

Writing A Cover Letter

When an underwriting department reviews a case file, they conduct a holistic assessment which includes not only medical and lifestyle factors, but financial information as well. Consequently, a cover letter may be beneficial to help underwriters understand both the insured's medical history and any relevant financial information. A strong cover letter should include a written description of the financial information, an explanation of the need for coverage, as well as any financial documentation which supports this need.

There are no steadfast rules regarding the content of a cover letter. However, the structure outlined below will help to craft a strong letter that will assist underwriting in better understanding and reviewing a case.

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Part 1: General Background Information

A cover letter should begin by outlining the general information about a case. At a minimum, this introduction should include the following information:

- **Purpose of the insurance:** There are many reasons for the purchase of a life insurance policy. These are often broadly categorized into personal, business, and estate or charitable giving. Within these broader categories, there are several more specific reasons for purchasing coverage. For example, a policy purchased for a personal benefit may be needed pay down outstanding debt, cover a mortgage, or protect against lost income for surviving family members. Life insurance purchased for business purposes may be intended to fund a buy-sell, provide coverage for a key person, or held as a form of executive benefit.
- **Policy structure:** It is important for underwriting to understand the identities of the insured, owner, and beneficiary and their relationships to one another.
- **Business structure:** If an insurance arrangement involves one or more businesses, it is important to understand the business structure(s). More specifically, provide the business type (i.e., S-Corporation, LLC, Partnership, etc.)
- **Insured's position:** If the insurance is for business purposes, then it is also necessary to provide the insured's position within the company (i.e., owner, employee, shareholder, etc.).

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Part 2: Financial Information and Supporting Documentation Relevant to the Case

A cover letter must provide the underwriter with sufficient explanation to understand the financial basis for the face amount of insurance coverage. Specifically, the cover letter should include the following information:

- **How the amount of coverage requested was determined:** A cover letter should provide insight into how the appropriate amount of coverage was established. This amount should represent the beneficiary's expected loss or obligation, such as the obligation to purchase a business interest. If an independent tax or legal advisor was involved in determining this amount, their assistance and identity should be disclosed. Just because the premium payer can afford the coverage does not mean they will financially qualify for that coverage amount.
- **Information regarding all existing life insurance:** The purpose, amount, and replacement or surrender status of any existing in force coverage should be detailed. The amount of life coverage already in force (or active) may reduce the total amount of insurance an insured can qualify for. Thus, the cover letter should indicate whether existing coverage will be retained or replaced.
- **Source of premium payments:** As part of the financial underwriting process, underwriters assess whether the owner can realistically afford the coverage. For this reason, it may be important to indicate whether someone other than the owner will be paying the premiums (i.e., a parent, business, bank, etc.).



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Part 3: Medical and Travel Information about the Insured

The life insurance company will examine several factors based on its medical underwriting guidelines. Consider including any information that will help the underwriter form a better understanding of the following factors:

- **Current health and physical condition:** When the insured is elderly, it is especially important to describe any social activities in addition to general health status.
- **Medical history:** Be sure to provide a full explanation of anything in the insured's medical history that needs clarification.
- **Personal habits:** Underwriting classification is often impacted by past or present personal habits such as tobacco, drug, or alcohol use. If an insured has a habit that may impact their underwriting classification, you will want to provide detailed information including frequency of use.
- **Vocation:** If further explanation is required, provided details of activities performed over the course of the insured's employment.
- **Avocation or hobbies:** If the insured participates in a hazardous activity (i.e., hang gliding, scuba diving, etc.) you will want to provide detailed information including frequency.
- **Foreign travel:** If the insured has foreign travel plans you will want to indicate destination, length of stay, purpose, accommodation details, and any other pertinent information.

How DBS Can Help

DBS is committed to supporting you before, during, and after the sale. If you would like help determining what information to include, constructing or reviewing a cover letter, contact our in-house underwriting department: underwriting@dbs-lifemark.com or dial ext. 2312.

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