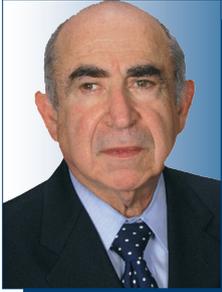


Disability Insurance Insights...

An interview With Eugene Cohen— Who Needs Business Overhead Expense Insurance...And Why!



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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*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 Cohen, who has dedicated over 57 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. With the help of Victor Cohen, we will chronicle many of Eugene's life lessons, advice, strategies, and what drives him every day to mentor those who wish to help their clients protect their incomes. Disability insurance 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.

This is the seventh part of our ongoing series with Eugene Cohen, CEO and founder of the Eugene Cohen Insurance Agency, Inc. The agency started as a disability insurance brokerage MGA and has grown to over 35 team members who are all focused on the wholesale service needs of financial professionals for disability, life, long term care, and annuities.

Victor: So, we're talking about Business Overhead Expense (BOE) insurance... Who do you think needs this coverage the most?

Eugene: The small business owners and professionals (doctors/dentists/attorneys) are great prospects for business overhead expense insurance, as the need is tremen-

dous. And as I always say, "Need motivates action." This product is one of the best kept secrets.

Victor: If a small business owner already has an individual disability insurance (IDI) policy, why would they also need a BOE policy?

Eugene: An individual disability insurance policy protects a client's income. The monthly benefit from the IDI policy helps to cover a client's fixed obligations such as rent or mortgage payments, food, clothes, insurance premiums and other necessities. That's what an IDI policy is designed to do.

If you're a small business owner who gets disabled, you're likely going to want to keep your business open. Even though the owner can't work, the expenses of the business are still the owner's responsibility. And that's why having a BOE policy is so important.

Victor: What type of small business owners tend to need BOE protection?

Eugene: Owners of small engineering firms, architectural firms, accounting firms, law practices, doctors of dentistry, owners of small doctor practices, owners of small consulting firms and IT firms. Usually there are less than a dozen employees in these businesses, though sometimes more employees can be justified.

Here's an example of the need for BOE. A producer presents an individual disability insurance policy to a dentist, who owns their practice. They have about ten employees. The dentist gets an IDI policy that will pay a monthly benefit up to \$10,000 to age 67 for a qualifying disability.

The dentist seems satisfied with the policy and feels well protected. The producer seems satisfied.

A year later the dentist gets in a bad accident while riding a bicycle and breaks multiple bones and can't practice dentistry for at least six to seven months.

While the dentist has an individual disability insurance policy to pay some of their personal expenses, what about the business expenses? The dentist still must pay the salary of the employees. Then there are payroll taxes, and utility bills, malpractice insurance premiums, legal and accounting business fees, phone bills, the list goes on. The dentist has approximately \$20,000 per

month in expenses.

Now the dentist is not happy, as these expenses have to be paid in order to keep the office open. And why did this dentist not have BOE coverage? Because the advisor never presented it.

Victor: As a small business owner, have you personally ever owned a BOE policy?

Eugene: Oh, yeah. Throughout my career I can remember how important it was to me. I had to sign my first lease for my office. It was \$3,000 per month. In today's dollars, with inflation, that would be about \$9,028 per month. That's a lot of money for a business just starting out and me, being personally responsible for making sure it was paid...every month...regardless of the revenue received.

I purchased a BOE policy to protect my business to provide peace of mind. I looked at the great support staff and said, "Eugene, if anything happened, would you really want to be forced to part ways with these incredible team members?"

If I had a qualifying claim, after the elimination and claims process, that policy would help offset my rent, salary, utilities, and other fixed expenses I had, every month, for the benefit period of two years. In fact, with many policies, if the expenses are less than the monthly benefit, the benefit period can be extended by the amount that was not yet paid out.

Victor: When an advisor is talking with a client who is a small business owner, how do you suggest the advisor help that client uncover the need?

Eugene: The same way an advisor can help any client see the need for any DI product. Ask questions.

You ask the small business owner, "If you're disabled, who's going to reimburse you for the cost of your assistant, the rent, and all these covered expenses listed on the policy?"

I'd say, "You already have an individual disability insurance policy to protect your income. Now we have to protect your business. If your revenue decreases due to a qualifying disability, your expenses aren't going to decrease. You want to make sure your office is open and that your staff is still there when you come back."

Victor: Exactly how does the policy work?

Eugene: These are expense reimbursement policies. Usually the benefit period can be around one or two years. There may be a waiting period of 30, 60, or 90 days—depending again on the company offering the policy.

Many of the policies have a "Carry-Forward Feature." So, let's presume you don't use all the benefits in the policy over two years—or whatever the policy's benefit period is. You could possibly have a longer payout period (subject to policy limits).

There is also a "Residual Disability Benefit" on many BOE policies. If you are not totally disabled but, because of your qualifying injury or sickness, you have at least a certain percent loss of business income, you could possibly get a portion of eligible business expenses reimbursed. Each company may vary on this provision.

Depending on the client's occupation class, some companies have a "Salary Replacement Rider." This rider may allow some flexibility in allowing a business owner to hire someone, other than a family member, to perform the business owner's duties and, depending on the rider, have the business owner's salary included in covered expenses.

In addition, most policies have a waiver of premium provision as well.

Victor: Can a business owner deduct their BOE premiums as a business expense?

Eugene: Naturally, the business owner should check with their accountant. But business overhead expense premium is usually tax deductible. The benefits coming in are based on reimbursements of qualifying business expenses, which ends up making the benefits a non-taxable event. Any tax questions should be referred to a client's tax advisor.

Victor: Unfortunately, we have to wrap up our conversation for now. Thank you so much. This has been great. Before we go, any final words on BOE coverage?

Eugene: Thanks, Victor. BOE is a product that small business owners are very interested in...as long as advisors present it. The need is there. 🌍