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How To Sell DI In A Down Market

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Because consumers are generally cutting down on their spending and sticking to smaller budgets, it may seem difficult right now to ask them to protect their income in the event of a disability. Many people, however, also are realizing just how important their income really is. As financial professionals, it's time to get back to fundamentals and stress the importance of risk protection products such as individual disability income (DI) insurance.

Indeed, the timing is right to observe the annual Disability Insurance Awareness Month in May. The goal of this industry-wide campaign, coordinated by the Life and Health Insurance Foundation for Education (LIFE), is to get Americans thinking about the need to protect their income. To get you started, here are a few tips for selling DI in a down market.

Find the right prospects and customize policies to meet their needs

The ideal target market for non-cancelable individual DI insurance is individuals in the working population who:

- Are age 30 to 55
- Are employed full-time
- Earn a minimum annual income of \$40,000
- May have other risk and/or protection products with you
- Realize the importance of income protection
- Meet your carrier's underwriting guidelines for occupation, income and medical history

These individuals are more likely to see past the current economic situation and also have the funds necessary to purchase income protection now. Policies can be structured to be affordable and typically only cost 1% to 3% of a client's annual salary.

When approaching these clients, be considerate of the current situation and present at least three different options or plan designs that vary in price and benefits. Most carriers allow a policy to be structured to be more affordable by:

- Shortening benefit periods
- Not adding cost riders
- Lengthening the waiting period before receiving benefits
- Reducing the benefit amount (remember to provide a meaningful benefit that at least covers a mortgage payment or other essentials)
- Protecting the event of total disability only (vs. total and residual disability)

Although the coverage selected may not be the richest benefit available, some coverage is better than no coverage. You also may find a competitive premium by working with a carrier that targets specific types of occupations, such as white- or blue-collar workers. Or you can look for carriers that offer premium discounts for multi-life business or select occupations.

During the sales process, the topic of group disability coverage at work may come up. It's important to stress that these benefits are a good starting point, but may not be enough after taxes. Plus, the policy and benefits are typically not portable.

Don't delay in getting a policy issued — understand the underwriting process

You want to make sure everything goes smoothly. One of the best ways to avoid delays is by conducting field underwriting. The more you find out about your clients ahead of time, the better you'll be able to present accurate illustrations and/or have discussions about what to expect when they apply for individual DI insurance.

Getting answers to some basic pre-screening questions covering occupation, income and medical history gives you a better handle on your client's situation. Most carriers have pre-screening questionnaires designed to help ask these questions. Common questions include:

- What are your duties at work?
- Are you self-employed? If so, for how long? How many employees do you have? What is your percentage of ownership of the company? Do you work out of your home?
- What is your taxable earned income this year? Last year?
- Do you have any other disability coverage (for example, group short-term or long-term disability or other individual disability insurance)?
- What is your height and weight?
- Do you take any medication?
- Do you have a history of any illnesses or conditions?

It is also important to find a carrier that allows you to work with the underwriting team and allows you direct access. This way, you can discuss case specifics one-on-one with the underwriter to gain a better understanding of what he or she is looking for when writing the case. Better communication can lead to an easier sale for you and satisfied clients.

Applying the concepts

Here are some hypothetical examples of clients needing income protection and three different possible plan designs (see chart below). All these scenarios assume the pre-screening of the client went well.

	Client A	Client B	Client C
PLAN DESIGN 1	Total disability coverage 5-year, your occupation and benefit period \$2,000/month benefit	Total disability coverage 5-year, your occupation and benefit period \$900/month benefit	Total disability coverage 5-year, your occupation and benefit period \$1,000/month benefit
PLAN DESIGN 2	Total and residual disability coverage To age 65, your occupation and benefit period \$2,500/month benefit	Total and residual disability coverage To age 65, your occupation and benefit period \$900/month benefit	Total and residual disability coverage To age 65, your occupation and benefit period \$2,500/month benefit
PLAN DESIGN 3	Total and residual disability coverage To age 65, your occupation and benefit period Maximum benefit amount available	Total and residual disability coverage 5-year, occupation and benefit period Maximum benefit amount available	Total and residual disability coverage To age 65, your occupation and benefit period Maximum benefit amount available

Client A: Jane, 35 — single

- Earns \$135,000/year
- Certified nurse anesthetist
- Purchased new home; mortgage payment of \$2,000/month
- Purchased a term life policy from you and is investing in her company's 401(k) plan
- Has no income protection

Client B: Phil, 40 — married with one child

- Earns \$40,000/year and is the main wage earner
- Bookkeeper for a small business
- Wife works part time and earns \$20,000/year
- Purchased a few term life policies from you and contributes to IRAs
- Rents a duplex for \$900/month
- No income protection

Client C: Jake and Sue, both 46 — married with teenage children

- Own a printing company with three employees; both are executives of the company

and each earns over \$90,000/year

- Worried about income protection, as well as business expenses, including a recent loan of \$100,000 for a new printing machine
- One of their employees is critical to the success of the business, due to the new sales he brings in

For Client C, this offering is for each spouse. You also may consider selling a key person disability insurance policy and an overhead expense insurance policy with loan protection. By adding additional coverage from one carrier (for three different individuals), each policy could also receive a 20% multi-life discount for more savings.

Back to fundamentals

Armed with the right information, you'll be ready to approach clients about their income protection needs — even in this tough economy. Now is the time to go back to basics. Continue to talk to clients about making sound financial decisions, starting with risk products, to protect their most valuable asset — their ability to work and earn a living.


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