

# Holes and Plugs

*“Excuse Us for Mentioning It,  
But Your Clients Disability  
Coverage May Have  
Serious Financial Holes”*

*Here are some great plugs!*

*Unique Disability Products  
for  
Insurance Professionals*



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# Personal Disability Uses

## Supplemental Disability

**The Hole:** Looking at the Issue and Participation limits from the traditional markets, reverse discrimination begins to take place as annual incomes approach \$150,000 - \$200,000. Meaning that an inadequate amount of coverage is provided by the traditional market.

**The Plug:** Supplemental personal disability insurance to allow participation with existing coverage up to 65% - 75% of income. Issue limits from PIU of \$100,000 per month or more are available.

## Flexibility

**The Hole:** Income is derived from Capital Gains and not W-2 or 1099 income. Traditional Carriers tend to pass on this.

**The Hole:** High net worth gives the traditional market ulcers and they normally decline such cases.

**The Hole:** Unusual high levels of unearned income is frequently the basis for declinations from the traditional markets.

**The Plug:** None of these issues normally present a problem for PIU.

## Occupation

**The Hole:** I have an actor, a singer, a musician, a composer, a dancer, a flight attendant, a martial arts instructor, a merchant marine, a police officer, a stunt man, a writer, an offshore oil well worker, a civil employee, a miner, a fisherman, a pilot, an air traffic controller, an artist ...occupations not typically considered by traditional markets.

**The Plug:** PIU of course!

## Age

**The Hole:** Seniors have a difficult time obtaining disability insurance from traditional sources. Although there have been efforts by the traditional market to move their issue ages upward we are still keenly aware that beyond age 60 it becomes very hard to find a willing carrier.

**The Plug:** Although there is not an official limit to the ages we will consider, normally around age 75 it becomes problematic even for PIU.



## Medical History

**The Hole:** Perhaps your client has been declined by traditional carriers due to medical reasons and has recovered medically, but the time free from treatment has not been long enough to satisfy underwriters.

**The Plug:** With the creative use of ratings, exclusions, split eliminations or split benefits there is normally opportunity for a consideration of coverage by PIU.



# Disability Business Uses

DISABILITY



## Overhead Expense

**The Hole:** Many Insurers limit the maximum monthly benefits to \$30,000 or less. Many disability cases need larger limits.

**The Plug:** Supplemental Overhead Expense that coordinates with the underlying coverage to limits of \$100,000 or more per month.

**The Hole:** Many Insurers refuse to underwrite cases where more than 5 or 6 persons in like professions are within a group and will not issue any Overhead Expense coverage.

**The Plug:** Cases of one to one hundred (or more) professionals within a group are eligible for coverage, provided the management has a way to segregate the expenses of each person. PIU can offer Overhead Expense coverage on either an individual or group basis.

## Buy Sell

**The Hole:** Most carriers have limits of \$1,000,000 to \$2,000,000. They also force longer elimination periods and/or installment benefits to obtain the higher levels of benefit.

**The Plug:** Supplemental Buy Sell is available up to \$20,000,000 or more per person. There is no need to have to settle for longer eliminations or installment benefits unless desired.

**The Hole:** Family businesses are often turned away by the traditional market.

**The Plug:** At PIU we see this as no problem at all.

**The Hole:** Large age differences between partners is often considered to be a problem by the traditional insurers.

**The Plug:** Age differential is not a problem for PIU

## Buy In

**The Hole:** A young employee is offered an opportunity to buy into the firm. This young employee makes a financial commitment over several years to make this happen. Both the firm and the employee wish to protect their investments with each other. To our knowledge this product is not offered by any traditional carrier.

**The Plug:** PIU has provided this type of plan for decades. It is a popular product with frequent use once a producer is aware of its availability.





## Key Person

**The Hole:** Over 90% of the traditional carriers do not even offer key person disability insurance in their portfolio

**The Plug:** Key Person Disability Insurance is alive and well at PIU.

**The Hole:** Of the few traditional carriers that do offer Key Person Disability Coverage the limits are modest.

**The Plug:** PIU offers supplemental key person coverage to amounts of \$100,000 per month or more OR \$20,000,000 lump sum or more.

**The Hole:** Age or Occupation often times knocks down the ability to obtain traditional key person coverage.

**The Plug:** Ages as high as 75 and virtually all occupations will be considered by PIU.

## Loan / Lease Indemnification



**The Hole:** A bank is demanding a business loan to be insured against disability. BOE only covers 1 to 2 years maximum. The loan is for 10 years. The borrower is resistant to assigning any personal coverage to the bank because that coverage is for the family's protection.

**The Plug:** Indemnify the loan outside of a personal disability portfolio leaving the personal coverage for the family's protection.

**The Hole:** A handful of traditional carriers offer this type of plan, but limits in the benefit amounts or the length of the loan can cause an underinsurance problem.

**The Plug:** Supplemental coverage to fill in the underinsurance gap can be custom tailored by PIU to meet your client's needs.

## Contract Indemnification

**The Hole:** An employment contract which provides certain guarantees needs to be indemnified for concerns of non-performance due to a sickness or injury.

**The Plug:** With a valid contract in place PIU can normally indemnify 100% of the contract. A plan of insurance not offered in the traditional markets.

**The Hole:** A CEO employment contract is to provide three times his \$1,000,000 income in addition to the firm's LTD benefit provided a permanent disability arises. This shows on the firm's books as a potential liability of \$3,000,000.

**The Plug:** Indemnify the \$3,000,000 with a lump sum plan of insurance.



# Disability Programs

## Top Hat

**The Hole:** Although you just obtained the maximum traditional coverage you could for your client, it still left the client underinsured. You would like to be able to go back to your client with a solution to this underinsured problem, but at the same time you know the client will not want to go through the rigors of underwriting for a supplemental disability policy.

**The Plug:** The Top Hat program is designed to allow for an automatic issuance of supplemental disability insurance to participate up to 65% of income, provided your client was issued standard from a traditional, fully underwritten non-can policy within the past 90 days. A streamlined approach to bring value added service to your clients!

## Simplified / Guaranteed Issue

**The Hole:** You have a client who has an underinsurance problem for the top income earners of the firm. Try to pin down 25 executives for individual underwriting!

**The Plug:** Groups of 10 or more a guaranteed issue can be considered for supplemental disability coverage. With smaller groups of 5-9 PIU will assist with a simplified issue approach.



## The Golden Spike Plan

**The Hole:** Traditional Buy Sell Disability policies usually have a provision that reduces the benefit as the insured approaches age 65. The most common is a reduction of 20% in the benefit for each year starting at age 60 and going to nil at age 65.

**The Plug:** The Golden Spike Plan is designed to replace the gap in benefit as the Insured ages. So at age 60 the Golden Spike will pay the 20% difference and continue to increase each year until it replaces 100% of the benefit at age 65 and beyond.



# Holes and Plugs



## The Services of Petersen International Underwriters

Petersen International Underwriters has, for over 50 years, been providing solutions to insurance problems. Many advisors, agents, brokers and planners use our coverages and our underwriting skills to fill their clients financial holes.

There are four main uses of our disability products:

### Excess Coverage –

The majority of traditional insurance carriers cater to the rank and file employee. Owners, professionals, highly skilled specialists, business executives, and many others are limited to adequate amounts of disability coverages. Every authoritative source agrees that a person should have 65% of income insured with disability insurance. Traditional group and individual carriers reduce this percentage as incomes increase, thus creating a financial hole.

In addition to personal disability coverage the same capacity problem exists in the business disability arena, i.e. Buy Sell, Overhead Expense, Key Person.

### Occupational and Avocational Issues -

A number of occupations and avocations are considered by many traditional carriers as “uninsurable”. Traditional carriers write very effectively to mainstream occupations, but occupations such as entertainers, athletes, pilots, and numerous other “special risks” exist who are legitimate income earners and need disability insurance.

Traditional occupations also may have gaps because of the avocations in which they participate. A top executive who spends time on the weekends racing vintage automobiles may have an exclusion, or even worse, be denied because of this passion outside the office.

### Special Situations –

Short term needs. Severance agreements. Contract Indemnification. Multi-national needs. Health issues.

### International –

Too much travel or travel to the wrong places of the world can cause underwriting issues for many traditional carriers. Foreign national employees of a U.S. firm or U.S. nationals working overseas. These are opportunities for PIU to help you properly service your clients.



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