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## Opportunities To Help Your Business Owner Clients

**L**et's explore the hidden gems of *disability insurance planning.*

### **Overhead Expense (BOE)**

Your business owner clients have expenses of the business that will not go away if they become disabled. Imagine a client that has to go through a year-long battle with cancer or an extended recovery from a major accident (car, skiing, slip on the ice...you choose). Your business owner client still needs to pay the rent, utilities, support employee salaries, accounting and legal services... the list goes on. So while the revenue of your client's business decreases, the expenses continue, which means your client will either need to start paying expenses out of pocket (savings, retirement, etc.) or risk dismantling a business that took years to build.

Having to let go of highly trained employees that know your client's business is just not a good scenario for an owner that wants to return to work. A good overhead expense policy could help reimburse your client for many business expenses and most likely would have a tax deductible premium. This is a must have for the individual owner and/or professionals and with policies that can be issued as high as \$50,000 a month, the marketplace is really unlimited. Some policies have various types of loan coverage available. Also, some companies may even allow a professional to hire a like-professional to come in and work

for the business—and have the cost of that professional a reimbursable expense. Of course, please review the policy language of any BOE policy before meeting with your client. Also, if the business is large and can pretty much run self-sufficiently without the owner working, the insurance company may question the need for this product, so you may need to inquire before submitting an application.

### **Disability Buy-Out (DBO)**

So you just finished the life insurance buy-sell and you are feeling pretty good about now. Did you ever get a copy of the buy-sell agreement? If you were able to obtain it and read it, most likely the attorney put a clause in the agreement that would be executed if one of the owners became disabled. So your clients may have unfunded liability that they didn't know they could have insured. DBO usually has lower and different financial underwriting ratios than life insurance. Therefore, don't be surprised if you can't obtain the same amount that was placed on the life insurance. There may be some other rules as well, so it would be good to reach out to the home office underwriter before heading out to see your clients.

### **Retirement Security DI**

Problem: Your client is putting money away for retirement in some type of qualified plan. Your client stops working due

to a disability. Your client can no longer put money away for retirement and is even talking to you about taking money out to help pay for the myriad expenses that can occur during a disability. How about a policy that helps with extra payments to make up for lost contributions? Retirement Security DI to the rescue. Depending on the company and plan, these plans can replace some, most, or the entire amount that was being put away in the qualified plan. There are various versions of these policies, but in general they are typically designed so that the accumulated disability benefits, for the most part, are somewhat restricted until a pre-set retirement age, such as age 65. These plans usually have their own issue and participation limits, so your clients that already have individual coverage may

still be able to obtain this coverage as well.

#### **Key Person DI**

If you ask around in the marketplace, you should be able to find key person disability insurance available. I'm sure you have clients that have key employees that create significant revenue for the firm. In these cases, the firm is exposed to significant risk if that the key employee gets disabled. What would happen to the accounts the key employee has developed and manages? What is the risk of revenue loss? Building infrastructure around key employees can be expensive—especially if that key employee is out on disability. It's so obvious when you think about it, but how many of your clients actually know this product exists? There are underwriting rules to know that

may vary with the various companies that offer this product. Usually it's designed for either non-owner employees or minority owners.

#### **In Summary**

When disabilities occur, it's a traumatic physical and mental experience for your client and his family. It can be equally traumatic for the employer, business partner and colleagues of the business entity as well. As trusted advisor, it's important for your clients to know about these products and to be able to properly plan. With knowledge there is not only power, but proper planning as well. Reach out to the resources that are out there in the marketplace. Help your clients today with solutions for potential planning issues of the future. 🌐