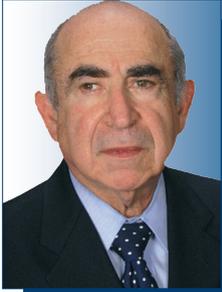


## Disability Insurance Insights...



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# The Name Game Of Own Occupation Definitions: What's In Your Policy?

**I**t's imperative to understand the definition of total disability and how it can relate to a client's current occupation. Disability policies come in all different shapes, sizes, and definitions, so you always need to read your client's policy or the proposal you may be showing. Even better, read the specimen contract of the policy you are proposing. We would like to give you a brief overview of some of the more common definitions of total disability that we've seen throughout the years.

**Definition of Occupation:** It's important to recognize that for most companies, when defining occupation in terms of a disability contract, the definition of occupation may be more generic in nature for some compa-

nies and contracts. For example, someone who teaches high school math may not be seen as a high school "math teacher," but just as a teacher. Someone who sells cars or mattresses may not be considered a car salesperson or mattress salesperson, but just a salesperson. These are important distinctions that tie into definitions of total disability in DI and LTD policies.

**Definition of disability:** With many insurance companies there are different definitions of disability along with the naming of these definitions. Please note that this is intended to be a more generic view of many of these definitions. We'd urge you to obtain clarification on whatever product you may be presenting. We'll be using

some generic names of these definitions to help illustrate these differences, so please consult the company you are presenting to clarify the definition(s). In addition, each company may vary in what definitions are offered based on state, product, and occupational rate class.

In general, we've seen five different definitions of total disability, but as stated above, companies can differ in the names and definitions. Most would appear to adhere to something similar to the following: Suitability, Own Occupation—not engaged, Own Occupation, Specialty Own Occupation, and Transitional Own Occupation. Sometimes companies will label the last four as just "Own Occupation" so it's important to read the definition that is being quoted and presented to your client. Please note some companies also require a loss of income in addition to the inability to be able to work. These definitions and riders may determine if and how a claim gets paid, so it's important to know and recognize the differences.

**The Suitability definition:** Many times this is defined as the insured being unable to perform the material and substantial duties of the insured's occupation and not having the ability to perform another occupation that the insured is suitable for based on their prior education, background, experience, and (sometimes) prior income. At times, this definition can be restrictive because the insuring company has more flexibility to contemplate if an insured has the ability to work and if that work would be suitable for the insured to perform. We've often seen this definition in policies designed for higher risk occupations, but we've seen some variation on a wide range of policies as well.

**Own Occupation—not engaged:** In addition to the definition above, we've seen this definition used as a base definition for various contracts. It's usually defined as: *Due to an accident or sickness, can the insured perform the material and substantial duties of their occupation and is not engaged in any occupation for wage or profit.* This is a typical definition in many contracts designed for higher income earners. This may be added

by rider to enhance the base definition on some individual and group contracts. The problem is that some professionals and companies label this definition as their Own Occupation definition as well. Since there is not uniformity in the industry, labels can cause some confusion.

**Own Occupation:** This is the classic definition that may allow the insured to work in another occupation and still be able to collect from the disability policy. The definition tends to read something similar to: *Due to a sickness or injury, the insured is unable to perform the material and substantial duties of his or her own occupation.* This is why understanding how the insurance company defines occupation is important. For example, consider a high-end retail shoe salesperson who can no longer sell shoes due to a back and knee injury. So, he gets a new job working in a high-end men's suit store, selling suits. Can this person go on claim and be paid as being totally disabled? Many, if not most, companies would **not** consider a retail salesperson going from shoe sales to suit sales as someone who is totally disabled as the person is still in retail sales. A better example of this definition in practice would be a dentist who develops progressive MS and can no longer practice dentistry. Now the dentist becomes a licensed social worker counseling people who have medical issues like MS. While we can't speculate on any individual claim, in general, this most likely would be a claim in which the person could no longer perform their occupation as defined by the insurance company, but could still perform work in another occupation. This person should be able to collect total disability benefits with out integrating the income from the new occupation.

**Specialty Own Occupation:** Depending on the company, this definition would typically expand on the definition above, recognizing specific medical and dental specialties as a policyholder's occupation. Some companies even recognize classes of attorneys, such as trial attorneys. Some of these highly trained professionals may desire a disability product that would have a definition of total disability that would

read something similar to: *Unable to perform the material and substantial duties of your occupation at the time of claim.* If your occupation is a board certified recognized specialty, then the company will recognize that specialty as your occupation. For example, a board certified surgeon can no longer operate due to a severe back injury and retrains to become a psychiatrist. Even though this person is still a practicing physician, the specialty own occupation definition may still allow the insured to qualify for benefits under the total disability specialty own occupation provision. You would want to check with the insurance company regarding the contract and whether the proposal you're showing your professional client is covered in their specialty.

**Transitional Own Occupation:** This is a hybrid definition we do not see too often. It usually will combine an own occupation definition with an own occupation—not engaged definition. For example, let's consider a client who becomes disabled, no longer able to work in her career as a real estate agent. So, she becomes a computer consultant. With the Transitional Own Occupation definition, she may be allowed to keep her computer consulting income from being integrated until her income reaches a certain percentage of her pre-disability income. When the income from the new occupation exceeds the policy's income threshold then the person is no longer eligible for claim. Again, there may be variations of Transitional Own Occupation.

A word about residual. We've been addressing total disability definitions. We would always recommend a residual definition be put on the policy, assuming it's an available rider. A residual rider may allow for more flexibility when an insured does not qualify for a total disability claim.

While this information may seem daunting at first, most companies only have a few definitions to learn. In addition, an experienced MGA may be able to offer you assistance with training and case design recommendations. So what's in your policy? 🌐