Chargeback-Prevention Checklist

For life and final expense agents paid on advance. Use it on every sale to protect your commissions and your clients.

How chargebacks work: On advance, the carrier pays part of your first-year commission before it collects the premium. If the policy lapses, is cancelled or is returned during the chargeback period (often about the first 6 to 12 months), the carrier takes back the unearned part. Unpaid balances can be reported to agent-debt services such as Vector One. Check each carrier's contract for its exact terms.

1. Before the application

- [ ] Confirm the premium fits the client's monthly budget, not just today's emotion
- [ ] Ask about every existing policy; follow your state's replacement rules
- [ ] Get complete, honest health and medication answers
- [ ] Run the prescription and health check that fits the carrier you pick
- [ ] Explain day-one, graded and guaranteed-issue options clearly

2. Banking and draft date

- [ ] Verify routing and account numbers from a check or bank app
- [ ] Confirm the account is active and is the one income lands in
- [ ] Match the draft date to the client's payday or Social Security date
- [ ] Avoid draft dates right before income arrives
- [ ] Write down the first draft date and give it to the client

3. At the close

- [ ] Review the benefit, premium and draft date one more time
- [ ] Tell the client to expect a carrier call or mail
- [ ] Leave your contact info and explain the free-look period honestly
- [ ] Involve the beneficiary or family when the client wants that

4. First 30 days

- [ ] Welcome call within 48 hours
- [ ] Confirm the policy was issued as applied
- [ ] Confirm the policy or e-delivery was received
- [ ] Watch for the first draft and confirm it cleared
- [ ] If a draft fails, call the client the same day and fix it

5. Months 2 to 12

- [ ] Check carrier pending, lapse and NSF reports every week
- [ ] Check-in calls at 30, 60 and 90 days, then quarterly
- [ ] Send birthday and holiday cards; they keep you top of mind
- [ ] Help clients who change banks update their draft right away
- [ ] Try to save the policy before it lapses: lower the face amount, change the draft date or reinstate

6. Protect yourself

- [ ] Keep a log of every sale: draft date, premium and status
- [ ] Know each carrier's advance rate and chargeback period
- [ ] Set aside part of every advance until the chargeback period ends
- [ ] Never write a policy the client can't afford
- [ ] Pay any debit balance promptly so it isn't reported

General education only, not legal, tax or compliance advice. Advance, chargeback and reporting terms vary by carrier and contract. FEX Contracts is a website of Michigan Benefit Services & Family Care, LLC, an independent insurance agency.