

SEVERANCE DISABILITY PLANS

*Relieves employers of substantial obligations...
and opens doors for future insurance sales*

Severance agreements are very common and often result in the employer providing a continuation of income and benefits for a period of time beyond the termination date of an employee.

Severance agreements are used to cushion a terminated employee's transition, and while the employer who provides a severance agreement may be trying to do the right thing by continuing income and benefits while the terminated employee seeks new employment, this agreement may also burden his/her firm with significant liabilities.

The promise to continue disability insurance beyond the termination date of the employee can also be such a liability.

Unlike medical and life insurance, which is typically portable, group long term disability insurance does not cover terminated employees. If a former employee suffers a debilitating illness or disability during his or her severance period, the employer will be forced to self-insure the former employee for the amount of salary and length of time specified in the severance agreement. This could mean monumental costs for the employer and the company.

Rather than risk the possibility of incurring the cost of self-insuring disability benefits, call Capitas Financial for help in securing an **individual, Severance Disability Insurance plan** to cover this sort of risk.

Intent of the Plan

The intent of the Severance Disability Insurance Plan is to relieve the employer of disability benefit obligations during a former employee's severance period.

Case Study:

- Terminated employee, age 45
- Eligible for disability benefits of \$10k per month until age 65
- If a disability occurs during the terminated employee's severance period, it could create a potential liability of \$2.4M for the company

A Severance Disability Insurance Plan could relieve 100 percent of this potential liability!

Potential for this Plan

In light of historically high unemployment rates and the likelihood that companies will continue to downsize until an economic recovery is complete, the Severance Disability Insurance Plan offers practical solutions for companies' potential severance liabilities, and opens doors for additional insurance opportunities in the future. insurance opportunities.