



## Supplemental Long Term Disability: Should Supplemental Long Term Disability Insurance be a part of your executive benefit strategy?

### **The problem...**

- Long Term Disability (LTD) insurance is designed to replace an executive or employee's income in the event that they become disabled due to an accident, injury or illness.
- Inadequate Long Term Disability insurance is one often one of the most frequently overlooked, but most potentially damaging issues for executives and high income earners in Canada.

The primary reasons for this are that:

- 1) Traditional group LTD plans have coverage maximums that limit the amount of benefit that an executive or employee can receive, regardless of how much income they earn.
- 2) Most group LTD plans do not insure any form of incentive compensation such as bonuses. Where an executive has a significant amount of their compensation from incentive compensation such as a bonus; a significant portion of their income may not be insured.
- 3) Individuals who work beyond age 65 typically lose their Group LTD benefits under the plan's contractual terms.

### **Are your executives or other high earners at risk?**

Is your management team underinsured, or would they suffer a disproportionate loss of their income in the event that they were to become disabled due to an accident, injury or illness?

Marsh Canada's Individual Insurance Services can help you to assess whether your organization has an issue, the extent of the issue, and provide recommendations that will address both your organization's business risk and the executive's personal risk surrounding a long term disability.

A supplemental LTD program may be designed that makes the executive's coverage 'whole' on the basis of salary only, or base salary plus incentive compensation such as bonus. A supplemental benefit may be implemented for one executive or many.

This product is medically and financially underwritten. Marsh's Individual Insurance Services Practice will assist you to identify if there is an issue and if an issue is identified, provide recommendations how to address it.

### **To learn more, please contact:**

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## Key Person Insurance – Protecting key human assets

### The problem...

- Key executives spend considerable time and effort acquiring the knowledge, experience, relationships and skills that make them valuable to the organization.
- When a key employee dies, suffers a critical illness, or becomes permanently disabled, the organization loses a key member of the team and this can have a severe impact on the organization.
- With educational organizations, key persons are often senior management, senior fundraisers, professors or specialists that can influence funding or revenue, or hold intellectual capital or relationships that cannot be easily duplicated or replaced.

### What is Key person insurance?

Key person insurance is a policy that covers the death, critical illness, or permanent disability of a key employee.

- The proceeds from the policy are payable to the organization.
- The availability of these proceeds, along with a viable transition plan, can replace lost revenue, help assist with the cost of replacing the key person, allow for major capital programs to continue without delay and reassuring employees and suppliers.
- The value of these benefits often far exceeds the cumulative cost of the insurance.

Marsh's Individual Insurance Services Practice will work with you to determine the appropriate amount of key person insurance, conduct an unbiased assessment of a broad range of competitive insurance carriers, and streamline the application process so that you can concentrate on running your organization.

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## Disability insurance for employees who lose their Group LTD coverage due to age

### The problem...

- Executives and employees are working beyond 'normal retirement age' more and more often. This is partly due to legislative changes that are steadily moving away from 'mandatory retirement' ages in the workforce; and, the impact the economy has had on the long term financial planning of Canadians.
- The executives/employees who are working beyond age 65 are often highly valued. Their continued participation in the work force allows their employer to continue to benefit from their experience, knowledge and expertise.
- There is either an employment agreement or simply a preference of the organization to continue providing benefits for the valued employee. However, most group benefit contracts discontinue disability (and sometimes life) benefits once an employee reaches age 65.
- This leaves the employee with limited or no protection in the event of illness or injury. Even if that injury occurs while in the process of completing their duties for the company.

### LTD – Beyond age 65?

LTD is available for individuals who cannot be covered by your organization's group LTD program. Marsh's Individual Insurance Services practice offers disability products that can:

- Simulate the LTD benefits that were lost under the group LTD program in terms of benefit amount, waiting period and definition of total disability.
- The plans may provide coverage for disabilities caused by accident or illness.
- The coverage is subject to medical and financial underwriting.
- This 'top-up' may be implemented for one executive or many.

Marsh's Individual Insurance Services Practice may assist your organization to identify ways to meet the requirements of employment agreements that include benefit offerings beyond age 65.

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## Disability insurance for employees who lose their Group LTD coverage due to job termination

### **The problem...**

- Most employees rely solely on their group LTD benefit for their income protection needs. In the event of job termination, group LTD coverage usually ends on the last day worked. In addition, the out-placed employee is not eligible to purchase regular individual disability insurance because they are no longer employed.
- Recent legal cases suggest that employers may have a legal obligation to continue all benefits, including disability coverage, for the full severance period for terminated employees.

### **LTD for employees in transition**

LTD coverage is available for employees who will lose their group LTD coverage as a result of job termination.

- This coverage allows terminating employees to protect themselves against the potentially catastrophic consequences of a long term and possibly career-ending injury or illness.
- It can provide peace of mind until the individual is re-employed and covered elsewhere, or has an insurable track record from self-employment and can qualify for regular disability coverage.
- This product is medically and financially underwritten. It may be purchased directly by the employee, or by the employer. By providing this benefit as part of a severance package, the employer may be protected from potential liability if the employee were to suffer a serious illness or injury during their notice period.

Marsh's Individual Insurance Services Practice will work with you or the terminated employee to apply for this coverage and secure the protection it may provide both the terminated employee and the organization.

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