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## DI and CI: A Match Made in Heaven



A major change has occurred in our industry over the past 25 years. How often do you hear about the premature death of a breadwinner anymore? Why have life insurance rates decreased dramatically over this span of time? It's because, thanks to many medical advances, we now survive the conditions like cancer, heart attack, and stroke that used to kill us.

I still remember receiving a call from an agent in Virginia several years ago. He had been looking through a church prayer list, and it occurred to him that there were no prayer requests for families experiencing a death, yet there was a long list of individuals with needs because of cancer, heart attacks, and other heart-related conditions.

Which is more likely to happen to an individual before age 65 or 70 — death, disability for 180 days or longer, or a critical illness? The obvious answer is the latter two. Yet, according to LIMRA International, while 76% of the households in the U.S. own life insurance, only 29% own disability income (DI) insurance. Not even one-half of one percent own critical illness (CI) insurance. Are we really helping our clients when we talk only about life insurance or investments?

CI and DI together represent one of the best sales opportunities within our industry. The two products fit well together, both serving to lessen the impact of disability or serious illness. Apply that analogy to a car, with DI as the brakes to keep from careening out of control, and CI as the airbag. You wouldn't buy a car without brakes, and, even though 20 years ago airbags didn't exist, today you wouldn't buy a car without them, either.

I recently spoke about CI/DI sales potential with two of our company's leading CI and DI distributors, Keith Pfeifer, president of Source Brokerage in Fort Myers, Fla., and Dale Chittenden, brokerage supervisor of The Chittenden Group in Phoenix. Both had success in 2006 packaging DI and CI into combined sales.

Keith described the various ways CI provides sales opportunities for the agents he works with, either as stand-alone coverage or packaged with DI. One area has been key person coverage. "Key Person DI is available on a limited basis," he said. "A number of agents have cases in place with key person life insurance, but which is more likely to happen: the key person dying prematurely, or suffering a critical illness? We recently were able to place a large key person CI case in which the client was on antidepressants and didn't qualify for DI."

He regularly sees cases of clients who already have the maximum amount of DI available. "We did a quote last week on a surgeon who already had the maximum monthly benefit of \$15,000 in personal disability insurance in force, so we ran a quote for \$500,000 of critical illness. It's the only option this person has," he said.

Keith also has dealt with clients who are impaired risks for DI because of various health issues, such as back problems or mental and nervous conditions. "For those making only \$40,000 to \$50,000 a year, it's a bit of a stretch to afford impaired risk DI, although it's a great plan," he said, "so we'll show critical illness because it is a less expensive option, especially when you have a prospect on antidepressant medication."

New businesses also are prime prospects for combined CI and DI sales, especially when the business owner has no prior experience. These people are usually limited on the amount of DI benefit they can purchase, so CI is a good supplement. The same thing applies to home-based businesses.

It is always a challenge for self-employed clients to buy adequate DI because of all of their tax deductions, since the amount of DI they can purchase is based on their taxable income. Keith told me, "In cases of people with little or no

income on their tax returns, we're not able to show them DI, or else only very limited amounts. But critical illness fits those people very well."

"Another case is government workers. We get quotes for government employees who are making \$100,000 or \$125,000 a year. The limited amounts of individual DI available to them aren't sufficient, so we show them CI along with disability."

Critical illness in conjunction with the elimination period on a DI policy is Keith's favorite application. "We might have an attorney who's making \$250,000 or \$300,000 a year, and we'd quote him \$10,000 of monthly benefit on a 90-day elimination period. But it actually takes 120 days before his first DI check is even cut, leaving \$40,000 of exposure before his payments from the DI policy will even start. That can be a detriment to making the DI sale. So we'll quote a \$40,000 CI policy to go along with the DI product. That way, the person has the money right up front to meet the elimination period and doesn't have to worry about reserving that money personally. This approach also differentiates the agent in the marketplace because not many other producers are doing it."

Keith believes his enthusiasm and success in DI and CI sales are due to finding a niche. "It's the road less traveled," he said. "It is the one area of the insurance industry that offers endless opportunity, with only a limited number of people serving that opportunity." He added, "In my joint case work with agents, I can honestly tell you that whenever we show DI to a prospect, we also show critical illness, with the idea of covering the elimination period — and we haven't had anyone yet tell us 'no.'"

Dale Chittenden shared similar thoughts on using CI to cover the elimination period on a DI policy. "This reason makes sense to clients," he said. "The concept of disability income is to protect what is arguably a person's largest asset — the ability to earn a living. In the past, when we sold DI, we'd have clients choose a waiting period and then advise them to self-insure that waiting period. Most people would choose the 90-day waiting period to get the lowest premium. But the waiting period actually is four months because the check isn't issued until the end of the first month of claim, and people just don't sock away four months of living expenses. CI does that for you — it's a way of funding your waiting period. In fact, sometimes you can push the waiting period on a DI policy out to 180 days by combining CI with it, lowering the premium there as well."

Like Keith, Dale has used CI instead of impaired risk DI on some occasions. "We currently have a case in underwriting where we originally combined DI and CI. As soon as the app hit our desk, we realized the DI was not going to be placed. This is a very prominent business person in the area who is fully employed and working regularly, but is also on anxiety medications because of job stress and other personal situations. Even though we could have gotten impaired risk DI, our client wasn't interested in that, so we changed the amount of CI applied for from our original \$250,000 to \$500,000."

This is the Chittendens' fourth effort to market CI. Dale explained, "We tried several times, unsuccessfully, to package CI with major medical insurance as a wraparound plan. We'd sell a high deductible and fill the gaps with critical illness. It lowered the client's premium on the major med plan and gave them the safety of a lump sum payment should they come down with one of the covered conditions, to protect from a catastrophic loss. We believed in CI at that time, but we never could penetrate the market."

"Now, people are beginning to understand the importance of CI, and the agents are seeing the value in showing CI even when the client isn't interested in DI. Very few people will argue the necessity of having a medical plan, and the agents are now educating their clients about the need to pay for daily expenses — possibly even the premiums on their medical plans so that coverage can continue. That's really how we're finally starting to penetrate the marketplace. We're getting more traction going after our DI producers."

"CI is a natural sale to disability," he continued. "As good and as important as disability income insurance is, we all know it does not make you whole. It keeps you going and it keeps you from having to raid your retirement funds or savings accounts, or from stopping payments on your house. But it is not the complete plan. CI completes the plan."

*Kenneth Smith is director of critical illness and disability income for Assurity Life Insurance Co. He has more than 25 years of experience in the insurance industry, both in the field and in the home office. Prior to joining Assurity, he served for more than 10 years as first vice president of critical illness and disability income for Mutual of Omaha.*

*Keith Pflieger is president of Source Brokerage, an industry-leading insurance brokerage firm specializing in wholesaling DI and CI products to large national accounts, other brokerages, independent agents, and financial planners. He also is on the advisory boards of two major DI carriers, and is a founding member of the International DI Society.*

*Dale L. Chittenden joined his brother Dave and father George in 1991 in the brokerage business as a key member of The Chittenden Group. Over the past 15 years, he has specialized in disability income, critical illness, and life insurance sales.*