

DISABILITY INCOME INSURANCE

Time to Think Differently

Reaching the new DI insurance buyer requires that you explore new strategies.

By John Roberts

Disability income insurance protects a family's greatest asset—its income stream. Unfortunately, most Americans are not aware of the importance of this benefit, even though nearly 60 percent live from paycheck to paycheck. Despite this startling statistic, many do not carry DI insurance and may face a situation in which the loss of even one week's pay could trigger the onset of a disastrous snowball effect.

Equally disappointing is the fact that the product is hugely undersold. In 1985, the market penetration for long-term DI insurance was at 48 percent—significantly behind health and life insurance offerings that stood at 96 percent for large companies. Today, that market penetration figure is at 44 percent, indicating that growth over the last 20 years has been stagnant, at best.

Clear up client misconceptions

According to The Hartford's Disability Literacy Study in 2004, DI insurance is the least understood type of insurance. As a result of years of study, experts in the industry know that employers and employees do not appreciate the need for DI insurance. Employers believe it is expensive, advisors do not sell it, and short-term products continue to have more appeal than long-term products.

In selling such a product, your best bet is to look for effective marketing tools and materials that explain DI insurance simply and clearly, while outlining the compelling reasons why DI insurance is just as important as other benefit offerings. Most Americans are ill prepared to withstand a financial hardship caused by being disabled and often see DI insurance as a work-related benefit or something that can be remedied with Social Security Disability Insurance (SSDI).

In most instances, this is not the case. Education is key. Consider these facts, which you can pass along to your clients and prospects:

- If someone earning an annual salary of \$100,000 becomes disabled, SSDI will only provide approximately \$20,000 a year in lost income—just slightly above the poverty level. Even then, it could take up to five years to receive the Social Security benefit, if it is received at all.
- Half of all bankruptcies result from illnesses or the inability to pay medical bills. (*Washington Post*, February 2005)
- Roughly half (48 percent) of all home foreclosures are due to serious medical problems, whilst only two percent are death related. (*National Underwriter*, May 2002)
- An alarmingly high percentage of employees believe that cutting back on luxury items (85 percent), reducing entertainment spending (68 percent) or being more thrifty (72 percent) will help relieve the financial pressures brought on by a disabling event.



Target small businesses and service workers

To help market DI insurance, many companies are also identifying underserved segments of the market and developing innovative products to address specific market needs. For example, the small-case market could yield more profit potential given that group rates are more affordable for employees. If you focus on the small-case market, you may also see an increase in the purchase of voluntary benefits. If you engage employers and employees in a clear and knowledgeable discussion about the importance of DI insurance, employees will see it as a value-added benefit and are more likely to purchase it, even as a voluntary benefit.

Other segments remain largely underserved, as well. For example, DI insurance is sold primarily to white-collar groups. In 2004, market penetration for white-collar occupations was at 41 percent, while that for service workers was at a mere 12 percent.

What your client needs to know

Your clients need to know some disturbing truths about DI insurance. For instance, more than half of the population is *without* DI insurance today. Further, nearly one in every three Americans will be disabled for three months or longer before reaching age 65, according to the American Council of Life Insurers' *2001 Life Insurers Fact Book*. And disability is likely to outpace death as the primary cause of financial hardship for most Americans.

If you're willing to think differently and help your clients understand the very pressing need for DI insurance, you'll be one of the advisors who fully realize the potential of this market.

John Roberts is president of Disability RMS, based in Westbrook, Maine. He has almost 25 years of experience in disability, life and special risk businesses. Contact him through the company's website at www.disabilityrms.com.

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