

Should You Collect Premium with a Life Application?

TEMPORARY INSURANCE AGREEMENT PROVIDES A LIMITED AMOUNT OF COVERAGE FOR A LIMITED AMOUNT OF TIME. YOUR CLIENT COULD BE FULLY COVERED IN A MATTER OF WEEKS WITHOUT BEING SUBJECT TO TERMS AND CONDITIONS THAT COULD BE MISCONSTRUED BY THE POLICY OWNER. **COLLECTING PREMIUM WILL NOT RUSH UNDERWRITING, ISSUE OR COMMISSION ON FULLY UNDERWRITTEN POLICIES.**

Do NOT Collect Premium Payment If:

- 1- Client is over 70 yrs old
- 2- Face Amount is over \$500K
- 3- Client has had medical tests or treatment in the last 90 days
- 4- If the client has ever been diagnosed, treated for or advised to be treated for: heart disease, cancer, stroke, alcohol/drug abuse, insulin dependent diabetes
- 5- If you are aware that the client's health history or avocations would require extensive underwriting
- 6- If questions on the application have been left blank or if you have given incomplete answers

Even If Your Client Meets the Criteria Above, There are still reasons NOT to offer CONDITIONAL life insurance coverage prior to approval and issue:

- 1- Cases are not always approved as applied for, so premium could vary at issue. Placing the policy in force is simplified when a full modal premium is collected with the other delivery requirements
- 2- Temporary Insurance or Conditional Coverage typically only lasts for 60 days after the application is dated. Underwriting can take longer than that and you don't want your clients to be confused when their check & agreement is returned
- 3- There are circumstances under which a claim for temporary coverage would be denied, which often times leads to litigation involving the writing agent:
 - a. Most commonly, consider the number of cases that are not issued as applied for. If it is determined that your clients would not have been approved at the rating classification that you quoted, the claim would be denied
 - b. If your client, knowingly or unknowingly, provided you with inaccurate information when answering the TIA questions, the claim would be denied
 - c. If the premium payment is not from an acceptable source of funds (i.e. check from a business that does not have an insurable interest), the claim would be denied
 - d. If it is determined that the client would have been declined for coverage for any reason, the claim would be denied

If you decide to collect premium with the applications:

- 1- Collect a FULL modal premium
- 2- Check must be written to the insurance carrier. No cashier's checks or money orders
- 3- Two copies of the temporary insurance agreement or conditional receipt must be completed and signed. One copy must be left with the client & one copy must be sent with the application
- 4- Bank Draft Authorizations may initiate temporary insurance. Be aware that asking for initial premium to be drafted could put you at risk. (link)