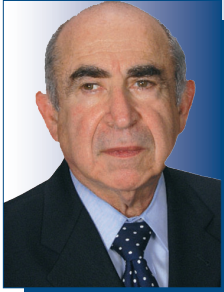


Disability Insurance Insights...



**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.

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Game Of Inches

In today's world of online quotes and direct to consumer marketing, it's important to be at the top of your game at all times. When it comes to individual disability insurance, it's no different.

We support many national organizations and their financial advisors at our agency. In doing so, we need to be sure we focus on the three essential parts of underwriting: Medical, occupational, and financial underwriting. Not only do we review these areas, but we search for clues that may help us identify when a case has possible upgrades and possible pitfalls.

While we can obtain the basics needed for a quote, the "make it or break it" part really comes down to the ability to identify the cases that need extra clarification and those that need to be moved to a non-traditional product.

Cases that cause challenges for those that are not experts in disability insurance are

the cases that do not hold up to the expectations of the consumer. The expectations of the consumer need to be shaped by the financial advisor who, in turn, should be given some basic knowledge of the three major underwriting areas.

For example, the occupational rate class is essential to the pricing of an individual disability insurance policy. Depending on the company, the occupational class is usually assigned a number and/or letter, such as 5A, 4A, 3A, 2A, A, B, with 5A being the top class and B being the lowest rate class. Each company has their own version of the rate class system but, in general, we tend to see anywhere from five to 10 different occupational classes or variations of classes. Each class may have different pricing and different policy features or definitions that may be associated with the corresponding class. If the wrong occupational class is used in an illustration, most likely the rates will be

incorrect and/or certain policy features may not be available. Some advisors have a difficult time at policy delivery when a policy is issued other than applied, so getting the occupational class correct is essential for any disability marketing team. In addition, there can be other aspects of a case that can allow an upgraded occupational rate class when normally a lower rate class would need to be used. For example, some companies may have business owner upgrades where, if the size of the company, length of ownership, income, and other factors are within certain guidelines, a better rate class and/or more coverage may be offered to the client. If the internal wholesaler doesn't recognize that the better rate class can be used, then the illustration may be priced too high or not have as much benefit as could have been quoted. If there is competition on the case, then it's possible the client can be shown the exact same company but with lower premiums and/or more benefits. Our DI marketers train on occupational class underwriting and are constantly looking for programs that can allow better occupational classes and/or more benefits.

Financial underwriting can also be crucial

in illustrating and quoting disability insurance. Our DI team looks for how much current coverage an advisor's client may have in force, but it's important to take it even further at times. For example, if someone is an owner of an S-corporation, and has employer-paid group DI, the financial underwriting may be different depending on the percentage of ownership. If the client owns less than two percent then the financial underwriting will be similar to that of an employee, but if the client owns more than two percent the financial underwriting will be based on the non-passive owner income underwriting rules. The issue and participation rules for individual disability companies will vary based on existing group coverage and if the group coverage may be taxable or not taxable. If the wrong assumptions are used, then the illustration may be incorrect. In addition, knowing and understanding the unearned income rules are important as well, as unearned income may be treated differently depending on the company. Our disability marketing team is constantly monitoring these dynamic and ever changing financial underwriting issues. Of course, a client needs to consult

with their tax advisor on any issues involving taxes.

On the surface, health underwriting appears to be intuitive, as how different can it really be from life underwriting? We constantly have advisors telling our team that the client was preferred best for life underwriting, so there should be no need to be concerned about the DI health underwriting. In the individual disability insurance world, insurance companies can line item certain conditions and exclude them from coverage. Exclusions are not typical for traditional life insurance or long term care insurance, but for disability insurance it's a very common occurrence. It's important to recognize the conditions that can cause these exclusions to occur, such as mental/nervous conditions, prior health issues that were already resolved, chronic health issues, and muscular skeletal issues.

In summary, when quoting disability insurance, we'd recommend that you use a resource that understands the nuances of disability underwriting. In a game of inches, you need to get the first down in order to score. 🌐