



Integrated disability strategies

Enhancing benefits while reducing risk

Overview

With today's economic challenges, companies are looking for ways to enhance benefit plans and reduce risk. An integrated disability strategy can replace a portion of group LTD coverage with individual disability insurance — helping to bring more stability and predictability to LTD benefit costs, since experience on the individual plans is not charged back to the group plan.

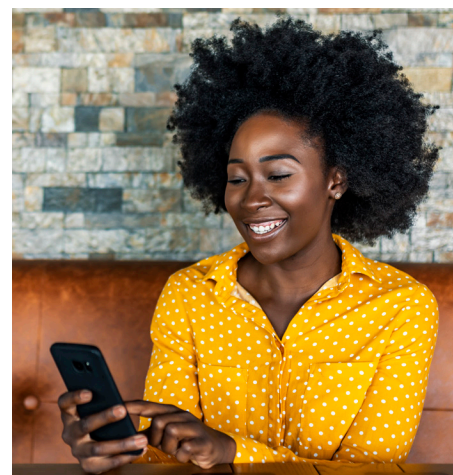
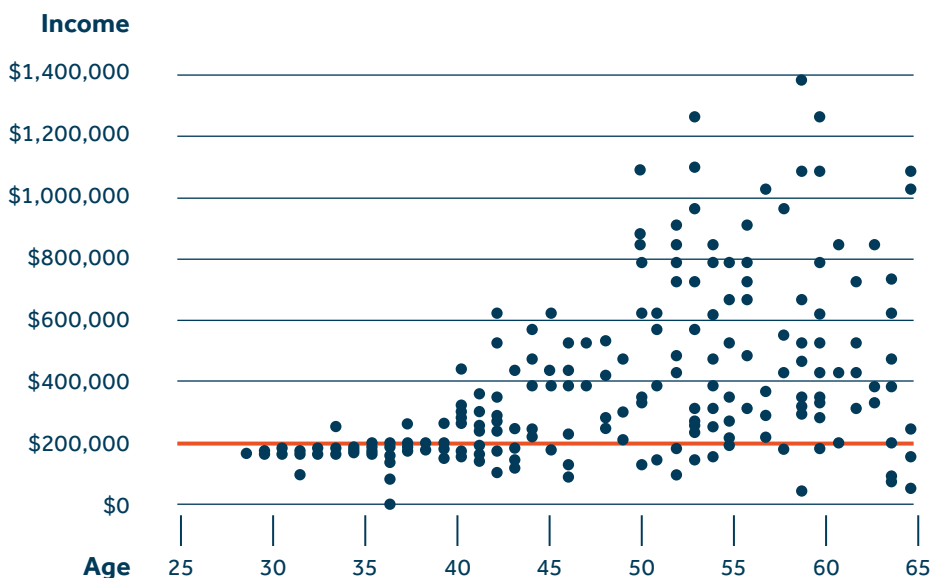
Opportunity to enhance coverage

The most frequent areas where employers may need to enhance their group LTD coverage are:

- Supplementing coverage for higher earners often affected by benefit caps
- Providing coverage for uncovered earnings (bonus/incentive, commissions, retirement contributions)
- Offsetting the taxable benefits from employer-paid coverage

Illustrating the gap in coverage

Here's an example of a typical group LTD plan design covering 60% of its employees' salary, to a maximum monthly benefit of \$10,000. Each point in the chart represents an employee. All employees above the orange line have uncovered compensation. A supplemental individual disability insurance plan can be added to increase coverage on those executives with earnings of more than \$200,000.



Individual disability insurance (IDI) can make enhancing group LTD benefits attractive in many ways:

Closing shortfalls and gaps

- Benefit maximums
- Uncovered earnings
- Taxability of benefits

Risk transfer

- Reduced exposure
- Reduced future rate increases
- Improved benefit cost predictability

Value-added features of individual contract

- Individually owned/ portable
- Fixed rates
- Claims experience not charged back to the group plan

Risk mitigation

Reducing the group LTD maximum and transferring this amount to an individual disability plan can help bring more stability and predictability to LTD benefit costs. Reasons for using an integrated strategy include:

- May lower overall group LTD rates
- May lower overall potential risk of large claims
- Delivers a more competitive group rate at renewal
- Provides guaranteed rates on individual portion
- Provides better overall contract with portability

Integrating both platforms can optimize the benefit plan.

Group LTD	Individual DI
Economies of scale	Individually owned
Strong base of coverage	Noncancellable coverage
Variable term rate structure	Value-added features and benefits
	Discounted, fixed rates

For more information on using an integrated disability strategy to enhance benefits and control costs, please contact your Guardian professional.

Employer advantages:

- Flexible funding options
- Risk diversification
- Helps close the income protection gap for higher earners
- Increased understanding of group LTD benefits
- Full benefit education and enrollment support

Employee advantages:

- Higher income replacement
- Coverage for more types of income (bonus, incentive, commission, retirement contributions)
- No medical exams¹
- Individually owned, portable coverage with fixed rates
- Permanent discounts
- Optional features to further customize policy
- Personalized education
- Benefits do not offset with other coverage