Every life insurance advisor, whether seasoned or new, knows the basics of the business—which policy is best; the amount of insurance needed; and how to uncover, develop and then communicate this information so that it makes sense to a client.

Unfortunately, that's not enough today. The work of even the most diligent producer can be undermined by failing to take into account the significance of the three relationships that profoundly influence the outcome of life insurance cases. At no point are they more critical than with an impaired risk case.

Recognizing and appreciating the interrelatedness of these relationships can be most helpful in assuring a successful solution for an impaired risk case.

The Producer-Client Relationship

Every life insurance producer has heard it said that the business is one of relationships. Without exception there is nothing more fundamental to success than the interaction between producer and client, which is most closely akin to a person’s relationship with an attorney, physician or accountant.

When purchasing a life insurance policy, clients view an objective in mind, which they view as a solution and not just a piece of paper to be filed away. Any life insurance purchase is necessarily personal, even if it involves a business, which is why the communication between client and producer must be open and candid so that it includes the individual’s most confidential business and personal details. Without gaining a client’s confidence, it’s difficult, if not impossible, to secure his objective.

Since clients are called on to face the reality of death—their death—when buying life insurance, this makes the sale inherently challenging. Then, when we probe further with clients about their health history and prognosis and ask them to recognize that they will not live forever and, in fact, may have a shorter life expectancy than was anticipated, the difficulty escalates even further.

In many cases an advisor may not appreciate the value of knowing as much about a client’s medical situation, as well as any other non-medical factors, that may affect the underwriting and pricing of the proposed coverage.

Some advisors are reluctant to go too far and touch upon issues that may negatively impact a sale. However, an advisor must not let anything stand in the way of gathering all available information from the client. Both the client and the advisor need to work together regarding the reality of the situation.

At times, this can be challenging, particularly when clients are in denial or fail to grasp the full reality of their medical history or insurable situation. Once this is
understood, a client can then be motivated to do what’s necessary and the broker can be prepared to ask further questions as a result of the new level of understanding that’s been established.

Once advisor and client agree on a framework of solutions that meet the client’s needs, the broker can outline the steps necessary to obtain a bona fide carrier offer.

**At this point a word of caution is in order:** It’s important that neither the client nor the advisor speculate as to the implications of a particular health issue for the underwriting process, and that includes what may have occurred with previous applications, since that may have little or no relevance to future underwriting situations. The producer and the client should discuss the client’s medical status, history and prognosis from the client’s viewpoint. When that’s accomplished, the advisor will get a signed HIPAA statement and secure details regarding visits to physicians, hospitalizations, medications and family history.

**The Advisor-General Agent/ Brokerage General Agent Relationship**

A BGA is a critical resource or relationship for an advisor in underwriting a difficult case, particularly with a BGA’s access to a broad range of insurance companies. It’s to a client’s benefit for a producer to discuss the case with the BGA as early as possible to gain insight into possible client questions and how to probe appropriately for additional information.

At the same time, the BGA needs to communicate regularly with the advisor regarding the status of the client’s file. While the file is being completed and analyzed, the agent may inquire about possible offers that may be forthcoming and there may be client questions as well.

This need to know on the part of the broker is very important, but can present an extra challenge for the BGA as how to couch statements, particularly those having to do with carrier interest, so they are not interpreted as promises of offers. At this point, the facts are still being gathered or the carriers’ medical departments have yet to complete their analysis of the case.

The broker’s expectations and understanding are usually managed by the BGA, based on the data in the file, particularly since firm offers are not made until the file is complete. Carriers always request additional information at the last minute that may very well change the offer one way or the other. Even so, the BGA may be able to give best case and worst case scenarios based on very preliminary information.

Everyone involved must understand that a case file needs to be developed on an “informal basis” so a tentative offer can be made with the expectation that it will hold up once the application arrives.

**Working together, the advisor and the GA/BGA obtain all pertinent attending physician statements, lab results and hospital reports. The compilation of all this data allows the BGA to analyze the reports for significant issues and outstanding information, tests or concerns. It’s helpful to hold realistic discussions regarding outstanding issues, as well as the interest expressed by various carriers in the case. It’s also important that the BGA know what’s possible with each carrier, including what’s expected and needed from the broker for the client and the ultimate placement of coverage.**

It may be necessary to complete outstanding tests, obtain a letter of clarification from the client’s physician or to ask for a second opinion on a particular issue. A motivated and educated client can be an excellent resource for the broker when additional information is needed that can help increase the chances for a desired outcome.

**Before, during and after gathering and analyzing the information in the client’s file, the broker and BGA will review pricing models for the possibilities presented by the various insurance carriers.**

The BGA then compiles a preliminary package, which is presented to the selected carriers. This can be done as a summary of the case, without sending the entire file, or it can include the portion containing the attending physician statement information. Carriers look favorably on case summaries because they are helpful and often enable an underwriter to turn the case around in 24 hours. They produce a broad-brush view of each carrier’s opinion, concerns, and probable offers, and often point to the best path to success.

A well-placed phone call by the GA/BGA before sending the summary can alert an underwriter to the importance of a case, what it’s about, and that it’s on the way. Such conversations are also worthwhile, since they often result in helpful insights.

**The GA/BGA-Carrier and Underwriter Relationship**

Much like the previous relationships, this one is based on integrity, competence, communication and confidence. A BGA cultivates carriers and develops underwriting relationships over many years—a process that can become quite personal. Although friendships develop, these relationships are highly professional in the final analysis.

The BGA will diligently sort through prospective carriers to locate those that may express an interest in making a good offer. By the time a carrier’s underwriter is engaged with the case, it’s usually clear to the BGA that there are one to three carriers that best fit the client’s needs and may make an appropriate offer.

When a case can be narrowed down this way, the BGA and the carriers are positioned for much more focused, productive conversations. The carriers understand that they may get the case but must still have the best offer for that to occur. The BGA must have realistic, positive, creative and thorough discussions with the underwriters, since this helps to motivate the carrier.

When the BGA sends a carrier the attending physician statements, lab reports and medical exams, there are usually expectations about the carrier’s response. Even so, the BGA prepares a proper presentation of the case. Based on experience, it’s the BGA’s job to know what is possible with a carrier, depending on their particular underwriting style, methodology, programs and reinsurance treaties.

The underwriter’s evaluation is a com-
A combination of art and science, but mostly science. Underwriting decisions can vary widely from one carrier to another due to subjective factors. This is why the BGA and the advisor have the task of portraying clients so clearly that they “come alive” to the underwriter. The presentation should also include a cover letter from the producer that depicts a clear understanding of the client’s situation.

At the same time, the BGA’s cover letter can provide the medical background, a summary of important points, preliminary underwriting discussions and anything else that may be helpful in winning the case. This can also be useful for clarifying any concerns a company underwriter may have about the case.

Specifically, the letters should portray the client with an active lifestyle, whenever possible, minimize medical conditions as appropriate, and emphasize wellness points and treatments to maximize all possible credits.

This is a demanding task, to say the least, involving careful research, astute evaluation, in-depth analysis, and a superior presentation of the client’s attributes in such a compelling manner that the carrier appreciates it as appropriately persuasive.

The life insurance process is always involved and lengthy, but even more so with impaired risk and difficult cases. Without exception, much depends on the commitment of everyone involved. Because these cases are often frustrating and stressful for everyone, including the client, the process can be worthwhile by recognizing the value of the three R’s of impaired risk underwriting.