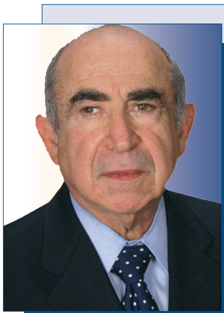
BROKER WORLD



**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.*

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## *Disability Insurance Insights...*

# Know Before You Present DI

## *Part One: Need Motivates Action*

You have the perfect client for disability insurance, but for some reason the client chose not to protect his income. On your way back to the office from the appointment, you review what happened over and over in your head. Here you had a healthy, 40-year-old attorney making about $200,000, with two young children, a spouse who doesn't work, and no group LTD coverage. You just placed a 20-year term for $2,000,000 and reviewed the disability insurance quote you brought with you to the appointment. You delivered the term insurance and then brought out the DI quote and placed it on the table as you talked about the product. The preferred-plus life insurance premium was about $600 per year and the disability quote was about $3,000 for $7,000 per month of coverage. You explained the coverage like a pro and started to fill out the application when the client suddenly told you he was going to take a pass on the disability insurance. On the way back to the office you think...that didn't make any sense. What could I have done differently?

There are four basic objections in a buying decision, for really any product—insurance, cars, washing machines, and even your next meal: Need, Price, Confidence, Hurry. Walk through your decision process on buying a pair of pants. Price: Does the price justify the cost of the pants? If you really like them and they are the perfect fit and not too expensive, then sure. Need: You lost weight and none of your pants fit you... you need some new pants. Confidence: You pick up a pair of Levi's pre-shrunk, probably confident they will hold up better than the no name brand that is on the discount rack. Hurry: You need new pants and you found the ones you like. If you put them back, someone else may buy them. Now, create a scenario where one of these items outweighs the others. For example, you fly off to a business meeting and the airline loses your luggage and you have important meetings the next two days. Now need and hurry may outweigh price and confidence. Another example is if you rented a car and on the way back to the airport you need to fill it up with gas, but there's so much traffic you don't want to stop because you may miss your flight. You know the car rental company is going to charge you extra to replace the gas, but you need to make your flight and are willing to pay the higher gas price so that you have peace of mind that you'll make your flight.

Let's get back to insurance. Need motivates action. Never start with the illustration of a disability product and never throw a spreadsheet in front of a client. Of course, you'll get to the case design and premium, but first you need to learn about the client's needs. Start with asking questions and listening. Ask your client, "What is the longest vacation you've taken in the last five years?" Most likely your client will say two weeks or less. Your reaction, "That sounds like a nice vacation, why didn't you extend it or take another week or two?" More likely your client will say, "Well I had to get back to work." Which leads you to say, "Walk me through what would happen if you couldn't get back to work due to an extended sickness or couldn't work again due to an accident." Concentrate on the need and plan. Have your client visualize a bridge and on that bridge is all their monthly obligations: Mortgage, food, education, cars, utility bills—essentially the monthly budget. Now visualize what is holding up that bridge… the client's paycheck.

What is the value of the paycheck? Well that's obvious, right? $200,000 per year. Nope. For your client age 40 making $200,000 per year...and say he continues to make at least that much the next 25 years… that's a value of $5,000,000 of earnings over the next 25 years. Would you insure a machine that would produce $5,000,000?

Let's say that your client indicates that he has a couple million in savings and investments and therefore doesn't need disability insurance. We are seeing more applications on older clients than we've seen in the past. Think about it: Interest rates are so low these days that it's difficult for a fixed income client to survive on the proceeds of their investments. You may say, "But my client has averaged six percent with my investment strategies." Then you have to ask yourself, what is the risk profile of a client who may never work again? Usually a working, young "risk-taker" client, that goes on to become disabled, changes to a fixed income "risk-averse" client. Therefore, even clients with a higher net worth need some disability insurance.

We'll finish by asking you a question. If a client can no longer work, becoming completely disabled, then that client becomes similar to a client who is retiring. How many of your clients have gone from "needing to work" to "working for pleasure?" We are guessing not too many. Most of these "needing to work" clients need disability insurance in some form.