The Art and Science of Selling Disability Insurance Protection

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WHY SELL DISABILITY INCOME PROTECTION

What's in it for you? I have two significant observations to share with you in the context of why you should consider selling and specializing in disability income protection. The first takes me back to 1977 and my first few days in the insurance industry. I realized quickly that there are only so many hours in a day, and I realized early on that I wasn't very good at what I was doing.

I was brand new with very limited knowledge in a limited market, and I was somewhat fearful about my ability to ever make a living in this industry where I saw a large number of people doing exceedingly well. And then I observed what went on in the industry. The concept of renewal income became very clear to me. Every time I took care of a customer's needs and she or he paid a premium, I continue to receive a piece of that premium in the form of renewal commission. Understanding that there were only so many hours in a day and that I wasn't very good at what I was doing led me to this conclusion. If I could serve my clients, and they bought something they needed, purchased it in a manner in which they were happy with both the service provided and felt they were receiving value for the money and, thus, kept the policy on the books, then I would build renewals and, in time, be able to generate a significant income based on this concept without ever having to necessarily sell a huge volume of premium in a given year. The block of business would build and thus, the renewals would build.

Where I am going with this is the first benefit for you in selling disability income. It is the opportunity to build a significant renewal income, perhaps more significant than you could ever dream of. In the book *Rich Dad, Poor Dad* by Robert Kiyosaki, the author speaks of a number of ways to build wealth. The vast majority of the things on this list are unimportant to you other than he actually names vested renewals as one of the wealth-building asset classes in his list. So the first reason to sell disability income protection for you is that it will provide you with the ability to build a six-figure renewal income that will come in and continue to come in each month when you wake up January 1 of any given year. You'll know you have significant cash flow coming in before you go to work. This adds great stability to your business. It eases the month-to-month financial pressure we so often endure in this industry and frees you to move forward confidently to build and grow your practices.

The second reason to sell disability income protection has to do with finding people to sell. Most financial advisors would agree that once they are in front of someone doing business, it isn't all that difficult. The challenge is how to find somebody who is willing to give you an appointment and engage with you on what it is you have to offer. I'm reminded of the story of a rat-infested town in England in the early twelfth century that searches for and finds a so-called rat expert who has been hired to rid the town of rats. This so-called expert shows up in town with a tree stump and an axe. He sharpens his axe, puts his foot on the tree stump, and announces to the town, "Okay, bring me the rats and I'll kill them." Many years ago the late great John Savage said if you're going to make duck soup you've got to have a duck. So the first reason to endeavor to sell disability insurance is to build renewal income. The second reason is to have the opportunity to expand your marketplace, get more appointments with this viable financial instrument, and have an additional way to get in front of people.

From the client's point of view, why sell disability income protection? As I explain to my potential customers, there are two ways money is generated. The first is money at work, capital, investment income. The second is people at work. If someone has sufficient investment income such that he does not need to go to work, his investment income and honor income will take care of him forevermore. There's no argument that his income should be protected with disability income, he doesn't need it. However, the second way money is earned is generated by people at work. A given individual is going to work every day because he needs his income and we agree that, for most people, the ability to produce an income is their largest asset. In fact, I would go on to say that the ability to produce income is the largest asset we possess until which time, for those fortunate few, their investment income is greater than their ability to earn an income. But until this day occurs, and for many people, the ability to produce income is their most valuable asset.

I'm often fond of using this analogy with a client. You pick up the phone and on the other end is a person you've never met before who introduces himself as the executor of a distant relative's estate calling to inform you that you've inherited an antique printing press worth in excess of $10 million, and the purpose of the call is as follows: Number one is to let you know you've inherited this asset and to make arrangements to take delivery of it. Number two is the voice on the other end of the phone further stating that this antique printing press is sitting in an abandoned barn in a rural cornfield in a remote area of southern Indiana at risk of theft, vandalism, and the elements. It's verifiably worth in excess of $10 million, and the executor of the estate needs you to sign off on whether he should or should not insure this asset. I just ask the client what he would tell the executor to do. More often than not the client will say, "I'd tell him to insure it." The next question is why. The answer is obvious—it's worth $10 million.

So what is somebody's ability to produce an income worth? And here we have the obvious and the not obvious. The obvious is John Doe makes $200,000 a year. After taxes he takes home $130,000. We could multiply that $130,000 over his working career. For a 35-year-old, assuming he'll work to age 65, we could say that $200,000 over the next 30 years is a $6 million asset. But that doesn't tell the whole story, such as how much money will be put away and saved and accumulated in his portfolio. He'll buy some real estate that may appreciate. He'll invest in his children's education and through their ability to pay for their education, the reserve income could sufficiently return money many times over. The point I'm making is when we simply multiply this person's income by the number of years he has to work, it's a ridiculously conservative estimate, and the real value of the money he'll earn is far in excess of this simple formula.

In the context of the ability to produce an income, we have two losses if someone is disabled. The financial loss, which is obvious, and the equally and maybe even more significant intrinsic emotional loss. Turmoil, pain, suffering, and chaos cost a family when someone's disabled. Let me speak of a true story. I have here the obituary of Tom Frost. Sometime last year I paid a sales call on a lawyer named Scott Frost. Scott informed me that he was a big believer in disability insurance. In my career when a person calls me to discuss this issue and tells me it is important to him, often times he's saying it because he's uninsurable or he's making idle chit chat and doesn't really mean it. So when someone says this is important, rather than just agree with him, I would suggest you inquire, why do you feel that way? There must be a reason for your thinking.

In this instance Scott Frost shared with me the following regarding his father. He wanted to know if I had ever seen the movie *Regarding Henry* with Annette Bening and Harrison Ford. I shared with Scott that I had seen previews of the movie, but I never watched the movie because the previews looked so sad and depressing. Scott went on to share with me that this is the true story of his father, Mandeville “Tom” Frost, who died in October 2011, 34 years after living through a head-on collision with a drunk driver. The head-on collision was so severe that the drunk driver and his two children were killed in the car. Tom Frost was not expected to live more than six months, but he lived 34 years on disability benefits. The trauma of disability was sufficiently great that he and his wife divorced. The further interesting part of the story, to speak to the strength of the insurance industry, is the particular carrier he was insured with had endured bankruptcy and his father collected benefits out of the guarantee fund through the receiver for 34 years.

The economic loss here is probably a clear loss to embrace and the pain, suffering, and emotional turmoil endured by the Frost family. Would money take away the physical pain and suffering? Absolutely not, but it’s one less thing to worry about. So why sell disability income protection from the client’s point of view? What could be more important than protecting your most valuable asset?

I often sit down with clients who will tell me they’re all protected. They have $5 million umbrella liability, they have auto and home, they have health and many millions of dollars of life insurance. And I’ll often say to them it seems to me that you’ve paid great attention to your insurance and your family’s well-being. What would you say if I told you that you may have neglected the most significant and important thing you can protect? The reason to sell disability insurance from the client’s point of view is all the other planning they’ve done—the retirement portfolio, the child’s education, their life insurance, their property and casualty and umbrella liability. All of it will fall apart and dissolve into the abyss if the money is not generated to pay the premiums and complete funding for the other investment and savings vehicles.

Who do you sell? How do you find and cultivate a market to sell disability income protection to? Years ago I remember hearing author Thomas Stanley, who wrote *The Millionaire Mind* and *The*

Millionaire Next Door among other books, lecturing at the Million Dollar Round Table. He said he went out and talked to top producers of the day and asked them who's your best client? Answer: A blacktop paver. How many do you have? Answer: One. Who's your second best client? The owner of a dry cleaning store. How many do you have? The answer: One. Who's your third best client? A multiple location franchise fast food owner. How many do you have? One. Thomas Stanley went on to say that he was a pizza expert because he read *Pizza Today* magazine and hung out in that particular industry. The point is he would focus on industries and get to know the players and the movers and shakers and would get to learn that business inside and out. Where I'm going with this is you can build a much deeper and more vibrant business by specializing, yet nobody does it.

I have met a number of people in the disability industry who specialize in physicians and dentists, but seldom do I find other people working in a given industry. This concept of specializing in industries is especially effective in the art and science of selling disability income protection. When I started in the business I was taught that the definition of a prospect had three components—the ability to be approached on a favorable basis, an interest in obtaining our products, and to be physically insurable along with the ability to pay for the product. Now with that said, let's start with the ability to approach on a favorable basis.

Let's pretend you've worked in a given industry for a decade. You read their trade publications, you attend their association meetings, you have numerous clients and centers of influence in this market, you're connected on LinkedIn to 500 to 1,000 of these professionals. Do you think that would make it easier to get in the door and approach people on a favorable basis? I promise it would. So I'm going to suggest you work markets but not the traditional markets. The traditional markets have historically been physicians and dentists, and you probably know people in our industry who spend most of their time in this market, and it may be well saturated. I'd like to challenge you to explore new markets. You don't necessarily need or want people who make multiple millions of dollars a year. For those making megabucks, disability income protection might not be appropriate. Again people who are truly wealthy and who have enough assets that they don't need to work are not candidates for this. You want people with good income and people who must go to work in their profession or trade every day to produce this income to maintain their standard of living. These people are going to be more inclined to see the need for what it is and be more willing to buy.

With that said, the traditional markets have been white collar, but I'd suggest you could expand your thinking in this context. Going back to the definition of a good prospect—be seen on a favorable basis, has the need, has the money, is insurable. I'll come back to the subject of insurability when we talk about qualification, but need and ability to pay and desire to be seen are somewhat predictable in this context. I would encourage you to look for business markets where people make a minimum of $100,000 and $150,000 a year. Let me use this example. Let's say you were calling on business owners who own auto body shops and manage them with an average income of $150,000. Between disability insurance and other needs you might meet with other products. If you could average $3,000 a case, 100 cases in this market will generate $300,000 in new premium. Not too shabby. Some of you in this room probably do more than that, some of you do less, but we could collectively agree that this is not a bad baseline.

So you choose a market—someone who makes a good living and can be approached on a favorable basis. The normal examples could include physicians, dentists, lawyers, CPAs, architects, engineers, business executives, the computer industry, headhunters, lobbyists, consultants. The less traditional routes could be small business owners, perhaps locksmiths, auto garages and body shops, the printing industry, manufacturers' reps. Again, I would do this by industry. The pieces you want to put together are as follows. You need a marketplace where there's enough critical mass to keep you busy. For example, 25 years ago I decided to specialize in self-employed physical therapists in the Chicago area. I was very successful doing business with them. The problem was there were only about 25 of them in business. So you need a profession or enterprise where there's enough critical mass that you won't run out of people to see. You want to find out what associations they belong to, what trade publications they read, when their annual meetings are, what schools they've been educated at—you want to learn to speak their industry language. When I'm calling on lawyers, I can speak about plaintiff lawyers and defense lawyers and other verbiage and vernacular that is unique to their industry. Then what you need to do once you've selected a couple of markets is to find a list from a list service, from an association directory, from postings on the Internet. You need to assemble a list of thousands of names if you're going to prosper in this market. If you start out with 100 names on a list, you're not going to go very far. If you start out with 10,000 names on a list you probably have enough to keep you busy for a year or two. I'd also suggest you expand your thinking in this context. You don't have to limit your practice to a given geographical area. There's no reason you can't work in multiple cities or nationally. Now, how are you getting an appointment and what do you say when you call these people?

HOW TO CALL AND SET UP APPOINTMENTS

After three and a half decades of working in the industry and observing what various financial advisors do, it never ceases to amaze me the lengths financial advisors will go through to avoid making a phone call and asking for an appointment. They'll spend tens of thousands of dollars on seminars, meals, direct mail, strategic alliances, advertising, or paying others to make the calls for them. The most effective economical way to produce a maximum amount of business is to learn how to be technically good on the phone and learn mentally how to cope with the rejection and thrive on the failure that comes with making a large amount of cold calls. We'll discuss that shortly.

Many people who pass themselves off as advisors in our industry, as well as many people who have experienced success in our industry, will tell you that cold calling doesn't work. I'm here to tell you with millions of dollars of premium on the books, if it's done right in a market with expertise, it works exceedingly well and better than any other marketing I've ever come across. Not excluding in the context of making cold calls and connecting with people, you'll generate a massive amount of referrals, and the referrals you generate will be in proportion to the cold calls you make successfully. With that said the foundation of a cold call is this. When you're calling someone she or he wants to know the following: Who are you, what do you want, and how do I get you off the phone? You have to be very effective, very direct and to the point, warm, friendly, and assertive at the same time. Time does not allow me to do a complete phone training here, so I'm going to give you the essence of making a call. I'm calling a list of architects for the sake of example. As you pick the marketplace you choose, you're going to find you have the ability to work in firms or have connectivity where you know people in common. Later in this presentation I'm going to touch on social media, specifically LinkedIn. So I'm going to call the architect and my phone call is simply this.

"Mr. Architect, it's Irwin calling. Were you expecting my call?

"No, I wasn't."

"I need you for 30 seconds. Are you free to speak?"

To which the response on the end of the phone is what's this about?

"Mr. Architect, I'm calling regarding the work I do with people in your industry with unique financial specialty helping architects protect their income if they're disabled. I want you to know I have absolutely no idea whatsoever if what I do will have any value to you at all. I don't want to keep you right now. I want to get on your schedule for ten minutes next Tuesday or Thursday morning, introduce myself, and show you briefly what I do. At the end of ten minutes we'll have one to two outcomes. You might tell me you wish you didn't answer the phone when I called, in which case I'll politely disappear. Conversely, if it turns out to have appeal to you, we'll make time to talk further. Mr. Architect, I have two promises. I won't keep you more than ten minutes, and I'm fortunate to do a lot of business. If you're not interested, it will not hurt my feelings and I'll be happy to leave after shaking your hand. Is Tuesday good, or is Thursday better for you?"

Now most of you in the business here have made the Round Table, and you know how to make a phone call. So I'm going to suggest to you that the challenge here is not so much the phone script, the challenge is changing the way you deal with failure and rejection. Rather than sitting down and setting up a phone schedule and hoping people are going to say yes to you, I'd like you to sit down and focus on the fact that you need a lot of people to say no to you. The more people who say no the better you're going to do. For example, if you sit down and say I want to get ten appointments and you hope for ten people to tell you yes, you write some business. But if you sit down on the phone and say I'm not going to give up until 100 people tell me no, you write a lot more business. You need to change the context of how you deal with people telling you no. In my 35 years I've reasoned that in excess of 200,000, maybe 250,000, maybe 300,000 people have told me no. If someone wants to tell me no, I can kid him. I'll say, "You know, 300,000 people have told me no. If you want to tell me no you've got to get in line."

I woke up once from a dream where people were driving around my neighborhood with bumper stickers that said, “Honk if you said no to Irwin Cohen.” So you have to change the way you keep score. The goal is not how many people can you get to tell you yes, but how many people can you get to tell you no. How many people can you get to tell me to never call again? Let me illustrate dealing with rejection with a story. Years ago I used to call physicians and dentists. This was before the Do Not Call list. I called them at home in the evening. One night I’m calling a particular doctor or psychiatrist. Let’s call him Dr. St. Paris, a French fellow. He answers the phone and, as I went through my presentation, I said, “Doctor St. Paris, this is Irwin Cohen.” And he replied, “What is your name again?” I said, “Doctor, the name is Cohen, Irwin Cohen. I’m an income protection specialist.” To which the doctor replied, “I’m afraid now that I know your name I must never speak with you again,” and he slammed the phone down. It wasn’t funny that evening, but it seems pretty funny years later. No problem. I hung up and went on to my next call to Dr. Gillis. Dr. Gillis’s spouse answered the phone. I said, “This is Irwin Cohen. I’d like to speak to Dr. Gillis.” As she handed Dr. Gillis the phone she said, “It’s Dr. Cohen calling.” He answered the phone and said, “Dr. Cohen, what can I do for you?” I said, “It’s Irwin Cohen. I am *not* a doctor.” He immediately went off working me over telling me that I told his wife I was a doctor. Nothing could be further from the truth. However, this is all in a night’s work.

If you’re getting rejected, if you’re taking hits, you’re on the right path. I’m not suggesting you don’t be anything but professional and nice. I’m not suggesting you be aggressive and upset people on the phone. What I’m saying is get a lot of people to tell you no. Get where you’re beat up from the rejection and you can sense that you’re on the right path. I’ve gotten so good on the phone now, and I’m connected with so many people that I’m calling and it’s actually a challenge for me to have a week where I can actually get to 100 people who tell me no.

Here’s some insight that will help you put this together. I want to bring LinkedIn into the picture now. How many of you are using LinkedIn? In perspective, if you’re working for a carrier with a captive relationship, and they don’t allow it I’m not suggesting you violate any ground rules with your respective carriers. However, here is a very effective way to use LinkedIn. Let’s say you work with accountants. You want to connect with as many CPAs and people who work with CPAs as possible on LinkedIn. You could ask every one of your clients who their CPA is. Find their CPA on LinkedIn. Send their CPA a note. “Mr. Smith, you and I share a friend in Irwin Cohen. He has said good things about you. I’d like to add you to my network on LinkedIn.” As you build your LinkedIn network, you’re going to find you’re calling on people who know people that you’re calling on. For example, I’m connected to more than 1,000 lawyers. When I’m calling a lawyer today, it’s seldom that I call somebody where we don’t have multiple people we know in common even though I’m calling someone I’ve never met. This creates a great strength and an indirect referral. LinkedIn is an incredible way to multiply your relationships, and it can turn your cold calls into magic.

The price you have to pay here is being willing to make enough calls and take the hits you have to take to build a business. The next time someone says cold calls don’t work or it’s not an effective way to do business, ask them how many cold calls they’ve made to reach that conclusion. I’m telling you there’s a right way and a wrong way to do it and that done the right way without spending thousands of dollars in seminars, without feeding people steak dinners, without sitting around and waiting for a phone to ring, you can generate hundreds of thousands of dollars a year in annual premium and control and dictate your destiny.

You need to set up your LinkedIn in a professional manner. If you need some help with this, see me when I’m done with my talk off the podium, and I would be happy to give you some direction. When you’re making a cold call, whether you get an appointment or not, you can say to somebody, “You know, Mr. Architect, I work with architects. Things have a way of changing. Would you have any objection to me connecting with you on LinkedIn and including you in my professional network?” You can do this whether you get an appointment or not. It’s a great way to stay in touch with people.

I’d like to suggest a couple of other things when you make appointments. How do you get leverage on the phone and get someone to like you and trust you when you haven’t met them? Earlier I mentioned that when I am asking for the appointment, I say that at the end of ten minutes one to two things might happen. You might wish you never answered the phone when I called. I’d like you to learn to use humor to lighten things and relieve pressure and connect with people. You can think of your own examples, but that statement is one way I do it. Further, another Round Table speaker, Robert Cialdini, some years ago wrote a book called *Influence*. He talked about spheres of influence, and one of the spheres of influence was giving somebody a gift. He said when you give somebody a gift, that person feels she or he must reciprocate.

So here's another insight to empower yourself on the phone. In the middle of my phone presentation when I'm saying to someone that I'd like to get on your calendar for ten minutes next Tuesday or Thursday, I will interrupt myself in the middle of a phone presentation and say, "By the way, Mr. Architect, are you a coffee drinker?" Most people are going to say yes. Whether they say yes or no, I say, "There's a cup of Starbucks heading your way to say thanks in advance for spending a few minutes with me. Now was Tuesday or Thursday better?" So if you can connect both humor with a modest gift, it's going to be much easier. People will find it easier to say yes to you and harder to say no because, if they like you, they don't want to turn you down. You could think of some creative ways to do this on your own, but it's a great way to build rapport.

Sometime late last year my dog woke up moving very slowly on a Sunday morning. I realized I had to get him to the vet. I found a vet with Sunday hours and put the dog in the car at 8:00 Sunday morning. "Bring the dog in," the vet says. "It's probably the dog's back. We're going to have to do some X-rays. It's going to take about an hour." I say, "No problem. I'll go across the street and get a cup of coffee." The girl behind the counter says just a minute and hands me a gift card for the coffee shop across the street for $5.00 worth of coffee and donuts. Now, as I paid them my $600.00 for the X-ray, I kept thinking what a nice touch that was. It's a little way to connect that will go a long way in people keeping the appointment, breaking down their resistance, and giving you an appointment. Humor and a gift.

What do you say when you show up for the appointment? I'm sitting in front of Mr. Architect and I say, "Mr. Architect, I appreciate you visiting with me. As I mentioned, I have no idea if what I do will or won't have value to you today." But my goal today isn't just the ten minutes I requested to determine if we should get back together and explore this further, so I make the best use of our time. "To what extent have you done any planning, thinking, or purchasing of insurance in the context of disability income and making sure you're economically okay if you're disabled?" Now the individual's going to share with you what's what—if he's done any planning or not, if he has insurance or not, if it's something that he's thought about. I want to suggest to you that more often than not, most people have put almost no thought into this. I like to say to people, "Mr. Architect, I'm a much better educator than I am a salesman so my goal is to educate you on what professionals in your industry do in this area and then, if it makes sense to you and fits in with your philosophy and pocketbook and you're comfortable with me, we can do business. If it doesn't make sense to you, if it doesn't fit in with your philosophy and pocketbook, if you're not comfortable with it, then we won't do business and I'll hit the road with no hard feelings. Does that sound like a fair proposition to you?"

At this point I want to go into a very brief presentation on an educational basis. I say,

> "Let me spend five minutes explaining to you what the issues are. In perspective, if you're physically and mentally healthy as you appear to be, Mr. Architect, you probably realize you'll have to die someday, which is why you bought life insurance. But you also probably believe you will never ever be disabled. You don't have to believe anything I say, you should research it. You can go on the Internet and do a quick study, and you'll find the probability during your working life of being disabled is significantly greater than dying. The simplest way I can illustrate this to you is to explain that in 1977 when I started doing this, there were, in rough figures, about 1,800 life insurance companies in excess of 500 disability carriers. Today in 2013 there are in excess of 2,000 life insurance companies and less than 20 carriers writing individual disability insurance. Why is that? Life insurance is based on mortality—how long people live and die—and people are living better and longer than ever before. The flip side is that as mortality increases, morbidity, the incident of disability, also increases with it. So the life insurance industry has expanded, the disability industry has shrunk. If you go on the Internet and type in Americans with Disabilities Act, you quickly find out there are in excess of 50 million disabled people in the United States. So mortality is increased, morbidity has decreased, but the reality is you are still going to feel that it can't happen to you. Read up, hospitals are full of people who have had accidents and woke up with neurological issues that weren't there yesterday. The reality is it's not something to plan but something that

happens. So what happens when someone is disabled? His income goes down and his expenses go up. So how is he going to meet the cost of getting well?

Let's just take a minute and explore what the sources of money are. You could use your savings, but you realize if you save ten percent of your income a year, one year of disability could wipe out ten years of savings. Your spouse could go to work, but in many instances the spouse is already working, and if you're living on two incomes or your income is significantly higher than what your spouse can earn, this is not an option.

You could sell your assets. For obvious reasons that's not a great idea. You could borrow money, but who's going to loan you money when you're disabled and not working, and how would you pay it back? There are disability benefits for social security to the most severely disabled. They are difficult to qualify for and, in most instances, you won't be able to get them. If you're bad enough off that social security will pay you, you probably need all the money you can get your hands on.

You may have group disability insurance from your employer in which case you'll have a 60 percent benefit, and we need to evaluate how this plays into what your needs are. And by the way, if you have group disability, it'll integrate with social security as well. Last but not least is personal disability insurance. Write a check for a relatively small premium while you're healthy and working to make sure that, economically, things remain intact if you're disabled. Conceptually does this make sense to you to explore further?"

Now, again quoting John Savage. The late great John Savage wrote a book called *The Easy Sale*. He said there are two sales—the easy sale and the one you don't get. If I've gone through this with the person I'm sitting in front of and I'm working in a market where they write good quality products for this profession, if I know he's got a reasonable income because I screened before based on the market I'm calling on, if I've gone through this and gotten to this point, there shouldn't be a lot of arm wrestling or push back. If there is, I say, "Mr. Architect, I'm not here to change the way you think. If it makes sense to you to explore this further, I'm thrilled to do it and have the opportunity to earn your business by educating you. If it doesn't make sense to you, I promise we can call it a day with no hard feelings."

FACT FINDING

Now that we've made our initial appointment, arrived for the appointment, done our initial presentation, developed rapport and the whole time we're doing these various steps, we have one dominant goal in mind. We want them to like us. We want them to trust us. Our goal is to be seen as a trusted advisor, and fact finding is a critical part of trust building and connectivity to your relationship. The right questions can help you solve problems. The wrong questions can hurt credibility so in going into the fact finding, we need to make sure to preempt a couple of things that the respective client might be thinking about, such as not wanting to divulge this information or wondering why this person is asking these questions. So as we go into the fact finding, we're going to say something like this. "Mr. Smith, now that you and I agree this is worth exploring further, I'd like to make some notes about your situation so I can understand the things that are important to you and also get a good feeling for any obstacles that could conceivably get in our way in terms of purchasing coverage if that turns out to be the route you go. I'm not sure if it will or won't be the path we take, so let's start with…" Now, in the interest of time, I'm not going to go through a complete fact finder with you at this presentation. If you're a Round Table qualifier, you already know how to take a fact finder with the fundamentals of name and address.

Here are the things you want to make sure are in your disability fact finder. I want to talk about taking health history. Disability insurance is very rigidly underwritten, and you'll frequently hear people say that you don't have to worry about notes on their health because they just got preferred plus for a life insurance policy. Most of you in this room, if not all of you, know that disability underwriting and life underwriting are as different as day and night. There are little things that can kill a case in disability and, if you know in advance what someone's complete health history is, you can better screen as to what carrier to take somebody to and also to better manage expectations in terms of what is going to come out from the home office in terms of an offer.

So I would suggest the most comprehensive way to do this is to take a disability application with the health questions from your respective carrier and record the health questions in full onto your own respective paperwork or even use the questions in the application. The point is that you don't want to say to somebody flippantly, "Mr. Smith, do you have any medical history," because people will always say no. I want to know about their whole health history in the fact finder. I want to know who their doctor is, if they see any specialists, if they've had any testing—elective or otherwise, if they've had procedures, if they've had orthopedic issues such as back and neck or hip issues, vision issues, history of psychotherapy, depression, anxiety, or the new high-performance drug among a lot of young professionals is medicine for attention deficit disorder. Many things that would not be an issue for life underwriting can kill a disability case.

The two more common ones would be medicine for antidepressants, anxiety, and attention deficit disorder in which case you might be looking at a declination or limited benefits as well as a rating and, to a lesser extent, back or neck problems, which won't kill a case but will end up with an exclusion on a policy. If you haven't managed expectations in advance, this might very well prevent you from not being able to place the case. You cannot get too much health history.

Other things that can be serious issues to someone who's not worked in disability before might be dismissed. Diseases such as Crohn's, ulcerative colitis, arthritis, any type of diabetes whatsoever, any type of situation where an impending surgery might be down the line—so you can't get too much health history in advance. Here are the two things you want to think about when you're taking health history. One is about managing expectations. Let me give you this example. You say to me in my fact-finding appointment that you're in great health. You say you work out a lot and, as a result, your neck or lower back hurts and you see the chiropractor. In all likelihood we're looking at a policy with an exclusion. So during the fact finding, and well before, I bring you a policy with an exclusion rider, and I'm going to manage expectations as follows. I'm going to say to you, "Mr. Smith, the really good news is that back or neck treatments at the chiropractor won't, more than likely, make you ineligible for insurance. However, what you want to know in advance of the 20 or so carriers in the industry is that they have a collective underwriting philosophy that if someone has seen a chiropractor in the last year, there is going to be an exclusion on that part of the body. Do you think that part of your body will ever disable you?"

Now, there are various ways to have the conversation, but the emphasis here is having the conversation up front and getting a preliminary agreement and an understanding that this could be excluded and that the client is going to be okay living with this. If somebody says to you that there is no way in the world she would accept a policy with an exclusion on her back, and she clearly has enough back history that this is going to be the outcome, you now have to make a conscious decision if you should pursue it or not.

So it's very important you screen thoroughly with extensive details on their health history. If you just ask if they are healthy, they're going to tell you yes. You're going to give them the application and some of the time you're going to find they are uninsurable, and some of the time you're going to find that they're going to get a less-than-perfect offer, so the more detailed you can be in collecting the health history, the better off you're going to be later on.

Going into financial qualification. People can be flippant when they tell you their income. When you're buying disability insurance today, the vast majority of carriers with almost no exceptions that I know of are going to ask to document income with a tax return or two years of tax returns. For the self-employed, their business tax returns, for partners in firms, Schedule K-1s, and for the non-self-employed and the non-partners, W2s and check stubs. When you're buying disability insurance, the carriers are going to offer coverage based on your taxable income from your business and profession, after business expenses and deductions but before personal exemptions and taxes. So when you ask somebody, What's your income? He might say, Well it's $150,000.

Let me give you this example. Fifteen years or so ago when they first started asking for tax returns, I was writing an application on an optometrist. I asked the optometrist, What's your income? He said $100,000. He had $100,000 of income. He could buy $5,000 a month of coverage at that point in time. When his tax return came in, he did gross $100,000 a year from the optometric practice. His expenses were $100,000, and his only taxable income was $40,000 as a fireman. By the way, the fireman occupation also made a big difference in not making him insurable for disability insurance. So when you're asking prospective customers their income, you want to know what their taxable income is for the last two years. This is especially important when you're dealing with self-employed business owners who might take very little out of the business.

Just like with managing expectations in health care, if someone told you he makes $100,000 but when he's done taking deductions his real income is $40,000, you're going to present coverage on the idea of $40,000 not the idea of $100,000. If you present $5,000 a month, which is what someone could buy at $100,000 a year of income, and then, because his tax return reflects $40,000, he only gets $2,500 a month, you're going to have a much harder time placing that case. Whereby if you started with the right $2,500 from the get go, you'd be in much better shape.

Now, if you're dealing with the self-employed, most carriers will have some formulas. If you have an established business with a couple years of solid income, they might bump that person up a little bit. But you're looking for three critical things when you're doing financial qualification. Number one, you need their taxable income, not their gross before business expenses. Number two, it needs to be consistent. In other words, if you work in my market with lawyers, and a personal injury lawyer lost money for three years and then last year made $1 million, we're not going to get an offer based on $1 million. We're going to get an offer based on the average. Number three, investment in unearned income. All in all, there are probably only two times when it's a bad idea to have a lot of investment on unearned income. I call this the two Ds of investment income—divorce and disability. If you're getting divorced, investment income might be bad. I don't know but in the context of disability.

Let's say your income is $100,000, and let's say you own a rental property and you're making $40,000 a year from it. That counts against you. It doesn't add to the bottom line. So if you have enough rapport with the client, you might actually ask her or him to bring a check stub or tax return to the meeting. In many situations this won't be practical, but you have to make very sure that you're qualifying her or him with the right financial information. So you come back with viable offers and also you want to eliminate situations where you can't get an offer. If you're making a lot of calls and running a lot of appointments, you're going to meet people who have enough investment income that they're not insurable. You're going to meet people who have had a couple of bad years and don't have taxable income, and that is so very critical to this.

Further issues regarding fact finding. Many carriers would publish a budget list and say let's look at what your cost of living is, and you can go through everybody's living expenses. It's long and laborious. Generally speaking, we're not going to be able to buy as much coverage as our income is anyway so from the point of view of your ability to generate an income as an asset and that we're going to try to insure the asset for as close to its full value as possible, you can ask this qualifying question. "Mr. Smith, your income was X—let's say in this example $200,000. After taxes, you took home $130,000. Of that $130,000, it appears you put away about $15,000. So it's my observation, professionally speaking, that you pretty much live on all your income and we would have to maximize the benefits. Would you agree with this, or is there a different approach you want to take?" At the end of the day people are going to buy coverage based on your recommendations, based on their willingness to pay, based on how much coverage they can get. Some people will take the maximum; some people won't. If you feel like going through all their detailed personal expenses, you may. It's not something I feel the need to do.

You also want to delve into fact finding any special needs. Do you have any maintenance or child support you have to pay from prior marriages? The most critical piece you can do with fact finding is have good health history, good financial history, and a reasonably good feeling on their cost of living. Also, fact find what their expectations would be if they are disabled. And you have a conversation about income and disability in terms being disabled—your expenses go up, your income goes down. With this in hand, you're now free to move into the presentation.

In the presentation, rather than sell a monthly benefit, I like to sell the cumulative total of the benefits. In the presentation I want to take a moment to discuss case design. Some of you may work captively for carriers where you don't have these options. So take from this what fits. Today when I'm designing a disability policy, I'd like the following components to be part of the program. I want as much base coverage as the carrier will issue. I want as much catastrophic coverage as the carrier will issue. I want as much retirement funding as the carrier will issue. I want inflation coverage unless somebody is well into their 50s. I want the longest benefit period possible, and I want options for insurability.

Now, in presenting disability coverage, let's pretend that your proposal is $5,000 a month of base coverage. Bidding after 90 days, paid to age 70. Let's also assume that the catastrophic rider is another $5,000 and the retirement funding is $2,500 a month. So you're 40 years old. We have $12,500 a month of potential benefits for the next 30 years with a guaranteed 3 percent inflation rider. I'm going to take the cumulative total of this $12,500 a month plus inflation and I'm going to come up with a total number. Let's say in this instance it was $4 million and, when I present it, I'm going to say to the potential customer, "Mr. Smith, this $150 a month buys $4 million of coverage paid on the following basis.

Why do I present it that way? If I use contrast and say $150 a month gets you $5,000 a month benefits, in the client's mind the ratio doesn't look very strong. In reality the leverage created by the insurance premium and the disability policy is incredible. The leverage is not well depicted if we just use monthly premium and monthly benefit. I'd rather use monthly premium in relation to total annual benefit.

I'm going to go through each of the features of the policy point by point. In my instance it's generally going to be a non-cancelable, guaranteed renewable policy, which means the carrier contractually relinquishes the right to ever change anything about this product until you're 65 years of age. I believe the legal work would be a unilateral contract. You can get rid of it, but they can't get rid of you as long as you pay the premium. Generally speaking, in my market I'm selling a regular occupation rider so I'm going to say to my client, "If you're unable to work in your area of law, let's say you get migraine headaches and can't litigate, we're going to send you your benefit whether you teach law, go inside, and do something else." If you can't litigate, your money is going to get paid now, and your particular marketplace, regular occupation, may or may not be important.

Inflation coverage. If you're disabled and you don't come back to work, Mr. Smith, as time goes on, the value of these dollars is going to decline. That's why the program has a cost-of-living rider guaranteed to raise the benefits 3 percent a year compound. So we have $5,000 a month if you can't practice law. The most severe disabilities require the most money. If your disability is such or you need help with activities of daily living or you're cognitively impaired, we're going to crank the $5,000 up to $10,000. What that really means is if you're disabled, your family will have the wherewithal to take care of you and, economically, be able to weather the storm.

If you're disabled, what would you think happens to your ability to fund retirement? That's correct. It's gone. So if you are disabled tomorrow at age 40, and I pay you at age 70, and then I stop, you've fallen off a metaphoric cliff. My job is to solve problems, not create them so after six months of disability, $2,500 a month is going into what's called a retirement trust. You're going to direct the investments of it just like you direct your retirement money now. And at retirement age, you'll have the money that would have been there—in this case $1.8 million if you were disabled tomorrow, so you have money to retire on at age 70. One of the intrinsic values of the retirement funding method is as follows: All of us have probably had times in our life when we're saving money and when we're not saving money. We would all collectively agree that saving money is a much more positive experience than not saving money. With that said, imagine being disabled and every month seeing thousands of dollars being put away for you even though you're not able to work. Very, very positive experience.

I'd like to articulate in no uncertain terms what is not a disability. In most policies it's going to look something like this: Intentionally self-inflicted injuries, disabilities that occur as a result of the loss of your professional license due to ethical issues, disabilities that occur committing a crime or engaging in an illegal occupation. Benefits are generally not payable if you're incarcerated. Benefits are not payable if you're called into the military. Benefits are not payable, generally speaking, for extended periods of time if you're disabled and leave the country for more than a given period of time as stated in a certain policy. Preexisting conditions are not covered, and you need to clearly articulate what a preexisting condition is. We are not talking about something somebody conveniently didn't put down. That's a fraud and it's different than a preexisting condition.

Going into the close, in my opinion there is only one way to close insurance business and that is with implied consent. I believe a potential customer told me he was interested when he let me have the appointment. He told me he was interested by participating in the interview. He told me he was interested by sharing the information I need to make the recommendation. He did not spend all this time with me because he wasn't interested in buying, but we're not put together in such a way where somebody turns to us and says sign me up. I'm not saying it doesn't happen but, more often than not, the customer's response to a proposal would be, "Hey that's great. Let me think about it."

So when we get to this point, I've gone through everything and now I want to tell the customer that there is a potential catch and the catch is this. Everybody who wants one of these things can't have one of these things. Thus, the catch is that you might like everything here, but the carrier may or may not be willing to insure you. So here's what I'd like to suggest. Generally speaking, at this part of the dialogue, people are in one of three frames of mind. They are sure they don't want it, and I'd like to suggest I don't believe that's where you're at because we probably wouldn't have come this far. The other extreme is that they're absolutely sure they want it. Now, very seldom does somebody say to me that they're absolutely sure they want it because no one believes it's ever going to happen to them. Most people, by this time, are in the middle leaning toward it.

"Now we can't reach any final decisions today because we don't know that the carrier would offer you a policy, but let's presume for the moment that they did. Is there anything that doesn't make economic sense about what we're talking about here? With that said, I'd like to suggest we let them write for your medical records and gather the financial information they need to make an offer. In about four weeks they'll make an offer and, at that point, you and I will reconvene and reach conclusions from there." And with that I'm into the application.

I'm not going to wait for this person to say, "Hey, that's a great idea." I've had the application out. If I'm doing my job most efficiently, some of the fundamental information like address, birthday, and occupation are already filled in on the paperwork, and in a minute I'll cover handling objections. But generally speaking now that I'm into the application, the person is going to participate with me, and we're going to complete the app.

In completing the application, I've already told him earlier in the underwriting process that we're going to need tax returns. I've asked him earlier in the process if he has any fear of blood tests or needles because I've already alerted him early on that if this is something he chooses to pursue, we will need to come take his blood. Ideally, if he hasn't brought his tax returns to the meeting, the best way is to have a release signed and to get them directly from the CPA. Otherwise you can spend a lot of time chasing someone for their tax returns. I don't believe it's that they don't want to give them to you; it's just not high on their priority list and they're busy.

So I've taken the application. I prefer to schedule the medical when I'm there with him and the phone review as well, if that's what is needed, and now the case is into underwriting and, hopefully, going to come back and I'm going to place the case. Placing the case is really where the case is sold, which is going to lead out to referrals and cementing the future.

I want to leave you with these final thoughts. There may be instant coffee and instant tea, but there is no instant me. I have given you today the pieces of a puzzle that, if assembled in the right order, will definitively, without any doubt whatsoever, give you the roadmap to tremendous, unparalleled success not only in the area of disability income insurance, but in your overall business practice. When you help people do what they need to do, when you help your clients protect themselves, and when you care about your clients and think about their needs, you can't help but grow your business.

So, I encourage, challenge, and urge you to take the material I have covered here today and go home, work with it, and make it yours. Learn it, earn it, expand upon it. The choice is up to you.