conditions.
- Normal BP: 120/80 or below.
- Mild hypertension: 140/90; anything over that, depending on age, may be considered high.

Risk Selection — Smoking

Smoking

- Important factor to evaluate: may contribute to conditions such as heart disease, emphysema, and cancer.
- Current cigarette smokers generally present greater mortality risk than users of tobacco products such as cigars, pipes, or chewing tobacco.
- Many insurers don't distinguish between the various forms of tobacco use in their rating classes and price them accordingly.
- Remind clients to provide information on all tobacco use during the phone interview.

Risk Selection — Build

Common Items to Consider

- Height, weight, and Body Mass Index (BMI) are common life risk characteristics measured by insurance companies.
- Both overweight and underweight individuals have increased mortality.
- Overweight individuals have an increased risk of heart disease, diabetes, high blood pressure, and high cholesterol.
- Being significantly underweight may indicate an eating disorder or an acute or chronic illness.

Financial Underwriting

What

The evaluation of an insured's personal or business background and current economic circumstances.

- Financial status
- Purpose of insurance
- Economic loss
- Insurable interest

Why

To make sure the amount of insurance purchased is reasonable and in line with the insured's needs.

Insurable Interest and Economic Loss

Sources of information: Include the Cover Letter and our in-house Data Verification Report.

What we look for: An insurable interest in all cases and attempt to quantify the economic loss that may occur at the death of the proposed insured.

When: Takes place every time a case is underwritten.

Why: It's important to prevent *over insurance*.

For more:

See our Financial Underwriting Highlighter on www.pruxpress.com.

Preferred Underwriting

Pricing competition for the healthiest individuals has fundamentally changed our business.

- Predicting underwriting outcome and setting initial expectations with clients may take more effort.
- Rate categories are more precise.
- Information requirements are greater.
- Complexity of criteria can be difficult to explain to clients.
- Relatively minor changes in criteria can impact product pricing.

Appeals

Things to Know

- Underwriting is committed to providing the fairest rate with information provided the first time around.
- At times, additional information is uncovered about the rated condition when placing the policy.
- The majority of time appeals are not granted unless new information is provided.
- Do not place the policy if it is going to be appealed.
- Return the policy, along with your written documentation provided by the client or the client's physician.
- Additional information can also change the rating to a more unfavorable classification.

For more:

See our **Substandard Underwriting Highlighter (0217217)** on www.pruxpress.com.

Questions?



Availability of insurance and rates will vary based on the satisfaction of underwriting criteria. Underwriting rules are subject to change at our discretion.

Disclosures

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Not Insured by FDIC or Any Federal Government Agency. May Lose Value.

Not a Deposit of or Guaranteed by Any Bank or Bank Affiliate.

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