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Brokerage News



Field Underwriting Saves Time and Effort

You spend valuable time selling a prospect on the need for Disability Income and Long-Term Care insurance. Some would suggest the next step is to prepare the application and required forms for submission. However, we would suggest that thorough field underwriting before or while selling the prospect can *save you and your client a great deal of time and effort*.

The importance of field underwriting on the part of an agent cannot be emphasized enough. Not only does it reduce the possibility of a declination, after all of the time and effort invested, but it allows the underwriters to focus on your clients that are insurable thus potentially providing a faster turnaround.

The first step is to get acquainted with your clients. Whether existing clients or new prospects, clients who are comfortable with you are more likely to share an accurate medical history once you educate them on the need for field underwriting. Make it clear that ‘surprises’ will only delay the process and/or possibly result in declination.

Analyzing the potentially uninsurable combinations requires more homework and due diligence from you. The more detailed information you obtain and relay to us, the better chance we have of providing you with the most accurate underwriting outcome (understanding that there are always notes in the medical records that the client might not be aware of).

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News You Can Use

- **DI Day Seattle is on May 1, 2009**, at the Lynnwood Convention Center. Reserve your seat today by contacting Kelsie Van Tine at (877) 455-9580 or logging on to www.pacificadvisors.net.
- Principal introduces Key Person and Loan Redemption DI Products (see pages 2-3 for details).
- John Hancock’s Custom Care II *Enhanced** maintains all the provisions of Custom Care II, plus the following provisions: Unlimited CPI Inflation option, Caregiver Support and Consumer Protection Provisions.
* Available in AL, AK, AZ, AR, CO, CT, DE, DC, GA, HI, ID, IL, IA, KS, KY, LA, ME, MI, MN, MS, MO, MT, NE, NH, NM, NY, NC, ND, OK, PA, RI, SC, SD, TX, UT, VA, WA, WV, WI, WY.

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If there are specific topics you’d like to see covered in future newsletters, please contact:
Kelsie Van Tine
at kelsie@pacificadvisors.net

Field Underwriting Saves Time and Effort *continued*

The investment of time up front will pay dividends on the back end.

Once qualified and before you submit the application, prepare the client for what to expect (and enlist their help) during the underwriting process. For example, let your client know that a phone history interview, attending physician statement and/or a face to face assessment may be required. If the client is surprised by these requests, they may decide not to move forward.

Top Three Reasons DI and LTC applications are denied:

1. Undisclosed medical history - Urge your clients to be forthcoming in giving you their medical history. While sometimes it may be uncomfortable, remember we are professionals and you are using this information only to evaluate their insurability.
2. Medical history - Ask your clients what medications they take, why, dosage and frequency. Medications provide insight to a medical situation. The ‘why’ is important as many medications are used for multiple conditions that may or may not be related.
3. Combination medical situations - Be aware of those co-morbid conditions that are clearly uninsurable. It will save you time and effort.

For assistance with field underwriting, please contact us for a ‘health pre-qualification form’.

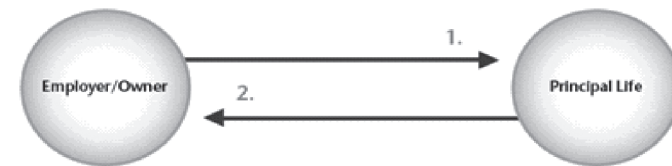
Key Person and Loan Redemption DI

Principal has introduced two new business products - Key Person and Loan Redemption DI. These policies help business owners protect the investments they have made in their organization.

Key Person:

This policy is an efficient way to provide business clients with the funds necessary to handle the loss of a key employee due to a total disability. Benefits can be used at the discretion of the employer, but common uses include recruitment and training costs, temporary staffing needs and short-term revenue replacement. Here's how it works:

1. The employer pays the premium and the owner of the policy insuring the key employee in the event of Total Disability.



2. If the key employee becomes Totally Disabled, the employer receives benefits, and those benefits are generally tax-free. Benefits can be used at the discretion of the employer.

If the insured key employee meets the definition of Total Disability, the owner of the policy receives either a lump sum payment or a combination of monthly and lump sum payments (depending on how the policy is structured). To meet the definition of Total Disability, the insured must be unable to perform the substantial and material duties of his/her Key Person Occupation and not be working in any other occupation which is comparable by duties and/or earnings for the business.

Policy Basics:

- Issue Ages: 18-55 (single and multi-life) conditionally renewable to age 65 with guaranteed premiums
- Rates: Sex Distinct (Montana has unisex rates)
- Occupation classes: 3A/3A-M and above)
- Benefits: Lump sum or combination of monthly and lump sum
- Elimination Periods: Monthly - 90 or 180 days; Lump sum - 180, 365 or 730 days.
- Maximum Issue Limit: Based on calculation of two times insured key employee's earned income (up to \$500,000)
- Sales Programs: Fully Underwritten, Multi-Life, GSI (employer-pay only)
- Discounts: 10% Select Occupation, 20% Multi-Life (based on sex distinct rates)
- Policy Features: Interrupted Elimination Period, Recurring Disability, Waiver of Premium Benefit

Underwriting:

A key employee is typically someone who:

- May or may not be one of the owners but is critical to the livelihood of the business
- Is responsible for management decisions
- Is highly paid
- Has a significant impact on sales
- May have a special rapport with customers or creditors

Principal's underwriting guidelines include:

- Earned income must be more than \$30,000 per year
- May not own more than 50% of the business
- Can only be insured as a key person under one business entity

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Key Person and Loan Redemption DI *continued*

- Must be actively working full time (at least 30 hours per week) in the key person situation
- Must be employed in the key person position for at least 12 months

Financial Verification:

- Application supplement must be submitted with the application
- Non owner - W-2 or third party verification of salary and bonus (will not accept a letter from employer)
- Owner - Same financials as required for Individual DI insurance.

Business Loan Protection Rider:

Covers business-related loan obligation during the owner's total disability up to \$10,000 per month. Types of loans covered include those taken out to cover:

- The purchase of a practice or existing business
- The purchase of a large piece of equipment, facility renovations and improvements
- The expansion of the business or practice
- An increase in working capital or build up of inventory
- The purchase of a building or land (must be purchased for the sole use of the business)

The loan obligation should be in the form of a Term, Variable Rate, Commercial Mortgage or Lease Financing Loan.

How it pays:

Benefits are payable to a lost payee when the insured meets the policy's definition of a Total Disability; unable to perform the substantial and material duties of your occupation and are not working. Benefits are sent on the first loan payment date after the elimination period is satisfied and continue during the benefit period.

Specifics include:

- Benefit Maximum: \$1 million
- Benefit Period: End of the financial obligation or earlier (3 year minimum) but not to exceed the policies age 65 policy anniversary
- Issue Ages: 18-60
- Elimination Periods: 30, 60, 90, 180, or 365 days
- Occupation Classes: 3A / 3A-M and above
- Sales Programs Available: Fully Underwritten, Association, Simplified, Multi-Life, GSI
- Discounts Available: 10% Select Occupation, 20% Multi-Life (based on sex distinct rates), 10% Association
- Multiple Loans: If the client has more than one business-related loan obligation to cover, multiple OE insurance policies must be purchased.

Financial Verification:

- Completed Overhead Expense statement must be submitted with the application
- Prior year's business federal income tax return or Profit and Loss Statement for the last 12 months - if in-force and applied OE exceeds \$10,000 per month
- Copy of loan contract/agreements
- Must qualify under the earned income guidelines for Overhead Expense insurance

Products are not yet approved in all states - please call Pacific Advisors for a list of state approvals.