

M INTELLIGENCE

INDIVIDUAL DISABILITY INSURANCE: EMPLOYER-SPONSORED IDI

INCOME PROTECTION IS CRITICAL IN THE EVENT OF A DISABILITY

Employers and employees share a mutual interest in ensuring that an employee is protected if they become sick or disabled. Employers will attract the best talent if employees know there is a safety net if a severe accident or extended illness occurs. Employees can rest easy knowing that sufficient income will be available to help them avoid the devastating financial consequences of a debilitating life event. Know that:

- The risk of disability is high: Disability is far more likely than premature death. More than one in four employees will experience a disability lasting 90 days or longer before retirement age, and accidents are not the biggest culprit¹.
- Disability insurance protects a worker's greatest asset: The ability to work, earn an income, and save for the future.
- Social Security Disability with limitations and strict benefit qualifications is not guaranteed and is often insufficient.
- Income protection coverage helps maintain one's lifestyle when needed the most, and places focus on recovery, not financial stress.

Result: A comprehensive income protection program provided by an employer can offer employees important coverage to protect their financial plans and keep future goals intact.

GROUP LONG-TERM DISABILITY INSURANCE (LTD)

- Employer-provided group LTD insurance offers an excellent foundation for employees but is often insufficient to meet the income protection needs of high earners.
- Coverage as provided terminates when employment with the employer ends.
- Group LTD plans typically do not protect incentive compensation such as bonus and commission.
- Benefits are generally taxable at the time of claim further reducing the percent of income replaced.
- Premiums for group coverage are inherently volatile and can be difficult to manage over time. One claim on a highly compensated employee can dramatically increase rates, potentially impacting employees if they contribute to premium, and causing frustration to employers at renewal time.

Result: Individual disability insurance coverage may be necessary to address unintended gaps in coverage.

Comprehensive Income Protection

Individual Disability (IDI)

Group Long Term Disability (LTD)

¹ Council for Disability Awareness 2024

EMPLOYER-SPONSORED INDIVIDUAL DISABILITY INSURANCE (IDI)

- Individual disability policies are a permanent form of coverage offering premium and benefit guarantees, and in coordination with group LTD, can achieve higher levels of coverage and reduce the premium volatility of the overall plan.
- Employer sponsorship is the most efficient and cost-effective way to obtain individual income protection coverage.
- Offered Plans: Restoration plans (supplement group LTD to achieve desired income replacement for all eligible employees), or executive benefit plans (supplement group LTD for key employees), or Individual DI-only plans.

Result: Customizable plans can complement existing coverage and an employer's benefit philosophy.

EMPLOYER-SPONSORED ADVANTAGES (VS. INDIVIDUAL PURCHASE)

- Guaranteed Standard Issue: Plans with three or more participants in a defined employee group based on occupation or income-level, require no invasive medical or financial underwriting.
- Due to a broadened spread of risk, deep multi-life premium discounts are available that are not typically available on individually purchased coverage, reducing the cost of insurance.
- Policies are issued with gender-neutral rates, unlike individually purchased gender-specific plans where males typically pay less than females, making employer-sponsored coverage more beneficial for women.
- Policies are fully portable with the same benefits and at the same discounted premium should the policyholder leave the employer.

Result: Individual disability insurance is most efficiently delivered through employer-sponsorship.

EMPLOYER-SPONSORED IDI IS A KEY BENEFIT THAT ENHANCES FINANCIAL SECURITY.

To learn more, please contact your local M Financial Member Firm.

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