

# Understanding DI Underwriting



# MetLife



At **MetLife**, we believe that disability insurance (DI) can be a core part of many clients' financial plans. That's why we are committed to delivering the disability insurance resources you need to help grow your business.

With this **Understanding DI Underwriting kit**, you'll become more comfortable with how DI underwriting works, so you can help your clients through the process.

# Understanding DI Underwriting

## Medical Underwriting Overview

Medical	Financial	Occupational	Outcomes
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The health of your client is one of the factors used to determine eligibility for disability insurance. Medical conditions and health history are used to evaluate the likelihood of becoming disabled in the future. An applicant for disability insurance will be asked to supply detailed information including height and weight, medications and medical history. In addition, doctor records may be requested, a paramed exam and labs may be required and a personal history interview (PHI) may also be required to verify information on the application.

### Medical Underwriting is Different with DI than with Life Insurance

DI underwriters consider morbidity factors; these are health conditions that have a statistical impact on the likelihood of becoming disabled. Conversely, life insurance underwriters consider health information that statistically could impact the likelihood of dying (mortality). While some conditions would impact both morbidity and mortality, certain conditions are a stronger indicator of morbidity risk factors.

### What to Look for

The following medical conditions are likely to receive closer examination by a DI underwriter:

- back disorders
- heart conditions
- shoulder disorders
- neurological conditions
- mental / nervous disorders
- knee disorders
- diabetes
- pregnancy / c-section / infertility

### MetLife's Typical Medical Underwriting Requirements for Disability Insurance (DI) and Business Overhead Expense (BOE) Insurance

MetLife DI Typical Medical Underwriting Requirements		
Simplified Underwriting Program (not available in California)		
Age	Maximum Monthly Benefit Amount	Requirements
18-50	\$0 to \$3000 (IDI)	Application, Rx Inquiry
	\$0 to \$7500 (BOE)	
18-45	\$3,001 - \$6,500 (IDI)	Application, Rx Inquiry, PHI
	\$7,501 - \$10,000 (BOE)	
Full Underwriting		
Age	Maximum Monthly Benefit Amount	Requirements
18-70	Under \$3000	Application, Rx Inquiry
18-54	\$3000-\$5000	Application, Rx Inquiry, Simple Paramed, Blood and Urine Specimen
	Over \$5,000	Application, Rx Inquiry, Full Paramed, Blood and Urine Specimen
55-70	\$3000 & Up	

### What You Can Do

The more information you can gather about an applicant's medical history, the better. Being able to identify morbidity risks in the field can help you speak with an applicant about the possible underwriting outcomes. Preparing them for the underwriting process can increase the likelihood of them accepting a policy that might exclude certain conditions or cost more than originally thought.



# Understanding DI Underwriting

## Financial Underwriting Overview

<b>Medical</b>	<b>Financial</b>	<b>Occupational</b>	<b>Outcomes</b>
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The amount of money your client earns will determine the amount of monthly benefit he/she can obtain. During the application process, your client will need to provide proof of income, like a W-2, 1040 or recent pay stub. They will also have to report any unearned income, liquid assets and bonus or commission income. If your client owns his/her own business, see below for examples of the tax forms he/she will need to provide.

### Examples of Forms an Insurer May Require:

ENTITY	TAX FORMS (Most Recently Filed)*
Employee (non-owner)	W-2 or YTD pay stub
Sole Proprietor	Schedule C
Partner	K-1
Owner S-Corp	1120S & K-1
Owner C-Corp	1120

\*Full 1040 forms with all schedules are generally required for monthly benefit amount requests above \$7,500.

### Factors That Help Determine Your Client's Amount of Disability Coverage

**Earned income** — Insurance companies leverage their own unique guidelines for determining how much monthly benefit an applicant can receive, based on his/her income. Typically, the company will offer an applicant income replacement anywhere between 50 and 70% of the applicant's pre-tax earnings.

**Unearned income (investment earnings)** — To reduce the possibility of over-insurance, insurance companies may reduce the maximum monthly benefit. Occasionally, applicants with extensive assets or unearned income may not be eligible for DI coverage, or may be offered policies with reduced benefits, longer elimination periods and/or shorter benefit periods.

**Other disability coverage in force** — Group Long-Term Disability (LTD) and existing individual DI coverage count toward the maximum benefit one can obtain. Typically, the amount of group LTD coverage in force or available is taken into consideration in determining the amount of individual DI coverage an insurer will issue. The amount available varies according to the individual DI benefits being applied for and the taxability of the LTD benefit.

**Gathering these important details regarding the sources of income and other disability coverage are crucial to help reach the best possible decision during underwriting.**



# Understanding DI Underwriting

## Occupational Underwriting Overview

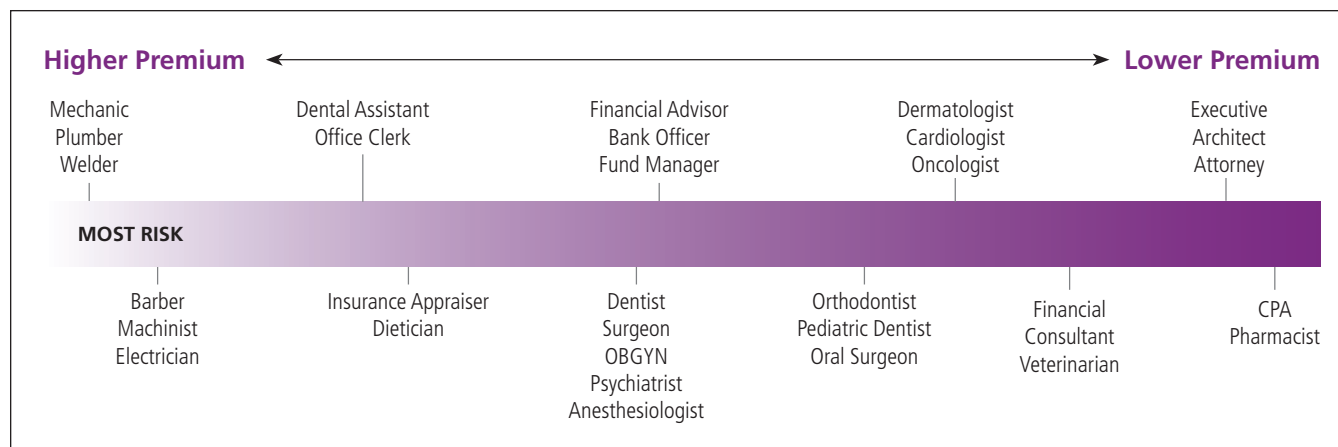
Medical	Financial	Occupational	Outcomes
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Your client's occupation will play a very important role in determining what kind of DI insurance he/she can buy and how much the policy will cost. This is a much more significant factor when underwriting disability insurance than it is for life insurance. Occupational classes are assigned based on the requirements of an applicant's job and the risk that job poses to the applicant's health, as well as industry claims experience. In addition, your underwriter will want to know information beyond the client's job title, such as job duties and tenure in that position.

### Occupational Classes

Occupational classes are arranged on a scale where the more risky occupations are assigned a higher premium and the lower risk occupations generally have a lower premium. For instance, if your client is an architect, an engineer or a CPA, he/she may be less likely to become disabled than if he/she is a maintenance worker or mechanic and therefore his/her premium will generally be lower. If your client also has high earnings, he/she may be eligible for a DI policy that has a more flexible definition of disability and more comprehensive coverage. A MetLife representative can provide specific information around occupational classification.

**Knowing your client's occupational risk level can help you set realistic premium expectations before the policy is issued.**



Occupations shown are examples only and are not all inclusive. Non-eligible occupations may include actors, police officers, pilots, armed services personnel, asbestos workers and lifeguards to name a few.



# Understanding DI Underwriting

## Potential Underwriting Outcomes

Medical	Financial	Occupational	Outcomes
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After all underwriting requirements are met and evaluations are complete, your underwriter will make a decision about the application. The possible outcomes would be: the policy gets issued as Standard, which means it's issued as applied for; the application is declined; or the policy is issued with one or more of the following adjustments:

- Different occupational class: Can increase premium and change product or optional benefits
- Reduced benefits: Shorter benefit periods, increased elimination periods, reduced monthly benefit amount or limited optional riders
- Change in policy rating: Increases premium to offset the risk
- Add an exclusion rider for a particular risk

By issuing policies with adjustments, MetLife is able to cover the costs that may be needed to pay a higher rate of claims. The higher risk level may be due to a medical issue, occupational risk or financial concern.

### What is a Medical Exclusion Rider?

The underwriter may identify a medical condition or impairment and decide that future claims resulting from that condition or impairment would not be covered. A rider is only considered when a medical condition/impairment exists that significantly increases the risk of disability. Some exclusion riders provide coverage for the specific condition or impairment, but with a reduced benefit period and/or an elimination period that is longer than the base policy.

### Can an exclusion rider or rating be good news?

Even with a pre-existing condition excluded, the coverage is no less important. A person could become disabled in many ways and the ability to protect against them should not be taken lightly. If a policyholder becomes disabled, he or she should submit a claim for benefits even if the disability is thought to have resulted from an excluded condition. MetLife conducts a thorough review of every claim to determine whether a disability is in fact excluded by the rider in question.

**The more informed applicants are from the beginning, the more likely they will be to accept the policy terms, even if the policy isn't exactly what they were hoping for.**



### Consider the following hypothetical scenario:

Ms. Diaz is a 42-year-old oncologist who was found to have a slightly audible heart murmur. Her echocardiogram shows mild mitral valve prolapse with mild regurgitation, but she has no symptoms, has been stable for six years and is otherwise healthy. Ms. Diaz could qualify for a DI policy with standard rates with a 180-day elimination period, 5-year maximum benefit period and with a mitral valve exclusion rider. This means if Ms. Diaz were to become disabled due to illness or injury, MetLife would begin paying out her monthly benefit amount after a period of 180 days. Her coverage would continue until she exhausted her 5 year maximum benefit period or she was able to resume working. If she remained without symptoms and her echocardiogram continued to only show mitral valve prolapse with no mitral regurgitation, then removal of the exclusion rider could be considered in 3 years.



## How to set expectations and respond to less-than-ideal outcomes

- 1. Listen carefully** to application responses, verify details and discuss concerns during the application process, so your client knows what issues might arise
- 2. Explain the possible outcomes** before going through underwriting to avoid confusion or disappointment
- 3. Be prepared to offer solutions** if the outcome is not what the client is expecting. For example:
  - Contact your underwriter to discuss potential alternate offers
  - Suggest alternative benefit or elimination periods
  - Make sure clients know they can request to have their risk reassessed in the future: for example, if health improves, a new treatment is discovered or they change jobs
- 4. Focus on the reason they applied.** If the policy isn't issued as requested, that doesn't make the coverage less important. While ratings and exclusions may seem negative, they actually benefit applicants by helping them receive the coverage they need:
  - Allows policy owners with health concerns to receive coverage, rather than simply being declined
  - Policy owner may request reconsideration of their policy if the risk level changes for some reason (e.g. their condition improves or a new treatment changes the risk of the condition)

**For more information, contact your dedicated Underwriter or Case Manager.  
Or you can call the DI Resource Line, 800-929-1492, prompt #4.**

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Disability insurance is issued by Metropolitan Life Insurance Company, New York, NY 10166. All policies, riders and provisions may not be available in all states, at all issue ages and to all occupational classes. March 2014

# MetLife

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