



**Ancillary:  
Group Life & Disability**

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SPEAKER

**Janice Balay**

Ancillary  
Sales Consultant



SPEAKER

**Janet Trautwein**

Compliance and Government  
Affairs Executive

2024

# Diversify With Ancillary Products

- **Basic Life / AD&D**
- **Voluntary Life**
- **Short Term Disability**
- **Long Term Disability**



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# Group Life / AD&D



## Basic Life / AD&D

### Benefits of Group Life:



#### The need

- There are more than 100 million uninsured and underinsured Americans
- Thirty-eight percent of Americans say their household would face financial hardship within six months should a wage earner die unexpectedly — 30% would struggle financially within a month.
- 21% of those with coverage say they do not have enough



#### Enhances employer's benefit portfolio



#### Group rates are typically lower than individual coverage arrangements

# Meeting Employer and Employee Needs

## Basic Term Life Insurance

### ✔ Benefits Schedule Options

#### Flat Benefit

- \$10,000
- \$25,000
- \$50,000
- \$100,000

### ✔ Multiple of Salary Benefit

- *1 x, 2x... up to 5x Annual Earnings*
- *Up to a specified dollar maximum*
- *Guarantee issue maximums may be lower*

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# Taxation of Group Term Life Insurance

## IRS Section 79

- **IRC Section 79** provides an exclusion for the first **\$50,000** of group-term life insurance offered by an employer (employer paid)
- The cost for amounts above \$50,000 are taxable but are based on the imputed cost, calculated with an **IRS approved Premium Table.**
- Groups should consult their tax advisor or accounting professional to make sure they are compliant.



# Accidental Death & Dismemberment (AD&D)

- Typically doubles the death benefit if an insured dies due to an accident

- Benefits if beneficiary lives:

**Pays a full or a partial benefit if the insured loses a limb, vision or hearing due to an accident**

Type of Loss	Benefit Percentage
Loss of life	100% of Principal Sum
Loss of both hands or feet	100% of Principal Sum
Loss of sight in both eyes	100% of Principal Sum
Loss of speech & hearing	100% of Principal Sum
Loss of either hand or foot	50% of Principal Sum
Loss of sight in one eye	50% of Principal Sum
Loss of thumb & index finger	25% of Principal Sum

01

## Additional Benefits

- ✓ **Airbag / Seatbelts**
- ✓ **Education**
- ✓ **Repatriation**
- ✓ **Loss of Use**
- ✓ **Common Carrier**

02

## Common Exclusions

- ✓ **Self-inflicted Death / Injury**
- ✓ **Loss incurred during the commission of crime**

**Critical**

## Age Reductions

**35%**  
at AGE  
**65**

**50%**  
at AGE  
**70**

## Participation

**100% Employer Paid** → **100% Participation**

**Contributory** → **75% Participation**

01

## Life & AD&D

### Common Provisions

- ✔ Conversion
- ✔ Portability
- ✔ Accelerated Death Benefit
- ✔ Waiver of Premium

02

## Basic Life & AD&D

### Rating Methodology

- ✓ Industry
- ✓ Gender
- ✓ Age

03

### Needed to Quote

- ✓ Name (preferred)
- ✓ Gender
- ✓ DOB
- ✓ Zip Code
- ✓ Earnings (*if quoting a multiple of salary benefit*)



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# Group Voluntary Life



# Voluntary Life & AD&D

01



## Benefits

- ***Fills specific employee needs***
- ***Enhances employer benefit portfolio***
- ***Paid for by employee***

02



## Benefit Schedules

### Increments

#### Example:

- *Employee: \$10,000 increments*
- *Spouse: \$5,000 increments*
- *Child(ren): \$10,000*



### Multiple of Salary (to a Specified Maximum)

- *Employee: 1x, 2x... up to 5x annual earnings*
- *Dependents: Percentage of Employee benefit*

# Voluntary Life & AD&D

01

## AD&D Options

- ✔ **Matching Life Benefit**
- ✔ **Stand-Alone Voluntary AD&D**

02

## Guarantee Issue

- ✔ **Virgin Coverage**
- ✔ **Takeover Coverage**
- ✔ **Adverse Selection**



03

## Voluntary Life & AD&D

### Common Additional Features

- ✔ **Guaranteed Issue (Initial Enrollment)**
- ✔ **Portability and Conversion**
- ✔ **Accelerated Death Benefit**
- ✔ **Waiver of Premium**

04

### Participation

- ✔ **Minimum Lives (most common is 10+ enrolled)**
- ✔ **Participation Percentage (20% - 40%)**

# Group STD / LTD

# Statistics Concerning Disability

According to the Social Security Administration:

**1** in **5**

56 million  
Americans live  
with disabilities.

**1** in **10**

38 million disabled  
Americans live  
with severe  
disabilities.

**1** in **4**

The sobering fact  
for 20-year-olds  
insured for  
disability benefits  
is that more than  
1 in 4 of them will  
become disabled  
before reaching  
retirement age.

**34.6**  
months

The average group  
long-term  
disability claim  
lasts 34.6 months.

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## Financial Realities

78%

**78%** of Americans report living paycheck to paycheck. (Career Builder Survey, 2017)

32%

Less than **32%** stick to a defined budget and **56%** save less than **\$100** per month (Career Builder Survey, 2017)

4 in  
10

**4 in 10** adults would have to borrow or sell something to be able to pay if faced with a **\$400** emergency expense. (Federal Reserve, "Report on the Economic Well-Being of U.S. Households in 2017," May 2017)

01

## Elimination Periods

- ✓ Frequently 7, 14 or 30 days
- ✓ Split EP for injuries / illnesses 7/7 or 0/7 or 14/14 or 30/30

02

## Common Duration

- ✓ 12 and 26 weeks
- ✓ 7/7/12 or 7/7/26

03

## Benefit Percentage

- ✓ Integrated:  
60% (most common) or 66<sup>2/3</sup>%
- ✓ Non-integrated:  
20% or 30%

# STD Plan Features

01

## Benefit Maximums

✔ **\$1,000 - \$3,000** per week

02

## Rating & Participation

✔ 100% ER paid	➔	100% Participation
✔ Contributory		
✔ Voluntary	➔	20-40% Participation

01

## Elimination Period

- ✓ 90 DAY EP (dovetails with a 12 week STD)
- ✓ 180 DAY EP (dovetails with a 26 week STD)

02

## Benefit Percentage

- ✓ 50% 60% or 66 $\frac{2}{3}$ %

03

## Benefit Maximums

- ✓ \$5,000 - \$15,000

04

## Benefit Durations

- ✓ Social Security Normal Retirement Age (SSNRA)
- ✓ To age 65
- ✓ 2- 5 years

# LTD Plan Features – Definition of Disability

- ✔ Limited Own Occupation (24 months)
- ✔ Own Occupation
- ✔ Own Occupation, Specialty

Ex. 2 Year Own Occ Definition





01

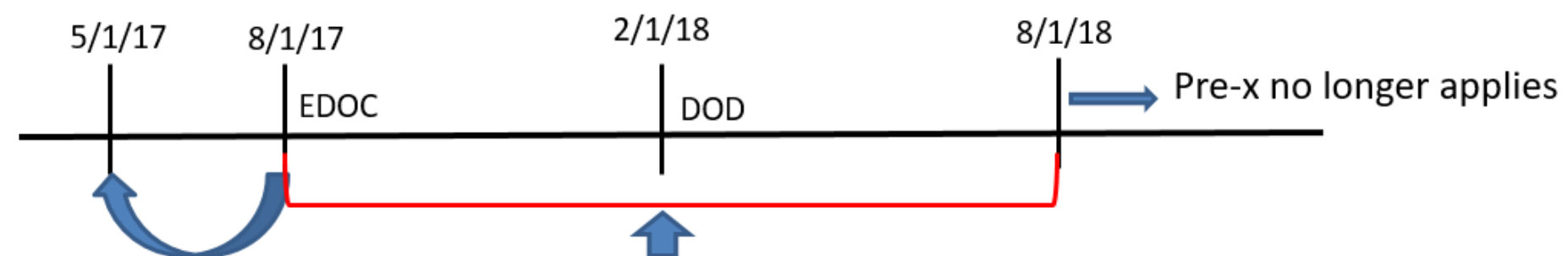
# LTD Plan Features

## Pre Existing Exclusion

**A pre-existing condition results when:**

- ✓ An insured employee received medical diagnosis, treatment or was prescribed medication in the 3 months immediately prior to his or her effective date of coverage;
- ✓ If the disability caused or contributed to by the condition begins within the first 12 months of coverage.

Ex. 3/12



3/12

6/12

6/24

12/12

12/24

## STD/LTD: Items to Consider

- ✔ **Rating:** age, gender and industry, SIC code
- ✔ **Quoting Census:** include job titles and salaries
- ✔ **Additional Executive needs**
- ✔ **Eligibility:** U.S. Employees, Expats, 1099, etc.
- ✔ **Non-Occupational vs. 24-Hour Coverage**
- ✔ **Taxability of benefits:**
  - Employer/Employee paid
  - Pre-/post tax dollars
  - Gross-up



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*Thank  
you*



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**Target Audience  
Learning Tracks**

**P = Principal**

**ML = Manager/Leader**

**B = Broker**

**AM = Account Manager**



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**B, AM**

This course is for all states  
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## May 9: Best Practices for Navigating Large Group & Mid-Market (Part 2)

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