

When Is “Table 2” a Good Deal?

By Steve Edmiston, CLU, FLMI, ACS

Rarely a day passes when we do not receive a “surprise” offer from a carrier with a rating for one reason or another. Generally, this is not the type of surprise that endears the writing agent to the underwriter responsible for the decision. However, there are a few positive aspects of a rated offer:

1. The client may receive some free information about his health that will improve the quality of or perhaps even save his life. I have actually seen this occur on at least two occasions. In one instance, the insurance exam uncovered the beginning stages of renal insufficiency. The client immediately consulted a specialist and has made lifestyle changes to improve the condition. (By the way, the client was able to switch to another carrier with a more aggressive underwriting strategy and obtain an offer of Table 2. The client was thrilled with this outcome.)

In the second situation, the client had been examined and received a policy on a preferred basis. He was so happy with the policy that he applied for an additional policy the next year. Unfortunately, this exam revealed that the client was in the early stages of cancer and consequently, was not eligible for new insurance. However, the previous policy included a critical illness provision and half of the death benefit was paid out due to the diagnosis of cancer.

2. As mentioned above, in many cases, clients are able to switch carriers and obtain an offer that is better than the rated offer. “Better” means we can either get the client a better premium rate resulting in a lower outlay per year, or we may be able to obtain a less “offensive” underwriting class for the same cost. It is amazing how willing a client is to buy a policy just because he has been categorized as standard or select instead of substandard. But all things being equal, I always recommend that the client choose to buy the most cost-effective policy. Insurance companies show what they truly think about the client’s mortality by how much they charge for the insurance, not by what they label the insured.
3. The client could have a condition, which in a few years could cause him to be uninsurable. By locking in his current underwriting classification, the client can preserve the option to protect his family forever. In fact, rated term policies in today’s market can be less expensive than standard term insurance was 10 years ago. By purchasing term insurance now, the client can buy some time to improve his health or change some of the behaviors that contribute to the rating. The client may wish to buy insurance in increments instead of one large policy. This allows him to easily convert portions of the insurance over time.
4. The client may have a behavior he wishes to continue, which can be underwritten more favorably at a carrier that specializes in such behaviors. For instance, there are a few carriers that will consider non-cigarette tobacco users as preferred non-tobacco users. While this is not a new concept, many agents do not know that, under certain circumstances, it is also possible to get a recreational marijuana user preferred non-smoker rates. It is a matter of matching the carrier to the behavior. One carrier will even treat an occasional cigarette smoker as a preferred non-smoker if the circumstances meet certain requirements. This includes smokers of up to a half a pack a day smoker in some situations.

Again, many clients are sensitive to being tagged as a smoker when they don’t smoke cigarettes. This can be the difference between a sale and a not-taken policy. You need an experienced advocate when searching for these programs and niches.

