

---

## IMPORTANT RESPONSES TO FREQUENTLY ASKED QUESTIONS

---

### **1 *Is Disability Income coverage for company executives really necessary?***

Recent studies indicate that approximately one-third of all Americans between the ages of 35 and 65 will suffer a disability lasting a minimum of 90 days at some point in their careers. The loss of income for a prolonged period—three months or more—can have devastating financial consequences.

The sudden loss of a company executive or key sales person due to accident or illness could also have a devastating effect on the firm itself. Insuring these key individuals under the Rockwood Executive Disability Income Program (and naming the firm as beneficiary) would significantly reduce this exposure. In the event of a disability-related loss of a key individual, funds would be available to the firm to retain qualified, temporary replacements

### **2 *I've heard of companies being sued for not providing adequate Disability Income insurance to their key personnel. How?***

The potential loss of key personnel due to accident or illness is a foreseeable event that needs to be considered by any company's Board of Directors. Failure to take adequate steps to protect against this type of loss can result in a lawsuit brought by the firm's shareholders, employees, and/or customers. Use the Rockwood Executive Disability Income Program to insure against this eventuality.

### **3 *How do these policies define Total Disability?***

Every insurance policy has its own version of what constitutes a total disability. Under the Rockwood Guardian program, a disability is considered permanent if the insured is unable to perform the material and substantial duties of his/her regular occupation. This definition is also referred to as True Own-Occupation. Other common definitions:

- Modified Own Occupation (Income Replacement)—insured is unable to perform the material and substantial duties of his/her regular occupation, and is not engaged in any other occupation.
- Total Disability or Totally Disabled - insured is certified by a physician as being wholly and continuously prevented from engaging in the Occupation stated in the schedule solely and directly as the result of Injury or Sickness.

### **4 *What does the Elimination Period provision of a Disability Income Policy mean?***

The elimination period works like the deductible on any liability insurance policy. Instead of using dollars, the disability income policy uses days. It is an initial period of time during which the disabled insured is not eligible to receive benefits even though a sickness or injury prevents the individual from working. There are two critical factors to consider when selecting an elimination period. The first factor is how long the applicant can maintain an acceptable standard of living through sick day benefits, personal savings, or investments, without an earned income. The second is how much the applicant can afford to spend for the insurance coverage. Applicants can choose from as little as 30 days to as much as 720 days. The options available may vary from state to state, or carrier to carrier.

## **5 What is the Benefit Period?**

The *benefit period* is the maximum period of time over which benefits will be paid for a single period of disability. The benefit period can be anywhere from three months to 60 months. The longer the benefit period, the higher the cost of the coverage will be because the potential liability to the insurer increases. Benefit period choices may vary for different occupations based on a number of factors (i.e. physical requirements, stability, and the greater risk presented by some occupation groups).

## **6 How much will a Disability Income policy cost?**

The premium charged for Disability Income coverage is based on a host of factors—occupation, health of the individual insured, coverage options selected, etc. A general rule of thumb is that the annual premium equates to approximately 1% - 3% of the individual's annual income.

## **7 What is the turn-around time for the issuance of a Disability Income policy?**

The average time required to properly evaluate an application and issue a policy is approximately 30 days. Clean risks can be underwritten in as little as 10 days; more time is required if additional medical information needs to be obtained from an attending physician.

## **8 What types of exclusions are associated with a Disability Income policy?**

Losses specifically excluded from coverage in the Rockwood Executive Disability Income policy include self-inflicted injuries, suicide, war, participation or attempted participation in a felonious act, mental or nervous disorders, pregnancy, or death of the insured. Consult the specimen policy for the complete listing.

## **9 What types of optional riders are available?**

Options are available to tailor the coverage to meet the unique needs of the Insured. They include:

- Temporary Total Disability—Injury or Sickness
- Permanent Total Disability—Injury or Sickness

## **10 I am a Property & Casualty agent with no authority to write Life/Accident & Health products. How can I sell this coverage?**

Check with the agency regulation unit of your home state's insurance department. You may already possess the authority to write the coverage under your P&C agent's license. Many jurisdictions consider Disability Income to be a casualty product.

---

## **Have more questions?**

Our knowledgeable staff of underwriters is available to assist you. Contact us toll-free at **(800) 365-0816**.