



## DI INSURANCE

# A DI Action Plan

The need couldn't be clearer, and the opportunities greater, for selling DI insurance—here's your chance to reach this largely untapped marketplace.

By Allan Checkoway, RHU

Here's a question for you: Are your clients more or less likely to become disabled today than they were 10 or 20 years ago? The short answer is yes. There are new causes of disability—chronic fatigue syndrome, for example—that didn't exist as recently as 20 years ago. Today, three out of 10 workers between the ages of 35 and 65 will become disabled for 90 days or longer, and nearly one in five of them for five or more years.

### Huge opportunities

Unfortunately, though, many businesses don't provide long-term disability income coverage for their employees. And when they do provide group long-term DI insurance, almost 90 percent of the time the benefit insures up to 60 percent of income—that's the good news. The bad news is that most of the time the premium is employer paid. Hence, the net after-tax benefit is approximately 40 percent of an employee's income. How many of our clients could live on 40 percent of what they're earning today? This creates a huge opportunity for you to offer a voluntary payroll-deduction DI insurance program that supplements the taxable 60 percent of their long-term DI benefits. Or you may recommend reporting the premium as compensation so the benefits are tax-free.

**ACCEPT "WHAT IS" (FULL FINANCIAL DISCLOSURE AND CAREFUL UNDERWRITING), AND FOCUS ON WHAT'S REALLY IMPORTANT—CLIENT NEED AND THE OPPORTUNITY IN AN UNTAPPED MARKETPLACE.**

If the business has a Section 125 plan, and most businesses do, employees can purchase DI insurance at a 30 percent discount (by paying premiums pretax, plus approximately a 10 percent list-billed discount). This creates another huge opportunity to install a voluntary payroll-deduction DI insurance program.

In addition, the workforce has changed. We no longer have a traditional, married, head-of-household employee, with a nonworking spouse. In 1990, 60 percent of households were dependent upon two working spouses' income. That number is expected to reach 90 percent by the year 2010! These households now have two incomes to insure against the risk of long-term disability.

### DI action plan

The opportunities couldn't be clearer—and the need for this product greater. And yet, many agents don't sell DI insurance. Some common complaints I hear from agents are, "Products are difficult to understand ... the underwriting is too tough! ... the contracts aren't the same quality that I'm used to."

But don't we all—older agents who no longer sell DI insurance, as well as newer agents—have a professional responsibility to discuss DI insurance with all our clients? Couldn't we possibly end up with a claim against our errors and omissions insurance because we took good care of the life insurance, but the client didn't die yet—he became disabled? And how are we going to feel deep down when our life insurance client asks, "Didn't you say the waiver of premium includes a disability income benefit?"

My suggestion: Accept "what is" (full financial disclosure and careful underwriting), and focus on what's really important—client need and the opportunity in an untapped marketplace. Here's a DI action plan for you to keep in mind, especially if you're an agent who is new to the business:

- **Determine which DI insurers are licensed and actively doing business in your state.** Several of the largest career (life) agent companies are still most active in the DI business. Many of these agencies have a DI specialist whose primary responsibility is to develop and increase their agencies' DI production.
- **If you're not a DI specialist, partner with someone who is.** Even if your DI commissions are reduced because of jointly written business, it'll be a win-win situation for you and your partner. You'll be bringing your DI prospects to the table, which will be a productive use of your mentor's time. Also, it's a classic example of 50 percent of something being better than 100 percent of nothing. You'll soon have the best kind of training under your belt.
- **If you work for a life company that doesn't offer DI insurance, keep in mind that most companies have national comarketing agreements with a brokerage DI insurer.** If you don't have access to this type of arrangement, explore the brokerage DI marketplace. I spent 24 years of my career helping new and established agents learn the DI insurance ropes. Ask your colleagues for a referral, and contact the officers of your local NAIFA association. They're usually established professionals with an enormous amount of goodwill, and love to see newer agents grow professionally.

*Allan Checkoway, RHU, principal of Disability Services Group in Newton, Mass., is the author of a disability textbook, and a long-term care planning book, Eldercare Survival Kit, to be published this month. He can be reached at [allan@disabilityservices.com](mailto:allan@disabilityservices.com).*

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