

# **Disability Insurance Audit**

## **Diversified Brokerage Specialists**

*“Disability Insurance Specialists since 1946!”*

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Proud member of



**THE PLUS GROUP**  
America's Premier Disability Marketing Organization

## Introduction

**The Disability Insurance market is ever changing. In 2010 vast changes and improvements have taken place allowing consumers to purchase far more quality disability insurance than ever before.**

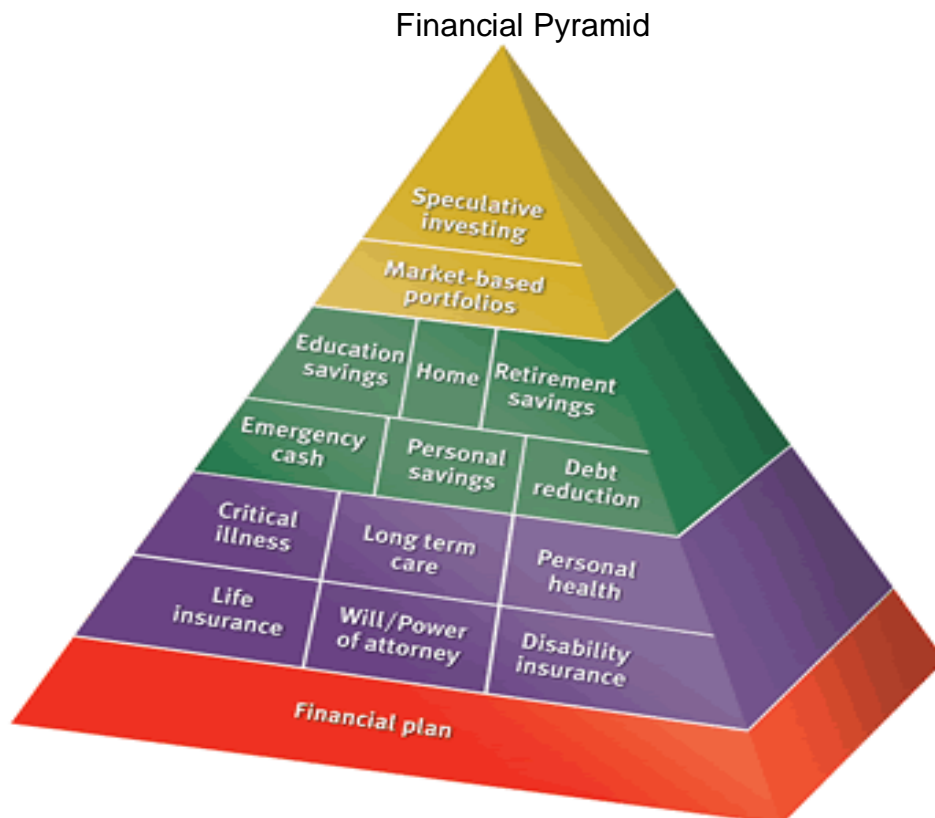
**For this reason it is imperative that any Business owner, Executive or Professional perform a Disability Insurance Audit!**

Disability planning is a critical component of any financial plan. As the Financial Pyramid shows, disability insurance is the foundation of a solid financial plan.

Our most valuable asset is our ability to earn an income! Our spouse and children and their future all rely on our ability to earn an income. If our ability to earn an income stops then we can lose everything we own. Studies have also shown that the financial fall out of a disability in many cases leads to divorce and the loss of the family unit.

Please take the time to perform a disability insurance audit and make sure that you and your family are protected in the event that you suffer a disabling accident or illness. Long Term Care insurance is another very important retirement planning consideration.

Simply complete the attached checklist and confidential form and we will design a disability income protection plan that will provide protection and peace of mind for you and your family. We will shop the disability insurance market for the most cost effective solution to your disability insurance and/or long term care insurance needs.





## **Disability Facts You Should Know:**

### **Disability statistics**

The problem is more widespread than you'd imagine.

- In just the past hour, almost 3,000 Americans became disabled. That's 49 every minute.<sup>i</sup>
- Over 51 million Americans – 18% of the population – are classified as disabled.<sup>ii</sup>
- Every :01 second another disabling injury occurs in the US. Every four minutes the injury is fatal.<sup>iii</sup>
- Almost one-third of Americans entering the work force today (3 in 10) will become disabled before they retire.<sup>iii</sup>
- Nearly 7 million workers currently receive Social Security Disability benefits. Almost half are under age 50.

### **Disability causes severe financial hardship**

How long could *you* afford to be without a paycheck?

- 350,000 personal bankruptcies every year are blamed on injuries and unexpected illnesses.<sup>iv</sup>
- A new Harvard University report reveals that 62 percent of all personal bankruptcies filed in the U.S. in 2007 were due to an inability to pay for medical expenses.<sup>v</sup>

### **Disability prevents people from earning a living**

- Accident or illness will force 1 in 5 U.S. employees to miss work for at least a year before they turn 65.<sup>vi</sup>
- One in 7 of us can expect to be disabled for more than five years.<sup>vii</sup>
- The average long-term disability absence lasts 2 ½ years.<sup>viii</sup>

### **Few American workers are financially prepared**

- Do you spend more than you earn? 44% of U.S. families do.<sup>ix</sup>
- Do you have private pension coverage? Most of us – over 50% – don't.
- Retirement savings? One-third of us have none.<sup>x</sup> And only 40% of adult Americans have savings earmarked for emergencies.<sup>xi</sup>
- 71% of American employees live from paycheck to paycheck,<sup>xii</sup> without enough savings to cushion the financial blow.

- 38% of working Americans, according to CDA proprietary research (March, 2010), say they could only pay their normal living expenses for **3 months or less** if their employment income was lost. 65% could not even cover living expenses for a year.

### **Think Social Security or Workers' Comp will cover it?**

Think again.

- Can your family live on \$1004 a month? That's the average monthly benefit paid by Social Security Disability Insurance (SSDI).<sup>xiii</sup>
- More claims are denied than approved.
- More than half of the 2.1 million workers who applied for SSDI benefits in 2005 were denied. Less than half – 39% – were approved.<sup>xiv</sup>
- Only a small fraction – 10% – of disabling accidents and illnesses are work related. The other 90% are not, meaning Workers Compensation doesn't cover them.<sup>xv</sup>

### **Most American workers are not covered by disability insurance:**

- Over 100 million workers are without private disability income insurance.<sup>xvi</sup>
- 70% of workers in the private sector have no long-term disability insurance.<sup>xvii</sup>

### **Working Americans underestimate their risk of disability:**

- CDA proprietary research (March, 2010) reveals that 64% of wage earners believe they have a 2% or less chance of being disabled for 3 months or more during their working career. The actual odds are about 30%.

<sup>i</sup> National Safety Council, Injury Facts 2008 Ed.

<sup>ii</sup> US Census Bureau, Nov 2008

<sup>iii</sup> Social Security Administration, Fact Sheet Jan 31, 2007

<sup>iv</sup> "Illness and Injury as Contributors to Bankruptcy," Health Affairs, Feb 2, 2005

<sup>v</sup> The American Journal of Medicine, June 4, 2009

<sup>vi</sup> Life and Health Insurance Foundation for Education, Nov 2005

<sup>vii</sup> Commissioners Disability Table, 1998, Health Insurance Association of America, NY Times, Feb 2000

<sup>viii</sup> Commissioner's Individual Disability Table A

<sup>ix</sup> Federal Reserve Board, Survey of Consumer Finances 2004

<sup>x</sup> Social Security Administration, Fact Sheet 2007

<sup>xi</sup> Consumer Federation of America national survey by Opinion Research Corp., Feb 2007

<sup>xii</sup> American Payroll Association, "Getting Paid in America" Survey, 2008

<sup>xiii</sup> Social Security Administration, Fact Sheet 2008

<sup>xiv</sup> Social Security Administration, Office of Disability and Income Security Programs

<sup>xv</sup> National Safety Council, Injury Facts 2008 Ed.

<sup>xvi</sup> Council for Disability Awareness, Long Term Disability Claims Review, 2005

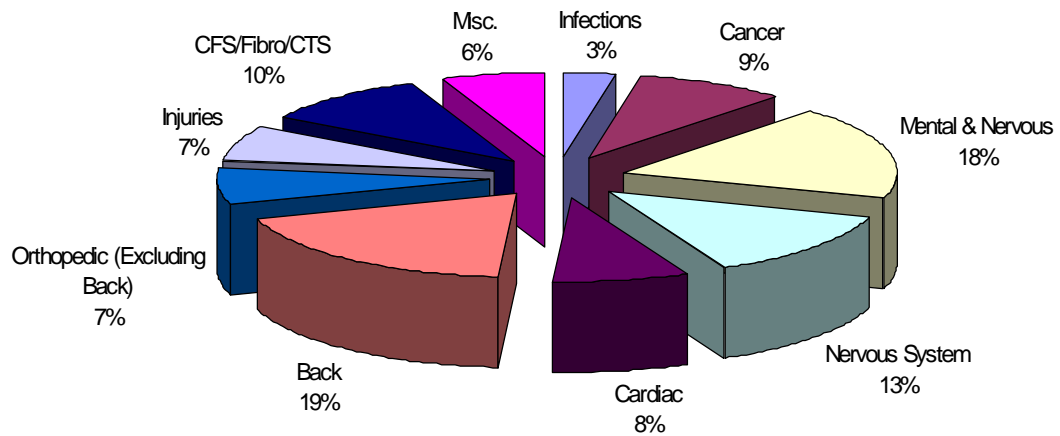
<sup>xvii</sup> Social Security Administration, Fact Sheet Jan 31, 2007

## Disability Plays No Favorites...

But with Disability Income Insurance from Principal Life Insurance Company, you can feel secure in knowing that you're protecting your most valuable asset -- your ability to work and earn an income. Avoid the financial strain even a short-term disability can cause when you're too sick or hurt to work.

The causes of disability may surprise you! Here's a breakdown (by percentage of claims) of some typical reasons an individual may become disabled:

### Incurred Any Year As For 2003



## Sample disability claims

Adjusted Disability Insurance claims as of March 15, 2004

OCCUPATION	AGE	DIAGNOSIS	TOTAL PAID
Attorney	37	Multiple Sclerosis	\$122,500.00
Attorney	44	Breast Cancer	\$21,652.98
Attorney	46	HIV	\$301,575.66
Attorney	59	Parkinson's Disease	\$151,100.00
Computer Consultant	29	Organic Brain Disorder	\$54,730.00
Computer Consultant	36	Rheumatoid Arthritis	\$191,636.17
Computer Consultant	39	HIV	\$305,492.31
Computer Consultant	41	Bone Disease	\$50,933.33
Corporate Executive	40	Heart	\$198,600.00
Corporate Executive	47	Lyme Disease	\$399,600.00
Corporate Executive	57	Emphysema	\$720,000.00
Corporate Executive	57	Rheumatoid Arthritis	\$33,308.00
CPA	39	Lupus	\$21,881.60
CPA	45	Heart Disease	\$135,300.00
Dentist	36	Spinal Cord Injury	\$550,000.00
Dentist	41	Multiple Sclerosis	\$1,086,144.89
Dentist	46	Carpal Tunnel Syndrome	\$50,685.00
Dentist	53	Blood Clot	\$760,885.38
Physician	35	Nerve Disorder	\$1,212,800.00
Physician	49	Back	\$688,860.71
Physician	35	Hearing Loss	\$509,365.34
Physician	58	Myeloid Leukemia	\$161,373.33
Nurse	36	Ovarian Cancer	\$163,698.91
Nurse	41	Nerve Disorder	\$627,500.00
Nurse	45	Back	\$28,466.68
Nurse	58	Stroke	\$44,533.33
Business Owner	44	Liver Disease	\$1,590,527.60
Business Owner	45	Brain Tumor	\$18,105.00
Business Owner	52	Head Injury	\$140,250.00
Business Owner	54	Hip and Thigh Injury	\$116,074.34
Business Owner	55	Blind	\$222,800.00
Pharmacist	29	Back	\$68,100.80
Pharmacist	47	Osteoarthritis	\$237,649.65
Psychiatrist	58	Cancer	\$50,366.47
Psychiatrist	47	Multiple Sclerosis	\$182,421.28
Psychiatrist	60	Parkinson's Disease	\$34,000.00
Physical Therapist	38	Heart Attack	\$282,118.96
Physical Therapist	46	Epilepsy	\$487,266.84
Veterinarian	37	Cancer	\$46,655.00
Veterinarian	43	Back	\$332,218.00

The above is for illustration purposes only and is not intended as an inclusive representation of all claims.

Disability Income Insurance has certain limitations and exclusions. For costs and complete details of coverage, contact your Principal Life financial representative.

Principal Life Insurance Company, Des Moines, IA 50392  
 Policy forms HH641/HH700/HH750  
 DI1024 - 08/05 Approval # 468162007



# Disability Income Products and Needs Checklist

(Please check those you are interested in)

## \_\_\_ **Individual Disability Insurance:**

Individual disability insurance is designed to replace lost income as a result of a disabling accident or illness. Even a short disability can have long term financial consequences. 60% to 75% of income after tax benefit is about the most disability insurance that can be purchased in most cases. An employer paid Group LTD policy provides only a base of disability insurance that in many cases is inadequate. One should always consider supplementing their Employer Paid Group LTD insurance with Individual Disability Insurance (See Below for more information on this important topic).

Disability benefit periods can vary, 2 years, 5 years and to age 65/67 are the most common options. A 2 year benefit is very affordable and most important since most disabilities last less than 5 years, though the age 65/67 benefit periods provide the greatest financial security.

## \_\_\_ **Overhead Expense Disability Insurance:**

Overhead Expense Disability insurance is the second most popular disability insurance solution. This policy is designed for Business Owners who are legally responsible for business expenses. OE disability insurance will reimburse business expenses incurred by the owner during a period of disability. Overhead Expense disability planning is a critical part of any business owner's disability insurance plan. OE insurance can allow the business to continue during the owner's absence and the resulting loss of revenue. OE insurance provides important business continuation benefits so that if the owner does recover there is a business to return to and if they do not recover from their disability, they still have a business/asset worth selling!

## \_\_\_ **Disability Buy/Sell Insurance:**

Buy/Sell agreements are a common and important agreement for business partners. Life insurance is a very popular tool for funding business buy/sell agreements in the event of death. What if the business owner does not die from the accident or illness, but becomes permanently disabled? Disability Buy/Sell insurance provides the funding in this event. An important tool for both the disabled owner and the active owners providing for control, funding and the ongoing financial stability of the business for it's owners, employees and customers.

## \_\_\_ **Group LTD Supplement Disability Insurance:**

Employer paid Group LTD policies provide for a base of disability insurance. Group disability insurance provides a small taxable benefit, is integrated with any government disability programs, is not portable and contains many limiting provisions. Even the definition of disability may require you to change occupations or lose your disability benefits. Overtime pay, bonuses, health insurance premiums and pension contributions are all forms of compensation not covered by many Group LTD plans.

The solution to this problem is to supplement your group policy with Individual Disability Insurance. An IDI policy provides you with more disability insurance on an after tax basis, better policy features and definitions and a plan that you own that will follow you to any job or employer.

**\_\_\_ Retirement Contribution Disability Insurance:**

Since most employers and people do not make retirement contributions during a period of disability, even a temporary disability can have a dramatic impact on retirement plan assets available at retirement. By owning Retirement Contribution Disability Insurance you can rest assured that retirement savings will continue during a period of disability.

**\_\_\_ Key Person Disability Insurance:**

Employers concerned about the loss of Key Employees who are critical to the continuation of the business may want to consider Key Person disability insurance. Key Person disability insurance will replace lost revenue to a business and provide funds to find a replacement when a Key Person becomes disabled.

**\_\_\_ Business Loan Disability Insurance:**

Many individuals and businesses have large loans for buildings, inventory, contracts and expansion. How will these loan payments be made if the person responsible for generating business revenues becomes disabled? A Business Loan disability insurance plan will continue to make the loan payments during a period of disability.

**\_\_\_ Contract Completion Disability Insurance:**

If a Business Owner has entered into a guaranteed contract or an employment agreement, Contract Completion Disability Insurance can indemnify the employer if a Key Person, Professional Athlete, or a Performer were unable to complete the contract as a result of a disability.

**\_\_\_ Long Term Care insurance:**

Long Term Care insurance is a type of disability insurance designed to protect assets. The definition of disability is the inability to perform 2 out of 6 activities of daily living (eating, bathing, transferring, continence and toileting). A Physical or Cognitive condition that leads to this inability can qualify for benefits. Disability insurance is critical during working years and long term care insurance is critical for many people during retirement years. LTC insurance provides the funds necessary and the assistance to provide long term care and to protect assets, such as your home and retirement plan.

# Confidential Disability Income Questionnaire

Name: \_\_\_\_\_ DOB: \_\_\_\_\_ Male / Female State of residence: \_\_\_\_\_

## MEDICAL HISTORY:

Do you use tobacco in any form? Yes \_\_\_\_\_ No \_\_\_\_\_

What is your height and weight? Ht: \_\_\_\_\_ Wt: \_\_\_\_\_

Are you currently taking any medication? Yes \_\_\_\_\_ No \_\_\_\_\_

Are you pregnant? Yes \_\_\_\_\_ No \_\_\_\_\_

Do you have history of:  
Neck or back disorder? Yes \_\_\_\_\_ No \_\_\_\_\_

Mental / Nervous conditions? Yes \_\_\_\_\_ No \_\_\_\_\_

Diabetes? Yes \_\_\_\_\_ No \_\_\_\_\_

In the last 5 years, have you seen any:  
Physicians? Yes \_\_\_\_\_ No \_\_\_\_\_

Chiropractors? Yes \_\_\_\_\_ No \_\_\_\_\_

Counselors / Psychiatrist? Yes \_\_\_\_\_ No \_\_\_\_\_

**Please list all medications, detail to yes answers and any other medical history:**

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## OCCUPATION:

Please list your occupation and duties:

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Length of time at current  
employer? \_\_\_\_\_

Are you Self-Employed? Yes \_\_\_\_\_ No \_\_\_\_\_

Are you a C Corp? Yes \_\_\_\_\_ No \_\_\_\_\_

Are you a Federal, State or City  
Employee? Yes \_\_\_\_\_ No \_\_\_\_\_

Do you work from home? Yes \_\_\_\_\_ No \_\_\_\_\_



