



INSPECTION REPORTS

Every life insurance transaction is based on accurate data regarding both the client's medical history and financial condition. In an effort to ensure the answers provided on the application are accurate, insurance companies may conduct a brief interview with the client and/or one of their advisors to verify critical application data.

Inspection reports are generally required on cases with larger face amounts or for older age individuals. Most inspection reports are handled by a third party company contracted with the life insurance carrier. For more moderate face amount cases, the carrier may actually have its own staff conduct a phone interview with the client – these are sometimes referred to as Personal History Investigations or PHIs.

ELECTRONIC INSPECTION REPORTS

All of this assumes that a more recent innovation, the electronic inspection report, has not been adopted by the insurance company in question. For carriers that have adopted this new approach, the entire inspection report is completed through a variety of database checks that provide independent verification of the health and financial information provided on the application. No phone call to the client is necessary in this instance.

THE PROCESS

The inspection report will be ordered with the independent third party or in house department once an application is received in good order at the carrier. Assuming an electronic inspection report is not used, the inspection report company will attempt to contact the client using the phone number listed on the application. If the client is difficult to reach, the inspector will leave a call-back number. The phone interview takes approximately 10 to 20 minutes. Individuals who are age 70 or above may also be required to complete cognitive testing as a part of their inspection report.

FOR ADDITIONAL INFORMATION

Questions about inspection reports?
Contact the AIN Member Underwriting
Services Team:

800-350-2019
underwriting@advantageinsurance.com

BEST PRACTICE

It is best to alert clients ahead of time that they will be contacted and what information the inspector will be looking for, including:

HEALTH QUESTIONS:

Names of all physicians
Dates, and reasons for last visits
Any surgeries
Medications
Height and weight

PERSONAL QUESTIONS:

Employment history
Foreign travel
Hazardous activities
Tobacco use
Alcohol/drug use
Driving record

FINANCIAL QUESTIONS:

Income
Assets
Net worth

The inspector will also ask about past insurance applications and the purpose of the new coverage. This is to verify the accuracy of information on the application and any financial documents submitted. The client can refer the inspector to an accountant or CFO if needed. At the larger face amounts, clients are required to provide a CPA, attorney, or accountant's contact information to conduct a third party verification of finances.

BUSINESS QUESTIONS

For buy-sell or key person coverage, the inspector will ask business related questions as well as business financial questions. He/she will also ask about the history of the business, number of employees, how long in business, etc. Oftentimes the inspector will wish to speak to the CFO or accountant to verify the financial information. Some carriers refer to this as a Business Beneficiary Inspection Report (BBIR).

IMPORTANT NOTES ABOUT INSPECTION REPORTS

The inspection company has limited access to the information on the client's application. It is important to discuss the inspection report ahead of time with the client and explain that the inspector does not have a copy of the application; therefore, questions may seem redundant. It is also essential that all questions are answered completely and honestly.

Information gathered during an inspection report is confidential and not released to the writing agent - it is sent directly from the vendor to the carrier.

A well done inspection report is a true asset to any Underwriter. Concerns will arise if the report conflicts with what is in the APS records or on the application. Educating your client ahead of time about what to expect is essential.

The individual insurance company's Field Underwriting Guide will provide additional information regarding the use of electronic inspection reports and the ages and face amounts that an inspection report is required.