

The old rules no longer apply ...

Beware of the Disability E&O Lawsuit from the Medically Impaired Client



Ten years ago, the rules were intuitive. Physical and blood work were the status quo and those with quadruple bypasses or diabetes could run marathons easier than they could qualify for disability insurance.

Flash forward to 2006 —

Heart patients, diabetics, alcoholics, drug addicts and anti-depressant users now receive disability coverage every day. And, they're doing it honestly — with no physical examinations and no blood work. Moreover,

they're getting quality coverage with short elimination periods; Own Occupation definitions; survivor benefits; hospital indemnity benefits; home health care benefits and all the other bells and whistles they might like.

The old rules no longer apply — in fact they're downright counterintuitive.

Brokers can no longer safely assume that their medically impaired clients will be denied. In fact, DIS places in force 99 percent of medically impaired cases submitted. For example, an agent, Mike Sutherland submitted an application for his long-term and long-denied client Frank Rossetti. Rossetti, a 56-year-old attorney with an annual income of \$269,000, had been repeatedly denied disability coverage due to his long-standing conditions and medications for High Blood Pressure and Depression. DIS experts reviewed Rossetti's case and issued a

disability policy with coverage of \$11,000 per month; a 30-day elimination period; Own Occupation definition and Waiver of Premium. The pre-existing conditions were covered immediately. The coverage featured a tiered benefit structure with a 33 percent benefit level if the disability occurred within the first year of coverage; a 66 percent benefit level if the disability occurred within the second year of coverage and 100 percent benefit level if the disability occurred after the second year of coverage.

Was Rossetti thrilled? You bet. And so was his wife, who had spent the last thirty years worrying about what might happen to their lifestyle if her husband lost his ability to work. The broker was pretty happy too — earning an additional commission on a client he'd served for years, and feeling satisfied that his client finally had the protection he needed and deserved.

And so it is with brokers across the country —

Brokers' books are full of clients who previously would have been declined, but today, with the right partner, would be accepted. Why worry about these people? For one, it's the right thing to do and for two,

it earns extra commission. **But the most compelling reason of all may be this: Errors and Omissions.** Brokers who don't offer their clients the coverage they need can be sued if a client suffers disability and is not

adequately protected. This is a bit like a doctor's requirement to keep her license current — brokers are obligated to be informed of available coverage and to protect their clients with the best options available.

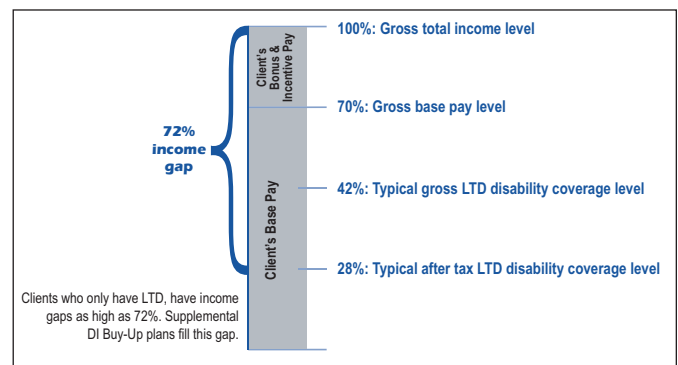
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With that duty to be informed in mind, here are the facts:

- One-third of all people between the ages of 30 and 64 will become disabled sometime in their lives. (Source: Health Insurance Association of America)
- At age 32, the chance of being disabled for 90 days in 6.5 times greater than the chance of death. (Source: National Association of Insurance Commissioners)
- Each year, one person in eight will suffer disability. (Source: National Association of Insurance Commissioners)
- 75 percent of disabilities are caused by an illness rather than an accident. (Source: Commissioner's Disability Table)
- In the first year following an paraplegia, living expenses average \$259,531 per person. (Source: National SCI Statistical Center, 2005)
- Only 17 percent of small businesses offer disability coverage. (Source: Life Insurance Market Research Association)
- 48 percent of VA Mortgage Foreclosures are attributed to disability. (Source: FHA, Disability Income Concepts, 1998)
- 82 percent of American workers have inadequate or no disability protection. (Source: Consumer Federation of America and American Council of Life Insurers, 2003)

Most Americans readily understand the need for life insurance.

Now, with these facts and statistics, brokers can easily illustrate that disability insurance is more important than life insurance for the lion's share of working Americans. Many mistakenly believe that they are adequately protected by Social Security or Long-Term Disability plans. However, as the chart to the right illustrates, those plans can leave income gaps as wide as 72 percent of gross income. Most won't relish the thought of living on 28 percent of their gross pay!



So, how does a broker secure disability insurance for even his medically impaired clients?
It's amazingly simple — just follow the seven-step formula on the next page.

Now is the time to take another look at disability!

Forget that the market for medically impaired disability insurance is huge. Forget that the commissions are generous. Forget that this is an amazingly easy sale when one presents factual data about the risks involved. And remember this one simple truth: Insurance professionals

have a duty to protect their clients. **Now that you know what's available, don't you owe your clients a phone call?**

By Daniel C. Steenerson, CLU, ChFC, RHU, President of Disability Insurance Services.

For more information about disability insurance, visit disservices.com or e-mail Dan at dsteenerson@diservices.com.

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7-Step Formula to Insure Medically Impaired Clients

- 1 Step** Review your current client list. Anyone without a disability policy is a good candidate for coverage. The only requirement is that he or she has been working a minimum of 30 hours per week for the past year. This includes the self-employed; blue and white collar workers; those with high-risk occupations or hobbies; the highly skilled, big dollar wage earners; and especially those with medical impairments.
- 2 Step** Mail your clients a letter informing that new products are now available and educating them about the need for disability insurance. A sample letter is included at the end of this report.
- 3 Step** Obtain a Request for Proposal Form from www.diservices.com or by requesting a DIS Opportunity Kit.
- 4 Step** Phone to follow up with your potential disability clients. Use personal stories and statistics to make an emotional connection and to convey the importance of this affordable protection. Make sure that clients understand the limitations of Social Security and traditional Long-Term Disability policies.
- 5 Step** Write the Request for Proposal — Make sure to attach an addendum that lists any and all medical conditions. Please be forthcoming. Remember we underwrite 99% of requests submitted, without the need for blood work or exams. Also, please describe the job duties in as much detail as possible. Often, a job title alone is not sufficient.
- 6 Step** Present the Proposal to your client. The DIS Sales Machine will help you create a professional and compelling presentation.
- 7 Step** Once you've helped your existing clients, reach out to those in your community with the same letter or with a postcard. Millions of medically impaired people will be encouraged and protected by your responsible efforts!

Acceptable risks include:

- Alcoholism
- Angioplasty
- Anxiety
- Arthritis
- Bipolar disorders
- Cancer
- Cerebral palsy
- Chronic fatigue syndrome
- Heart by-pass
- Diabetes
- Drug abuse
- Epilepsy
- Fibromyalgia
- Hepatitis
- Lupus
- Kidney transplant
- Obesity
- Rheumatoid arthritis
- Sleep apnea
- Ulcerative colitis

Sample Disability Letter

Dear Mr. Smith,

Exciting news! I've just learned about a new disability insurance product now available even to those with pre-existing medical conditions.

I know. You're probably thinking that you don't need disability insurance — after all, you've got Social Security and Long-Term Disability protection, right? Did you know that even with those protections, many Americans are left with a 72 percent income gap when they become disabled? It's true. Here are some other statistics that you may find surprising:

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- At age 32, the chance of being disabled for 90 days is 6.5 times greater than the chance of death (Source: National Association of Insurance Commissioners)
- 75 percent of disabilities are caused by an illness rather than an accident (Source: Commissioner's Disability Table)
- 48 percent of VA Mortgage Foreclosures are attributed to disability (Source: FHA, Disability Income Concepts, 1998)

Now that you've seen the data, I'm sure you understand why financial experts believe that having adequate disability insurance is even more important than having adequate life insurance!

As your insurance partner, I felt it was important to make you aware this issue and the availability of a new disability product. This new product is available for those with diabetes, heart disease, cancer, depression, alcoholism and pretty much everything else you can imagine. No physical examinations or blood work is required. You only need to have worked at least 30 hours per week for the past year to qualify.

For the sake of your family and the security of your future, please give this matter some serious thought. It's just the smart, responsible thing to do — no different than wearing your seatbelt or getting an immunization. I'll follow up with you within the next two weeks to see if I might be of further assistance. Or, contact me anytime — I look forward to answering your questions.

Warmest Regards

Name
Phone Number / E-mail address