

Executive Benefits: Executive Long Term Disability: A Benefit Strategy

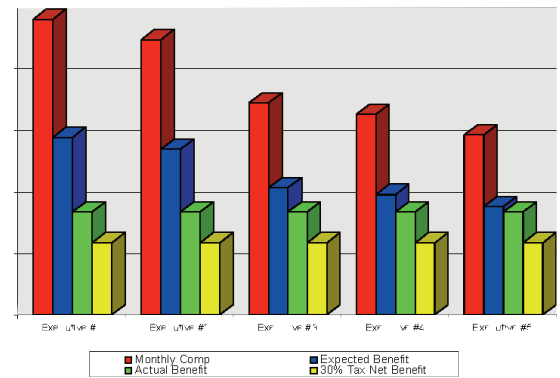


Defining the Issue

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 compensation 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, NQ 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
- 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)

