

National Underwriter

THE WEEK IN LIFE & HEALTH

CORE PROTECTION PRODUCTS: DISABILITY INSURANCE

What If The Star *Really* Breaks A Leg?

BY GLENN DORR

THE OLD ENTERTAINMENT saying “Break a leg” actually is a good luck phrase wished to an actor as he or she is about to step onto the stage. However, what if that was to happen? What if the entertainer really falls off the stage and becomes disabled?

Disability has no borders and it strikes regardless of occupation or net worth.

Today, it is not uncommon for a top entertainer to earn \$15 million per picture at the age of 30.

There is also a class of entertainers who may not garner top dollar for an individual picture but have relatively steady work. These individuals may not be able to protect their future earnings at significant levels because of what they

do for a living. Any eligible benefits that might be paid under the Screen Actors Guild will not come close to meeting the potential economic loss of a young actor earning \$15 million per film or even a steady working actor.

Therefore, what should entertainers do for meaningful disability insurance protection, and how can you help?

For more than 20 years, specialty insurance markets and underwriters in the United States and at Lloyd's of London have emerged to address this question with products and insurance solutions. However, these products do not mirror core traditional disability insurance.

Unless the broker's insurance practice is already in the entertainment business, it may be unaware of the available disability products which exist today to meet the needs of entertainers.

Actors, musicians, directors, TV personalities and producers are a unique occupational class. Therefore, from the insurers' perspective, they are considered difficult or often unwanted clients. This is not because of who they are personally but rather a combination of factors. It begins with the amount of money involved to insure an actor.

First, the basic assumption insurers must make is the law of large numbers that is required to achieve the necessary spread of risk to determine the initial base

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price. These underwriting factors combined with perceived lifestyle questions such as travel, stunts, age, income, medical history and piloting an aircraft suddenly create a risk profile that does not fit into most traditional insurance companies' underwriting matrix.

Additionally, keep in mind that the wide spectrum of working actors and their earnings from year to year puts increased pressure on markets and underwriters on how to even begin to determine the correct amount of insurance to offer.

As these specialty markets and niche underwriters have emerged, meticulous underwriting questions have needed to be asked and addressed. These markets and underwriters have had to expand their thinking in order to determine the required methodology to price these risks and still be able to earn and maintain underwriting profitability.

To begin with, underwriters struggle with how to address the often dramatic swings of income that actors received year over year. Underwriters are not looking at a level of income statements similar to what one would see with an executive. Therefore, the initial key underwriting element is to determine the preliminary amount of insurance a market is willing to quote. This amount is based on receiving a copy of at least 2 to 3 years of individual tax returns from the actor.

Fact-finding is critically important when working with entertainers. Often the necessary underwriting information can be difficult to obtain because of limited availability or access. The majority of the time, all of the information needed to underwrite disability insurance for an entertainer comes from his or her business manager. It is the business manager who may hold the key in terms of quoting this business, gathering the necessary underwriting information

and making the decision to purchase the coverage. The business manager can provide further insight into the reason for purchasing this coverage, which will always help in the underwriting process.

CHECKLIST

Some Lifestyle Factors In Underwriting Entertainers

- ▶ Age
- ▶ Medical history
- ▶ Stunts
- ▶ Income
- ▶ Travel
- ▶ Do they pilot an aircraft?

For example, the actor may not only want to insure his or her current and future acting income, but he or she may also want to insure income from other sources such as product endorsement contracts. The product endorsement contract may not be guaranteed money to the actor if the actor can no longer perform. Therefore, it is critically important at the fact-finding stage to isolate the main reason for purchasing this coverage.

Once the amount of insurance has been determined and the income verified from all sources, then an application for insurance is completed. For policies personally owned by an actor, underwriters generally offer up to 50% to 60% of pre-disability income. These specialty policies, like traditional disability policies, typically have waiting periods from 30 days to 180 days with benefits payable for up to 5 years. The majority of these types of

policies are written under an individual manuscript form to meet the individual needs of the entertainer.

The ability to customize these policies is important, so the appropriate rate must be applied. Since the definition of disability is defined as their own occupation, it is significant to know what, if any, other activities they do off the set. For example, in addition to protecting acting income, they may want further income protection from a hobby or avocation such as scuba diving or rock climbing. This is all achievable in this marketplace, but again it is imperative to gather this information up front.

Once the income and the occupation are defined and an application completed, a medical exam is submitted. These medical exams are best when done at the time of underwriting. However, when working in this market, underwriters need to understand the reality of an actor's availability to getting this done. The actor may be filming in Asia for 3 months and the ability to get a new medical exam quickly is not practical. These specialized underwriters may be willing to adapt by allowing a recent medical exam if completed within the last 6 months, or in some cases the last 12 months, from the date of application.

The one constant element in the entertainment disability insurance market is that each policy is unique, customized and different from the next. This means that the rates for this coverage vary widely depending on the individual.

With the right "in" into the entertainment world, you can offer disability insurance. So the next time you say "Break a leg" to your acting client, you can say, "I have you covered." ■

CELEBRITY ASTROLOGY

TOP 6 STARS FOR 2006:

(based on Web user interest)

1 Johnny Depp	4 Brad Pitt
2 Angelina Jolie	5 Scarlett Johansson
3 Jessica Alba	6 Keira Knightley

Source: IMDb.com, Seattle.



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