



PeopleFirst: Development

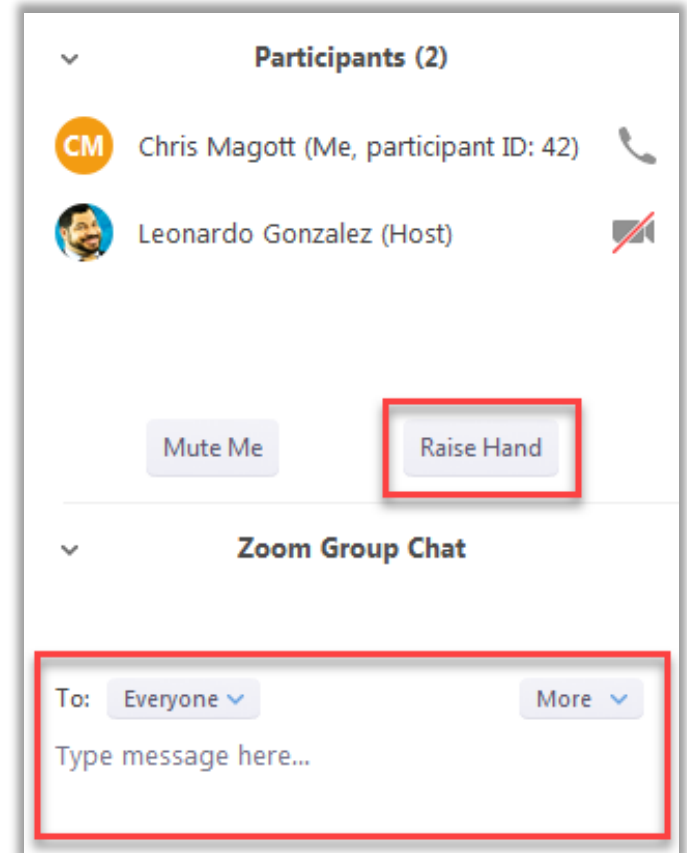
DI Sales Training Advanced Session 2

“Multi-Life DI”
Corporate Sale –
Part B



Intro - Set Up

- 1 hour meeting
- Virtual Classroom
 - Take notes
- Questions?
 - Click the “Raise Hand” button to let us know you want to speak.
- Chat
 - Use to message the host and other participants
- Homework



Agenda

Review of Sessions

Basic #1 - The Need for Income Protection

- Prospecting versus Storytelling – “A good salesperson finds the need, a great salesperson creates the need”Tell a story!

Basic #2 - Proposals and Presentations

- Sales Idea – “To Consult or Not to Consult, That is the question?”

Intermediate #1 – Underwriting Process

- Financial, Occupational and Medical Underwriting

Intermediate #2 – Placing Business

- Handling the Objection & Business Products – BOE & Buy/Sell

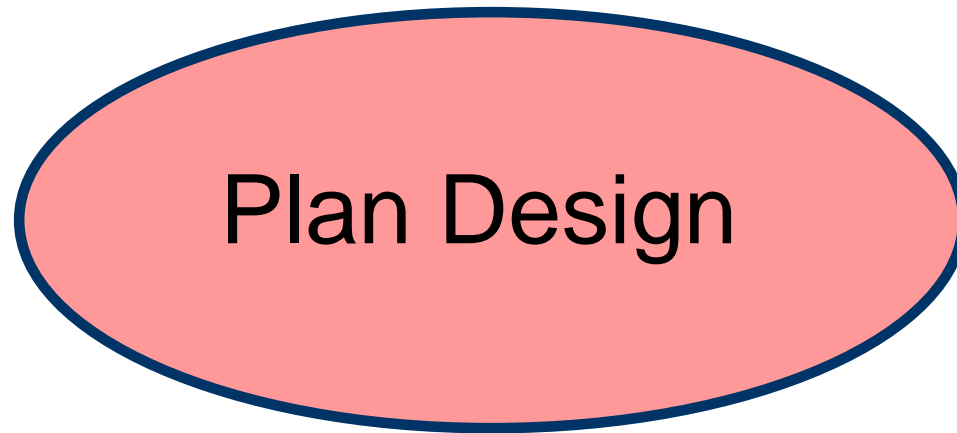


Today's Agenda – Multi-Life Part B

- Evaluation and Plan Design
- The Risk and Guaranteed Standard Issue
- Enrollment
- NFP DI Multi-Life Sales Center



How do we design a Supplemental Disability plan?

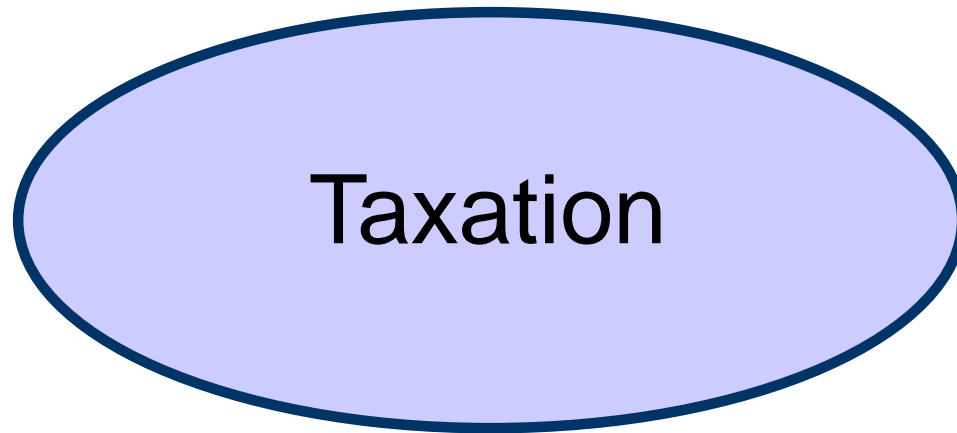


Designing a Plan

- **Prospect Evaluation Form**
- **Determine Eligible Class**
 - Salary
 - Occupation
 - Years of Service
 - Combination or the above or other
- **Review Inforce Group Program**
 - What is the LTD Plan ~ 60% - \$5,000, 66 2/3% - \$10,000, etc
 - Is the LTD Taxable or Tax Free
- **Is this Plan Voluntary or Employer Paid?**
- **Is there Guarantee Issue coverage available?**



Fundamentals of Tax on Disability



Basis of the Fundamentals

- **Internal Revenue Code is the Driver**
 - Deductibility of Premium
 - IRC Sections 162(a), 105(g) & 265
 - Premium Excluded from Employee's Income
 - IRC Section 106(a)
 - DI Benefits (LTD &/or IDI) Taxability
 - IRC Section 104(a)(3) & 105(a)

- **Basic Premise...**
 - ***“Pay Me Now or Pay Me Later”***
 - If Premium is NOT deductible, then Benefits are NOT taxable
 - If Premium IS deductible, then Benefits ARE taxable



Determining Taxability of Benefits

Entity Type	Eligibility	Premium Payer	Taxable/Non-Taxable
C-Corp	Owners and/or Non-Owner Employees	ER**	Taxable
C-Corp	Owners and/or Non-Owner Employees	EE	Non-Taxable
S-Corp	Owners	ER	Non-Taxable
S-Corp	Non-Owner Employees	ER**	Taxable
S-Corp	Owners and/or Non-Owner Employees	EE	Non-Taxable
Partnership, LLC or LLP	Partners/Members	PR/MR	Non-Taxable
Partnership, LLC or LLP	Non-Partner/Member Employees	ER**	Taxable
Partnership, LLC or LLP	Partners/Members and/or Non-Partner/Member Employees	EE	Non-Taxable

*Section 162 plans always provide non-taxable benefits. Section 125 plans can provide either taxable or non-taxable benefits; however, since the employee can opt to change this arrangement annually, benefits are typically treated as non-taxable at time of underwriting.

**Premium must be 50% or more ER or PR/MR paid to be considered taxable.

Effects of the Fundamentals

- Foundation of Replacement Ratios
- Basis of Issue & Participation Limits
- Impacts on Plan Design

Where does it begin?

It Begins With the Entity...

- Determines tax treatment of Premium, thus tax treatment of Benefits
- Defines insurable income
- Determines tax documentation



Creative Tax Planning

IRC Section 162 “Bonus” Plans

- a/k/a “Gross Up”
- Useful for any non-owner EE & “C” corp. shareholder EE's
- A “Tax Choice” option
- Effects on employers
 - Premium deducted as compensation, taxable to EE
 - Additional payroll taxes
 - Affects other benefit plans, e.g. Group Life, 401k
- Effects on employees
 - Additional taxable compensation (income taxes, FICA & Medicare)
 - DI claim benefits are non-taxable



Creative Tax Planning (cont.)

IRC Section 162 “Bonus” Plans (cont.)

- Effects on plan design
 - Is LTD a “Tax Choice” plan?
 - If yes...low LTD = higher IDI; high LTD = low IDI
 - Affects programming of coverages
 - LTD Tax Choice = non-taxable benefit (60%)
 - Gross Up = contributory
 - Contributory = higher rates than non-contrib plans



Creative Tax Planning (cont.)

Use of “Guaranteed Payments to Partners”

- Method to **specifically allocate** DI premiums to partners
- Method to **equally allocate** DI premiums to partners
 - Effectively creating a “blended rate”
- Deductible by partnership; includible in partner’s income

Treatment of DI Premiums as Compensation for More Than 2% Shareholders of S Corps.

- IRS Notice 2008-1



IDI Case Design Underwriting

- Usually a Dedicated Lead Case Design Underwriter and Specialist per region, as well as backup for each
- Close partnership with Group LTD Underwriters to support and sell the integrated story
- Work closely with Risk Underwriters and Specialists on the back-end who ultimately process the sold case and applications



Primary Offer Types

- Guaranteed Standard Issue (GSI)
- Guaranteed Standard Issue (GSI)/Guarantee To Issue (GTI)
- Both offer types available on employer paid or voluntary basis
 - Specific guidelines for supporting GSI/GTI offers
 - Limited to Employer paid cases between 3-29 eligibles (see published guidelines for full details)
 - Limited to Voluntary cases where all eligibles are earning \$60,000 or more (see published guidelines for full details)



What is Guaranteed Standard Issue (GSI)?

- GSI provides IDI coverage with a guaranteed EP, BP, and plan design subject to limited (simplified) underwriting including:
 - Active at Work Requirement: 90 or 180 days from date of application
 - Tobacco Question
 - Catastrophic and Long Term Care qualification
 - Financial Underwriting (income from census, Group LTD plan, other coverage in force/applied for)
- GSI amount determined at the case level based on case size, premium payer and need
- Plan design used to determine actual individual's amount based on insurable income (base salary, incentive compensation, etc.)



What is Guaranteed To Issue (GTI)?

- GTI provides IDI coverage with a guaranteed EP, BP and plan, **however, we have the ability to add ratings and waivers if needed.** GTI offers are also subject to:
 - Active at work requirement: 180 days from date of application
 - Tobacco question
 - Catastrophic and Long Term Care qualification
 - Financial Underwriting (income from census, Group LTD plan, other coverage inforce/applied for)
 - Medically underwritten using the A-32367 application
- GTI amount determined at case level based on risk factors
- Plan design used to determine actual individual's amount based on insurable income (base salary, incentive compensation, etc.)



Information Required for Offer Consideration

- Company Name
- Census
 - Occupational Titles
 - Incomes
 - DOB's
 - Resident States
- Business Entity
- LTD Information
- Eligibility/Plan Design Request



Risk Evaluation Factors

- Occupations
 - Target is white collar, professional occupations (Class C1 and above)
- Number of eligibles
 - Key in determining amount of GSI coverage available
 - Minimum of 3 eligible lives on an ER paid/100% participation basis
 - Minimum of 50 eligible lives on a voluntary basis
 - Must have a defined carve-out group (example: Vice Presidents and Above) which can be defined using job titles, income threshold or a combination of the two
- Premium Payor (employer paid/voluntary)
 - ER Paid/100% participation GSI grid allows for more GSI
 - EE paid/voluntary GSI grid takes into consideration the anticipated level of anti-selection (based on a minimum 20% participation requirement)



Risk Evaluation Factors (cont'd)

Ages and Income Mix

- No more than 20% of the eligibles should be over age 60
- Eligibles are earning \$60,000 or more annually
- Underlying LTD plan design
 - Optimal situation is that the LTD plan is ER paid/taxable
 - Insurable income definition of LTD plan (base or base and bonus, etc.) If LTD plan covers base only, ask if there is bonus or commission income. Would be ideal to cover under IDI.
- Taxability of benefits
 - Determines the plan design and the maximum replacement percentage supportable



Replacement Percentages Based on Taxability of Benefits

- LTD and IDI both non-taxable (generally employee paid), total replacement is limited to 60%
- LTD and IDI both taxable (generally employer paid), can replace up to 75%
- LTD taxable and IDI non-taxable (generally employee paid), may still use 75% replacement for majority of cases (may need to go lower if non-taxable benefit outweighs taxable benefit on dollar basis)



Financial Requirements

- For all GSI offerings an employer-provided census can be utilized as income documentation.
- The employer-provided census can also be utilized for coverage being applied for outside the GSI offering.
- If variable income (bonus or commissions) is part of the insurable income definition, a two year paid variable history is required on the census.



Ideal Factors for GSI IDI Plans

- ER Paid Plans - 5 or more employees earning \$75,000
- EE Paid Plans - 50 or more employees earning \$75,000 or more (need 20% participation or a minimum of 10 lives, whichever is greater)
- 60% or lower replacement for LTD coverage
- Employer paid/taxable LTD max that is \$15,000 or less with incomes that support higher amounts
- Basic Monthly Earnings (BME) that excludes variable compensation
- Defined group / carve out - White Collar Executives (No Blue Collar)
- Employer endorsement
 - Employer funding - full or partial
 - Full employer support and involvement in marketing / enrollment
- Strong broker control



Plan Designs

Three primary plan designs:

- Supplemental Plan
- Combination Plan
- Reverse Combination Plan

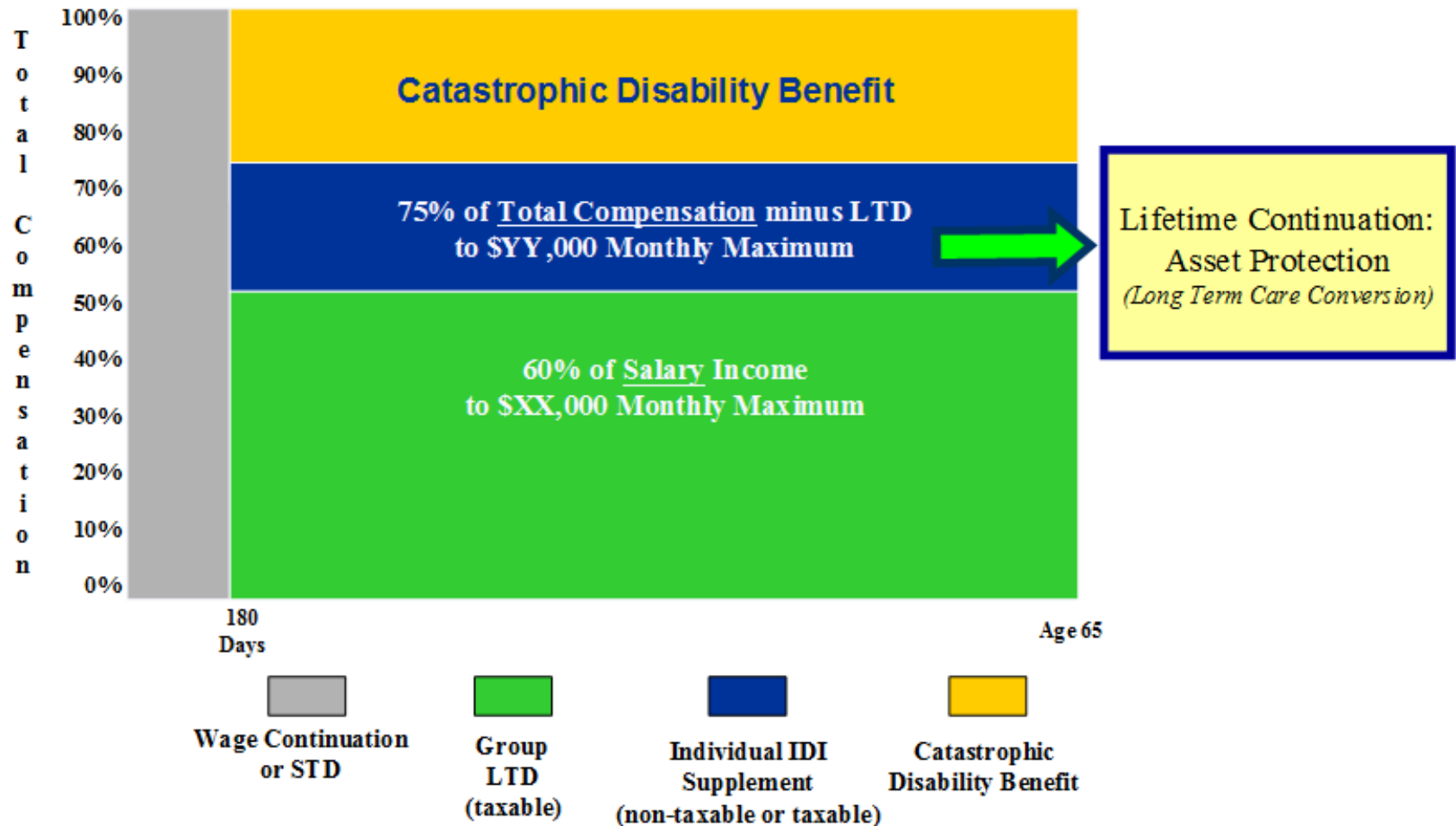


Supplemental Plan

- Cost effective disability plan that allows individuals to supplement group LTD or allow Employers to offer IDI for targeted class of employees
- Layer IDI on top of traditional LTD plan
- Most common plan design – 75% of insurable income Less Group LTD
- Insurable Income may be defined differently than BME for LTD
- Can consider uncovered variable compensation
- Can work with any combination of premium payer



Supplemental Plan (cont'd)

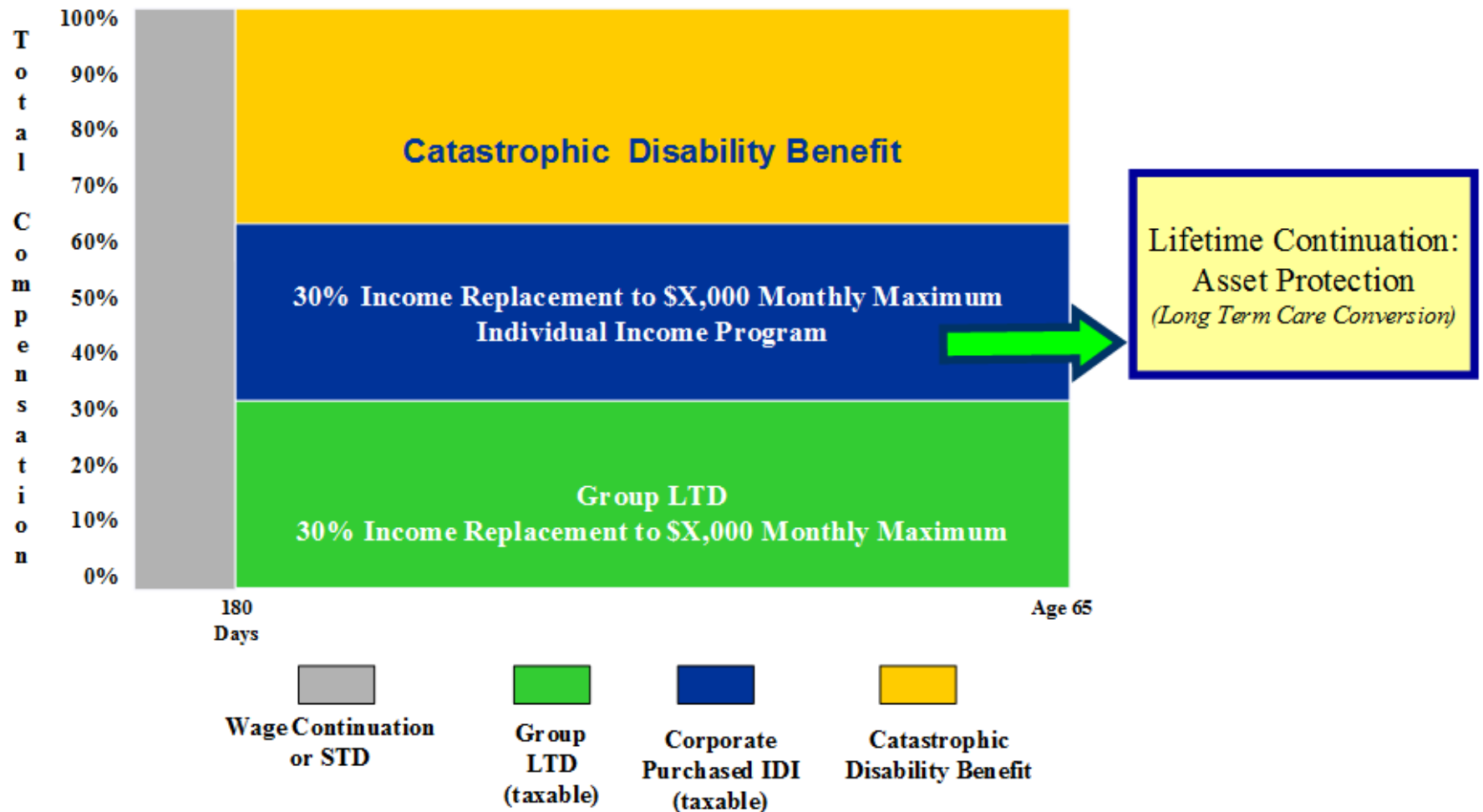


Combination Plan

- Utilizes cost effectiveness of LTD with the higher cost, permanent features of IDI to provide executives and key employees with comprehensive disability coverage
- Provides traditional replacement ratio (i.e.. 60%) by combining LTD and IDI
- Insurable Income must be the same
- Employer typically pays premium on both LTD and IDI
- Example – LTD 40% to 10k, IIP 20% to 5k for combined total of 60% to 15k
- Flexibility in controlling overall cost by changing percentage combination between LTD and IDI
- Can be further enhanced by adding a Supplemental Plan on top



Combination Plan (cont'd)

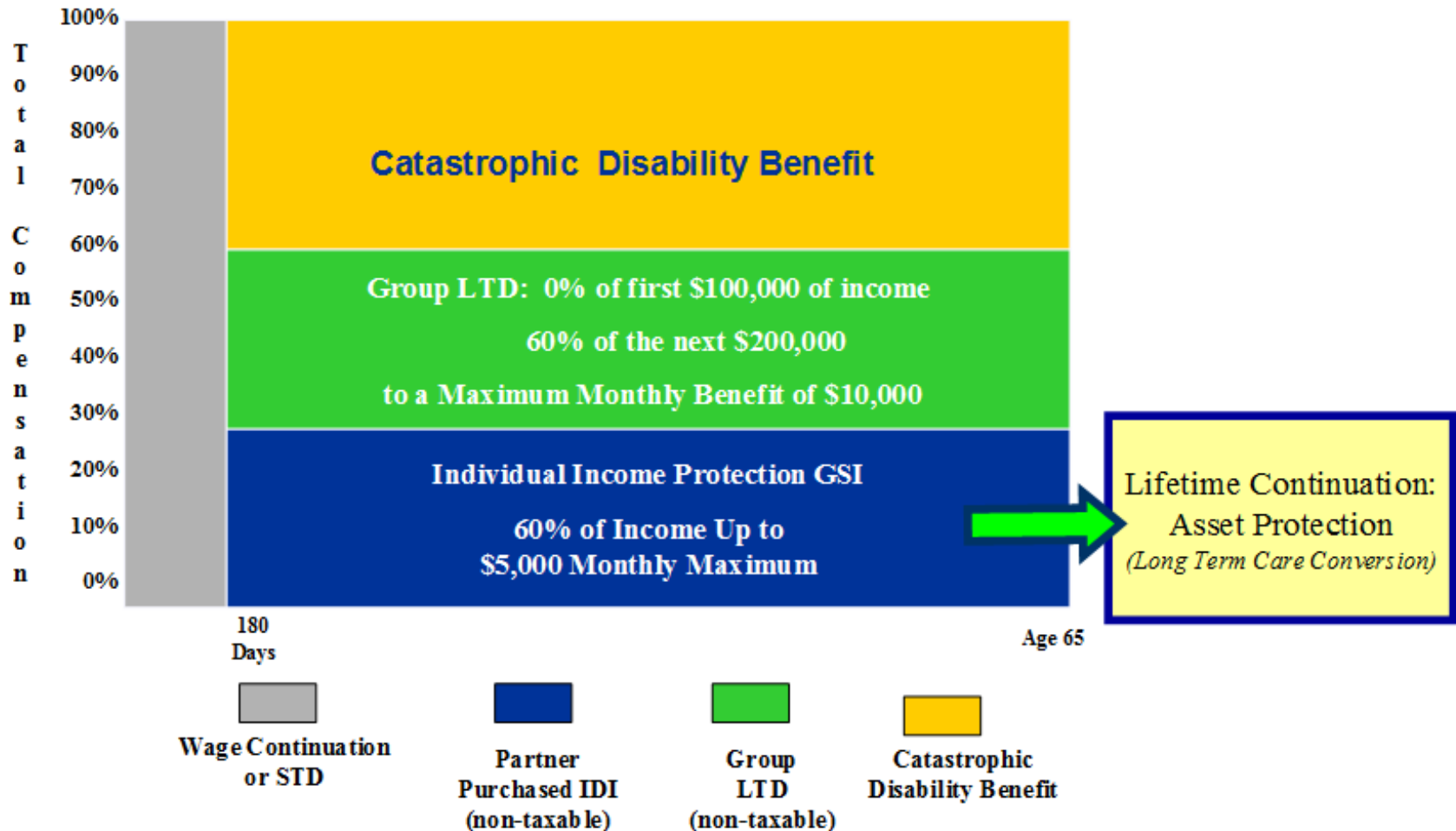


Reverse Combination Plan

- Provides an equal amount of IDI coverage (maximum amount) on eligible employees
- Combines LTD and IDI with IDI on the bottom
- Example – IDI 60% of first 100k of income (5k), LTD covers 60% of income from 100k to 300k (10k), for combined coverage of 60% to 15k
- Locks in certain percentage of coverage with guaranteed rates
- Potential for actual cost of the individual IDI program to decrease as older employees leave and new eligibles enter at younger ages
- Need Group Underwriting sign off prior to quoting this type of plan
- LTD must be with Unum
- Challenges
 - Inforce individual disability coverage
 - Active at work issue



Reverse Combination Plan (cont'd)



Other Plan Designs

- **Stand-Alone Plans**

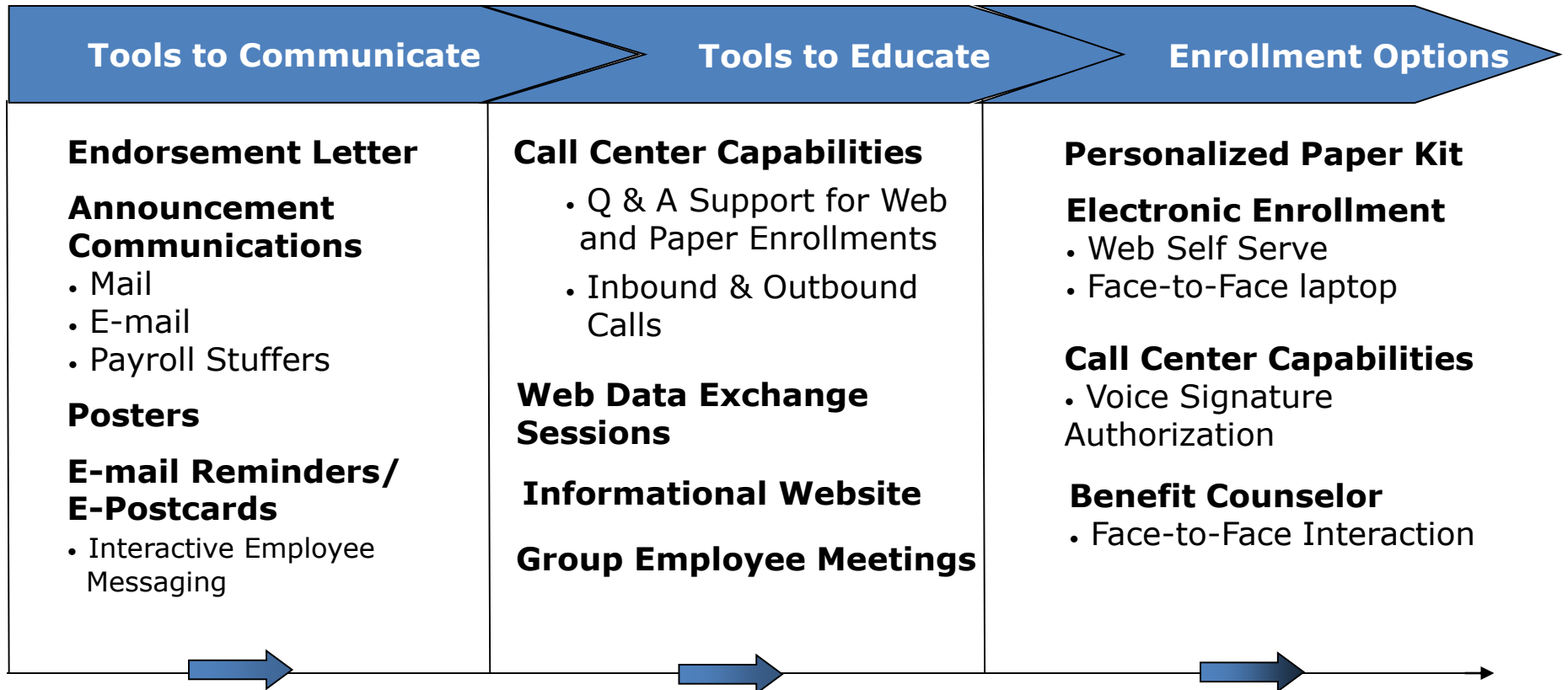
- An all IDI plan with no LTD
- Used in limited situations
- Concern is LTD being written after the IDI has been placed in force (which would present over insurance or lapse issues)
- To mitigate potential over insurance, the following guidelines have been put in place to determine the amount of GSI available:
 - GSI limited to 50% of the grid based on the number of eligible lives or \$2,500, whichever is less
 - Consideration for additional GTI coverage can be given for cases qualifying for GSI/GTI program, however, combined coverage cannot exceed \$5,000
 - Maximum replacement ratio of 60%, regardless of taxability of benefits

- **Future Income Protection**

- Designed to help offset the loss of contributions to an employer-offered retirement plan in the event of disability.
- Requires the use of a 365 day elimination period
- Income I or II contract



Enrollment capabilities overview



Enrollment Options



Paper

Individualized kits provide personalized information and all forms necessary to enroll. Supports specialized programs and customer requests.*

- Assessment of need
- Personalized rates
- Endorsement letter from employer
- Policy information
- Toll-free number for assistance during enrollment staffed by licensed Enrollment Specialists

Standard set-up time is 2 weeks.
*Additional lead time for customizations.



Web

PLANE.BIZ link sent from Unum via email or link from employer site.

- Toll-free number for assistance during enrollment staffed by licensed Enrollment Specialists
- Secure site protects employee privacy.
- Real-time tracking throughout enrollment
- Can also include modified paper kit delivered to employee

Standard set-up time is 4-6 weeks.



Phone

Employees speak with *Enrollment Specialists* to choose plan and enroll via **Voice Signature Authorization (VSA)** technology.

- Web-site or paper kits supply detailed plan information
- implemented as part of paper or web-based enrollment strategy
- Instant enrollment with the assistance of licensed Enrollment Specialists

Standard set-up time is 4-6 weeks.



Call Center Capabilities

- **Telephonic enrollment team**
 - Specialized dedicated IDI team
 - Licensed (life and health) in all 50 states and District of Columbia
 - Experienced in individual disability sales, presentations and broker training
- **Enrollment Support**
 - Q&A for paper or web enrollment
 - VSA enrollment
- **Outbound call capabilities**



In-force Case Management

- New Hires
 - Management of new hires on a scheduled or perpetual basis
 - Customer Direct Program
- Guaranteed Coverage Increases
 - Manage cases to ensure timely processing of GCI
 - Streamlined process ensures limited time investment for client and broker
- Annual Case Review
 - Case Review for additional benefits
 - Monitor case activity to confirm plan is being utilized by all eligible employees



Multi-Life Sales Center



PeopleFirst: Development



There is NO Next Week

- Congratulations you are done!
- Homework from today's discussion – Follow through on your marketing plan to grow revenue and diversify business for your firm
- Certificate of Completion for all 6 sessions
- One year pre-paid membership to the International DI Society
- **NFP DI Dinner @ the 15th Annual IDIS Conference to be held this October 21 through October 23, 2019 in San Diego, CA**
- Give me a call to strategize and/or assist
512-697-6185 or khoffman@nfp.com

