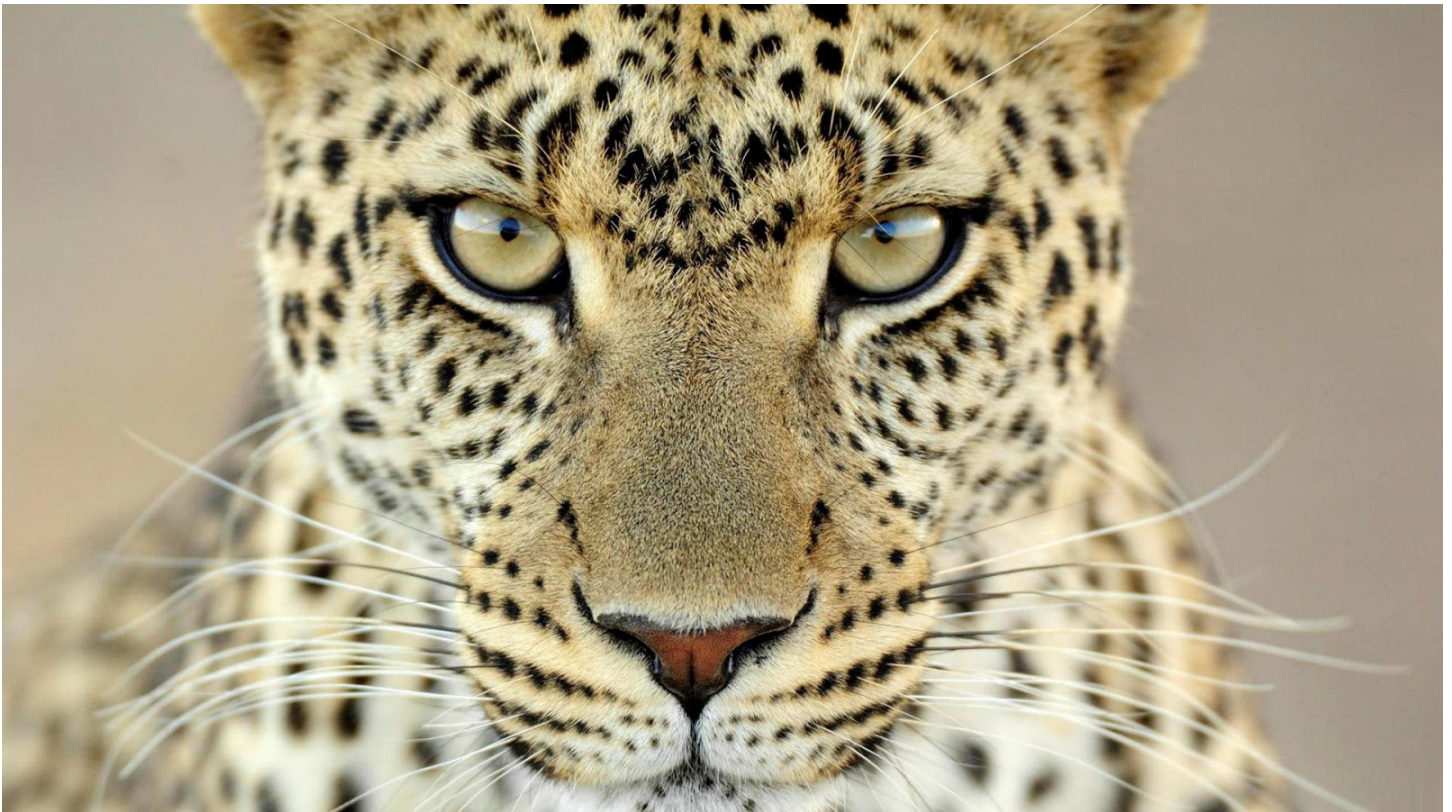


BIG CASES WITH BIG AGES

The Big Game Hunter



BROKERS' SERVICE
MARKETING GROUP

The big game hunter is a different breed. He is not your average weekend sportsman. He spends days and sometimes weeks planning and preparing his strategy for a successful campaign. His equipment is more expensive and his hours are longer, yet the reward for his efforts is handsome. Such is the life of a big game hunter and such is the job of a big case underwriter. Big cases come in different shapes and sizes, but their lure is always the same ... success. Everyone wants to bag the elephant, but few are truly prepared to do so. The purpose of this article is to provide guidance through the big case underwriting process, with special attention to the older age client.



The Anatomy of a Big Case

What is a big case? The definition is far from universal. For some it's \$2 million of face amount, for others it's \$20 million. For some it's \$25,000 of premium, while for others it's \$250,000. Whatever your criteria, the components for successful big case underwriting presentation remain the same; a relentless commitment to preparation, combined with an undaunting attention to detail.

There are two schools of thought when marketing big cases to older ages. In one frame, it's important to immediately take an application and have the client examined in order to emotionally lock in the client. In the other, it is important to remove any chance for surprise by taking an informal inquiry, gathering all the APS data, making a presentation to a preselected group of companies, and negotiating a quality offer. When you have a serious client, our firm recommends the latter unless the former is absolutely necessary. While competition may be pressing for an application, the informal inquiry strategy helps separate the level of one producer's services from another.

There is an obvious correlation between advanced age and an increased percentage of appraisal impacting medical impairments. The up-front APS process removes the clinical history surprise factor at the point of sale, rather than at the point of approval.

Once the underwriting negotiations are complete and the underwriting company selected, the producer can better prepare the client for his examination requirements (having benefited from the informal inquiry process.)

The mature client often receives higher quality and more frequent medical care. As a result, it is likely that the APS data will contain routine testing that can alleviate the need for certain examination requirements. Some companies will accept such APS evidence for up to 12 months before requiring current test results. This approach not only makes the examination process more convenient for the client, but it also reduces the underwriting company's acquisition costs.

It is our experience that the affluent older age client appreciates and respects this approach as he would any other well-conceived business plan. Why take risks on big cases when you do not have to? Why not reduce the potential emotional cost to the client rather than pursue his emotional commitment to the sale?

Attention to Retention

A producer working in the big case marketplace must have a thorough understanding of the reinsurance market and how it interacts with his core underwriting companies. The critical job function of any big case field underwriter is his “attention to retention.” An underwriting company’s retention limitations can have as much impact on big case placement ratios as the underwriting offers themselves. Underwriting control is fundamental to successful case presentation and retention often dictates control.

Let me explain. As previously mentioned, big case underwriting requires a commitment to presentation and a keen regard for detail. It also mandates that the presenter of the case understand the two core disciplines of big case submission. The first commandment is “Thou shall never subject a big case to facultative underwriting.” There is always the potential for trouble when the presenter of a big case is not speaking with the decision maker. Why would the individual most knowledgeable in the nuances of the case risk the chance of not participating in the underwriting decision?

It is important to note that once a big case goes facultative, it is the ceding company underwriter who is now doing your bidding. Will he communicate the case subtleties with the same insight? Will he be ready to immediately smother the imploding spark of underwriter uncertainty? And will he work the case with the fervor and sense of urgency it requires? In some rare instances, the answer is “yes.” However, in most, it is a resounding “no.”

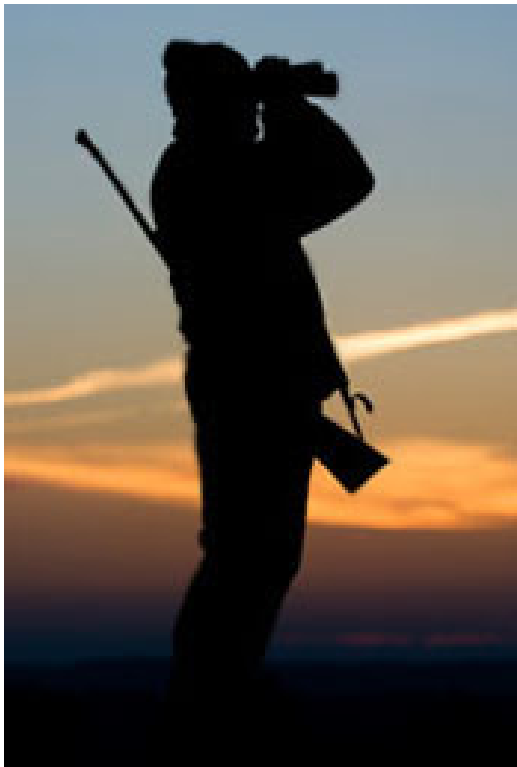
It is extremely important that the individual who best understands the idiosyncratic pieces that often comprise a big case also manage its presentation. Selecting the company or companies with the retention to accommodate the face amount at risk will assure the big case with its most reasonable opportunity for underwriting success. This brings us to the second commandment of big case underwriting, “Thou shall never give up.”



The Thrill of the Hunt

There is one simple truth to successfully underwriting big cases with big ages and that is, “All cases are not created equal.” This premise, by no means, suggests that big cases at smaller ages or small cases with big ages are relegated to some bastion of underwriting unimportance. Rather, it simply means that big cases with big ages, by their nature, warrant additional time, added expense, and more intellectual inquiry in order to promote their worth.

Frequent exposure to big ages produces frequent exposure to special risks. Father Time has created a field of underwriting which is rich in opportunity, yet often difficult to harvest. It is the “difficulty” part that houses the keys for success; perseverance, and the knowledge necessary to direct it. When underwriting the older age case, it is imperative that the presenter understand the physiological properties of aging. A 25 percent reduction in renal function after age 70 does not necessarily mean an impending likelihood for renal failure. The normal aging process can induce a reduction in renal function by as much as 30 to 40 percent. Inferior lead ST segment changes on a resting electrocardiogram can clinically be correlated with the normal aging process rather than an underlying cardiac abnormality. We have found that the latest data and clinical nuances are invaluable in gaining a clear comprehension of the older age risk at hand.



Presentation of the older age risk must also focus on devotion to completeness and a “go beyond the APS” mentality. The case presenter cannot stop at the evidence itself; he must go beyond the data and present the whole person. What are the mental and physical activity levels of the client? An ongoing diet of vigorous intellectual stimulation and exercise can play a significant role in differentiating a good older age case from a bad one.

An example of such a case was recently submitted to our firm. It involved a 77 year old woman whose heirs were requesting \$2.5 million of coverage. The case had been declined by seven carriers prior to our review. By all accounts, the case appeared clinically clean, except for two entries in the most recent visit to her attending physician. In the doctor’s chart notes he cited the patient’s current confused mental state and his belief that dementia or early stage Alzheimer’s was the likely culprit. There was no referral to a neurologist nor was there any conclusive testing that would lead directly to such a diagnosis.

Our primary goal was to dispel the image that this woman was on the verge of some form of vegetative state. We first asked to speak with her children to determine if it was worth taking the next step. They claimed that, although their mother was experiencing some infrequent short term memory loss, she was still “sharp as a tack.” We asked their permission to videotape their mother as she went about her daily activities and they agreed. What we discovered was a 77 year old woman who prepared French toast and western omelettes for her

children for breakfast, followed by a lively discussion of her most recent artistic undertaking. It turns out that the client is a freelance artist who has sold several watercolors (all done in her kitchen) over the last five years. We then watched as she drove her Buick Regal to meet two friends for lunch. Upon her return, she painted, did some light grocery shopping, and spoke quite articulately with her son on the telephone.

We took the tape and the chart notes to a geriatrician who reaffirmed our position that an elderly person will oftentimes appear confused or disoriented, especially when confronted with a situation that makes them feel uncomfortable. As a result of “going beyond the APS,” we had achieved our goal of presenting the client in a completely different light. We brought to bear the total person and obtained a standard offer with an annual premium of \$125,000. Our approach gave the home office underwriter a reason to differentiate this case from others similar to it because the data was amplified and subjectively was added. *It is truly invigorating to recognize your quarry, track it down, and then defeat it.*



Observations

As the fastest growing segment of our country’s population, the older age market presents us with an abundance of underwriting opportunities. The advent of ongoing clinical research, advanced treatment measures and a popular appreciation for lifestyle enhancement are telltale signs that the future of this market bodes well.

The older age group also presents us with two very valuable market attributes, the highest asset and discretionary income base of any other segment of the population, plus an extremely high degree of persistency on placed cases. This combination should be a driving enticement for producer and underwriting company alike.

What are we doing as life underwriting professionals to address this burgeoning source of business? Quite frankly, not very much. Although there are some companies that have shown our firm a willingness to pursue older age underwriting, their capabilities to perform are limited. The problems exist not with individual company standards but rather with the overall posture of our industry. Underwriting departments are not provided the instruments necessary to accurately measure the older age risk.



We suggest considering the development of a distinct set of underwriting tools that more precisely address the older age client. For example, a different set of “normal” exam criteria for the senior client, an underwriting training program to establish underwriting specialists for older age risks, and the on site availability of a medical specialist in geriatrics to bring older age risks to the forefront of underwriting ability.

However, it is not enough to limit the adjustments to underwriting departments. Actuarial and product development teams might consider the advancement of a “death” insurance contract. The older age client is purchasing a policy for the sole purpose of providing death benefit proceeds to a beneficiary. If a product could be developed without concern for cash value accumulation, but rather pure death benefit, there should be reduced cost to the older age client as a result.

Conclusion

Success in big case underwriting at the older ages begins with knowledge and is complemented by experience. A brokerage underwriter intent on big case achievement must understand every detail of the risk being presented and have the experience necessary to use it. He should have a working comprehension of:

- Underwriting company retention and reinsurance arrangements.
- Using attending physician statements as a means to alleviate current underwriting requirements and use the attending physician as a consultant in the underwriting process.
- What it takes to go “beyond the APS” in order to present the risk in its most complete and benevolent light.
- Underwriting presentation “control” and what it means to big case success.

When you are hunting for the big case, always keep your eyes open, for you never know from where the next big one is coming.

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Mr. Moynihan recently served as President of CBIZ Special Risk, a wholly owned subsidiary of CBIZ (NYSE: CBZ). In that role, he led all risk appraisal, new business and carrier/producer relationship efforts. Prior to joining CBIZ, Mr. Moynihan was a Home Office Underwriter with Connecticut General and Manager of CIGNA Associates Impaired Risk Division. With more than 25 years of experience in the life insurance industry, he possesses a unique skill-set utilized to differentiate mortality risks. He has extensive experience handling difficult risks as well as working with attending physicians, medical directors, and home office underwriters on behalf of financial advisors.

Mr. Moynihan is a contributor to several industry publications on various insurance solutions topics and has also been the keynote speaker for AHOU, CLU, IAFP and IRUA meetings on the subject of insurance underwriting.



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