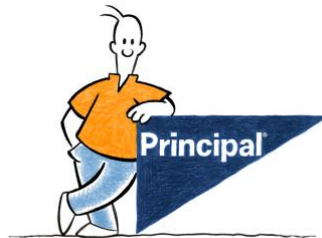


Individual Disability Income (DI) Insurance

DI Underwriting Basics

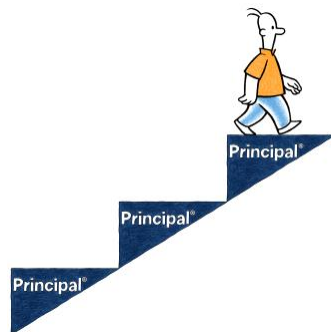


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Individual Disability Income insurance

Three tiers of DI underwriting



1. Occupation
2. Medical
3. Financial/Income



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Individual Disability Income insurance

Occupation classification

- Job duties
- Environment
- Income
- Stability

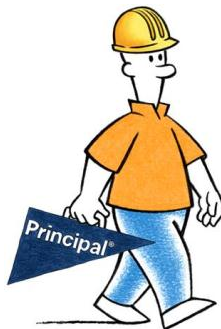


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Individual Disability Income insurance

Occupation examples



- **A** – shipping and receiving clerk, press worker
- **2A** – building inspector, medical assistant
- **3A** – administrative assistant, bookkeeper
- **4A** – computer programmer earning less than \$70,000/year, executive earning between \$45,000 and \$60,000/year for the past two years
- **5A** – attorney, executive earning over \$60,000/year for the last two years

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Occupation Classification

Can you answer these questions?

- What is your client's day like?
- If any manual duties, what are they and what percentage of time do they represent?
- Do they have ownership?
- How many employees?
- Do they have multiple occupations?

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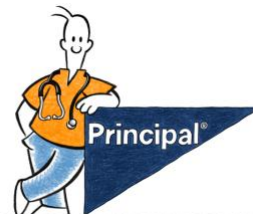


Individual Disability Income insurance

Medical underwriting

Common concerns:

- Back disorders
- Stress/anxiety-related history
- Cancer
- Diabetes
- Heart attacks
- High blood pressure/cholesterol
- Hyper and hypothyroid
- Arthritis
- Height/Weight



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Individual Disability Income insurance

Potential Medical Requirements

- TeleApp Interview (Simplified)
- Paramedic Exam
- Physical Measurements
- Electrocardiogram (EKG)
- Attending Physician Statement (APS)
- Blood Profile
- Urine - HIV

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Medical Underwriting

Strategies for the DI underwriter

- Reduce benefit amount
- Reduce benefit period
- Lengthen the elimination period
- Modify or eliminate optional benefit riders
- Rated policy – additional premium
- Exclusion riders – able to provide policy that would have been declined
- Modified exclusion
- Combination of any of the above

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Medical Underwriting

Can you answer these questions?

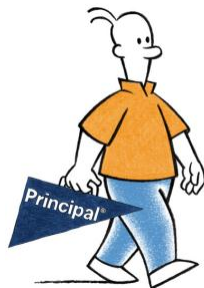
- What is your client's height and weight?
- Does your client take any medication? If yes, what, for how long and why?
- Does your client have a history of any illnesses or conditions? If yes, what, for how long and what treatments were done (or are being done)?

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Individual Disability Income insurance

Financial underwriting



- DI replaces *lost income*; insuring earned income
- Know the client's business entity and/or income history
- Submit appropriate documentation
- Watch out for high net worth, significant unearned income, new businesses

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Income earnings patterns

- If income shows a decrease, use the lower amount
- If income varies or shows a significant increase from year to year, use a three year average
- KEY – understand the reasons for the change



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Projected incomes and occupation changes

- **Use current earnings** – projected income should never be used
- **Use prior earnings** – if on a new (similar job) making similar income
- **Do not use prior earnings** – if new (similar job) making less or new unrelated occupation

If starting new business or purchasing an existing one, coverage during first year handled on a case-by-case basis.

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Financial Underwriting

Can you answer these questions?

- What was the client's taxable earned income this year? Last year?
- Has the client ever declared bankruptcy?
- Does the client have any other disability coverage (for example, group short-term or long-term disability or other individual disability insurance)?

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Individual Disability Income Insurance

Additional considerations

- Aviation
- Recreational activities
- Smoker/non-smoker status
- Home-based workers
- Criminal/illegal offenses
- Driving record
- Seasonal employment

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Individual Disability Income Insurance

Your role in underwriting

- Choose your clients – pre-screen!
- Provide complete information on the application
- Realize your client's motivation
- Be open and honest with your underwriter

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Questions?



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