



Lenders Insurance Solutions Group LLC

“How Much is Enough?”

When offering Payment Protection, many times you hear the objection, “I have enough”. The challenge becomes “How Much is Enough” as well as what type of protection whether life or disability. Generally, this is a “canned objection response” from many customers who may not want to hear about how valuable PPI could be for them. We can’t answer this objection the same for every customer because they all have different insurance needs. What your customer may not realize, with this objection, is that they are assuming the risk should they not have the coverage they need. Your objective is “not” to try to overcome their objection; however, help them to understand why it’s important to be adequately protected.

In this issue, we will focus on disability protection and why disability protection is necessary.

1) What is the Need for Disability Insurance?

When we are young, the chance of missing months or years of work because of injury or illness may seem remote, especially if the job involves working at a desk. The fact is, one in four 20-year-olds may experience a disability lasting 90 days or more before they reach age 67*.

Many people ignore adequate disability protection because they think about worst case scenarios. Injuries or accidents can cause permanent long-term disabilities. The question that you need to ask your customer is this, “What would you do if you couldn’t work and how far could you go without a paycheck or a reduction in income”?

2) What are the Types of Disability Insurance?

There are two types of disability insurance and coverage may be dependent on your customer’s employer. Let’s look at these.

Short-term disability insurance

- Typically replaces 60%-70% of base salary
- Pays out for a few months to one year (depending on the policy)
- May have a short waiting period, such as two weeks, after becoming disabled and before benefits are paid

Long-term disability insurance

- Typically replaces 40%-60% of base salary
- Benefits end when the disability ends. If the disability continues, benefits end after a certain number of years or at retirement age.
- A common waiting period is 90 days after the disability before benefits are paid.

Many employers will offer sick time at 100% for a specific period of time (generally 2 weeks) before the short-term or long-term disability would kick in. Both short-term and long-term insurance may need to be paid by the employee at a group rated cost. It is important to discuss how the customer would supplement their income if their salary decreased and/or how they would continue to maintain their lifestyle with an undetermined loss of income. It is important to have this discussion with your customer before a disability may strike. Remember 25% of Americans will suffer a disability before age 67.