



LOAN INDEMNIFICATION
DISABILITY INSURANCE



PETERSEN
INTERNATIONAL UNDERWRITERS

Why Disability Insurance

When a bank lends money to a business, the lender will usually require the borrower to provide proof of disability insurance equaling the amount of the loan payments. This insures the lender that should the borrower become sick or hurt, the loan repayment will continue. The preferred solution for this type of requirement would be to prescribe disability insurance that would pay the monthly loan payments and/or pay-off the remainder of the loan balance, while not interfering with the borrower's personal disability insurance.

Most often, a traditional Business Overhead Expense insurance plan benefit periods are too short to satisfy the loan. Additionally, while it may be advantageous for the bank, asking an individual to assign his or her personal disability benefits to the bank would leave the insured's family seriously vulnerable financially.



Loan Indemnification Disability Insurance

Business Loans can be structured in a number of ways including:

- SBA Loan
- Working Capital Loan
- Commercial Real Estate Loan
- Merchant Account Cash Advance
- Start-up Loans
- Franchise Start-up Loan
- Business Acquisitions
- Line of Credit
- Equipment Financing
- Construction Financing
- Business Only Loans

The goal of the Loan Indemnification Disability Insurance plan is to satisfy the lender's insurance requirements so that the loan can close without any delays. Loan Indemnification Disability Insurance provides customized benefits tailored to the stipulations of the loan agreement. Benefits are designed to cover 100% of the monthly or lump sum loan payments.



Definition of Total Disability

Our definition of total disability is a true “own occupation” definition.

Total disability means that solely due to sickness or an injury, you are not able to perform the substantial and material duties of your occupation, even if you are at work in another occupation.

Your occupation means the occupation (or occupations, if more than one) in which you are gainfully employed for the majority of the time during the 12 months prior to the time you become disabled. If you have limited your occupation to the performance of the substantial and material duties of a single specialty, underwriters will deem that specialty to be your occupation provided that your industry widely recognizes that occupation as a specialty.



Benefit Payments

Monthly Benefits

Monthly benefits will commence following the elimination period and will be paid for as long as the total disability continues, but no longer than the benefit period. In the event of multiple separate claims, each claim will have a full benefit period eligibility.

Lump Sum Benefit

A lump sum payment will be paid if the insured person is permanently totally disabled. This benefit is often thought of as the career ending benefit to recoup the loss of future earnings. Benefits can be up to ten times annual income.

Optional Riders

Residual Rider

In some cases, an illness or injury does not cause a total disability, but it can limit your ability to work which can lead to a decrease in income. The optional Residual Rider will pay a monthly benefit if your income is reduced by at least 15% due to an accident or illness. If income is reduced by at least 80%, then the full monthly benefit will be payable.

Prime Flex Loan Adjustment Rider

Some loans are linked to variable interest rates which can make the monthly payment amounts fluctuate. The Prime Flex Loan Adjustment Rider helps take care of this problem by allowing the monthly benefit to increase up to 120%.

Disability Basics

Term of Insurance

Term of insurance is the period of time that the policy is non-cancellable. The terms of the policy nor the premium can be altered by the insurance carrier, provided you pay your premium on time.

Elimination Period

Elimination period is the time which must pass after the date of the injury or sickness, prior to the loss payee receiving benefits. A variety of elimination periods are available.

Benefit Period

The benefit period is the number of months that benefits are payable during a period of disability. Benefit periods may range from one month to 120 months.

Loss Payee

All disability benefits from the policy will be paid to the designated loss payee.

Owner

Owner or policy owner is the person or entity that has the right to request modifications to the policy.

New Term of Insurance

A new term of insurance may be offered at the expiry date, subject to underwriting.

Premium Mode

Premium payments may be made on a monthly, quarterly, semi-annual, annual or single premium basis. All premium payments are available on an electronic transfer or credit card deduction. And certain premium modes may be paid by check.

Grace Period

A grace period of thirty-one days applies to any premium installment payment.

Waiver of Premium

Following the initial premium payment, if you become totally or residually disabled for more than 90 days, the policy will waive any future premium amount due, for as long you remain totally or residually disabled.

Policy Provisions

Presumptive Disability

If due to a sickness or injury you have totally lost: the use of both hands, or both feet, or one hand and one foot, or the sight of both eyes, or the hearing of both ears, or the ability to speak. The elimination period will be waived. The monthly benefit will be paid for the entire benefit period or as long as the loss exists.

Rehabilitation Benefit

We may offer financial assistance for a rehabilitation program if we are paying benefits under this policy and if we approve the program in advance. The terms of a rehabilitation program, related expenses and total disability benefits during this program, will be subject to mutual agreement.

Survivorship Benefit

If at the time of death you were receiving monthly benefits, we will pay a survivorship benefit equal to three times the monthly benefit.

Transplant Benefit

If you donate an organ after the policy has been in force for at least six months, any total disability resulting from the surgery will be considered an illness.

Recurrent Disabilities

If after a period a total disability you return fulltime to work and within six months you are once again totally disabled, you can elect to continue the previous claim without the need for a new elimination period or choose to have a new elimination/benefit period. Once a period of six months has elapsed from returning to work, any new claim will have a new elimination and benefit period.





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This is not intended to be a complete outline of coverage. Actual wording may change without notice. Underwriters reserve the right to modify terms and conditions at time of underwriting.

