

Keep Your Business Sailing Smoothly

Safeguarding Your Firm's Course



GUARDIAN®

DISABILITY INSURANCE PROTECTION FOR
BUSINESSES, OWNERS AND EMPLOYEES

It's not simply a business to you.
It's your life's work. But what would happen
to your life and work if disability struck?

Think About Your Investment in Your Business

You put a great deal of time and energy into your business, and it's often the single largest asset in a business owner's estate. In many instances, it represents your life's work.

What Your Business Makes Possible

For many business and practice owners, the business provides the majority of current income. It's what makes their lifestyle possible. Without that income, your everyday life and plans for the future would be significantly impacted.

But What if the Unexpected Happened to You?

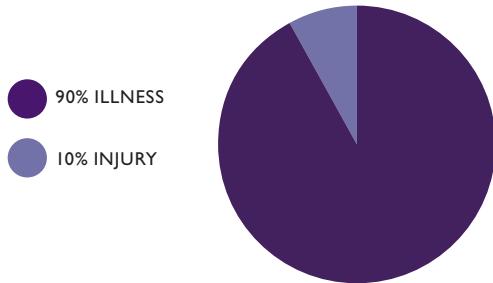
The health of your business is closely tied to your health and that of your key employees. But what would happen to your business if you became too sick or injured to work?

Before you say that could never happen to you, consider the facts. Just over 1 in 4 of today's 20-year-olds will become disabled before they retire.¹

Consider What Makes Your Lifestyle Possible



The Leading Causes of Disability²



And if you're thinking that most disabilities are the result of freak accidents, then you're in for a surprise. The vast majority of disabilities are caused by illnesses such as cancer, heart disease, or muscle, back and joint problems.

Having a protection plan in place for this important asset is critical to the continued well-being of you, your family, your business, and your employees.

¹ U.S. Social Security Administration Fact Sheet, January 2015.

² Council for Disability Awareness 2014 Long-Term Disability Claims Review.

If You Were to Become Too Sick or Injured to Work, Ask Yourself:

What Happens When a Business Owner is Disabled?

How would my personal lifestyle be affected?

- How long could I survive on my personal savings or my spouse/partner's income?
- How would my retirement, educational savings and other long-term goals be affected?
- How would I pay day-to-day living expenses?

How would my business fare?

- How would I meet the business's everyday expenses such as rent and utilities?
- Without me to perform my services, how will new revenue be generated?
- Would I be forced to consider difficult choices such as taking on debt or terminating employees?
- Will I have an intact business when I return?

Both personal and business income begin to suffer quickly when a business or practice owner is disabled.

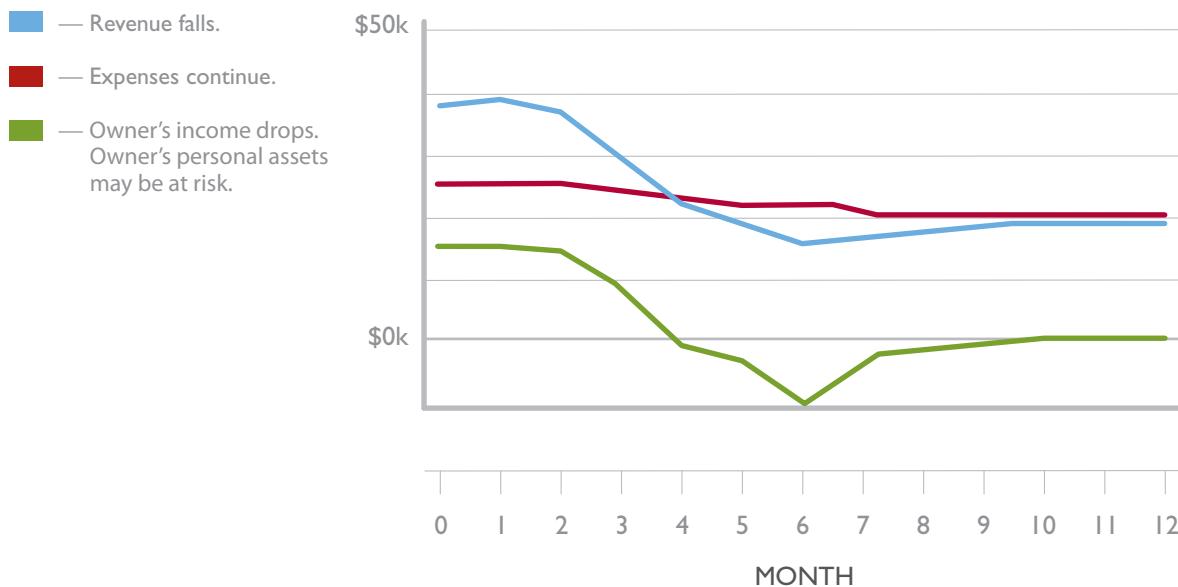


Chart assumptions: Individual is totally disabled for 5 months and partially or residually disabled for 7 months.

High-Performing Disability Protection

You can't know when a disability could strike, nor its extent or duration. But you *can* prepare for the possibility. Knowing that you have a "just in case" plan for yourself, your family, your employees, and your business can help reduce your financial stress.

When you make a plan for the possibility of disability, you're able to evaluate options and select the best ones for yourself and your firm. You'll be less likely to have to make rash decisions in the heat of the moment.

Choose strong coverage with the flexibility to meet the needs of your specific life and business circumstances. Turn to Berkshire Life, a Guardian Company. We're an industry innovator with the following exemplary ratings as of November 2015:



*A++ from A.M. Best Company

*AA+ from Standard and Poor's

Continue reading in this brochure about how our disability protection can help you safeguard your:

- Personal Income
- Business's ability to pay everyday expenses
- Firm's ability to make payments on business loans
- Plans for the business's future
- Employees' income

You've worked too hard and invested too much to leave the future of your business to chance.

*Ratings are subject to change.

Berkshire Life Insurance Company of America, Pittsfield, MA, is a wholly owned stock subsidiary of The Guardian Life Insurance Company of America, New York, NY.

Evaluate Your Overall Protection Needs

Look for Coverage that Meets Your Unique Needs and Priorities



Acknowledging that your personal income and business may not be adequately protected in the event you were too sick or injured to work is an important first step. Now it's time to assess your options.

This booklet was developed to help you understand how personal and business disability protection work and how coverages may vary from company to company. It's important to look at disability protection overall to determine if you, your employees and your business will have sufficient coverage and financial assistance during a period of disability. When evaluating options, look for coverage that:

- **Offers choices to tailor coverage to**
 - Your personal and family income needs
 - Specific needs of your business and industry
- **Provides benefits that let you focus on your physical and financial recovery**
 - Pays personal income replacement and business overhead expense benefits during partial disability
 - Offers the option of coverage for the salary of your temporary replacement
 - Provides options for accelerated benefits to address business's cash flow needs
 - Offers coverage to fund the buy-out of a disabled co-owner
- **Is easy to understand**
 - How total disability is defined
 - When benefits would begin
 - Length of time benefits are payable
 - How owner compensation is defined
 - How a value for your business is determined for insurance purposes
- **Progresses as you and your business do with options to:**
 - Ensure benefits keep pace with inflation
 - Increase personal disability coverage as your income grows
 - Provide protection for longer-term dreams for you and your family

Consider the Risks

Now that you've begun looking at your disability protection needs, consider the specifics of what would be at risk. Jot down the key expenses that you have in your personal life and business.

Monthly Expense Assessment

Personal Expenses

Housing	\$ _____
Utilities	\$ _____
Food	\$ _____
Child care	\$ _____
Loan payments	\$ _____
College savings or tuition	\$ _____
Retirement savings	\$ _____
Auto expenses	\$ _____
Miscellaneous	\$ _____

Business Expenses

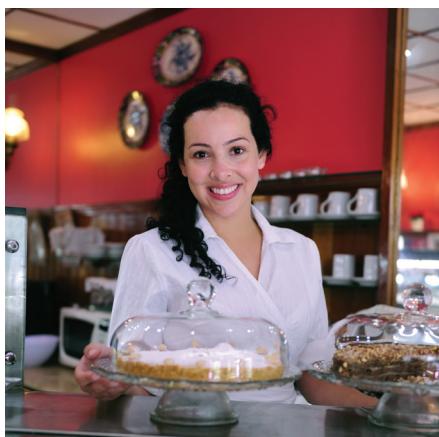
Rent or mortgage	\$ _____
Utilities	\$ _____
Loan payments	\$ _____
Salaries & other compensation	\$ _____
Taxes	\$ _____
Employee benefits	\$ _____
Miscellaneous	\$ _____

Could You and Your Business Continue to Pay These Expenses if Disability Struck?



Disability Income Protection for Individuals and Business Owners

When Your Objective Is to Protect Your Personal Income



Coverage Value:

*Protects your **personal income** if you are too sick or injured to work.*

How It Works to Protect You:

Our ProVider Plus Disability Income Insurance protects you by providing income replacement that can help you meet daily living expenses such as housing, groceries, utilities, etc.

One of the strongest base contracts in the industry, our coverage includes:

- Choice of definitions of disability – important because it is a key factor in determining eligibility for benefits
 - True own-occupation – most flexible, making it possible for you to work in another occupation and still be eligible for total disability benefits
 - Modified own-occupation – benefits are payable when you are unable to perform the duties of your own occupation and you are not working
- Waiver of elimination period
 - All disability insurance policies have an elimination period – the period of time that must elapse from when you first become disabled before benefits are payable
 - With our ProVider Plus coverage, if you suffer a disability that lasts more than six months and are paid benefits, we'll waive the elimination period for any subsequent disability that occurs within five years, regardless of the cause (whether it's a new illness or injury or a relapse of the original disabling condition)
- Waiver of premium benefit
 - After the elimination period, waives premiums during a period of disability and for six months after your claim ends to help your financial recovery, and
 - Reimburses premiums paid that apply to the period of disability

You can tailor coverage to the unique demands of your lifestyle and circumstances with options to:

- Provide benefits for partial or residual disabilities to facilitate your physical and financial recovery
 - Provides for partial benefits when you lose a percentage of your pre-disability income due to sickness or injury, thus permitting you to focus on recovery and working to rebuild your practice or business
 - Includes a recovery benefit payable for up to the entire benefit period
- Mitigate some of the effects of inflation
 - Several choices to add a Cost-of-Living Adjustment option to your coverage
- Longer-term benefits options
 - Lump sum benefit to help you offset the missed opportunities for savings for college educations, real estate, retirement, etc.
 - Graded Lifetime benefits option
 - Protection for your retirement plan contributions

Safeguard Yourself and Your Family



What is Covered	Who can be covered	This coverage is for	Tax treatment of premiums	Benefits received will be
Personal income	Business owner(s) (Any individual may also be covered, but the tax treatment would differ from that of the owner.)	LLCs Sole Proprietors Partnerships C corps S corps	Premiums paid for the owner's coverage are tax-deductible to the business; the owner must claim these as income. ¹	Tax-free (For an individual, benefits would be paid tax-free if the policy is paid for with after-tax dollars.)

Coverage that Keeps Pace with You as Your Career and Business Grow

¹ S corp shareholders whose ownership exceeds 2% must also claim as income.

Disability Protection for Your Business

**When Your Objective
Is to Cover the Everyday
Expenses to Keep Your
Business Running**



Overhead Expense Disability Insurance

Coverage Value:

*Protects your **business's ability to meet everyday business expenses when a business owner is too sick or injured to work***

How It Works to Protect Your Business:

If you or a co-owner became disabled, your business may be less able to provide the services your customers expect. Customers would have to go elsewhere, resulting in declining revenue for your business. However, your business's routine expenses don't stop. **Overhead Expense (OE) Disability Insurance** helps ensure that your business can meet its routine expenses during a period of owner disability.

It provides reimbursement for up to 100% of covered expenses such as:

- Rent, utilities, and taxes
- Loan interest and principal payments (or depreciation)
- Up to 50% of the salary of your replacement
- Salary and benefits of non-owner employees

Ease Cash-Flow Worries

Business owners tell us that maintaining cash flow is a key concern for their business in the event of a disability. Options to help address this concern include:

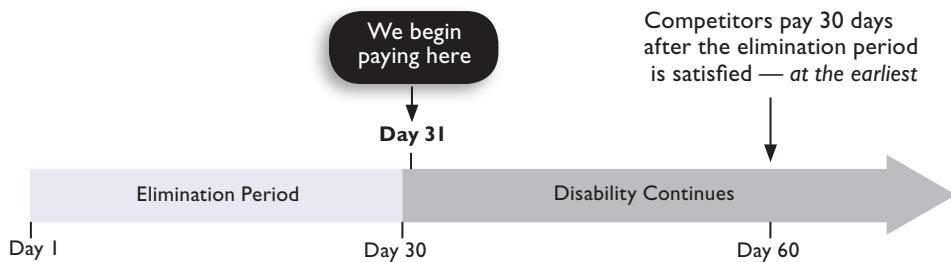
- Access to an additional pool of benefits to reimburse for extraordinary or fluctuating expenses¹
- Advancement of 50% of first monthly benefits **before** submitting proof of expenses, providing benefits much sooner than most competitors²

¹ Included in the Supplemental Overhead Expense Rider. Not available in FL.

² When the Accelerated Benefit Endorsement is a part of the policy and the insured individual has been determined to be totally disabled continuously throughout the elimination period.

Our Overhead Expense Disability Insurance Pays Benefits Quickly

With maintaining adequate cash flow so important for business owners, we've purposefully designed our Overhead Expense coverage to pay benefits sooner. We advance half of the policy's monthly benefit the *day after the elimination period, or waiting period*, is satisfied in the event of a total disability.² That's *before* proof of covered overhead expenses has been submitted. Few other carriers in the marketplace even come close to offering small business clients that degree of flexibility to sustain cash flow.



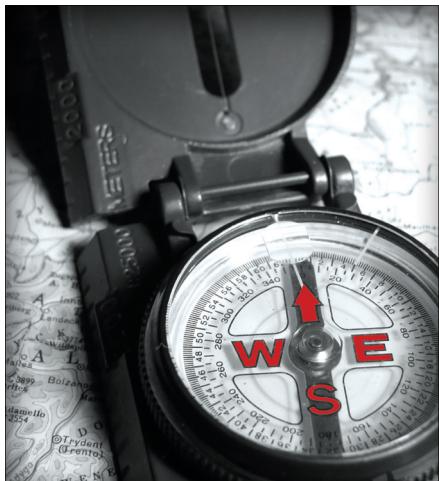
In this example, the business owner is totally disabled and his/her OE policy has a 30-day elimination period with a \$30,000 monthly benefit. On day 31, the policy would pay \$15,000. Most other policies in the marketplace wouldn't start paying until after all documentation of expenses has been received and approved.

What is Covered	This coverage is for	Tax treatment of premiums	Benefits received will be
Most normal, necessary and customary expenses incurred to run the business	LLCs Sole proprietors Partnerships C corps S corps	Premiums are tax-deductible.	Reportable as income

Pays Benefits Sooner to Preserve the Continuity of Your Business

Disability Protection for Your Business

**Use When Your Objective
Is to Fund the Purchase
of a Disabled Owner's
Interest in the Business**



Disability Buy-Out Insurance

Coverage Value:

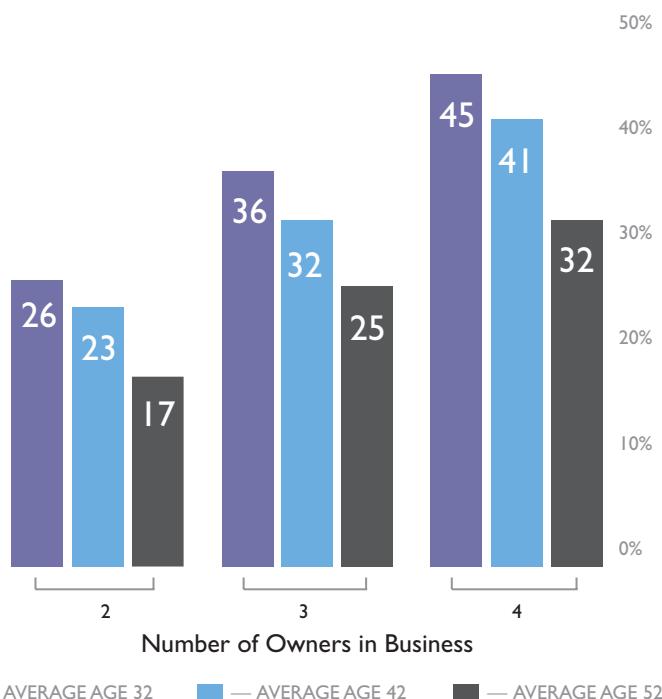
Funds the purchase of a disabled owner's portion of the business in the event of disability

How It Works to Protect Your Business:

Disability Buy-Out Insurance (DBO) helps when you or a co-owner suffer a prolonged or permanent disability and, as a result, you need to sell your share of the business. DBO provides funds for the purchase of the disabled co-owner's interest.

Few business owners have a plan in place to protect their business in the event of a co-owner's disability. Most underestimate the chances of a disability striking them or a co-owner. Before you dismiss the possibility of it happening to you, look at the odds below.

**Chances (%) of One Co-Owner Becoming Disabled
for 12 months or More Before Age 65**



Source: NAIC Commissioners Disability Table. Statistics shown are based on data collected from independent disability carriers and reflect only individuals with DI policies.

If one of your partners were disabled, how would you resolve conflicting interests?

Our Disability Buy-Out Insurance helps your business alleviate many of these concerns. It ensures that funds are available so that the business can avoid depleting savings or investment accounts, drawing on future earnings, or affecting credit sources in order to buy out the disabled co-owner.

Easy-to-Understand Business Valuation Formula in the Contract

Our Disability Buy-Out Insurance includes a business valuation formula **right within the policy**. This makes it easier for you and your co-owners to understand how the business is valued when purchasing your policy as well as at the time of a claim. Something so important as the value of the business you've worked so hard to build should be straightforward in any Disability Buy-Out policy you consider.

What is Covered	This coverage is for	Tax treatment of premiums	Benefits received will be
Funding for the buy-out of a disabled partner	LLCs Partnerships C corps S corps	Premiums are non-deductible.	Benefits are tax-free.

THE DISABLED OWNER'S CONCERNS

- How can I recover my investment?
- Where is the return for starting and growing the business?
- Why should I let others run my business, using my money?

THE REMAINING OWNERS' CONCERNS

- With an owner not working or providing services, how will all of the work get done?
- Would the disabled owner's spouse or children want a say in running the business?
- Will the disabled partner sell his or her interest to a competitor?
- Where would we get the money to buy out the disabled partner?

If you or a co-owner become disabled,
are you prepared?

Disability Protection for Your Business

**When Your Objective
Is to Cover Fixed-Term
Financial Obligations or
Business Loans**



Insurance Specifically for Business Loans

Coverage Value:

Protects your business's ability to pay business loans and other contractual financial obligations

How It Works to Protect Your Business:

Our **Business Reducing Term (BRT)** coverage helps protect your business by funding up to 100% of any financial obligation (direct to the lender) that requires regular payments over a defined term. Such obligations include:

- Business start-up or practice purchase loans
- Capital improvement or expansion loans
- Employment contract guarantees
- Equipment purchase or lease agreements

Match the Policy Duration to the Term of Your Loan

This coverage can be applied for at any time, whether you're just taking out the loan, or whether you're partway through paying it off. The policy duration is matched to the remaining length of your financial obligation, giving you precisely the coverage you need.

Consider the example of a policy acquired just as you take out a 10-year loan. The policy term would also be 10 years. The number of months for which the policy provides benefits is reduced as you pay down the debt and the remaining length of the financial obligation is reduced. However, the full monthly benefit is payable until the policy's date of termination or until you recover.

In this scenario with the 10-year loan, let's say you become totally disabled three years after taking out the policy, and remain totally disabled. After satisfying the waiting or elimination period, benefits would be payable for the remaining time of your loan, nearly seven years.

Coverage Choices

How Does Loan Coverage Under BRT Differ From That With Overhead Expense Insurance?

You may be considering **Overhead Expense (OE)** Insurance to protect your ability to meet everyday business expenses and operational costs in the event of a disability. You can choose to have your OE policy include coverage for your loan payments. Your protection for the loan payments matches that of the OE policy duration. OE policies in the marketplace typically have a benefit period of 12 to 24 months.

A second option is to cover the loan using BRT. With this option, the policy duration can be tailored to the duration of your loan.

We offer protection for business loans under both of these types of insurance so that you can choose the protection that best suits the unique needs of your business.



What is Covered	This coverage is for	Tax treatment of premiums	Benefits received will be
Fixed-term business payments including business loans, purchase and lease agreements, employer contracts	LLCs Sole proprietors Partnerships C corps S corps	Premiums are non-deductible.	Tax-free.

Keep Your Business Healthy... Even if You Aren't

Disability Income Protection for Your Employees

We can help you provide the employee benefits you need to attract and retain the talent essential for success. Whether you choose to offer benefits funded by the business, by employees, or some combination, you'll find just what you need with these flexible programs.

Use When Your Objective Is to:

Reward key employees

**Provide employer-sponsored
coverage to groups of five or
more employees or to supplement
existing group LTD with no
medical underwriting**

**Protect employees
and take a tax deduction
for the business to supplement
existing group LTD**

	Coverage	Who Can be Covered
Reward key employees	Executive Bonus Plan Combines employer-paid disability income coverage with a tax-free disability plan	LLCs Sole proprietors Partnerships C corps S corps
Provide employer-sponsored coverage to groups of five or more employees or to supplement existing group LTD with no medical underwriting	Supplemental Income Protection Program Supplements group long-term disability coverage (LTD). Well-suited for all employees, but particularly those who are highly compensated or paid on commission.	LLCs Sole Proprietors Partnerships C corps S corps
Protect employees and take a tax deduction for the business to supplement existing group LTD	Qualified Sick Pay Program Funds a Qualified Sick Pay Plan that enables the business to continue making salary payments to disabled employees. Coverage for employees and owner-employees with less than a 2% ownership interest.	Appropriate for any small business with key employees. Of particular value to C corp owners interested in providing a deductible benefit for themselves.



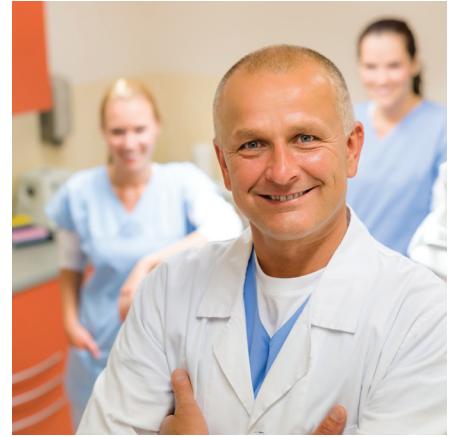
Can the Employer Choose Whom to Cover?	Coverage Paid for by Business or Employee	Tax Treatment of Premiums	Benefits Received Will Be
Yes	Business	The bonus paid by the employer to cover the premium may be deductible as a compensation expense, to the extent reasonable. The bonus is included in the employee's taxable income.	Tax-free
Yes, the employer can define which groups of employees are eligible.	Business or Employee or Combination	Premiums paid for employees are deductible by the employer.	Benefits are taxable if premiums were paid by employer. Employee-paid premiums are tax-free.
Yes	Business	Deductible by employer; employer-paid premium is excluded from employee's taxable income	Reported as income

Disability Income Protection for Your Employees (continued)

Offering a cost-effective, robust benefits package can help you differentiate your firm with prospective hires and increase satisfaction for your existing workforce. Whether your business is a start-up or a well-established firm, you'll find choices and options to tailor an employee disability protection program to your needs and those of your employees.

Use When Your Objective Is to:

	Coverage	Who Can be Covered
<i>Enhance your benefit program at no cost to the business by sponsoring one for three or more individuals</i>	Voluntary Income Protection Program	Provides income protection at no expense to the business for eligible employees who choose to participate. Can serve as supplement to group long term disability plan.
<i>Obtain discounted coverage for three or more employees in your firm where there is no employer sponsorship</i>	Professional Group Discount Program	Income of eligible employees who choose to participate. Not available to medical and dental student resident groups.
<i>Protect employee and employer retirement contributions to an individual retirement plan</i>	Retirement Protection Plus Program	Replaces monthly contributions into a company or individual retirement plan plus the amount the company was contributing. Benefits paid into a trust specifically for this purpose with investments at insured's discretion.



Can the Employer Choose Whom to Cover?	Coverage Paid for by Business or Employee	Tax Treatment of Premiums	Benefits Received Will Be
N/A	Employee	No impact to the business	Benefits paid are tax-free to employees when paid with after-tax dollars.
N/A	Employee (No employer sponsorship)	Premiums paid are not tax-deductible.	Tax-free
Yes, when part of an employer-sponsored plan	Employee	Premiums may be paid as tax-deductible business expenses, or with after-tax dollars.	Benefits are taxable if premiums were deducted by the business or paid with pre-tax dollars.

Next Steps to Consider



Make This About You and Your Business

Strong disability protection is an important element of running a business or practice effectively. As you've learned in this brochure, you can:

- Protect yourself and your family with personal disability income coverage to help maintain your current lifestyle and minimize sacrifices.
- Safeguard your business with disability coverage that reimburses overhead expenses, helps to fund a buy-out, and protects your ability to meet business loan payments.
- Recruit and retain employees by offering a robust benefits package that includes strong disability income protection paid for by the business, employees, or a combination.

Want to learn more?

Mark the pages in this booklet that describe the coverages that you think may pertain to you and your business or practice. Refer back to page 5 to review your initial assessment of expenses. Use the worksheet on page 19 to consider what your objectives are for you, your business, and your employees.

Next:

- Think about which types of disability insurance coverage align with your protection objectives.
- If you have co-owners, discuss the importance of planning *now* for the possibility of one of you being too sick or injured to work.
- Contact your financial or insurance advisor to make sure you, your business, and your employees are protected in the event of a disability.

Assess What's Right for You and Your Business

As you consider what disability protection you, your business and your employees need, rank your priorities.

Your Business Structure

How is Your Business Structured? (LLC, Sole Proprietorship, Partnership, C corp, S corp)

Total Number of Employees _____

Key Owner or Shareholder Name(s)

**Percent
Ownership**

%

%

%

Your Objectives and Priorities

Objective	Check Those That Apply for You	Rank
Protect Owner Income		
Protect the Business's Income		
Protect key employees' income		
Protect the income of all employees		
Maximize tax deductions		
Minimize taxable benefits		
Protect ability to pay loans		
Control costs		
Other		

Appendix

Benefit Period	A twenty-four month mental and/or substance-related disorders limitation is included on all policies issued to anesthesiologists/anesthetists (MD, DO, or CRNA), emergency room physicians, pain management physicians, and nurse anesthetists. Limitation also applies to all new policies issued in the states of California and Florida. The limitation does not apply to policies issued as a result of a future increase option or future purchase option where the policy from which the option is exercised does not contain such a limitation. The limitation does not apply to any policies issued in the state of Vermont, regardless of occupation.
Business Valuation Endorsement	The business value determined by the Business Valuation Endorsement is one of several factors used to determine the Disability Buy-Out benefit payable. As such, the Disability Buy-Out benefit amount may differ from the business value determined by either the Business Valuation Endorsement or that of an independent appraisal. See policy form 3200 <i>Provisions Related to Benefits</i> for details.
Cost of Living Adjustment Rider	This benefit is not necessarily protection against increases in the cost of living.
Definition of Total Disability	A different definition of total disability applies to policies issued in California. Contact your agent or broker for complete details.
Eligibility for Benefits	For each coverage type described in this brochure, the actual policy and its terms and provisions govern eligibility for benefits. Please refer to a specimen contract for details.
Future Increase Option	Restrictions and limitations apply. While medical information is not required when exercising a future increase option, applications to exercise an increase option will be financially underwritten taking into consideration both the applicant's then-current income, as well as all disability insurance which is then in force, or for which the insured has applied or is eligible to receive.
Retirement Protection Plus Program	Retirement Protection Plus is not a pension plan or a substitute for one. Not available in New Jersey.

Disability Insurance is one of the **most reliable**
and flexible sources of protection
for you, your business, and your employees.

Individual disability insurance Policy Forms 1400, 1500, 1600, 3100, 3200, and 4200, underwritten and issued by Berkshire Life Insurance Company of America, Pittsfield, MA, a wholly owned stock subsidiary of The Guardian Life Insurance Company of America (Guardian), New York, NY. Policy form AH55-A provided by Guardian. Product provisions and availability may vary by state. Optional riders are available for an additional premium.

In New York: These policies provide disability insurance only. They do not provide basic hospital, basic medical or major medical insurance as defined by the New York State Insurance Department. For policy forms 1400, 1500, 1600, and 4200 the expected benefit ratio is 50% (including NY 1400). For policy forms 3100, 3200, and AH55-A, the expected benefit ratio is 55%, and for policy forms 1400-F, 1500-F, or 1600-F, it is 60%. The expected benefit ratio is the portion of future premiums that the company expects to return as benefits, when averaged over all people with these policy forms.

This brochure is provided for informational purposes only and should not be considered tax or legal advice. You should consult your tax, legal, or accounting professional regarding your individual situation.

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