
How Elite Life & Disability Insurance Advisors Leverage Lloyd's of London To Enhance Their Best Client Relationships And Grow Their Practices

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Lloyd's of London Coverholders

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If your firm has its share of professionals, corporations and affluent customer clients, chances are you will have needs and business opportunities that go beyond the capabilities of your traditional life and disability insurers.

In those situations, you owe it to your best clients to explore solutions available through the Lloyd's market.

Virtually every insurance advisor has his or her exceptional clients. Whether it is protecting the income of high-earning professionals or entrepreneurs or protecting human capital that drives a corporation's income statement, there are times when traditional life and disability insurers simply can't get the job done.

The reason can be anything from the inability to deliver sufficient policy limits and/or flexibility in terms, to concerns about the risk, or not enough lead time to complete the underwriting process. Having effective alternative market relationships in place can protect you from losing lucrative business opportunities and jeopardizing your position with your client.

The Challenge With Traditional Carriers

Traditional life and disability insurance carriers generally work within an "underwriting box." This underwriting box is comprised of numerous factors that often prohibit insurers from transacting business in a certain way, or at a level sufficient to cover advisors' most unusual and/or largest opportunities.

The underwriting box is typically the result of filing constraints, reinsurance treaties, jumbo and aggregate exposure limitations, and numerous other considerations. These limitations commonly exclude insurers from participating in underwriting disability insurance risks.

The advisor who solely depends on traditional life and disability carriers, limits his or her income opportunities.

Alternative Solutions

The good news is there is a wealth of products available to address complex problems when advisors are willing to think beyond the traditional underwriting channels, particularly in the corporate insurance marketplace.

The Gap Lloyd's Markets Can Fill

There are countless situations in both life and disability coverage where alternative markets can meet client needs that traditional insurers cannot. Common examples include:

- Interim life
- Income needs are greater than what traditional markets can provide
- High-risk lifestyle or job
- Uninsurable for medical reasons
- Insufficient lead time for standard underwriting process
- Coverage for employees of US companies working abroad

Understanding The Strengths And Limitations

Carriers such as Lloyd's can offer tremendous benefit limits, but their products are not without limitations. When working with non-traditional carriers, it is important that advisors fully understand the strengths and weaknesses of specialized disability products.

The largest limiting factor in working in the non-traditional market is that advisors are working with term disability insurance contracts.

These contracts maintain a duration of less than one year up to a maximum term of five years. While not ideal when working with a young client, the protection afforded under these plans is tremendous.

When dealing with death protection products and programs in this market, the exclusive focus is short-term in nature. These insurance contracts lack convertibility and renewability features found in traditional death protection products; they are simply designed to be pure death protection for a specific short-term period of time to cover some form of contractual obligation.

The limitations drive the ability to deliver these unique programs. Underwriting insurance in war zones, protecting a multi-million-dollar merger agreement with immediate short-term coverage (no medical exam), protecting a renegotiated contract for a major sports franchise, etc., all requires a different underwriting platform and perspective to keep this market viable.

How To Best Access The London Market

There are a number of ways in which advisors can access the Lloyd's of London market:

- **Broker General Agencies (BGAs)** – Many local brokerage agencies and aggregators offer these specialty products as part of their insurance carrier portfolio. This can be an effective solution for advisors who have a couple of clients with exceptional life and disability needs. Generally, BGAs have a solution through a local Lloyd's representative. Experience and quality will vary from Brokerage Agency to Brokerage Agency, as this is rarely a core product set.
- **US-Based Lloyd's Underwriting Agency** – Advisors with larger cases and books of business often benefit from working directly with a US-based correspondent. Local correspondents offer direct underwriting decision-making and can be a great benefit to qualified advisors.

What To Look For In A Lloyd's Underwriting Agency

- **A Lloyd's Correspondent** – Lloyd's correspondents are empowered by syndicates at Lloyd's to underwrite and bind coverage on their behalf.
- They have the authority to make decisions and respond quickly.
- **Specialists In Designing And Placing Exceptional Life & Disability Programs** – Chose an underwriting agency with the creativity and experience to tackle the tough cases. Their experience in crafting the right policy language is invaluable. A minor difference in policy wording can make a major difference in how a policy performs.
- **Strong Market Relationships** – Look for an underwriting agency that has access to multiple markets and the relationships and clout needed to get deals done.
- **Speed And Flexibility** – In the exceptional life and disability market, an open mind, a focus on problem-solving and a consistent willingness to respond quickly are critical to success.
- **Capacity** – Binding limits vary greatly. Make sure you are dealing with an agency with meaningful internal binding limits.
- **Support Service** – Make sure the underwriting agency is thoroughly versed in, and equipped to handle, all the regulatory and compliance issues.
- **State Regulatory Compliance** – Underwriting insurance with Lloyd's means you are exporting insurance to an insurer not domiciled in the US (an alien insurance company). With that, regulations apply that most life and health advisors lack the proper experience to manage independently. Make sure your Correspondent is capable of supporting your efforts.

Conclusion

There are a limited number of domestic insurance companies that will consider exceptional life and disability. Advisors looking for the ultimate in flexibility and creativity will benefit from direct access to the Lloyd's Market via a US correspondent. Access can enhance your practice, bring considerable value to your best clients and develop additional sources of revenue.

CASE STUDIES

#1 Short-Term Life/High-Risk Zone

An advisor was working with a consulting client who had just landed a week-long assignment in Baghdad. As part of the contract, he was promised a \$1 million death benefit. Due to the travel exposure, domestic life insurers all declined to offer terms.

By tapping into the alternative market, the advisor was connected to a highly experienced underwriter with the skill and capability to evaluate and manage risk in hot zones throughout the world. Coverage was afforded for the full trip at a reasonable price.

#2 Getting It Bound

An advisor was working with a financial services organization making their largest acquisition to date, valued at \$17 million. Days prior to the close of the transaction, the acquirer's insurance broker was asked to secure \$10 million of key person life insurance protection by the close of the deal on Friday.

There was not enough time to manage the underwriting process with a standard domestic insurer. By utilizing a Lloyd's underwriting agency, the advisor was able to secure a 60-day interim policy to enable the deal to close and provide adequate time for the life underwriting to run its course.

#3 Uninsurable

A wealthy couple was deemed uninsurable by standard insurers due to a series of medical issues separately impacting both individuals. The advisor and the estate planning attorney were concerned about the common accident exposure as the couple traveled extensively on their private, family-owned aircraft. Utilizing a Lloyd's underwriter, the advisor secured a \$25 million Common Accidental Death policy designed to pay the estate a substantial death benefit if the couple was killed in a plane crash.

#4 Out Of Country Employees

A global investment partnership wanted to fund a life and disability program on their partners who were scattered across the globe. The sums ranged from \$3 million – \$12 million. None of the partners were leaving their overseas post to be examined.

Most domestic life underwriters find it problematic to underwrite these individuals, particularly when they are unable to come to the US to sign applications and complete all medical requirements.

The client's advisor turned to the specialty market. A program was designed to fund the contractual partnership agreement due to the death or disability of any of the non-US partners.

#5 Beyond The Limit

A surgeon, earning an annual income of \$900,000, wanted enough disability insurance to replace his income in the event he was unable to perform surgery. The maximum amount his advisor could obtain through traditional outlets was \$20,000 per month.

Working with a Lloyd's underwriting agency, the need was addressed by obtaining an additional \$25,000 in disability coverage per month followed by a lump sum of \$900,000 to facilitate appropriate coverage in the event of a disability.



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