

TENZING PERSPECTIVES

Underwriting Life Insurance for Individuals with Prior Health Issues: Considerations for Legal, Tax, & Wealth Advisors

For high-net-worth individuals, life insurance serves as a cornerstone of estate planning, wealth transfer, and business succession. However, obtaining coverage can be especially complex for clients with prior health conditions. Underwriting assessments consider a range of risk factors, from chronic illnesses to past lifestyle habits, often resulting in higher premiums, table ratings, or even declines.

Yet, underwriting standards have evolved significantly over the past decade. Advances in mortality data, medical treatments, and predictive analytics have created new opportunities for clients who may have previously faced coverage barriers. Legal, tax, and wealth advisors must understand how these changes impact planning strategies, particularly for clients looking to enhance or replace existing policies.

A proactive and strategic approach to underwriting—including pre-screening, leveraging carrier relationships, and exploring policy structuring options—can help obtain more favorable outcomes. This whitepaper examines how the underwriting process has changed, key factors influencing risk assessment, and best practices for

obtaining life insurance for clients with medical complexities.

The Evolving Landscape of Life Insurance Underwriting

Shifts in Underwriting Standards

The underwriting process has changed dramatically in recent years due to:

- **Medical Advancements**
Improvements in treatment protocols for chronic illnesses such as cancer, heart disease, and diabetes have led to more favorable risk classifications for some applicants.
- **The COVID-19 Pandemic**
The pandemic temporarily tightened underwriting standards, particularly for older applicants and those with pre-existing conditions. While some

restrictions have eased, carriers continue to scrutinize long-term health impacts.

- **Big Data & Predictive Analytics** Insurers are increasingly using AI-driven risk assessment models and real-time health data from wearable devices, providing a more dynamic and individualized approach to underwriting.
- **Accelerated Underwriting** Some insurers are offering expedited underwriting programs for certain applicants, reducing reliance on traditional medical exams and labs.

As a result, underwriting today is less rigid and more adaptable, making it possible to obtain coverage for clients who may not have qualified under traditional models.

Key Health Conditions That Impact Underwriting

Certain medical histories still present significant underwriting challenges, and outcomes vary widely between carriers. The conditions most frequently affecting eligibility and pricing include:

- **Heart Disease** Insurers evaluate severity, treatment history, and compliance with medications/lifestyle changes. Stable cases may receive Standard or better ratings, while uncontrolled conditions often

result in table ratings or declines.

- **Diabetes** Well-managed Type 2 diabetes can still qualify for competitive rates, whereas poorly controlled A1C levels and insulin dependence can lead to higher ratings or exclusions.
- **Cancer History** Carriers assess factors like type, stage, treatment, and remission period. Applicants less than five years post-treatment often face flat extra charges or postponements.
- **Obesity** Build remains a major underwriting factor, particularly in combination with other risk factors (e.g., hypertension, diabetes).
- **Mental Health Disorders** Underwriting varies based on diagnosis, medication stability, and hospitalization history.
- **Autoimmune Diseases** Conditions like lupus or rheumatoid arthritis may trigger higher ratings or exclusions, depending on severity and treatment response.
- **Substance Use History** Past smoking, alcohol dependence, or drug use requires thorough documentation of recovery and health improvements.

Different insurers assess these risks in vastly different ways, reinforcing the need for case design expertise and carrier selection strategies.

Underwriting Classes and Rating Structures

Understanding Risk Classifications

Clients typically receive one of the following underwriting classifications:

- **Preferred Plus / Preferred**
Excellent health, no significant medical history.
- **Standard Average risk**, with well-controlled medical conditions.
- **Substandard (Table Rated)**
Higher-risk applicants, with additional premium loadings.

Flat Extras & Table Ratings

Table Ratings add incremental premium increases (e.g., Table 2 = 50% premium surcharge).

Flat Extras impose temporary or permanent additional charges (e.g., \$5 per \$1,000 of coverage for four years).

The Role of Reinsurance

Reinsurance plays a critical role in life insurance underwriting, particularly for high-net-worth individuals seeking significant death benefit coverage. While primary insurance carriers underwrite and issue policies, many rely on reinsurers to share the financial

risk associated with large policy amounts.

For high face amount policies, insurers often cede a portion of the risk to a reinsurance company. This means that even if a carrier's in-house underwriting team is willing to make an exception or offer a more favorable rating, the ultimate decision may be subject to reinsurance guidelines.

Strategies for Improving Underwriting Outcomes

While underwriting decisions are ultimately based on medical risk assessment, a well-prepared and strategically positioned application can significantly improve outcomes. By leveraging pre-screening, medical documentation, carrier selection, and negotiation techniques, clients can often obtain more favorable coverage at better pricing.

Preliminary Risk Assessment & Informal Inquiries

One of the most effective ways to optimize underwriting results is to assess risk before submitting a formal application. This proactive approach allows for:

- Identifying potential underwriting concerns early and addressing them before submission.
- Understanding how different carriers may classify the

applicant (as underwriting approaches vary widely).

- Avoiding a formal decline, which could negatively impact future applications.

Best Practices for Pre-Screening

- **Gather Comprehensive Health Information Early** Working with clients to obtain a detailed medical history, including past diagnoses, medications, surgeries, and lifestyle habits allows for a thorough understanding of underwriting factors prior to formal underwriting.
- **Engage an Experienced Brokerage Team** Firms with established carrier relationships can conduct informal inquiries with multiple insurers, gauging tentative underwriting offers before a formal application is submitted.
- **Leverage Carrier-Specific Expertise** Different carriers have unique underwriting niches, some are more lenient on conditions like diabetes or heart disease, while others specialize in high-net-worth and complex estate cases.

Strategic case positioning before formal application submission is essential to obtaining a favorable outcome.

Medical & Lifestyle Improvements: Positioning the Client for Success

Life insurance underwriting is not static. A client's health and lifestyle can be proactively optimized to improve classification over time. While not all medical conditions can be changed, demonstrating control and stability can lead to more favorable offers.

Key Underwriting Considerations

Physician Documentation is Critical

Insurers place heavy emphasis on medical records. Regular doctor visits, consistent medication adherence, and controlled lab results can positively impact underwriting decisions.

Lifestyle Adjustments Can Move the Needle Improvements in diet, exercise, and smoking cessation can help shift an applicant from a substandard or table-rated classification to a standard or preferred rating.

Time Since Diagnosis Matters The longer an applicant has maintained stable health after a major medical event (e.g., cancer remission, cardiac intervention, or bariatric surgery), the better their underwriting outcome is likely to be.

Case Studies

Case 1: The Value of Carrier Selection & Negotiation

A 77-year-old widow with a recent cancer history, obesity, and nicotine

use received tentative offers from multiple carriers.

Initial results ranged from a decline to Standard Smoker with flat extras.

Through direct negotiation and positioning, the underwriting team secured a Standard Non-Smoker classification with a 4-year flat extra, allowing for a more favorable policy structure.

A \$6.5M policy was successfully placed using a 1035 exchange-funded premium structure, demonstrating how deep understanding of underwriting can materially improve client outcomes.

Case 2: The Impact of Proactive Health Condition Management

A 61-year-old male sought new life insurance coverage but faced underwriting challenges due to a significantly elevated coronary calcium score, indicating coronary artery disease (CAD). While he was on medication to control blood pressure and cholesterol, both were well-managed with excellent stability.

He underwent surgery to remove a low-grade papillary urothelial bladder tumor. His recovery was quick, and post-surgery cystoscopies remained clear with no malignancy.

Less than two years post-surgery, informal underwriting offers ranged from declines to Table B-D with temporary flat extra ratings. However,

one carrier recognized his consistent disease management and stable follow-up results, offering Standard rates with no additional ratings. This allowed the client to obtain \$3 million in new coverage at significantly better pricing than the initial offers.

Conclusion

Underwriting Has Evolved More high-risk clients qualify for life insurance today than in previous years.

Pre-Screening & Informal Inquiries Are Essential Avoiding a formal decline preserves future underwriting flexibility.

Medical & Lifestyle Factors Impact Pricing Physician documentation, stability, and lifestyle improvements can lead to better ratings.

Carrier Selection & Negotiation Matter Different insurers assess risk in vastly different ways, shopping the case strategically maximizes success.

Navigating complex underwriting requires more than just medical evaluation, it demands strategic case positioning, carrier negotiation, and policy design strategy. Working with the right insurance professionals can mean the difference between a decline and a well-structured, cost-effective policy.

Contact us today to discuss how we can help you secure optimal coverage for clients.

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