

# Kovack Insurance Services Inc. Disability Income Fact Finder

Version 2014.1

## Personal Individual Disability Coverage

Kovack Agent Name: \_\_\_\_\_ Date \_\_\_\_\_

E-mail Address: \_\_\_\_\_

### **Proposed Insured Information**

1. Name: \_\_\_\_\_
2. DOB: \_\_\_\_/\_\_\_\_/\_\_\_\_ ☐ Male ☐ Female
3. Tobacco Use: ☐ Yes ☐ No
4. Occupation: \_\_\_\_\_ Since: \_\_\_\_\_ Industry: \_\_\_\_\_  
(If MD, specify type. If nurse, specify type and workplace.)
5. New business: ☐ Yes ☐ No Since: \_\_\_\_\_ Home-based: ☐ Yes ☐ No
6. % of time spent in office: \_\_\_\_% in field: \_\_\_\_% # of employees: \_\_\_\_\_ State: \_\_\_\_\_
7. Duties: Breakdown by percentage and add details to a separate sheet with full description.  
Sales/Marketing: \_\_\_\_% Travel: (Local \_\_\_\_% Abroad \_\_\_\_%) Student: ☐ Yes ☐ No  
Administration: \_\_\_\_% Supervisor of \_\_\_\_\_ Manual \_\_\_\_\_ Administration  
Manual: \_\_\_\_\_ (If manual, describe with %) \_\_\_\_\_
8. Type of Business: ☐ Sole Prop ☐ Part ☐ LLC ☐ S Corp ☐ C Corp
9. Government Employee: ☐ Yes ☐ No Federal: ☐ Yes (☐ FERS ☐ SERS) ☐ No
10. State: ☐ Yes ☐ No County: ☐ Yes ☐ No
11. Income: (include bonus, if regular, and retirement contributions)

**Note: Minimum income must be \$20,000 to obtain DI proposal.**

If employee: \$\_\_\_\_\_ this year (annualized) \$\_\_\_\_\_ last year (from W-2)

If self-employed: \$\_\_\_\_\_ (net income from Sched. C/P&L, last filed tax year)

Net unearned income: \$\_\_\_\_\_ (e.g., alimony, investment interest, passive income)

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12. Health Problems (check if applies): ☐ HBP ☐ Diabetes ☐ Counseling

☐ Overweight: Specify Height \_\_\_\_\_ and Weight \_\_\_\_\_ Other: \_\_\_\_\_

If yes to any of the above, provide details (onset age, medication, duration, prognosis, surgery, etc). \_\_\_\_\_  
\_\_\_\_\_

13. Ever denied coverage: ☐ Yes ☐ No

14. Ever had coverage rated: ☐ Yes ☐ No

Please provide details (who, why, etc): \_\_\_\_\_  
\_\_\_\_\_

**Desired Coverage**

1. ☐ **Budget** (fewer guarantees, options, lower cost) ☐ **Best** (better definitions, more money)
2. Benefit Amount: \$\_\_\_\_\_ Specified or ☐ Maximum allowed
3. Specified monthly premium: \$\_\_\_\_\_
4. ☐ Base only or ☐ Base + Social Security rider (lower premium \$)
5. Elimination period: \_\_\_\_\_ days Benefit period: \_\_\_\_\_
6. *Options:* ☐ Residual ☐ COLA \_\_\_\_\_% ☐ FIO \$\_\_\_\_\_  
☐ Own OCC ☐ Return of Premium
7. Premium paid by: Corp: ☐ S ☐ C Non-Corp: ☐ Sole Prop. ☐ Employee ☐ Employer ☐ Other

**Existing Coverage**

1. ☐ **None** ☐ **Individual**
2. **Benefit Amt:** \$\_\_\_\_\_ **Soc. Sec. Amt:** \$\_\_\_\_\_ **EP** \_\_\_\_\_ **BP** \_\_\_\_\_
3. ☐ **Group LTD:** Benefit Amt: \$\_\_\_\_\_ or \_\_\_\_\_% \$\_\_\_\_\_ **Cap**
4. ☐ **Association:** Benefit Amt: \$\_\_\_\_\_ **EP** \_\_\_\_\_ **BP** \_\_\_\_\_
5. *Options:* ☐ Residual ☐ COLA \_\_\_\_\_% ☐ AIR ☐ FIO ☐ ROP ☐ Step-rate
6. To be replaced?: ☐ Yes ☐ No
7. Insurer: \_\_\_\_\_ Date Issued: \_\_\_\_/\_\_\_\_/\_\_\_\_ Mode: \_\_\_\_\_

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### Completing this Fact Finding Form

**Important:** If your client is earning \$30,000 or less, verify that the premium (2-4% of annual income) is affordable. If this range does not seem affordable, secure a specific premium dollar commitment from the client and indicate it on the form under "Desired Coverage".

### Proposed Insured Information

Note: Some of this information may already have been taken if a financial analysis has already been completed.

*Date of Birth/Age:* Some companies rate on actual age, so give both for best rate.

*Occupation:* Be as specific as possible about duties. Describe and break down by percentage what manual duties are (if any are performed). This helps place an individual accurately in an occupational classification, an important factor as it affects the rate being charged and the coverage that can be purchased. The term "business owner" is **not** an occupation, but "electrician" is.

*Government employee:* Individuals employed by the government generally are entitled to some disability benefits through work, so be specific about what retirement system they are under and for how long.

*Income:* DI insurers require the submission of tax forms to validate income, so this is the best source for this information. Be sure to include bonuses and retirement plan contributions as this can help increase the benefit allowed. W-2 employees can use their W-2s or current pay stub as evidence of income. Self-employed individuals should provide the Schedule C of their tax return. Net unearned income is income from investments, real estate, alimony, or any other type of income that will likely come in regardless of whether the individual is working or not. Remember that expenses can reduce this unearned income figure. For example, rental income may be offset by the expenses associated with owning the real estate from which this income comes.

*Health:* Good health is a necessity when applying for DI coverage. This section lets you identify potential health problems early. Details will help determine if the individual is an insurable risk before you spend time presenting and writing coverage. Even if they are normally uninsurable, it may still be possible to obtain an offer. If they have ever been denied or had insurance coverage rated, find out the details and how long ago it occurred.

Any form of counseling will require full details as to when commenced, number of visits, current status, any medications, etc.

### Desired Coverage

*Budget:* Check this box if the client has a small amount of discretionary income to spend. Normally, a male will pay 1-3% of income as a cost for coverage, while a female will spend 2-4% of income on her DI coverage. The budget proposal might keep the cost closer to a 1-2% range, but might include fewer options, fewer guarantees, shorter benefit period, etc.

*Best:* Check this box for better coverage that includes better policy definitions and features, more guarantees, but at a higher cost. Individuals earning more than \$30,000 annually are the best candidates here.

*Benefit amount:* Either specify a monthly amount that the person is seeking or check the box entitled "Max. allowed" to secure the highest possible benefit amount the person can qualify for based on earned income. Each DI carrier is somewhat different in terms of the amount of coverage they will write depending on the individual's income, occupation, and other forms of coverage. Generally, it's between 40 and 55% of gross earnings.

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**Specified monthly premium:** Indicate a specific dollar amount that an individual can afford to set aside to pay for coverage, such as \$50/month. The proposal will be prepared to offer the most and best coverage within the desired budget guidelines. If this number is closer to 1-2% of income, remember that this proposal might be a budget type plan. This is especially important when the prospect makes less than \$30,000 annually, due to the high cost of providing maximum coverage. A specified premium amount gives some flexibility in developing a quote that has a chance to be placed.

**Base only or Base + Social Insurance coverage:** This determines whether the individual wants all base coverage (plus whatever Social Security pays, if approved) or a lower cost approach where a portion of the total monthly coverage is written on a Social Insurance rider, meaning that the rider amount will reduce on a dollar-for-dollar basis if the person collects Social Security benefits as a result of the disability.

**Elimination period:** The number of days before any benefits are payable. The longer the elimination period selected, the lower the premium cost. Ninety days is today's most economical elimination period, although there are other EPs with some smaller savings as well.

**Benefit period:** The length of time benefits are payable. The longer benefit periods typically pay to age 65 or 67 and are the highest priced. Shorter benefit periods like 2 or 5 years can save some premium dollars while still providing reasonable coverage.

**Options:** Disability coverage can be tailored to specific individual needs through the use of optional benefits. The basic disability policy often comes with some type of "own occupation" total disability definition. White collar workers will usually get a full benefit period own occupation policy, while blue collar workers might have an own occupation period of a shorter duration.

**Residual:** This option can be added to a base policy that has a total disability definition and pays a portion of the total disability monthly benefit if the insured is back to work at a reduced earnings level. There are also policies that pay only residual benefits and do not use a total disability definition at all, meaning benefits are based strictly on earnings loss following an accident or illness.

**COLA:** or, the Cost-of-Living Adjustment rider can increase benefits at claim time by either the CPI or a specified %.

**FIO:** or, the Future Income Option benefit offers the ability to increase the monthly benefit in the future without having to answer any medical underwriting questions. Current income is all that is needed to justify the increase. For a small extra premium, this is a very worthwhile benefit as you are guaranteeing your client's future insurability—something that is very fragile when the acquisition of disability insurance is involved—in the purchase of more coverage.

**ROP:** or, the Return of Premium option is a high priced way of getting 80-100% of the money paid for the policy back in later years, usually reduced by any claims paid. It will significantly add to the premium (it is usually about 50% higher and definitely only found when indicating a "Best" coverage), but does answer the question about what happens to the premium paid in if little or no claims result.

**Premium paid by:** A C-Corporation can pay for and deduct the premium for an individual disability policy. When the premium for the policy is paid for on behalf of any employee, a higher benefit amount can be issued. The individual is then taxed on the benefits when they are received at claim time. Note: all other types of business firms can purchase coverage on behalf of employees and deduct the premium. However, on coverage purchased for the S-Corp. owner, a partner or a sole proprietor, the deductibility of the premium is limited and may not be allowed at all.

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*Existing coverage:* There is a limit on the amount of coverage one can buy. For an employee, it is a percentage of gross income. For the self-employed, it is limited to a percentage of net income before taxes. For this reason, details about existing coverage should be given. Existing coverage may not be a candidate for replacement especially if it is a few years old, due to lower premiums and possibly better benefits. There is always the possibility additional coverage can be written to ensure adequate benefits commensurate with income when disabled. If the existing coverage is more recent, review benefits and provisions carefully as there may be a possibility of improvement.

**Group LTD** covers a percentage of income (for example, 60% up to \$5,000 per month cap). Some people are eligible for benefits through their professional association and you should indicate the monthly amount. In all cases, indicate the elimination and benefit periods, any optional benefits, and whether coverage should be replaced. Note: If an individual has group LTD coverage in force, they will only be eligible for Base only coverage and not Base plus Social Security rider as the group LTD coverage already is integrated with Social Security. To secure a proposal, you must specify the percentage of income coverage and the cap, if any.