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Disability insurance taught — not sold

By **Gary S. Mogel**
 April 30, 2007

NEW YORK — Advisers and agents who are trying to sell disability insurance are going about it all wrong.

“Educate, and they will come,” was the mantra of speakers at the D.I. Awareness Day conference last week in New York.

“Once you show clients what disability insurance does, they will ask you about the next steps for obtaining coverage,” said Greg Large, a managing partner at New York-based Lenox Advisors Inc., which held the conference.

The most common client push-back is the “dual-income household” defense, Mr. Large noted. That occurs when the husband and wife say they don’t need the coverage, because if one of them becomes disabled, the other would continue working, and they can “get by” on one income, he explained.



Greg Large: Says many clients resist by citing the dual-income household defense.

But that is totally out of sync with reality, Mr. Large said. “If one of them becomes seriously ill, the last place that the other spouse will want to be is at work,” he said. In such situations, it is common for the other spouse to take a leave of absence to be at their partner’s side, and disability insurance makes that possible, Mr. Large added.

Another popular way clients resist disability insurance is the “it won’t happen to me” syndrome, the speakers noted.


Disability strikes

But “it” — becoming disabled — did happen to more than 800,000 people in 2006, according to Bob Taylor, executive director of The Council of Disability Insurers in Portland, Maine.

Eric Studley, a dentist turned disability insurance salesman and founder of an eponymous firm in Huntington, N.Y., has a unique strategy: He presents potential clients with the most expensive and rider-rich proposal he can devise. When they ask him why competing proposals cost so much less, he points out what they are not getting from the competition, which usually cements the relationship.

Mr. Studley, who has 3% of the New York disability insurance market for dentists, is no stranger to bad insurance advice and service. While practicing dentistry, he developed bilateral carpal tunnel syndrome and a type of muscular dystrophy, forcing him to give up his practice.

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Mr. Studley thought that his policy — which was supposed to pay him \$10,000 a month for as long as he remained disabled — would ease his family's financial burdens. But misrepresentations to the insurer by his agents caused payments to be reduced to \$2,000 a month, leading to a seven-year lawsuit against the agents, which, he said, cost him \$750,000 in legal fees before it was settled for an amount he preferred not to disclose.

That is why he stresses quality and service over price, Mr. Studley noted.

Clients who think that they are covered adequately because they have disability insurance through work are mistaken, noted Dan Hill, a work-site practice consultant for MassMutual Financial Group in Springfield, Mass.

The 60% of income paid by many group policies often is inadequate to maintain the client's lifestyle, Mr. Hill said. That's especially true of employees who are used to getting hefty bonuses, he added. Also, many employers' standard operating procedure is to fire employees who go out on disability, and no law stops them from doing that, Mr. Hill noted.

Costs increase

After losing their jobs, disabled employees have even more household expenses, because they have to pay Consolidated Omnibus Budget Reconciliation Act premiums to maintain health coverage. After that coverage expires — in 18 to 36 months — they have to buy individual health insurance. That can run \$1,500 or more a month, Mr. Large said.

Don't hesitate to "get emotional" and "make the client feel uncomfortable," Mr. Large said. For instance, he tells clients about a husband whose uninsured wife became ill, forcing the husband to ask his brother-in-law for money to pay the home mortgage. Every time the brother-in-law wrote a check, he would say: "I can't let my little sister live on the street."

Advisers also can point out to clients that in some states, such as New York, about half of the people who file for bankruptcy do so because of a disability, Mr. Large said. "It's better to make the clients uncomfortable for a minute than for the rest of their lives."

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