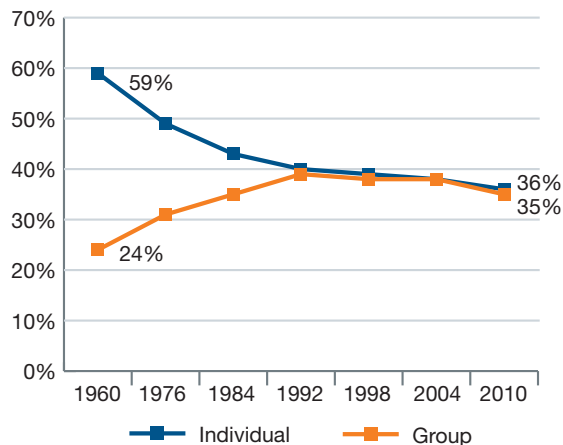


# individual vs. group

## Sales Idea

Seventy-five percent of workplace shoppers bought insurance through their employer. For many, this is the only coverage they have.<sup>1</sup>

Group coverage is on the rise as more and more employers offer group life and disability income insurance as an employee benefit. As a result, some consumers select not to purchase individual insurance and ownership of individual policies is declining.<sup>2</sup>



There are several factors that make group policies attractive:

- Process is easy and convenient
- Part of hiring process
- May not need medical exam
- Affordable initial pricing

However, relying solely on an employer's coverage without considering the hidden costs is poor insurance planning. The hidden costs include:

- Employee may not have the ability to select level of coverage
- Coverage is often limited
- Employer is owner and controls coverage

## Points to Consider when Discussing Group Coverage with Your Clients

Discuss current goals and objectives to uncover needs:

- How well is your group insurance meeting all of your needs?
- Do you see yourself changing jobs in the future?
- How would you feel if you lost your group insurance and you couldn't qualify for individual coverage?
- Does it make sense to design your insurance program without having it tied to your employer?

Continue the conversation by discussing the benefits of owning an individual insurance policy.



## Individual Life Insurance

**Flexible face amount.** Most group life coverage is often limited to 1- to 2-times base pay and capped. Supplemental coverage, if offered, requires proof of insurability and is payable by the employee. An individual life policy allows your client to purchase the right amount of coverage to meet their needs.

**Product flexibility.** If your client purchases an individual life policy, they have both term and permanent policies to choose from, giving them the ability to purchase the type of product that helps them reach their goals.

**Policy customization.** Many different types of riders are available on individual policies which provide your clients with options. For example, life insurance with an accelerated death benefit rider can help ease the financial strain of a serious medical condition by providing an advance of the policy death benefit while the insured is still living.

## Individual DI Insurance

**Fills the coverage gap.** Most group disability coverage provides only a percentage of basic earnings, usually sixty percent, and is capped. It excludes potential bonuses or commissions. Additionally, benefits from employer-paid group coverage are taxable upon receipt. That would leave your client with just forty-five percent (or less) of their income. An individual disability income (DI) policy can significantly improve the income replacement ratio.

**Tax-free benefits.** The benefit paid on an individual DI policy is received tax-free when the premium is paid with after tax dollars by the employee.

**Coverage is portable.** Individual policies are portable so if your client leaves their employer, they can keep their policy.

### Flexibility in coverage.

DInamic Foundation

- Offers a Noncancelable and Guaranteed Renewable policy which provides rate guarantees not available with a group policy

- Many different types of riders are available which provide your clients with higher quality protection that is not available on group policies. For example, the Cost of Living Adjustment Riders increase the total monthly benefit to offset the effects of inflation. The Catastrophic Disability Rider pays an additional benefit if a person cannot perform two of the six Activities of Daily Living.

DInamic Fundamental®

- Guaranteed Renewable individual policy that is a more affordable option for middle income earners, self-employed workers and dual income families
- Provides a single lump sum (or equal payments for six months) benefit
- No elimination period provided the insured survives the first 30 days of the disability
- Simplified underwriting process

## Reward and Retain Key Employees

If your client is an employer, individual policies can be used to reward and retain key employees.

### Life Insurance

Funding Nonqualified Deferred Compensation and Executive Bonus Plans with individual life insurance provides several advantages:

- Life insurance provides a pre-retirement death benefit to protect the employee's family
- At retirement, policy cash values may be used to supplement the employee's retirement income<sup>3</sup>
- Life insurance provides post-retirement death benefits to maximize and protect the employee's estate

*See the Insure Against Business Risks sales idea for more information.*

### DI Insurance

There are few group DI plans available for small, closely held businesses. Individual DI policies can provide the owner and key employees with a valuable benefit. A formal salary continuation plan funded by DI insurance helps the employer avoid key tax issues and other potential liabilities.

*See the Salary Continuation Planning sales idea for more information.*

Since Group DI policies often have a maximum monthly benefit and do not cover variable compensation such as commissions and bonuses, an even lower income replacement ratio may result for high wage earners. An individual policy in conjunction with an underlying group plan can significantly improve income replacement ratios. In addition, by using a Guaranteed Standard Issue program:

- The employer can choose the program design and who it will cover
- Qualifying applicants will receive policies that are individually owned and portable
- Administration is eased through simplified underwriting

*See the Increase Sales with GSI sales idea for more information.*



<sup>1</sup> LIMRA, "Emerging Risks in the Marketing and Distribution of Life Insurance and Annuities", 2012.

<sup>2</sup> LIMRA, "Person-Level Trends in U.S. Life Insurance Ownership", 2011

<sup>3</sup> Tax law permits a policy owner to withdraw life insurance policy cash values up to the policy owner's basis or investment in the contract without income tax consequences. Withdrawals and loans will reduce the available death benefit. Withdrawals beyond basis may be taxable income. Excess and unpaid loans will reduce policy value and may cause the policy to lapse. If a policy lapses, unpaid loans are treated as distributions for tax purposes. For more information about the tax results of life insurance, consult your attorney or tax advisor.

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