

SALES IDEAS

DI Sales Ideas You Can Use Today

Jumpstart your disability income insurance sales with these great ideas.

Are you thinking of getting back into disability income insurance sales? I can understand the attraction. If it has been a while since you worked in DI insurance, you may need a little refresher; if you have never marketed DI insurance, think of this article as a primer. Here are a few ideas you can use in your practice today.

Work your existing client base. If you are an experienced life insurance agent, you have built a client base over the years. Why not start there? Hopefully, you try to meet periodically with your clients to review their financial situation and needs. Why not review their files for DI needs as well?

Don't forget that a lot can happen in a short time. In your prior discussions, you may have discussed your clients' DI needs but decided DI insurance wasn't necessary because they have coverage at work. Do they still work for the same firm and do they still have coverage through that company? Do they make enough income, from a base salary and/or commissions and bonuses, to require personal, supplemental coverage? The best targets for this type of review are business-owner executives and professionals.

Sell salary continuation or qualified sick pay planning. Using a salary continuation or a QSPP is a well-established sales technique that is beginning to be discussed more regularly again. Few employers are aware that if they continue the salary of a disabled employee without a written QSPP in place prior to the disability, they have created an "ad hoc" plan.

As such, it loses its deductibility as a wage expense. The case law typically referenced is *Chism Ice Cream v the*

IRS, which dates back to 1963. Over the years, this ruling has been reaffirmed and little has changed. However, few people outside the disability fraternity are aware of its potential adverse effect on the business.

In addition to the issue of deductibility of the continued salary to the disabled employee, another important selling point is that the continued

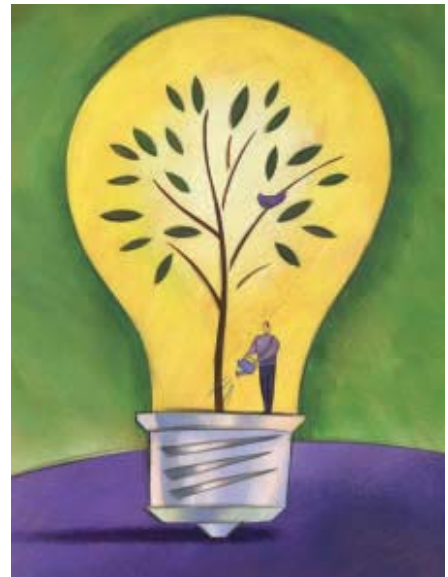


TABLE 1 Advantages of Insuring the QSPP

No Plan		Self-Funded QSPP		Insured QSPP	
Revenue	\$100,000	Revenue	\$100,000	Revenue	\$100,000
Income Tax**	-32,000	Sick Pay	-30,000	Income Tax**	-32,000
Net Profit	68,000	Pre-Tax	70,000	Net Profit	68,000
Sick Pay	-30,000	Income Tax*	-22,400	Sick Pay	-30,000
Retained Earnings	\$38,000	Retained Earnings	\$47,600	Retained Earnings	\$67,320
				plus DI Benefits	\$30,000

* Approximate annual cost of insuring on a 35-year old employee with \$30,000 annual benefit to age 65.

** Assumes a 32% corporate tax rate.

salary to one employee can create a "precedent," and the subsequent disability of a non-key employee may result in the claim that the prior payment obligates the employer to pay this second individual.

A QSPP or salary continuation plan is simply the written description of who is covered, how long he must be disabled prior to the benefits being paid, how much is payable, how long the benefits are payable and what constitutes disability. Several DI insurance carriers can provide you with sample legal documents you can give to the business owner.

A key advantage of this approach is that it allows you to work with the owner and develop a plan that meets his needs. Additionally, while the QSPP or salary continuation plan does not require insurance, it is

relatively simple to justify the use of DI insurance policies instead of "self-insuring" the plan. Once the employer or business owner sees how he can provide an insured plan for "pennies on the dollar," you will spend the rest of your time and effort designing the plan to meet his needs.

I like to use Table 1 (see above) to demonstrate the reason to have a plan and why that plan should be "insured."

I like to show the financial reasons the employer should have a plan and then reinforce the effect of having the plan and a disabled key employee on claim. □

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