

## Is Disability Insurance Enough to Protect Your Ability to Earn Income?

I recently read an article that suggested to producers they should “pivot back to clients and give them a closer look at whether they were doing enough to help all their employees protect their most valuable asset – their ability to earn income.”<sup>1</sup>

The article suggested producers should think of the analysis “as a triangle with three essential points to make it complete:

1. Savings and investments
2. Life insurance
3. Disability insurance” [Id.]



The crux of the article was to conclude that your clients probably already make sure their employees have retirement accounts and life insurance. The article was encouraging sales of disability insurance.

Not so fast . . . .

Producers should not gloss over the idea that just because an employer likely has a savings and retirement account for employees, that means all is well.

### Think of this scenario:

It's a weekend. Your client's employee's 40 year-old water oak is dying. In addition, its' branches are hanging over the neighbor house and one large branch fell on his roof last week. Your client's employee enlists the help of his neighbor and they decide to cut the tree down themselves. They are both in the tree cutting branches. Your client's employee's chain saw slips and cuts your employee's ACL through his boot. And, cuts the branch the neighbor is standing on 20 feet in the air. The foot is bleeding profusely, and the branch breaks at the cut and the client falls onto the gutter, cannot catch himself and hits the ground. He is not moving. In the mailbox is the cancellation notice of your client's employee's homeowner's policy, that was not paid.

After everyone is released from the hospital, you can suggest to your client what could have been different. Obviously, you would tell your client that a disability policy would have paid your employee's wages for the 6 months he was out of work.

### What else would you have told your client?

This is where many producers do not see the impact of accidents, unexpected events, and emergencies on the value of an employee's savings plan or retirement account. There are two more places your client's employee should have had protection in place.

First, because the homeowner's policy lapsed, the client could be sued for the damages the neighbor sustained in the fall. No homeowner's policy means your client's employee is personally liable for the damages the neighbor suffered if it was proven to be the employee's fault.

Second, whether needed to pay the substantial legal bills because the employee's homeowner's policy lapsed, or to pay the total damages the employee suffered, the savings account and retirement are going to get wiped out.

## Which is a bigger bill?

The disability insurance paying the 6 months of the \$6,000/monthly salary [assuming 100% payment] - \$36,000.

Or the combined amount of the lawsuit legal bill of at least \$75,000, plus the damages the neighbor suffered falling 20 feet to the cement below, a likely \$250,000?

The \$36,000 disability policy payment is helpful, but it is obvious the client needs the \$325,000 paid or disputed much more. In fact, by having a legal plan in place for about \$17.00/month, your client's employee could have had the entire \$75,000 legal fee bill paid [covered under paid-in-full civil litigation benefit]. And, if the lawyer was convincing, he/she could have convinced the jury that the accident was not your client's employee's fault and saved \$250,000.

The disability payment would have been nice but preserving your client's employee's retirement account of some \$325,000, for \$17.00 a month would have made you a Rockstar.

Source 1: <https://www.employeebenefitadviser.com/opinion/how-to-help-your-employees-close-their-income-protection-gaps>