

# It's About Your Business

A NEWSLETTER FOR LIFE AGENTS & FINANCIAL ADVISORS

Specializing in coaching growth-oriented producers

Fall 2010



## What every life producer needs to know to close more sales BEHIND THE SCENES IN IMPAIRED RISK UNDERWRITING

A CONVERSATION WITH ALLAN D. GERSTEN, CLU, CFP, CHFC

Working directly with clients and prospects is every producer's primary task. But just as evaluation, fact finding and technical capabilities are essential for successful selling, there's another critical, but often overlooked, skill set required for sizing up the potential issues involved in the life underwriting process. While this often occurs toward the end of the sales cycle, it's important since it can often create a "make or break" result.

### THE PRODUCER

At the very least, producers need to have a working knowledge of the potential medical issues and their relative effect on the sale. Since it's the producer's task to manage client expectations to obtain the optimum result, open communication is essential.

There are several ways to obtain the necessary information. It may be a short-form medical questionnaire, one coupled with a HIPAA authorization (to secure attending physician records) or a Part II on a life application.

Tentative offers, secured by an advisor without making a formal application, can be used as a sales tool. If a quick quote for a particular impairment is needed, a specific questionnaire is often available. In addition, there are a number of services for quoting available through a Brokerage General Agent (BGA).

Here are several helpful quoting tools:

- *There are a number of quoting systems* that can compare the medical and general underwriting criteria for various carriers. Compulife software is used primarily for shopping term life

insurance. It determines rate classification based on information on blood pressure, cholesterol, family history, tobacco usage, driving history and records, and height and weight information. It tells a producer the criteria needed for the carrier to make or miss a rate classification. The software can also illustrate costs for various carriers for term and universal life.

- *NAILBA's Field Underwriting Guide* includes a questionnaire for individual impairments. This can be useful in determining the pertinent risk factors and concerns for each impairment.

- *The use of your BGA's Phone Line* for Quick Quotes and specific carrier underwriting is a fast way to obtain answers to the "I got a guy questions."

- *XRAE* access for quoting can determine each carrier's approach to a particular risk. This software is populated with questions and answers for each impairment covered and can serve as an effective way to access companies quickly. This is good for single impairments and can be accessed without cost through a BGA.

- *Informal process.* A producer or a BGA secures APS and carrier offers. This preliminary and more discrete process often saves time and is more rewarding than simply submitting to one carrier and hoping for the best. This strategy works best when preceded by a summary and a phone call to the underwriter.

### LIFE INSURANCE COMPANIES

Each insurance company has its own model. One carrier may be larger, another may have more capacity for retention, a third may have a special ability and understanding for specific risks, while

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## ROLLING UP OUR SLEEVES

President's Message  
KENNETH A. SHAPIRO

After almost two decades in the life insurance industry, including time as a producer, it seems to me that the difference between an average advisor and a top one is simple: highly successful producers are action oriented. In other words, they "role up their sleeves" and get the job done. Here are some thoughts about what they do:

1. *Possess a clear sense of direction.* Ask yourself why so many producers have trouble meeting their goals. It's easy picking a number once a year. Every producer takes that step and has done so as long as they have been in the business. What's missing is the second step. It requires translating a goal into a series of specific activities that get you where you want to be.
2. *Provide a valuable service.* It starts with making sure you're providing a product that meets a client's objectives. We need to remember that what we sell can have a specific effect on their destiny. But, again, that's only the beginning. The objective in working with clients is having them believe in us—by putting their interests ahead of our own. What we're talking about is perceived value and that's measurable. Referrals only come when clients can see that we have made a difference in their lives and the life of their family. When that happens, they want to tell others about it.
3. *Share your goals with others on your team, such as co-workers and employees.* Although many life insurance producers may be gregarious, they're fiercely independent when it comes to their work. Yet, those who give us support can help us get to the goal if we involve them so they can understand what we want to accomplish. More often than not, they will respond positively because it gives new meaning and value to what they do every day.

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## CASE HISTORIES: POSITIVE RESULTS

ALLAN D. GERSTEN, CLU, CFP, CHFC

### Crohn's Disease: Preferred Plus, non-smoker

Our client was looking for \$1 million of term life coverage on his 40-year-old spouse, who has a history of Crohn's disease. She had surgery in conjunction with the disease 10 years ago. Since that time, there have been no flare-ups and she has not needed to take medication.

We were asked for the best available rate. Most carriers said they thought they could get to a standard offer, while others indicated that it was a table 2 case. As we searched further, one carrier offered a Preferred Plus non-smoker rate.

*Comment: persistence pays off.*

### Patience and the correct solution win the business

A life broker came to us with a case that was to be a \$1 million yearly, 10-pay premium with high cash value. He asked for the best products available to compete for a buy-sell case.

During the exploration phase, it was determined that the 10-pay planned contributions were to fund the best option and get the largest death benefits for the buy-sell arrangement.

The competing broker's plan was based on a Variable Universal Life product. We investigated that marketplace and compared it to Guaranteed Universal Life pricing and found that the fixed Guaranteed Universal Life would deliver much more death benefit for the money allocated.

The buyers felt that the VUL coverage was

better, but would not share the illustrations with our broker, who cautioned the buyer that the VUL illustration could not perform up to their expectations. He thanked the client for the opportunity, but left the door open for any further questions or assistance. The door closed and the case was lost – or so it seemed.

Three months later, our broker received a phone call from the clients. They reported that if the plan, as illustrated in his proposal, were still available, the business would be his.

The first challenge was to deliver on a plan that was beyond the six-month backdating allowance for life policies. We overcame that hurdle by having a state that would allow a carrier to do so under its regulations. Needless to say, it was exciting when that issue was resolved.

The second hurdle was securing Preferred Plus Non-Smoker rates. We were optimistic that we could prevail, in spite of marginal cardiogram "dings" in one of the insured's medical file.

This was a case where the broker was patient and prevailed by selecting the correct product, plan design and carrier at the onset and stayed with his recommendations throughout the process. Fortunately, the carrier did not change its product pricing and allowed for a very rare and unusual backdating of the client's ages to preserve the pricing of what had been illustrated months earlier. The resolution of the transaction was a win for the clients and the broker.

*Comment: bringing knowledge, patience and experience to cases pays off.*

## Frequently Asked

# Questions

### Q Do you offer online applications?

Yes, we offer electronic application submissions, a simplified application process validated for accuracy and completeness, e-signed, and securely e-submitted. This is the quickest way to process your business and get paid sooner.

### Q I have a client who is unable to obtain traditional life insurance coverage. Is there a different coverage he can qualify for?

Yes. Guaranteed Issue is a type of insurance that guarantees life insurance to anyone, without regard to health conditions. Contact your brokerage manager to learn more.

### Q I can use help with my marketing to clients. Can FAIU assist me?

Yes, we offer weekly email sales concepts that can help turn your ideas into sales. In addition, all our marketing materials can be personalized with your information to help you market yourself to your clients. For more information on what we have available, contact Sophia Miller at [smiller@faiu.com](mailto:smiller@faiu.com).

### Q How can I expedite an insurance case?

Have your clients order their Attending Physician Statements (APS) directly through their physician. They can call their physician and request a copy of their records. This will help speed up the application process.

## President's Message | continued from pg. 1

4. *Track your activities.* Only with a careful record of what you do every day can you measure results:

- How many calls have you made?
- How many appointments have you set up?
- How many client and prospect meetings have you held?
- How many clients and prospects have you "touched"?
- How many proposals have you prepared?

Activity produces results. Increase your daily activity and you will write more business and obtain more referrals.

5. *View yourself as the exception.* Most of us may not be exceptional in our abilities, but we can be the exception. It means committing ourselves to doing what others don't do. Here are a few examples,

- Schedule an annual policy review with each client.
- Enroll in seminars and programs that can further enhance your industry education.

- Subscribe to an industry publication that stretches your mind.

- Schedule a monthly eBulletin for your client and prospects. Stay in touch. Offer suggestions. Share your thinking. Tell them about a case you just closed and the difference it made to a client. Give them something to think about.

While these may not seem like earth-shaking ideas, they can shake up our minds and our business and make us the exceptions. And getting there is a matter of "rolling up our sleeves."



## BEHIND THE SCENES IN IMPAIRED RISK UNDERWRITING

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yet another might have made specific arrangements to secure a higher risk offering a lower rating through special treaties.

Very often, results and offers can be more subjective than one might expect. At the same time, a relationship with an insurance company or underwriter can also make a difference. Whatever the circumstances, it's beneficial to have a total grasp of what is possible with as many insurance companies as possible and to be diligent in maximizing the possibilities with each carrier.

Insurance companies can offer a variety of underwriting programs. Here are several:

- **Table Shaving.** A number of carriers will offer a reduction in their underwriting assessment on their UL, SUL or WL products up to age 70 with a table rating of C. This can reduce the rate to a standard non-smoker rate for up to \$10 million per carrier.

- **Use of Available Credits.** Knowledge of the mechanics and workings of underwriting credits is invaluable in securing the best offer. Insurance companies have a wide array of credit programs, and most of these are unique to a particular company. Sometimes a carrier will treat its credit program as classified information or as its "private insurance recipe" for impaired risk underwriting and they can be unusually proprietary about it to the point of

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obscuring all the details. It's important to note that some credit programs are available up to age 75 or 80 and others may be available with a few carriers for term life insurance as well as permanent coverage. A few companies offer their credits in conjunction with table shaving. When this occurs, the proposed insured can benefit by having a manual rate of table 5 or table 6 offered with a standard non-smoker policy. Some insurance companies have a maximum of four credits or tables available. Others will credit policies up to a table 6. They will not apply credits when the risk is higher than a table 6. Other programs offer up to three tables with no credits for certain impairments.

- **Niche Programs.** An insurance company will often carve out a unique underwriting niche where there is little or no competition in their underwriting offer. Niches include liberal treatment for physical build, family history, hobbies, tobacco usage, controlled high blood pressure, bad habits, driving records including DUI, alcohol use, financial underwriting multiples offered, and cholesterol and others.

- **Upgrade Programs.** One program will offer an upgrade from standard to preferred on permanent coverage if the case is a standard rate before credits. Another company will offer a conversion of its term with a Table C to a standard non-smoker UL policy if converted within three years. Cigarette smokers can obtain non-smoker UL rates for three years as a non-smoking incentive. Another carrier upgrades its term or UL one class to a standard plus or preferred non-smoker with the use of a credit.

- **Use of Reinsurance.** Many captive producers' first experience with reinsurance is when they are told that the company can use its reinsurers to determine if there is a better offer than secured with their formal application. Usually, the request for an insurance company to check with reinsurance places the original offer in jeopardy, if none of the reinsurers see the case as good as the primary carrier. If that happens, the underlying company will rescind their offer. This calculated risk can result in an improvement in the original offer. In one instance, an insurance company allows for and assists with reinsurance without jeopardizing the original offer. The skilled use of reinsurance is critical when dealing with cases that are larger than a carrier's retention or in Jumbo cases where the use of reinsurance creates its own issues. This can be more challenging when you have a rated case. It's equally important that the BGA and producer have excellent communication and that the producer and the client have an open dialogue to obtain the best offer.

- **Manual Underwriting.** Insurance companies use one of several nationally or internationally recognized underwriting manuals, which are provided by reinsurers.

Conservative companies will select a manual that fits their risk preferences. They will modify the manuals accordingly to fit their specifications, experience and understanding of specific medical risks and, in general, the medical field and innovations in health care. These modifications make for a dynamic approach in underwriting risks such as cancer and heart disease.

- **Simplified Issue Underwriting** is used in underwriting permanent coverage on both single life and a multi-life basis. The single life uses may even offer up to 6 tables to standard underwriting. There are a few questions and this is done on a non-medical basis up to \$250,000 per carrier depending on age. The multi-life use is used for 5 lives for business cases. Again, there are usually only a few questions and non-medical underwriting is used.

- **Guaranteed Issue** is used for single life and multi-life cases. Guaranteed Issue is used for single life coverage when the proposed insured is considered uninsurable. A number of carriers will offer Guaranteed Issue policies with graded death benefits. For multi-life corporate cases, carriers are willing to offer Guaranteed Issue permanent coverage for a "carve-out program" in amounts that are limited by the company's rules and the number of participants in the plan.

### ACCESS NEEDED FOR CASE SOLUTION

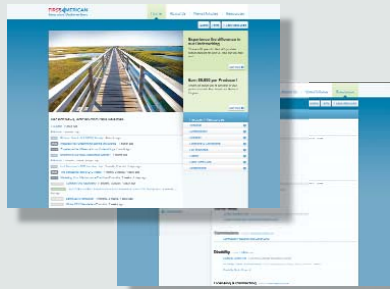
No single insurance company can be expected to have the solution for every need, which is why it's essential, when dealing with impaired risk cases, to search the market for the most appropriate solution to help the producer secure the best possible option.

This methodology is a core practice of Brokerage General Agencies. Producers should expect a BGA contact to serve as their "trusted guide," someone who educates, assists and follows through until arriving at the desired destination. This should be someone who is prepared to help a producer recognize and understand possible pitfalls, assist in diagnosing the possibility for success and solve problems as they arise. Basic to this process is a BGA's knowledge of each insurance company's potential, people and capabilities. Unless this expectation is fulfilled, the best possible offer will remain illusive.

Good salesmanship, teamwork, access to all markets and use of available resources enable producers to provide optimum service to their clients.

Understanding impaired risk underwriting from "behind the scenes" can help producers act confidently with the knowledge that they are providing the best possible impaired risk solution. Equally important, it will enhance their practice and create new opportunities.

## FIRST AMERICAN INTRODUCES NEW WEBSITE



As part of our ongoing plan to make it easier and more efficient for you to do business with us, we have completed constructing a new website.

If you have additional recommendations, please email [smiller@faiu.com](mailto:smiller@faiu.com). Visit us at [www.faiu.com](http://www.faiu.com) today.

### NOTEWORTHY

Jo Ann Hebert, from our underwriting department, recently attended Legal & General America's 7th Annual Underwriting Forum, a two-day seminar that focused on Obesity and Other Weighty Matters. She also participated in John Hancock's 2010 Underwriting Symposium in August, a two-day event.

First American's Allan Gersten, Ken Shapiro, Denise Desautels, Josh O'Gara and Jeff Watkins attended NAIFA Massachusetts' Annual Meeting at the Sheraton Needham Hotel in Needham, MA.

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Pictured, from L. to R. are Jo Ann Hebert, Michelle Cerone, Ken Shapiro, Gilda LaBarba, Nina Shangari.

## First American's community outreach.

A number of First American employees volunteered at the 28th Annual Jimmy Fund Scooper Bowl presented by FedEx at Boston City Hall Plaza. They scooped ice cream, frozen yogurt, and sorbet from nine of the nation's leading ice cream companies. This all-you-can-eat event was a fundraiser for the Jimmy Fund, which supports cancer research and treatment at Dana-Farber Cancer Institute.

### Broker Incentive Trip at the incomparable Ritz-Carlton, Naples, Florida

March 24-27, 2011

There's still time to earn a fabulous trip to Naples, FL! March 24-27, 2011. Experience 4 Days and 3 Nights of luxury. The Ritz-Carlton, Naples, FL features

dazzling views of the Gulf of Mexico, three miles of pristine beaches, world-class restaurants, impeccable service and much more.

For more information, contact your brokerage manager at 781.449.6800 or visit our website at [www.faiu.com](http://www.faiu.com)

