



BANK-OWNED DISABILITY INSURANCE

WHAT IS BODI?

Bank-Owned Disability Insurance (BODI) can provide key bank executives with disability benefits in Supplemental Executive Retirement Plans and insure the shortfall in balance sheet liabilities that occur in the event of disability.

WHY DO BANKS BUY BODI?

Banks often offer key executives Supplemental Executive Retirement Plans and use life insurance to offset the costs of the retirement program. During working years, these executives face a greater risk of disability versus death. In the event of disability, most SERP arrangements tend to either cause a balance sheet problem for the bank or a serious financial planning concern for the executive.

With sizable amounts at risk, many executives are left exposed. M Benefit Solutions partners with Exceptional Risk Advisors to offer banks with SERPs a solution to provide disability benefits and mitigate the financial impact on the bank.

When a disability occurs in the early years of the retirement plan and benefits are due the bank must make up the difference in the liability balance accrued and the disability benefit payable. This shortfall can pose a balance sheet challenge for the bank, unless Bank-Owned Disability Insurance is used to lessen the impact of the shortfall.

HOW DOES BODI WORK?

- Simplified underwriting up to \$1,000,000
- Benefits payable in a lump sum up to \$3,000,000
- Decreasing coverage equivalent to five years of shortfall (present value of disability benefit less scheduled SERP accrual)
- Custom definition of disability to match IRC 409A definition
- Policy can be customized to be aligned with SERP obligation or other specific needs

IT HAPPENS MORE OFTEN THAN YOU WOULD IMAGINE.

- Almost one-third of Americans entering the work force today will become disabled before they retire.
Social Security Administration Fact Sheet, February 7, 2013
- 40% of all 45-year olds will suffer a disability lasting longer than 90 days prior to age 65.
Gen Re Disability Fact Book, 2013-2014.
- Accidents are not usually the cause of disability. Back injuries, cancer, heart disease and other illnesses cause the majority of long-term absences.
Council for Disability Awareness

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