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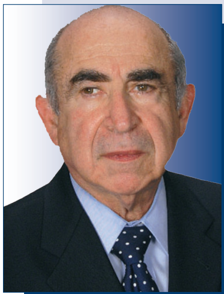

EUGENE COHEN

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.

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An Interview With Eugene Cohen—The Four Different Types Of Perspective IDI Clients

With the help of Victor Cohen, this is part of our ongoing series with **Eugene** Cohen, founder of the Eugene Cohen Insurance Agency, Inc., 2009 Honoree International DI Society 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, who has dedicated over 60 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.

Disability insurance (DI) 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.

Victor: I've heard you say that every client falls under one of four categories when it comes to individual disability insurance.

Eugene: That's right, Victor. And by identifying which category your DI client falls under, the producer can tailor make the way they discuss DI with that client.

Victor: So, let's talk about category number one.

Eugene: This is the client who doesn't have any disability income protection insurance at all. No individual DI. No Group LTD.

With this first type of client, I ask myself, why don't they have DI? This client could be a 45-year-old owner of an accounting firm…or maybe the client is a 28-year-old W-2 engineer.

Could it be that no producer has ever approached this type of client about DI? Or could it be that this client was approached in the past but did not see the need for DI?

Victor: How does the producer discuss DI with this type of client?

Eugene: We have to get the client to understand the need for disability income protection. How do we do that? We ask questions.

Victor: What are some of the questions you've personally found to be the most effective?

Eugene: I'd ask the client, "How important is your earned income?" The client will usually say their income is extremely important to them. Then I'd ask, "If you were sick or hurt for a long period of time, what are you doing to protect that earned income?" The producer can then remind the client that this type of insurance will protect a portion of the client's income.

Another question to ask is, "If you had a money machine producing X amount of dollars every month, would you insure it?" The client quickly responds, yes, as if the answer is obvious. The producer can then point out that the client is that money machine and there is a DI policy to protect it.

One more question to ask is, "What is your greatest asset? Is it your home? Your car? Or your future income?" In most cases it's the individual's future income—it's their ability to earn an income. We need to protect that.

Victor: I know that you've had disability income protection insurance throughout your entire career. And I love how you talk about a DI policy.

Eugene: I have considered that DI policy to be my "silent business partner." If I were disabled due to a sickness or an accident, that policy would pay a portion of my income if I had a qualified claim.

Victor: That's such a great way to look at an individual disability insurance policy.

Eugene: Having your client think of a DI policy as their personal silent business partner often resonates with the client. It helps them see the need for this very important product.

"We have to get the client to understand the need for disability income protection. How do we do that? We ask questions."

Victor: Let's talk about the second type of DI client you have identified.

Eugene: This is the individual who says, "I am well taken care of, I have Group coverage through my employer. I don't also need an individual DI policy."

Victor: How do you respond to that?

Eugene: Ask questions. If the individual is a high-income earner, they may also need an individual disability insurance policy.

Victor: How common would you say that is—a client having a Group LTD policy through their employer and also having an individual disability insurance policy?

Eugene: Extremely common. But it almost always takes a producer to point out the need for the individual disability insurance policy.

While having Group LTD is certainly a nice start, for most clients it's often just not enough. For example, let's say your client is an attorney earning $400,000 per year and they have Group LTD through their employer.

The first question I would ask the client is what percentage of their income is covered by that Group LTD policy. Let's presume they say 60 percent.

Then I would ask what the monthly benefit cap is that the Group LTD policy pays. In this example, let's say the monthly benefit cap is $15,000 per month.

So, with the client earning $400,000 annually, and their Group LTD policy premium being employer paid, and the benefit paying 60 percent of income, with a max monthly benefit cap of $15,000, the client may be eligible to also have an individual DI policy with a monthly benefit of $11,000 to perhaps $11,500 or so—depending on the individual DI company's issue and participation limits.

Remember, being that the Group LTD premium in our example is employer-paid, the Group LTD benefit may likely be taxable—shrinking that Group LTD monthly benefit to an actual lower after-tax monthly benefit.

Depending on an individual's income and the details of their Group LTD, sometimes, by layering a DI policy on top of that Group LTD policy, we may be able to add an additional monthly benefit of $5,000, $10,000, $20,000 or more. And if the client pays their individual DI policy premium with after tax dollars the IDI policy benefit may be tax free.

Victor: In addition to perhaps being under-insured by having only a Group LTD policy, there are often other limitations with many group policies.

Eugene: That's right. For example, a Group LTD policy is often not portable. Let's say your client is working at a company where the client gets Group LTD and eventually the client changes jobs, moving to a company where Group LTD is not offered. If the client didn't have an existing individual DI policy, they'd probably want to apply for one.

But what if the client is uninsurable and unable to medically qualify for a new DI policy? Or, what if the client has health issues that will be excluded on a new DI policy, that would not have been excluded had the policy been purchased years ago when the client did not have those health issues?

The client, of course, would have been in a much better situation had they purchased an IDI policy when they were healthy—long before they lost their Group LTD.

Also, with many individual DI policies, the policyholder may be able to obtain additional future coverage with no medical underwriting, depending on the client's age and other policy provisions when the policy was issued.

Victor: Let's talk about that third category of DI clients.

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Eugene: These are the clients who say, "I am well taken care of. I have an individual disability insurance policy. I'm all good."

Always ask to review the client's policy. You want to see how long ago they purchased it. You may be surprised!

I ran into an individual who said that at age 32 he bought his first DI policy with a monthly benefit of $5,000—insuring himself in his own occupation as a doctor of dentistry. He was paying his premium with after-tax dollars so the benefit would be tax free.

Then, 19 years later, the dentist purchased a second DI policy with an additional $5,000 monthly benefit. Naturally, the individual's income dramatically increased from age 32 to 51.

Look how many years had passed before another agent reviewed this client's DI policy.

So, guess what happened to this individual at age 53? He had a stroke in his right eye and could no longer work in his regular occupation as a dentist. He was considered totally disabled.

Producers need to periodically review their client's individual disability insurance policy. As income increases, the need for additional DI also often increases.

Victor: And with this type of client, you typically don't suggest replacing an existing DI policy with a new one.

Eugene: That's right. For many reasons, layering a new DI policy on top of an existing DI policy is typically in the client's best interest instead of replacing that original policy.

Victor: Tell me about the fourth and final type of DI client, please.

Eugene: This is the individual who says, "I have Group LTD coverage through my employer and I have an individual disability insurance policy, so I have both policies. I am in great shape."

If you've determined the client is adequately insured after reviewing the client's Group LTD and individual DI policy (or policies), then plan on doing another DI review with the client next year. A client's income and DI needs can quickly change over the course of just one year.

Victor: Before we wrap up our conversation for today, thank you as always for sharing your insights and experience. Is there anything else you would like to add?

Eugene: Thank you, Victor. Always a pleasure. There is another unique DI client we have not discussed who I think is important to identify. This client could fall under any of the four categories we just discussed. This is the DI client who is a business owner.

There are very specific, important business DI products that business owners often unknowingly need.

For example, if disabled with a qualified claim, there is a disability business owner expense (BOE) product that would cover many of the business owner's qualified small business expenses like rent, utilities, and support staff. This is a reimbursement policy.

There is also a disability business loan policy designed to cover a business owner's loan payments if the owner were disabled with a qualified claim.

What if the business owner client has a key employee critical to the owner's business? The business owner may want a key person DI policy that would pay the owner's business a benefit if the key person were disabled with a qualified claim.

Finally, let's say your business-owner client has a business partner and each partner owns 50 percent of the business. Do they have a buy and sell agreement? They may have funded it with a life insurance policy, paying if one of the partners were to die.

What if one of the partners does not pass away but is instead disabled for a long period of time? Let's say more than a year. The other partner is going to likely want to buy them out.

Where is that money coming from? Is the remaining owner going to borrow money from a bank to buy out the disabled partner? Is the remaining owner going to sell part of the business to raise money? Is the remaining owner going to buy out the disabled partner with future company profit? Typically, the best way to handle this situation, if possible, would be to fund the buyout with a disability buyout policy.

As you can see, there are many opportunities to protect business owners.

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