

Executive Benefits

Executive Long Term Disability: A Benefit Strategy

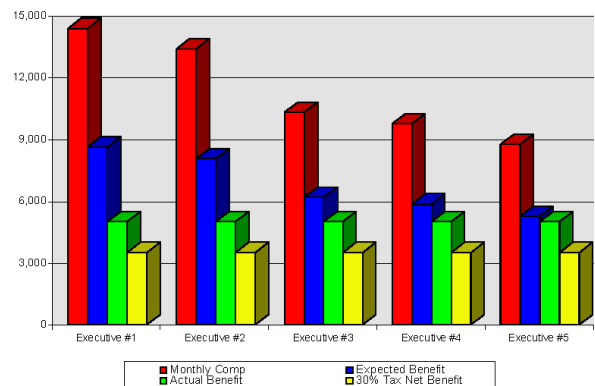


Defining the Issue

Companies realize that Group Long Term Disability Plans (“LTD”) can no longer completely meet the needs of executives and key personnel. To maintain their current lifestyle, most individuals require 75% to 80% of pre-disability compensation however, maximum limits and exclusion of benefit from nontraditional or incentive compensation in core plans significantly reduce the benefit for highly compensated employees (typically 30% to 50% of pre-disability compensation.) Current core (employer paid) benefits are inadequate for key employees due to:

- low/limited monthly benefit maximums (e.g. 60% of salary to \$10,000)
- exclusion of benefit for non-traditional or incentive compensation (bonus, stock options, nonqualified benefits)
- taxable benefit payments
- lack of permanency and portability
- instability of group plans can result in unexpected changes in cost and coverage provided

Reverse Discrimination Comparison



The Solution

Assessment of these plans often leads to the conclusion that revisions are warranted, in order to ensure the adequacy and appropriateness of plan benefit levels and contractual provisions. Typically, such revisions incorporate the use of both group and individual disability products working in tandem. The prevalence of these “combination” plans is significantly increasing, particularly as increases in executive and key personnel incomes have exceeded the benefit limits traditionally provided through the group approach.

An **Executive Long-Term Disability Plan** can be designed to optimize LTD benefits and costs, using the most effective combination of group and individual products. It has the following advantages:

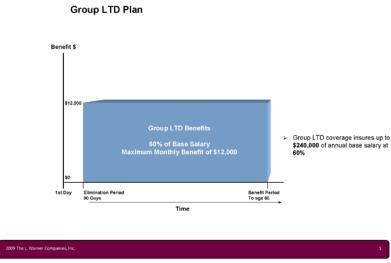
- Provide comprehensive and coordinated benefits to executives and key personnel
- Maximize target benefit level of “total” compensation – often to \$30,000 per month and above
- Guarantee policy provisions and benefit levels over time
- Provide for portability of the individual benefit
- Provide rate stability
- Minimize the impact of group LTD claims
- Provide a guaranteed cost structure through individual policies
- Facilitate acquisition of comprehensive individual policies using the highest level of available guarantee-issue coverage
- Create enhanced return to work benefits during partial disability and/or following full recovery
- Provide enhanced benefits for catastrophic loss

(continued on back)

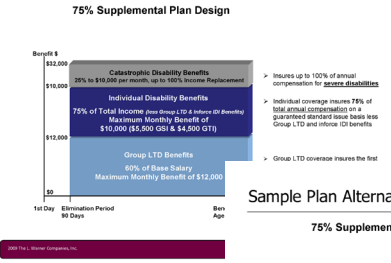
Executive Benefits | Executive Long Term Disability

SAMPLE DESIGN ANALYSIS

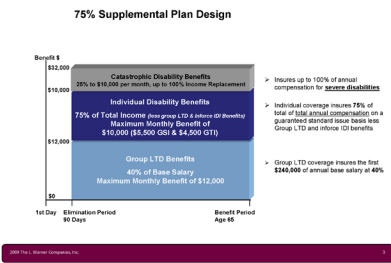
Current Plan Design



Sample Plan Alternative 1



Sample Plan Alternative 2



SAMPLE CARRIER ANALYSIS

Estimated Sample Alternative Plan Costs

	Sample Alternative 1 75% Supplemental Plan	Sample Alternative 2 75% Supplemental Plan	Sample Alternative 3 Reverse Combo Plan
Number of Assumed Executives	23	23	23
IDI Plan Design	75% to \$10,000 benefit (\$5,500 CSI & \$4,500 GI)	75% to \$10,000 benefit (\$5,500 CSI & \$4,500 GI)	60% to \$5,500 benefit (\$5,500 CSI)
Estimated Monthly Total IDI Cost	\$1,666	\$8,234	\$7,531
Estimated Annual Total IDI Cost	\$67,992	\$98,808	\$90,432

Note: All estimated costs include the COLA and Catastrophic riders

Alternative 1 Plan Costs by Carrier

	Utium	MetLife	Principal	Quindan
Guaranteed Standard Issue Maximum Monthly Benefit (CSI)	\$5,500	\$5,000	\$5,000	\$3,000
Cumulative CSI Monthly Benefit	\$74,420	\$65,800	\$65,800	\$50,270
Monthly CSI Cost	\$4,300	\$4,285	\$3,908	\$3,511
Annual CSI Cost	\$88,200	\$81,420	\$46,896	\$42,132
CSI Cost per \$100	\$76.14	\$78.15	\$71.27	\$83.81
Guaranteed To Issue Maximum Monthly Benefit (GI)	\$4,500	N/A	N/A	N/A
Catastrophic Coverage Maximum Monthly Benefit	\$10,000	\$0,000	\$0,000	\$0,000
Total Available Monthly Benefit	\$30,000	\$13,000	\$13,000	\$13,000
Estimated Total Monthly IDI Cost	\$5,996	\$4,285	\$3,908	\$3,511
Estimated Total Annual IDI Cost	\$87,982	\$81,420	\$46,896	\$42,132

Note: All quotes include COLA and full MICA coverage. Note: MetLife may not be able to provide a premium in time for the presentation. The maximum amount of CSI benefits was \$5,000 per month through MetLife.

Disability Product Comparison

PROVISION	MONOGRAM II ERU CONTRACT	METLIFE CONTRACT	PRINCIPAL HFRS CONTRACT
Availability	• BY2024 • Member groups of Principal Group • Group of 3 or more, including at least 100 employees, target market includes A1, A2 and C1 risk class • Guaranteed Standard Issue (CSI) available to employer and plan only, to individuals from (minimum 20% participation) • Benefit Options: Choice Benefit and Foundation	• All risks • Available to groups of 10 or more • Guaranteed Standard Issue (CSI) available to employer and plan only • Catastrophic Coverage (CC) available to employer and plan only • CMI Advantage (plan available for eligible market)	• Available on single life and multi-life issues
State Availability	All approved in NY, NY Income taxes available in NY and CA (MetLife's residence in CA)		

Disability Product Comparison (cont.)

PROVISION	MONOGRAM II ERU CONTRACT	METLIFE CONTRACT	PRINCIPAL HFRS CONTRACT
Definition of Total Disability	Choice Total Disability: • Unable to perform essential and substantial duties of your occupation as a result of an accident, illness, or disability (may be waived) Select Total Disability: • Unable to perform essential and substantial duties of your occupation as a result of an accident, illness, or disability (may be waived) Foundation Total Disability: • Unable to perform essential and substantial duties of your occupation as a result of an accident, illness, or disability (may be waived) • Unable to work in any other occupation for 24 months, and not working in any other occupation for 24 months, and not working in any other occupation based on education, training or experience • Physicians care (may be waived)	Total Disability: • Inability to perform the material and substantial duties of your occupation as a result of an accident, illness, or disability (may be waived) Transition Four Occupations Available for 180 days (or age 60): Three consecutive 90-day periods of disability for 180 days (or age 60) Years 1 to 60: • Member for performing the material and substantial duties of his/her regular occupation Years 61 to 65: • Member for performing the material and substantial duties of his/her regular occupation Years 66 to 69: • Member for performing the material and substantial duties of his/her regular occupation Your Own (Own Occ) for 180 days - not available as a CSI	Total Disability: • Unable to perform substantial duties of your occupation as a result of an accident, illness, or disability (may be waived) Transition Four Occupations Available for 180 days (or age 60): Three consecutive 90-day periods of disability for 180 days (or age 60) Years 1 to 60: • Member for performing the material and substantial duties of his/her regular occupation Years 61 to 65: • Member for performing the material and substantial duties of his/her regular occupation Years 66 to 69: • Member for performing the material and substantial duties of his/her regular occupation Regular Occupation Rider: • Available to members of your plan • Available to members of your plan who are not working in their occupation as a result of an accident, illness, or disability (may be waived)

Disability Product Comparison (cont.)

PROVISION	MONOGRAM II ERU CONTRACT	METLIFE CONTRACT	PRINCIPAL HFRS CONTRACT
Definition of Partial/Residual Disability	Choice Partial/Residual Disability: • Loss of time or status in Own Occupation • 20% loss of income required after the elimination period Foundation Partial/Residual Disability: • 20% loss of income required after the elimination period Transition Four Occupations Available for 180 days (or age 60): Three consecutive 90-day periods of disability for 180 days (or age 60) Years 1 to 60: • Member for performing the material and substantial duties of his/her regular occupation Years 61 to 65: • Member for performing the material and substantial duties of his/her regular occupation Years 66 to 69: • Member for performing the material and substantial duties of his/her regular occupation Regular Occupation Rider: • Available to members of your plan • Available to members of your plan who are not working in their occupation as a result of an accident, illness, or disability (may be waived)	Basic Residual Disability (by age 60): • Loss of time or status in Own Occupation • 20% loss of income required after the elimination period Transition Four Occupations Available for 180 days (or age 60): Three consecutive 90-day periods of disability for 180 days (or age 60) Years 1 to 60: • Member for performing the material and substantial duties of his/her regular occupation Years 61 to 65: • Member for performing the material and substantial duties of his/her regular occupation Years 66 to 69: • Member for performing the material and substantial duties of his/her regular occupation Regular Occupation Rider: • Available to members of your plan • Available to members of your plan who are not working in their occupation as a result of an accident, illness, or disability (may be waived)	Residual Disability Benefit Rider to Age 65: • Able to perform same, but not all substantial and essential duties of his/her occupation • Able to work in restricted and other line of business • Progression • Maximum 50% benefit paid during the elimination period • 75% loss equals 100% benefit
Benefit Formula for Partial Disability	Choice: • First 12 months: Minimum 50% benefit • After 12 months: Benefits are proportional to income loss at 20% loss of income over 70% of the benefit Foundation: 3 months, 50%	Basic Residual Disability (by age 60): • First 12 months: Minimum 50% benefit • After 12 months: Benefits are proportional to income loss at 20% loss of income over 70% of the benefit Transition Four Occupations Available for 180 days (or age 60): Three consecutive 90-day periods of disability for 180 days (or age 60) Years 1 to 60: • Member for performing the material and substantial duties of his/her regular occupation Years 61 to 65: • Member for performing the material and substantial duties of his/her regular occupation Years 66 to 69: • Member for performing the material and substantial duties of his/her regular occupation Regular Occupation Rider: • Available to members of your plan • Available to members of your plan who are not working in their occupation as a result of an accident, illness, or disability (may be waived)	Residual Disability Benefit Rider to Age 65: • Able to perform same, but not all substantial and essential duties of his/her occupation • Able to work in restricted and other line of business • Progression • Maximum 50% benefit paid during the elimination period • 75% loss equals 100% benefit
Your Own (Own Occ) for 180 Days	Yes It is required to choose whether to receive a new occupation or not if disabled in regular occupation. Benefits will be reduced unless you choose to return to a new occupation. Solely and Foundation after 24 month own occupation definition.	Yes It is required to choose whether to receive a new occupation or not if disabled in regular occupation. Benefits will be reduced unless you choose to return to a new occupation. Solely and Foundation after 24 month own occupation definition.	Yes It is required to choose whether to receive a new occupation or not if disabled in regular occupation. Benefits will be reduced unless you choose to return to a new occupation. Solely and Foundation after 24 month own occupation definition.