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Choosing an Individual DI Carrier

Whether someone is an income earner, benefits administrator, or a financial professional, the three keys to choosing an individual disability income (DI) insurance carrier remain the same:

- 1) Insurer financial strength ratings and a reputation for reliability;
- 2) Innovative and value-added services such as needs assessment capabilities; and
- 3) Product flexibility (as determined through a side-by-side comparison).

Anyone in our business who is serious about providing the best possible value to his or her clients ought to consider these attributes. By following the steps below, the producer can make a more informed choice to meet clients' unique and changing needs. Perhaps more important, the producer can strengthen his relationships and grow his practice.

1. *Review insurer financial strength ratings.* A reputation for reliability is a factor in trusting business to a particular carrier — and a reason to avoid selecting some others. Major independent ratings services, such as A.M. Best, Fitch, Moody's, and Standard & Poor's, each provide a third-party assessment of an insurance company's financial strength. Aside from their importance to financial professionals and within the disability income and long-term care insurance business, these assessments are important to the institutional market and can become especially valuable in times of economic uncertainty.

All things considered, unless a client is interested primarily in the premium or is unable to get coverage because of underwriting risks, it may be wise for the producer to narrow his search to only carriers considered leaders in this measure.

Clients today don't so much look for the producer to help them get rich as they entrust him to help protect them from otherwise unforeseen financial loss. As the producer works with a more sophisticated and knowledgeable clientele, financial security becomes increasingly important. Lower rated companies may compete on price — and those carriers fit certain niches; many clients today, however, are willing to pay a higher premium for highly rated insurers.

2. *Use value-added services.* When it comes to value-added services, I want to know what's unique about a carrier. What's in it (a carrier relationship) for me? We should expect a carrier to help producers recognize how to cross-sell products for more sales and for our clients to realize the associated discounts.

Certainly, part of the attraction is compensation, which should be fair and reward consistent production. I like to see larger volume yielding higher renewal payments.

Client service, producer support, innovative products, and intangibles also play prominent roles for me when choosing a carrier. By aligning with carriers that provide excellent service and immediate response, I know that my customers are on the road to becoming satisfied clients.

I look for a company that understands the unique producer-client relationship. As producers, all we have to stand on with our clients is our integrity. I look for a combination of a good relationship and solid guiding principles of the organizations I choose to represent. In the disability income insurance market, the company's internal decision-making principles are critically important.

Producers rely on their positive experiences with carriers when placing clients' business, especially positive experiences when clients have needed benefits under the terms of a policy. A recent experience I had with a carrier is a good

example.

I helped initiate a claim process for a small business owner who had a series of surgeries that resulted in a significant reduction in income. After his surgeries, he didn't follow through on the paperwork required to process his claim. The analyst who was assigned the case took the time to contact the client several times, encouraging the claimant to complete the follow-up required so that a fair decision could be made.

To further refine carrier considerations, it is important to consider other service perks — the benefits of local support personnel and Internet-based self-assessment tools. After all, who knows when an independent needs-based evaluation will come in handy? Say, Sunday afternoon, or at 3 a.m.!

Although DI insurance is not an unusual product, the mode of delivery can cause the producer to stand out. Innovative systems such as paperless applications can be a huge win for companies that are comfortable with the latest in technology, have many locations, or many field representatives. The keys to a successful supplemental individual disability income insurance offering are the employer's solid commitment, effective education for employees, and an application procedure that is comfortable. This is why I believe that Web site application capabilities will become standard *modus operandi* within the next few years.

If the producer is new to this mode of delivery, I would encourage him to work with a company that will provide a support team for assistance with both the presentation and Web application. A successful Web application process can cement the producer's position as a critical partner with the CEO and HR manager.

Taking all this into consideration when selecting an appropriate carrier, the producer should consider:

- Does the prospective carrier feature online, customizable calculators and educational tools, whereby prospects can see for themselves how proposed coverage will provide value — ideally in a manner that easily can be shared with a spouse or other family members (e.g. via the Internet)?
- Is there an alternative to traditional policy application, enabling prospects to apply for needed coverage by linking to a secure Web site?
- Are electronic billing and payment options offered? (This can eliminate a great deal of follow-up with client companies' accounts payable departments to remind them to pay their bills.)

3. *Consider flexible products.* Last but not least, the producer should look for carriers with products designed to meet specific and changing situations and needs, including protecting a portion of income lost as a result of disability, business overhead expense coverage, small business continuation, and even protecting the ability to make retirement contributions in the event of disability. A professional client may need several different forms of disability income insurance. Clients expect that producers have solutions for a myriad of potential situations; producers, in turn, should expect carriers to provide the necessary range of products.

For example, I have a successful business owner client who already has the appropriate level of both individual long-term disability and business overhead expense coverage. Because of the addition of a partner, he (and his partner) are applying for the disability funding for their buy-sell agreement. Having the policies with the same company can reduce the complexity of both plan administration and the ultimate claim process.

I also look to disability income insurance carriers who have flexible products in other product lines. The busy professional doesn't want to take a medical examination for a disability income insurance policy and a second examination for life insurance. By placing several policies within a single carrier, the producer may have some leverage in cases where there may be a health issue.

Can you and your clients determine and live with decisions regarding the appropriate level and kind of disability income insurance? Information is available for effectively determining and making educated decisions. Help clients substantiate, reinforce, and build confidence in their choice by approaching the carrier selection process carefully and logically, considering the above steps. By investing time now, you can establish a meaningful and profitable long-term relationship with a disability income insurance provider.