

Spotlight

Autumn 2019

Bringing Income Protection to Light

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SPOTLIGHT FEATURE

Alternative Funding Merits Alternative Protection

According to financial data software company PitchBook and the National Venture Capital Association, the US venture capital industry invested \$130.9 billion in US-based startups in 2018, surpassing the all-time high set in 2000 within the dot-com era.

When venture capitalists decide where to invest, 95% of them consider the startup's management team an important factor in their decision, while 47% say it's the most important factor.¹

¹National Bureau of Economic Research

The success of any firm is built on a number of factors, but often the most important are the vision and talent of the founders. They are responsible for the overall success of the venture and their unique abilities will often make or break the business.

As founders launch new businesses and work in an opportunity phase, cash flow is often unpredictable, making the need for capital intense. Capital can be difficult to obtain from traditional lenders, so founders with big ideas often turn to alternative sources, like angel investors and venture capital firms, for the funds needed to grow the business and develop market presence.

It is often said that venture capital firms don't invest in the business; they invest in the founders. Since traditional insurance products can be difficult to obtain in the startup phase, the demand for quickly-issuable, creative, and unconventional insurance products has grown, as many angel investors, venture capitalists, and private equity firms want to protect their investments.

Key Person Disability and *Failure to Survive* are two valuable insurance products to position when meeting with any business owner - especially in startup endeavors. Truluma is here to help you incorporate them into your practice.



**KEY
PERSON
DISABILITY
INSURANCE**

Key Person Disability Insurance repays the private equity firm in the event the founder is unable to work due to temporary or permanent disablement. Lump sum benefits up to \$5 million (10x salary) are available.

- **REPAYS PRIVATE EQUITY FIRM**
- **LUMP SUM BENEFITS UP TO \$5 MILLION (10xSALARY)**

**FAILURE
TO
SURVIVE
INSURANCE**

Conventional life insurance can be problematic to obtain for startups. *Failure to Survive Insurance* provides the death benefit needed and is easy to implement through a simplified underwriting process with turnaround times that average 48 hours. Benefits up to \$50 million are available.

- **SIMPLIFIED UNDERWRITING**
- **48-HOUR AVERAGE TURNAROUND**
- **BENEFITS UP TO \$50 MILLION**

Underwriting Sleep Apnea

Sleep apnea is a serious disorder that occurs when a person's breathing is interrupted during sleep. People with untreated sleep apnea stop breathing repeatedly during sleep, sometimes hundreds of times during the night, which can result in the brain, and the rest of the body, not getting the oxygen needed.

TYPES OF SLEEP APNEA

The main types of sleep apnea are:

- **Obstructive Sleep Apnea (OSA)** The most common of the three forms of sleep apnea, it is caused by a blockage of the airway. This occurs when the muscles in the back of the throat relax. These muscles support the soft palate, the uvula (a triangular piece of tissue hanging from the soft palate), the tonsils, the side walls of the throat and the tongue. When the muscles relax, the airway narrows or closes as an individual breathes in, restricting the amount of air flow which can lower blood oxygen levels. Sensing the inability to breathe, the brain briefly rouses the individual from sleep in order to reopen the airway. This awakening is usually so brief that the individual doesn't remember it.
- **Central Sleep Apnea (CSA)** Unlike OSA, the airway is not blocked, however breathing is disrupted regularly during sleep because of the way the brain functions. With CSA, the brain does not tell the individual's muscles to breathe. This type of sleep apnea is usually associated with serious illness, especially in illnesses that affect the lower brainstem, which controls breathing.
- **Complex Sleep Apnea Syndrome** Also known as treatment-emergent central sleep apnea, it occurs when someone has both obstructive sleep apnea and central sleep apnea.

MORBIDITY IMPLICATIONS

Sleep apnea can cause serious health issues that are of concern to DI underwriters which include:

- **Daytime Fatigue** The repeated awakenings associated with sleep apnea make normal, restorative sleep impossible. This can make severe daytime drowsiness, fatigue and irritability likely. People with sleep apnea often find it hard to concentrate and may find themselves falling asleep at work, or even while driving.
- **High Blood Pressure or Heart Problems** Sudden drops in blood oxygen levels that occur during sleep apnea increase blood pressure and strain the cardiovascular system. Having obstructive sleep apnea increases an individual's risk of pulmonary hypertension, heart attack, stroke, heart failure and irregular heartbeats, such as atrial fibrillation
- **Type 2 Diabetes** Having sleep apnea increases the risk of developing insulin resistance and type 2 diabetes.
- **Metabolic Syndrome** This disorder, which includes high blood pressure, abnormal cholesterol levels, high blood sugar and an increased waist circumference, is linked to a higher risk of heart disease.
- **Complications with Medications and Surgery** Obstructive sleep apnea is also a concern with certain medications and general anesthesia. People with sleep apnea might be more likely to have complications after major surgery because they're prone to breathing problems, especially when sedated and lying on their backs.



Offer the Coverage You'd Buy for Yourself

Feel good about offering your clients the kind of individual disability insurance you'd like for yourself. Start with our strong contract and exclusive Family Care Benefit, then add the features they need. The payoff is coverage you both can trust.

Learn more about Platinum Advantage income protection insurance. Contact Truluma today.

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- **Liver Problems** People with sleep apnea are more likely to have abnormal results on liver function tests, and their livers are more likely to show signs of scarring (non-alcoholic fatty liver disease).

TREATMENT FOR SLEEP APNEA

One of the most common methods used to diagnose sleep apnea is a polysomnogram, or sleep study. This is a multi-component test which may require an overnight stay at a sleep center. The sleep study monitors a variety of functions during sleep including sleep state, eye movement, muscle activity, heart rate, respiratory effort, airflow, and blood oxygen levels. This test is used both to diagnose sleep apnea and to determine its severity.

The treatment of choice for obstructive sleep apnea is the continuous positive airway pressure device (CPAP). CPAP is a mask that fits over the nose and/or mouth, and gently blows air into the airway to help keep it open during sleep. This method of treatment is highly effective.

Other methods of treating sleep apnea include: dental appliances that reposition the lower jaw and tongue; upper airway surgery to remove tissue in the airway; nasal expiratory positive airway pressure, where a disposable valve covers the nostrils; and treatment using hypoglossal nerve stimulation, where a stimulator is implanted in the patient's chest with connections to both the hypoglossal nerve for tongue movement control and to a breathing sensor. The sensor monitors breathing patterns during sleep and stimulates the hypoglossal nerve to move the tongue in order to maintain an open airway.

UNDERWRITING CONSIDERATIONS AND OUTCOMES

When underwriting for disability coverage, carriers look at the severity based on the sleep study results using the Apnea-Hypopnea Index (AHI) as well as oxygen (O₂) saturation to determine severity. Underwriters will also consider:

- **Build** BMI over 30 can have an impact.

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- **Blood Pressure** If blood pressure is elevated it can add to or cause a premium rating.
- **Treatment** Not complying with a treatment program is highly concerning. The use of a CPAP is the most effective treatment. Unfortunately, most individuals find a CPAP uncomfortable and either don't use it at all or they don't use it all night. Dental devices and surgeries are often not as effective. Traditional carriers will often postpone or decline if applicants are not compliant with treatment programs, especially when obstructive sleep apnea is moderate to severe. Coverage may, however, be available in the sub-standard markets.

If the applicant is compliant with treatment programs and AHI and O2 saturation levels fall within acceptable guidelines, offers can be made. Offers can range from a policy being issued on a standard basis to policies being issued with reduced benefit periods and/or premium ratings, depending on the applicant's history.

Central Sleep Apnea is often secondary to other serious conditions and typically declined by traditional carriers; however coverage may be available in the sub-standard market, depending on the applicant's health history.

Prior to submitting an application, pre-screening any clients with a history of sleep apnea is highly recommended. This allows expectations to be properly set, and ensures a clear understanding of the income protection plan design options that may be available.

Below are important pre-screening questions to ask:

- Date of diagnosis?
- Current height and weight?
- Was a sleep study performed? If so:
 - » What was the apnea index?
 - » What was the lowest oxygen saturation level?
- What type of treatment was given?
 - » If CPAP, how many nights per week is it being used?
- Was a follow up sleep study performed?
 - Has any other treatment or surgery been recommended?



LOSS OF LICENSE

Superior Income Protection
for Professional Pilots



PETERSEN
INTERNATIONAL UNDERWRITERS

2019 Fourth Quarter Carrier Webinars

Learn new approaches or refine your existing skillset with these in-depth training sessions offered by industry-leading carriers.

Monday, October 21, 2019 – 8 a.m. PT

Benefits of Using eApply for Submitting DI Applications

Save time and money with eApply by ensuring you have your DI applications in good order. This software program guides you through the necessary requirements of submitting new business applications electronically, including the EZ application process which is required to obtain the preferred occupations premium cost savings on classes 6A and 6M. This session will demonstrate entering and submitting a DI application online. Discover for yourself just how easy and beneficial it is to use eApply.

Presented by Ameritas; register here: <https://bit.ly/2llokuH>

Monday, October 28, 2019 – 8 a.m. PT

Building Blocks of Income Protection

While disability income insurance tends to be more complex than other traditional insurance products, it has never been easier for you to help your clients solve their income protection needs. This session will walk you through DI building blocks sales ideas and show you how to utilize the materials available to help guide your clients through a three-step process of building their income protection plan.

Presented by Ameritas; register here: <https://bit.ly/2kjLVSp>

Monday, November 11, 2019 – 8 a.m. PT

Tips for Wrapping up DI Business for Year End

This session will provide you with tips for wrapping up all your DI insurance sales/cases by the end of the year. We will let you know what you can expect during the last few weeks of the year, what you can do to speed up the underwriting process and answer any questions you may have. By working together, we can make sure you get

cases issued and paid by December 31st, so that you get paid on that business!

Presented by Ameritas; register here: <https://bit.ly/2kvWim5>

Tuesday, November 12, 2019 - Time TBD

IDI Underwriting Insights

Featuring JaneAnn Florez, Sr. IDI Underwriter

Presented by Principal; email for details: marketing@truluma.com

Monday, November 18, 2019 – 8 a.m. PT

Reasons to Talk to Employer Groups About GSI

Owners and employees of companies all have a need to protect their incomes. Prospecting to employer groups opens the door to multiple sales, potentially across multiple product lines. Plus: qualifying groups have the potential for GSI underwriting which simplifies things for you and the employees. Join this session to learn the benefits of marketing DI to employer groups and the rewards that go along with it.

Presented by Ameritas; register here: <https://bit.ly/2lYbath>

Monday, December 2, 2019 – 8 a.m. PT

Marketing DI Insurance to Professional and Business/Trade Associations

Are your clients members of local or state professional or business/trade associations? Did you know that with an association endorsement you can offer a discount to qualifying members on their DI coverage? Learn more about Ameritas' DI Association Marketing Program.

Presented by Ameritas; register here: <https://bit.ly/2k8ly0w>

Monday, December 9, 2019 – 8 a.m. PT

DI Connect Webinar: Why DI Insurance?

For your clients and for you. This session demonstrates the importance of valuable DI coverage and how to have a discussion with your clients about it.

We'll also discuss why it's important for you to include DI in your business plans for 2020!

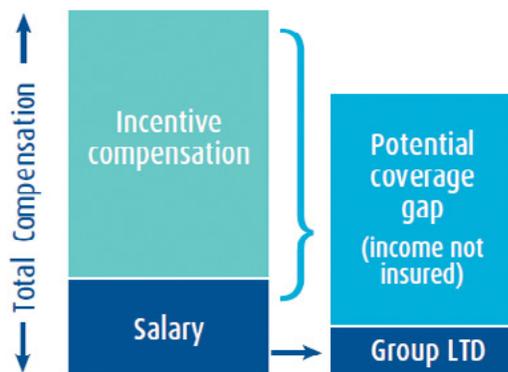
Presented by Ameritas; register here: <https://bit.ly/2lArRvk>



Closing the Gap: Using IDI to Protect Highly-Compensated Employees

Employer-provided group long-term disability insurance (LTD) can provide a nice foundation to an income protection plan, however group LTD plans often do not provide executive and highly-compensated individuals with adequate income protection.

A typical group LTD plan covers 60% of earnings with monthly benefit caps ranging from \$5,000 to \$10,000 per month. Unfortunately, the benefit caps that are built in to group LTD plans often create a protection gap that discriminates against many business owners, executives and highly-compensated employees, leaving them with far less than 60% of their income protected. Additionally, group LTD plans rarely cover incentive compensation which only widens the income protection gap.



Many employers recognize the reverse discrimination caused by the shortcomings of group LTD plans and use supplemental individual disability insurance (IDI) plans to close the protection gap and enhance the benefits provided to their executives and highly compensated employees. Through guaranteed issue programs employers can provide supplemental IDI coverage without medical or financial underwriting.

INDUSTRY BREAKDOWN

Businesses that implement supplemental IDI coverage for their executives and highly-compensated employees spans a wide variety of industries.

Traditional IDI Clients

Employers in financial services, health care, manufacturing and law historically have used supplemental IDI plans for a number of reasons:

- These industries have a high proportion of highly-compensated employees with costly lifestyles to protect.
- Commissions and incentive pay constitute a significant portion of their employees' income.
- Group LTD often provides inadequate coverage.
- Organizational structure allows for executive and management group carve-outs.
- Employees in these industries see value in having portable coverage that they own.
- Executives in the health care and legal markets especially understand the importance of disability coverage.

Emerging Industries

Business services, computers/technology, consulting and pharmaceuticals are industries where there is a lot of growth in the implementation of supplemental IDI plans.

Common reasons for this include:

- Incentive compensation is becoming more prevalent in these industries.
- Group LTD often provides inadequate coverage
- Companies in these industries are looking for enhanced benefits as a way to recruit and retain top talent.
- These are growing industries with highly-paid individuals.

Funding by Industry

Many employers choose to fund supplemental IDI plans themselves. However, employee-paid and shared-funding plans are also available.



Financial security starts with income protection

Protect your clients with individual disability insurance (IDI) from Principal.

Contact your local Principal representative to learn more.

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IDI Today: What Businesses are Doing

The following overview of employer-sponsored IDI business provides a snapshot of the industries that offer IDI to their highly-compensated employees and the features they choose most often. With this benchmarking, you can help your clients examine their benefits offerings, making sure they remain competitive in the race to recruit and retain the best employees.

78%
OF EMPLOYERS
 SAY THEIR
 GROUP LTD PLANS
 DO NOT
 INCLUDE COVERAGE
 FOR BONUSES
 OR COMMISSIONS¹

PERCENTAGE OF TOTAL IDI INFORCE CASES

INDUSTRY	EMPLOYER-PAID	EMPLOYEE-PAID	SHARED FUNDING
ADVERTISING	83%	10%	7%
AGRICULTURE	88%	8%	4%
LAW	68%	16%	16%
BUSINESS SERVICES	72%	17%	10%
COMPUTERS / TECHNOLOGY	69%	26%	4%
CONSTRUCTION	91%	6%	3%
CONSULTING	81%	15%	4%
EDUCATION	74%	20%	6%
ENGINEERING / ARCHITECTURE	64%	28%	8%
FINANCIAL SERVICES	68%	24%	8%
HEALTH CARE	67%	19%	13%
MANUFACTURING	84%	10%	6%
PHARMACEUTICALS	74%	16%	10%
REAL ESTATE	83%	17%	0%
RETAIL / WHOLESALE	83%	14%	3%
TRANSPORTATION / UTILITIES	73%		10%
OTHER	82%	15%	3%

FUNDING	COVERED COMPENSATION	INCOME REPLACEMENT PERCENTAGE
EMPLOYER-PAID: 74%	BASE SALARY ONLY: 41%[†]	<60: 4%
EMPLOYEE-PAID: 17%	INCENTIVE PAY ONLY: 0%	60-66%: 43%
SHARED FUNDING: 8%	TOTAL COMPENSATION: 57%	67-74%: 10%
	N/A: 2%	75%+: 43%

¹Unum internal data, 2016

²Includes employees who do not earn incentive pay

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The Benefits of IDI

Using supplemental IDI to close the income protection gap created by group LTD plans is an effective way to provide business owners, executives and highly-compensated employees with the income protection they need while helping businesses attract and keep their most valuable employees. Supplemental IDI offers these benefits:

- Total compensation coverage: IDI covers incentive compensation (bonuses, commissions, etc.)
- Individual ownership: Policies are individually owned and fully portable
- Eliminates or reduces the gap: Supplemental IDI closes or eliminates the income protection gap
- Guaranteed issue: Employees are guaranteed to receive coverage. As income grows, employees can increase their coverage up to the guaranteed issue amount with no medical questions
- No offsets: Workers' compensation or Social Security Disability Insurance payments do not decrease IDI benefits

Contact Truluma for our whitepaper that discusses the inadequacies of group LTD plans and the value of supplemental IDI plans.



TOP IDI INDUSTRIES

- » FINANCIAL SERVICES
- » HEALTH CARE
- » MANUFACTURING
- » LAW

IDI EMERGING INDUSTRIES

- » COMPUTER / TECHNOLOGY
- » PHARMACEUTICALS
- » CONSULTING
- » BUSINESS SERVICES



**Fast Start
Bonus***

\$500

You can earn **\$500** when 2 applications totaling \$2,000 annualized premium are paid within your first full quarter of being contracted with us.

**DI Quarterly
Incentive***

\$300

You can earn **\$300** when 2 applications totaling \$2,000 annualized premium are paid within a qualifying quarter in 2019. And, you have the opportunity to earn more quarterly incentive cash!

**Combine our
Quarterly DI Incentive
with our
Fast Start Bonus
to earn \$800
with your first two
applications!**

**Specific details apply*

**Contact
Truluma today
for further details.**

Licensing Dos and Don'ts

Compliance is a boring but necessary part of holding an insurance license and being able to sell insurance products. From continuing education requirements to maintaining or obtaining the correct license or line of authority, it can be overwhelming. Here are a few pointers to ensure you set yourself up so that you're always in compliance.



KELLY PETERSON
TRULUMA LICENSING &
COMPLIANCE MANAGER

LICENSES:

✓ DO make sure you are licensed in any states where you write applications. Many carriers require clients to complete an application for their resident state, which may not always be the state where the application is signed.

✓ DO make sure your license is active and effective before you take an application. If you write a case before your license is effective, you'll need to have the application re-signed by the client and you.

✓ DO make sure you renew your state insurance license(s) on time. If you miss a renewal, check the state insurance commissioner's website or visit www.nipr.com to see if there is a grace period for renewal in that state, and to see any applicable late fees.

✗ DON'T take an application for a state where you do not have an insurance license. Instead, visit www.nipr.com to apply for the appropriate state license prior to taking the client application.

LINES OF AUTHORITY:

Lines of authority dictate what types of insurance products you can sell. States differ in how they name some of them, but they still require you to have the appropriate line of authority on your license in order to be compliant. For disability products, most states refer to the lines of authority as Disability, Accident/Health or Life/Health.

✓ DO make sure you have the correct line of authority on your state license(s) prior to writing business. If you're missing a line of authority, you can add it to your active license by visiting www.nipr.com and choosing "add a line of authority".

Resources:

Visit the National Association of Insurance Commissioners at www.naic.org. From this site you can access the insurance commissioner's website for each state. It's a great place to find rules, costs and more detailed information about how to obtain an insurance license in any state.

Visit the National Insurance Producer Registry at www.nipr.com to apply for state licenses, look up your national producer number, renew your state insurance licenses or add lines of authority.



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News You Can Use / Q3 2019

Find more details on the info below, along with all of our real-time industry updates in the News section of truluma.com. Email marketing@truluma.com to subscribe to our e-News updates, delivered right to your inbox.

PIU DI Plans Now Available In Rhode Island, July 2019

Petersen International Underwriters/Lloyd's now has the authority to sell DI policies in the state of Rhode Island. Contact our office to learn more.

International Disability Underwriters Offers Simplified-Issue Key Person DI, September 2019

This unique, simplified-issue key person program is intended to provide expedited underwriting for preferred executive class cases. The shorter application and financial questionnaire will enable cases to be turned around quickly without additional underwriting. Contact Truluma to learn more.

The Standard's Q3 2019 Updates

see Truluma.com for additional resources

• Occupation Class Changes

Occupation class changes for Platinum Advantage and Protector PlatinumSM GSI: CRNAs will move from 3P to 2P, opticians who dispense only from 3A to 3P and opticians performing all duties from 2A to 2P. For Platinum Advantage, pharmacists will change from 5P to 4P and for Protector Platinum, pharmacists will change from 5A to 4A.

• Fully-Underwritten DI Updates

A new, preferred occupation discount on Platinum Advantage is available to several 5A occupation classes.

A new, expanded special BIR accelerated option for medical residents and fellows doubles the post-

training window to increase up to I&P limits with proof of income or up to new-in-practice limits without income documentation.

• GSI Updates

With Platinum Advantage GSI, the maximum benefit allowed under the Catastrophic Disability Benefit Rider has increased from \$10,000 to \$12,500, subject to underwriting review.



Get in the game!

FINANCIAL PLAN

Sickness and injuries can be financially devastating.

Make the call to include disability insurance from Ameritas as part of your clients' financial game plan.

In approved states, Dynamic Foundation (forms 4501NC, 4502GR and 4503NCBOE) is issued by Ameritas Life Insurance Corp. In New York, Dynamic Foundation (forms 5501-NC, 5502-GR and 5503NCBOE) is issued by Ameritas Life Insurance Corp. of New York. Policy and riders may vary and may not be available in all states.

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