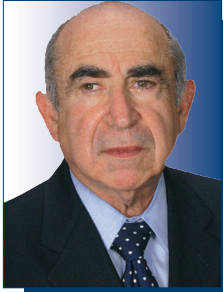


Disability Insurance Insights...



**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
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— Individual Disability Insurance And Keys To Successful Sales: Managing Your Client's Expectations

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 of the 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 often hear you talk about how important it is for a producer to manage a client's expectations when applying for disability income protection insurance and other DI products. Tell me more about

that please.

Eugene: As you know, many DI policies are issued exactly as they are applied, but what about the policies that are approved with other than applied? In other words, a modified offer?

After an application is underwritten by the individual disability company, it's possible that the policy may be issued with modifications. These may include ratings, reductions in benefit period or exclusions for certain medical conditions.

Victor: And when you say, "modified offer," you're referring to there being perhaps certain prior pre-existing health conditions that won't be covered, right?

Eugene: Exactly. So...to manage your client's expectations you have to ask the client some questions before they apply for DI. This will help give the client an idea how they may be treated in underwriting.

You have to try to take some time to know your client...to know their insurability risk. Speak to your client about the types of medical issues they may have now—or have had in the past—that could impact their insurability.

Victor: What are some examples of the kind of health issues you're referring to?

Eugene: Your client may feel they're in perfect health with no particular problems. After questioning them, they may say they use a CPAP machine because of their sleep apnea. Well, that may cause a rating of additional premium on an offer. The producer needs to let the client know this upfront so the client is not surprised if the policy is issued with a rating related to the sleep apnea.

Or, while talking to your client, you may discover they take medication for Type 2 diabetes. The client says they feel fine, they feel perfect, and it's possible that the diabetes may actually be very well controlled. But the DI underwriter may still be required to add a surcharge or rating to the policy of 25 or 50 percent. In addition, depending on the company and the case, the underwriter may be required to cut the benefit period down to a five-year benefit period rather than issuing the policy with longer coverage. Of course, if the diabetes is not under control, the underwriter may

"To manage your client's expectations you have to ask some questions before they apply for DI."

be required to decline the application for insurance.

We are not the underwriters but we have experience knowing on many occasions how the applicant most likely will be treated.

When questioning an applicant, be sure to inquire about any muscular/skeletal issues. Many producers forget to ask about this important part of the pre-screen. When asked, maybe they say, "I've had pain in my right hip." The client thinks nothing of it. Well, that hip could perhaps be an exclusion. The client needs to know this before the application is submitted.

Health issues with the back may lead to some type of spine exclusion. If your client says, "I have a herniated disc in the cervical area of my back," the client has to know that the company may put an exclusion rider on perhaps that portion of the back or maybe the entire back.

Victor: I see a lot of policies issued with an exclusion on mental disorders.

Eugene: Yes, that would be very common. A client's mental health history can often lead to a policy being issued with an exclusion for mental disorders. Let's suppose a client is being treated for depression, anxiety or other types of mental health issues. They're going to counseling and/or taking medication(s)... The underwriter may be forced to have the policy issued with an exclusion for disabilities caused by mental disorders. The specific language of the exclusion may vary from company to company, so it's important to read the exclusion.

Depending on the severity of the mental health issues, there could be a rating and/or a shortening of the benefit period and other modifications.

Imagine a producer showing a client a DI illustration, telling them about how

the policy offers full coverage for mental disorders to age 67 and then the client's policy gets issued with mental disorders excluded and a benefit period of 5 years.

Victor: You have a disappointed client.

Eugene: Possibly a disappointed client. Managing the client's expectations means that it's important to prescreen the client before submitting an application. It means finding out about the client's mental health history before the app is written and letting the client know if there is a likelihood they could have an offer with a mental disorder exclusion.

Managing a client's expectations means knowing a client's height and weight before submitting a DI application. You may have a client whose height and weight could be rated 25, 50, 75, 100 percent and/or cause a reduction in the benefit period. This is why it's important when requesting your disability illustrations that you provide the height and weight of the client.

Victor: What does a typical exclusion look like in a DI policy?

Eugene: A typical exclusion rider will state that the benefits are not payable for a disability resulting from whatever the named condition is. For Example, Crohn's Disease...or the lumbosacral area of the spine...or injury or disease or disorder of any part of the body.

The intent of the rider is to exclude or restrict coverage for a known medical condition or a condition that predisposes you to a potential disability. The specific language of the exclusion may vary from company to company, so it's important to read the exclusion.

Victor: Now let's shift gears a little. Let's say a DI policy has been issued with an exclusion rider or riders. Why should the client take the policy?

Eugene: Let's say the client gets an offer

with an exclusion rider on the cervical area of their spine. Think of all the other areas of the body that are still covered. Think of all the different diseases a person could face.

Victor: So they may still be covered for, say, cancer, heart disease, Parkinson's disease, MS, on and on.

Eugene: Right. Again, the specific language of the exclusion may vary from company to company, so it's important for you and the client to read and understand the exclusion(s).

You are correct in that the medical dictionary is filled with pages of sicknesses that can disable that person. It is extremely important for that client to take care of their financial needs and obligations if they were to become disabled from something else.

You want to point out to your client that even a modified offer is very valuable. If the individual has a DI policy with a monthly benefit of \$10,000 with a benefit period of five years...if they were to have a qualified claim that benefit could be worth more than a half a million dollars for that five-year period.

Now if an individual does not take the policy because of one or two exclusion

riders or because of a rating, you know one thing. The conditions may stay the same or get worse. And if they get worse, the individual may not be able to buy a disability policy later.

Victor: Let's take a worst-case scenario. The client is declined. Then what? What DI options, if any, does the client have at that point?

Eugene: If your client is declined because of some kind of medical condition(s), there are DI companies that may still consider that individual for DI coverage—companies that underwrite impaired risk cases.

The company may offer a policy with an exclusion or possibly a rating. Sometimes these policies have limited renewal durations, such as allowing the policy to be active for a few years at a time, in which, at the end of the allowed period, the company may or may not allow the policy to renew.

Some of these impaired risk DI policies are issued with a graded benefit. Depending on the company and policy design, if the qualifying claim for sickness occurs during the first couple of years, the DI company would pay a reduced amount based on a preset schedule. After a certain period of time, the policy would pay the

full monthly benefit. Please review the illustrations and contracts for details, as these policies are different from the ones that you may have sold in the past.

Victor: Our time together always flies by so fast. Thank you so much for your invaluable insights and passion. Unfortunately, we have to wrap up our conversation today. Is there anything you would like to add?

Eugene: By managing expectations you're letting your DI client know in advance what to likely expect. If you are a producer unfamiliar with DI underwriting and the way certain medical conditions are often treated, it's important to work with an experienced MGA/wholesaler that knows this market.

Individual disability income protection is a very valuable policy. Naturally, it is best to buy a DI policy when you don't have any medical problems. But if you do have a policy with an exclusion(s), think about all of the other conditions, both medically and via accidents, that can be covered on a qualified claim.🌍