



Ancillary Group Benefits



ADVANCED BENEFIT
SOLUTIONS

Ancillary Group Benefits

What are their benefits to a financial plan?

1. Group Life Insurance
 - a. When is it a good decision?
 - b. When should I start to look at a personal policy?
2. Group Disability
 - a. What is the difference between group disability and personal disability?
 - b. What options can I get through group disability?
 - c. How does that impact my individual disability coverage?
3. Group Long Term Care
 - a. With many states looking to create an additional tax, how can a group LTC offering help?
 - b. What options are available through a group LTC offering?



Group Life Insurance

1. Group Life Insurance
 - a. When is it a good decision?
 - b. When should I start to look at a personal policy?

Group Life Insurance

- Effective way to cover risk with little to no underwriting.
 - So, if unhealthy, it can be a very good option to pick up some coverage
- Most small businesses do not offer much coverage - \$20-\$50k
- What if the company offers over \$50k in benefit?
 - Paid by employee
 - Cost of benefit taxed
- What if the employee leaves the company?
 - Probably will not be able to take the coverage with them
 - If they can, it may be expensive
- Pricing is age banded, so the cost will rise as you age
 - Benefit will decrease at, or around, age 65

Group Life Insurance – Case Study

Rates and Cost Information:

Life Rates

Employee Life		Step Rates per \$1,000	
Age	Rate	Rate	Monthly Cost
15-24	\$0.079		\$2.69
25-29	\$0.089		\$0.00
30-34	\$0.127		\$17.15
35-39	\$0.199		\$10.35
40-44	\$0.284		\$28.40
45-49	\$0.456		\$45.60
50-54	\$0.690		\$0.00
55-59	\$0.975		\$66.30
60-64	\$1.235		\$0.00
65-69	\$1.614		\$0.00
70-74	\$2.957		\$0.00
75+	\$9.934		\$0.00
Total Monthly Cost:			\$170.49
Total Volume:	\$489,000.00		

Group Life Insurance – Case Study

- Male, Age 58, Tech Exec, Earns \$275,000/yr
- Primary household earner
- Company Benefits Renewing on January 1st
- \$850,000 of life insurance death benefit
 - Been with company for 15 years and planning to retire with company
 - Cost had been dismissed for years, but scrutinized as he is getting closer to retirement
 - Due to age banded pricing, cost increased

Group Life Insurance – Case Study

- Effective January 1st, cost was increasing to \$140 every 2 weeks
- Planning to retire in 5 years
 - Concern was not having life insurance for first few years of retirement

Group Life Insurance – Case Study

10 Years - \$1,000,000

Carrier / Product	AM Best Rating	Calc. Age	Health Class	Monthly	Quarterly	Semi-Annual	Annual
Protective Life Protective Classic Choice Term	A+	58	Select Preferred	\$166.55	\$529.04	\$1,018.90	\$1,959.42
Corebridge Financial (American General - all states except NY) Select-a-Term	A	58	Preferred Plus Non-Tobacco	\$168.78	\$529.31	\$1,038.65	\$1,997.40
Symetra Life Insurance Company SwiftTerm Instant Issue Available	A	58	Super Preferred Non-Nicotine	\$169.03	\$507.08	\$1,014.17	\$1,988.56
Pacific Life Insurance Company - Lynchburg Promise Term	A+	58	Preferred Best No Nicotine Use	\$169.04	\$517.06	\$1,014.24	\$1,988.70
Principal National Life Insurance Company Term Insurance	A+	58	Super Preferred Non-Tobacco	\$171.05	\$522.10	\$1,019.34	\$1,988.95

Group Life Insurance – Case Study

- Completed health prescreen with client
- Client went through underwriting and was approved at the quoted price
- Client obtained personal coverage and declined the group life insurance

Group Life Insurance

- When is it a good decision?
 - Health issues make personal insurance cost prohibitive, or impossible
 - Employee plans to retire at current company and will not need insurance after retirement
 - Employee does not need more insurance than what is offered from employer

Group Life Insurance

- When should I start to look at a personal policy?
 - When employee does not plan to retire with current company
 - When cost begins to rise and employee is healthy
 - When employee needs more life insurance than what is offered from employer

Group Disability Insurance

1. Group Disability
 - a. What is the difference between group disability and personal disability?
 - b. What options can I get through group disability?
 - c. How does that impact my individual disability coverage?

Group Disability Insurance

- Group disability is offered from an employer
- Individual disability is purchased directly from the insurance company
- Both offer coverage for an injury, or illness, outside of work
- Both are meant to replace lost earnings while recovering from the injury, or illness

Group Disability Insurance

- Group disability for small employers (less than 10) has very light underwriting
- Group disability for large employers has no underwriting for base coverage
- Individual disability requires an underwriting process
- Individual disability limits are impacted by group disability insurance

Group Disability Insurance

- Group disability insurance policy is the lowest cost option for disability
- Group disability is the only way to obtain Short Term Disability
 - Maternity leave
 - Covid
 - Surgery
- Amount offered by insurance company is based on employee count, industry and payroll

Group Disability Insurance

Consideration	Group Long Term Disability Insurance	Individual Disability Insurance
Income Protection	Often leaves high-earners underinsured	Can help ensure high-earners are equitably insured
Earnings Covered	Base salary only (typically)	Base salary + all incentive compensation
Offsets	Workers Comp & Social Security	None
Portability	Not portable, not owned by employee	Fully portable, benefit owned by employee
Premiums	Fluctuate based on claims experience	Do not fluctuate based on claims experience
Taxability	Often taxable at claim time	Taxability determined by payer of premium
Limitations	Pre-existing condition limitations	(Typically) No pre-existing condition limitations

Group Disability Insurance – Short Term Disability

- Benefits typically begin within 1 week of injury or illness
- Maternity leave is a common claim
- Many small employers do not offer short term disability
 - If that employer offers a “special deal” for one employee, then they must offer same “deal” to other employees or risk lawsuits

Group Disability Insurance – Short Term Disability

- Coverage typically starts at \$1,000 a week and can last up to 13 weeks
 - Can be approved for more benefit and longer benefit depending on employer
- Keep in mind that benefit is meant to fill in short term gap, not completely replace high earner income

Group Disability Insurance – Short Term Disability

Short-Term Disability Benefit Overview

Short-Term Disability Employee Benefits		
Option	2	2
Class	1	2
Class Description	All Active Full Time Owner(s)	All Other Active Full Time Employees
Benefit Percent	The weekly benefit will not exceed 60% of the Insured Person's weekly earnings	The weekly benefit will not exceed 60% of the Insured Person's weekly earnings
Minimum Weekly Benefit Amount	10%	10%
Maximum Weekly Benefit Amount	\$2500	\$2500
Day Benefit Begins – Accidental Injury	1 st Day	1 st Day
Day Benefit Begins – Sickness	8 th Day	8 th Day
Benefit Duration	13 Weeks	13 Weeks
Definition of Earnings	Prior Years W2 Wages	Prior Years W2 Wages
Integration	Backdoor	Backdoor
Salary Continuance Program	Included	Included
C-Section Benefit Rider	8 week(s) gross benefit	8 week(s) gross benefit
Family Income Benefit Rider	3 week(s)	3 week(s)
Rehabilitation Assistance Benefit	5% program reimbursement; reasonable accommodation	5% program reimbursement; reasonable accommodation

Group Disability Insurance – Long Term Disability

- Many employers offer base layer
 - Some offer executive carve out benefits
- Common claims
 - Heart
 - Cancer
 - Accident
- Base benefits will vary based on employee count, industry and payroll
 - Many group disability plans start at \$6,000/mo in benefit

Group Disability Insurance – Long Term Disability

Long-Term Disability Benefit Overview

Long-Term Disability Benefits		
Option	3	3
Class	1	2
Class Description	All Active Full Time Owner(s)	All Other Active Full Time Employees
Benefit Percent	60%	60%
Maximum Monthly Benefit Amount	\$10000	\$10000
Minimum Monthly Benefit Amount	Greater of \$100 or 10% of Benefit	Greater of \$100 or 10% of Benefit
Elimination Period	90 Days	90 Days
Maximum Benefit Period	Later of Age 65 or SSNRA	Later of Age 65 or SSNRA
Evidence of Insurability	Evidence of Insurability will be required for Initial Insurance Amounts in excess of \$10,000 and for insurance amounts in excess of the GI that are increased by more than \$1,000 after initial enrollment.	Evidence of Insurability will be required for Initial Insurance Amounts in excess of \$(empty) and for insurance amounts in excess of the GI that are increased by more than \$1,000 after initial enrollment.
Pre-Existing Conditions*	Subject to a 3/12 pre-existing limitation	Subject to a 3/12 pre-existing limitation
Definition of Earnings	Prior Years W2 Wages	Prior Years W2 Wages
Integration	Social Security	Social Security
Own Occupation Period	24 Months	24 Months
Specialty Own Occupation	Not Applicable	Not Applicable
Return to Work Incentive	Later of Age 65 or SSNRA	Later of Age 65 or SSNRA
Partial Disability	Residual with Progressive	Residual with Progressive
Mental and Nervous Limitation	24 Months	24 Months
Substance Abuse Limitation	24 Months	24 Months

Group Disability

Insurance – Long Term Disability – Executive Carve Out

- Mostly available for larger employers (50+ employees)
 - Can be offered to smaller companies if there are enough highly compensated execs
- Need multiple highly compensated executives
 - Law firms
 - Hospitals
 - Financial service firms
- Can be guaranteed issue or minimal underwriting
 - Depends on employee count
- Portable benefit

Group Disability

Insurance – Long Term Disability – Executive Carve Out

CLAIMANT PROFILE

- Title: VP of Operations
- Base Salary: \$150,000
- Bonus: \$37,500
- Total Compensation: \$187,500
- Diagnosis: Pancreatic cancer, totally disabled

CHALLENGES

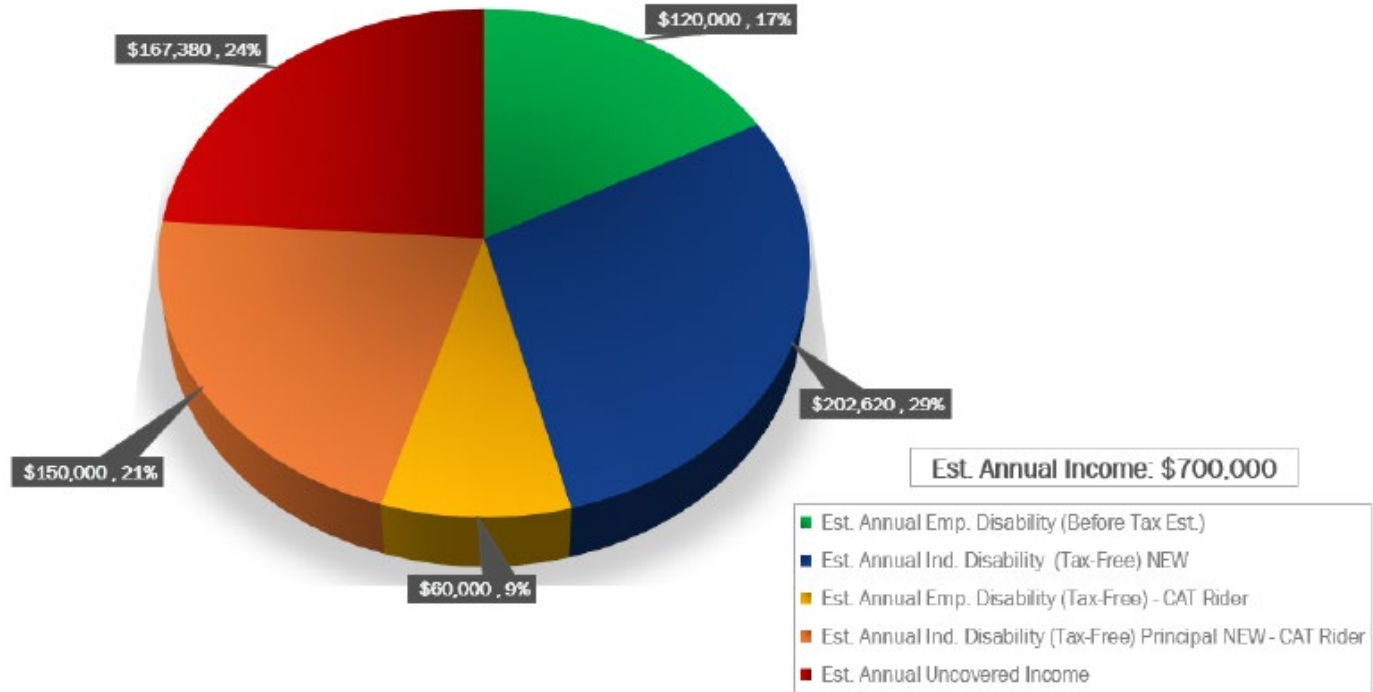
- Group LTD plan is 60% to \$10,000/month
- Group LTD does not cover the \$37,500 bonus
- Claimant receives only 48% income replacement of \$7,500 per month

	Group Long Term Disability Only	Group LTD & Supplemental IDI
Total Compensation	\$187,500/year \$15,625/month	
Plan Design	60% to \$10,000/month	75% to \$10,000/month less LTD benefit
Group LTD Benefit <i>Pre-tax</i>	\$90,000/year \$7,500/month	
Individual Disability Benefit <i>Pre-tax</i>	\$50,628/year \$4,219/month	
Total Monthly Disability Benefits	\$7,500/month	\$11,719/month
Total Pre-tax Income Replacement %	48%	75%



Group Disability Insurance – Case Study

- Financial Advisory Firm
- 4 Employees
- Owner earns \$700,000+ per year
 - Almost 50 years old
 - Roughly \$420,000 of post tax earnings
 - Currently has \$120,000 of income covered
 - \$120,000 through firm's Group LTD policy - \$198.95/mo for ENTIRE FIRM
 - Not looking to cover all income, but looking to review cost and coverage

Group Disability Insurance – Case Study



Group Disability Insurance – Case Study

	 Principal™	 Principal™
Disability Benefit Amounts		
Annual Benefits	\$180,000 (Tax Free)	\$202,260 (Tax Free)
Monthly Benefits	\$15,000	\$16,885
Catastrophic Benefits	Not Illustrated	Not Illustrated
Future Increase Benefits	Subject to Issue & Participation Limits	Subject to Issue & Participation Limits
Cost of Living Benefits	Not Illustrated	Not Illustrated
Automatic Increase Benefits	Yes	Yes
Premium		
Monthly	\$300.23	\$481.62
Annual	\$3,602.81	\$5,779.48

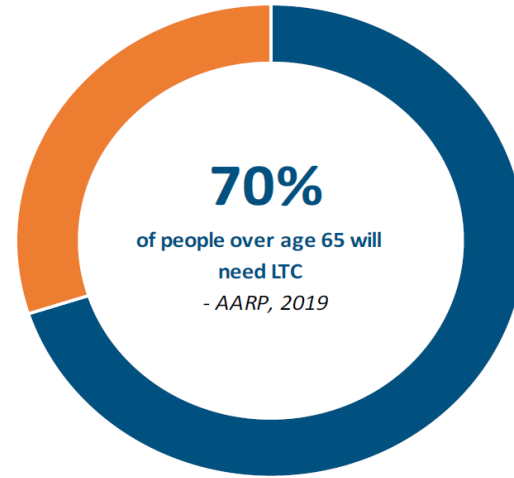
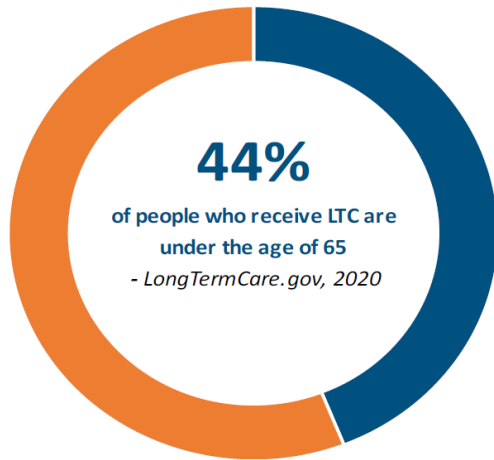
- Option 1 offers a 180-day elimination period and 5 year benefit period
- Option 2 offers a 90-day elimination period and To Age 65 benefit period

Group Long Term Care Insurance

1. Group Long Term Care
 - a. With many states looking to create an additional tax, how can a group LTC offering help?
 - b. What options are available through a group LTC offering?

Group Long Term Care Insurance

Needing LTC



Group Long Term Care Insurance

In **eleven** years, there will be more people over the age of 65 than under the age of 18.

-ACL gov; Profile of Older Americans, US admin. On Aging

The National Average Cost of Care

2022 Annual Cost / Average Stay



Home Care

\$55,000

3 Years



Assisted Living

\$53,000

2.5 Years



Nursing Home

\$113,000

2.4 Years

Genworth Cost of Care

Group Long Term Care Insurance

LTC State Legislation

1. WA State

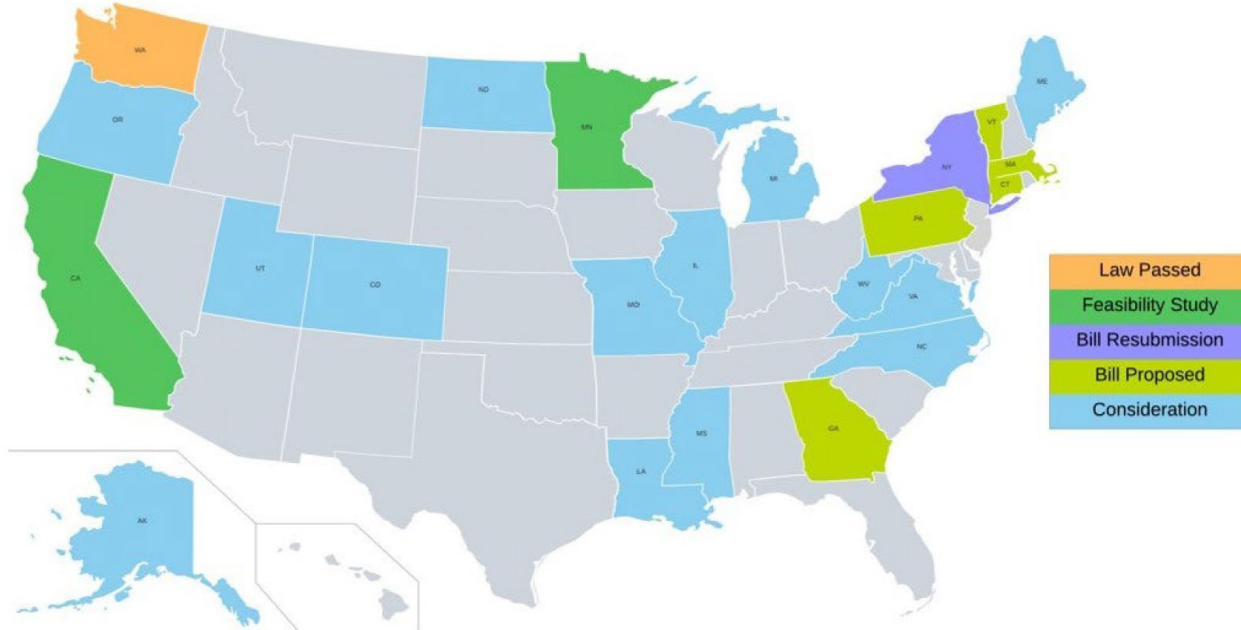
- 0.58% - Employee payroll tax for a lifetime benefit of \$36,500
- Deadline has expired to purchase private LTC insurance for tax exemption

2. CA State

- 12/31/2023 – Feasibility report submitted to governor and legislation
- 1/1/2024 – Feasibility Actuarial report due to CA Legislature

Group Long Term Care Insurance

State legislation



Group Long Term Care Insurance

Advantages of a Group Plan

Reduced Underwriting or Guaranteed Issue

Only available with an employer group plan.

Issue Age Rates

Rates are based on the employee's age when the policy is issued and will not increase as a person ages.

Portable Benefit

When an employee leaves employment they may take the plan with them at the same rate.

Group Long Term Care Insurance

Employer-Funded Monthly Rates Salary \$110K+¹

For employer-paid life insurance in excess of \$50,000, the employer has two options; increase employee salary or imputed income. Imputed Income is the value that the IRS places on employer-paid life insurance in excess of \$50,000. This is calculated using an IRS imputed income table and then reported on the W-2 tax form.

Rates based on effective date of **12/1/2023**

Benefit Choices		Permanent Term Life + LTC									
		Trustmark Life + Care Post-Tax/Increase Salary				Chubb ¹ Lifetime Benefit Term Post-Tax/Increase Salary					
1.	Life Insurance Face Value	\$75,000		\$100,000		\$100,000		\$150,000			
2.	Professional Long Term Care	\$3,000 per month		\$4,000 per month		\$4,000 per month		\$6,000 per month			
3.	Informal Home Care	\$1,500 per month		\$2,000 per month		N/A		N/A			
4.	Total LTC Duration	Professional LTC 50 months Informal Home Care 100 months				75 months		75 months			
5.	Restoration of Benefits	Included				Not Available					
6.	LTC Maximum Benefit	\$150,000		\$200,000		\$300,000		\$450,000			
7.	Type of Employee	Monthly Premium		Tobacco	Non-Tobacco	Tobacco	Non-Tobacco	Tobacco	Non-Tobacco		
8.	\$110K+ Salary	Total for Salary		\$5,231	\$4,061	\$6,974	\$5,414	\$6,972	\$5,337	\$10,457	\$8,006
	51 Eligible Employees	Average per EE		\$102.56	\$79.62	\$136.75	\$106.16	\$136.70	\$104.65	\$205.05	\$156.98

¹Carve-out is for illustrative purposes and must be reviewed and approved.

Group Long Term Care Insurance – Case Study

- 250 Employee Company in California
- CEO and CFO were clients for personal insurance
- CFO has health conditions that preclude her from acquiring personal LTC
- Company had a philosophy of taking care of employees (wellness programs)
- Potential tax in California put policy on their radar

Group Long Term Care Insurance – Case Study

- Company paid for first \$50,000 of life insurance with \$150,000 of long-term care
- Employees could buy-up for additional insurance (cap of \$150,000 of life insurance and \$450,000 of long-term care)
- Guaranteed issue policy without any underwriting
 - Able to cover CFO without considering her health condition

Group Long Term Care Insurance – Case Study

Benefit Choices		Permanent Term Life + LTC
		Chubb Lifetime Benefit Term
1.	Life Insurance Face Value	\$50,000
2.	Professional Long Term Care	\$2,000 per month
3.	Informal Home Care	Not Available
4.	LTC Extension of Benefits	50 months
5.	Total LTC Benefit Duration	75 months
6.	Restoration of Benefits	Not Available
7.	LTC Maximum Benefit	\$150,000

Questions?

Meet Our Team



Ron Seibel

FOUNDER

ron@abenefitsolutions.com



Phil Seibel

PRESIDENT

phil@abenefitsolutions.com

Maria Irwin

DIRECTOR OF BENEFITS

maria@abenefitsolutions.com



Stefany Cordero

CLIENT BENEFITS ADMINISTRATOR

stefany@abenefitsolutions.com



Patty Riland

CLIENT BENEFITS CONSULTANT

patty@abenefitsolutions.com



Sarah Garza

CLIENT BENEFITS ADMINISTRATOR

sarah@abenefitsolutions.com

Disclaimer

This material is for general educational purposes only.

This material is not intended to be, and should not be construed as constituting, the speakers' opinions or legal or tax advice with regard to any specific case, statute or transaction.

Nothing herein shall constitute legal, tax, accounting or other professional advice by the speakers.

Any tax information contained in these materials is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or other matter addressed herein.

Each case varies depending upon its facts and circumstances.

Anyone seeking tax or legal advice should consult with his or her tax advisors.





ADVANCED BENEFIT

S O L U T I O N S

Thank You

For taking the time to join me today.