



PeopleFirst: Development

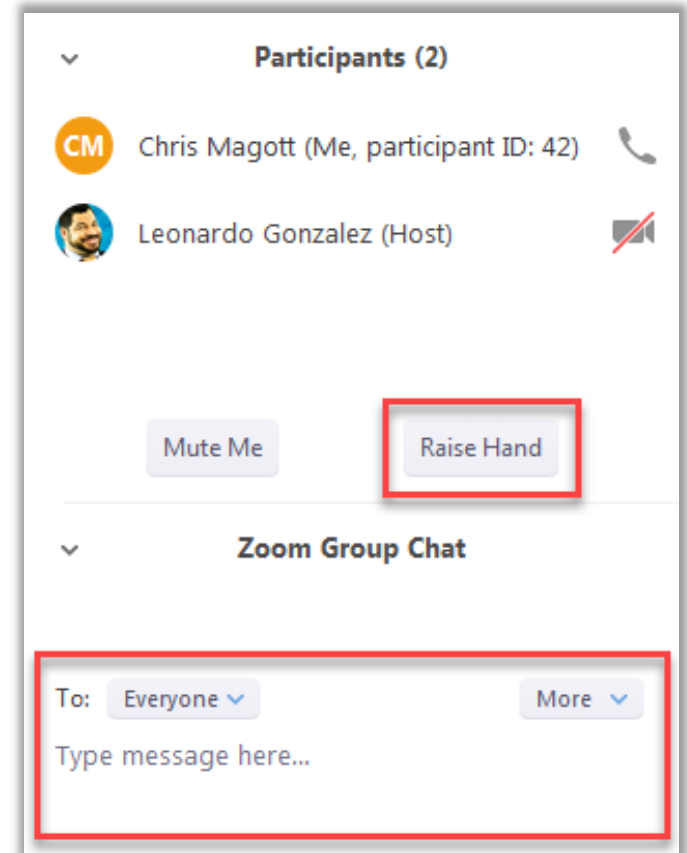
DI Sales Training Intermediate Session 2

Placing Business



Intro - Set Up

- 1 hour meeting
- Virtual Classroom
 - Take notes
- Questions?
 - Click the “Raise Hand” button to let us know you want to speak.
- Chat
 - Use to message the host or other participants



Agenda

Review of Sessions

Basic #1 - The Need for Income Protection

- Prospecting versus Storytelling – “A good salesperson finds the need, a great salesperson creates the need”Tell a story!

Basic #2 - Proposals and Presentations

- Sales Idea – “To Consult or Not to Consult, That is the question?”

Intermediate #1 – Underwriting Process

- Financial, Occupational and Medical Underwriting
- Impaired Risks, High Limit DI and Hard to Place Occupations
- “The Ditch of Disability”



Agenda – Placing Business

- Issued “Other than as applied for”

Substandard	
Extra Premium	Change in Elimination Period
Complete Exclusion	Change in Benefit Period
Aggregate Exclusion	Reduced amount of Indemnity
Qualified Condition Exclusion	Removal of Optional Benefits
Limited Period Exclusion	Any Combination of the above



Business Overhead Expense - BOE

How Does Overhead Expense Insurance Work?

- This is a business expense reimbursement policy
- Your client purchases a maximum aggregate benefit and is reimbursed for covered expenses until maximum is exhausted or he/she is no longer disabled
- Some companies limit the total number of months benefits will be payable



Common Definitions of Disability

- Total Disability (i.e. “Own Occupation”)
 - Unable to perform substantial/material duties of regular occupation
- Residual Disability
 - Able to work but not to full capacity, resulting in loss of net income
 - Benefits cover loss of net income up to benefit maximums
 - Loss of Net Income is the amount by which monthly gross income is less than covered overhead expenses
- Recurrent Disability
 - Full or partial benefit paid for specified number of months (often 6) or up to aggregate amount if previous disability returns and results in total disability



Some Generally Covered Expenses

Deductible business expenses incurred while disabled

- utilities
- rent
- insurance
- taxes
- office expenses
- salaries for administrative employees who do not generate income for the business or share the same profession as the disabled owner (employee salaries in same profession typically by rider)



Tax Considerations for Insured

- Premiums are deductible (Revenue Ruling 55-264)
- Benefits received are taxable
- Business receives write off for expenses incurred
- Taxation a wash



Unique Differentiators to Look For

- Carry forward provision
 - Allows reserves of any unused monthly benefit to be retained for future use, up to aggregate amount
- Recovery Benefit
 - Provides a percentage of benefit if no longer disabled but continue to sustain a loss of net income due to the prior disability



Disability Buy/Sell

How Does Disability Buy-Out Insurance Work?

Reimburses the nondisabled stockholder(s) or entity to buy out the disabled stockholder (individual policies on all partners/owners)



How Does the Policy Pay?

- Definition of disability
 - Total disability only
 - Own Occ as long as you are not working in the company
- 12, 18 or 24-month waiting period
 - After disability definition is met, benefit will be paid once elimination period is satisfied or a Buy-Out expense is incurred
 - Payouts can usually be made in a lump sum, monthly funding or a combination of the two



Advantages for the Disabled Owner

- Assures a definite price and buyer under mutually agreed upon terms
- No need for the firm to worry about the firm's ability to meet the buy-out commitment
- Family members can place their efforts on meeting the needs of the disabled owner rather than protecting the business
- Provides extra cash to help meet the needs that a disabling condition can generate



Advantages to the Active Business Owner(s)

- Assures they have funding for their buy-sell agreement to buy-out the disabled owner for a predetermined price at a pre-arranged time after disability strikes
- Customers, creditors and employees are assured of business continuity
- Active owner(s) retain control of the business rather than the disabled owner's family members
- Competitors cannot buy the disabled owner's business interest in the firm and force out the active owners



Tax Considerations for Insured

- Premiums are not tax deductible, which means benefits are received income tax-free (Revenue Ruling 66-262)
- May be a taxable event when the buy-out is executed by the entity



Sales Idea – “Same Cost, Double Your Benefit



Next Week

- Advanced – Session #1, July 9^h @ 2pm CENTRAL
 - “Multi-Life Business – Part A”
 - Intro to the concept
 - Prospecting and Evaluation
 - NFP Multi-Life DI Sales Center
 - Sales Idea “Reverse Discrimination”
- Homework from today’s discussion – Submit an application to a carrier and/or be able to describe your experience with the process by next class
- Give me a call to strategize and/or assist
512-697-6185 or khoffman@nfp.com

