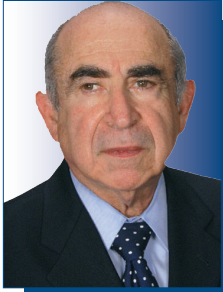


Disability Insurance Insights...



**EUGENE
COHEN**

began his insurance industry career in Cleveland, OH, with a company that specialized in disability income protection.

In 1981 Cohen founded the Eugene Cohen Insurance Agency, Inc., Skokie, IL, which specializes in DI, life, LTCI, fixed annuities, and impaired risk cases. The agency is a member of LifeMark Partners, NAILBA, the IDIS and is a founding member of The Plus Group.

Cohen received the W. Harold Petersen Lifetime Achievement Award from the IDIS and NAILBA's Douglas Mooers Award for Excellence.



**MICHAEL
COHEN,**

CLU is president of the Eugene Cohen Insurance Agency, helping brokers, general agents, broker/dealers and financial advisors serve their clients.

Cohen has served on carrier advisory boards and organization boards of directors. He is a member of the Risk Appraisal Forum.

Eugene and Michael can be reached at Eugene Cohen Insurance Agency, Inc. Telephone: 800-333-4340. Website: www.cohenagency.com. Emails: michael@cohenagency.net; eugene@cohenagency.net.

An Interview With Eugene Cohen

*2009 Honoree International DI Society's
W. Harold Petersen Lifetime Achievement Award.*

*2015 Honoree of NAILBA's
Douglas Mooers Award for Excellence.*

From time to time we will feature an interview with Eugene Cohen, who has dedicated more than 57 years of his life to learning, teaching, and supporting brokers in the agency's quest to help consumers protect their incomes from the tragic effects of a disability. With the help of Victor Cohen, we will chronicle many of Eugene's life lessons, advice, strategies, and what drives him every day to mentor those who wish to help their clients protect their incomes. Disability insurance is one of those products that can change the trajectory of an individual and a family's life and is crucial for every financial planner and insurance professional to learn about and offer to clients.

This is the third part of our ongoing series with Eugene Cohen, CEO and founder of the Eugene Cohen Insurance Agency, Inc. The agency started as a disability insurance brokerage MGA and has grown to over 35 team members who are all focused on the wholesale service needs of financial professionals for disability, life, long term care, and annuities.

Victor: In our previous conversations (published in *Broker World* November 2020 and January, 2021 issues) you discussed the four basic objections an adviser may confront when discussing disability insurance with a client. Those objections are *no need, no money, no hurry, and no confidence*.

Eugene: It's most important to immedi-

ately uncover the need. When you uncover the need, the other objections will disappear.

Victor: How do you establish the need when talking with a highly compensated client who already has group long term disability (LTD) insurance? Where is the need for more disability insurance?

Eugene: The need is tremendous. Let's take a close look at highly compensated individuals who often have group LTD. These clients are often your business owners, physicians, attorneys working for mid to large firms. In addition, you have your partner firms of accountants, financial advisers and other professionals. Also the executives and successful salespeople, whose commonality are that their incomes are greater than \$250,000+.

Group LTD coverage is a nice foundation for a disability program for firms with multiple types of employees. The implementation of group insurance is relatively simple but, as we know, the insurance company that issues group insurance needs to have protections in those group policies. The limitations inherent in group LTD can cause tremendous problems for the highly compensated executive or professional that only has the group policy.

We don't suggest a client drop their group coverage. We often suggest layering an individual disability policy on top of the group LTD.

To help the client see the need for adding individual disability insurance (IDI) to their group LTD, we suggest asking questions. "Would your group long term disability insurance policy pay you enough if you were disabled?" The client will likely not know. So, then I suggest offering to review the client's group LTD policy with them so they will know exactly what they are getting and we can determine if it would be enough for them if they were disabled.

Victor: You will literally ask the client to get a copy of their group LTD plan and then you'll review it with them?

Eugene: I will ask them to send me the policy—or at least a summary. The client can reach out to their HR department if they do not have a copy. It's better for the client to know the details of their group LTD policy now, rather than themselves or

a loved one studying the group insurance policy at the time of a disability.

So, let's say I am talking with an executive earning \$300,000 per year. That's an average income of \$25,000 per month. Now we are looking at the group LTD and, in this example, the group LTD policy says it will pay 60 percent of the salary up to a cap of \$10,000 per month. So that means the most the executive can collect per month is \$10,000.

Let's say, in this example, the group policy is being paid solely by the employer. The premium is being paid with pre-tax dollars, which means the benefits may be taxable. So, that \$10,000 monthly benefit would be a much lower net benefit once the executive's tax rate is applied. Suddenly the perceived amount of \$10,000 per month could end up being a net amount of only \$7,000, and most likely less when state taxes need to be paid too! That lower benefit may not be enough for the client. (Note: Your client should seek out personal tax advice from their financial advisor.)

Victor: Are there group LTD policies that can reduce the policyholder's monthly benefit if the policyholder is receiving social security or workers compensation? What about the definitions in group LTD?

Eugene: Yes, most group LTD policies do have provisions in which the monthly group benefit can be offset and it can be a problem if the client is unaware of the provision(s). Also, let's look at policy definitions. Many times you'll find that the definition of a "disability" may be more restrictive in a group LTD policy than it is in an individual disability insurance policy. If you're a physician, let's say an orthopedic surgeon, does the group LTD insure that individual as a physician or as an orthopedic surgeon? The difference may determine if someone qualifies for a claim or doesn't!

Another question that needs to be answered: Can the group LTD policy be canceled? Usually there are provisions that allow the plan to be canceled by the employer. The employer can say, "I no longer want to have this plan." In addition, the insurance company that issued the group LTD usually has the right to terminate the plan for any reason—such as high claims

or a change in the business the carrier is insuring. Regardless of the reason for the plan termination, the end result is that the client may be left with no coverage.

Here are some other important questions: What if your client wants to change jobs down the road? While individual disability insurance policies are portable and can travel from job to job with the policyholder, group LTD policies typically are not portable. Let's say your client is 35 years old and at 45 the client decides to work for another organization that doesn't offer group LTD. In order for your client to obtain an individual policy, there's medical underwriting—which could cause an issue in obtaining new coverage. It's possible your client may not be able to qualify for any coverage, which would be very unfortunate.

Victor: How much additional monthly benefit can someone get per month on top of their group LTD?

Eugene: If a client is earning \$300,000 per year and his group LTD pays 60 percent of his income up to \$10,000 per month, the client may be eligible to obtain an additional \$9,000 per month of monthly benefits depending on the insurance company's issue and participation limits. Again, this is if his group coverage premiums are being paid by his employer with pre-tax dollars.

If the group LTD premiums are being paid by the client (employee paid), with after-tax dollars, the client could get about \$6,000 in additional monthly benefits on top of the group LTD with traditional companies. This also depends on the company's issue and participation limits.

Here is another reason to get an individual disability insurance policy on top of the group LTD. Many of the IDI policies have a provision that says if the policy holder loses their group LTD, they are able to increase their IDI benefits based on issue and participation limits—without the medical portion of the underwriting (but there would still be financial underwriting). The companies often let the policyholder do this up to a certain age—depending on the company. This is a very valuable provision in that policy. It can protect the client's medical insurability.

The client may have an option of obtaining a non-cancelable guaranteed renewable IDI policy. This unique provision not only guarantees the renewability of the policy to a certain age, it also will lock in the premium until that age as well.

As you can see, the higher income earning individual with only group LTD is at a disadvantage over others. The higher income earner may have a much smaller portion of his income covered than lower earning employees with the same group LTD policy.

That's why these higher income earners should supplement their program with an individual disability insurance policy.

Victor: Thank you so much for another great conversation. I look forward to us doing this again soon. 🌐