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Individual Executive Benefits



How would your organization respond to a disabled senior executive whose benefit entitlement was significantly limited due to the group insurer's inability to accommodate their intended coverage?

- The Canadian group insurance market has provided very limited increases in benefit levels over the last decade and typically insures only a portion of an executive's total compensation;
- Insurers limit the coverage for executives who have either high incomes and/or derive a large portion of their income from performance-based earnings (i.e. bonuses, other incentive compensation arrangements, and commissions); and
- As a result, many of these programs are not able to provide the organization's most senior employees the intended benefit levels offered to all other employees.

Organizations commonly take one of two approaches when providing supplemental coverage to their group insurance programs:

- 1) To make their executives "whole" with other employees by implementing coverage based on the benefit formula to which all other employees are entitled; or
- 2) To deliver a more comprehensive benefit program that recognizes executive compensation structure and seniority within the organization.



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IAG will work closely with your senior human resources staff to understand your company's philosophy, provide guidance on industry trends, and give feedback on the competitive position of your life and disability program. This will entail a review of your:

- Plan design;
- Contractual benefit limits;
- Contractual provisions and definitions; and
- Unfunded employer liabilities in which benefit entitlements have been stipulated in employment agreements.

IAG offers solutions that meet the benefit objectives for your organization's senior executives by:

- 1) Creating more innovative executive benefits as part of an overall benefit plan; and
- 2) Helping to protect, reward, and retain your senior executives.

Disability Income Replacement Ratios

The following example illustrates the impact of a group plan's maximum LTD limit on an executive's income protection.

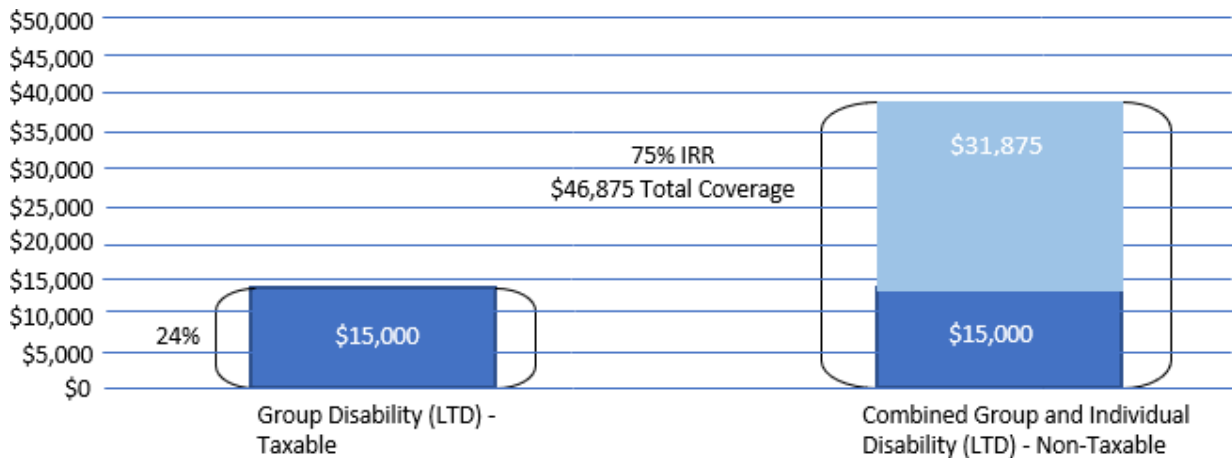
Total annual gross earnings	\$750,000
Salary (insured earnings, excluding bonus earnings)	\$500,000
Bonus	\$250,000
Monthly gross earnings	\$62,500
Maximum group disability benefit (taxable)	\$15,000
Pre-tax income replacement ratio	24%
Target Benefit assuming 75% taxable income replacement ratio	\$46,875
Shortfall in disability coverage	\$31,875

Disability Program Structures

One Executive: Top-up Supplemental Policy

- Personally owned, non-taxable coverage; and
- Employer reimburses executive for premium

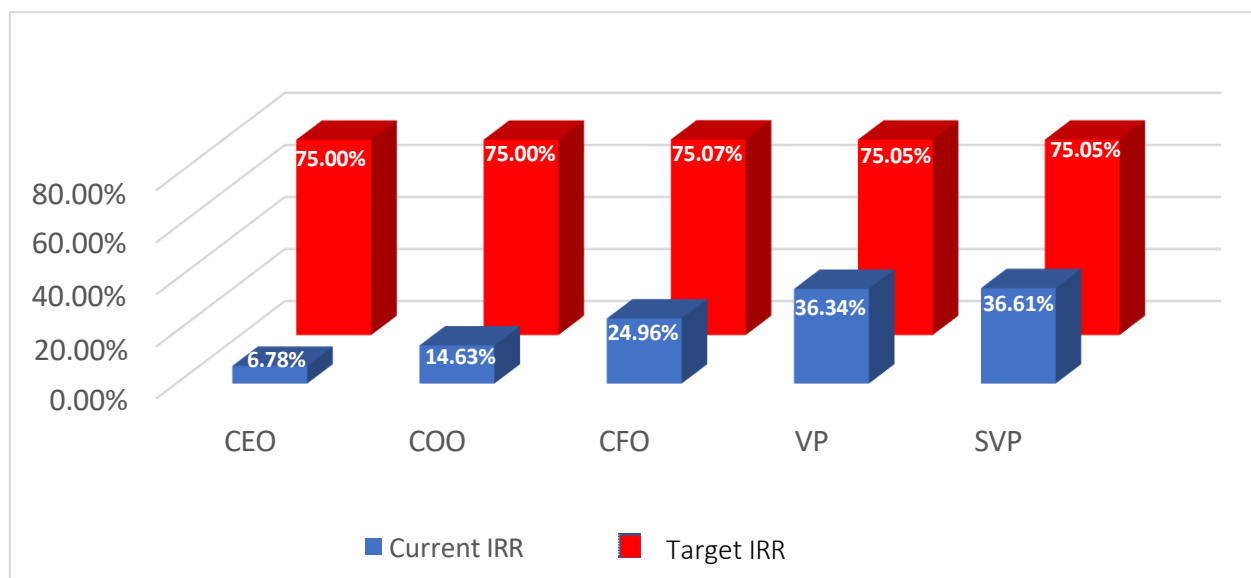
Income Replacement Ratio



Two or More Executives: Wage Loss Replacement Program (WLRP)

- Premiums are tax-deductible by the employer, although not a taxable benefit to the executive;
- Premium discounts of up to 25 percent; and
- Must be provided to all eligible executives of a defined class

Income Replacement Ratios





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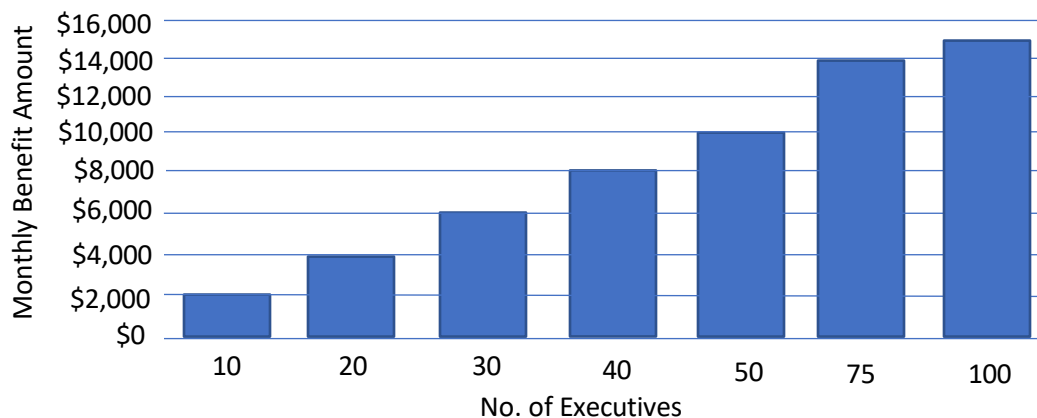
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Larger Executive Groups: Guaranteed Issue Coverage

- Benefit levels for groups of 10 or more with only two qualifying questions;
- Premium discounts of up to 25 percent;
- Monthly benefits available up to \$25,000 (based on the number of insureds); and
- Claims on individual contracts do not impact Group LTD claims (insulating your program in the event of poor claims experience)

Guaranteed Issue Benefit



Executive Life Insurance

- A group plan's formula routinely provides for a multiple of earnings to a maximum overall benefit;
- The definition of insured earnings often excludes bonus or incentive income;
- If additional coverage is available, it will require medical underwriting;
- Individual term insurance offers minimum guaranteed premium terms of 10 years, enhanced contractual provisions, and full portability;
- Individual term rates have experienced significant rate reductions for the last 10-20 years; and
- Costs are now often equal to or below those of group optional life programs.

IAG's experience in the Executive Benefits marketplace spans over hundreds of clients and 40 years of advisory work. Our approach is to bring strategies and practical solutions to our clients' needs. For more information, please contact an IAG Advisor today.

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