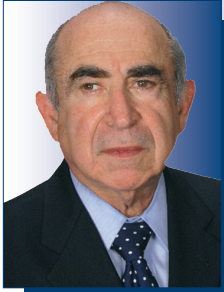


Disability Insurance Insights...



**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.

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An Interview With Eugene Cohen— The Importance Of Managing A Client's Expectations When Applying For Disability Insurance

*2009 Honoree International DI Society
W. Harold Petersen Lifetime Achievement Award*

*2015 Honoree of NAILBA's
Douglas Mooers Award for Excellence*

With the help of Victor Cohen, this is part of our ongoing series with Eugene Cohen, founder of the Eugene Cohen Insurance Agency, Inc

From time to time we will feature an interview with Eugene, who has dedi-

cated over 59 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 is one of those prod-

ucts 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.

The Eugene Cohen Insurance Agency, Inc., started as a disability insurance brokerage MGA and has grown to over 32 team members who are all focused on the wholesale service needs of financial professionals for disability, life, long term care, and annuities.

Victor: Eugene, from all of your DI experience, what should a producer do when they have a client who needs disability insurance?

Eugene: When the advisor feels they have a terrific DI prospect, a client who sees the need for disability income protection, the producer has to manage the client's expectations from the very beginning—before the advisor shows the client an illustration, before the advisor submits the application.

Victor: So, how do you do that—manage the client's expectations?

Eugene: You have to ask questions, getting important information ahead of time that could affect underwriting if the client were to submit a DI application. One key part of DI underwriting looks at an applicant's work duties.

Find out what percent of the client's duties are administrative, manual, sales, and supervisory. A client's duties will largely determine their occupation class. Most individual disability companies have about four to six occupational rate classes give or take. The rate class is a major part of what determines the client's premium.

Generally speaking, a client with 100 percent administrative duties will likely have a higher occupation class—resulting in lower premium—than a client with mostly manual duties who would get a lower rate class with a higher premium.

Take for example a client who may be president of their own small construction company and performs, on average, about 75 percent manual duties. That client would be issued a different occupation class than

a similar client in the same occupation but who sits behind a desk all day doing no manual or supervisory work.

If a producer shows an illustration to their client with the wrong occupation class, then when the case is underwritten the client will end up being given the correct occupational class. The change in occupational class can cause a higher premium than was originally quoted. That's the kind of surprise a producer can easily avoid by asking questions at the beginning of the DI conversation.

Victor: What else does an advisor need to ask to manage a client's expectations?

Eugene: The producer must know if the client has existing individual disability insurance, group long term DI (LTD) and group short term DI (STD). Any DI coverage the client currently has will affect the benefit amount they may be eligible to qualify for when applying for an additional new policy.

This is also very important. The producer needs to know if the client is a business owner. Some DI carriers may enhance a business owner's income by a certain percentage when the company is considering the amount of annual income to base the client's monthly disability benefit on.

How many employees does the business owner have? A company that offers a discount to business owners may require an owner to have at least one W-2 employee for the owner to qualify for a business owner discount. Also important is knowing how many years the client has owned their business and the percent of the business they own.

Victor: How do you manage a client's expectations around the amount of monthly benefit they may qualify for?

Eugene: Since we are focusing on helping to protect an individual's income, naturally we have to know the client's earned income. For W-2 employees it is pretty straight forward. But if the client is a business owner, underwriters look at "after business expense before tax" income. That's very important for the client to know from the start. In addition, the actively working

owner's pass-through income should be known as well.

For a client earning \$100,000 per year, their basic monthly disability benefit may typically be somewhere around 60 percent of their income. Maybe around \$5,000 per month. But the higher the annual income, typically the percent of covered income is reduced. There is no hard line in the sand that every client gets 60 percent of their income covered regardless of how much they earn. That is a very common misperception.

Victor: Also, the number of hours a client works is important for the producer to know up front, right?

Eugene: Some DI companies require that the applicant work at least 30 hours per week to be eligible for disability insurance—even if the individual earns a high income. Other DI companies may only offer a modified DI policy to applicants working less than 30 hours.

But the area that producers will probably need to spend the most time preparing their DI client's expectations around is how DI companies and their underwriters treat health history.

It's not like life insurance. A producer can have a "top class" life insurance client who ends up with a rated DI policy that includes multiple exclusions for various pre-existing health conditions.

Life insurance underwriters are looking at what is going to take someone out of life. Disability insurance underwriters are looking at what is going to take someone out of work.

Victor: What kind of health questions do you suggest a producer ask their client?

Eugene: Does the individual use nicotine products? Nicotine use will most likely result in a premium increase. Knowing the details of type and frequency of use is important. For example, not all DI companies may treat cigar smoking the same.

Nowadays cannabis use has become important to ask about. If a client uses cannabis, how often do they use cannabis per week? Is it recreational or medically

prescribed? And, if the cannabis is medically prescribed, what medical condition(s) is the cannabis treating?

Victor: Let's talk about how the companies treat a client's build.

Eugene: Similar to other insurance products, a person's height and weight can cause an underwriter to add a rating and/or reduce the benefit period that may be allowed.

In addition, it's important for the advisor to ask if their client has had any back, neck, knee, shoulder or any muscular-skeletal issues resulting in medical consultations, medications being needed, physical therapy, or operations.

Also, it is extremely important that the producer knows if the client has had any past significant health treatment, like surgeries, diabetes, sleep apnea, or if they have any mental health history like depression or anxiety. Is the client taking antidepressants now or have they taken them in the past?

Does the client have ADD?

The producer should also ask if the client participates in any work related or recreational activities—hobbies that may be considered hazardous.

Victor: What is the producer going to do with all of this health information?

Eugene: Share it with the MGA or underwriters to see how the insurance company may treat the client's health history in underwriting. Maybe the underwriters advise that the client's health history would likely not be a problem. Maybe they advise that the health history would likely lead to a decline. In that case, the client would likely apply to impaired risk DI carriers.

Or maybe the underwriters advise that a policy would likely be issued with what is called an "exclusion rider." This rider generally says that benefits are not payable for a disability resulting from, or related to, a specific medical condition like asthma for example, or from a disorder or disease of

an area or part of the body like the cervical spine.

An exclusion rider can also exclude benefits from injury sustained from participating in certain activities or hobbies like rock climbing for example. The client must have expectations in line with how a policy may be issued.

Victor: I always learn so much in our conversations. Thank you again Eugene. We have to wrap it up for now. Any final words until we meet again?

Eugene: We are not the underwriters. The insurance company underwriters make the final decisions, so it's important to remember that any client who wishes to still submit an application must be permitted to do so regardless of the information shared. If a producer manages a client's expectations before taking an application, the producer can prepare the client for what may happen, making the entire DI experience more positive and successful.🌍