

# Battling extremes how to gain cover for high-risk clients

Special Risk Insurance has been in business for almost two decades fighting for cover for those deemed uninsurable. The group's principal, Brian Klee, tells David Chaplin why it can go places ordinary advisers cannot.

If the definition of insanity is doing the same thing over and over and expecting different results then many financial advisers might need a psychiatrist to help them develop better ways to get insurance cover for high-risk clients.

Brian Klee, who runs the niche Wellington-based firm Special Risk Insurance (SRI), says a common mistake many advisers make is to "shop around" clients to different insurers after being refused cover by one.

Klee wrote in a recent article: "Shopping around the same medical evidence before all the medical issues have been correctly identified and answered will invariably produce the same outcome.

"Insurers and reinsurers are unwilling to look at the same case again regardless of any extra work we have done. Therefore your chances of getting the case underwritten at all dwindle significantly."

The key message for advisers, he says, is that if a client is knocked back by one insurer (or given unacceptable terms) it is necessary to reevaluate the evidence to have any hope of securing cover; a process that may require specialist assistance.

According to Klee, many advisers may not have the time or inclination to launch a thorough investigation into the true state of their client's medical situation and therefore miss out on opportunity to win over skeptical underwriters.

And the main reason special risk insurance applications fail is the lack of accurate information supplied to advisers in the first place.

"Often the personal statements clients give to financial advisers do not match their medical notes," he says.

Even if advisers had access to clients' medical files only a rare few would be able to interpret them sufficiently to prepare a case for underwriting – which is where SRI claims to have an advantage.



Brian Klee

Klee says the basic SRI process involves accessing clients' medical notes, after obtaining permission from the individuals, which are then closely read by the firm's registered nurse, Helen Booth.

Once Booth has examined the medical records SRI then follows up with an intensive phone interview with the clients.

"We get hold of the medical records insurance advisers never see. We find out what is missing and expand the insurance application," he says. "The underwriters are then in a better position to make a fully-informed decision."

For the service SRI charges clients \$360 (plus GST) and to date the company has achieved an 80% success rate in getting cover or improved terms from insurance companies.

However, Klee notes the 80% success rate relates to the cases SRI chooses to take on, as the company does not accept all-comers. As well as only dealing with cases that will result in a minimum first-year premium in excess of \$1200, SRI also makes qualitative decisions on prospective clients, often sending them back for further medical advice.

"For example, I recently declined a client and told him to go back to his GP to help understand his problem better and maybe come back to us in six months," he says. "An underwriter wouldn't do that."

SRI only charges its fee if it accepts a case and takes 25% of the first-year commission of any successful policy placement through an adviser.

While he says some advisers may be reluctant to share brokerage the alternative may be to either decline cover or refer to insurers for “extreme underwriting”.

Klee says ‘extreme underwriting’ can cost upwards of \$1500, which “makes the enquiry process unaffordable for most clients”.

“It’s really a default method for the insurance companies of meeting the UN standards [which require insurance cover only to be declined on the back of solid actuarial evidence],” he says.

A large proportion of SRI business is disability income cover and Klee says it has been most successful in dealing with cardiac and diabetes cases, although not to the exclusion of other conditions (see examples).

Typically the SRI clients are professional people in the major cities with an average age of 42.

“On average our cases take about 30 days to conclude but some can go to six months or so,” he says. “I’d love the process to be quicker but it can take a while to get hold of the medical notes some times.”

Klee is considering signing on to Healthlink – an online information database which holds the medical notes of a growing proportion of GPs and other doctors in Australasia.

In the meantime SRI is managing a steady flow of around 15 special risk enquiries each month coming either direct from individuals or through referral partners such as the Cancer Society and the Diabetes Foundation.

SRI also has a referral deal with AMP and is “looking to build relationships with other financial planning groups”, Klee says.

“We aim to get cover on fair terms that covers the risks and lets clients keep their policies,” he says. **A**

### **SRI case studies**

**Company director:** This person who employed in excess of 40 staff, was referred to SRI after being declined cover because of his build – a BMI of 46 but with associated high blood pressure. SRI challenged the BMI because his weight was predominately upper body, being a weightlifter. SRI highlighted the steps he had taken to address his elevated blood pressure, especially the exercise programme and measures to relieve work stress. Also, he was active in recreational pursuits that carried some additional risk, but in the end he was successfully offered terms at +200% for Life and +250% for Trauma, though with aviation, jet boat and diving Exclusions.

**Prison Officer:** This person had a rare melanoma diagnosed in early 2002 and was close to four years post diagnosis without any recurrence. They had previously been offered Terms of +500% for life, but refused them. SRI identified a number of positive lifestyle changes that we were able to document, with the final outcome of accepting Terms of \$10 per mille, payable for five years only, and standard for Trauma Cover, with a Cancer Exclusion.