



# Comprehensive Disability Income Protection

Effective Corporate Disability Solutions for Benefit  
Managers and Employees



# DI in the Corporate Market

Most commonly provided in the form of group LTD

Group LTD provides:

- Similar benefits across the full spectrum of employees
- Choice of replacement percentage and types of employee income to protect
- Low cost per employee
- Limited or no portability



# Common LTD Plan Design

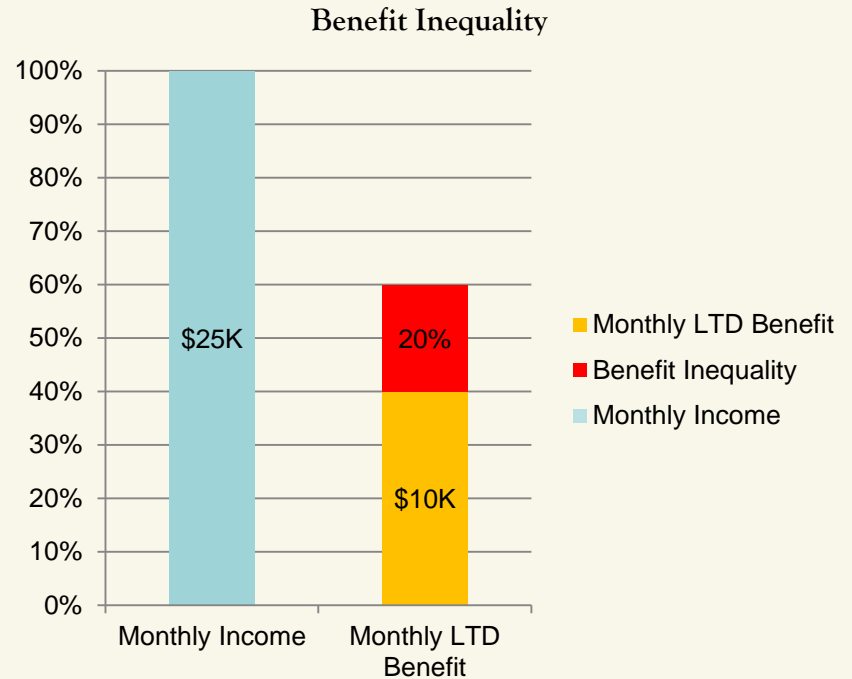
- Most insure 60% of base salary, up to a specified monthly benefit maximum
- Companies must determine the maximum benefit for their employees, with higher plan maximums increasing the potential volatility and cost of the plan
- High income earners typically exceed the monthly benefit maximum, resulting in less than 60% of gross salary protected like other employees
- Consider the following situations



# Chief Financial Officer

60% LTD coverage to \$10,000

- CFO earns \$300,000 per year
- CFO would receive \$10,000 a month before taxes if totally disabled
- Instead of 60% salary replacement, the CFO only has 40%
- The situation worsens the more income the CFO earns

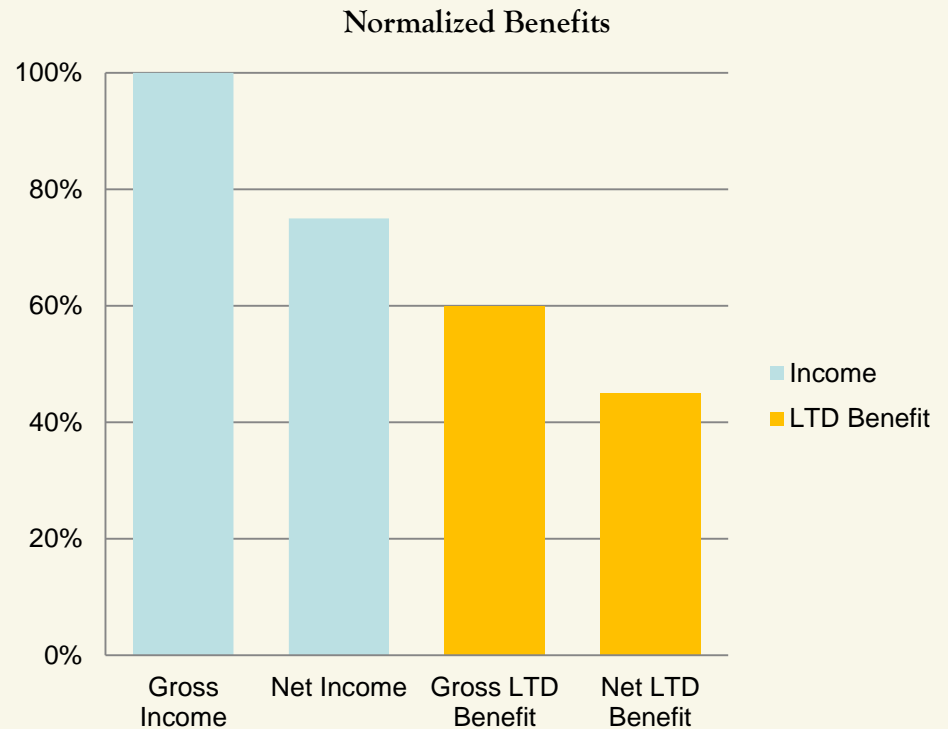




# Department Manager

## 60% LTD plan

- \$75,000 in base salary, \$6,250 per month
- LTD provides a monthly benefit of \$3,750
- Represents a 40% loss on income when totally disabled
- While certainly a well received benefit, with expenses typically increasing during a time of disability, more coverage could make the disabling event more manageable





# Possible Solutions

Employees who recognize or are informed of these situations may attempt to purchase Individual Disability Income (IDI) insurance coverage on their own.

Advantages of IDI include:

- Portability
- Enhanced definitions
- Guaranteed premiums
- No benefit offsets for other coverage
- Fixed benefit amount
- All compensation types insurable



# Issues with Obtaining IDI on an Individual Basis

- Applicants must qualify for coverage both medically and financially
- Existing medical conditions and high premium costs can limit product availability for many applicants



# Comprehensive Disability Income Protection

- Provided through the combination of Group LTD and IDI
- Guarantee Issue
  - No medical underwriting
  - Discounted rates
  - Limited enrollment forms
  - No personal financial documents needed
- Can be offered to all or a specific group of employees





# Comprehensive Disability Income Protection Options

1. Benefit Equalization
2. Benefit Maximization
3. Benefit Amplification



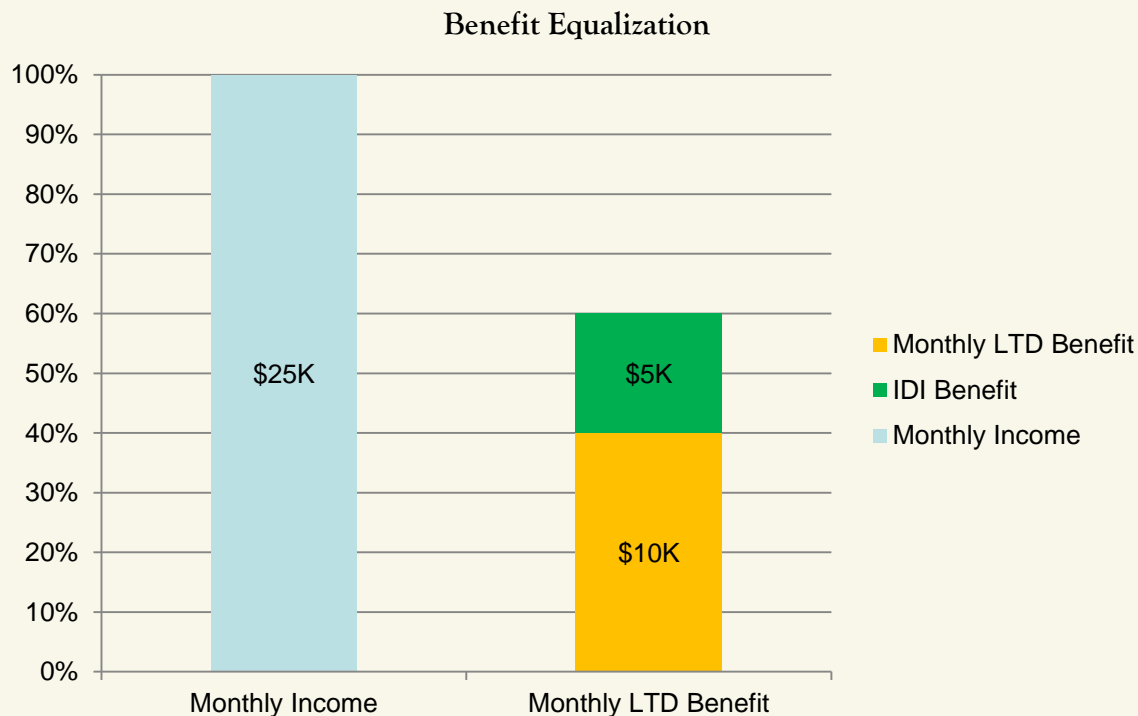
# Benefit Equalization

- Company recognizes the problem for the CFO and other highly compensated employees
- Company purchases individual coverage for the affected employees in an effort to reach the 60% threshold obtained by other employees
- Coverage layered on top of existing LTD plan, with no changes to LTD required
- By using IDI as a supplement, LTD plans costs do not change and the integrity and stability of the LTD plan is unaffected
- In this example, the company purchases an individual benefit of 60% to \$5,000 for those affected employees



# Benefit Equalization

- CFO now has 60% of salary protected





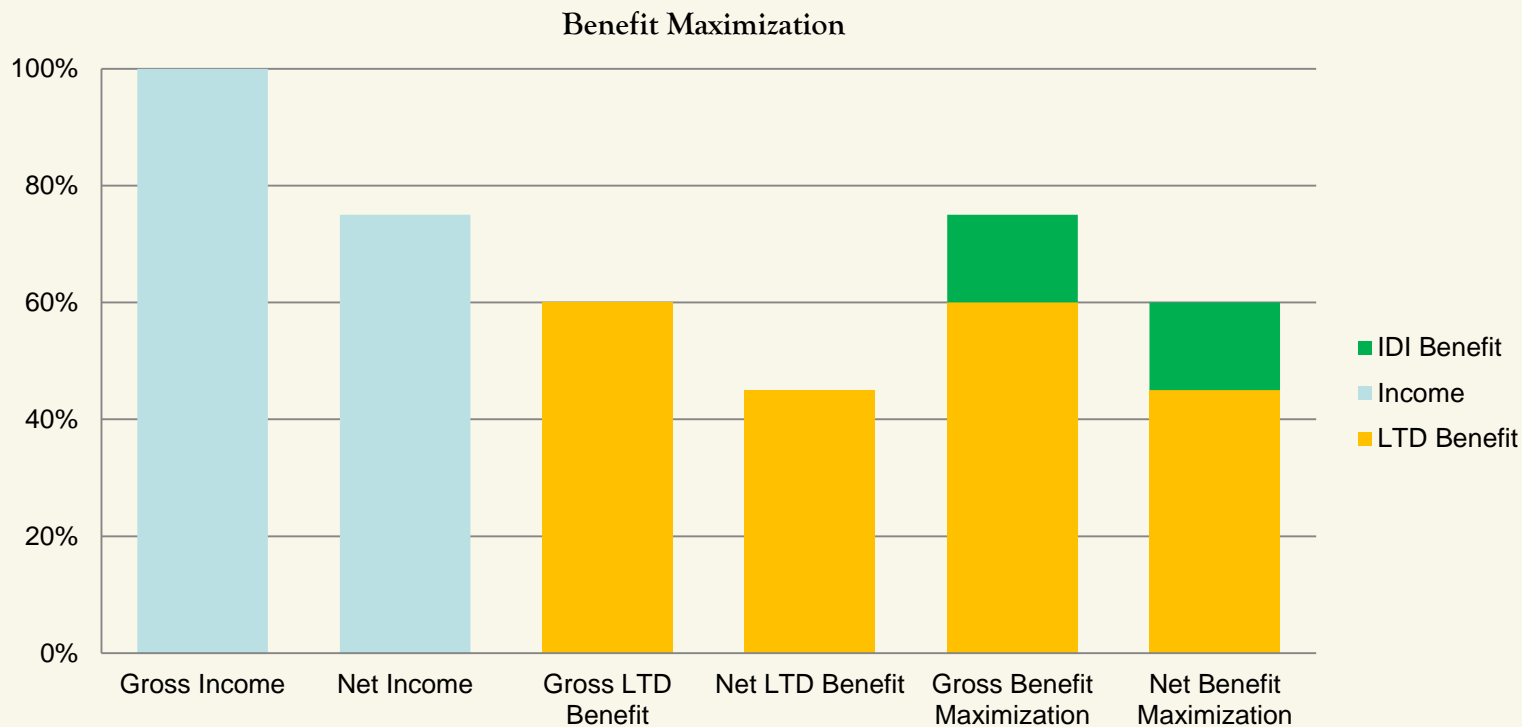
# Benefit Maximization

- Company recognize employees' financial situations could be improved in the event of disability
- Voluntary benefit offering of up to 75% replacement, less LTD
- By buying coverage with after tax dollars, the supplemental coverage is offered as a tax free benefit
- Valuable added employee benefit, at no company cost
- Employees can decide for themselves the level of protection they are comfortable with



# Benefit Maximization

Department Manager now has 80% of take home pay protected





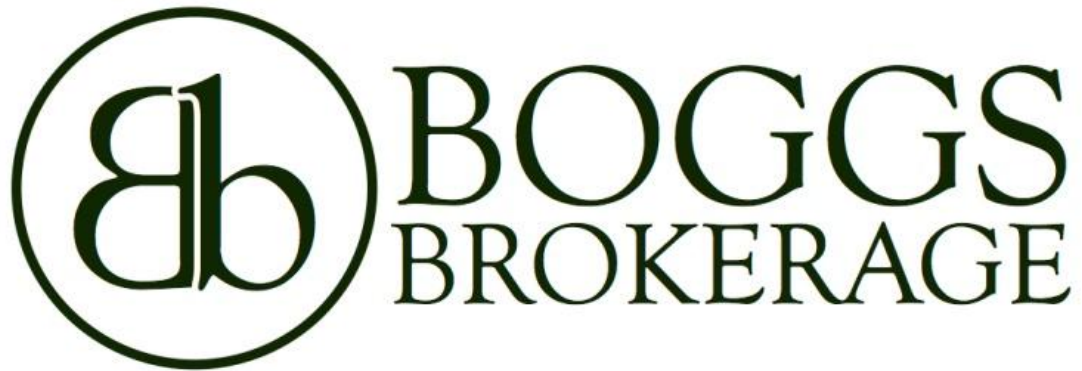
# Benefit Amplification

- Combination of both Benefit Equalization and Benefit Maximization
- All employees have the same core replacement percentage
- All employees have the opportunity to improve their own level of coverage voluntarily
- True comprehensive plan



# How to evaluate a company's Comprehensive Disability Income Protection needs

- Provide existing LTD plan information to benefit advisor
- Generate a current census with total compensation information, names, titles, DOB's and genders
- Boggs Brokerage will assist in the evaluation of need, negotiation with carriers and ultimately produce a plan analysis for review with company



[www.boggsbrokerage.com](http://www.boggsbrokerage.com)