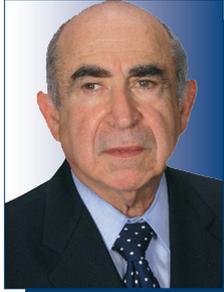


## Disability Insurance Insights...



**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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# An Interview With Eugene Cohen— Disability Insurance And Matching Up Three Types Of Clients!

*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 Cohen, who has dedicated 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 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.

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:** Over your years working in the DI world you've identified three different types of income protection clients that producers are most likely to encounter. Please, tell us about them.

**Eugene:** Well Victor, Client Number One is the individual that has no income protection

coverage at all.

Client Number Two is the individual who has group long term disability, also known as Group LTD, through their employer and has no other DI coverage.

And Client Number Three is the individual who does not have Group LTD but does have individual disability insurance.

**Victor:** So, let's talk about Client Number One—the individual who has no DI coverage.

**Eugene:** With this client, the most frequent objection we have found that a financial planner will likely need to overcome is what we call “the no need objection.” This is when the client may not believe they actually need individual disability insurance.

**Victor:** So, how does a financial planner overcome this objection?

**Eugene:** The advisor wants to ask the client questions to help them uncover the need.

For example, ask your client to think about how their life would be affected if they could not work to earn an income due to sickness or accident. How would expenses be met?

It's important for the client to recognize that our incomes are also our financial stability. One's income is the foundation of any financial plan.

Also, it will likely be helpful if the financial planner connects income protection insurance to other insurance products. For example, many life insurance products are designed to provide income to dependents in the event of a premature death.

Home insurance obviously protects your investment in your home. Among many things, car insurance protects your investment in your car. Well, income protection protects your most valuable asset.

**Victor:** Your ability to earn an income.

**Eugene:** Exactly. The need for this product is not a “want,” it is something you have to have. It is a “need.” It is a very important part of financial planning. You may never use this DI policy. But as I always say, “It's better to have it and not need it, than to need it and not have it.”

I want to stress that when used, this policy would help provide the client with financial stability during an unexpected crisis. Once

your client agrees that they need income protection insurance, then you can proceed with your presentation.

**Victor:** So, what about Client Number Two, the one who has Group LTD through their employer, but does not have individual income protection insurance?

**Eugene:** Unlike our first individual, this prospect may already understand the need for income protection insurance.

So, I would say to this client “Your Group LTD is an excellent start. Let's review your Group LTD plan's benefits.” Often, we find that with high-income earners their Group LTD does not provide enough monthly benefit.

Typically, a Group LTD plan pays a monthly benefit based on a percent of the employee's monthly income up to a monthly maximum dollar cap.

**Victor:** And some Group LTD plans do not count annual bonuses as income.

**Eugene:** So, let's say your client is an executive with an annual income of \$300,000 and their Group LTD happens to pay 60 percent of their income up to a maximum monthly cap of \$10,000.

Because this client earns \$25,000 per month, that \$10,000 Group LTD monthly benefit just may not be enough to cover the client's monthly financial obligations.

**Victor:** Like a monthly mortgage payment, car payments, insurance, food...?

**Eugene:** Clothes, your monthly electric bill, there's a long list of those financial obligations that are needed to maintain one's lifestyle. And that \$10,000 monthly benefit—actually may not technically really be \$10,000.

**Victor:** What do you mean?

**Eugene:** Let's say your client's employer is paying the Group LTD premium. That means the benefit may be taxable. If your client is in a 30 percent tax bracket, that would reduce their Group LTD benefit to \$7,000 per month.

There may also be other shortcomings you discover when reviewing the Group LTD policy with your client. For example, it's very important to look at the client's Group

LTD definition of “total disability.” The definition of “total disability”—what has to happen for a person to be considered disabled—is the heart of any disability policy. Some Group LTD plans do not always have the best definition for “total disability” compared to what is often available in individual disability insurance policies.

Also, with some Group LTD plans, when the employee leaves their company the Group LTD typically may not travel with them.

Getting back to our client with approximately a \$7,000 monthly benefit through their Group LTD, I would ask them, “Could you manage on \$7000 per month?”

In many cases there could be an income gap here. I would say to this client, “What we want to do is supplement your Group LTD with an individual disability insurance policy. And we will make this individual policy self-pay, where you will pay the premium with after tax dollars, making the benefit typically tax-free.

**Victor:** Let's talk about Client Number Three—the individual who already has an individual income protection policy.

**Eugene:** This client very likely understands the need for disability income protection, but their agent may not have visited them for many years. It's important for a financial planner to revisit a client on a regular basis to make sure their client understands their policy and to see if the client's needs have changed.

**Victor:** Can you give us an example of how a client's needs may change?

**Eugene:** Let me tell you a true story. We were at a party and talking to one of the guests. We started to talk about work and he asked me what we do for a living. I explained to him that we provide support to advisors offering disability income protection to their clients. He told me his story, and he said I could share it with everyone.

Early in his career, when he was a practicing doctor of dentistry at 32 years old, earning a nice income, he said an agent came to talk to him about disability income protection insurance. With no coverage at all, the

dentist purchased a DI policy with a benefit period to age 65, with a \$5,000 monthly benefit, insuring him in his regular occupation as a doctor of dentistry. And he paid the premium with after tax dollars.

The dentist then said, "It took 19 years for another agent to visit me and go over my policy. I was 51 at the time. Over those 19 years my income had obviously gone up. The agent pointed out I had a gap, with my expenses greatly out pacing my current policy and I really needed more coverage. So, I purchased an additional \$5,000 per month benefit with all of the same benefits on my original policy.

"Then, at 53 years old, just two years after purchasing that additional monthly benefit, I had a stroke in my right eye. I lost my vision in that eye, making it impossible for me to practice dentistry. I was knocked out of my occupation. So, I began teaching. I now receive income from teaching plus my \$10,000 monthly DI benefit because I cannot practice dentistry."

**Victor:** That's a really powerful story.

**Eugene:** How many dentists, surgeons, attorneys, executives, and others have not had their DI coverage reviewed in years?

**Victor:** Too many, I am sure. Eugene, thank you for another great conversation.

Before we wrap things up, do you have any final thoughts you'd like to share?

**Eugene:** Many DI policies have what some DI companies call a "benefit update rider" or a "benefit increase rider" or a "future purchase option" rider, where the client has the ability to increase their monthly benefit without medical underwriting — typically there's financial underwriting only. Producers should check to see if that rider is on a client's existing DI policy.

**Victor:** Thank you, again, Eugene. It's always very special getting to talk DI with you.

**Eugene:** Thank you, Victor. 🌍