

Case In Point:

Business Loan Disability Insurance

Get to know Mike Daly, First Command Financial Services

In addition to providing a full scope of financial planning services, advisor Mike Daly has achieved great success with business loan disability insurance products. As a former CFO, commercial finance is one of Mike's strong points. In fact, in his position as a financial advisor for First Command Financial Services, many clients rely on Mike for cash flow management and business valuation consulting.

As his professional clients establish or expand their practices, many require business loans. Mike refers them to First Command's bank division for financing. And when the financing terms require insurance for business loan protection, Mike has the ideal solution: business loan disability insurance.

What is business loan disability insurance (DI)?

Business loan disability insurance is vital insurance coverage for professionals seeking to open their first practices; expand their businesses; or add more locations. Business loan disability insurance covers loan payments when business owners are unable to work due to disabling illnesses or injuries. As you can imagine, this coverage can keep businesses alive until the owners can return to work.

How big is the risk?

According to the [Disability Resource Center](#), a 35-year-old has a 50 percent chance of becoming disabled for three months or longer before turning 65. AND while only 3 percent of mortgage foreclosures are caused by death, 48 percent are caused by disability of some kind.

Daly says, "Business loan DI premiums are very affordable. Look at the alternative. A business loan is one of the largest expenses that a practice faces and it becomes very difficult to make the payments if the professional who owns the business can't make it to work. Bringing in and paying for a contract doctor, dentist, or vet can be a very expensive added cost. Without business loan DI, an unexpected disability can be financially devastating."

How to Facilitate the Conversation

How does Mike discuss bank loan disability insurance with prospective clients? Here's the general script:

"Let's talk about the worst case scenario for a moment. Let's say you have a stroke or you get into a car accident, or something happens that leaves you sick in bed, and unable to practice for a while. In that scenario, you'd have to hire someone to fill your shoes and keep your practice going. After all, the last thing you want is for all your customers to go somewhere else, right?"

OK, so to get a good person, who you can trust, you'll need to pay some serious wages. Where's that money going to come from?"

If you have business loan DI, your loan payments will be covered, which gives you a lot more flexibility with your cash flow. You can use the money you would have used to cover the loan payment to instead help pay your replacement. As you can imagine that's a huge help in the short-term. And, it also helps you over the long-term.

If for some reason, you are permanently unable to return to work, and you need to sell your practice, you'll get a lot more for your investment if you've kept operations running strong during your disability. Alternatively, if you don't have enough cash to cover a full time replacement, and you let customers go elsewhere, the value of your business can quickly nosedive.

As you can see, bank loan DI is essential for smart risk management. You worked hard for your business. Why in the world wouldn't you protect your business loan?"

Ideas for success in the business loan DI market

Daly has several tips for those who want to succeed in this relatively untouched DI market.

1. Partner with lenders that specialize in financing for doctors, dentists, and veterinarians. Build a win-win relationship, in which you refer those who need loans and they refer borrowers who need insurance to obtain the loan.
2. Develop a network of people who work in the industry. Support their associations and attend their industry events.
3. Reach out to centers of influence such as CPAs and attorneys who work with doctors, dentists, and vets.
4. Regularly stay in touch with existing and new referral sources by sending monthly e-newsletters, helpful articles, and personal notes. Don't let them forget about you!
5. Meet with new clients in person whenever possible. An email doesn't always convey the need for bank loan DI and personal conversations are more effective.
6. When you receive a lead, personally call the lead immediately to answer any questions he or she may have. The first to respond is often the first to get the business.

In summary

Bank loan disability insurance is affordable, necessary protection for many types of professionals, including doctors, dentists, and veterinarians who are opening new practices or expanding. Don't overlook this lucrative DI market!

Cross-Sell Opportunities to Pursue

Business loan DI isn't the only product that can benefit your business owner prospects. Also, talk to them about the following coverages. DIS can help you dovetail these policies to maximize protection and optimize premiums.

- **Individual Disability Insurance**
– Ask prospects if their individual disability insurance plans are current. Many haven't updated their plans for a decade or more, and benefit levels are insufficient for current-day incomes.
- **Business Overhead Expense DI** – To further help with the cost of expenses while the owner is disabled, a business overhead DI policy is recommended. BOE policies typically cover rent, interest payments on some types of debt, utilities, salaries, office equipment expenses and maintenance, both payroll and property taxes, professional membership dues and subscriptions, accounting fees and insurance premiums for employees.
- **Key Person DI** – If a vital employee is disabled, the key person policy pays the business a benefit that can be used to pay for a temporary worker while the key person recovers.

Information for Advisor/Agent Use Only. Mike Daly does not offer business valuation consulting through First Command. First Command does not offer business valuation services.

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