

The monthly/lump sum disability policy is a surplus lines product underwritten by Hanleigh Management Inc, Lloyd's of London Correspondent. The policy includes the following features:

- The policy will insure 75% of your net business income, minus inforce coverage, up to the maximum benefit you choose (i.e., if you make \$100,000 a month you can buy \$75,000 per month of benefit).
- Premiums are discounted for FSI Member Financial Advisors 25%.
- The definition of disability includes “**Your Occupation**” protection to age 65...the insurance company CANNOT require you work in another occupation, if you are totally disabled from your regular occupation, even if you are qualified based on your education, training, and experience. If you cannot perform the material duties of **your regular occupation** you are considered totally disabled.
- The policy is renewable every 5 years, with MGI underwriting. Premiums will go up on each renewal, the policy is not guaranteed to be renewed, and policy provisions can change on each renewal.
- Coverage has a 3/12/12 preexisting conditions limitation. This means if your disability begins during the first 12 months the policy is inforce and the disability is caused or contributed to by a preexisting condition, the disability will not be covered.

A preexisting condition means a condition for which: (1) medical advice or treatment was recommended by or received from a Physician during the 3 months period preceding the effective date of this coverage; or (2) symptoms were present during the 12 months period preceding the effective date of this coverage that would cause a reasonably prudent person to seek advice or treatment from a Physician.

- Benefits for disabilities caused by or related to mental and nervous disorders and alcohol and drug abuse are NOT COVERED.

Monthly Benefit and Lump Sum Combo

- The maximum MGI monthly benefit is 75% of earnings (net business income if you are self-employed) minus inforce disability insurance coverage, not to exceed \$10,000 per month of additional benefit.
- The elimination period is 90 days. The monthly benefit is payable for 36 months, followed by a lump sum benefit. During the monthly payment period, in order to qualify for Total Disability, you must be deemed totally disabled from your regular occupation and **not working in another occupation**.

- The monthly benefit also includes the residual disability rider. This rider pays benefits if you are working in your own or another occupation but your ability to work in your own occupation is restricted due to disability and you have a 20% or greater loss of income. The benefit payable is calculated by multiplying the total disability benefit by the percentage income is reduced. Example: If income is reduced 50%, then 50% of the total disability benefit is payable.

Example:

1. Your monthly benefit is \$10,000 per month.
 2. After 90 days your income drops to \$5,000 per month (50% income loss).
 3. The policy pays \$5,000 per month (\$10,000 monthly benefit X 50% income loss).
- After the 36 months of benefits are paid, the lump sum benefit is payable. In order to qualify for this benefit you must be **permanently totally disabled**. The lump sum benefit can bring the total benefit up to \$2,000,000 MGI. You can choose the amount of the lump sum benefit, as long as the total coverage is not in excess of 10 times your net business income.

Funding your Buy-Sell Agreement

- If you are a partner in your business and have a buy-sell agreement, the Lloyd's policy is an inexpensive way to provide the funds to buy out a totally disabled partner.
 - The MGI benefit allows partners with medical history to obtain coverage
 - Lloyd's doesn't care if the buy-sell is between family members, employees and the owner(s), or separate businesses (traditional Disability Buy-Sell won't insure these three situations)
 - Allows you to insure older partners (coverage is available up to age 69, with medical underwriting)

Is the Lloyd's Lump Sum product a replacement for my Individual DI? It Depends...

- Individual DI should be the foundation of any comprehensive income protection portfolio, for insureds age 55 and under. Lloyd's offers additional coverage on an MGI basis to insure higher income earners.
- Individual DI offers a wider range of policy features, including more comprehensive definitions of disability and guaranteed premiums and benefits until age 65.
- **However**, if you are 55 to 65 and still maintain traditional IDI coverage, you might investigate replacing it.

- ✓ Why? IDI products pay to age 65 but not less than 24 months. So, the closer you get to age 65, the lower the potential payout.

Example:

At age 55, a \$10,000 per month benefit has a maximum payout of \$1,200,000. However, every month you are not disabled, the maximum payout is reduced by \$10,000. At age 63, the maximum payout is 24 months, a total of \$240,000 in benefit.

So, your maximum payout has decreased from \$1,200,000 to \$240,000 over 8 years and your premium has stayed the same.

- ✓ The Hanleigh/Lloyd's policy has a **level benefit** for the entire 5 year term of the policy. So, if you have a \$10,000 per month benefit with lump sum of \$840,000 after 36 months (totaling the same \$1,200,000 payout as the IDI policy) this benefit is payable whether you get disabled month one of the contract term or 59 months later. It does NOT decrease as you get older.
- ✓ The drivers behind whether replacement of your IDI is a good idea are cost and health.
 1. The Hanleigh/Lloyd's policy may cost a little more or a lot more than the IDI coverage, depending on the age at which you bought the IDI. So, do a price comparison and determine if it makes financial sense.
 2. The Hanleigh/Lloyd's policy is renewable every 5 years and requires new MGI underwriting. If the MGI requirements change or your health changes you might find yourself unable to renew the policy. If you are age 60 or older this is not relevant, as most people terminate their disability coverage at age 65. If you are 55 to 59 it could be relevant.

If you are in your late 50s or early 60s, discuss this with a DSI advisor.

For a personalized premium quote and a complete summary of the program offering (including policy definitions, details of the MGI qualification requirements and underwriting rules)

click [Request a Quote for Myself](#) or call Disability Specialists, Inc. (DSI) at (888) 279-8348

(7:00 am – 4:00 pm Mountain Time).