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DISABILITY INCOME INSURANCE

Good News!

You can sell an effective DI policy by asking your client the right questions and listening to his responses.

By Philip S. Zima, LUTCF, RFC

How many times have you either read negative articles or viewed investigative reports about individual disability income (DI) insurance carriers following clients with cameras? Or heard disgruntled staff members state they have been directed by senior management to deny all disability claims? Have those negative articles and videos jaded you, as an advisor, into thinking insurance companies only collect premiums and then send "form" letters to every client denying any benefit when a claim is filed?

I hope not! DI insurance is a critical component of a sound financial plan for many of your clients. But you can forget about selling an effective DI policy until you ask the right questions and listen to your client's responses.

How can we effectively plan for our clients' claims payments when they're needed? Don't fool yourself into thinking all individual DI products are the same. The term disability does not effectively define today's individual DI policies. I prefer to refer to them as personal income-replacement policies designed to assist an individual with partial or total replacement of his income in the event of a sickness or injury. DI policy definitions vary widely in terms of when and how they pay benefits. It is our responsibility as advisors to fit the policy to the client rather than the client to the policy.

What do you mean?
You may be saying to yourself, "Good advice, but what do I ask, and how do I ask it?" Let's explore how your definition of your client's occupation might affect the claim payments should a disability occur.

Your client's inability to perform the "material and substantial duties" of his occupation is the key element of a disability claim. The more information that you provide on the initial DI insurance application, which in most instances becomes a part of the permanent policy, the more you will likely head off processing issues, delays and possibly a denial of your disabled client's claim.

Be thorough
During the interview, you must find out exactly what your client does. You do this by asking questions that will provide specifics about what he does every day. Ask questions like these: What is his title? What is his job description? Where does he perform his duties: in his office, outside his office, at home or a combination of the two locations? Is any specialized training required for the position, such as certifications, degrees or professional designations? What percentage of his time is spent on each of the duties his position requires?

For example, let's say your client is a board-certified pediatric neurologist in private practice. That means he is a board-certified neurologist with a board subcertification in pediatric neurology. He spends 60 percent of his time at his office consulting with patients and the remaining 40 percent at the local hospital performing surgery on children under the age of 12.

A normal workday for this client consists of 40 percent patient consultation, 40 percent surgical procedures, 10 percent chart entry and 10 percent medical staff management.

It's all in the details
What have we accomplished by getting this information? We've just determined exactly what this person's qualifications are, including who his client base is and how much time is spent each day performing the specific duties of his occupation.

THE TERM DISABILITY REALLY DOES NOT EFFECTIVELY DEFINE TODAY'S INDIVIDUAL DI POLICIES.

We can now communicate specific information on the application to the carrier rather than an occupation of "physician" and duties of "patient care." In the event of a claim, such a broad description could become problematic because it lacks a thorough explanation of the type of physician your client is and what his actual "patient duties" entail.

Most importantly, you should realize you have just gathered enough information about what kind of definition of disability to search for in the individual disability product you recommend.

Most likely this person is seeking a disability policy that recognizes his specialty of pediatric neurology as the primary occupation, rather than a definition that would consider him disabled only if he were incapable of performing the duties of, for example, a family practice physician.

With this information in hand, it is the appropriate time to begin a discussion of the various definitions of disability with your client and how each will affect the amount of the claim paid to him in the event of a disability.

Comprehensive communication of information concerning a client's duties and selection of an occupation definition will affect claim payment. Your ability to listen and gather comprehensive occupation-duties information will result in your telling your client, "Good news! Your disability claim has been approved," rather than, "A problem has occurred with your claim."

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