

# DISABILITY INSURANCE CONCEPTS

## COMPREHENSIVE DISABILITY PORTFOLIO

Now more than ever, Disability Insurance has become an essential part of financial planning. People are living longer and the things that used to cause death are now more likely to cause periods of disability. According to the Social Security Administration one in four 20-year-olds will eventually suffer a disabling injury or sickness lasting 90 days or more. These statistics are expected to increase as we continue to improve our treatment of the most common diseases.

With the advent of specific products designed to address business and employee benefit needs, Disability Insurance Solutions have expanded to become more than just individual income protection.



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# Personal Needs



## Individual Disability Income insurance

### Individual Disability Income policy

A personal disability income policy replaces a portion of income when an individual becomes sick or injured and cannot continue to work. This type of policy offers various riders allowing flexibility to design a solution to meet the specific needs of an individual. For example, elimination periods can be set-up for 30, 60, 90, 180, or 365 days. Also benefit periods can be set-up for 2 or 5 years or up to age 65, 67, or 70. Typically these policies are paid for with after tax dollars therefore benefits are tax free.

### Retirement Security Policy

Unfortunately, many people stop funding their retirement

when they become disabled. With a Retirement Security Policy an individual can ensure a portion of their retirement plan continues during a period of disability. This type of policy is individually owned and thus fully portable. When a claim is made, benefit dollars move from the insurance company into a Trust with investment products. The policy holder then chooses an asset allocation and risk tolerance. The Trust grows, tax-deferred, until age 65, at which point the money can be released. The policy holder can receive funds on an annuity basis or in a lump sum distribution. Elimination and benefit periods are similar to Individual Disability policies. Upon withdrawal, the policy holder does not pay taxes on the accrued benefits but will pay taxes on the gains.



## DI Retirement Security



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# Business Needs

## Business Overhead Expense Policy (BOE)

A BOE policy provides benefits for small to medium sized businesses to cover overhead expenses and keep the business viable during a period of disability. It is designed for those business owners whose personal service is key to the continued success of the business. The advantage of this type of policy is that it ensures that a business can remain open and maintain goodwill with customers, vendors and creditors until such time as the owner can return. In the event the owner cannot return, the policy can help to mitigate depreciation of the business' value for the purpose of a sale. This is a reimbursement policy that offers 30, 60 and 90 day elimination periods and 12, 18 and 24 month benefit periods.

### Overhead Expense Insurance

Reimburses a business owner for everyday expenses

- Rent
- Utilities
- Payroll

### Business Loan Protection Rider

Helps a business owner continue to make payments on business loans

- Equipment lease or purchase
- Practice or Business Purchase
- Business Startup

### Key Person Replacement

Lump Sum benefit for owner/non-owner keyperson

### Disability Buy-Out Insurance

Funding for Disability Buy/Sell

## Key Person Policy

This policy protects small to medium sized businesses from the loss of critical employees in the event of a total disability. A critical or "key" person need not be one of the owners. A key person is typically responsible for management decisions, is highly paid, has a significant impact on sales or may have a special rapport with customers or creditors. The advantage of this policy is that it can help demonstrate financial stability in the face of a catastrophic loss. The benefits are generally tax free and paid out after 180 days. The funds can be used at the company's discretion.



## Disability Buyout or Buy/Sell Policy (DBO)

The objective of a DBO insurance policy is to provide a funding mechanism for a buy-sell agreement in the event of a disability. A buy-sell agreement ensures the orderly transfer of a business interest in the event of an owner's death or disability. Most business owners establish a buy-sell agreement but either fail to fund it or only fund it for the event of their death. A DBO product ensures proper funding for reimbursement of money paid for the purchase of an owner's interest in a business in the event of a long term disability. It also provides the non-disabled owner(s) reimbursement for buyout expenses (e.g. legal expenses). These policies can be issued on an entity basis or on a cross-insured basis (two owners insure each other). We often recommend a combination of Key Person and Buy/Sell in order to maximize the financial stability of a company and give the owners ample time to set up the next steps in case the disability is going to be a long term event. Premiums are not tax deductible and the benefit dollars are receive tax free but there could be a capital gains tax.



# Employee Benefit Needs



## Employee Benefit Needs

More and more individuals look to their employer to provide benefits to help them manage health, life and disability insurance needs. By customizing solutions specifically for Employee Benefits needs there are significant discounting and underwriting concessions that are available.

For Executive carve out and large voluntary benefit cases Individual Disability Income policies can be secured on a Guaranteed Standard Issue (GSI) basis meaning that policies are issued with no ratings or exclusions for pre-existing conditions.

In many cases for small to mid-sized business a Simplified Issue approach is used which limits the underwriting to a short telephone interview with no need to complete medical exams or other additional



medical underwriting requirements. This is an expedited underwriting approach that provides quicker turnaround than the traditional underwriting process.

All of these programs include significant premium discounts and unlike most group policies these insurance contracts are fully portable to any job an individual engages in over the course of their career.

As you can see there is no better time to include Disability Insurance Solutions into Financial Planning and Fortify Insurance Group is here to make it easy and effective. By representing most major Disability Insurance carriers Fortify Insurance Group provides a truly objective to approach to the available solutions to help you find the product and company that fits your planning needs best at the lowest possible premium.

To learn more about these Comprehensive Disability Insurance Solutions contact a Brokerage Consultant at 203-226-4077 or visit [www.fortifyinsurance.com](http://www.fortifyinsurance.com)

To submit case information visit Fortify's secure Request for Proposal system at <https://members.fortifyinsurance.com/forms/quoteme>



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