The Secret of Selling Rated Risks

"We have given very thorough and careful study to this application. We wish it were possible to offer a contract exactly as applied for, but believe that the enclosed represents a very favorable offer, and one which the applicant would be well advised to accept."

Virtually every field underwriter—at some point in his career—receives such a message from his home office underwriting department with the issuance of a new life insurance policy. The communication is the company's way of indicating "Rated Risk" . . . the contract cannot be issued as originally applied for. An alternate policy, calling for an additional rate, is put into the underwriter's hand for delivery.

If you are that agent, you know that the offer represents a valuable opportunity for your applicant to purchase needed life insurance . . . possibly his last opportunity. Your task now becomes one of getting him to realize this and to take the necessary action.

It's an important responsibility . . . deserving serious attention. For as the following discussion reveals, the success enjoyed by agents in placing rated cases is proportionately *less than half* as good as their experience in placing standard risk policies, even though the indication is that their rated applicants have a *greater* need for the protection offered them! Evidently, "communication" has broken down—or has been comparatively non-existent.

I

Where is the Market?

Every agent is entitled to ask the question, "Is this a market for *me*?" If a particular market is not suitable to an agent's temperament, or to his aptitudes, it goes without saying that he would be foolish to venture into it. In fact, this freedom to *elect* one's market is one of the strong "plus" factors in your career as a life insurance agent. As one successful life underwriter put it, "I owe no obligation whatsoever to anyone to whom I have made no express or implied promise of service. It is my good fortune to be able to select my prospects, and accordingly my clientele."

But in choosing the market you wish to concentrate on, save yourself the trouble of questioning the wisdom of working—or not working—in the market of rated risks. The question has already answered itself! For unlike those numerous markets in which you may elect to specialize, the power to elect is not yours insofar as the rated risk market is concerned. *The rated risk market elects the life underwriter!*

IMPAIRMENTS ARE IMPARTIAL

Physical impairments, or other conditions which require the offering of rated policies, are no respecters of the family man, the young person, the mortgagor, the working woman, the college student . . . or for that matter, any group of people possessing that priceless ingredient called "human life value." This is the value attached to a human life in terms of the economic worth of an individual to himself and to those dependent upon him, now or in the future.

Since impairments are impartial, you are *in* the rated risk market—whether you like it or not! In your career as a life underwriter it's almost certain that you will offer your services to prospects whose physical, occupational, or moral status places them outside the standard risk classification of those who do not share such characteristics. Still, you will owe these "special risks" the chance to benefit from your service. Professional ethics will not permit you to ignore their needs, once you have been instrumental in revealing them. Every sincere effort must be made to assure these people the life insurance protection that they so badly need . . . and on the most favorable basis available.

We believe that the remedy to this problem can be found in *accentuating the positives*—the *"in-favor-ofs"*—in such a way that the limited negatives in a rated risk offering fade away in the applicant's mind.

That is the purpose of this manual. It will help you in this special field by removing one of the mysteries confronting most agents when they try to explain the reason for a higher premium to a rated applicant. We refer to the mystery which tends to surround the so-called Tables of Mortality . . . both "Standard" and "Sub-Standard." The following discussion will not ask you to become an expert on this complex subject, but will give you the knowledge to help you achieve greater success in your number one job . . . *selling*.

This point cannot be overemphasized. Once you have selected your prospect—an option which, as we have seen, is yours from the beginning of the relationship—you cannot in good conscience withdraw simply because a rated risk situation presents a possible difficulty in closing. This would be equivalent to allowing ANY risk—standard or special class—only one chance to say "no" . . . equivalent to walking away and refusing to attempt a close simply because the prospect poses an objection which is difficult to handle!

By turning away from the problem of placing a rated policy, you leave the applicant with a dangerous alternative . . . the chance that he may never again be able to obtain life insurance protection on *any* basis.

And of course, from a strictly selfish, commercial viewpoint, it is unwise to give up on a case you have spent time on, merely because some restrictive impairment has been discovered.

The risk of uninsurability

The most recent figures available from the Institute of Life Insurance indicate that, for every 100 ordinary life applications submitted in a recent year, three had to be declined by the companies because the risk had passed the line of uninsurability. At first glance, these statistics do not appear unfavorable . . . in fact, they are a tribute to the growing willingness of life insurance companies to accept submitted business through *individual* consideration of each application and the use of special class rates.

But look again. *It's extremely doubtful that the three declined individuals in a group of 100 applicants can work up much enthusiasm for these figures, no matter how favorable they look on the surface.* All these applicants know is that they are *unable* to obtain the protection which has been demonstrated to be vital to the financial welfare of themselves and their families. As a result, they live in constant fear of *dying too soon*—leaving their dependents without adequate income—or *living too long* and seeing their own need for income extend beyond their ability to earn it.

You have the power to see that your prospects obtain the necessary income protection *before* they reach this line of uninsurability which everyone, at some point in his life, crosses. And because the rated applicant is judged to be closer to this line than others in his age bracket, you have a special responsibility to do everything in your power to convince him to *accept* the rate—and the policy.

SIZE OF THE MARKET

Now that we have determined that—if you are a conscientious life underwriter—you are *in* the rated risk market, you are entitled to ask: "How big is it? Is the market growing or shrinking? What relationship does special class business have to the amount of standard business being written?"

The market is growing

Figures published by the Institute of Life Insurance indicate that the amount of rated risk business in force grew in a recent ten-year period from less than $12,-000,000,000 to in excess of $22,000,000,000. Annual sales during the same period rose from about $2,000,000,000 to more than $4,000,000,000. Today there are nearly *six million* rated policies in force, and approximately 450,000 contracts are being written each year with an average policy size of $9,000.

The rated risk market—according to the same source—today comprises over seven per cent of all the ordinary life business being placed each year! Furthermore—where once companies declined as much as five per cent and more of all applications submitted by agents—today they are declining *only three per cent of a much larger volume* of total submitted business. This certainly indicates that the life insurance industry is doing its part toward furnishing economic safeguards to an ever-increasing segment of our population.

> **There are a number of reasons for this favorable trend allowing more people to obtain the unique protection offered in a life insurance contract. Among them are the impressive advances made in the field of medicine in recent years, combatting disease and extending our expectation of years of life impressively. Another contributing factor is the continuing research by life insurance companies themselves, drawing on actual experience in the areas of risk selection and the attendant mortality of certain groups of risks. Such research has enabled them to accept risks which previously were considered uninsurable, and to liberalize the rating of special class risks.**

Not the least of these factors is the life underwriter himself. You and your associates in the field have contributed to this encouraging picture by continuing to improve your activities in risk selection and in the placing of rated policies. There's no denying the importance of your efforts in this area—for in the final analysis, none of the impressive medical advancements and scientific research among companies would have affected the above statistics had it not been for the life underwriter's conviction that *without a sale there is no solution to a life insurance problem*. It is in this area that you can be most helpful . . . the area covered by this manual.

A big job remains

Impressive as the progress has been in the area of insuring special class risks, there is still room for improvement. For as we mentioned earlier, there remains the distressing statistic that life underwriters are *not half as successful* in placing rated policies as they are in closing sales for standard risk business.

According to the Institute of Life Insurance, seventeen per cent of all ordinary life policies issued with a special class rate in a recent year were not taken by the applicant. This compares with only an eight per cent declination of policies issued as standard. While it is encouraging to note that the majority of rated policies *are* placed, the figures certainly do not encourage complacency: For in view of the rated applicant's vital need for life insurance protection, the life underwriter should not be satisfied until his placed-to-issued ratio is as good as—even *better* than—his achievement in placing standard cases.

With the decreasing percentage of declinations by your home office underwriting department, an increasing obligation falls on you to become thoroughly acquainted with the reasons surrounding the offering of rated risk contracts. Familiarity with these reasons—and the methods whereby rated risks are appraised—will bring improvement in your record of placing rated risk policies. And of course, this improvement will be accompanied by *increased self-satisfaction, prestige, and income.*

II

Lifting the Curtain on Risk Appraisal

In the same way that a doctor needs special equipment for measuring heart condition and blood pressure, a home office underwriter relies on certain "tools" for the appraisal of risks on an individual basis.

TOOLS OF THE UNDERWRITING DEPARTMENT

The tools used by your underwriting department to evaluate the risks you submit for their consideration are actually three sets of papers . . . the application, the medical report, and the inspection report. You are thoroughly familiar with the application. Completing it properly is your responsibility. In this respect, you are in truth a "field underwriter"—and play an important role in assuring that your applicant is rated properly.

The medical report and inspection report are necessary to complete the picture, giving information of a specialized nature concerning the applicant's physical, occupational, and moral characteristics. You can be helpful in this area, too, by arranging an early meeting between applicant and doctor . . . and keeping the doctor supplied with the necessary forms.

In so-called "non-medical" cases, you become directly responsible for *two* of the three tools used by your underwriting department. Here, you complete what is actually a limited information medical report. This is, of course, an important responsibility—for field underwriter efficiency in making such reports will determine company attitude in the acceptance of non-medical business in the future.

USE OF MORTALITY TABLES

As this discussion progresses, you will see increasing use of the phrase, "life expectancy" in place of "mortality." This is a conscious effort to illustrate that—in appraising a risk—*your underwriting department is as concerned with how long your prospect will live as it is with the probability of when he might die.* For the moment, however, let's see how an underwriting department sets up Mortality Tables for the purpose of rating special class risks, using the following table as an example.

DEATHS PER 1,000 PERSONS

Based on 1958 CSO Mortality Table

Age	Standard	125%	150%	175%	200%	250%	300%	400%	500%
20	1.8	2.3	2.7	3.2	3.6	4.5	5.4	7.2	9.0
25	1.9	2.4	2.9	3.3	3.8	4.8	5.7	7.6	9.5
30	2.1	2.6	3.2	3.7	4.2	5.3	6.3	8.4	10.5
35	2.5	3.1	3.8	4.4	5.0	6.3	7.5	10.0	12.5
40	3.5	4.4	5.3	6.1	7.0	8.8	10.5	14.0	17.5
45	5.4	6.8	8.1	9.5	10.8	13.5	16.2	21.6	27.0
50	8.3	10.4	12.5	14.5	16.6	20.8	24.9	33.2	41.5

Note that according to the sample table, "100%" is the *standard* mortality anticipated per 1,000 people in a given year. Thus the figure "200%" represents twice the standard expected mortality; "300%" represents three times standard, and so on.

For example, look at the figures for the 35-year-old group. According to the "standard" (100%) table, the expectation is that 2.5 men in a group of 1,000, age 35, will die before their 36th birthday. However, for a group of persons the same age who fall into the 200% mortality category, the death rate is 5.0 per thousand . . . or twice the standard mortality of the former group.

The tables used by your underwriting department are generally designated as Standard, Table A (125%), Table B (150%), Table C (175%), Table D (200%), etc. The rating of a risk according to these tables is determined by the information given on the application, medical report, and inspection report.

Percentage loadings added

Suppose, for example, your applicant's weight falls outside the normal maximum-minimum limits called for in the Standard 100% Table. A percentage loading is added for such a deviation. If, in addition, the applicant has an unfavorable family history—perhaps both parents having died prematurely because of a form of illness which tends to "run" in families—another percentage loading is added.

It's possible, of course, for an applicant to be classified as a standard risk, even with some percentage loading added. Most companies, for example, would not place a risk in the 125% mortality category if percentage loadings placed him at 115% or lower mortality. They might, however, refuse his application for one of the so-called "special" contracts issued by companies for a certain class of "preferred risk." In this event, they would offer to cover the risk at standard rates on a different policy form.

DETERMINING AMOUNT OF ADDED PREMIUM

Where an applicant has been determined to fall into a special risk classification, the increased premium required due to his extra mortality (or, as we plan to discuss later, his *shorter life expectancy*) can be computed in a variety of ways.

Table Rating: This frequently-used method employs the calculation of extra rates for groups of applicants in accordance with the numerical rating principle just described.

Flat Extra Rating: This method is useful for classifying risks whose special class condition is definitely terminable after a given period of time, or when the use of a different method on a long-term basis is unnecessary because of an applicant's advanced age. A flat extra rating might be applied for a five-year period following extensive surgery—with the assumption that recovery will be complete at the end of that time. Such a method might also be used in rating applicants engaged in certain hazardous sports or occupations, since it lends itself easily to modification or removal with a change in status. In addition, the method is sometimes used in combination with the table rating method just mentioned.

Graded Death Benefit: This is the method generally applied on juvenile risks. It permits issue at standard premium rates, stipulating an initial death benefit lower than the policy's face amount. The stated death benefit increases as years pass, until finally the full face amount is payable to the beneficiary.

Age Rating: This method, calling for the arbitrary addition of a number of years to the applicant's actual age, has been largely displaced by the other methods covered, and is no longer used to any extent.

Now that we have probed the mystery of the Mortality Tables—and classification of applicants according to the risks involved—we can be on speaking terms with that much more palatable phrase, "Life Expectancy," and are ready to proceed with the actual process of placing special class business.

III

When You Receive a Rated Policy

When you receive a policy in the mail—and attached to it is an ominous-sounding message similar to the one appearing in the introduction of this manual—what is your next step? How do you tell the applicant that he has been assessed an additional rate by your company?

ATTITUDE IS IMPORTANT

To be effective in the delivery of a rated policy, it is extremely important that you have a positive attitude regarding the rate. As we have seen, the company goes into great detail to classify the risk on an *individual basis* and, accordingly, to assign a *specific rate*. Consequently, you should be confident that the rate assigned your applicant is fair and equitable. If you have any doubt about the correctness of the company's decision, your attempts to place the policy are bound to be ineffective.

In addition, consider the earlier discussion in which it was indicated that life insurance companies are currently declining only about three per cent of all submitted ordinary business. This certainly is an indication that the life insurance industry is doing its part to extend protection to as many people as possible, even if they do not fall into a standard rating classification. The issuance of a policy indicates that your company *wants* to insure your applicant . . . *and that he is insurable.* It's your job to see that he does not decline the opportunity. For as we indicated earlier, this prospect's need for life insurance probably is greater than that of a person in the same age bracket who is eligible for a standard rate.

How the rated applicant feels

In most cases, the assignment of an additional rate to a policy does not hit the applicant like a bolt out of the blue. In your previous discussions with him, you may have uncovered evidence that he would be subject to a rating, and conditioned him to expect it. Of course, he may have known about it *before* you contacted him. But on some occasions, the rating *is* a surprise—to both of you—and it is on these occasions that your efforts to place the policy become more difficult.

In such an event, the applicant is being informed that his situation is different . . . that he doesn't "fit in" with the group of people who can be classified as standard risks. This isn't easy for him to accept . . . and you certainly won't make it any easier by telling him that he has been classified as "substandard!" In regard to his feelings, therefore, avoid this expression—and the term, "you have been rated"—like the plague. A far better description of his situation is that—as far as life insurance on his life is concerned—he is in a "special class." The discussion immediately following may help him to understand why such special classes are set up.

Fairness to all

We mentioned previously that a life insurance company's underwriting department makes a detailed effort to judge each submitted risk on an *individual basis,* using specific information about the risk from a number of sources. This investigation helps to determine a specific rate—reflecting the classification of the applicant according to various physical, occupational, and moral characteristics.

A comparison with a different form of insurance protection can illustrate this further. For example, before issuing a fire insurance policy covering a home or plant, a property and casualty insurance company will investigate the risk thoroughly, noting such items as the materials used in the construction of the building, its age, and its general upkeep and condition. With this information, they are able to assign a specific rate according to the degree of fire hazard present. Consequently, a house with wood siding would be assigned a higher rate than a brick house of otherwise identical characteristics, because of the greater chance of damage by fire.

> **This technique creates fairness and equity to all risks insured by the company, because they are asked to pay a rate sufficient to cover their own particular fire hazard. The owner of the brick home, as a result, is not burdened with an additional premium because the company decided to insure the frame house across the street.**

By the same token, if a life insurance company determines that a particular risk has a *shorter life expectancy* than that shown in the Standard CSO Mortality Table, it assigns an additional rate that will be adequate for the expected shorter premium paying period. Each policyowner, by this method, pays a premium determined by *his own expectation of life.* Consequently, the standard risk is not asked to pay extra because of a policy issued to a risk falling in the 150% mortality table, *just as the 150% risk is not asked to pay extra because of the insurance issued to a 300% risk.* In this manner the company assures fair treatment to all its policyowners.

When you receive a rated policy from your company, here are a few facts you can consider to strengthen your resolve before calling on your applicant. If you are successful in placing the policy, there are only three things which can happen to your new policyowner.

1. *He may die prematurely.* If so, his family will be infinitely better off because of the policy. They will not ask if the premium was standard.

2. *His condition may grow worse.* If he has a questionable physical condition . . . and it takes a turn for the worse after the insurance has been placed, he can continue his life insurance protection at the same premium that was determined to be appropriate *before* he became a greater risk. The company is bound to accept the same premium by an inviolable contract . . . the life insurance policy.

3. *His condition may improve.* If, on the other hand, the original reason for rating his policy is *removed*—if, for example, a physical hazard is improved by surgery or recovery, or he changes to a less hazardous occupation—he may apply to the company for a *reduction in premium.* From the company's standpoint, therefore, a premium cannot be raised once a policy is issued . . . but under certain circumstances it can be lowered.

The reasons why your rated applicant should accept his policy—without delay—are overwhelming. And, as indicated in the following section, you can vastly improve your chances of seeing that he obtains the necessary protection by emphasizing *expectation of life* . . . rather than increased mortality or similarly discouraging references.

IV

The Miracle of Life Expectancy

It has been said that, in making a closing presentation to most prospects, the agent achieves success when he makes his prospect see himself—if only for a fleeting moment—either "six feet under" *or* as the old man he may someday be. *For the rated risk applicant, the situation is somewhat different.* You bring him unpleasant news in the form of the rated offer itself. Now, without in any way minimizing the urgency for him to accept the contract, it is important that the applicant be assured both of the fairness of the offer and that the information does *not* threaten him with oblivion in the next several years! This applicant does not have to be scared any further . . . he needs reassuring!

HIS EXPECTATION OF LIFE IS FAVORABLE

With this thought in mind, look at the table on the following page. You'll note that—instead of showing number of deaths per 1,000 persons, similar to the table on page 7—this "revised" mortality table shows *the approximate years which people in certain classifications can expect to live beyond their attained age.* Using these figures, we can speak in a language which the classified risk will understand . . . and appreciate! For we can show him that—even though for life insurance purposes he has been placed in a special class—his expectation of life is substantial. For example, assume that your applicant is 40 years old and has been issued a policy based on 150% mortality. Using the figures in the following table, you can determine that he sacrifices *only 4.2 years of life expectancy* compared with the life expectancy of a standard risk the same age (32.2—28.0). Consequently, he *retains over 85%* of the 32.2 years of life expectancy applicable to Mr. Standard, age 40!

Obviously, this type of approach can convince your applicant that he does not have one foot in the grave. On the contrary, you can show him that your company, in using these same tables, is in effect telling him:

"You are insurable. Your expectation of life is favorable.
We have determined this in a most scientific manner."

With the offer of a policy, therefore, the company has rendered your applicant a real service. For it shows him that his situation is not substantially different from that which was outlined to him when he first recognized his need for the life insurance protection which was applied for. The only change is that—if he needed the protection initially—his need is perhaps even greater than originally assumed, in the light of recent information.

THE LAW OF LARGE NUMBERS

It is well to remember, of course, that an individual's life expectancy is based upon the *Law of Large Numbers* . . . the law used in determining the expected years of life of individuals in a large group of people with similar characteristics. Obviously, no one can predict *exactly* how long one person will live. You can tell your rated applicant that he might even live far beyond the life expectancy indicated for people in his classification . . . in fact, beyond that of many people who are rated as standard risks!

The life expectancy approach can be extremely effective in attempting to place a special class policy, as indicated in the following pages.

EXPECTATION OF LIFE IN YEARS

1958 CSO Mortality Table

Age	Standard	125%	150%	175%	200%	250%	300%	400%	500%
20	50.4	47.7	45.6	43.8	42.3	39.7	37.6	34.3	31.8
21	49.5	46.9	44.7	43.0	41.4	38.9	36.8	33.6	31.1
22	48.5	46.0	43.9	42.1	40.6	38.0	36.0	32.8	30.3
23	47.6	45.1	43.0	41.2	39.7	37.2	35.2	32.0	29.6
24	46.7	44.2	42.1	40.4	38.9	36.4	34.4	31.3	28.9
25	45.8	43.3	41.2	39.5	38.0	35.6	33.6	30.5	28.2
26	44.9	42.4	40.3	38.6	37.2	34.7	32.8	29.8	27.5
27	44.0	41.5	39.5	37.7	36.3	33.9	32.0	29.0	26.7
28	43.1	40.6	38.6	36.9	35.5	33.1	31.2	28.2	26.0
29	42.2	39.7	37.7	36.0	34.6	32.2	30.4	27.4	25.2
30	41.3	38.8	36.8	35.2	33.7	31.4	29.5	26.7	24.5
31	40.3	37.9	35.9	34.3	32.9	30.6	28.7	25.9	23.8
32	39.4	37.0	35.0	33.4	32.0	29.7	27.9	25.1	23.0
33	38.5	36.1	34.2	32.5	31.2	28.9	27.1	24.3	22.3
34	37.6	35.2	33.3	31.7	30.3	28.1	26.3	23.6	21.5
35	36.7	34.3	32.4	30.8	29.5	27.2	25.5	22.8	20.8
36	35.8	33.4	31.5	29.9	28.6	26.4	24.7	22.0	20.0
37	34.9	32.5	30.6	29.1	27.7	25.6	23.9	21.2	19.3
38	34.0	31.6	29.8	28.2	26.9	24.8	23.1	20.5	18.6
39	33.1	30.7	28.9	27.4	26.1	23.9	22.3	19.7	17.8
40	32.2	29.9	28.0	26.5	25.2	23.1	21.5	19.0	17.1
41	31.3	29.0	27.2	25.7	24.4	22.3	20.7	18.2	16.4
42	30.4	28.1	26.3	24.8	23.6	21.5	19.9	17.5	15.7
43	29.5	27.3	25.5	24.0	22.8	20.8	19.2	16.8	15.1
44	28.7	26.4	24.7	23.2	22.0	20.0	18.4	16.1	14.4
45	27.8	25.6	23.8	22.4	21.2	19.2	17.7	15.4	13.8
46	27.0	24.8	23.0	21.6	20.4	18.5	17.0	14.8	13.1
47	26.1	23.9	22.2	20.8	19.7	17.8	16.3	14.1	12.5
48	25.3	23.1	21.4	20.1	18.9	17.0	15.6	13.4	11.9
49	24.4	22.3	20.7	19.3	18.2	16.3	14.9	12.8	11.3
50	23.6	21.5	19.9	18.6	17.4	15.6	14.3	12.2	10.7
51	22.8	20.8	19.1	17.8	16.7	15.0	13.6	11.6	10.2
52	22.0	20.0	18.4	17.1	16.0	14.3	13.0	11.0	9.6
53	21.2	19.2	17.7	16.4	15.3	13.7	12.4	10.5	9.1
54	20.5	18.5	17.0	15.7	14.7	13.0	11.8	9.9	8.6
55	19.7	17.8	16.3	15.0	14.0	12.4	11.2	9.4	8.1
56	19.0	17.1	15.6	14.4	13.4	11.8	10.6	8.9	7.7
57	18.2	16.4	14.9	13.7	12.8	11.2	10.1	8.4	7.2
58	17.5	15.7	14.2	13.1	12.1	10.7	9.5	7.9	6.8
59	16.8	15.0	13.6	12.5	11.6	10.1	9.0	7.4	6.4
60	16.1	14.3	13.0	11.9	11.0	9.6	8.5	7.0	6.0
61	15.4	13.7	12.4	11.3	10.4	9.1	8.0	6.6	5.6
62	14.8	13.1	11.8	10.7	9.9	8.6	7.6	6.2	5.2
63	14.1	12.5	11.2	10.2	9.4	8.1	7.1	5.8	4.9
64	13.5	11.9	10.6	9.7	8.9	7.6	6.7	5.4	4.5
65	12.9	11.3	10.1	9.2	8.4	7.2	6.3	5.0	4.2

V

Delivering the Policy

Referring again to the Expectation of Life table on a previous page, let's set up a typical situation involving an applicant, age 45. An application is submitted for a $10,000 ordinary life policy, and a check for the annual premium accompanies it. However, the policy is issued at Table B (150% mortality), calling for, say, an additional $60 of annual premium. According to the table, his rating means that he belongs to a group of 45-year-olds who can expect to live, on the average, 23.8 years . . . or four years less than the standard life expectancy of 27.8 years.

WHAT THE AGENT CAN SAY

When the agent delivers the contract and points out the special class situation, he makes his presentation according to the "life expectancy" approach. The following is not a "patterned talk" to be memorized, but is merely an indication of how the conversation might progress:

"Mr. Prospect, I'm happy to report that your application for life insurance has been accepted by my company and that I have the policy right here. It has been issued at a 'special class rate,' calling for an additional annual premium of six dollars per thousand dollars of life insurance protection. Apart from this, the policy is exactly the same as we discussed earlier. Your family gets the same protection, and the cash values will be the same at your retirement."

"What do you mean by 'special class'? I've already given you a check for the annual premium. What's the extra premium for?"

"It's a result of the processes used by life insurance companies in determining—by precise scientific means—the premium to be paid by a given applicant according to his life expectancy. Your application was submitted on the assumption that you would come within a classification of men age 45 who can be expected to live for a period of approximately 28 years, according to the life expectancy tables now in use. However, my company reports that the facts indicate you come within a classification of men your age who can expect to live approximately 24 years. While the difference between this group and the first group is not substantial, the added premium reflects the shorter premium-paying period."

"But that sounds as if there is something wrong with me. Do you know what it is?"

"No, Mr. Prospect, I don't. It could be something revealed in the medical report that was submitted to the company, and as you know, these reports are kept confidential. I do know, however, that in offering you this policy, my company advises that your prospect for a good number of years of life is favorable. We're certain of that by looking at the special class they have assigned your policy. Yet, as we both know, life insurance is purchased to protect against the unforeseeable. The man who is in really bad shape is the poor fellow whose application is declined entirely because he has crossed the 'line of uninsurability' . . . the man to whom the company is unable to offer any hope for a predictable life expectancy. Because *you are* insurable at this point, Mr. Prospect—and because as we discussed earlier—you *do* have a need for this life insurance, I strongly suggest that you write a check for the additional amount and put this contract into full force immediately."

BE PREPARED FOR OBJECTIONS

Following are some typical objections you may encounter in your interview with the special class risk . . . along with suggestions for handling them.

"I have periodic physicals and my doctor has never indicated that anything was wrong."

"You are wise to have regular physical checkups, Mr. Prospect, for then your doctor can be personally and constantly acquainted with your over-all physical condition, and can keep you advised. An insurance company, on the other hand, can study a policyowner's condition *only once* . . . at the time of his application. If its long-range analysis of the individual's health is favorable, it issues a contract from which it can never withdraw . . . no matter what happens to the individual's health later in life. In issuing this policy, my company does not say that you will die sooner than expected, but only that you belong to a class of individuals, age 45, whose *group* may have a somewhat shorter life expectancy."

"I want to see my own doctor before I accept this policy."

"I think it's an excellent idea for you to go to your doctor and tell him about your experience with this life insurance policy. Perhaps your condition, whatever it may be, is something that has developed since he saw you last. If it is something that can be treated immediately, he is certainly the man to do it.

"Meanwhile, however, let's be sure this life insurance is in force! Whatever your physical condition is, the need for life insurance has not changed since you applied for this policy. Remember, any time you and your doctor feel that the situation has improved or been eliminated, my company will be delighted to consider the removal of this special classification.

"But let's not take chances in the meantime. Let's *protect your family now* and investigate later."

"I'd rather wait until I am able to buy life insurance on a standard basis."

"You have applied for this life insurance now because your plans for your family tell you it is *needed* now. Fortunately, this policy means that you are able to obtain it now. If you wait, you are gambling with your family's welfare, because you cannot be sure of retaining your insurability. Even if your condition *were* to improve, you may be required to pay the same premium as the one I've just quoted—or even a higher one—because you'll be older and will be required to pay the premium for your attained age."

"Rather than pay the extra premium, I'll take the risk of getting along without the insurance."

"You're not taking the risk, Mr. Prospect; your family is! If they needed this protection at the time the application was submitted, the additional premium certainly does not change the picture."

These and other objections can be handled effectively and with confidence. For in the final analysis, you have a supremely strong advantage on your side . . . the pure logic of life insurance protection.

VI

A Challenge

Let's wind up this discussion with a challenge. As indicated earlier, the success of field underwriters in placing special class business is less than half what it is in the placement of standard policies. This means, of course, that thousands of potential insureds—who are perhaps being given their last chance to obtain vitally needed life insurance protection—are not taking advantage of the opportunity. While they must accept a share of the blame for the fate that might consequently befall them or their families, the fact remains that the life underwriter who initially pointed out the need and submitted the application is not without a heavy responsibility.

Your challenge, then, is to bring *your own* record of special class acceptances *at least* up to that of standard risk acceptances . . . and to maintain or improve that ratio throughout your career. This manual is designed to help you meet that challenge.

By succeeding to reach this goal, you can't help but realize rich rewards . . . both emotional and financial.

J.S.B. / J.R.T.