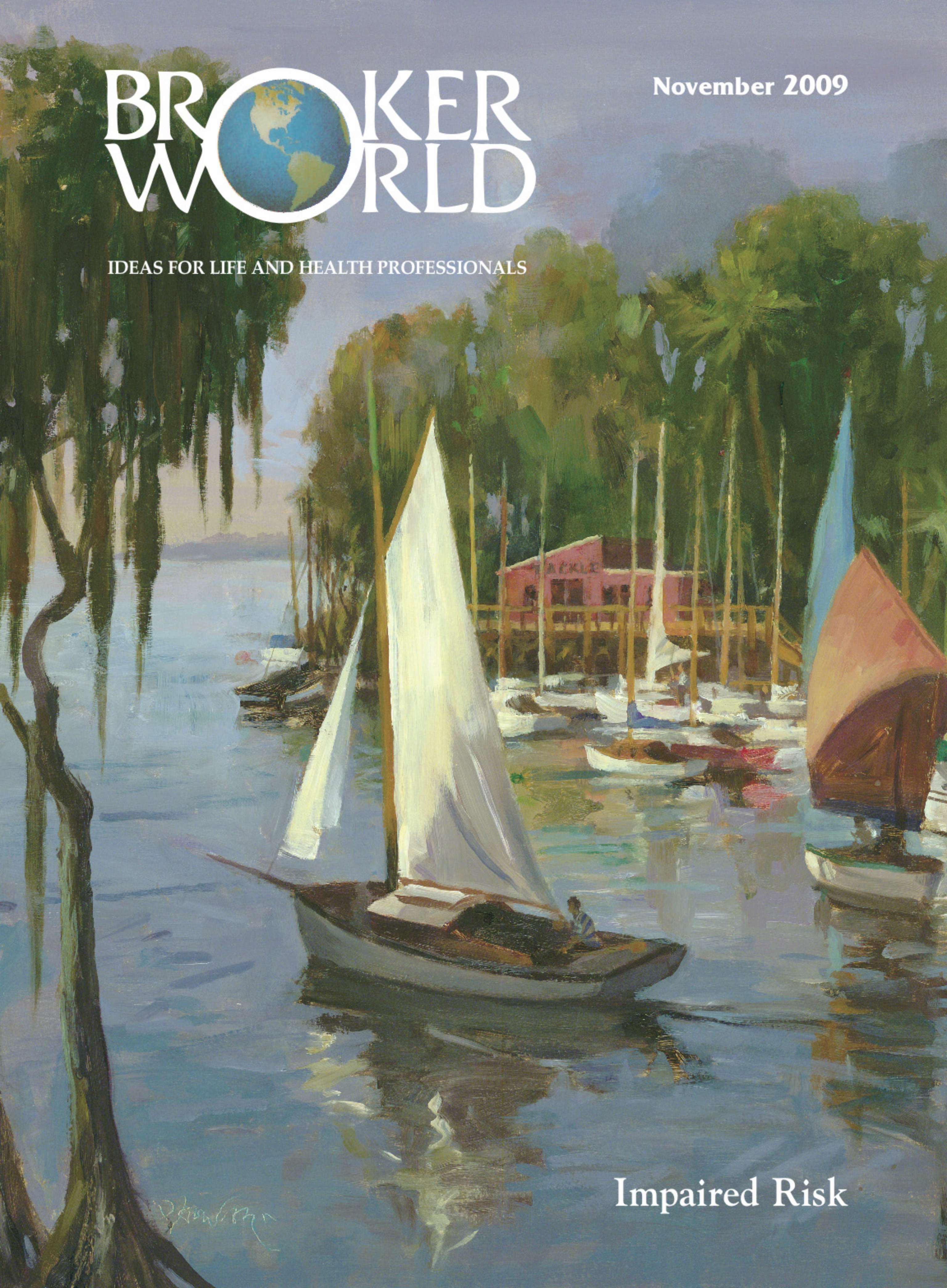


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IDEAS FOR LIFE AND HEALTH PROFESSIONALS



Impaired Risk



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Watch Out For Impaired Risk Red Flags

Even a challenging or extremely difficult impaired risk case can obtain a positive result with a thorough and knowledgeable underwriting approach.

What this suggests is that life insurance underwriting is both science and art. Informed analysis and thorough fact gathering are the basic, essential and objective tools for moving a case forward. At the same time, there is often a subjective element that should be taken into consideration in the overall evaluation and decision process.

Because many insurance company underwriters use manual criteria, decisions can vary from company to company for a particular risk. A cancer history evaluated with the same stage, grade, treatment and background might carry a larger or smaller flat extra rating with a carrier, while another can offer a standard rate with no flat extra based on its experience with that type of risk, reinsurance alliances, and unique business and cost model.

By adding the subjective evaluation when deciding on a case, it's possible to obtain a broad divergence of offers that usually make the difference between closing the case or not.

Heart impairments, for example, may have a wide divergence of offers from carriers since these cases require the evaluation of an immense amount of information, with particular dynamics that add to the challenge.

The construction, proper evaluation and

ultimate presentation of a difficult case begins with identifying all the relevant facts, the attending physician's statement (APS) materials and other required information and then collecting it.

The next step is a comprehensive, well-written and positively presented summary of the case. It is important to portray the client based on the good, the bad and the ugly aspects of the file. A well-written summary can be very beneficial and can put the case in a good light.

With this background, the next step is to be alert to what we can call "the red flags of impaired risk." Your chances of receiving very good offers go up if you are aware of the following six critical impaired risk issues:

1. Your primary company has declined or rated a case. When this occurs, so does the opportunity to assure your client that the process will continue, what the price range may be and the likelihood of receiving other offers.

However, before moving forward, there must be an understanding of the factual issues or the subjective interpretation that caused a company to decline, rate or postpone a case. At times, an insurance company will communicate that information, but in other cases it may be helpful to have an underwriter speak with the original carrier to obtain a more complete understanding of what went into the decision. In many cases, a skilled underwriter can gain insight into the thought process

of the company underwriter. Experiencing such delays or surprises is unnecessary because a pre-underwriting process can help avoid them.

2. Underwriting can be potentially challenging due to a chronic medical condition, poor personal habits, lifestyle issues or limited available information. In approaching the evaluation process of such a case, you must recognize that no two cases are exactly alike, even though some may appear to be similar.

APS information may be vague, incomplete, incorrect or even in conflict with the client's actual situation. Clients are often poorly informed or sometimes in denial. On the other hand, files can be incorrect, inconclusive, misdirecting, misleading and just plain wrong. Sometimes clients should have obtained a second opinion.

Having open communication with everyone involved is critical to obtaining the appropriate solution.

3. Multiple impairments are challenging for most insurance companies, depending on the particular combination and relative severity, stability and control. Without question, the perception of importance, stability and severity by the underwriter is critical for obtaining an acceptable offer.

Some carriers will discount a second or third impairment and work with the most important or dominant one when rating a case. However, others may have a good system for providing credits or rate reductions, which can improve the offer.

There can also be inconsistencies in the patient's treatment. Simply put, most cases present opportunities to improve offers if everyone's mind is open and all work together where appropriate with one objective in mind.

4. An unresolved medical status can very often stop the progress of a case in its tracks. This has become an area of growing concern, particularly with internists, who are often recommending that a client see a specialist.

In most cases, the specialist's responses and testing must be completed before a carrier will make an offer. This problem can be easily resolved by proactively suggesting to

a client that insurance should be purchased before starting with a round of doctor visitations for a possible malady.

5. Substance and alcohol abuse, driving history, moral issues, as well as financial matters should be presented in the most advantageous way possible. Candidly, such factors tend to be dealt with quite harshly by most insurance carriers.

At the same time, there are companies that make informed, intelligent offers when provided with *all* the information. By failing to uncover and present all the facts, you have placed the client at a disadvantage when the underwriter is reviewing the application. We need to remind ourselves that leaving out relevant information can place a client at a disadvantage with an underwriter. Ideally, an insured should compose a carefully outlined and well-written cover letter to assist the underwriter in evaluating the case.

It's worth noting that underwriting in the lifestyle area of risk is often very uneven and results in limited positive offers. Usually, it is necessary for a considerable period of time to elapse from such an incident to the application for insurance. Stability and time along with motivational and compliance status of a client are important precursors to obtaining positive results.

To have the best chance of success, a client must be open, forthright and offer all relevant details regarding history and status of the issue at hand. For example, a supplemental letter for an applicant who tested positive for cocaine use in the past that details the facts can be useful in obtaining good results. This is particularly true if the letter clarifies for the underwriter that this was a limited, short term use and presents a clear picture of the proposed insured's stability.

6. Older age clients with medical impairments represent particular challenges and opportunity. Clients in their 70s and 80s present a tremendous opportunity for significant wealth transfer and wealth preservation cases. It goes without saying that it is neither surprising nor unusual for older clients to have either current or past physical or mental issues.

The underwriting challenge is recognizing the degree of importance of that history and/or current status as it relates to the probability of securing a result that works for the client. These cases can be subjective.

When comparing clients in their 70s to those in their 80s, an insurance company has more flexibility in offering a rated policy for the 70-year-olds. Yet there is little or no flexibility for many carriers when faced with offering a policy higher than a table B to those 80 or older. The reality is that the pricing for such a policy would usually be impractical.

The evaluation of certain impairments for these ages can sometimes be more aggressive with great offers when compared to the same impairment underwritten conservatively with a younger proposed insured. For example, an 85-year-old male with prostate cancer using a "watchful wait" method of dealing with the cancer can receive a standard non-smoker policy, while a 55-year-old with the same diagnosis who decides on the same treatment would be summarily declined for coverage by all carriers. However, the reverse can often occur when the older client has a heart condition that may call for a 100 percent rating surcharge, while the same carrier may make a standard offer by utilizing credits and table shaving to the younger client with the same medical history.

There's value in maintaining an open mind when it comes to every case—but impaired risk cases in particular—since there is often more than one way to solve an underwriting problem, including what may appear to be a particularly difficult one.

At times, it's necessary to pursue every possible solution to obtain the best possible answer—or any answer, for that matter. This extra effort should be made even if you feel that you have the correct solution in hand. This work requires appropriate resources, patience, persistence, diligence and know-how. And since it makes a difference for both the client and the producer, it is well worth the effort. 🌐