

A resource for brokers



# Individual Disability Insurance

**Compensation guide**

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## **Sell premier DI products and earn more**

Individual disability insurance products from Guardian, offered through Berkshire Life Insurance Company of America, provide you the opportunity to sell some of the most robust, innovative, and competitive disability protection in the industry — as well as the opportunity to earn among the highest commission incomes available over time.

Building your block of DI business can mean earning additional rewards to help you grow your business and your income — faster!

### **Proof points**

- Growth potential with industry-leading products
- Improved experience for you and your clients
- Local support backed by a home office network
- Long-term strength and leadership
- Annual recognition of top producers

### **Broker commission highlights include**

- Among the highest commission incomes available over time
- 100% vested in basic renewals from first dollar
- Annualized commission renewals on premiums paid using Guard-O-Matic, Guardian's monthly automatic payment system
- Opportunity to earn vested status on persistency renewals

### **Commission over time**

Take a look at what you could earn over the years with Guardian by selling just one policy per month at an average annual premium of \$2,500 per policy.

# Income from selling one DI policy per month

## Assumptions:

- \$30,000 new annual DI premium per year
- 96% Persistency
- Cumulative Commission includes first-year, base, and Variable Renewals Based on Persistency and Volume (VRPV).
- Individual DI policy sales only



## First-year commissions

Full first-year commission rates are paid on:

- Total policy premium including policy fees and any ratings
- Actual premiums paid on policies eligible for discounted premiums
- Increases in coverage through automatic increase riders (ABE/AIR)
- Increases in coverage through exercises of future purchase options (FIO/FPO/BPR)
- Increases in premium as a result of Graded-to-Level conversions (paid to the writing agent)

## Non-discounted Provider Choice, Overhead Expense (4200 and 18OE), Disability Buy-Out (18DB), and PayGuard Plus policies

Occupation Classes	Year-to-Date First-Year Premium		
	Up to \$16,000	Up to \$32,000	\$32,001+
6/6M, 5/5M, 4/4M, 3/3M, 3D, 4D <sup>†</sup>	50%	55%	60%
2/2M <sup>‡</sup>	35%	40%	45%
1/1M <sup>‡</sup>	25%	30%	35%

**Policies that aren't sold as part of an Association Discount Program, that aren't sold to dentists under other discount programs, that aren't sold with a Multi-Life 3+ Lives or Multi-Client discount, and that aren't Franchise Policies, pay compensation using this non-discounted table. This table also applies to policies sold to medical residents.**

<sup>†</sup> Occupation classes 3D and 4D not available for OE (4200).

<sup>‡</sup> Classes 2/2M and 1/1M available in employer-sponsored situations.

**Discounted Provider Choice, Overhead Expense (18OE), Disability Buy-Out (18DB), PayGuard Plus and Franchise policies**

Occupation Classes	Year-to-Date First-Year Premium		
	Up to \$16,000	Up to \$32,000	\$32,001+
6/6M, 5/5M, 4/4M, 3/3M, 3D, 4D	40%	45%	50%
2/2M*	25%	30%	35%
1/1M*	15%	20%	25%

This compensation scale applies to Franchise policies and policies written under discount programs that include:

- For all occupations: Association, Multi-Life 3+ Lives and Multi-Client Discounts
- For Dental occupations: Professional Groups, Batch-Bill Discounts, Dental (not medical) Resident Programs, QSPP, and VIP Programs

\* Classes 2/2M and 1/1M available in employer-sponsored situations.

**Disability Buy-Out - 3200**

Occupation Classes	DBO
6/6M, 5/5M, 4/4M, 3/3M	55%

Commission bands will be prorated in the first calendar year in which any premium is paid based on the number of months remaining in the year starting with the month in which the first premium is paid.



## Renewal commissions

### Policy Renewal Years 2 – 10

#### Non-Discounted Provider Choice, Provider Plus, Overhead Expense (4200 and 18OE), Disability Buy-Out (18DB), and PayGuard Plus Policies

	Variable Renewals	Total
Base renewals	based on Persistency and Volume (VRPV) <sup>†</sup>	potential renewals
<b>5% +</b>	<b>2.5% to 12.5% =</b>	<b>7.5% – 17.5%</b>

Policies that aren't sold as part of an Association Discount Program, that aren't sold to dentists under other discount programs, that aren't sold with a Multi-Life 3+ Lives or Multi-Client discount, and that aren't Franchise Policies, pay compensation using this non-discounted table. This table also applies to policies sold to medical residents.

### Policy Renewal Years 2 – 10

#### Discounted Provider Choice, Overhead Expense (18OE), Disability Buy-Out (18DB), PayGuard Plus and Franchise policies

	Variable Renewals	Total
Base renewals	based on Persistency and Volume (VRPV) <sup>†</sup>	potential renewals
<b>2% +</b>	<b>2.5% to 12.5% =</b>	<b>4.5% – 14.5%</b>

This compensation scale applies to Franchise Policies and policies written under discount programs that include:

- For all occupations: Association, Multi-Life 3+ Lives and Multi-Client Discounts
- For Dental occupations: Professional Groups, Batch-Bill Discounts, Dental (not medical) Resident Programs, QSPP, and VIP Programs

<sup>†</sup> All policies issued to dentists in CA or that have lifetime benefits, including a Graded Lifetime Indemnity for Total Disability Rider, do not qualify for VRPV renewal commission.

### Policy Renewal Years 11+

#### All Provider Choice, ProVider Plus, Overhead Expense (4200 and 18OE), Disability Buy-Out (18DB), and PayGuard Plus Policies

	Variable Renewals	Total
Base renewals	based on Persistency and Volume (VRPV) <sup>†</sup>	potential renewals
<b>2% +</b>	<b>2.5% to 12.5% =</b>	<b>4.5% – 14.5%</b>

<sup>†</sup> All policies issued to dentists in CA or that have lifetime benefits, including a Graded Lifetime Indemnity for Total Disability Rider, do not qualify for VRPV renewal commission.

## Disability Buy-Out (DBO) - 3200

Policy Renewal Years 2	
Occupation classes	Base renewals
6/6M, 5/5M, 4/4M, 3/3M	15%

Policy Renewal Years 3+			
Occupation classes	Base renewals	Variable Renewals Based on Persistency (VRP)	Actual year 3+ renewals
6/6M, 5/5M, 4/4M, 3/3M	5%	+ 0% to 10%	= 5% - 15%

## Business Reducing Term (BRT)

Policy Renewal Years 2+	
Base renewals	Your BRT in-force block may be eligible for Health Persistency Payments.
10%	Refer to your Brokerage Agreement for specific details

## Vesting — renewal commissions

Brokers are 100% vested in basic renewals and can achieve permanent vesting of persistency renewals by satisfying the IDI In-Force Requirement of \$200,000 of premium as of January 1, 2020. It is published annually and subject to change.





## **VRPV**

Variable Renewal Based on Persistency and Volume (VRPV) is an additional renewal compensation component payable based on persistency of premiums during the previous calendar year. The variable renewal rate is calculated each year and ranges between 2.5% and 12.5% of all eligible VRPV policy renewal premiums in excess of a deductible. The deductible will be \$2,500 in the first year you have eligible renewal premiums paid; followed by \$7,500 in the second year; and \$12,000 for each subsequent year after that.

### **To qualify for VRPV compensation:**

- The producer must meet the IDI Sales Requirement in the preceding calendar year. As of January 1, 2020, the IDI Sales Requirement is \$4,000 of premium.
- The IDI Sales Requirement will be permanently waived in the calendar year immediately following the year when the Agent meets or exceeds the IDI In-Force Requirement by September 30. The IDI In-Force Requirement is \$200,000 of premium as of January 1, 2020. Please see your Brokerage Agreement for additional requirements regarding the IDI Sales Requirement and VRPV compensation.
- The IDI Sales Requirement and the IDI In-Force Requirement are published annually and are subject to change.

If you have no lapsed premium, your VRPV rate will be calculated at the maximum rate of 12.5%. A 12.5% rate can be maintained by keeping lapse rates low.

The examples below illustrate how lapse rates impact the VRPV percentage. Both examples assume a producer has \$270,000 of paid premium spread over nine durations. Example 1 assumes lapses totaling \$4,900 (1.81%), and Example 2 assumes \$16,450 (6.09%).

**Example 1: VRPV Rate = 12.5%**

Duration	Lapsed Premium	Year-End Commissionable Paid Premium	Published Standard Lapse Rates	Actual Lapse Rate	Weighted Multiple by Duration
1	\$0	\$30,000	4.00%	0.00%	0.00
2	\$0	\$30,000	4.00%	0.00%	0.00
3	\$0	\$30,000	4.00%	0.00%	0.00
4	\$1,700	\$30,000	4.00%	5.67%	0.16
5	\$0	\$30,000	3.50%	0.00%	0.00
6	\$1,900	\$30,000	3.50%	6.33%	0.20
7	\$0	\$30,000	3.50%	0.00%	0.00
8	\$0	\$30,000	3.50%	0.00%	0.00
9	\$1,300	\$30,000	3.50%	4.33%	0.14
<b>Total</b>	<b>\$4,900</b>	<b>\$270,000</b>	<b>3.72%</b>	<b>1.81%</b>	<b>0.50</b>

$$\text{VRPV Rate} = 2.5\% + \frac{20\% \times (2.0 - .50)}{3} = 2.5\% + 10.0\% = 12.5\%$$

**Example 2: VRPV Rate = 4.7%**

Duration	Lapsed Premium	Year-End Commissionable Paid Premium	Published Standard Lapse Rates	Actual Lapse Rate	Weighted Multiple by Duration
1	\$0	\$30,000	4.00%	0.00%	0.00
2	\$2,000	\$30,000	4.00%	6.67%	0.19
3	\$1,450	\$30,000	4.00%	4.83%	0.13
4	\$2,000	\$30,000	4.00%	6.67%	0.19
5	\$0	\$30,000	3.50%	0.00%	0.00
6	\$5,000	\$30,000	3.50%	16.67%	0.53
7	\$0	\$30,000	3.50%	0.00%	0.00
8	\$0	\$30,000	3.50%	0.00%	0.00
9	\$6,000	\$30,000	3.50%	20.00%	0.63
<b>Total</b>	<b>\$16,450</b>	<b>\$270,000</b>	<b>3.72%</b>	<b>6.09%</b>	<b>1.67</b>

$$\text{VRPV Rate} = 2.5\% + \frac{20\% \times (2.0 - 1.67)}{3} = 2.5\% + 2.2\% = 4.7\%$$

## **VRP**

Variable Renewals Based on Persistency (VRP) is an additional renewal commission component payable based on persistency of premiums during the previous calendar year. The variable renewal rate will apply to all eligible third-year-or-later premiums due and paid.

## **Terms & conditions**

Refer to your producer contract and the Producer Plan for complete details on all of the terms and conditions associated with your disability income insurance compensation.

## **Replacements**

Commissions on replacements of individual disability income insurance products issued by Guardian or Berkshire Life will be paid as follows:

- **First-year commissions:**

The full first-year commission rate will be paid on new annual premium in excess of the replaced policy premium. Should the new premium be less than the replaced policy premium, then no first-year commission will be paid.

- **Renewal commissions:**

The full renewal rate will be paid as outlined on pages 4-8.

## **Waived premiums**

Commissions will not be paid on premiums waived for any reason.

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