

# Executive Disability Income Protection

## RESTORATION OF BENEFITS FOR THE HIGHLY COMPENSATED

### YOUR ORGANIZATION'S MOST VALUABLE ASSET

Current workforce trends make providing competitive benefit strategies that offer value for both your organization and executives especially challenging.

- Employees extending their working careers, thereby extending the need for adequate income protection
- Medical advances extending life expectancy, resulting in disabling conditions that in the past had been fatal
- Increasing responsibility for employees to fund their own retirement
- Added pressure on the need for steady income throughout working years

Even the highly compensated probably depend on their ability to work and earn income in order to maintain their lifestyle.

- An employer-sponsored group Long Term Disability (LTD) plan can impart a false sense of security for many executives and make maintaining their normal lifestyles impossible if disabled. Some possible disadvantages and undesirable consequences of an employer-sponsored LTD for the highly compensated employee are described below.

### UNINTENDED ADVERSE EFFECTS ON KEY EMPLOYEES

#### ■ REVERSE DISCRIMINATION

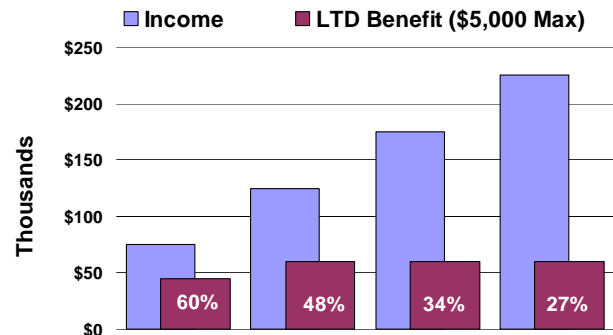
Maximum monthly benefits on employer sponsored LTD plans subject the highly compensated to lower percentages of earnings actually replaced. LTD plans replacing 60% of earnings to \$5,000 would provide an executive earning \$225,000 per year only 27% of income, while an entry-level employee would receive 60%.

#### ■ INSUFFICIENT TAXABLE BENEFITS

Employer paid premiums on group LTD plans creates taxable benefits under current IRS law. Additionally, most LTD plans do not provide sufficient coverage for "catastrophic disabilities" or those that require expensive custodial services.

#### ■ EXCLUDING SIGNIFICANT FORMS OF COMPENSATION

Variable performance pay, bonuses and other incentives continue to be an important component of



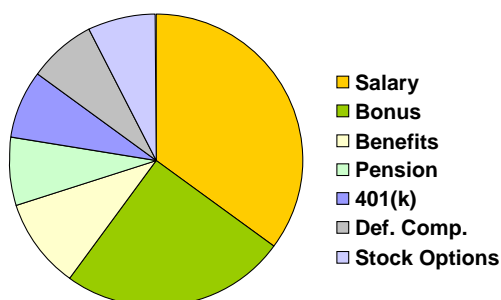
an executive's compensation and often used to meet financial obligations. However, many group LTD plans cover only a portion of base salary and exclude these other forms of income.

#### ■ RETIREMENT PLAN CONTRIBUTIONS

401(k) contributions and employer matches discontinue during a long-term disability resulting in investment earnings and capital loss to the retirement plan that could be disastrous.

#### ■ RESTRICTIVE CONTRACT LANGUAGE AND NO OWNERSHIP OF COVERAGE

Total Compensation Components



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## FAVORABLE MARKET AND PROVIDER TRENDS

### ■ INNOVATIVE NEW PRODUCTS

Better meeting the lifetime continuum of income replacement and asset protection needs of executives in a coordinated fashion

### ■ ENHANCED GUARANTEED STANDARD ISSUE PROGRAMS

Improving accessibility to comprehensive individual disability and Long Term Care programs for the highly compensated without the need for medical qualification

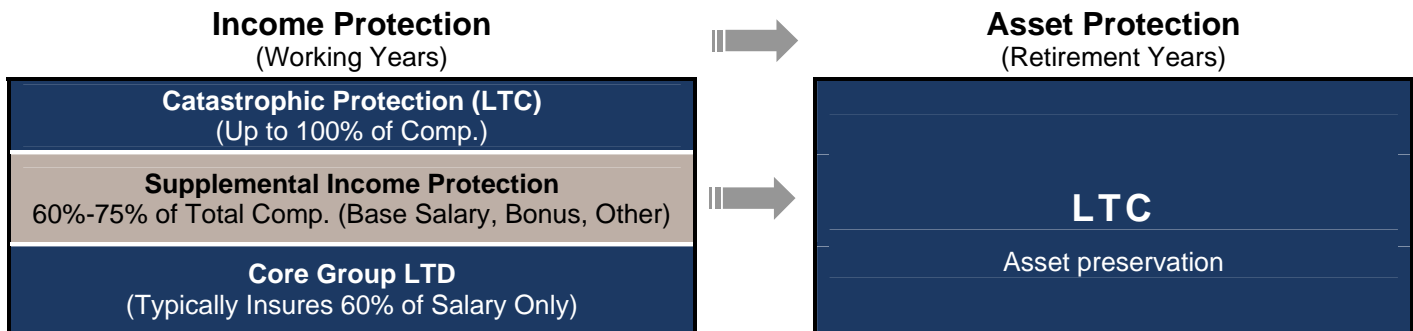
### ■ EVOLUTION OF LTC AS EXECUTIVE BENEFIT

Significant percentages of companies offering less-traditional benefits on a voluntary basis provide a company-paid subsidy for Long Term Care Insurance (47%). – MetLife Study of Employee Benefit Trends, November 2004, pg. 36

### ■ IMPROVED TECHNOLOGY

Enhancing employees ability to “manage their own benefits” (i.e. 401(k) contributions and allocations) and for employers to communicate more effectively and efficiently

## CONTEMPORARY LIFESTYLE SOLUTIONS



### ■ Progressive Supplemental Income Protection Policies offer:

- Up to 100% income replacement for “catastrophic” disabilities during working years
- Exchange for a Long Term Care Insurance policy during retirement

## BENEFITS OF A SUPPLEMENTAL INTEGRATED PLAN

- Reduce “reverse discrimination” resulting from income exclusions and inadequate plan maximums
- Improves underlying LTD price stability
- Enhance purchasing power by leveraging corporate tax deductibility of premium
- Provides for guaranteed standard issue and discounts
- Presents opportunity to improve communication and enhance appreciation of benefits
- Addresses employee and family’s long-term care needs offering peace of mind
- Enhancements assist in recruiting and retaining key employees