



Fiduciary
Insurance Group

Identify Risk Exposure to Disability and How to Protect It

Components

- Where to Start – coordination of coverage with group plans
- Case Study
- Navigating the underwriting process and dealing with claims

Definition of “Disabled”

- Merriam Webster - says it means not having the ability to do certain mental or physical tasks that a person is typically capable of doing.
- Financial Advisor - client’s inability to perform the material and substantial duties of their job.

“Which means for most of us under the age of 50, a disability could result in the loss of our most valuable asset – our future earnings potential!!”

Understand Any Existing Coverages

- Definition of Disability
- How Benefit is Calculated - total pay, base pay, etc.
- Elimination Period
- Benefit Period
- Occupation Class
- Is Benefit Pre-tax or after-tax
- Portability

Understand Any Existing Coverages

- Dovetail individual coverage where appropriate
 - Calculate Max Benefit Available Based Upon Current Earned Income
 - Client can typically insure 60-70% of their income - after-tax
 - Some math involved – different carriers use different formulas for calculating max coverage
- If additional coverage needed, get market pricing
- Compare coverages – not always apples-to-apples
- Weigh coverage need versus cash flow

Case Study

- Male, 30 years old, Mechanical Engineer, works for federal government
- Income: \$102,000/year
- Clarify occupation – desk job
- Understand government benefits
 - 40% of income up to \$10k/month
 - Taxable

Case Study Cont'd

- Identify Gap
 - Could purchase \$3,270 monthly benefit
 - Total disability thru employer and self is \$6,670/month (\$3,400 is taxable)
- Review pricing and differences between carriers
- Take application

Navigating the Underwriting Process

- Application – possible cover letter to explain extenuating circumstances
- Set expectations – what will happen, timeframe, what can cause delays
- Exam – coordinate if also applying for life insurance
- Updates
- Policy rating or exclusion, if pertinent
- Electronic delivery, if possible

Dealing with Claims

- Receive a claim
 - Unable to perform material & substantial duties of job (own occupation or any occupation)
 - Loss of income
- Things needed to document
 - Medical records
 - Financial records
- Don't wait until elimination period is over
 - Understand future requirements needed to continue receiving benefits

Conclusion

- Clients Don't Understand the Risk
- Risk is Real
 - Over 25% of today's 20-year-olds will become disabled before 67
 - Most clients think disability=accident
 - Over 70% of disability claims are result of illness
 - Social Security Disability Insurance (SSDI) is difficult to receive, takes time, and does not provide much benefit
- Approximately 34% of SSDI applications are approved

Dealing with Claims Cont'd

- Processing time averages more than 18 months
 - Average benefit amount is \$1,197/month
- Demonstrate and Quantify the Risk
 - Financial Planning Software
- Partner with someone, if you need help

Q&A

Some Basic Definitions

- **Pure Own Occupation** - unable to perform material & substantial duties of your job and experience loss of income. Can work in another job.
- **Own Occupation and Not Working** - unable to perform material & substantial duties of your job and experience loss of income and not receiving income from another job.
- **Any Occupation (SS Definition)** – cannot work in any capacity
- **Partial Disability** – unable to perform part of your job function and experience loss of income.
- **Presumptive Disability** - considered totally disabled if you sustain the complete loss of hearing in both ears, sight in both eyes, speech, or the use of any two limbs.

Some Basic Definitions Cont'd

- **Occupation Class** – pricing (cost of insurance) that insurance carriers use depending upon the nature of your job function.
- **Benefit Amount** – Monthly benefit payable should you become disabled.
- **Future Increase Option** – Ability to increase coverage if income increases. Usually verified through tax returns. Increase in benefit will increase premium.
- **Automatic Increase Option** – Depending upon the carrier, the monthly benefit will automatically increase by a set percentage amount, if elected on annual basis. Increase in benefit will increase premium.
- **Recovery Benefit** – Upon ability to return to work, a benefit that is paid if insured continues to show a loss of income.

Some Basic Definitions Cont'd

- **Waiver of Premium** – The waiving of premiums once the elimination period is satisfied. Some carriers will refund premiums during elimination period once insured is receiving benefits.
- **Elimination Period** – The period of time the insured must be disabled before benefits begin.
- **Benefit Period** – The duration of the benefit usually defined by age ("to age 65", for example) or number of years.
- **Guaranteed Renewable** – Coverage will remain in effect as long as premiums are paid. Premiums can change.
- **Non-Cancellable** - Coverage will remain in effect as long as premiums are paid. Premiums cannot change.

Key Components of Disability Risk Mitigation



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