

Individual Disability Insurance

Understanding Supplemental Individual Disability Insurance for Executives and Highly Compensated Employees

Marketplace Opportunity

- There are 1.2 million firms with 10 to 1,000 employees
- Of those 1.2 million firms:
 - Half (.6 million) offer no Executive Benefits
 - 28% offer Disability Income Coverage
 - 28% have never been approached to purchase any Executive Benefits

Source: Executive Benefits: Employer Viewpoint, LIMRA International, Inc., 2004

Employees Are Concerned About Finances

- The top concern (63%) is having enough money to pay bills during a period of sudden income loss
- Only 58% have disability coverage
- Nearly half (43%) of those with disability coverage admit that their coverage is inadequate
- Twenty-three percent made a job change in past 18 months

Source: 5th Annual MetLife Study of Employee Benefits Trends, 2007

Employer Benefit Strategies

- 88% expect the competition for talent to increase or remain at current levels over the next 18 months
- 55% rated employee retention as one of their most important goals of a benefits program
- Employers are turning to voluntary benefits as a means to address the challenge of offering “more with less”
 - Citing the top 2 advantages as: 1) convenience of payroll deduction and 2) no medical exams
 - Employees rank “no medical exams” as the #1 advantage of voluntary benefits

Source: 5th Annual MetLife Study of Employee Benefits Trends, 2007

Disability Industry Response

- Variety of plan designs to meet employer and employee needs
- Creation of Supplemental DI programs to facilitate easy enrollment

Supplemental DI

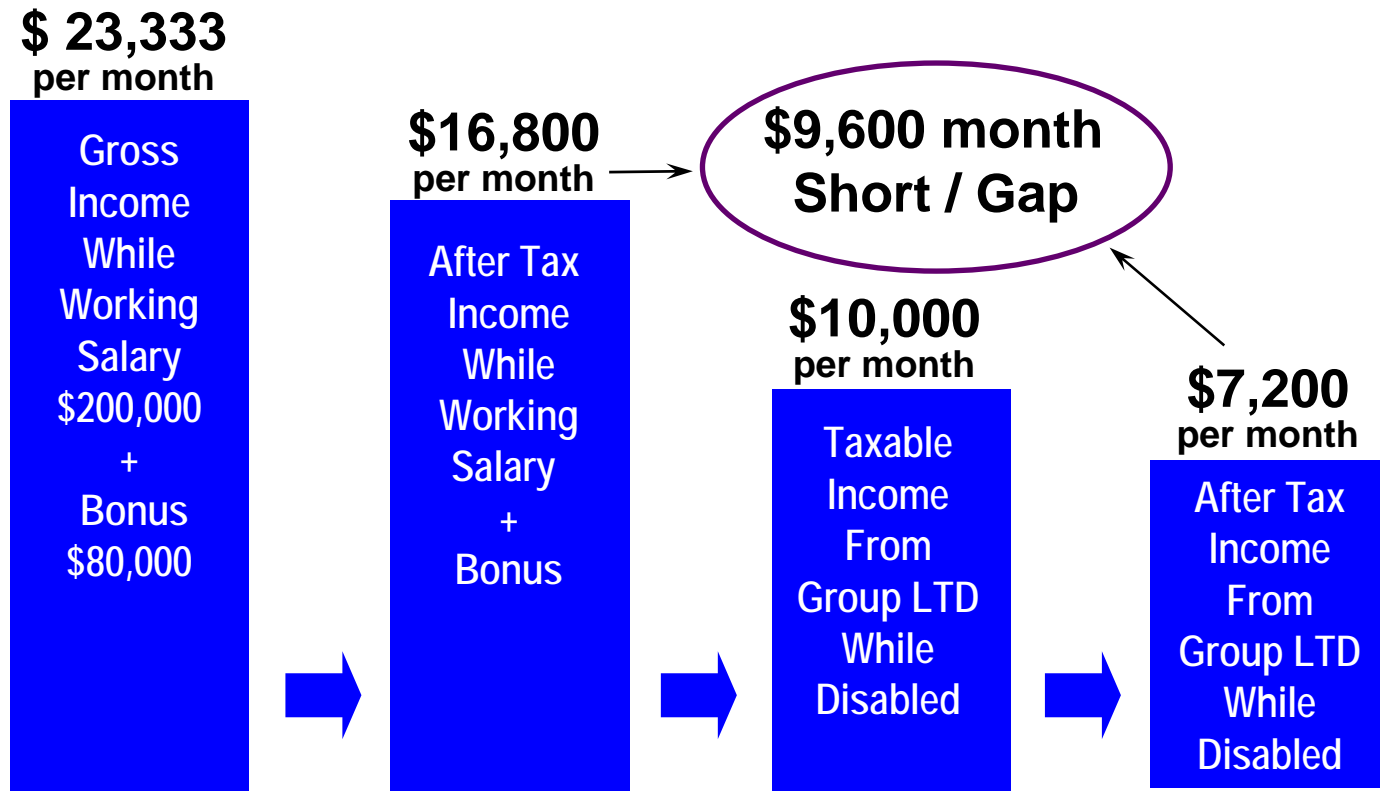
- **Individual Policies issued with**
 - Limited underwriting
 - Premium Discounts
 - Unisex rates
 - Payroll Deduction
 - No Pre-Existing language
- **Supplemental DI issue for a class of employees**
 - Incomes over \$75,000
 - Executives/Grey/White collar
 - Minimum eligible lives
- **Supplemental DI amount based on number of eligible employees, employer or employee pay, length of elimination period.**

Group LTD Coverage Gaps - TIM + Portability

- **For Highly Compensated Employees, Group LTD coverage may not be enough**
- **Taxability**
 - Many group LTD plans are at least partially employer paid
 - If the employer pays the premiums on the group LTD plan, the benefits under the policy are usually taxable to the employee
- **Incentive Income**
 - Many group LTD plans cover base salary only and do not cover incentive income like an annual bonus and/or commissions
- **Maximums**
 - Many group LTD plans have low maximum benefit amounts that may not adequately protect highly compensated employees
- **Portability**
 - Many group LTD plans are not portable, meaning that coverage is tied to employment
 - If the insured leaves his/her employer, they often lose the group LTD coverage

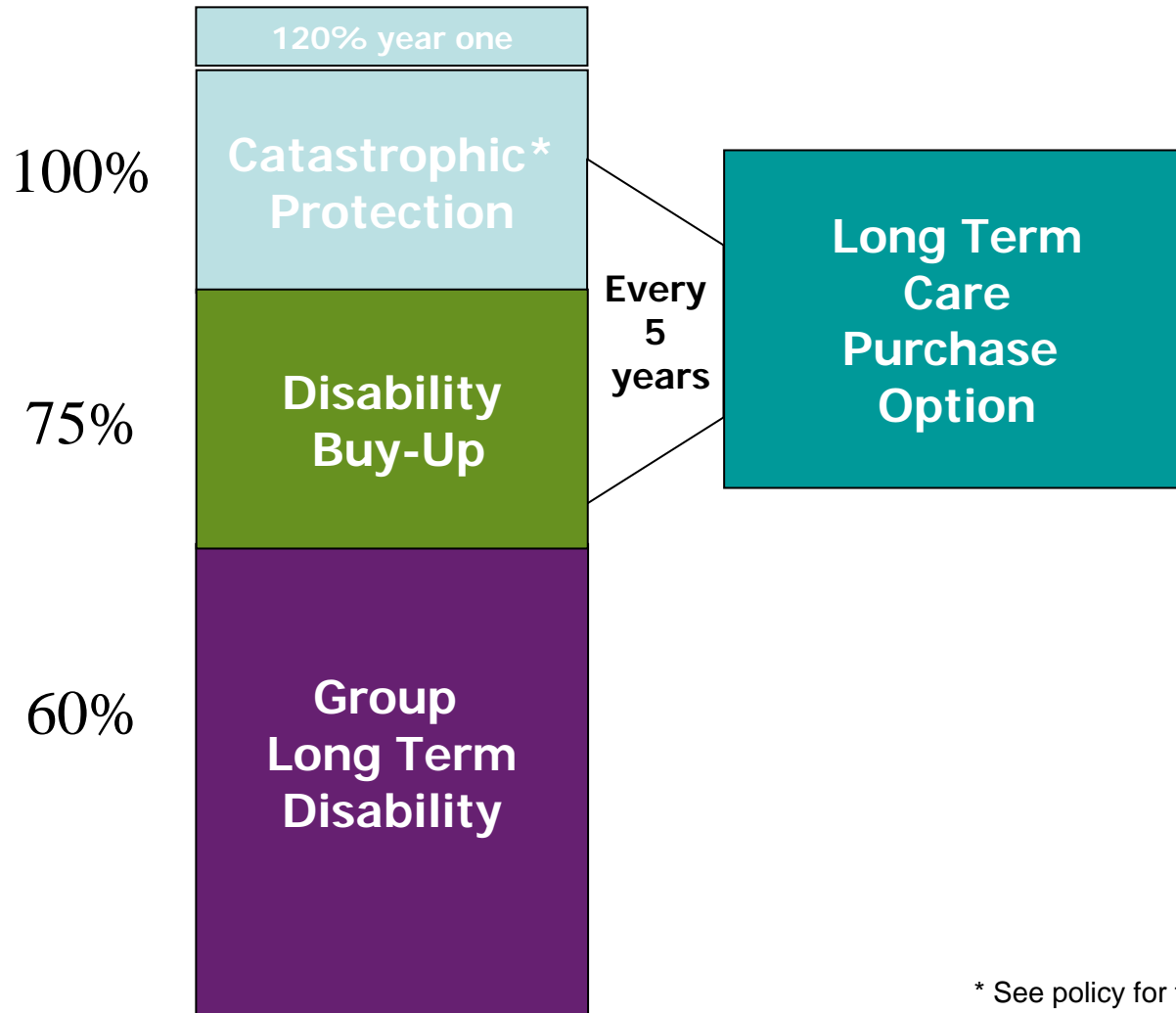
Gap associated with group LTD

Employer Paid Group LTD Plan: 60% of base salary



Assumes a 28% Tax Bracket

Supplemental DI- Up to 100% replacement



* See policy for full details

Advantages- A Win, Win for All

Employer:

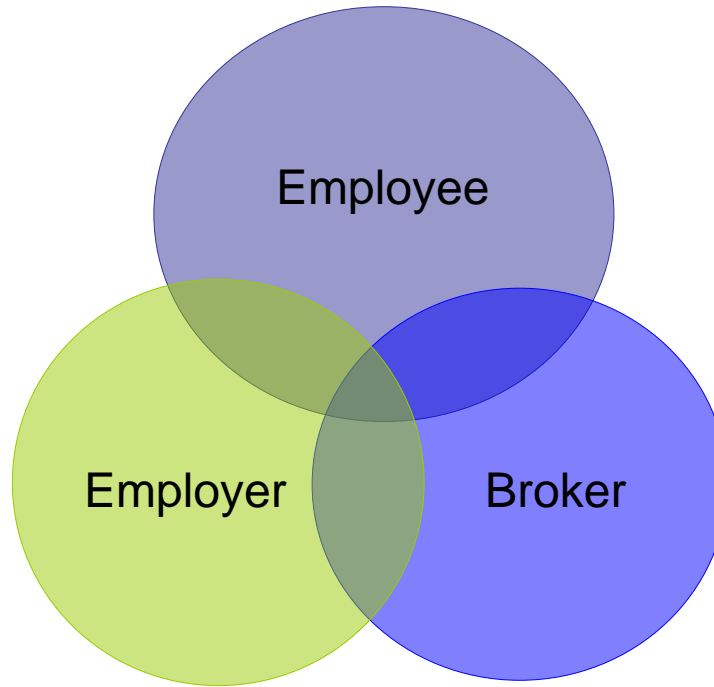
Helps attract and retain talented employees

Enhances the competitiveness of the employer's benefits package with no direct cost to the employer

Allows employer to provide easy access to Individual DI

May stabilize overall rates

Claims experience for the supplemental DI will not impact the basic LTD rates



Employee:

Allows a higher net income during a disability

Provides strong policy provisions as compared to Group LTD

Provides portable coverage even if he/she changes jobs

Offers discounted premiums

No medical exams or lab work required

Premiums are fixed

Ease of payroll deduction

Broker:

Deepens client relationships and producers' value by adding more product solutions

**Competitive Broker compensation
First year commissions and renewals**

Vested Broker of Record for inforce business-client retention

Target Markets

- White Collar Executives
- Professional Corp (Law, CPA, Architect, Engineers)
- High tech and telecommunication industry
- Service industry
- Financial industry
- Transportation (white collar employees)

Turn-Key Enrollment Approach

- Full Service Dedicated Enrollment Operation
- No Cost to the Broker or Employer
- HR Online Billing
- Designated Implementation Case Manager
- Personalized Enrollment Packages
- Email Campaign Design
- Webinar Utilization
- After hours voice mail messages-Reminder
- Disability Income Consultants
- Online Enrollment

In Conclusion

- The need for individual disability insurance exists for most executives and highly compensated employees who are in an employer paid LTD plan
- Employers and employees need education on how to “fill” the gaps in their LTD coverage
- Executives and highly compensated employees appreciate this benefit and participate at high levels

The Supplemental DI Marketplace

Case Studies

Acme Accounting Firm

- 27 Eligibles / 27 Participants
- Traditional Buy Up
 - 60% total replacement, less LTD of 60%, to \$10,000
 - Both IDI and LTD tax free benefits
 - IDI covers total comp / LTD covers salary only
 - All 27 executives had variable compensation
- How we got the case
 - MetLife LTD renewal premium increase of 75% / Able to reduce the renewal rate increase to 50% with the sale of the IDI
- The numbers
 - \$51,000 Annual Premium

Acme Law Firm

- 10 Eligible Partners / 10 Participants
- Traditional Buy Up
 - 60% total replacement less LTD of 60% to \$5,000
 - Both IDI and LTD tax free benefits
- How we got the case
 - MetLife LTD in force
 - Non MetLife Broker – ER pushed for MetLife, wanted both with one carrier
- Why it worked
 - Small LTD cap left large coverage gap with high partner incomes
 - Allows for streamlined claims process with one carrier
- The numbers
 - \$11,000 of Annual Premium

Acme Manufacturing Firm

- 100 Eligible White-Collar EE's / 35 Participants
- Traditional Buy Up
 - 75% total replacement less LTD of 60% to \$6,000
 - IDI covers total comp / LTD covers salary only
 - All eligibles had variable compensation
- How we got the case
 - MetLife able to offer competitive offer with options such as Catastrophic Disability coverage and a Long Term Care Guaranteed Purchase Option, without the use of a Pre-Existing Condition Limitation
 - One-stop customer service with the Account Manager assigned to the case, providing answers for all questions regarding billing, policy issue, administration, etc.
- The numbers
 - \$21,000 of Annual Premium

How to get started

For more information contact your local Plus Group office

To find a Plus Group office near you:

Go to www.plusgroupus.com and click on the agency locator map or call 1(800)831-1018

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