

Using Guaranteed Issue Life Insurance for Benefit Restoration

Overview

In the highly competitive environment for top talent, it is crucial for key employees to receive benefits in line with their compensation levels. A benefit restoration plan helps ensure that key employees are not placed at a disadvantage by the limits of a group life insurance plan.

The Problem

The limits on the maximum benefits provided by typical group life insurance plans usually replace a higher percentage of income for rank-and-file employees than for higher-earning key employees. This phenomenon, sometimes referred to as benefit reverse discrimination, can create problems when attracting and retaining highly-compensated key employees.

Benefit restoration is the process of replacing the potential lost income ("income replacement gap") left uncovered by the group plan. For example, consider a common group life insurance benefit of 2x annual compensation up to a maximum compensation level of \$200,000:

Annual Employee Compensation	Maximum Group Life Insurance Benefit	Benefit Restoration Opportunity	Total Income Replacement
\$100,000	\$200,000 (2x Annual Compensation)	N/A	\$200,000 (2x Annual Compensation)
\$200,000	\$200,000 (1x Annual Compensation)	\$200,000	\$400,000 (2x Annual Compensation)
\$400,000	\$200,000 (0.5x Annual Compensation)	\$600,000	\$800,000 (2x Annual Compensation)

The Potential Solution

Guaranteed issue life insurance can provide a cost-efficient solution to fill the income replacement gap created by group plans while also providing a streamlined process for implementation. This coverage has the added benefit of being portable for and convertible by the insured. These two offerings from Principal and Protective, both highly-rated carriers, are competitively priced and designed to provide substantial income benefit restoration.

	Principal	Protective
Product	10- and 20-Year Term	10 Year Term and Executive UL
GI Life Minimum	10	15
Issue Ages	20-70	18-70
Maximum Death Benefit	10-19 Lives: \$60,000x Number of Lives 20+ Lives: \$75,000x Number of Lives	15-49 Lives: \$50,000x Number of Lives 50+ Lives \$60,000x Number of Lives

Beyond Life Insurance

Employers facing an income replacement gap with their group life insurance for key employees often encounter the same challenge with group disability insurance (DI). It's important to review a group long-term disability (LTD) Plan and to review potential gaps and solutions.



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