

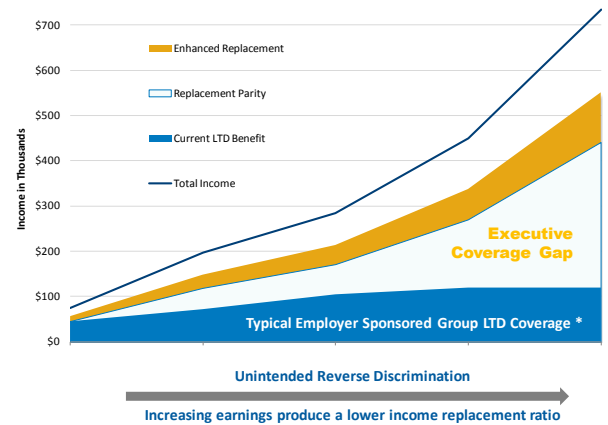
## Is GROUP LTD SUFFICIENT?

Typical group Long Term Disability (LTD) plans provide an essential foundation of coverage for your company's employees; however, they may often fall short in addressing the income replacement needs of highly compensated executives.

### The Executive Coverage Gap

During a period of extended disability, at the very time personal expenses may be escalating, traditional group LTD caps and taxable benefits can reduce the monthly benefits for highly paid employees to significantly less than 60% of their pre-disability earnings.

Additionally, group LTD plans may not cover incentive compensation or retirement plan contributions, which can constitute major components of an executive's earnings and future retirement income. These inherent issues with stand-alone group LTD coverage usually result in executives receiving considerably less benefits than other employees, with top officers potentially facing losses of 80% or more of their income.



\*Source: Gen Re, 2012 U.S. Group Disability Rate & Risk Management Survey (as reported by participating carriers)  
\*Source: Towers Watson, 2011 General Industry Benefits Policies and Practices Survey Report - U.S.

### Lifestyle and Employment Trends

For those highly compensated executives who rely heavily upon their ability to work and earn income in order to preserve their lifestyle and accumulate retirement funds, there are many factors that can widen the income protection gap:

- Medical advances have extended life expectancy, resulting in a longer life more likely to include a disability rather than early death\*
- Employees have extended their working careers, and therefore extended the need for adequate income protection
- Employers have increasingly shifted more retirement funding responsibility to executives

These trends result in a workforce under more pressure than ever to maintain uninterrupted earnings during their extended working careers. Relying solely upon a group LTD plan to meet the income replacement needs of your highly compensated executives may be insufficient, and can have significant and unintentional consequences.

## UNINTENTIONAL CONSEQUENCES

### Restrictive Language and No Ownership

Group LTD plans often have limiting contractual definitions, pre-existing condition exclusions and lack of portability or guarantees.

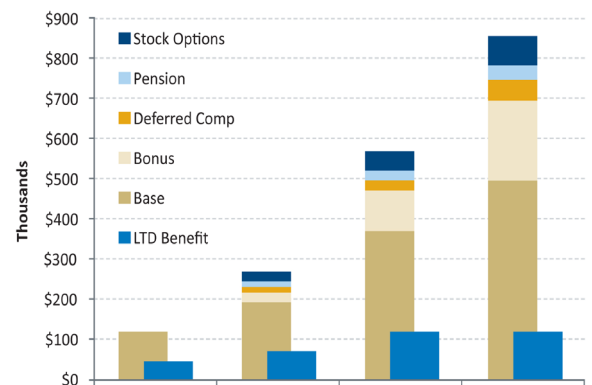
### Insufficient Retirement Savings Accumulation

Retirement funding mechanisms made available to employees would likely discontinue in the event of an extended disability, resulting in decreased investment earnings and capital loss to personal retirement plans.

### Reverse Discrimination

Coverage maximums (caps) and taxable benefits on group LTD plans adversely affect high-income participants, subjecting them to lower income replacement ratios.

Together these create an unintentional coverage gap that expands as income and compensation levels increase.



\*The 2013 Council for Disability Awareness Long-Term Disability Claims Review

## EXECUTIVE INCOME PROTECTION PLAN CONSIDERATIONS

By integrating a high-quality supplemental plan, employers can offer valuable high-earners the opportunity to significantly increase their replacement income in the event of a disabling injury or illness. A well-designed, comprehensive plan will layer and coordinate with existing group LTD plans to reduce or eliminate their inherent shortcomings for the executive population while providing considerable advantages for employer sponsors.

### Employer Advantages

- **Flexibility** to complement corporate values and maximize benefit expenditures through an abundance of plan design and funding options with peer analysis available
- **Exclusive Access** through corporate sponsorship provides your executive talent a highly regarded benefit in a way that cannot be acquired individually without medical underwriting
- **Long-Term Stability** by mitigating large-claim risk on group LTD plans and providing guaranteed premiums on supplemental coverage
- **Purchasing Power** can be amplified by discounted premiums and leveraging corporate tax deductibility of expenditures
- **Education and Appreciation** of current group LTD benefit, supplemental plans present an opportunity to improve communication and build appreciation
- **Enhanced Recruiting and Retention** of key executives
- **Ease of Administration** with MullinTBG streamlining implementation and reducing demand on your internal human resources staff

### CONCLUSION

Don't let an unforeseen accident or health issue coupled with income replacement shortfalls jeopardize the financial security of your highly compensated talent. Favorable market trends that include enhanced guaranteed issue offers, innovative new products with supplemental medical and catastrophic benefits options, and access to higher replacement ratios make now a great time to review your company's approach to executive income protection.

At MullinTBG, we can formulate and implement an integrated solution that complements corporate values, maximizes purchasing power, and presents your executive talent highly regarded institutionally priced coverage with minimal or no added costs. And with access to proprietary product solutions and leveraged provider relationships, MullinTBG is positioned to deliver our clients industry-leading product, pricing, and service.

If you're ready to begin a comprehensive review and analysis of your company's income protection plan and executive obligations, talk to one of our specialists today at 310-203-8770 or visit [www.MullinTBG.com](http://www.MullinTBG.com) for more information.

\*Source: Gen Re, 2012 U.S. Group Disability Rate & Risk Management Survey (As reported by participating carriers)