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The Do's and Don'ts of Special Risk Income Protection Cases

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As an insurance professional, don't you have an obligation to attempt to obtain coverage for all risks that come your way? Don't even the most health-challenged individuals deserve a chance to apply for and receive coverage? With special risk income protection, there are many specific "do's and don'ts" that will either give you an excellent chance to deliver a policy for your client, or doom it from the beginning.

Before we get to the specifics of the process, let's be clear about one thing: the odds of placing a rated or ridered policy are totally dependent on how you handle the fact finding when the risk is first disclosed to you. You have very little chance of success if you respond to the client's disclosure by saying, "Well, let's see if we can still get you coverage," or "Oh, that doesn't sound too bad." Remember, although insurance can sometimes feel like it is governed by statistics and tables, the foundation of the process of writing business has a strong root in the emotions of the individuals involved.

Consider these insights and tips for placing special risk cases:

1. Companies want to issue the business. At the same time, in order to stay competitive and stay in business, companies must underwrite and classify each risk properly. With this in mind, there is no chance of delivering the case if you take the attitude of the client and make statements that undermine the process, such as, "I don't understand why the insurance company would rate or rider you." It's in your and your client's best interests if you keep a realistic and professional outlook from start to finish.
2. Underwriters want to issue the business. They do not have a quota of declines or riders/ratings that they need to meet. They can be your friends. Instead of looking at them as roadblocks or checkpoints that you need to cross, you should view them as allies and supporters of what you're trying to accomplish. You'll notice a difference in the process if you develop this positive outlook and view underwriters as your conduits to success.
3. As the agent, you always need to remember that the client has the problem — the back problem, alcoholism, whatever it may be. It's not the agent's problem, not the home office's problem, nor the underwriter's problem. It is easy to get caught up in the process and lose sight of this fact, but doing so will only muddy the waters and hinder the process of delivering coverage.

General Agencies

Some general agencies work with special risk cases frequently. Fill out a request for proposal form, giving all the information, good and bad, about the client. The client's history and current condition, diagnosis, prognosis, any lost time from work because of the problem, current and past medications, and any changes in medication are all necessary pieces of information in order to proceed diligently. Send this information to a general agency that is an established expert in disability income and let them go to work for you and your client.

If it's a simple problem, the general agency can inform you of the rider (back rider) or rating (height and weight or driving record), and then you can explain it to the client. If it is acceptable to the client, you can take the application. If it's not acceptable to the client, move on because it is not going to be a good fit.

On the other hand, if it's a more complex problem, show the client a 90-day elimination period, two-year benefit plan. You should not over-promise by quoting a 30-day, to-age-65 plan with all the optional benefits. Aiming too high like this

will probably destroy any chance of delivering the case because the client will be disappointed when the case is rejected and may decide to forego the process altogether.

Tools for Success

Another great tool when attempting to deliver special risk cases is the return of premium option. If your company offers this option on its special risk coverage, you should take advantage of it for your client because it helps to blunt the argument that they should not be ridered or rated — at a specified age (usually 65) — they'll get their money back!

Some companies have also designed a special risk graded benefit policy. Uner this type of coverage, if your clients are disabled in the first year, they would receive a portion of the full benefit; in the second year, a larger portion of the benefit; and in the third year and forward, the full benefit. This can be an excellent opportunity to give the client disability income protection because the company is willing to make an offer instead of decline the application outright.

Yet another option to consider is that many insurance companies offer a guaranteed issue group insurance program, both voluntary and employer-paid, for those with special risks. Keeping all of this information in mind, the issue is and always will be the protection of one's paycheck. This issue is just as serious, maybe even more serious, for people of marginal health than it is for the "perfect risk." By following some of the "do's and don'ts" of securing special risk coverage, you'll be able to give your health-challenged clients the financial security they seek, as well as increase your commission income in the process. Most importantly, remember that the odds of placing the special risk case depend on the course of action you choose to take when the risk is first disclosed to you.

Marshall Gruening entered the insurance business 43 years ago. Today, he oversees his own operations, Gruening Disability, with more than 300 brokers in five states. Since 1967, Mr. Gruening has incorporated Illinois Mutual's DI products into the product portfolio used by his producers. He is also a founding member of the International DI Society.