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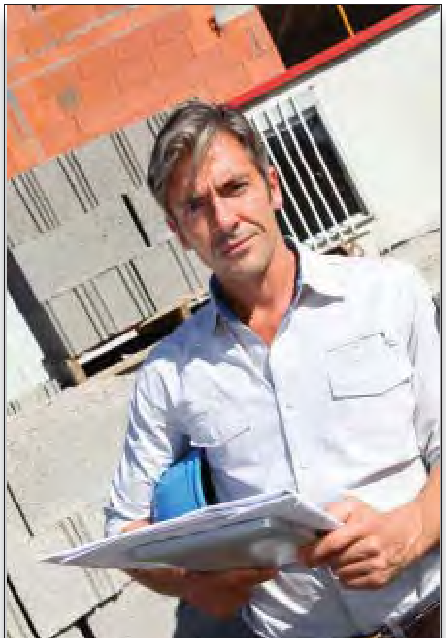
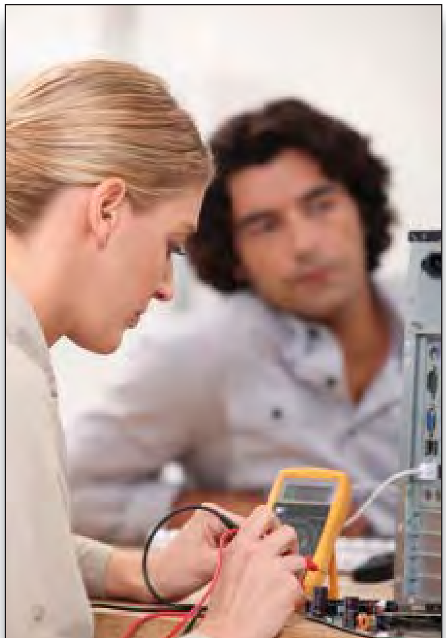
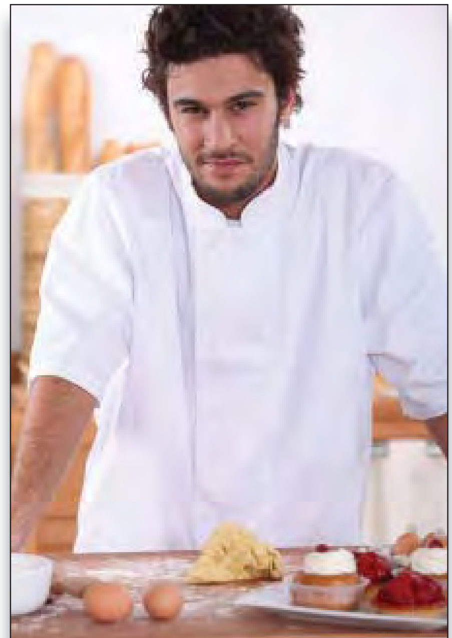
Why It's Tough

Selling Disability Insurance to Entrepreneurs







What's Needed Is a Different Approach

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As agents are quick to say, "Life insurance isn't bought; it's sold." Quite often, the sale is based on emotional appeals—being a responsible person, taking care of one's family or leaving a legacy.

What is even more interesting—and, frankly, more perplexing—is the unavoidable fact that another insurance product, one that mitigates a risk that can be more challenging than death, often ignites strong interest but less action.

That product is disability insurance. Admittedly, the chances of becoming disabled are difficult to calculate, ranging anywhere from 30% to 80%, depending on whose figures you happen to be reading.

Let's face it, death is a clear-cut situation, while "disability" is much less so, often surrounded with doubt, debate and considerable uncertainty about the future. Even so, it's unavoidably true that a disability can and does devastate careers, disrupt lifestyles and upend personal and business finances. Death can do all this, too, but most people have life insurance to help mitigate the loss.

What's so disturbing is a survey of some 1,400 business owners who shared equity with one or more partners. While 40% were prepared if a partner died, less than 15% had a plan if a partner was disabled.

It is common sense that anyone involved in an equity relationship would jump at the chance to mitigate the potential harm the untimely disability of a key player could do to a company, especially someone who was a founder, key leader or visionary. Yet the survey suggests that 85% ignore it, even though the chances of this occurring are far greater than that of death.

What can happen to a business if a key player is forced to drop out without warning? The implications can be horrendous—everything from liquidity problems, maintaining momentum, leadership issues and customer confidence, to the disabled executive's personal and financial well-being.

Based on an analysis of what's at stake, the solution would seem to be a no-brainer: Make sure adequate disability coverage for the equity partners is in place and part of a buy-sell agreement.

While this may seem like a common-sense answer, it seems that only a small minority embrace it.

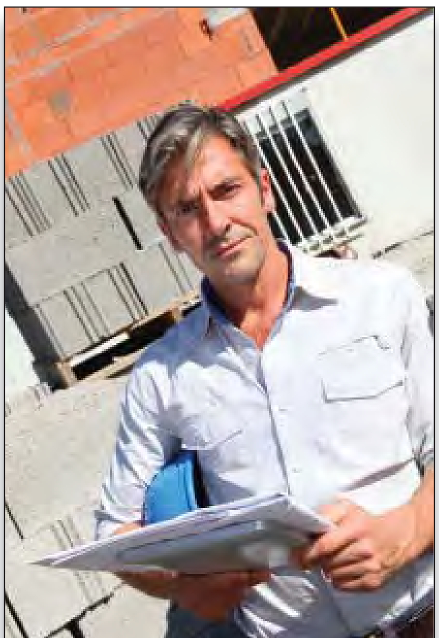
It's interesting that life insurance is a readily accepted solution for funding buy-sell agreements. There's no argument and, in most situations, it may be a requirement to help ensure a company's survival.

Arguably, most top executives have seen or read statistics suggesting that the chances of becoming disabled are greater than dying.

To base the case for having proper disability insurance coverage on statistics not only misses the point but, from all indications, it's ineffective in moving those who need it to action, in spite of the fact that disability is the 800-pound gorilla lurking in the corner during their working years.

Why is it that this enormous risk is ignored so frequently and dismissed so easily, particularly when those most affected are adept at managing risk in other aspects of the enterprise?

The answer may be painfully obvious. A friend of mine was a long-time heavy smoker—more than two packs a day. He often kept two cigarettes going at the same time. No one was more fully aware of the health dangers of this addiction, yet he sat at his computer, a full ashtray beside him and a cigarette dangling from his mouth, while writing anti-smoking material for a lung health organization.



Although many entrepreneurs think of themselves as tough-minded, they can be as subject to tuning out what they don't want to hear as anyone else, even when it runs contrary to their hard-nosed posture.

Knowing Isn't Enough

Simply knowing the possibility of disability doesn't necessarily lead to action. For example, a life insurance agent may include disability coverage, along with life insurance, in a proposal involving a buy-sell agreement. Yet clients often say, "We'll go for the life insurance, but we don't think we need the disability. It's too expensive." Anyone who has made disability presentations has heard someone say, "I'm as healthy as a horse. I play tennis three times a week and I'm on the golf course regularly. Never sick a day in my life. My grandfather lived to be 94."

And that settles that—or does it?

Although many entrepreneurs think of themselves as tough-minded, they can be as subject to tuning out what they don't want to hear as anyone else, even when it runs contrary to their hard-nosed posture. For example, when it comes to turning down a disability proposal, they might indicate one or more of the following:

- "The figures on becoming disabled are less than convincing. They're all over the place."
- "Most of the disability surveys are produced by insurance companies—those who have a vested interest in the sales."
- "You can talk about the prevalence of disability, but I don't know anyone who has been seriously disabled."
- "Our business is liquid enough that this is not a worry."
- "I'd rather take our chances and use the same money to make money."

Those involved with marketing disability insurance have heard all these comments and more. So what does it take to move beyond what is, arguably, a dead end?

Understanding the Entrepreneurial Mindset

Rather than trying to get over the hurdle, a more prudent approach is to take a closer look at understanding the entrepreneurial profile.

Among the many available, one by the Cox School of Business at Southern Methodist University is helpful. It involved a study 200 successful entrepreneurs (they were in business for at least five years and had gross annual revenues of at least $1 million). Based on the results of the study, here are some of the characteristics that entrepreneurs have in common, as described by Judith L. Slick Smith:

Healthy: They are used to working long hours and if they get sick, they recover quickly.

Control: They want to be in charge and are willing to take responsibility.

Unusual Awareness: They grasp situations completely and recognize all the implications in a decision.

Conceptual Ability: Problems and chaos don't bother them because they can quickly posit solutions.

Emotional Stability: They can handle stress in business and in their personal lives. Setbacks are challenges, not defeats.

Challenges: They welcome challenges, but not risks. It may appear they are taking high risks but, in reality, they assess risks thoroughly.

The Numbers: They understand their financial position at all times.

As the analysis suggests, entrepreneurs are tough-minded and confident. Therefore, to attempt to convince them to accept an idea or do something that runs contrary to the way they view themselves may be little more than an exercise in futility—and that includes purchasing disability insurance.

To pursue such an approach only forces the entrepreneurial mind to challenge the validity of the salesperson's contentions. Once that happens, it's time to stop the presentation and put the iPad away. Pushing harder only creates even more pushback, as will attempts to persuade through fear. This may help explain why so many entrepreneurs, brush off the need for the coverage.

A More Productive Sales Strategy

A more effective approach may begin by establishing common ground, which includes dismissing the question of how likely it is that someone will need this protection. For healthy people, such an argument is futile because no one can prove it one way or the other.

In fact, the conversation might include making it clear that the entrepreneur may never become disabled, even raising the question "If no disability, wouldn't the money spent on the policy be wasted?"

The answer is no. Disability insurance coverage preserves what entrepreneurs value the most and why they're in business: control. Control of their destiny, control of the business, and control of the future, all the things the entrepreneur cares about.

Taking a chance on becoming disabled is something the entrepreneur can handle, but the possibility of losing control may be a far greater threat.

In an interview some years ago, Dr. Robert Cialdini, the author of *Influence: the Psychology of Persuasion*, noted that what's worth thinking about is what we have to offer that "our clients, our customers, our vendors, our distributors, whoever it is we're trying to influence, can't get if they don't move in our direction. What is it that we give them that they lose if they don't say yes to us?"

Then Dr. Cialdini adds, "Loss is more powerful [than gain]... People want to know what they stand to lose." In the case of the entrepreneur, that's clearly the possibility of losing control. Couple that with the simple fact that the largest asset most entrepreneurs own is their business, and you can usually make a sale. HIU