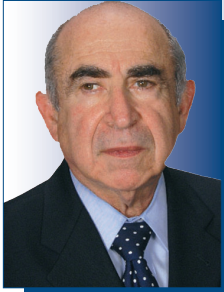


## Disability Insurance Insights...



**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.*

*Eugene and Michael can be reached at Eugene Cohen Insurance Agency, Inc. Telephone: 800-333-4340. Website: [www.cohenagency.com](http://www.cohenagency.com). Emails: [michael@cohenagency.net](mailto:michael@cohenagency.net); [eugene@cohenagency.net](mailto:eugene@cohenagency.net).*

# Hope Is Not A Strategy, Contracts And Planning Are Strategies

**I**n the world of planning, we come up against various objections to planning recommendations. We find that, in many instances, the need for the recommendation hasn't resonated enough with the client to trigger action—the procurement of a plan that usually includes individual disability insurance. This can occur when the client replaces recommended planning and the contracts insurance companies uphold with a hope that the plan will not be needed.

**I hope that I will not become disabled.** We know the statistics, roughly one out of four working individuals will have a disability that lasts 90 days or longer before they turn 65. "I hope that I'm among the majority" is a strategy that works, assuming you are not one of the unfortunate ones that can't go back to work.

**I hope that if I get disabled, my spouse can go back to work.** It's difficult to predict the future and how a sickness will play out. Most spouses are either already working or, if they are staying home, they are a caregiver or they have been out of the fulltime workplace for a while. It's unlikely a spouse could take care of their disabled partner and still financially support the family.

**I hope that my group disability insurance will take care of me.** Most clients do not realize that group disability plans, while better than no disability insurance, many times have very narrow guard rails that are more designed to protect the issuing insurance company. For example, with group disability insurance, the issuing company most likely built in a termination provision that allows the company to cancel the group

coverage. In addition, coverage is usually not portable.

Imagine a client with group LTD developing a condition or disease that didn't cause a disability but would prevent that client from buying individual coverage in the future. For example, a client who recently had a melanoma removed may not be able to buy individual coverage for years. Now imagine if the firm lost their disability coverage or if the client were recruited by another firm and the new firm didn't have group disability coverage. Hoping that the coverage will stay in place or hoping that every great business opportunity will come with a group disability program is not a strategy. Individually owned disability insurance can't be taken away during the Guaranteed Renewable period. The client is in control of the existence of the policy, not the insurance company.

In addition, many group LTD plans may have limitations in their definitions or limitations in the benefit periods—in order to protect the issuing company from various types of claims. These definitions may include, but are not limited to, mandatory rehabilitation programs, limited benefits

for subjective soft tissue claims, limited benefits for mental/nervous related claims, progressively more restrictive definitions around how a disability is defined as a claim prolongs, integration of various sources of income, reduction of net benefits due to income taxes, and many other limitations. Your client with group LTD needs to review their certificate or policy to confirm which limitations may exist. To hope that a group LTD policy will pay a claim like an individual disability insurance policy is not a strategy. Contracts and planning are strategies. When a client buys a noncancelable guaranteed renewable disability contract, they own that contract and, as long as they pay the premium, they own that policy during that non-cancelable guaranteed renewable period. Individual disability policies typically have broader definitions and less restrictions than group disability contracts.

If your client were in charge of buying parachutes for his or her family, which one would be picked? We would be looking at the most comprehensive, safest options. Price would not be as important as features. Individual disability coverage is that comprehensive parachute. When someone gets

disabled, the disability policy becomes that financial parachute that the whole family is now relying on to provide the income that was lost.

It's interesting to hear why a client who can clearly afford the premiums for disability insurance chooses not to proceed. Usually there is a false sense of confidence that is based on hope. The client hopes they will not be disabled, the client hopes that if they are disabled, they can still produce an income. The client hopes that if they can't produce an income, their spouse can work. The client hopes that their claim will fall within the possible narrow definitions of a group insurance policy. The client hopes that their savings will get them by before passing away. The client hopes that the house will not be foreclosed or cars repossessed for lack of payments. The list can go on and on as to the reasons a client didn't follow your recommendation.

The clients who have followed your plan and who have bought sufficient individual disability insurance don't have to hope, and can be more assured that they have done proper planning in case a disability prevents them from going to work. 🌍