



How MIB codes affect agents and the client's ability to obtain insurance.

Medical Information Bureau (MIB) is a non-profit trade association with more than 600 member companies who share information in the form of medical and avocation codes. An underwriter *cannot* just decline a case because an MIB code exists; it's a tool to indicate that a client has medical history, which should be indicated on the application.

While mortality is imminent, as we are all going to die, age at death is obviously not equal among all people. Some people have medical issues, unhealthy habits, poor family histories or participate in activities that increase the risk of premature death. Just as a driver with a poor driving record pays higher car insurance rates, those with a higher mortality risk must pay higher premiums for life insurance.

To remain in business, carriers must charge premiums appropriate for the risk they are accepting. The MIB was created to protect carriers from insurance fraud by allowing them to share underwriting findings on applicants.

There are approximately 230 codes the MIB uses to signify different medical conditions. These codes *do not* indicate what action another company took, but only provide a red flag to the underwriter that further investigation may be warranted.

For example: Say that John Smith, with a history of prostate cancer, decides that he needs more life insurance and applies for term coverage. He wants to provide for his wife and children in case the cancer recurs and takes his life.

When Smith applies for coverage from Acme Insurance Company, he is honest about his health history. His doctor has assured him that he is cancer-free and that he appears to have fully recovered from his cancer. Despite this, insurance industry statistics show that a prostate cancer history is problematic and increases his risk of dying prematurely.

To Smith's surprise, Acme comes back with a high premium rate and he is not able to afford the coverage. He rejects Acme's offer and the underwriter enters the code for Smith's history of prostate cancer into the MIB database.

Smith thinks about the fact that Acme came back with that higher premium rate because he told them the truth and they used it against him in making an offer. Based on what his doctor

told him, he is convinced that he is fine, *deserves* affordable insurance coverage *should not have* to pay more than anyone else.

Smith uses another agent this time, completes the application, and does not mention the cancer history.

When the application reaches the underwriter's desk at United Insurance Company, an MIB report is ordered and Smith's code appears. The code indicates the severity and timeframe of the condition, that information is contained in doctor's records, and that the code was input by Acme Insurance Company.

The underwriter asks the agent to ask Smith the question on the application corresponding to cancer or prostate history again. If Smith then admits to his cancer history, they accept the new details and continue underwriting the policy.

If Smith denies that he has any history of cancer, the underwriter will contact the carrier that placed the MIB code into the database and ask for additional information. After the client's identity is verified, Acme will advise the details of where the coded information can be obtained. Smith originally admitted it on Acme's application and records from Dr. Jones confirmed his prostate cancer history. The underwriter at United must then pursue obtaining the records from Dr. Jones.

All of this takes time and money to investigate and places the applicant, and sometimes even the agent, under scrutiny. An insurance application is a contract of utmost faith and insurance fraud is a crime.

So, what if Smith had not mentioned the prostate cancer at all? Would they have found out?

Possibly not. However, what if he were to die within the first two years due to an automobile accident? The first two years of the policy are known as the "contestable period." Even though Smith's death would not have anything to do with the prostate cancer history, an insurer can rescind the policy due to material misrepresentation. Medical records are always ordered when a claim occurs during the initial two years of a policy. In the event that medical history is discovered that would have impacted the offer of the policy (even just affected the premium rate offered), the insurer has a right to rescind the coverage and return only the premium payments to the beneficiary.

Many carriers continue to run MIB reports for the first two years of the policy period in order to fully take advantage of the contestable insurance period and to identify those that are stacking policies and varying admitted medical history.

Another way that United Insurance Company may have become aware of the fact that John Smith had recently applied for coverage is with use of an insurance activity report (IAI). The IAI reports any time a member company requested MIB information on an applicant within the last two years. The IAI helps to identify individuals who might be stacking coverage with

multiple carriers in the hopes of obtaining several smaller policies tjaou== may not be thoroughly underwritten and result in a review of medical records.

MIB facts

- Only about 15 percent to 20 percent of applicants have an MIB record. In order to have an MIB record, you must have applied for individually underwritten life, health or disability coverage within the last seven years and been found to have a medical issue which affects morbidity or mortality.
- A code is active in the MIB system for seven years.
- An IAI report is retained for two years.
- Your physician has nothing to do with what is reported to the MIB. MIB does not order or collect medical records from any of your health care providers. Only insurance underwriters add codes to the database.
- MIB will provide consumers with a record disclosure once each year free of charge if you want to check your file for inaccuracies. If inaccurate information is found, MIB will assist with having it corrected.
- Remember, the use of the MIB has saved carriers and consumers untold dollars by preventing fraud. Insurance fraud impacts a carrier's ability to keep premium rates reasonable and to remain solvent and able to pay death benefits.