



SEVERANCE AGREEMENT

DISABILITY INSURANCE



PETERSEN
INTERNATIONAL UNDERWRITERS

The Severance Arrangement

Unfortunate circumstances arise in all businesses at one time or another. And for reasons such as merger and acquisition or reorganization, an employer, at times, finds it necessary to “let go” or sever business relationships with long-term employees who have amassed employee benefits in the form of pensions and insurances. Thousands of American white-collar, gray-collar and blue-collar employees are terminated annually, most with hopes of quickly finding other work and a continuation of their current benefits for financial protection of their families.

Astute and business-wise employers will most certainly create binding severance agreements with such employees to minimize liabilities and the chances of future lawsuits surrounding terminations. However, many of these agreements boldly, yet sometimes misguidedly promise to prolong previous employee benefits throughout certain term lengths of unemployment. One typical problem with the severance arrangement is disability insurance.



Employer's Liability

Employers will often agree to cover the severed employee for long term disability for a pre-negotiated amount of time. Once the former employee is removed from payroll they are simultaneously removed from the group long term disability policy. HR will quickly find that it is difficult to obtain the disability insurance benefits in both the group and individual marketplace as most carriers are not willing to offer disability insurance to an unemployed person.

Without the ability to insure the severed employee, the financial liability promised in the severance package remains with the employer. This means that if the unemployed worker becomes disabled, the company will be required to self insure disability benefits. This long term debt liability can be more detrimental to a company than if they were to keep the individual employed.



Severance Agreement Disability Insurance

The Severance Agreement Disability Insurance plan was engineered to fulfill the disability insurance shortcomings of typical severance agreements. Our unique policy utilizes the contractual agreement provided by the former employer to form the basis of the coverage. Severance agreement coverage allows the severed employee to be insured during the period of unemployment which relieves the employer of the financial liability created by such an arrangement.



Benefit Payments

Monthly Benefits

Monthly benefits will commence following the elimination period and will continue as long as the insured remains totally disabled, but no longer than the maximum benefit period. In the event of multiple separate claims, each claim will have a full benefit period eligibility.

Lump Sum Benefit

A lump sum payment will be paid if the insured person is permanently and totally disabled. This benefit is often thought of as the career ending benefit designed to mitigate the loss of future earnings.

Definition of Total Disability

The definition of total disability for severed employees is an “any occupation” definition. “Any occupation” is defined as: any occupation for which the insured is reasonably suited by education, training or experience.

Disability Basics

Term of Insurance

Term of insurance is the period of time that the policy is non-cancellable. The terms of the policy nor the premium can be altered by the insurance carrier, provided you pay your premium on time.

Elimination Period

Elimination period is the time which must pass after the date of the injury or sickness, prior to the loss payee receiving benefits. A variety of elimination periods are available.

Benefit Period

The benefit period is the number of months that benefits are payable during a period of disability. Benefit periods may range from one month to 60 months.

Loss Payee

All disability benefits from the policy will be paid to the designated loss payee.

Owner

Owner or policy owner is the person or entity that has the right to request modifications to the policy.

Policy Provisions

Presumptive Disability

If due to a sickness or injury the insured has totally lost: the use of both hands, or both feet, or one hand and one foot, or the sight of both eyes, or the hearing of both ears, or the ability to speak, the elimination period will be waived and the monthly benefit will be paid for the entire benefit period or as long as the loss exists.

Rehabilitation Benefit

Underwriters may offer financial assistance for a rehabilitation program if they are paying benefits under this policy and if they approve the program in advance. The terms of a rehabilitation program, related expenses and total disability benefits during this program, will be subject to mutual agreement.

Survivorship Benefit

If at the time of death the insured was receiving monthly benefits, underwriters will pay a survivorship benefit equal to three times the monthly benefit.

Transplant Benefit

If the insured donates an organ after the policy has been in force for at least six months, any total disability resulting from the surgery will be considered an illness.

Recurrent Disabilities

If after a period a total disability the insured returns fulltime to work, and within six months the insured is once again totally disabled, he/she can elect to continue the previous claim without the need for a new elimination period or choose to have a new elimination/benefit period. Once a period of six months has elapsed from returning to work, any new claim will have a new elimination and benefit period.



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This is not intended to be a complete outline of coverage. Actual wording may change without notice.
Underwriters reserve the right to modify terms and conditions at time of underwriting.

