



GUARDIAN®

Adding **strength** to strategy

## Disability prevents people from earning a living and can cause severe financial hardship

Almost one-third of Americans entering the work force today (3 in 10) will become disabled before they retire.<sup>1</sup>

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Accident or illness will force 1 in 5 in the U.S. to miss work for at least a year before they turn 65.<sup>2</sup>

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350,000 personal bankruptcies every year were blamed on injuries and unexpected illnesses.<sup>3</sup>

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Nearly 50% of all mortgage foreclosures were caused by disability.<sup>4</sup>



### **On the Cover**

#### **ROOTED IN STRENGTH—**

We provide superior benefit-rich products to help your clients maintain a healthy business strategy should an owner become too sick or injured to work.

<sup>1</sup> Social Security Administration Fact Sheet, January 31, 2007.

<sup>2</sup> Life and Health Insurance Foundation for Education, November 2005.

<sup>3</sup> "Illness and Injury as Contributors to Bankruptcy," Health Affairs, February 2, 2005.

<sup>4</sup> Health Affairs, The Policy Journal of the Health Sphere, February 2, 2005.

# Keeping Business Strong



You can help business owners add strength to their business strategy with cost-effective disability insurance that provides protection while offering tax advantages. By presenting coverage from a leading disability insurance provider<sup>5</sup>, you'll be offering a policy that contains more feature-rich benefits than other insurers offer.

Our products are designed to meet the needs and interests of small business and professional practice owners. While business owners may protect *themselves* with individual disability income and life insurance, many don't consider the impact a disability can have on their *business*, and the detrimental effect that disability can have on the *value of their business*. We take a sophisticated and integrated approach to helping business clients maintain a healthy business strategy.

Our disability insurance products help protect business owners by:

- Reimbursing for covered overhead expenses<sup>6</sup>
- Covering fixed-term payment obligations; and<sup>7</sup>
- Funding buy-sell agreements in the event of total disability<sup>8</sup>

Our policies provide business owners with flexible benefits and options—and pricing that aligns with their needs. With Overhead Expense and Disability Buy-Out policies that complement each other, advisors can add value by offering a holistic package approach to help clients protect their business.

We've enhanced these policies to make it easier for you to work with the legal and financial professionals who may influence your clients. Our new Disability Buy-Out policy defines the valuation formula in the policy, to help you and your clients understand how the business is valued when the coverage is purchased and at the time of claim. And our new Overhead Expense policy reimburses up to \$5,000 for legal and accounting fees related to business termination due to disability.

***We make it easy to apply:***  
*a single individual disability insurance application can be used. We make it convenient to pay. With Guard-O-Matic automatic payment from a checking account, there is no administrative fee; a savings of up to 5% compared to other carriers.*

*And, if the Overhead Expense and Disability Buy-Out policies are no longer needed, eligible insureds may apply to convert to an individual disability policy with no additional medical underwriting.*

*With features that align with ProVider Plus, it's easy to sell our policies. And given the persistency and renewal compensation opportunity—you'll want to choose us over other carriers.*

<sup>5</sup> 2008 LIMRA U.S. Individual DI Insurance Participants Report, based on 2008 annual premium.

<sup>6</sup> Overhead Expense Policy Form 4200 underwritten and issued by Berkshire Life Insurance Company of America, Pittsfield, MA, a wholly owned stock subsidiary of The Guardian Life Insurance Company of America, New York, NY.

<sup>7</sup> Business Reducing Term Policy Form AH55-A provided by The Guardian Life Insurance Company of America, New York, NY.

<sup>8</sup> Disability Buy-Out Policy Form 3200 underwritten and issued by Berkshire Life Insurance Company of America, Pittsfield, MA, a wholly owned stock subsidiary of The Guardian Life Insurance Company of America, New York, NY.

**INTRODUCING**

## **Business Protection Products** *Strategically designed to keep the business healthy*



### **Overhead Expense Disability Insurance<sup>6</sup>**

Overhead Expense Disability Insurance provides benefits to help reimburse business or practice owners for their monthly business expenses during a disability.

For professionals or owners of a business or private practice, a prolonged illness or accident can be devastating. Not only does it threaten their quality of life at home by limiting—or eliminating—their ability to earn income, but the disability may also affect their ability to meet monthly business expenses including rent, utilities, real estate taxes, interest on debt, and payroll, thereby making it difficult to keep the business in business.

<sup>6</sup> Policy Form 4200 underwritten and issued by Berkshire Life Insurance Company of America, Pittsfield, MA, a wholly owned stock subsidiary of The Guardian Life Insurance Company of America, New York, NY.

## Offer business owners a competitive Overhead Expense policy

Overhead Expense Policy 4200<sup>6</sup>—the features your clients want, with the flexibility to address fluctuating business expenses.

### Unique new features!

<b>Accelerated Benefit</b>	In the event of a total disability, the Accelerated Benefit Endorsement, if included, advances 1/2 of the first maximum monthly benefit before proof of the covered overhead expense is required	Competitive advantage
<b>Supplemental Benefit**</b>	The Supplemental Overhead Expense Benefit Rider provides an additional pool of coverage that is available to reimburse covered overhead expenses for total and residual disabilities	Competitive advantage
<b>Salary Replacement</b>	The Professional Replacement Endorsement, if included, considers 50% of a replacement's salary to a monthly maximum of either \$10,000 or one-half of the maximum monthly overhead expense benefit, whichever is less, to be a covered overhead expense	
<b>Residual Disability Benefit</b>	This benefit is now embedded in the base policy, and has a loss of gross monthly revenue threshold of 15% due to disability	
<b>Return to work benefits</b>	Subject to an agreed upon plan, the Occupational Rehabilitation and the Modification and Access Benefit provide benefits to help totally disabled owners return to work	

### More valuable features!

<b>Automatic increases in coverage**</b>	To help keep pace with rising expenses, the no-cost Automatic Benefit Enhancement Rider provides up to 5 automatic benefit increases at attained age premiums without proof of insurability
<b>Legal and Accounting Fee Benefit</b>	Reimburses up to \$5,000 for legal & accounting fees related to the business termination or sale due to disability
<b>Waiver of Premium Benefit</b>	Premiums are waived while the insured is disabled, and for six months after recovery. Any premium paid that is attributable to the period of disability is refunded, even if paid prior to the start of disability
<b>Waiver of Elimination Period</b>	Waives elimination period for any subsequent disability that occurs within 5 years of the end of the previous disability that lasted more than 6 months and for which benefits under the policy were paid
<b>Future Increase Option (FIO) Rider**</b>	Allows the insured to apply for additional coverage without proof of medical insurability. The insured can purchase a portion or the entire amount of FIO on any policy anniversary up to age 45, and reduced amounts up to age 55, subject to financial underwriting. Approved increases may be added to the existing policy via the Additional Monthly Benefit Rider.
<b>Conversion Option</b>	The insured may convert business coverage to an individual disability insurance policy until age 55, subject to eligibility requirements

\*\* Available by rider.

*Guardian is the only company to offer a stand-alone Business Reducing Term policy.*

## **Business Reducing Term<sup>7</sup>: Coverage for Fixed-Term Payment Obligations**

Business Reducing Term (BRT) Disability Insurance is used to repay financial obligations that require regular payments expiring at a given time, such as purchase agreements, employment contracts, and business loans. It insures up to 100% of monthly loan payments or other fixed-term obligations should a business owner become totally disabled.

The benefit period of Business Reducing Term decreases as the obligation is paid, but the full monthly benefit is payable until the policy's term ends, the insured recovers, or the financial obligation no longer exists. The policy duration matches the term of the loan, for example: a 5-year loan can be matched with a 5-year Business Reducing Term policy.

Business owners can carve out the loan payback portion of expenses with a separate Business Reducing Term policy, enabling their Overhead Expense policy to cover more day-to-day operating expenses, especially important for businesses with high average monthly expenses.



**A Buy-Sell Agreement** is the first step in protecting a business in the event that one of the partners becomes disabled. This agreement defines how an owner's interest will be purchased if he or she withdraws from the business, retires, dies, or becomes permanently disabled. It ensures that a business or professional practice can continue in the event that a total disability forces one of the owners or partners to stop working.

## **Disability Buy-Out Insurance<sup>8</sup> helps healthy partners purchase the business**

In the event that a totally disabled owner isn't able to return to work in the business, our Disability Buy-Out (DBO) insurance policy provides the funding to make it easier for the owner to sell his or her interest.

If a business has partners, the prolonged or permanent disability of one of the partners can create a burden for the remaining healthy owners and the business. The healthy partner(s) will be faced with the task of running the business while deciding how long the business can continue to pay the disabled partner and remain in business. In all likelihood, the disabled partner will want to recover the capital he or she has invested in the business. A Buy-Sell Agreement, funded by Disability Buy-Out Insurance, could be the solution to this challenge, because it shifts the burden of funding the buy-out from the individuals and business to the insurance company, and ensures that funds are available when needed.

<sup>7</sup> Policy Form AH55-A provided by The Guardian Life Insurance Company of America, New York, NY.

<sup>8</sup> Policy Form 3200 underwritten and issued by Berkshire Life Insurance Company of America, Pittsfield, MA, a wholly owned stock subsidiary of The Guardian Life Insurance Company of America, New York, NY.

## Disability Buy-Out Insurance Policy 3200 is designed to be easier to sell

### A business valuation formula that's easier to understand:

- We define the business valuation formula in the policy, making it easier for your clients to understand how the business is valued when they purchase the coverage—and at the time of claim.



Business Type	Valuation Formula
Professional/Fee for Service	Insured's share of Gross Receipts (based on average of 3 years corporate tax returns*)
All other businesses	2 x (Insured's Compensation + Share of Net Income)** + Insured's share of Net Worth

\* As reported for Federal income tax purposes for 3 years prior to the date of total disability.

\*\* As reported for Federal income tax purposes for 2 years prior to the date of total disability.

### A policy that's easier to sell:

- One issue limit—\$2 million—regardless of elimination period, funding method, occupation or occupation class
- The policy is optimally priced at the shortest elimination period in order to encourage a sale while the business is still strong

## Unique benefits your clients will appreciate

### Unique new features!

<b>Business Valuation Defined</b>	Our policy contains a business valuation formula which helps you understand how we value the business at time of claim
<b>\$2 million maximum issue limit</b>	One maximum issue limit, regardless of elimination period or funding method
<b>Waiver of Premium Benefit</b>	Premiums are waived while benefits are payable. Any premium paid that is attributable to this period is refunded, even if paid prior to the start of disability
<b>Return to work benefits</b>	Subject to an agreed-upon plan, the Occupational Rehabilitation and the Modification and Access Benefit provide benefits to help totally disabled owners return to work
<b>Conversion Option</b>	The insured may convert business coverage to an individual disability insurance policy until age 55, subject to eligibility requirements



# Business ProVider: Disability Insurance Products for Small Business

## Product Features and Information

	OVERHEAD EXPENSE*	BUSINESS REDUCING TERM^	DISABILITY BUY-OUT*
Policy Form	Berkshire Policy Form 4200	Guardian Policy Form AH55-A	Berkshire Policy Form 3200
Use	Individual disability insurance to cover business overhead expenses	Individual disability insurance for fixed-term business payments	Individual disability insurance to fund buy-sell agreements
What's Covered	Tax-deductible normal, necessary and customary expenses incurred to run the business	Business loans, purchase agreements, lease agreements, employment contracts	Funding the buy-sell agreement to buy out the ownership interest of a totally disabled partner
Underwriting	Full Underwriting	Full Underwriting	Full Underwriting
Issue Age	18–60	18–55	18–60
Occupation Classes	6, 5, 4, 3, 6M, 5M, 4M, 3M	6, 5, 4, 3, and 2**	6, 5, 4, 3, 6M, 5M, 4M, 3M
Elimination Periods	30, 60 or 90 days	1, 2, 3, 6 or 12 months	360, 540, and 720 days
Accumulation Periods	90, 150, 210 Days	N/A	540, 720, 900 Days
Benefit Options	Benefit-period options of 12, 18 or 24 months	Terms from 5 to 30 years, not to exceed age 60	Funding-method options of Lump Sum, Installment (12, 24, 36, 48 or 60 months); or Down Payment
Renewability	Non-cancellable and Guaranteed Renewable to age 65; Conditionally Renewable thereafter	Conditionally Renewable	Conditionally Renewable
Definition of Total Disability	Own-occupation	Modified Own-Occupation	Own-Occupation, and not at work for the business
Minimum Policy Size	\$1,000 Per month	\$1,000 Per month	\$20,000
Maximum Issue Limit	Per month limit: \$50,000 - 12-month benefit period \$40,000 - 18-month benefit period \$30,000 - 24-month benefit period Maximum issue limit for supplemental overhead expense benefit is 1 times the base monthly overhead expense benefit	Sliding scale from \$22,500 per month at 5 years to \$6,660 per month at 30 years	\$2,000,000
Class of Risk	Preferred, Select, and Standard	Standard	Preferred, Select, and Standard
Premiums	Sex-Distinct Level Rates; Unisex in MT	Sex-Distinct Level Rates	Sex-Distinct Level Rates; Unisex in MT
Premium Terms	Annual, Semiannual, Quarterly, List-Bill Monthly and Guard-o-Matic Automatic Payment	Annual, Semiannual, Quarterly, Monthly and Guard-o-Matic Automatic Payment	Annual, Semiannual, Quarterly, List-Bill Monthly and Guard-o-Matic Automatic Payment
Available Discounts	10% Association Discount	None	10% Multi-client (3 lives)
Conversion to Individual Disability Income Policy	Allowed; subject to eligibility requirements	N/A	Allowed; subject to eligibility requirements
Optionally Available Riders	Supplemental Overhead Expense Benefit Future Increase Option Automatic Benefit Enhancement	None	Future Increase Option
Special Features	Accelerated Benefit Endorsement Professional Replacement Endorsement Legal & Accounting Fee Benefit Waiver of Elimination Period Residual Disability Benefit Managerial Duties Endorsement	None	Recovery Benefit Change/Transfer of Ownership Provision Business Valuation Endorsements

\* Refer to Policy for full details.

\*\* Refer to Field Underwriting Guide.

^ Business Reducing Term is not available in FL, MT, NC, SC and VA.

## Tax advantages of disability protection for the business<sup>9</sup>

Disability insurance can play an important role in your clients' tax strategy. Disability insurance premiums and benefits are subject to various tax laws, both on an individual and a business basis.

As a general rule, when an individual purchases coverage for his or her own benefit, premiums are not deductible for federal income tax purposes. Benefits will be received tax-free if the premium is paid with after-tax dollars. The rules vary when coverage is purchased through an employer, depending on the form of the business, ownership status of the insured, and who receives the benefits.

If a sole proprietor purchases a policy for his or her benefit, the premium is not deductible and benefits are received tax-free if the premium is paid with after-tax dollars. A partnership or S corporation may deduct premiums for disability insurance coverage paid on behalf of a partner or 2% plus shareholder/employee under IRS Ruling 91-26; however, such premiums must be included in the partner's/shareholder's personal taxable income. Benefits paid under the policy are received tax-free.

In a C corporation, stockholders who work in the business are considered to be employees. Therefore, the corporation can deduct premiums paid under a qualified sick pay plan for coverage on owner-employees—but benefits are taxable.

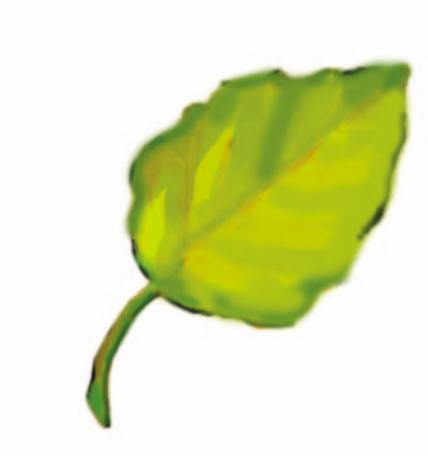
## Tax Considerations

		Disability Buy Out		Overhead Expense	Business Reducing Term
		Entity Purchase	Cross Purchase		
Tax Treatment	Premiums Paid by	The Business	Individual Owners or Trustee	Business or Owner	Business or Owner or Loss Payee
	Benefits Paid to	The Business	Individual Owners or Trustee	Business or Owner	Loss Payee
	Policy-owner	The Business	Individual Owners or Trustee	Business or Owner	Business or Owner or Loss Payee
	Premiums	Non-Deductible	Non-Deductible	Tax Deductible	Non-Deductible (IRC Sec. 265)
	Benefits	Tax-free	Tax-free	Reportable as Income	Tax-free (Sec. 104)

<sup>9</sup> This publication is provided as a courtesy by Berkshire Life Insurance Company of America and does not modify the provisions of any policy. It is offered for the purpose of education and information only and is not intended to constitute tax or legal advice. Tax laws are subject to change. For information on your client's specific situation, please consult a tax or legal advisor.

# The Opportunity and Benefits of Presenting Our Disability Protection to Business Clients

- There are more than 6 million small businesses and professional practices in the U.S.<sup>10</sup> Many of these don't have disability insurance protection for their business.
- Few people are presenting this type of insurance: those who do build solid relationships by providing possible solutions to clients who are not aware of the risks they may face.
- These products—with the business valuation formula in our Disability Buy-Out policy and the Legal and Accounting Fee benefit in our Overhead Expense policy—present a good opportunity for you to work with attorneys and CPAs who would be advising clients on Buy-Sell agreements and valuations and who are a great source of referrals.
- This is persistent business—valuable coverage your clients want to keep. Policy renewals are compensated at a high rate.
- Coverage is an easy add-on for many of your most affluent clients.
- Case-design specialists at each Guardian agency are available to maximize coverage for your best prospects.
- Underwriting focuses on making the best offer for your clients pursuant to applicable underwriting guidelines.
- Choosing the company behind the product is a key decision. It's important to choose a company with the values, strength and stability to meet its obligations and provide consistently excellent service.<sup>11</sup>



<sup>10</sup> 2006 U.S. Small Business Administration Office of Advocacy.

<sup>11</sup> Berkshire Life is rated A++ (Superior) by the A.M. Best Company. Ratings as of October 2009.



## Help your clients add strength to their business strategy.

For more information, contact your local Guardian Disability Specialist and request consumer brochures for Overhead Expense (Pub4374BL), Disability Buy-Out (Pub4376BL) and Business Reducing Term (Pub4371BL).

### About Guardian



Our company serves individuals, businesses, and their employees through our products and services, expert advice and vision. The financial solutions we provide are backed by our company's solid reputation and focus on the long term.

When choosing a financial provider, it's important to look to the history and core values that form a company's foundation. Since 1860, Guardian has been committed to protecting clients to help them enjoy the freedom from worry and uncertainty, and capitalize on the freedom to live life to its fullest. The relationships we forge are guided by the values that govern all the decisions we make: we do the right thing, people count, and we hold ourselves to very high standards.

At Guardian, we take great pride in providing solutions to help businesses and individuals build their financial security and protect what they value most. It is our privilege to serve you.

Disability income products underwritten and issued by Berkshire Life Insurance Company of America, Pittsfield, MA, a wholly owned stock subsidiary of The Guardian Life Insurance Company of America (Guardian), New York, NY, or provided by Guardian. Products not available in all states. Product provisions and features may vary from state to state.

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