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Recognizing And Overcoming DI Underwriting “Landmines”

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

First off, what is a “landmine” in disability insurance (DI) underwriting? A landmine is some sort of health or other type of condition/situation, that when submitted to an underwriter (or later detected by an underwriter during their scrutiny of the application and or medical records, etc.), could explode in the producer’s face. The application can/will be rejected and the prospect at the very least is not going to be a happy camper. The applicant went through a lot to help get the application thru the process – tax returns, examination, interview, etc. – and it could all be in vain!

Will the agent be blamed for not knowing any better when he or she submitted the application, not detecting and/or providing the landmine information in the first place? Probably. Could the agent lose the client and/or not get any more referrals? Perhaps. Did the situation have to happen? Probably not. How could the agent have known what to anticipate and what could have been done if they had known?

First, let’s look at what it takes to get an application thru the underwriting maze. Currently, the underwriter evaluates the applicant’s application, tax returns, MIB, health records, and conducts a personal history interview, all of which affects a decision to either issue a policy as applied for, issue with an exclusion/modification /rating, or decline.

Typical landmines that can impact the process are as follows:

- 1) Health issues
 - Physical (APS/exam)
 - Mental/emotional (APS/Exam)
- 2) New business
- 3) Occupation/duties
- 4) Working/traveling abroad
- 5) Working from home
- 6) Age (too old)
- 7) Income (too much, too little)
- 8) Hours worked
- 9) Other (pertains to certain business applications)
- 10) Driving record
- 11) Dangerous activities

In order to avoid embarrassment and any inconvenience to your client, the above should help the agent to recognize that going through the normal channels for some of these underwriting dilemmas will probably be a waste of time and effort for all

concerned and also have some negative consequences as well, depending on the exact circumstances. Why submit a questionable application only to find out weeks (sometimes 6-8) later, that it has been declined, when the problem could have been avoided in the first place?

What if anything, can be done in view of the aforementioned in order to somehow get a policy issued? The first thing, besides knowing that a potential problem exists, is to have your prospect be made aware that any application misinformation or omissions can produce negative results in more ways than one and full disclosure is the only solution to a possible successful resolution or conclusion. Of course, a cover letter addressing the issues in a more favorable light will help.

The next step for a successful outcome is to locate a disability insurance brokerage that specializes in hard-to-place disability coverage and enlist their help. Even so, some landmine situations typically might only produce a five-year benefit period/exclusions/rating etc., although I have seen coverage issued that has been for a shorter/longer benefit period and without a rating or exclusion.

Are there other solutions/remedies? Yes, but are they worthwhile? One might be to wait for the landmine to disappear, but is this a good idea? No, I don't believe so. I don't believe waiting a few years for the problem to possibly disappear is a worthwhile decision, so with that view in mind, consider this: At least initially, a "half of loaf of bread, is better than none!" At least during this waiting period, your client has some coverage and if/when the condition resolves itself, the exclusion/rating can be considered for removal and if it was issued with a shorter benefit period than applied for, then if feasible, the insured can reapply.

Rather than bouncing from one carrier to another, to save you time and effort, I would speak to someone who specializes in hard-to-place cases and who has access to carriers who will more than likely issue some form of coverage. Thereafter, when the problem has been satisfactorily resolved, your client can reapply to your first-choice carrier.

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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