

# INSURANCE SELLING

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SOLUTIONS FOR GROWTH-ORIENTED LIFE & HEALTH PRODUCERS

## STEP UP TO THE HIGH NET WORTH MARKET

*Reaching and serving affluent clients  
might not be as difficult as you think*



3 angles into the DI market  
Next-gen LTCI ready to roll  
Boost your business with IUL

Anyone who has worked with contractors knows that they can become a little insurance weary, and the idea that they could get their premiums back if they don't use the policy can be very attractive.

Again, one size does not fit all and knowing which carriers have the features needed

in a specific case is critical. The good news is agents don't need to know it all. Just have a trusted source that can do the heavy lifting, and has the access to these carriers.

### Keeping premiums in line

Let's now discuss the DI elephant in

the room. Most advisors and agents have heard either from clients or prospects that disability insurance is expensive. And if you're not using the right carrier, it most certainly can be. However, there are a number of ways to get the premium in line with the prospect's budget.

## Supplemental DI:

*The answer for highly compensated individuals in need of personal income replacement protection*

*By Ted Tafaro*

Supplementary disability income insurance has been around for decades, but for the highly compensated individual, domestic coverage just scratches the surface.

For example, if you were one of the 235,413 Americans making over \$1 million annually and had a typical employer disability group plan of \$15,000 per month, would you be able to live on 18% of your paycheck if you became seriously disabled or ill? Putting off purchasing a disability insurance policy is like putting off getting your snowblower fixed and waking up one morning buried in three feet of "Bombogenesis." That's when you realize how important something is; when you really need it and it's not there.

Typical employer-provided group long-term disability limits are in the \$15,000 per month range. As an illustration, if a highly paid CEO at a pharmaceutical company is earning somewhere in the \$1,000,000-plus range and suddenly becomes disabled, most group long-term disability income insurers will cap the monthly disability income at \$15,000 per month. The high net worth executive bringing in more than \$83,000 per month — and who has built a lifestyle for his or her family that revolves around that figure — is now in for a rude awakening when he or she comes to the realization that their monthly income has suddenly dropped by 82%.

Traditional group long-term disability insurance can also be supplemented by a second tier in the form of a supplemental plan using individual disability income insurance (IDI), which can increase disability re-

placement income to a combined \$35,000 per month or so, which is deemed adequate for salaries in the \$700,000 range. However, it's a proverbial drop in the ocean when the pharmaceutical CEO is earning \$1 million (before bonuses).

The primary problem here is underinsurance. Would you insure a \$10 million home for \$1.8 million? The secondary problem is most traditional insurance brokers don't realize a viable option exists to protect these high performing individuals above and beyond what traditional disability income carriers will underwrite.

When people hear Lloyd's of London, they often think of insuring only fabulously well-known celebrity body parts, like David Beckham's legs or Julia Robert's smile. Therefore, it is easy for advisors to overlook how the powerful resources of Lloyd's can be in protecting their best clients, whose livelihoods require unique income protection resources. Thanks to the Lloyd's market, personal income replacement disability products are available with extraordinary benefit limits to U.S. businesses and individuals through certified Lloyd's of London Coverholders. Simply put, when a highly compensated individual has maxed-out their group long-term disability and supplemental individual disability insurance plans, an additional layer of disability insurance by Lloyd's of London can be offered.

We recently worked with an insurance advisor consulting on a New York law firm partner who earned \$1.3 million annually. The attorney's existing disability portfolio consisted of two traditional disability

income policies with a combined value of \$15,250 per month in income protection benefits, and group long-term disability of \$15,000 per month. Although this may sound like a robust program to your average earner, it represents less than 30% of the attorney's income. Utilizing Lloyd's of London, we designed an excess disability policy delivering an additional \$35,000 per month of income protection, bringing the attorney's total income replacement to \$65,250 per month.

When you are advising high-income clients, you're protecting those who have maintained the wherewithal to achieve the American Dream. Make no mistake, elite advisors understand the value of what's at risk, and without incorporating the proper income protection strategy, they are leaving their high-income earners, their families and their lifestyle in jeopardy.

The bottom line is that there now exists an exciting new opportunity for advisors to present to their highly compensated clients unique insurance solutions that can supplement what is being offered by traditional carriers. These plans are designed to meet their client's unique needs and objectives. ♦



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