



BROKERAGE NEWS

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by Producers, for Producers

MEDICAL RESIDENT SEASON

Why Spring is the
Season to Talk to
Graduating Medical
Residents

Now is the Time to
Reach Medical Residents

THE INADEQUACIES OF GROUP LTD

Understanding the
Shortcomings of
Group Coverage

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Q1 2018

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Spring is the time to advise medical residents on the benefits of protecting their future income before graduation.

Medical Resident Season

In the income protection industry, this time of year is also known as *Medical Resident Season*. Each spring, well-advised medical residents across the country purchase disability insurance to protect their future income as they prepare to graduate and enter practice. They understand that purchasing coverage before graduation offers many key advantages.

Some of these key advantages include:

- **Career-spanning Discounts** There are discounts that can only be taken advantage of during a residency program – they become unavailable upon graduation. These discounts are **permanent** and apply to additional coverage that may be obtained using future purchase options or automatic benefit increases. Truluma has established discounts with numerous medical schools across the country that are available to you and your clients. Some of these schools include:

Duke University Health System	San Antonio Military Medical Center
Harvard Medical School	University of Washington Medical School
Johns Hopkins University	University of Texas
Oregon Health & Science University	University of New Mexico

- **Streamlined Underwriting** The majority of carriers will allow medical residents to obtain coverage through a simplified process that only requires a short-form application without the need for financial documentation or labs. This streamlined application process fits the busy schedules of medical residents, making residency the perfect time to apply.
- **Locked-in Insurability** A properly designed income protection program grows with the resident and allows the purchase of additional coverage for the balance of the resident's professional career, all while avoiding medical underwriting. Additionally, the cost of coverage will never again be lower than it is in residency.
- **No Limitation for Group LTD** Most carriers will provide up to \$7,500 of monthly benefit, regardless of any group coverage the resident may have. After graduation, these same carriers will take employer-provided Group LTD into consideration, which often lowers the amount of individual coverage available.

Right now is the perfect time to start talking to medical residents about protecting their future income and the key benefits of obtaining disability insurance before graduation. Be sure to contact our office for a complete list of discounted programs.

Inadequacies of Group LTD

Many employers provide valuable Group Long-term Disability (LTD) coverage to their employees. The monthly benefit this coverage provides is a great foundation for building an income protection program, however the group plan, on its own, may not provide adequate coverage in the event of an injury or illness.

By design, Group LTD plans typically protect up to 60% of an insured's base salary and usually have a monthly benefit cap in the range of \$5,000 to \$10,000. Additionally, if the Group LTD premiums are paid by the employer, the benefits received are considered gross income and therefore subject to regular income taxes. The actual benefits received from a Group LTD plan can be far less than you might think. As an example, assume an annual income of \$80,000, a 28% tax bracket, and a Group LTD benefit of 60% up to \$5,000 per month. In the event of a claim, the insured would receive \$2,880 per month after taxes, or *only 43% of their gross earnings*. Not many people can afford to take that type of pay cut!

Highly compensated individuals need to be especially wary of Group LTD plans, as they will often find that their earnings exceed the LTD's built-in monthly payment cap. This results in a plan that effectively discriminates against the highly compensated. Think about it this way: a Group LTD plan that covers 60% of income with a \$10,000 per month benefit cap is *only protecting 40% of a \$300,000 annual salary..... Ouch!*

It's also important to note that some Group LTD plans often don't cover bonuses, incentive compensation, or earnings from a K-1. They are also offset by any benefit received from Social Security or workers' compensation, all which further reduce the total benefits received. Owners of S-corps and individuals who receive incentive compensation need to be especially aware of this potential shortcoming.

Lastly, Group LTD plans can limit the time benefits are paid to just two years if the insured cannot perform his or her job duties. Thereafter, insureds need to prove they can't perform the main duties of any job for which they can be expected to do, based on their training, education, or experience in order for benefits to be paid. Finally, group coverage is typically not portable, meaning

that insureds cannot take the coverage with them should they decide to change jobs.

Group LTD can provide the foundation for building a comprehensive income protection plan. Supplementing group coverage with individual disability insurance helps fill Group LTD's income protection gaps by providing tax-free benefits, increased benefit amounts, no benefit offsets, strong contractual language, and portability.

Be sure to watch our consumer-friendly video that offers concise details about the shortcomings of Group LTD. Find this valuable resource on our website at www.truluma.com/video-groupltd. We also encourage you to contact our Marketing Department to request an informative white paper that covers these inadequacies in depth and provides you with effective strategies to offset their disadvantages. Request your copy by emailing jenny@truluma.com. As always, feel free to call our office for more information on how to design income protection plans around Group LTD.

Contact us for an informative white paper

This exclusive resource covers the depth of inadequacies in Group LTD Contracts and provides you with effective strategies to offset their disadvantages.

Inadequacies of Group LTD
an Informative White Paper from Truluma

*Click here
to request
your copy*

Bringing income protection to light
877.455.9580 | info@truluma.com
Seattle Portland Spokane Albuquerque
truluma.com



VIDEO RESOURCE: Click above or find our consumer-friendly video resource about the Inadequacies of Group LTD on our website: www.truluma.com/video-groupltd



Seattle Corporate Office

1702 North 34th Street
Seattle, WA 98103

877.455.9580 toll free
206.633.2922 phone
206.632.3838 fax

LOCATIONS

Albuquerque, NM
505.796.4441

Portland, OR
503.928.4096

Coeur d'Alene, ID/Spokane, WA
208.712.4294

truluma.com

info@truluma.com

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Carrier Updates, Q1 2018 Find more details about each of the updates below, along with all of our real-time industry news in the News section of truluma.com. Be sure to *subscribe to our monthly e-News, delivered right to your inbox, by [clicking here](#)*.



Ameritas

Ameritas made changes to their IDI & BOE applications. Please contact our office for the most updated versions.



Assurity announced new, disability income underwriting enhancements for government employees, as well as a 20% income enhancement for business owners. These changes are effective March 1, 2018, and will be available in their illustration software April 1, 2018.



ILLINOIS MUTUAL®

Illinois Mutual announced a Q1 Cash-in Incentive on DI Sales for 2018. Active agents can earn up to \$900 by reaching Q1 sales goals.



Mutual of Omaha

Mutual of Omaha now offers customers online access to their underwriting lab results from CRL or ExamOne.



Principal

Principal launched two new enhancements to improve IDI business, including an ePolicy and a Multi-Life Resident Discount. Also in Q1, Principal enforced the use of their new applications in most states for individual life and disability new business, adjustment and/or reinstatement, and TeleApp.



The Standard simplified their IDI application process by offering a single, downloadable file to access all fully underwritten IDI forms needed. Additionally, they've streamlined the application process for their Platinum Advantage GSI, to make GSI case enrollment easier. Also in Q1, The Standard began offering its Platinum Advantage IDI products in the state of Florida.

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