

# Advising your Clients about the Value of Disability Insurance

Whether it's a chronic illness or a moment's tragedy, disaster can strike at any time.

Disability insurance is the key to rebuilding your life.

BY ROSEMARIE ROSETTI, PHD

**M**y husband, Mark Leder, and I were out riding our bicycles on a beautiful June day in 1998 when my life changed in an instant. The two of us were talking about how special this day was in our lives. We were celebrating our third wedding anniversary that weekend, riding on a trail that had inspired many happy memories already. The clear blue of the sky seemed to mirror our relationship and the happy days that lay ahead of us.

Suddenly, Mark heard a loud crack, like a gunshot. Behind me, he slowed down to investigate and saw an 80-foot-tall linden tree heading to the ground on the trail in front of us. "Look out! Something's falling!" he tried to warn me. "STOP!" Instinct told me to speed up. Suddenly I was under the weight of a 7,000 pound tree.

Slamming onto my back, the impact from the tree knocked me unconscious and severely damaged my spine. Fortunately, I was wearing a helmet, but my condition was grave. Mark immediately screamed for help and another cyclist called 911. Soon, a helicopter airlifted me to the hospital, where I spent weeks recovering as much function as I could with my husband's loving encouragement. But I had to learn to live life in a wheelchair.

I rode cautiously, with safety in mind. As it turned out, my helmet was as valuable to me in saving my life as my disability insurance policy was in preserving my financial stability.

I owned two businesses — a speaking/training/consulting company and a publishing company.

When you own a business and are the sole employee, earned income ceases when you're disabled. Your disability can result in a prolonged interruption of business activities.

My disability insurance policy kicked in and started to replace my income within a few months. This income stability allowed me to focus on my recovery and rebound faster from my crisis. This insurance also provided a safety net for my husband, who had to continue working while I spent six weeks in the hospital and rehabilitation. It took some of the pressure off of him, knowing that because I had disability insurance, part of my income would be restored. We had enough to worry about with my injuries. Fortunately, we didn't have to be concerned about how a part of my income would be replaced.

Life dreams come to a sudden halt after a serious disability. Disability can be the genesis for permanent unemployment and other changes that disrupt the very core of how someone perceives his place in the world. If someone gets a disability and can't work, and doesn't have the safety net that comes with disability insurance, that person suddenly no longer has the resources to continue fulfilling his life dreams, reaching his goals, and caring for his loved ones. People take for granted how important it is to earn a living.

### **Advanced Planning is Needed**

No one expects to be disabled, but everyone can make contingency plans in case the unexpected happens. There are no alternative products to protect income should a person become chronically ill or hurt. Disability insurance is unique and universally needed by those in the workforce. The more a person earns, the more dollars are at risk, while someone who doesn't have a high salary may be unable to afford even a week or two without getting paid. "Income protection insurance" may be a better term to use than "disability insurance," since it has more emphasis on the benefit of the product. Generally, between 40 to 65 percent of a person's pre-disability income is protected, depending on the policy.

For many people, the ability to work and earn an income is integral to their lifestyle and feeling of self-worth. Additionally, when most workers are asked what their greatest asset is, they tend to think of their home. However, ask those same people how much they'll earn over a lifetime, and they soon realize their income has more value.

Income is the fuel that enables people to pay for expenses such as: home mortgages, rent, utilities, food, education, student loans, insurance, taxes, leisure activities, entertainment, as well as save for retirement

and future purchases. When income ceases, so does the financial plan. Quality of life, lifestyle, and ultimately relationships with others become highly compromised when money is no longer available to meet monthly expenses.

Many people have planned for their death. Too few have planned for their disability. Many insurance professionals neglect to put forward a plan for purchasing disability insurance, but are eager to sell life insurance. Many new insurance agents are trained to sell life insurance to prospects first, only because disability insurance is more complex to explain than life insurance.

It is my belief that disability insurance should be purchased before life insurance. In any given year, the likelihood of being disabled is greater than dying. If a person survives rather than dies after a disability, the costs to continue living can deplete savings. Disability insurance is a "living insurance" and can be extremely valuable to a person who survives an injury or illness.

Those who own a business often think they can't afford disability insurance. Business owners ought to consider insurance as a necessary overhead expense, not as a luxury. They should be reminded that they *are* the business and without them, their business is in serious jeopardy. The owner of a business needs to explore a group policy for all their employees and possibly an individual policy for herself.

People who work for an employer need to investigate if disability insurance is employer-sponsored and a part of their benefit package. Some employers offer a group disability program on a voluntary, employee-paid basis. Employees ought to know how much money they would receive each month should they become disabled. They also need to know how long they must wait after their disability to start collecting a benefit check and for how long payment would continue. Some policies are short-term while others continue payment until the beneficiary reaches age 65, or until death. Some employer-sponsored policies only cover a base salary and not commissions or bonuses, leaving a gap in coverage. If a person needs more coverage than their employer's basic plan offers, there are ways to obtain additional coverage through a professional organization or an insurance company.

Typically, underwriting is done by the insurance company. Premiums are based primarily on the client's age, previous and current health conditions, occupation, and income. Disability insurance is less expensive when you are young and healthy. Some occupations such as airline pilots and chiropractors pose high risks and incur higher premiums. The higher a person's income, the higher the premium.



## The Facts about People Acquiring a Disability

In the minds of a majority of Americans, the pervasive misconception is that a disability will never happen to them. They don't realize how vulnerable they are. Literally in a second, life can change.

Many people are incorrect in their assumption that most disabilities are caused by an accident. According to the Council for Disability Awareness, the facts show that **90 percent of the time, disabilities are caused by illnesses**. Often, these illnesses are manifested as a result of personal and family medical history. An illness can lead to either a temporary or permanent disability. Clients have an easier time imagining they will have a temporary disability, so help them to think through that scenario.

According to CDA's 2013 Long-Term Disability Claims Review, the following were the leading causes of new disability claims in 2012:

- Musculoskeletal/connective tissue disorders including neck and back pain; joint, muscle and tendon disorders; foot, ankle and hand disorders (28.5 percent)
  - Cancer (14.6 percent)
  - Injuries and poisoning (10.6 percent)
  - Mental disorders (8.9 percent)
  - Cardiovascular/circulatory disorders (8.2 percent)
- How would your family be affected if you or your spouse/partner lost your income for a period of time?
  - Where would money come from in order for you to keep the bills paid?
  - Would your income be jeopardized?
  - Would you go into debt?
  - Would your credit rating be ruined?
  - How soon would you recover financially from a disability based on your current assets and disability insurance?
  - Do you have a disability insurance policy at work? If yes, what percent of your current income is insured?
  - Do you need a supplemental individual disability insurance policy to provide for a gap that exists due to your current income?
  - How long would you have to wait after your disability before receiving your first disability insurance check?
  - How long after your disability would you continue to receive disability insurance checks?
  - If you left your job, would your policy be portable and continue to protect your income?

Additionally, the same claims review found that less than 5 percent of disabling accidents and illnesses are work-related. The other 95 percent are not, meaning Workers' Compensation doesn't cover them.

According to the 2012 Gen Re insurance and reinsurance company's U.S. Group Disability Rate & Risk Management Survey, the average group long-term disability claim lasts 34.6 months, or almost three years. Most people do not have money in their savings or retirement account to cover all of their living expenses for the duration of such a disability.

## Questions to Ask Your Clients When Discussing the Need for Disability Insurance:

- What would your life be like financially if you faced a personal crisis due to an illness or accident and were unable to earn an income?

## Make It Personal with Stories as You Advise Your Client to Buy a Policy

What is the motivation to buy disability insurance? It obviously is to eliminate risk. During your discussion with your client, make this more memorable and impactful by sharing stories that can elicit an emotional response to illustrate the value of disability insurance.

Make it personal by asking your client to share stories they have from family and friends. As they tell their stories, they will recognize the danger and risk they face if they postpone purchasing a disability insurance policy. Clients have heard first-hand accounts of disabling tragedies, illnesses, and accidents from their friends and family. These stories are about real people whose lives were permanently altered by an adversity that led to their disability. Not only was the person who had the adversity affected, but so was their family. Families are torn apart emotionally by these

hardships and often are financially destroyed. Disability insurance can soften the blow. Help your client understand that no one is immune from hardship.

Encourage your client to verbalize what happened to the families as a result of lost income and increased medical expenses. Ask about those who did not plan for a potential loss of income and what losses were incurred. Also have a discussion about what life was like for their friends and family who had a portion of their income restored because they carried disability insurance.

If your client is picturing a lawsuit and big win in court for an injury such as mine, let my story be a warning. Many things might have contributed to the tree's fall that fateful day. Its interior was diseased and weak, it could have been improperly pruned, or perhaps a robin landed on an outstretched branch and tipped the scales just enough. We spent years in the legal system, ended up at the Ohio Supreme Court, and I was awarded exactly nothing. In the meantime, my disability policy was paying out.

### Working with Your Client

There should be no need to use scare or persuasion tactics with your client. The facts about the likelihood of a disability and the calculation of what is at risk financially should be enough information for your client to purchase a policy.

Perform a complete disability income-needs analysis to properly identify your client's financial situation and gaps in coverage. Help your client identify insurance professionals they can talk with to get a proposal and quote for a policy.

Assist your client in analyzing the policies to compare the:

- definition of a disability
- presumptive disability provision
- waiting time before payment
- benefit level
- benefit period
- premium rate lock
- extent of disability
- portability
- renewal of the policy

- cost-of-living adjustment
- guarantee not to be cancelled
- residual benefits allowing partial disability payments

No one is immune from tragedy. Regaining your footing after life throws you a curve is daunting. The goal is to recover as quickly as possible. Life does go on after a disability, and the quality of life is certainly related to the severity of the disability. Recovery can be less stressful when funds are available to purchase products and services to make life a little easier. Every discussion is an opportunity to ensure comfort and independence in your client's future.

The value of disability insurance far exceeds the investment — providing hope, stability and a livelihood. Most important, this replacement income will allow your client to bounce back faster, and experience less stress and an improved quality of life. •CSA



**Rosemarie Rosetti** works with organizations and corporations by delivering presentations on selling disability insurance, motivational keynotes, and designing homes with universal design and accessible features. To book Rosemarie to speak, contact her at: 614-471-6100. Rosemarie@RosemarieSpeaks.com. www.RosemarieSpeaks.com

### ■ SOURCES

Council for Disability Awareness <http://www.disabilitycanhappen.org/>

Council for Disability Awareness, Long-Term Disability Claims Review, 2012

Gen Re, U.S. Group Disability Rate & Risk Management Survey, 2012

Life Happens <http://www.lifehappens.org/>

To determine a person's chance of being injured or becoming ill that could force them to miss work for an extended period of time, calculate the Personal Disability Quotient <http://www.whatsmypdq.org/>. This simple tool estimates the income needed to maintain a current standard of living should a person become disabled and unable to work. <http://www.lifehappens.org/insurance-overview/disability-insurance/calculate-your-needs/>

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