



# Business Overhead Expense (BOE) Insurance Policy Provisions

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# Agenda

- What is Business Overhead Expense?
- Approved states.
- Policy highlights.
- Marketing opportunities.
- Target markets.
- Policy provisions.
- Closing comments.
- Marketing resources.

# What is BOE Insurance?

- BOE insurance provides coverage designed to reimburse owners of small businesses, operated from a location away from the home, for normal and customary expenses necessary to maintain the business, while the owner is disabled.
- Size of business.
  - There should be no more than five business owners.
  - Otherwise, there is a good chance the business will still operate despite the disability of one of the owners – decreases need for BOE insurance.

# Approved States

- Available in all states except for FL.
  - FL uses DInamic 2000 BOE product.
  - In states approved for DInamic Cornerstone individual DI, the Foundation BOE product is part of the Cornerstone application.

# Ameritas BOE Policy Highlights

- Policy language includes non-owners who are contractually responsible for expenses.
- Targets small business owners with 25% or less manual duties.
- Available for occupational classes as low as 2A\*/2M.
- Enhanced built-in benefits.
- Enhanced riders.

\*If eligible for Business Owner Upgrade.

# Marketing Opportunities

- There are nearly 5.9 million companies in the United States.
- Approximately 54% of those have fewer than five employees.
- Most small businesses do not carry any DI coverage.

Source: United States Census Bureau, 2015 Statistics of U.S. Businesses

# Target Markets

- Again, it's the small business owner with 25% or less manual duties.
- Medical and dental professions.
- Small business market includes attorneys, architects, accountants and CPAs, insurance professionals or IT consultants.
- Contact your local Chamber of Commerce or Small Business Administration office.



# Basic Policy Provisions

- Occupation classes.
  - 6A, 5A, 4A, 3A and 2A\* (Non-medical).
  - 6M, 5M, 4M, 3M and 2M (Medical).
- Issue ages.
  - 18 - 64 (attained age).
- Definition of total disability.
  - Own occupation for the length of the benefit period.
  - Specialty own occupation language is included for physicians and dentists.

\*If eligible for Business Owner Upgrade to 3A or 4A occupation class.

# Basic Policy Provisions

- Elimination periods.
  - 30-, 60- and 90-days.
- Benefit periods.
  - 12-, 18- and 24-months.
- Benefit and elimination periods are shorter because:
  - If the owner is gone too long due to disability, the business will either be sold or closed, so a shorter benefit period is appropriate.
  - The business needs money quickly, so the elimination period is shorter.

# Basic Policy Provisions

- **Residual Disability benefit.**
  - Due to disability, the insured can:
    - Do one or more, but not all the main duties of his/her occupation; or
    - Perform all his/her duties but not on a full-time basis.
  - A minimum of 50% of the base monthly benefit is payable during a residual disability, for up to six months
- **Base benefits for Salary Substitute.**
  - While the insured is disabled, we will consider the salary of the substitute worker as a covered overhead expense, up to the lesser of 50% of the maximum monthly benefit or \$10,000.

# Basic Policy Provisions

- **Recovery benefit.**
  - Built into Residual Disability benefit.
  - Pays a benefit for a period of residual disability that immediately follows a period of compensable total disability.
  - Payable up to three months.

# Basic Policy Provisions

- **Presumptive Total Disability.**
  - Total disability is presumed if an insured sustains a total loss of sight of both eyes, hearing in both ears, speech, the use of both hands, the use of both feet, or the use of one hand and one foot – even if he/she is able to work.
  - The elimination period will be waived, and benefits are payable as of the date of the presumptive loss.
  - The loss is not required to be permanent or irrecoverable.

# Basic Policy Provisions

- **Surgical Transplant benefit.**
  - An insured will be considered totally disabled due to sickness if total disability is the result of having been a surgical transplant donor, provided the transplant occurs more than six months after the issue date.
  - The elimination period will be waived, and benefits are payable as of the date of disability.
- **Successive Periods of Disability.**
  - If a total and/or partial disability stops and then starts again within 180 days from the same/related cause, the two periods of disability will count as one.
  - It will not be necessary to satisfy the elimination period again.

# Basic Policy Provisions

- **Rehabilitation benefit.**
  - If we are paying benefits under the policy, we may help pay for an occupational rehabilitation program.
  - The program must be approved by us in advance.
  - The terms of the program, related expenses and total disability benefits during this program are subject to mutual written agreement.
  - We won't declare someone recovered just because he/she participates in a rehabilitation program.

# Basic Policy Provisions

- **Good Health benefit.**
  - For every consecutive year an insured completes without receiving monthly disability benefits under the policy, we will reduce the elimination period by two days.
  - In no case will the elimination period be reduced to less than 30 days.
- **Benefit Continuation after Death.**
  - Should an insured die after satisfying the elimination period and while benefits are being paid, we will continue to pay covered expenses for up to three months immediately following death. No benefit will be paid for expenses that accrue after the business is sold.



# Basic Policy Provisions

- **Accumulation benefit.**
  - For any month during total disability, that covered overhead expenses are more than the available monthly benefit, the unpaid balance may be carried forward and reimbursed in the following months during the benefit period, when actual expenses are less than the available monthly benefit for that month.
  - At no time will the sum of all benefits paid for any period of total or residual disability combined exceed the maximum overhead expense benefit available.

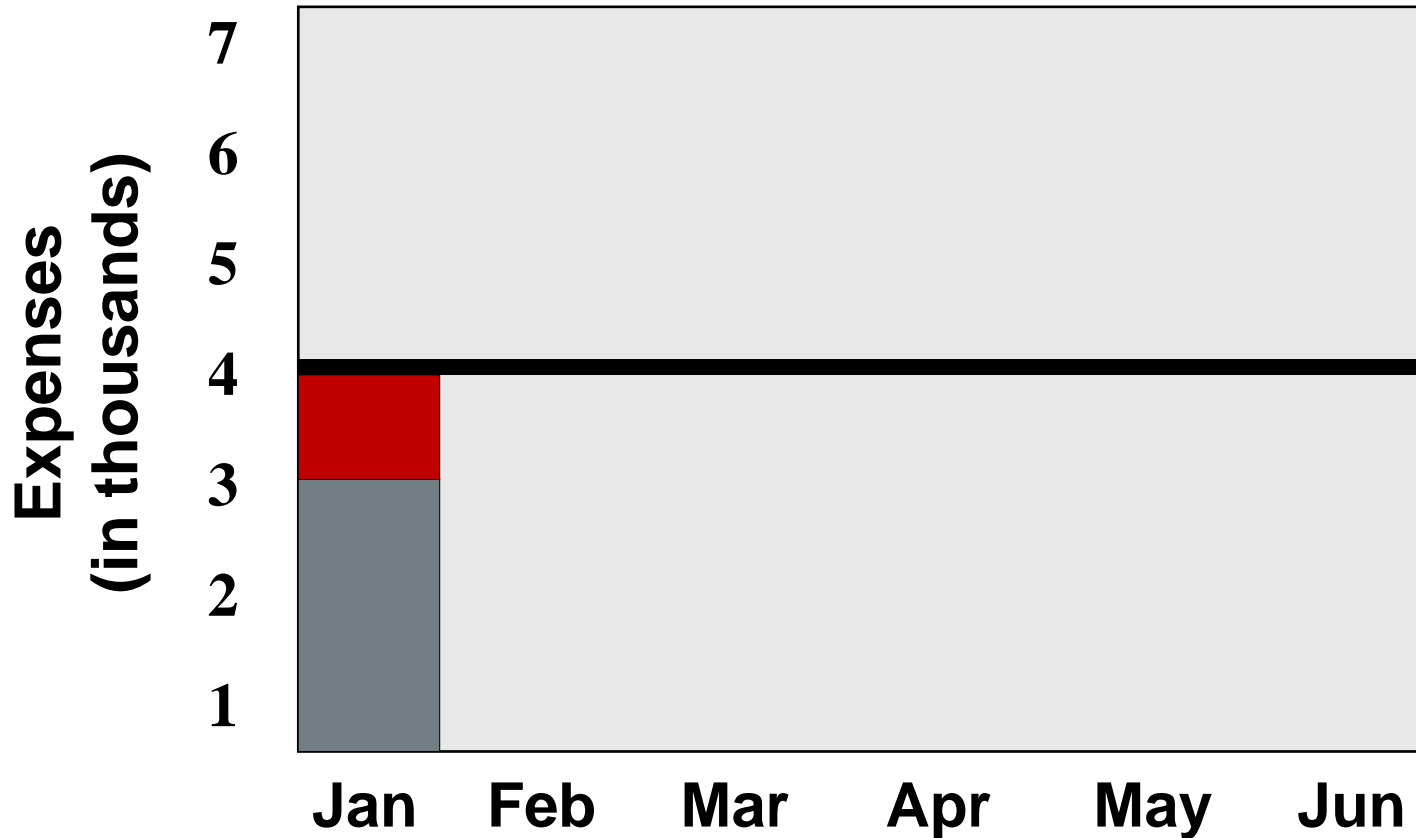
# Basic Policy Provisions

- **Extension of Benefits.**

- Benefits will continue to be paid beyond the maximum benefit period if:
  - The insured continues to be totally disabled; and
  - Total maximum monthly benefit under the policy has not been paid.
- Payments will continue until the total amount of benefits paid for one period of disability equals the maximum overhead expense benefit.
- At no time will benefits be paid for more than 12 months beyond the maximum benefit period for total disability.

# Accumulation & Extension of Benefits Provision

## \$4,000 Monthly Benefit

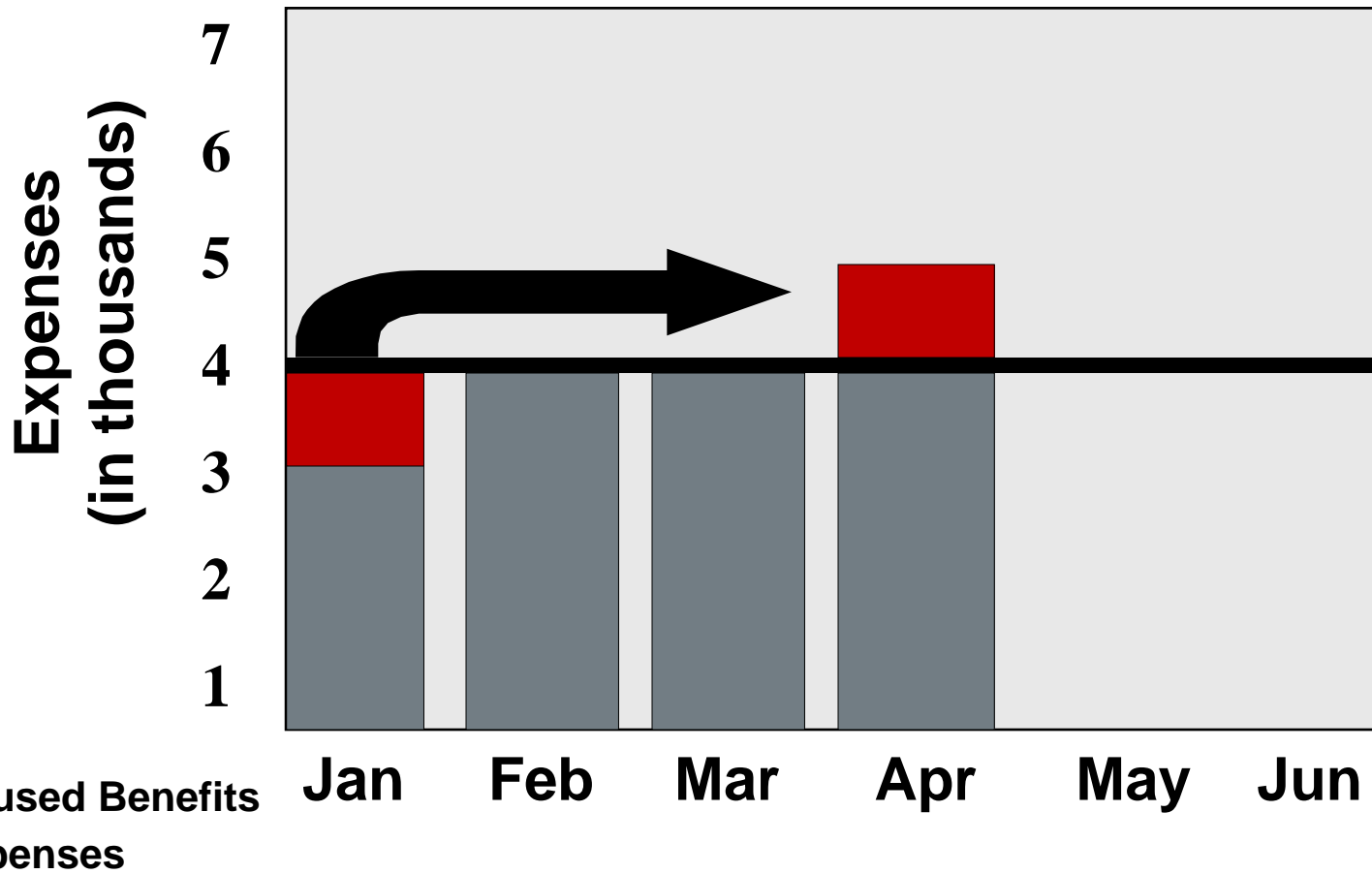


 Unused Benefits  
 Expenses

For producer use only. Not for use with clients.

# Accumulation & Extension of Benefits Provision

## \$4,000 Monthly Benefit

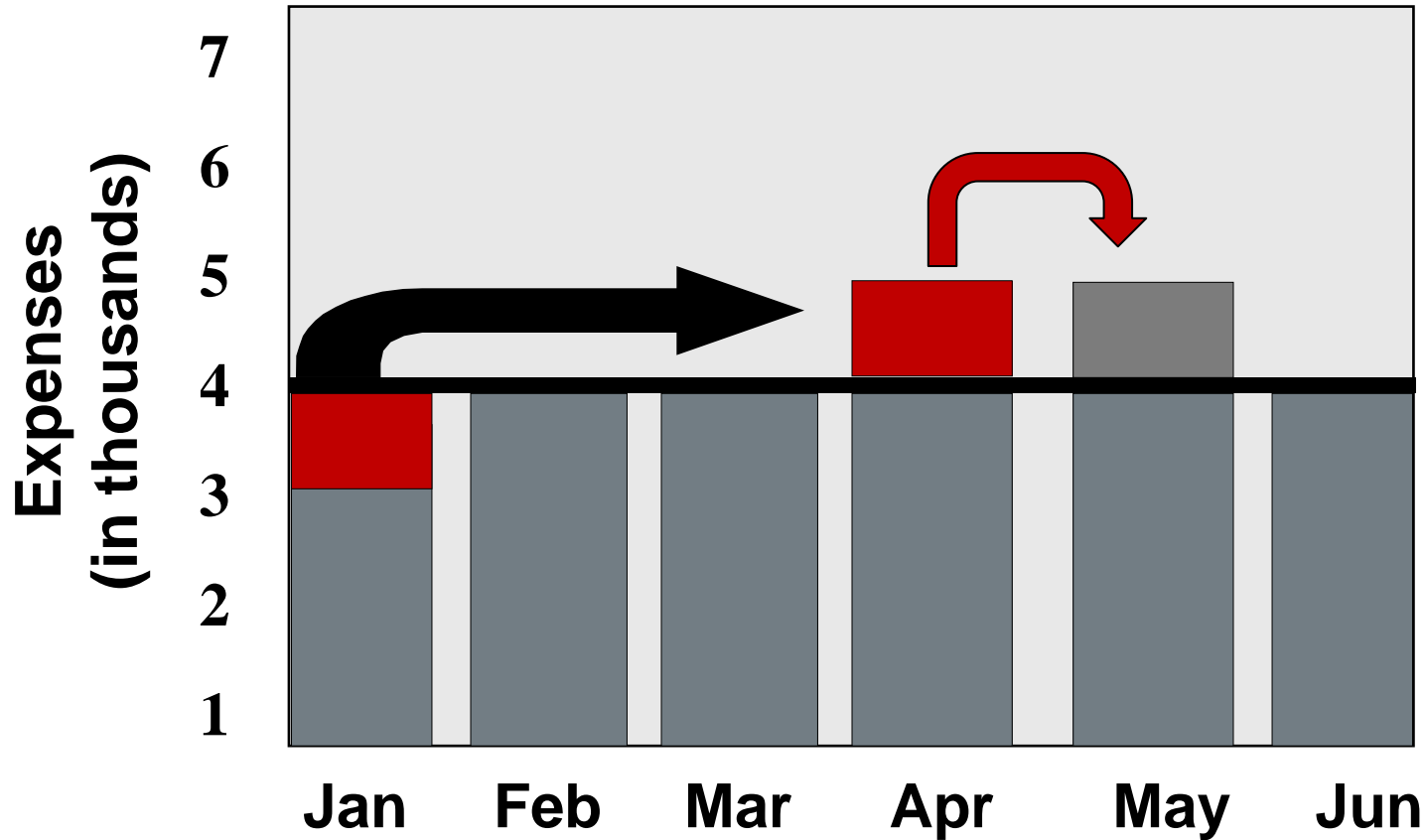




■ Unused Benefits  
■ Expenses

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# Accumulation & Extension of Benefits Provision

\$5,000 Available Monthly Benefit

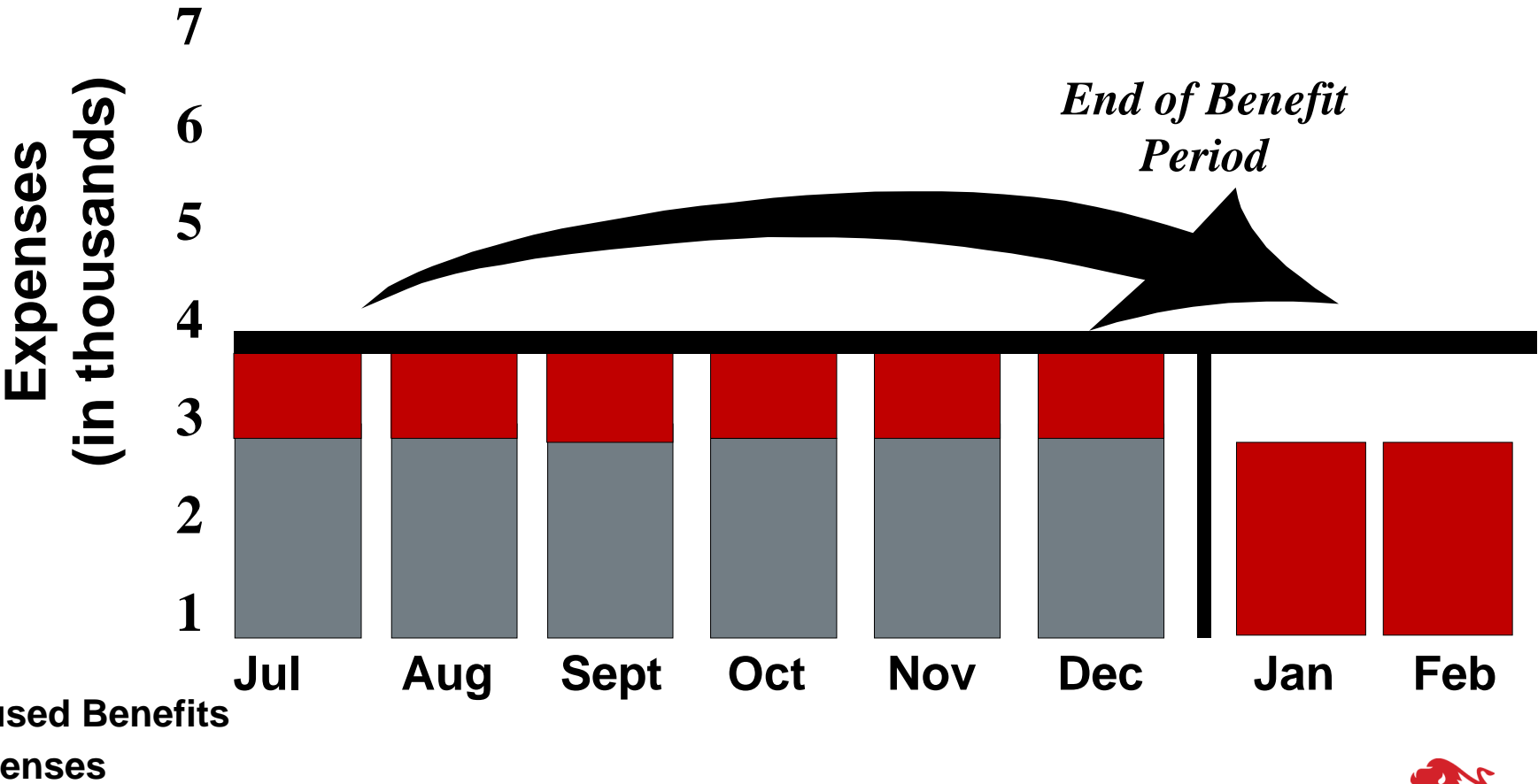


 Unused Benefits  
 Expenses

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# Extension of Benefits Illustration

$\$4,000 \times 12 \text{ months} = \$48,000$



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# Basic Policy Provisions

- **Conversion privilege.**

- At any time prior to age 60, and while the BOE policy is in force and the insured is not disabled, the policy may be converted to an individual DI policy.
- Premium for the conversion policy will be based on the insured's age and occupation at the time of conversion and will have benefits equivalent to the original policy.
- The new policy will be subject to the Issue and Participation limits at the time of the conversion.

- **Cosmetic Surgery benefit.**

- If total disability results from cosmetic surgery to correct a disfigurement or to improve your appearance, we will consider you Totally Disabled due to sickness.

# Basic Policy Provisions

- **Advanced benefit.**
  - If you remain totally disabled the entire month after satisfying the elimination period, we will pay the first Base Monthly Benefit, even if we have not received all required financial documentation of the covered overhead expenses. Any overpayment made in the first month will be adjusted against future benefits.
- **Legal & Accounting Fee benefit.**
  - If disability benefits are being paid and due to your disability, you terminate or sell your ownership interest in the business, we will reimburse the legal and accounting fees, up to a maximum of \$5,000. This is an additional benefit and is not included as part of the Base Monthly Benefit.



# Basic Policy Provisions

- **Workplace Modification benefit.**
  - If benefits are being paid and it is determined that a modification to your workplace would be appropriate to allow you to return to work in your occupation, we may reimburse a portion or all of the expense of that modification. This is an additional benefit and is not included as part of the Base Monthly Benefit.
- **Finder Fee benefit.**
  - We will reimburse, up to a maximum of \$5,000, the cost of a professional employment agency to find a substitute to perform your duties after total disability begins. This is a one-time benefit for the life of the policy.

# Additional Benefit Riders

- **Substitute Salary Expense.**
  - Helps reimburse the expense incurred to employ another person to perform the duties of the insured in the event he/she becomes disabled.
  - This benefit pays up to 50% of the base monthly benefit, for up to six months, and is payable in addition to the maximum monthly benefit for total disability.

# Additional Benefit Riders

- **Future Increase Option (FIO) rider.**
  - Guarantees the insured the right to purchase additional coverage with only financial evidence of insurability.
  - Can be exercised on each policy anniversary, up to and including age 55.
  - Insured may purchase up to 50% of the base monthly benefit, not to exceed the amount purchased under this rider.

# Additional Benefit Riders

- **Extended Residual.**
  - This rider extends the maximum benefit period for Residual Disability, by eliminating the 6-month limitation in the base policy. For the first six months of residual disability, during one period of disability, the amount payable will not be less than 50% of the base monthly benefit.
  - This rider also extends the built-in recovery benefit to the maximum benefit period.

# Additional Benefit Riders

- **Business Loan Repayment (BLR) rider.**
  - This rider reimburses principal and interest for the duration of a business loan while totally disabled.

Monthly Issue Limit - \$20,000.

Maximum loan riders – 3.

Overall issue limit - \$2.0 million.
  - The rider requires a base benefit of \$1,000.

# BOE Underwriting – Overhead Expenses

## Eligible

- Rent/Mortgage.
- Utilities.
- Employee wages.
- Substitute Salaries.
- Interest payments on business debts.
- Business insurance premiums.
- Laundry.
- Dues and subscriptions.
- Maintenance/repairs.

## Not Eligible

- Salaries of other like professionals (except for a substitute).
- Medical supplies.
- Lab fees.
- Travel and entertainment.
- Monies paid to applicant.
- Purchase or new rental of equipment.
- Automobile.
- Non-recurring expenses.

# Closing Comments

- Business Overhead Expense insurance helps to keep the doors open during disability.
  - Many business owners don't think of injuries or illnesses as things that could close their doors.
  - Emphasize that BOE coverage can provide the money needed to pay the rent/mortgage and staff salaries if the owner is unable to perform the materials/substantial duties of his/her occupation due to disability.

# Closing Comments

- Double tax play.
  - Every business, regardless of structure, can deduct its BOE premiums as a reasonable business expense.
  - Benefits received during disability are considered taxable income; however, they are used to pay tax-deductible expenses.



# Closing Comments

- Ask!
  - Very few small business owners have been approached to purchase BOE insurance.
  - Use BOE as a door opener for these clients and prospects.
  - Most BOE sales end up being both an IDI and BOE purchase.

# Marketing Materials

- Agent Guide (DI 1228).
- Quick Reference Guide (DI1599).
- BOE Specimen Contract (DI 1428).
- BOE Marketing Guide (DI 1630).
- DI/BOE Fact Finder (DI1645).
- Client Brochure (DI 1052).
- Producer Brochure (DI 1248).
- Client Video (on Sales Idea page).

# Questions?

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# Upcoming DI Connect with Us Sessions

- Monday, June 24, 2024 – 11 a.m. ET –  
Understanding the Benefits of the DInamic  
Cornerstone Benefit Increase Rider (BIR).

# Key Contacts

- Your Agency or Brokerage Manager.
- Your Ameritas<sup>®</sup> Sales Development team.
- The DI Sales and Distribution team.
- Your Regional Vice President.