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Disability Insurance: Completing The Application

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This is the third article in an eight-part series which discusses the importance of income insurance protection.

Completing the application is one of the most important phases of the sales cycle since so much depends on its accuracy and how thorough the agent was in its completion. If not, the policy may not be issued, or if it was issued, a possible claim may be denied and/or the policy rescinded!

Since the claim does start with the application, the first and foremost important key is: Do not omit or modify any information gathered through the medical or financial gathering interview to minimize the chances of a decline and or exclusion. Even if the underwriter misses something that will more than likely show up in the MIB or other such source, the claims process will reveal the missing information and that is the worst time, as you can imagine. Do not believe that the incontestability period will be of any help if it was a fraudulent issue.

Most applications are very similar in that they ask the same questions regarding health and financial information. Some state specific applications may only go back five years, whereas some go to seven, or even "ever" for the same question.

If a medical question has been answered YES, that is the time to prepare the applicant for a possible exclusion for that pre-X condition and that exclusion may only be for a period of time or permanent. Do not be bashful when describing the condition either on the application or with a cover letter to help the underwriter "see" the applicant in the best possible light and thus perhaps avoid exclusion. Many times an applicant will downplay a condition by saying, "I only see a chiropractor after I mow the lawn to feel better." While that may be true, usually there is an underlying cause and it should be revealed to the underwriter they can make a medical determination. Give the underwriter as much information as possible, including the full address and telephone number of the provider in handwriting that is legible.

When it comes to completing the financial section, there are a couple of things to remember as stated above in terms of that "the claim starts with application." If the applicant is an employee, only two consecutive pay stubs, along with the most current tax return and a W-2 if it was filed jointly, are required. If the applicant is self-employed, then at least two years' tax returns will be required and what is most important is that the proposal had to have been based on net income vs. gross, which incidentally is the basis for employees. If there is a big swing between the two years, then the underwriter will average the two when issuing a benefit amount. The underwriter will also want to know about other sources of income such as bonuses, 401(k) contributions, and any other earned income in order to validate benefit amounts. Unearned income, such as alimony, will also be a factor in the determination of how much to issue.

After all is said and done and the application has been submitted, it wouldn't hurt your client relationship to send the applicant a thank-you letter, which should also mention how the process will continue with attending physician's statement (APS), exam, etc.

Application hints and other useful information:

1. Attach a copy of the proposal's premium page to the application.
2. Be aware that the applicant could have an age change while the application is being processed. Some carriers use actual vs. closest age and if you feel a save age is warranted, so note in the remarks section.
3. In all cases, complete the "non-medical" questions even if applicant is being examined, this will allow the underwriter to order the APS before exam has been completed. This also allows the information to become "non-privileged".
4. Collect a premium with the application to bind the carrier unless there is an anticipated exclusion which means the carrier may not bind.
5. Prepare a cover letter to give the underwriter some insights for any issue that is not clear.

Larry Schneider is a disability specialist with over 35 years experience and is the owner of Disability Insurance Resource Center. He is also an expert witness consultant for disability insurance claims which have been inappropriately denied and a national resource for hard to place prospects, as well as a brokerage for standard cases. One of the author's divisions has developed a Sales and Marketing Turnkey System, made up of eight manuals and other sales aids, each devoted to one segment of the sales cycle (prospecting, rebuttals, etc.). You can contact him at (800)551-6211, by e-mail at info@di-resource-center.com, or by visiting his Web site at www.di-resource-center.com.

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