



PeopleFirst: Development

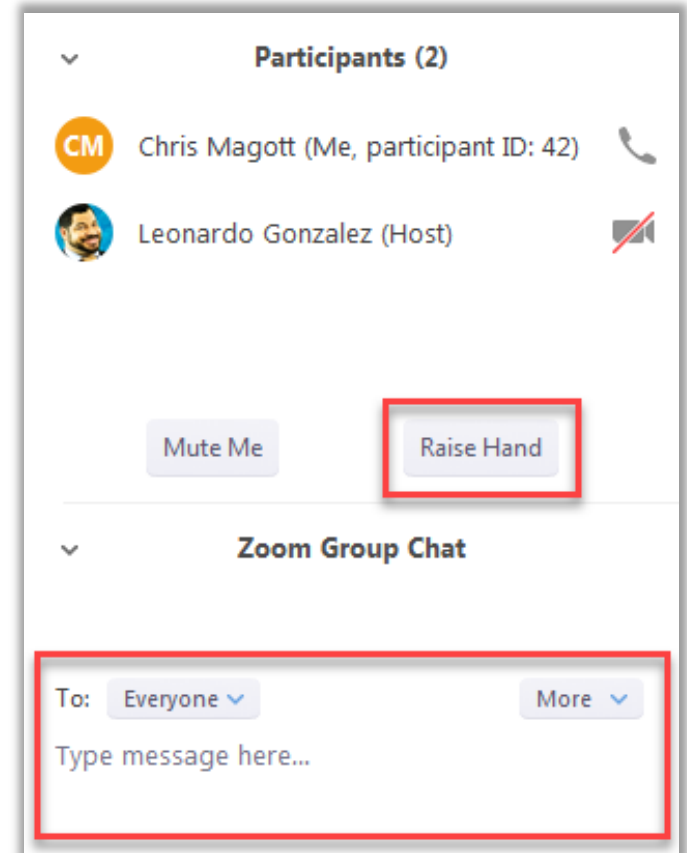
# DI Sales Training Advanced Session 1

## “Multi-Life DI” Corporate Sale – Part A



# 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
  - Homework



# 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

### Intermediate #2 – Placing Business

- Handling the Objection & Business Products – BOE & Buy/Sell



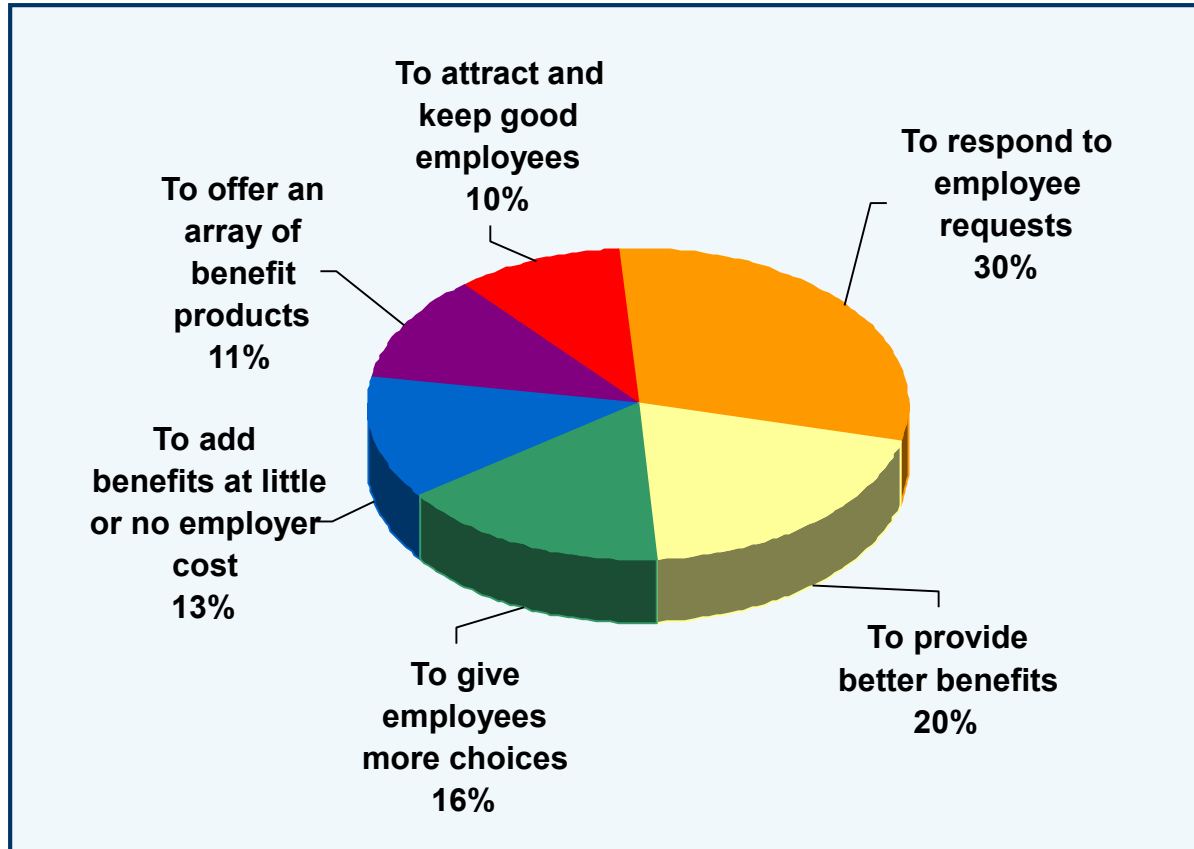
# Agenda

## Today's Agenda: **Multi-Life Business – Part A**

- What is it and why?
- Prospecting and Evaluation
- NFP Multi-Life DI Sales Center
- Sales Idea “Reverse Discrimination”



# Why provide a Supplemental Disability Plan?



**In today's benefit environment, employers are looking for ways to control costs, yet still provide comprehensive, competitive benefit packages.**



# Employees look to their Employers for Assistance

## **Employee preference as a worksite benefit:**

72% of employees surveyed said it's important to have long-term disability insurance available through their employer. <sup>1</sup>

## **Most popular voluntary benefit:**

According to a national survey, disability insurance is the most popular employer-offered voluntary benefit. <sup>2</sup>

<sup>1</sup> LIMRA, "Market facts Quarterly," Fall 2006.

<sup>2</sup> AON Consulting, "What's Hot and What's Not in Voluntary Benefits," January 2006.



# Employees have concerns...

## **Employees are underinsured:**

82% of US workforce believe they are significantly underinsured for a long term disability. <sup>1</sup>

## **Disabilities not covered by workers' compensation:**

Most disabling injuries suffered by American workers occur off the job and are not covered by workers' compensation. Over 90% are not work related. <sup>2</sup>

<sup>1</sup> Consumer Federation of America, 2007

<sup>2</sup> National Safety Council, Injury Facts, 2004, 2005-2006 editions.



# Disability is Important

## **Workers say disability insurance is a necessity. <sup>1</sup>**

In a Harris Interactive survey commissioned by Unum, an overwhelming majority of workers polled – 97% – say they believe they need some level of income replacement in the event of a disability. <sup>2</sup>

1. Harris Interactive study commissioned by Unum, August 2006. National Association of Insurance Commissioners, "Majority of Americans Unprepared for Financial Impact of Disability," February 28, 2007.





# What's Your Risk?

- 1 in 1,000 risk of a fire that will cause major damage to a person's home<sup>1</sup>
- 1 in 240 risk that an accident will destroy a person's car <sup>1</sup>
- 1 in 3 risk that a person will be disabled 3 months or longer between age 35 and 65.<sup>2</sup>



Source:

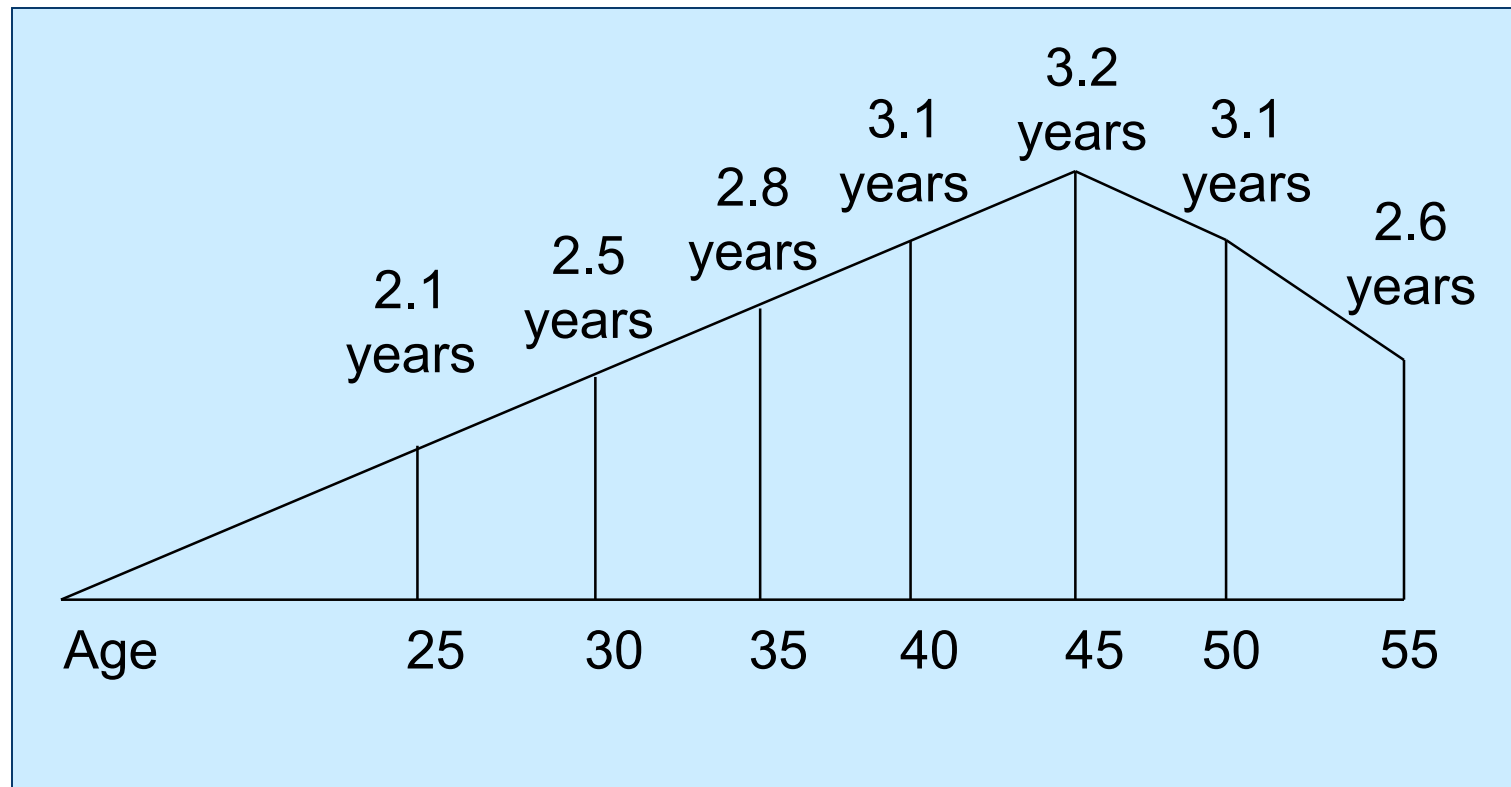
<sup>1</sup> 2000 *National Safety Council Accident Facts*.

<sup>2</sup> 1985 *Commissioner's Individual Disability Table A, Society of Actuaries*.



# The Impact of Disability

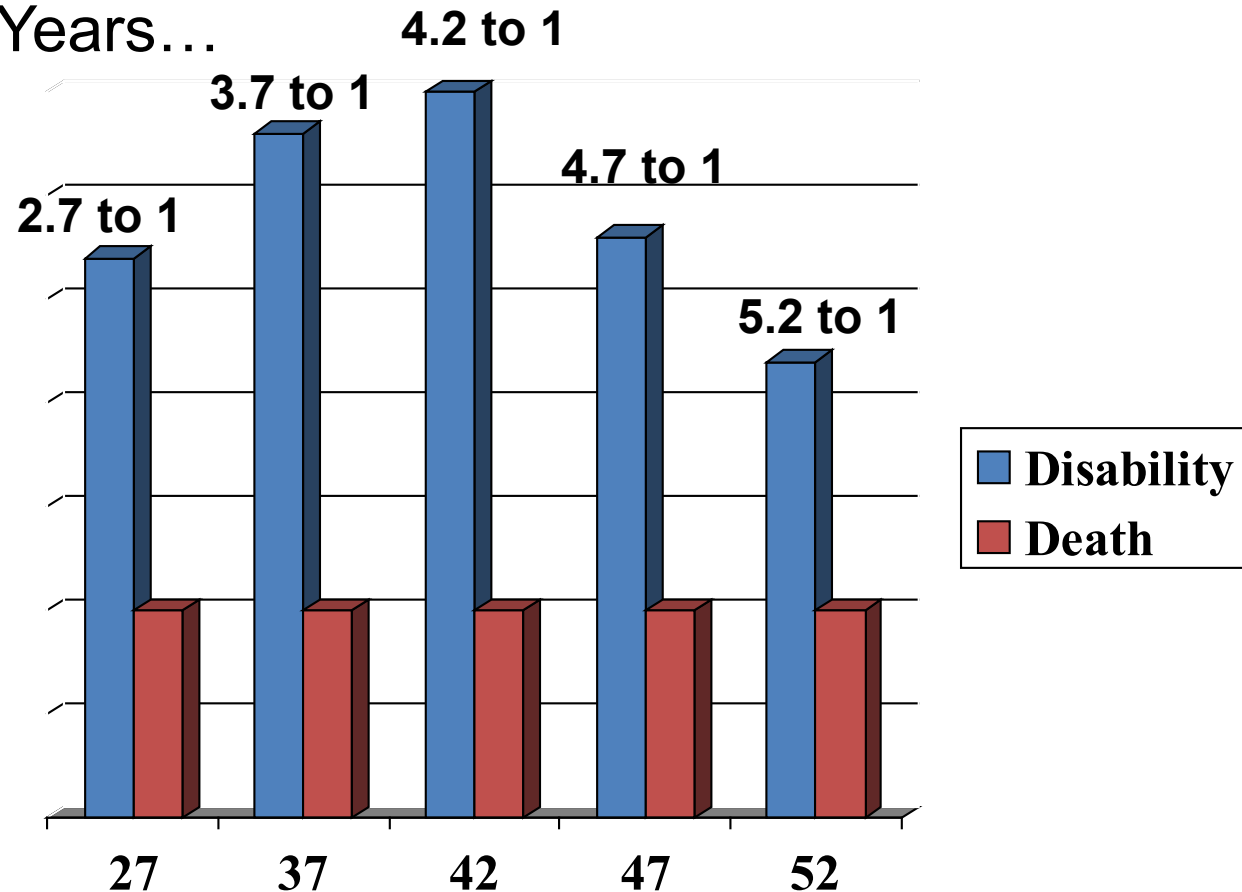
On Average, It Can Take Years To Recover From  
A Disability Once It Has Lasted Over 90 Days



Source: 1985 Commissioner's Individual Disability Table A, Society of Actuaries.



Disability is more likely than  
Death,  
During your working Years...



# The Fact is, Health is Wealth!

Potential lifetime earning estimates  
based on income & number of years to age 65

Annual Income					
Age	\$30,000	\$50,000	\$75,000	\$100,000	\$150,000
30	1,050,000	1,750,000	2,250,000	3,500,000	5,250,000
35	900,000	1,500,000	2,250,000	3,000,000	4,500,000
40	750,000	1,250,000	1,875,000	2,500,000	3,750,000
45	600,000	1,000,000	1,500,000	2,000,000	3,000,000
50	450,000	750,000	1,125,000	1,500,000	2,250,000
55	300,000	500,000	750,000	1,000,000	1,500,000

For illustrative purposes only.



# Disability causes Financial Hardships and...



**Disability causes nearly 50% of all mortgage foreclosures, compared to 2% caused by death.**

Health Affairs, The Policy Journal of the Health Sphere, 2 February 2005

**Unexpected illness or injury, that is, a disability, caused at least 17 percent of personal bankruptcies in 2001 - and some say the rate is even higher.**

Illness And Injury As Contributors To Bankruptcy," *Health Affairs*, February 2, 2005



# Disability can level an employee's finances

## **A disabling illness or accident can be financially devastating.**

- 56% of U.S. adults would not be able to pay their bills if a disability kept them from working for a year or longer.<sup>1</sup>
  - The average cost for treating a stroke: nearly \$48,500.
  - The average cost for treating a heart attack: nearly \$55,000.<sup>2</sup>

With U.S. personal savings at its lowest since the 1930s, few employees have money put away for a “rainy day.”<sup>3</sup>

1 National Association of Insurance Commissioners, “Majority of Americans Unprepared for Financial Impact of Disability,” February 28, 2007.

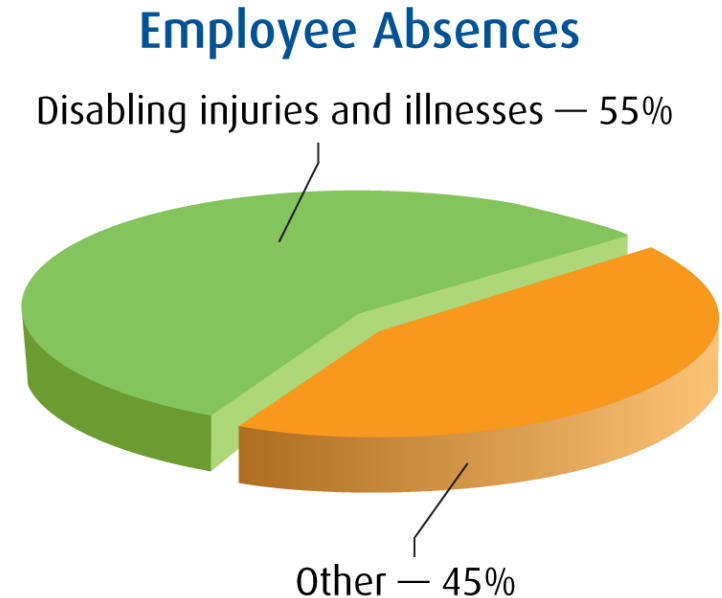
2 Milliman, “Reducing The Human Impact of High Blood Pressure; 2006 Supplement To The September 2004 Report: Controlling Hypertension Among Medicare Beneficiaries: Saving Lives Without Additional Cost,” February 2006.

3 U.S. Department of Commerce, Bureau of Economic Analysis, February 2006.



# Disability takes a toll on the bottom line

- **More than half of employee absences are due to disability**
  - Disabling injuries and illnesses account for 55% of employee absences.<sup>1</sup>
- **Absence is expensive**
  - 4.1% of payroll is spent on unscheduled absences.<sup>2</sup>
  - In 2006, unscheduled absence cost some large employers an estimated \$850,000 per year in direct payroll.<sup>3</sup>



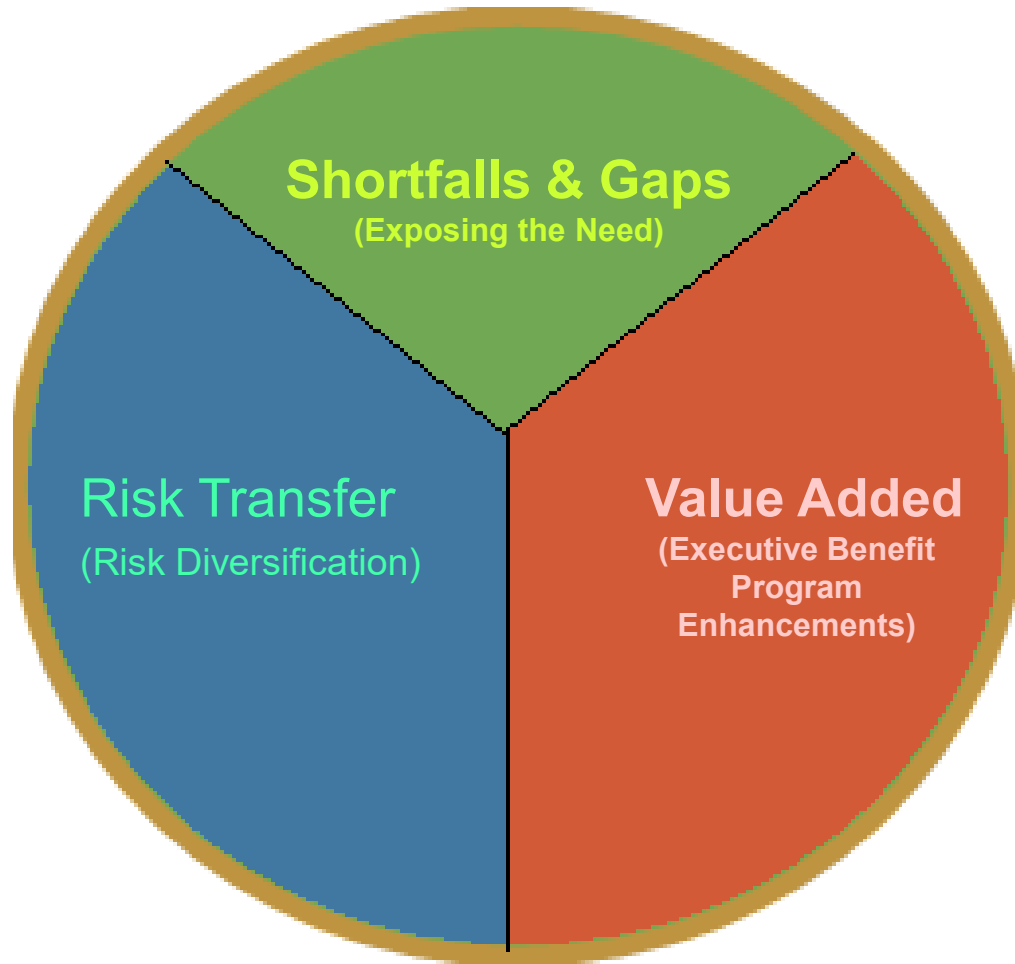
<sup>1</sup> Employee Benefit News-JHA 2005 Absence Management Survey, results reported in Benefit News.com, "Big-picture benefits: Integrating FMLA and disability claims data helps reduce absenteeism," by Chris Silva, September 2006.

<sup>2</sup> Marsh/Mercer Health & Benefits, "Health, Productivity and Absence Management Programs, 2006 Survey report."

<sup>3</sup> CCH and Harris Interactive, "2006 CCH Unscheduled Absence Survey," October 2006.



# Why provide a Supplemental Disability Plan?





# Why provide a Supplemental Disability Plan?

Short Falls & Gap



# Short Falls and Gaps

## **Benefit Maximums**

- Is the Group LTD Monthly Benefit Cap insuring all employees total salary?

## **Uncovered Earnings**

- Are other forms of Income insured?
  - Bonus
  - Commissions
  - Deferred Compensation
  - Stock Options

## **Taxability**

- If the LTD is Employer Paid the Monthly Benefit is taxed.  
What is the impact?



# Why provide a Supplemental Disability Plan?

Risk Transfer



# Risk Management & Risk Transfer

## Self Insured

### Risk Considerations:

- Volatility of Risk
- Cost of ERISA Compliance
- Claims Administration
- Fiduciary/Litigation Risk
- Reserves – balance sheet drain
- Uncertainty



## Integrated Disability Benefits

### Risk Management:

- Install Stop Loss
- Reduce Volatility
- Increase Stability
- Increase Predictability



Meet Customer Needs

Higher

Lower

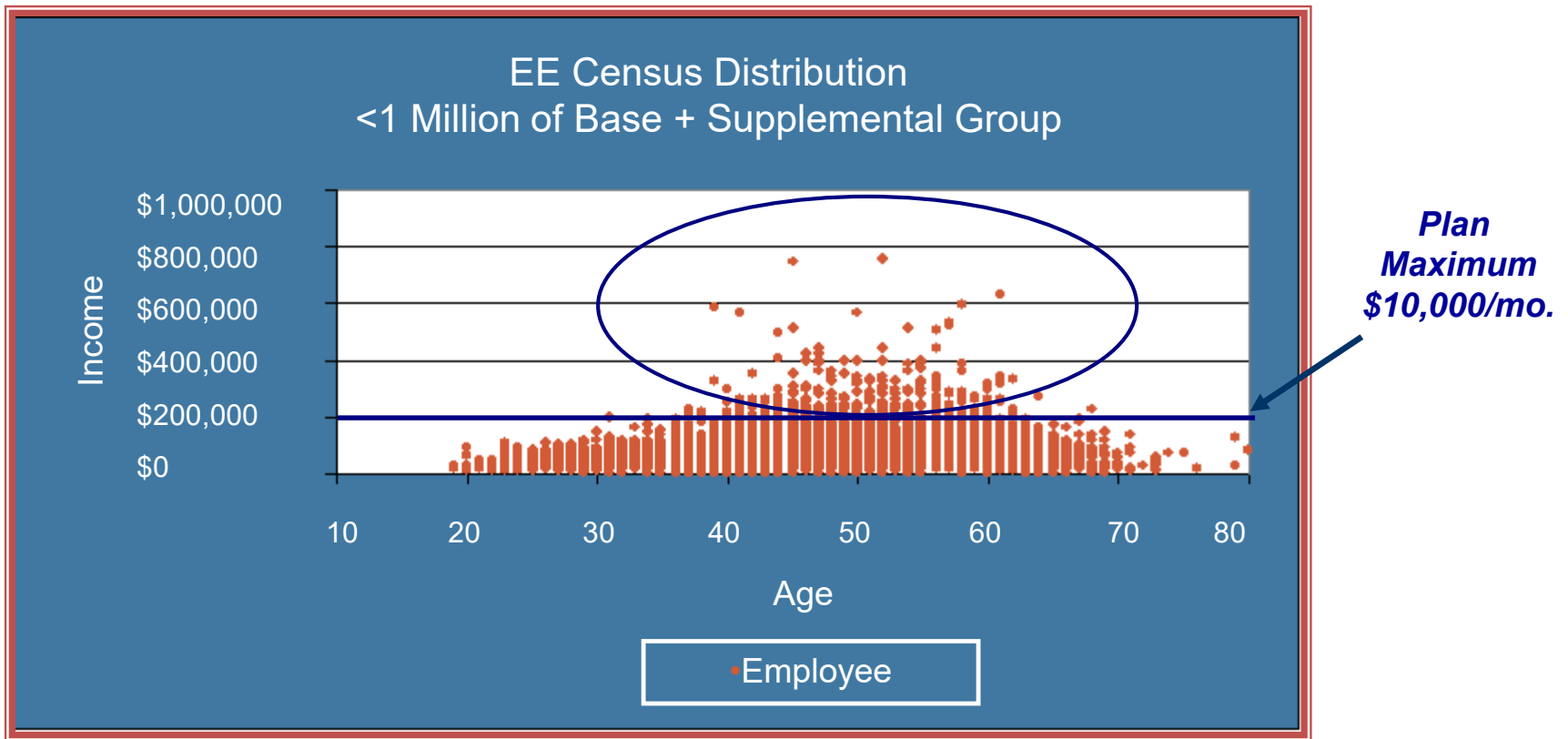
Risk / Volatility Scale



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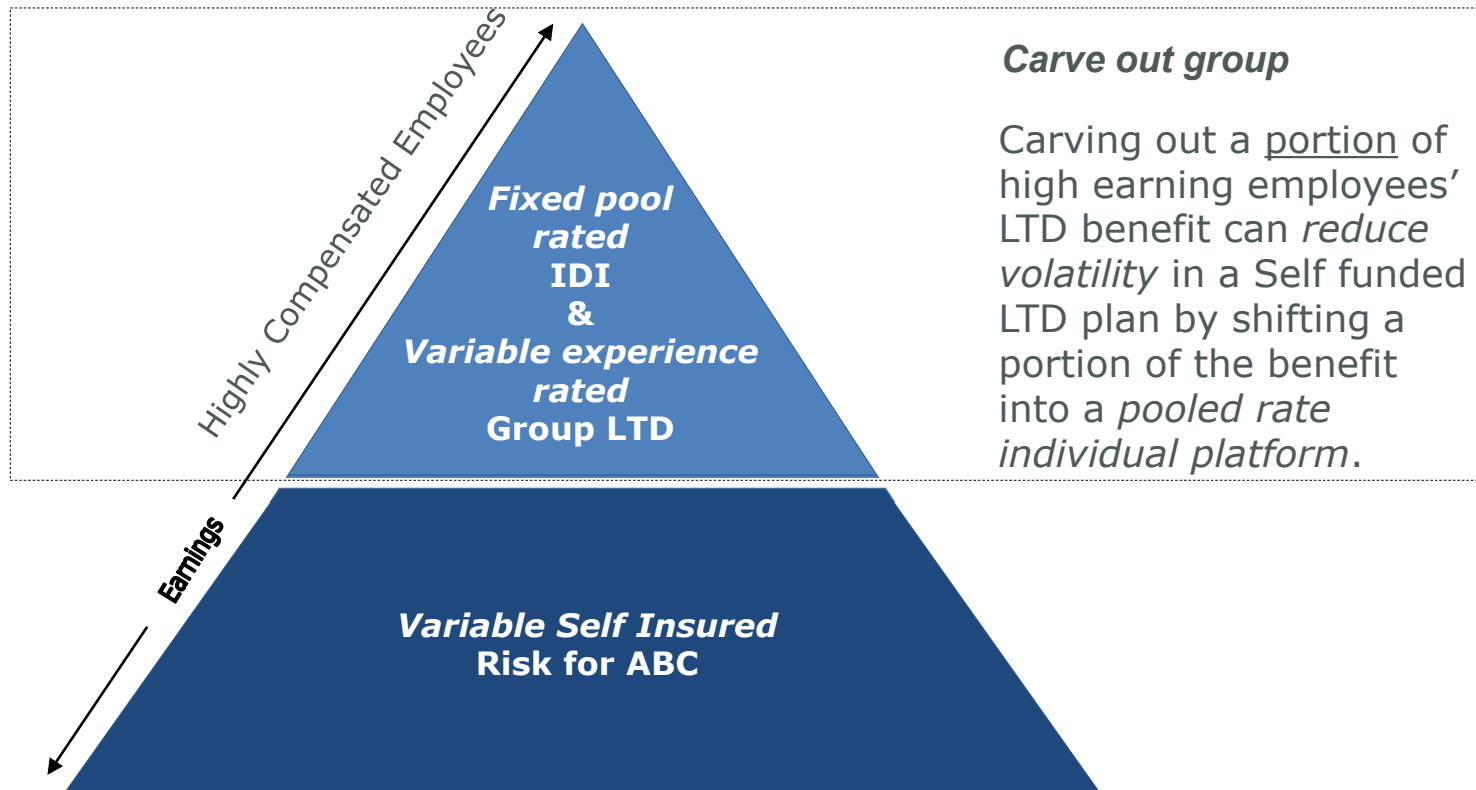
# Risk Transfer



**Concerns:**  
Income replacement shortfall due to benefit maximum



# Integrated Risk Management



**Transfer of risk:**

Individual experience does not impact group rating

**Rate stability:**

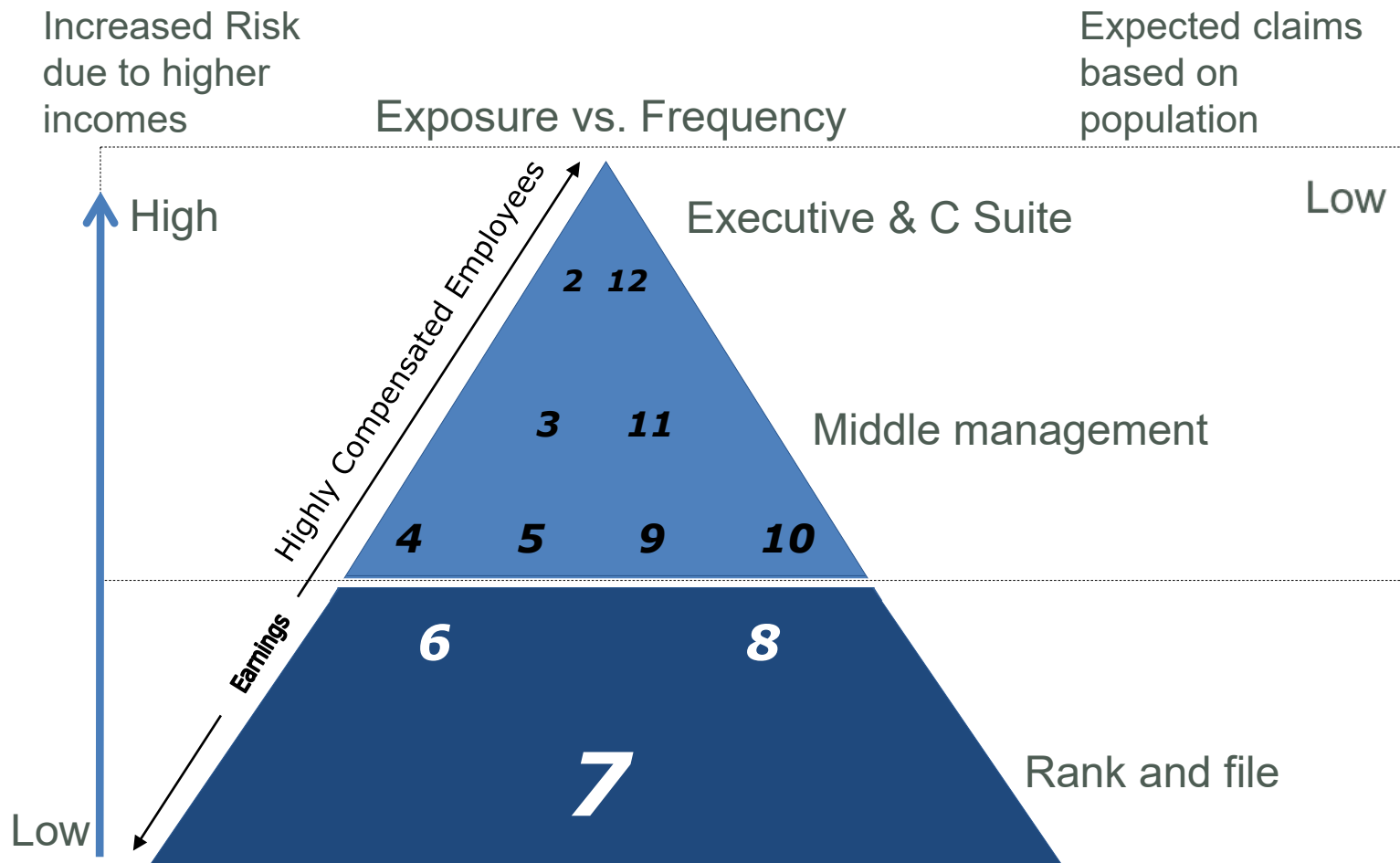
Individual rates are fixed to age 65 and cannot increase

**Value added :**

Additional features generate executive benefit perk



# A “Shock Claim” “Craps Theory” of Risk Management



**Group LTD risk:**

**Rate instability:**

**Contract:**

Group experience severely impacted by large claims

Rates can change depending on reserve requirements

3<sup>rd</sup> party adjudication of claims

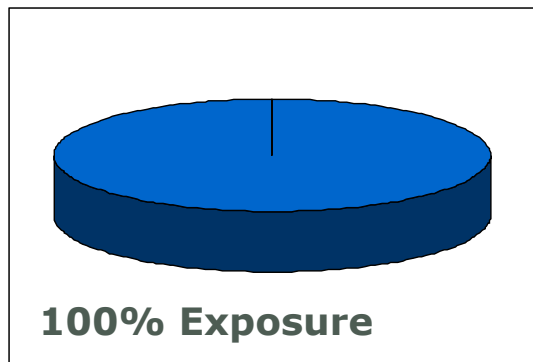


# Group LTD vs. a Customized Income Protection Plan

## Claim reserve impact example – Risk Transfer

### Scenario 1:

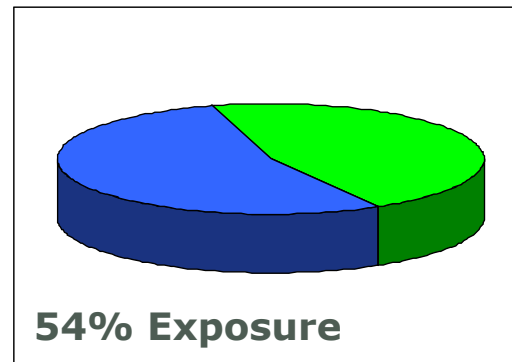
Stand Alone Group LTD  
100% Group Benefits



Group Benefits:	\$15,000
Net Group Benefit:	\$13,093*
Individual Benefits:	\$0
Reserve:	\$1,309,300

### Scenario 2:

Customized Income Protection Plan  
Integrated Benefits ~ Group & Individual



Group Benefits:	\$9,000
Net Group Benefit:*	\$7,093
Individual Benefits:	\$6,000
Reserve:	\$709,300

### Example:

**Male, Age 45, \$300,000 Income, Two Year claim with Social Security offsets**

\* Net group benefits and reserves adjusted for estimated Social Security offset of \$1,907 per month.





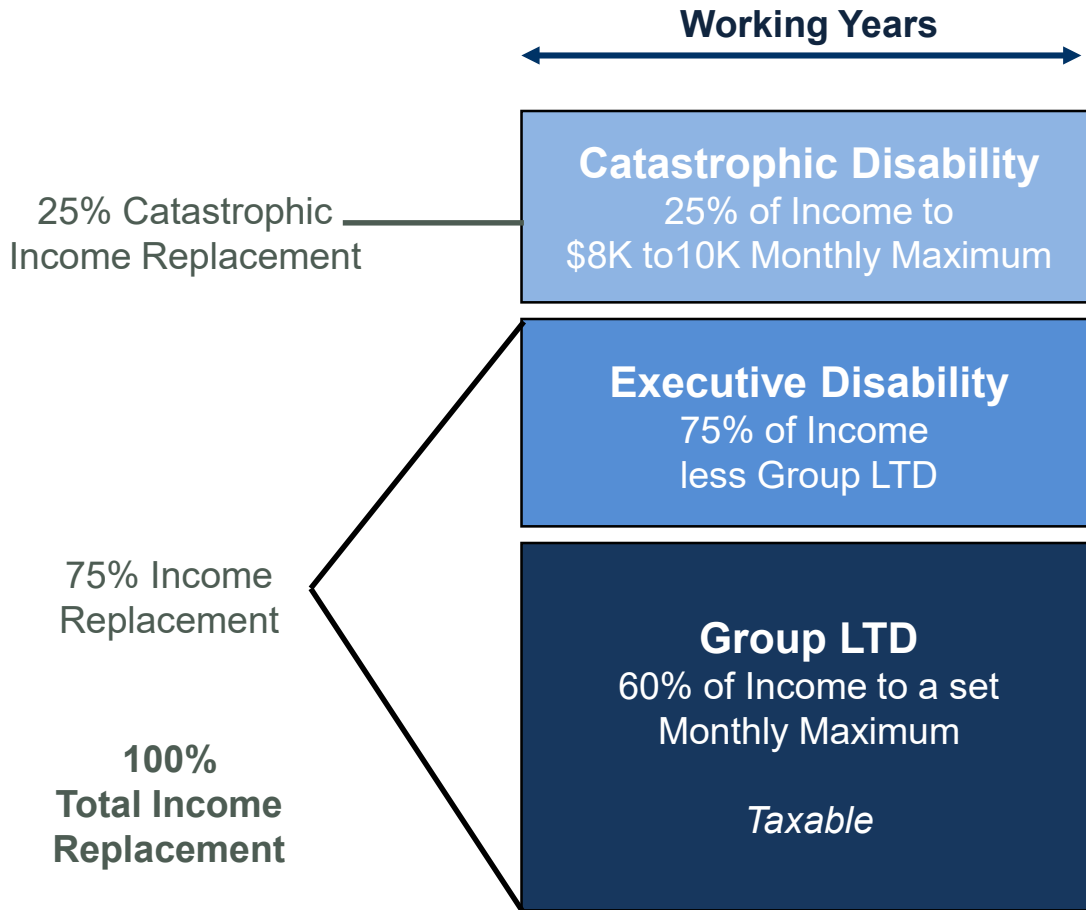
# Why provide a Supplemental Disability Plan?

Value Added



# How Does it Work?

LTD Taxable or Tax Free

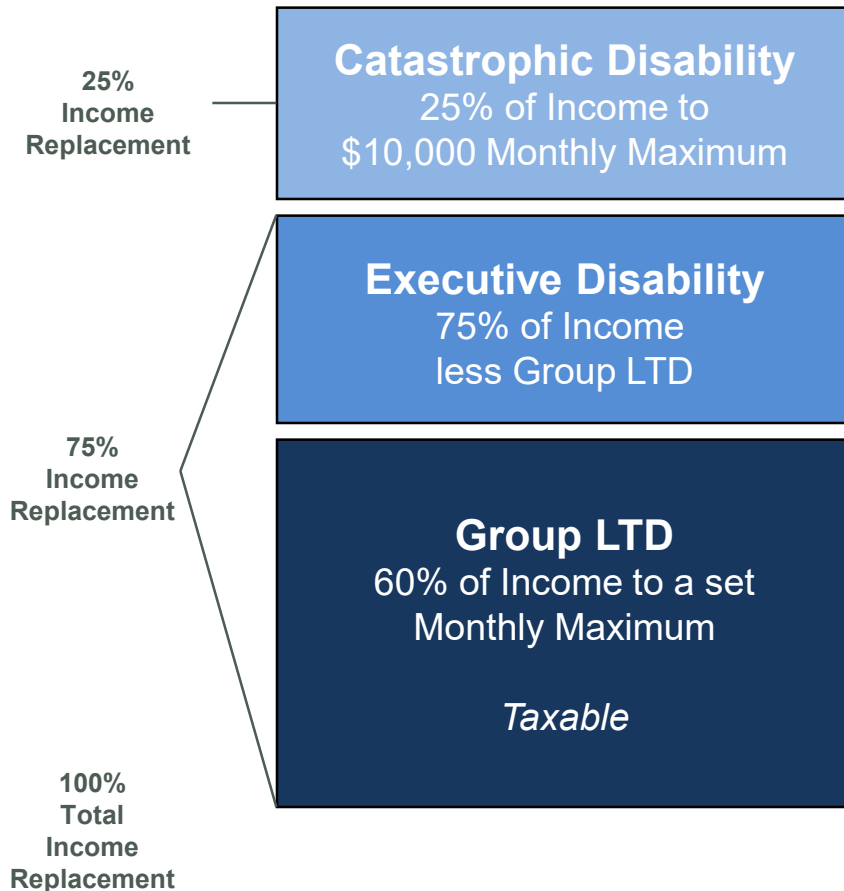


# How Does it Work ~ LTD Taxable or Tax Free

## Taxable Group LTD

75% Maximum

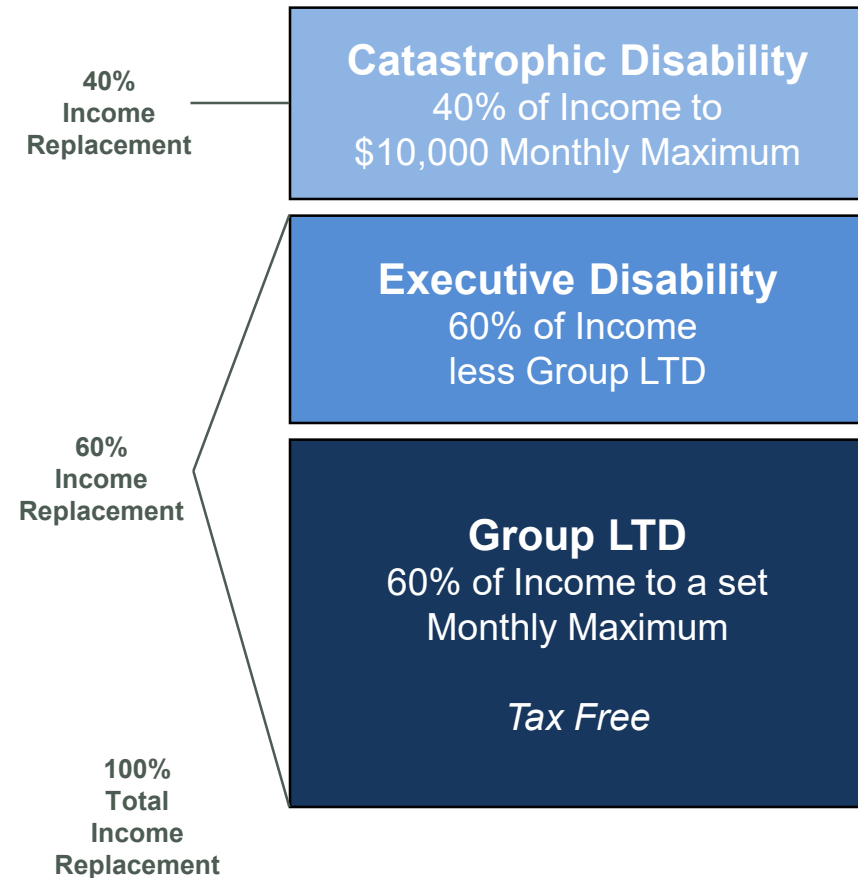
Income replacement



## Tax Free Group LTD

60% Maximum

Income replacement



# Contractual Value Adds

- Cannot be canceled & contract cannot be changed
- Level Non-Cancelable contract premiums which cannot be increased
- Portable coverage - Individual ownership of policies
- Discounted, Uni-sex rated contract
- No offsets with Workers Compensation or Social Security or other government programs
- Recovery Provision
- Catastrophic Benefit for more severe disabilities with ADL loss, presumptive and Cognitive Impairment



# Sales Idea – Reverse Discrimination



# Next Week

- Advanced – Session #2, July 16<sup>th</sup> @ 2pm CENTRAL
  - “Multi-Life Business – Part B”
    - Plan Designs – Guarantee Standard Issue Offers
    - Enrollment Services
    - Account Management
    - Sales Idea “NFP DI Business Center”
- Homework from today’s discussion – “Go To Market” Planning. You will create an account-specific marketing plan for 3 or more of your clients/prospects where you will integrate individual disability into your recommended employee benefit solution for that account. We will send packet to you.
- Give me a call to strategize and/or assist  
512-697-6185 or [khoffman@nfp.com](mailto:khoffman@nfp.com)

