

# It Is All About Connections: Why The Market Is Ripe For Individual Disability Insurance

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Standard Insurance Company

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## Introduction

Like others in the industry, we've heard from many brokers who are looking for ways to diversify their product portfolios in light of the enactment of certain provisions from the Patient Protection and Affordable Care Act. With a slight shift in focus, brokers can make up for lost revenue from the health care market. Selling individual disability income (IDI) insurance is an ideal opportunity to connect a new client base with the right solutions — all while securing additional business.

The market is ripe for IDI sales to those with an annual income of \$100,000 or more — earners who fit into 4A and 5A classifications. What's more, as it provides a secure customer base, the earning potential from an IDI sale is quite large.

But even for the best and brightest brokers, making the sale to this audience can be a challenge. The key is informing mid- and high-wage earners of a need they might not have considered. This requires building a strong relationship and establishing trust.

Based on our experience in this market, here are some thoughts on forging personal connections that open the door to IDI sales — by defining target policyholders, offering techniques on effectively reaching these audiences and reviewing features of a premium IDI policy.



## Why Income Protection Matters

Group long-term disability (LTD) insurance offers a base of protection for most employees, but this often is not the best coverage for those earning more than \$100,000 per year. Mid- and high-wage earners might not realize that the maximum monthly benefit of their employer's policy does not fully cover their salaries. The maximum monthly benefit also does not cover bonus or incentive pay, which can drastically increase the salary of mid- to high-wage earners and result in an even lower rate of income replacement.

For example, the typical maximum monthly benefit offered by group plans is \$5,000. This means those earning more than \$100,000 per year would actually need additional coverage to receive income replacement of at least 60 percent, which is a level typical among group LTD policies.<sup>1</sup> These benefits are generally taxable, which could bring down that figure even more. In contrast, IDI benefits are not taxable and pay out the full income amount.

This gives brokers an opportunity to show customers how they can fully protect their incomes and ability to earn income in the future — a problem many mid- and high-wage earners do not realize.

By helping one mid- to high-wage earner realize the importance of additional disability coverage, brokers can make inroads into his or her peer group. When multiple customers are interested in IDI insurance, brokers have the opportunity to sell guaranteed issue (GI) policies, which offer benefits for the clients and the broker.

Layered on top of an existing group LTD plan, these GI policies offer a lower cost to clients and increased commission for brokers due to the multiple policies sold. And unlike group LTD plans, brokers cannot be replaced on these policies, offering them a set income from the sale.

Getting executives on board with a GI IDI policy is easy, because a client does not need to participate in any medical underwriting to obtain coverage. This step shaves months off a policy sell and can be a big draw for earners who do not have time to spend on paperwork.

In addition, the portability of an IDI policy remains intact even if sold on a GI basis. If an employee chooses to leave with the policy, both the premium and own-occupation definitions will stay intact, as will the class level at which the policy originally was written.



### Solution For Small-Business Owners

When the owner of an architecture firm was diagnosed with cancer, she scaled back her hours and could no longer pitch prospective clients. Although her employees picked up extra work on current projects, it did not cover the income lost from missed new business opportunities. Her group LTD policy paid her full benefits for the first six months based on her loss of work time and duties, but by then her income had dropped more than 20 percent. Through her IDI coverage, she continued to receive benefits based on that loss until her income recovered.

<sup>1</sup> The Standard internal data.



✔ **Selecting A Policy Designed For Entrepreneurs**

To select a policy tailored to their needs, small-business owners should evaluate policies that extend to business overhead expenses. They can consider coverage that reimburses for expenses, including rent and employees' salaries, in the event of a disabling illness or injury.

## The All-Important Safety Net

Those earning more than \$100,000 per year can protect their incomes by purchasing IDI policies — in addition to their employer's group LTD plan — to ensure they are properly covered and can live as they are accustomed to, should they ever have a disabling injury or illness.

The safety net that comes with IDI protection can be a smart decision for high- and mid-wage earners and their families.

**Those who can benefit from the added income protection include:**

- **The C-suite** — C-level professionals, including business executives and company presidents
- **Professional services and medical professionals** — Accountants, architects, lawyers, doctors and dentists
- **Small-business owners** — From plumbers to convenience-store owners and photographers to small-scale manufacturers

## Building Connections

The cornerstone of an IDI sale is the connection between broker and client. To make the sale, the broker must be relatable and knowledgeable. Successful touch points build off the problems identified above: exposing an earner's potential for lost income and identifying how IDI coverage can provide this protection.

### Connection Tip No. 1: Get Personal

Potential clients are often more receptive if the conversation focuses on their lifestyle and need for income protection instead of their higher likelihood for illness or injury. Be prepared to ask more about the customer's needs and wants, and explain the coverage by using examples that are relevant to his or her life.

Try to go beyond surface-level inquiries and really understand the client's personal situation. The following questions may help reveal this type of information:

- *What are your life goals? What is most important to you?*
- *Why did you choose your current profession?*
- *Do you know anyone who has felt the financial impact of disability?*

Mid- and high-wage earners will appreciate a broker who takes the time to better understand their personal needs and offers tailored solutions.

### Connection Tip No. 2: Communicate The Fundamentals Of Disability

The second step to connecting with possible clients is to explain the types of disabilities that are protected with IDI coverage. Break down the categories of disability to make it personal and relevant for potential policyholders.

#### Categories of disabilities include:

- **Total** — Due to injury or illness — such as a back injury, heart attack or stroke — a person with a total disability is unable to perform the duties of his or her occupation.
- **Presumptive** — A person suffers an illness or injury that results in the loss of speech, hearing, sight or use of two limbs.
- **Partial** — This type of disability can result from an illness that steadily worsens over time or that is difficult to diagnose, such as arthritis, multiple sclerosis or diabetes. Partial disabilities account for those who have disabilities but are still able to work at a reduced level.

Weave in real-life examples of disabling injuries and illnesses to help prospective customers better understand the functions and benefits of IDI protection. Bringing meaning to these terms and evoking emotion makes it real for customers and, ultimately, creates the sale.

### Connection Tip No. 3: Preparation Is Paramount

From start to finish, the IDI sales pitch takes confidence. Practice makes perfect, so run your presentation past a peer before your meeting.

Come prepared with tangible proof points. Many carriers and industry groups have communication and education resources that demonstrate the value of income protection. For example, consider passing along tools such as the Council for Disability Awareness' (CDA) Personal Disability Quotient calculator and Earnable Income Quotient tools to help potential clients understand the financial impact of a disabling illness or injury.

Remember: IDI sales do not happen overnight. Clients are buying the trust of their brokers; they want to know they can rely on their broker to ensure they are taken care of, should they need to make a claim. Personalization, keeping in touch and face-to-face time can go a long way.

### Defining The C-Level Executive

Selling to the C-suite — a sometimes exclusive but highly profitable niche market — requires confidence and persistence. Often, the challenge lies in understanding the mindset and motivators of this target audience. To better connect with C-level executives, consider these demographics and identifiers:

- \$2.8 million average net worth
- \$19.7 million average budget
- 59 percent access news via an app on a smartphone or tablet
- 49 percent fly first- or business-class<sup>2</sup>

2 Global snapshot: Key insights of the global business elite. Ipsos MediaCT. Available at: [http://www.ipsos-mori.com/\\_assets/mediact/be/globalsnapshot/content/beglobal\\_snapshot\\_apr13.pdf](http://www.ipsos-mori.com/_assets/mediact/be/globalsnapshot/content/beglobal_snapshot_apr13.pdf). Accessed October 24, 2013. This data cannot be reproduced without the prior approval of Ipsos.



## **\$ Determining “Yet Worth”**

If a client is unable to return to work, he or she may not achieve full earning potential — which is the loss of income that he or she is yet to be worth, also known as “yet worth.” Consider a 30-year-old doctor who recently signed a contract with an annual salary of \$200,000. He or she will have 35 years of income, equating to an estimated lifetime income of \$7 million. It will take years for the doctor to reach that end amount — but purchasing an IDI policy enables him or her to continue earning toward that lifetime income should a disability occur.

## **A Premium Policy Designed To Protect Assets**

A product that producers can sell to consumers to counter a potential loss of income is the Standard Insurance Company Protector Platinum<sup>SM</sup> product. Protector Platinum provides peace of mind that policyholders and their families will be protected should they suffer a disabling injury or illness.

Protector Platinum is specially designed for those with annual salaries of at least \$100,000. It offers features that meet a wide range of needs and wants, such as compassionate care and mental health coverage benefits, as well as partial-disability provisions that encourage and support a policyholder’s return to work.



## Mental Health And Substance Abuse Coverage

Mental health disorders, such as anxiety, depression and stress, can affect a person's work performance just as any injury or other illness can.

Some IDI policies put limitations or restrictions on treating mental health issues. Conversely, high-quality IDI policies often offer coverage for mental disorders — as well as for substance abuse — without any special limitations. With extended benefit periods and no specific limitations on coverage for mental health issues and disorders, these policies add extra value for clients. As the impact of mental health issues on people becomes more clear, policies with strong mental health coverage provisions are likely to become common and more in demand.



## Partial Disability Provisions Encouraging Return To Work

When individuals suffer a partial disability, they are able to return to work only in a limited capacity, which can adversely affect their paychecks. A partial disability benefit that encourages the return to work can enable an individual to work part time, rather than having to file for total disability to collect benefits.

The key is to help identify an IDI policy that includes a partial disability provision, which pays benefits for an extended period of time if the disabled person has a loss of time, duties or income — regardless of the income earned when returning to work. After recovering from the disability, the insured will receive a recovery benefit if he or she continues to have a loss of income due to the illness or injury that caused the disability.



## Extended Coverage To Care For Loved Ones

When a parent, partner or child becomes ill or suffers a serious injury, a person often is forced to make a difficult decision: stay at work and continue earning his or her full income, or take a leave of absence and potentially lose income. In this situation, a person might even consider quitting his or her job, taking early retirement or reducing work hours.

Time with a loved one is invaluable. Best-in-class IDI policies that offer a compassionate extended coverage option can solve this problem.<sup>3</sup> This feature pays a monthly benefit proportionate to the insured's loss of income if he or she must take time off work to care for a loved one with a serious health condition. It offers peace of mind and reduces financial concern — allowing the policyholder to focus on providing care and spending time with a loved one during a critical time.

<sup>3</sup> Extended coverage to care for loved ones is a benefit that is not yet available in all states. At this time, California, Connecticut, Florida, New York and Vermont do not offer this benefit.

## **IDI Provides Ability**

IDI provides individuals with the ability to earn an income if they should become disabled. Through IDI policies, brokers help protect the ability of their clients to protect their incomes, even if they must plan for an unanticipated disability.

For those with salaries of more than \$100,000, premium IDI policies offer additional features that may be beneficial — including compassionate care and mental health coverage benefits as well as disability provisions that encourage the return to work. To successfully approach these mid- and high-wage earners, brokers should strive to forge connections by communicating the fundamentals of disability and tailoring solutions for them.





**About Doug Waters**

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