



What is an Inspection Report

Generally, an Inspection Report is required on cases with higher face amounts and/or at older ages; however, an underwriter can order this report at their own discretion. Most Inspection Reports, or IRs, are handled by a third party company contracted with the carrier home office. In the more moderate face amount cases, the home office may actually have its own staff do a phone interview with the client.

The Process

The Inspection Company calls the proposed insured, if the client is difficult to reach, the inspector will leave a call-back number. The phone interview takes 10 to 20 minutes. In rare instances, at the largest face amounts or in the older ages, an actual face-to-face interview may be required.

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

Basically the inspector will ask the same questions on the application, they will secure the answers, provide them to the insurance carrier's underwriter, who will compare to the answers supplied on the signed application. Any inconsistencies will need to be addressed and could hold up underwriting.

Health Questions:

Date of last doctor visit, reasons for visit, names of physicians. They will be asked if they have had any surgeries, take any medications, and confirmation of their height and weight will be obtained.

Financial Questions

Income, assets, net worth. Mainly this is to verify information on the application and any financial documents that are submitted. The client can refer the inspector to an accountant or CFO if needed.

Business Questions

In the case of buy-sell or key person insurance, the inspector will ask business related questions as well as business financial questions. It is acceptable for clients to refer the inspector to the CFO or accountant of their company for details. The inspector will also ask about the history of the business, number of employees, how long in business, etc.

Personal Questions

Any foreign travel, hazardous activities, tobacco and alcohol use, past history of drug use, and the motor vehicle record.

Purpose/Need of this Coverage

Estate planning needs analysis, income replacement, and creditor, buy and sell, key person, Etc., details will be needed

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Important Notes about Inspection Reports

- The inspection company has limited access to the information on the client's application.
- Information can be gathered from the client, his/her financial associates, or family members. You, the agent, are not permitted to give any answers or receive any of the confidential information that the inspector collects.
- It is essential to discuss the IR ahead of time with your client. Again, please explain that the inspector does not have a copy of the application, so the questions may seem redundant. It is also essential that all questions are answered completely and honestly.
- Collection and reporting information gathered for the IR is secure, so anything your client says will be kept confidential between the inspector and the carrier underwriter.
- 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.

If this case is a premium finance or the client is 70 or over, there will be additional questions

- Will the Insured or Owner/Applicant receive any compensation as a result of the issuance of this policy, other than the benefits provided by the policy? In answering this question, I am including any direct or indirect payment to a family member, beneficiary, business partner, charity or other entity receiving compensation on behalf of the Insured or Owner/Applicant.
If yes, details will be needed.
- Is any premium financing contemplated to pay the initial or future premiums for this policy?
If yes, then: Are you aware of any understanding (whether written or oral) that the lender or other party will accept ownership of the policy in full satisfaction of any outstanding premium financing?
If yes, details will be needed.
- If the policy will be owned by a trust, limited liability company, or other entity created or to be created for the Insured's behalf, are you aware of any business or financial relationship between the trustee or entity managers and any premium financing, life settlement, viatical, or other secondary market provider? If yes, details will be needed.
- Have you discussed with the agent the exit strategies @ the end of the financing term; i.e., repayment of loan, extending the loan for another term on years, in force financing, or the continued needed of the coverage, etc.? If yes, details will be needed.
- Will this coverage replace any policy being settled? If yes, details will be needed.
- Have you settled any policies in the last 5 years? If yes, details will be needed.
- Do you intend to sell the policy in the secondary market or are you taking out this insurance for this purpose? If yes, details will be needed.

Remember- Educating your client ahead of time about what to expect is essential.

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