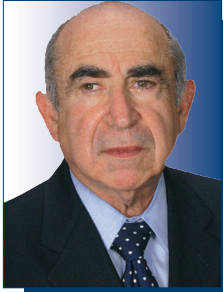


## Disability Insurance Insights...



**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, 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.*

*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).*

# An Interview With Eugene Cohen— Asking Questions Uncovers The Need!

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 have often heard you say that you believe one of the most important responsibilities a producer has is to help their client see the need for disability income protection insurance (DI).

**Eugene:** Yes, that's right. While some DI clients, like physicians, may often immediately see the need for disability insurance, there are many clients who do not. If the client does not recognize the need for DI, of course, they either will not apply for coverage or the producer may have a difficult time placing the policy.

**Victor:** In our previous conversations,

you have shared that there are typically four objections a producer may face when discussing DI, or really any product, with a client. “No Hurry,” “No Money,” “No Confidence” and “No Need.”

**Eugene:** Correct. And the “No Need Objection” is the most important objection the producer must overcome because once the client sees the need for DI, other objections that may exist almost always melt away. When a client understands and accepts they need the product, then the need turns into “want” of the product being discussed.

**Victor:** Over the decades of working with thousands of producers and clients, have you found any specific ways for clients to discover the need for DI?

**Eugene:** Yes...it’s by asking questions. Asking questions always helps the client to uncover the need. It’s great to see the light bulb turn on.

**Victor:** What are some questions you suggest producers ask?

**Eugene:** A great first question to ask the client is, “How important to you is your earned income?” Naturally, most clients will say, “Extremely important.”

Then the producer will follow-up and ask, “What have you done to protect your income if you were to have a serious accident or illness that disabled you for many years?”

If the client says they have saved money, I will ask them, “How much have you saved? What if you could never work again?”

Many hopes and dreams are based on future earned income. Earned income is the foundation of any financial plan.

Another great question to ask a client is, “What is your most valuable asset?” It’s interesting to hear the responses. As we know, in most cases, the client’s most valuable asset is future income.

A client may say, “I’m well taken care of, I have short-term disability through my employer.” Short-term coverage can be important but it’s like insuring the first five minutes of a fire. Many disabilities may disable an individual for years. Parkinson’s, Multiple Sclerosis...the medical dictionary is filled with examples of long, potentially career-ending disabilities.

By asking, “What’s going to happen after

being disabled six months,” the client can often better see the important need for long-term disability coverage.

If an individual is disabled for a long period of time without disability insurance, three things will typically happen. First, their cash savings will start to disappear. Then, second, they’ll have to start going into their retirement funds to make ends meet. At a certain point they may not be able to meet their mortgage payments, medical bills, credit card payments and the other obligations we all have to pay to maintain our standard of living.

**Victor:** So, without adequate DI coverage, the client is not only dealing with the physical and emotional challenges of having a career-ending disability but they are also dealing with the devastating consequences of possible financial ruin.

**Eugene:** Correct. And for many clients that is perhaps avoidable. That’s why having individual long-term disability insurance is so important. The policy is designed to pay a portion of the client’s income to cover many of those fixed financial obligations that many of us have, such as a monthly mortgage or rent payment, utilities, car payments, groceries, etc.

**Victor:** So, what if a client says, “I’m well taken care of, Eugene. I have group long-term disability (LTD) insurance from my employer. I don’t need an individual DI policy.”

**Eugene:** It’s time for the producer to ask more questions. Let’s say a client with group long-term disability is an employee with an annual income of \$300,000.

I would ask them, “Does your Group LTD pay a percentage of your monthly income up to a monthly benefit cap?”

After examining the client’s group LTD policy, let’s say it pays a monthly benefit of 60 percent of income up to a monthly benefit cap of \$10,000.

My next question will be, “Is your employer paying the premium or are you paying the premium?” In most cases, we see the employer is paying the premium. Then I let the client know that their policy benefits may be taxable.

This means the after-tax monthly benefit may only be approximately 60 percent, 70

percent or 80 percent of what the client thought they would be getting per month. Naturally, if the group LTD premium is being paid by the client with after-tax dollars, that benefit may end up not being taxable.

Some other questions I will ask are, “How long will your group LTD coverage pay you and are you familiar with the conditions that may be considered limited duration claims?” I will also ask, “Is the policy portable—meaning if you leave your employment, can you take that policy with you?” Typically, most group policies are not portable.

These are important questions because many times the client is not aware of the answers. As clients learn from the answers to these questions, they start to realize that group LTD is a nice benefit to have, but it often has shortcomings.

I will then ask the client, “Do you feel it would be a good idea to own your own disability coverage?” The client will most likely see the need and want to apply for an individual DI policy right away.

I will then check with the individual disability insurance companies to see how much additional monthly benefit I can layer on top of the client’s group policy.

Remember. The client is applying for an individual disability insurance policy not because I told them to apply. **They are applying for DI because, by answering a series of important questions, they have organically uncovered their need for DI.**

**Victor:** Asking questions can help a client see the need not for just individual disability insurance but also for other important disability insurance products, right?

**Eugene:** Asking questions is the key to helping clients see the need for all of the different, fantastic disability insurance products that are available to clients.

Let’s say a producer is doing a financial review with two partners who own a business. During the financial review, the producer asks about the partnership agreement and sees the partners have a buy/sell agreement. The producer suggests life insurance to fund that buy/sell agreement or make sure if they have a policy, to have it reviewed. The producer recognizes that there may be an unfunded liability and

exposure the partners have created.

The producer then asks, "If one of you has a long-term disability that lasts more than one year, how will you buy your partner out? Will you use business revenues? Or will you obtain a loan? Or will you sell shares of the business to raise capital?"

These are very important questions the business owners may never have considered until now.

You can then say, "There is a disability product that can fund that buy/sell agreement for disability. That product is called disability buyout insurance. I will get an illustration to show you."

**Victor:** Business owners tend to have many unique disability insurance needs.

**Eugene:** Yes, and by asking very specific, laser-focused questions, the producer can help business owners see those disability insurance needs.

When talking with a client who owns a business, I will first ask questions to learn all about the client's business. And from the client's answers, I will ask questions that guide the business owner to discover the need for certain disability business products the client may not have been aware existed. Helping a business owner limit their financial risk if a qualifying disability would occur is incredibly satisfying.

For example, I might learn that the client has a valuable high-level manager who has been with the client's company for many years. I may ask, "That manager is important to your operation, wouldn't you agree?

Would you say that they are a key employee? If this individual were disabled and could not work in your operation, how would that affect your organization?"

After the client shares the many hurdles their company would perhaps face if that key person were to leave the company due to a serious disability, I will say, "Others have the same concerns and that's why there is something called a Key Person Replacement policy specifically for a disability. It is designed to protect your business if a key employee were seriously disabled for a long period of time." I will then put together illustrations to review with the client in a follow-up meeting.

**Victor:** This has been another excellent conversation, Eugene. I could talk with you all afternoon. Unfortunately, we have to wrap things up in a minute. But before we go, what questions do you suggest a producer ask a business owner client to help them see the need for business owner expense disability insurance?

**Eugene:** Let's say you have a client who owns a small advertising agency with five team members that support a well-known business owner...and the client already has an individual disability insurance policy protecting their personal income with a benefit period to age 67.

Because this client is specifically a **business owner**, I will ask, "What are your business expenses such as rent, utilities, phone bills, employee salaries?" After the client responds, I will ask, "If you were to have a

disability, these expenses will still have to be paid, correct? How are you going to cover these business expenses if disabled?"

After the business owner sees they would be facing additional financial pressure from the business, in addition to managing a health issue, and in addition to their own personal expenses, we'll introduce the BOE policy concept. There could be a problem trying to keep their business afloat if they were to be seriously disabled and not working. I will say: "There is something called a Business Overhead Expense disability insurance policy specifically for small business owners. After a 30-day or 90-day waiting period—whatever you apply for, you can get a monthly benefit to reimburse your qualified monthly business expenses for perhaps one year or two years, depending on the benefit period you choose for your policy.

"The policy premium that you pay may perhaps be tax deductible. If you deduct the premium, then the benefit coming in would then perhaps be taxable. But when you pay the expenses going out, those expenses may be tax deductible. I think this policy would help protect your business because you may want to go back to your business after being disabled a year or two. You want to make sure that business is still open."

Victor, my whole career I have been talking about uncovering the need by asking questions. These are only just a few of questions a producer can ask. I look forward to us talking again soon. Thank you.

**Victor:** Thank you, Eugene. 🌐