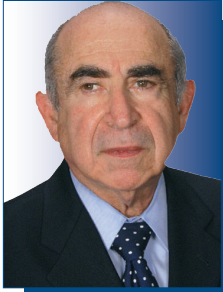


Disability Insurance Insights...



**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, LTCL, 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
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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.

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Taking A Closer Look At Social Security DI Benefits

It's no April Fool's joke when a client doesn't have disability insurance.

Fluke accidents, COVID-19 or other infections that can create residual effects, or chronic illnesses that become a lifelong challenge can be among the many sources of disabilities. Many clients without disability insurance will find themselves in financial turmoil, watching their assets slowly drip away like a snow pile exposed to a sunny day.

As a disability wanes, the question about Social Security's provision for disability (SSDI) payments may come up. Sometimes

a client may confidently remark that they don't even need an individual disability insurance policy because if they were to get disabled they would go on SSDI.

A great resource for information about SSDI is <https://www.ssa.gov/disabilityfacts/facts.html> which offers a nice summary of this often misunderstood section of Social Security benefits. We will highlight some of the facts that are important to a client. You can also refer your clients to the link as well.

- "Social Security disability insurance is

coverage that workers Earn!" In order to qualify for SSDI, a worker needs to earn enough credits of working years. There is a formula that is used that can be found in the fact sheet. <https://www.ssa.gov/pubs/EN-05-10029.pdf>.

- "The Social Security Act defines disability very strictly." The summary very clearly states that the eligibility rules differ from private plans. To receive disability benefits, a person must meet the definition of disability under the SSDI act. The disability must be from a severe medical condition that has lasted or is expected to last at least one year or result in death. The medical condition must be so severe that it prevents the person from doing work that they did in the past *and* the condition must prevent them from adjusting to *other* work. This is a very strict definition, because if someone can work in a different capacity at a different job, they will most likely not qualify for benefits. The site continues to state, "SSDI beneficiaries are more than three times as likely to die in a year as other people the same age." In addition, it states that SSDI doesn't provide temporary or partial disability benefits. This is key, as many disabilities can be limiting, but not completely totally disabling. We also know that the majority of first-time applicants for SSDI are denied due to a variety of reasons. The difficulty of

qualifying for SSDI has led to certain attorneys who specialize in trying to help those who truly need the benefits try to navigate through the system.

- "Social Security disability payments are modest." At the beginning of 2019, the average monthly SSDI payout was about \$1,234 to all disabled workers. So even if someone could meet the strict definition of disability, the amount that they would receive would be around the poverty level, <https://aspe.hhs.gov/2020-poverty-guidelines>. Imagine having to prove out that a disability is so severe that someone can't do any type of work and then, when the person does get a check, it's barely enough to pay a majority of their monthly expenses.

What we find very interesting is that most companies that focus on the high-income professional market, for the most part, will not count SSDI in how much coverage a client can buy. Of course this will vary by company, but let us look at an attorney making \$200,000. In reviewing the income and participation tables, we can see that the tables do not reduce the amount of available coverage by the amount that can possibly be qualified with SSDI. If you contrast this with a client who already had a \$5,000 per month individual DI policy, the amount of additional coverage that can be applied for would be reduced by the amount of in force coverage. We can only assume that either

the low frequency of approved claims, strict definitions, or low monthly benefit amounts allow these companies to ignore the benefit.

We should mention that there are some companies that offer a SSDI offset benefit. This provision would allow the individual disability policy monthly benefit to be divided between a base benefit that the insurance company would pay like a regular claim and a smaller portion that would be offset by any SSDI that is received. In fact, some companies require that the benefit be structured in this fashion if a client wants to obtain the maximum amount of benefit available based on their income. This is similar to a provision that many group LTD policies build into their policy that requires the monthly benefit to be offset by other income a worker may receive. Some of the other income mentioned in many group insurance offset provisions would include worker's compensation, Social Security DI, and union benefits among the litany of offsets. As always, it is important for the client to understand the limits of group LTD.

From what we have seen, most planners are focused on making sure clients have the most comprehensive individual disability insurance coverage possible and do not focus on SSDI due to the restrictiveness of the benefits. Individual disability insurance is an extremely important product that should be a fixture in almost every working client's insurance portfolio. 🌐