

iv. **Declined lives**

These are the ones whose impairments and anticipated extra mortality are so great that they could not be provided insurance coverage at an affordable cost. Sometimes an individual's proposal may also be temporarily declined if he or she has been exposed to a recent medical event, like an operation.

2. **Selection process**

Underwriting or the selection process may be said to take place at two levels:

- At field level
- At underwriting department level

Field or Primary level

Field level underwriting may also be known as **primary underwriting**. It includes information gathering by an agent or company representative to decide whether an applicant is suitable for granting insurance coverage. The agent plays a critical role as primary underwriter. He is in the best position to know the life to be insured.

Many insurance companies may require that agents complete a statement or a confidential report, asking for specific information, opinion and recommendations to be provided by the agent with respect to the proposed life.

A similar kind of report, which has been called as **Moral Hazard report**, may also be sought from an official of the life insurance company. These reports typically cover the occupation, income and financial standing and reputation of the proposed life.

Underwriting department level

The second level of underwriting is at the department or office level. It involves specialists and persons who are proficient in such work and who consider all the relevant data on the case to decide whether to accept a proposal for life insurance and on what terms.

Underwriting decisions

Let us now consider the various kinds of decisions that underwriters may take with regard to a life proposed for underwriting

- a) **Acceptance at ordinary rates (OR)** is the most common decision. This rating indicates that the risk is accepted at the same rate of premium as would apply to an ordinary or standard life.
- b) **Acceptance with an extra:** This is the most common way of dealing with the large majority of sub-standard risks. It involves charging an extra over the tabular rate of premium.
- c) **Acceptance with a lien on the sum assured:** A lien is a kind of hold which the life insurance company can exercise (in part or whole) on the amount of benefit it has to pay in the event of a claim.