Evidence of Insurability

When and why medical history is requested

A guaranteed issue amount is the maximum level of coverage an eligible employee or their spouse/ dependent can obtain without providing evidence of insurability.

Applying for group life and disability income insurance is a simple process for most employees, usually involving just a few check-boxes during open enrollment or initial eligibility. However, certain types of coverage and insurance amounts require additional information to help determine if an individual is eligible for benefits.

Evidence of insurability (EOI) requirements help insurers reduce their risk by evaluating whether employees who apply for coverage outside of the policy's general enrollment and coverage parameters are insurable at the requested amount. These requests can vary by product and provider, but most insurers rely on similar forms, tests and requirements when evaluating coverage increases.

When is EOI required?

EOI is generally required when employees:

- Apply for group life coverage that exceeds the guaranteed issue amount.
- Want to increase their current group life insurance benefit amount.
- Enroll in group life insurance coverage after declining during the initial eligibility period. (Employees usually must apply for coverage within 31 days of becoming eligible to avoid EOI.)
- Decide to add disability benefits to their list of coverage.

  Example: John is a newly hired employee. His company's group life policy offers $50,000 guaranteed issue, with an option to increase coverage up to $150,000. John elects $100,000 of coverage within 31 days of his initial eligibility. Since only the first $50,000 is offered as guaranteed issue, John needs to provide EOI for the additional $50,000 of life insurance.

There are many reasons why employees may request new coverage or an increase in current benefit amounts after the initial enrollment period. A new home or child may prompt someone to reassess their coverage needs and inquire about benefits they may have previously declined.

A mid-year pay increase may also change the employee's amount of coverage if the group policy is set up as a "times salary" plan. In this case, the increase is a result of the new salary, not a request by the employee. If the new amount is over the guaranteed issue limit, the employee may now be subject to EOI.

It's important to note that contracts vary in how much of a salary increase can occur without EOI. Some policies allow these changes to happen without interruption; others will require the full EOI process.

Be sure to carefully review your policy, as contracts vary with regard to family status changes. EOI rules may or may not be waived.

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If an employee enrolls during the initial eligibility period and is denied coverage above the guaranteed issue amount, they typically continue to be eligible for coverage up to the guaranteed issue amount.

The EOI process

EOI requests usually require employees to complete a written application and, in some cases, a physical exam. The exam is handled by a qualified nurse or paramedic and includes questions about the employee's health history, as well as height, weight, blood pressure and pulse measurements. Employees may also be asked to provide blood and/or urine samples.

Applications and test results are reviewed by the insurer's medical underwriters, who may request additional information through a telephone interview, by requesting copies of medical records, or via another medical exam. Depending on the amount of information requested, the complete process can take anywhere from 10 to 45 days. When the insurer concludes its review, a decision letter is mailed to the employee and employer.

Employees can help expedite the process by:

- Providing full and complete answers to each question on the application.
- Signing all applications and authorization forms.
- Promptly responding to examiner appointment requests, if needed.

What matters for employers

The most frequent requests for increased coverage come from employees who have recently received pay increases and wish to increase their coverage accordingly. Carriers' policies differ as to when increased coverage can be requested. Some policies state that if the pay increase occurs mid-year, the employee has to wait for the next available enrollment period. Other policies allow employees to apply for additional coverage by submitting EOI.

While much of the paperwork and processing for EOI is between the carrier and employee, employers must ensure that requests for increased benefits follow their group policy's rules. If the rules are not properly followed, employees could think they have more coverage than they actually do, and beneficiaries could receive less coverage than expected.

It's also important that employers do not start payroll deductions for new coverage amounts until they receive approval from the carrier. For example, if an employee submits an EOI application for $100,000 and the group policy offers a guarantee issue amount of $50,000, the employer should only deduct the premium for the first $50,000 of coverage. Payroll deductions for the higher amount should only begin when the employer receives approval for the full $100,000 benefit.

Employers need to clearly communicate the EOI process to employees and manage expectations about when increased coverage is available. Taking the right steps can avoid frustration for everyone, while reducing potential employer litigation risk from improper payroll deductions.

For more information on evidence of insurability, talk with your group benefits representative.

Understanding is essential

For some employees, the evidence of insurability process may seem like a complicated intrusion into their personal health. Helping them understand why EOI is requested—and confirming that information is collected accurately and efficiently—can help ensure that they maintain coverage that suits their current financial needs.

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