

Know the difference: Guaranteed issue vs. underwriting



Insurance jargon can be confusing and can lead to misconceptions that your employees need to avoid when it comes to something as important as life insurance.

In a way, both underwritten and guaranteed-issue life insurance plans are two sides of the same coin — connected but opposite.

Insurance basics: Guaranteed issue vs. underwriting

Whether it deals with life insurance or other types of insurance, guaranteed issue is exactly what it sounds like — a guaranteed issuance of a policy. With guaranteed issue, applicants cannot be denied coverage because of their health. It enables people with preexisting medical issues to obtain life and health insurance, which their conditions might preclude them from otherwise.¹

Underwriting is the other side of the coin. This is how insurance companies evaluate their risk, whether for life insurance, health insurance, home or auto insurance. It helps them decide whether taking a chance on providing coverage to a specific person or business is likely to be profitable. To make this calculation, an underwriter looks at all of the information provided by an insurance agent or broker, often including the applicant's credit rating, and evaluates whether the company is willing to take the gamble. If it is, the underwriter sets the insurance premiums that will be charged based on the determined risk for the insurance company.²

For life insurance underwriting in particular, risk is assessed based on the applicant's age, health, lifestyle, occupation, family medical history, hobbies and activities, and other factors as determined by the underwriter. This underwriting then results in either approval — along with a range of coverage amounts, prices, exclusions and conditions — or rejection.²

How guaranteed issue affects you and your employees

Under the Affordable Care Act, all health insurance policies with effective dates of January 2014 and later must be sold on a guaranteed-issue basis. Gone are the days when health insurers could base eligibility for coverage on an applicant's medical history. Further, preexisting conditions can no longer be excluded from new plans. And the ACA doesn't just help individuals — it helps employers too, as it allows more flexibility in how large group coverage rates are determined. Large group coverage does not have to follow the modified community rating rules that apply to small group and individual plans.¹ But the ACA relates to health insurance. Life insurance is another ballgame.

Life insurance is not required to be guaranteed issue. As a result, guaranteed-issue life insurance is typically purchased by people who don't qualify for other life insurance policies — which makes sense, considering its pros and cons.



On the pros side, guaranteed-issue life insurance is often easier to apply for, with no mandatory medical exam and no health screening questions. Cons include lower coverage amounts compared with underwritten policies, and the fact that beneficiaries won't receive the full death benefit if the policyholder dies within two to three years of buying the policy (unless it is an accidental death). Additionally, relative to other types of life insurance, prices can be high for the amount of coverage they provide.³

For example, if a 70-year-old woman bought a guaranteed-issue life insurance policy with \$20,000 in coverage, she could pay an average of \$18,435 over 10 years. If she purchased a whole life insurance policy for the same coverage amount, the cost would only be about \$12,900 over 10 years.³

The impact of insurance underwriting

Underwriters serve as the gatekeepers to some forms of life insurance you and your employees may seek. Not only do they decide who gets approved and who doesn't, but they also determine the terms of coverage for those they approve, making decisions according to what's front of mind in every aspect of underwriting: risk. Their risk evaluation is what helps keep insurance companies stable.

Undecided on what kind of life insurance to explore? Learn more about [Aflac's whole life, term life and guaranteed-issue life insurance options](#) — then contact your Aflac benefits advisor at [Aflac.com/business](https://aflac.com/business).

¹ Verywell Health. "Understanding Health Insurance Exclusions & Creditable Coverage." Updated 6.6.24. [Accessed 7.2.25](#).

² Investopedia. "Underwriting: Definition and How the Various Types Work." Updated 7.19.24. [Accessed 7.2.25](#).

³ Forbes. "Guaranteed Issue Life Insurance: Pros and Cons." Updated 12.5.24. [Accessed 7.2.25](#).

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