



A CLOSER LOOK AT LEVEL VS. GRADUALLY INCREASING INSURANCE PREMIUMS

AS A DENTIST, YOU HAVE LOTS OF POLICY OPTIONS TO NAVIGATE WHEN REVIEWING DISABILITY INSURANCE PLANS. One of the more significant variables is the way an insurance policy charges its premiums.

Individual disability insurance policies purchased on the open market typically charge level premiums—meaning the premium stays the same throughout the life of the policy. Unlike these policies, Great-West Financial® offers the ADA Disability Income Protection Insurance with stepped premiums that rise in 5-year bands as you age.

There are two considerations for dentists when making this choice: Pay more up front to ensure the same payment over the life of a policy or pay less today for premium payments that gradually increase over time as you age.

Removing variability in an insurance cost to create a fixed expense may feel reassuring to some dentists as they plan for the near and distant future. However, more careful consideration can show that stepped premiums offer the financial flexibility that may make them a better option.

The true cost of level premiums

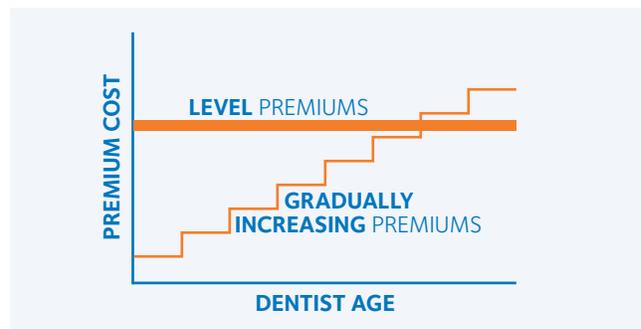
To keep premiums level over the lifetime of a policy, the insurers offering this option have to overcharge during earlier years.

When setting premiums for disability income policies, insurers all start with expected benefit costs that vary by—and typically

increase with—age. Those insurers choosing to charge level premiums then determine the risk of insuring policyholders throughout their policy coverage period and calculate a level premium high enough to cover the greater risks/higher costs that arise with advancing age.

This means younger dentists pay more than they need to, based on their risks, in the early years of their policies. But it also means the dentist would need to hold the policy until the maximum coverage age to get the full value of selecting the level premium approach.

Stepped premiums charge a rate based on 5-year age bands—under 30, 30–34, 35–39, 40–44, and so on. These rates reflect each age group's actual risk, which means your premiums aren't inflated in the early years of your policy.



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Rates that match where you are in your career

Having lower insurance costs early in your career can be beneficial. Stepped premiums result in lower payments in your younger years, when you may be paying off student loans and building your practice.

By the time higher premiums emerge in later years, you will likely have a higher salary and a more stable financial situation, which makes you more able to afford increasing premium payments.



An opportunity for significant annual discounts

While individual insurance policy level premiums might appeal to people who want to ensure that their annual costs never rise, you should also note that your rates will never decrease.

Any savings from the insurer's actual costs being lower than assumed in the premium are kept by the insurer—not policyholders. Essentially, that level premium guarantee comes at a potential cost, and you must consider whether it is worth it.

In contrast, dentists with ADA members group insurance issued by Great-West Financial may be eligible for premium credit discounts. Great-West Financial reviews the group's claims at least annually to evaluate whether total payouts for the group were more or less than projected. If the cost of claims was lower than projected, those savings are passed back to the members via a discount on their premiums. While not guaranteed, this discount has increased by 25% over the last 15 years—from 10% to 35%.ⁱ



Long-term savings

The value of stepped premiums is most apparent over time. Through lower group rates and the opportunity for discounts, you may see significant savings with stepped premiums versus a level premium policy.

For example, over a 30-year career at current discounted rates, dentists could save \$180,000 to as much as \$250,000 with ADA Disability Income Protection Insurance, issued by Great-West Financial, compared to other providers.ⁱⁱ

Those savings translate to extra cash flow that you can use to support other financial needs, such as large student loan payments, while ensuring you and your family are protected should something happen to you at any point in your career.



Making a decision for a lifetime of financial security

Protecting your earning power with disability insurance is an essential step in protecting your future. But taking the time to carefully weigh the costs and benefits of different policies can help you find the best fit for your financial needs.

For a straightforward conversation about different disability insurance premium models, and a free quote comparison, contact a Great-West Financial Insurance Plan Specialist.

This block contains contact information for a Great-West Financial Insurance Plan Specialist. It features three icons: an envelope icon next to the email address "planspecialist@greatwest.com", a telephone handset icon next to the phone number "866.607.5338", and a computer monitor icon next to the website "insurance.ada.org".

ⁱBased on internal premium credit calculations for ADA Disability Income Protection Insurance from 2004 to 2018. The Premium Credit discount is not guaranteed but reevaluated periodically.

ⁱⁱEstimate based on what a 35-year-old female and male dentist typically pays in disability insurance costs to age 65 with \$10,000/monthly benefit and Own Occupation + Residual Plus + COLA coverage. For a female, lifetime payments for ADA/Great-West policy total \$177,574; lifetime payments for policy from The Standard total \$421,727. For a male, lifetime payments for ADA/Great-West policy total \$163,004; lifetime payments for policy from The Standard total \$345,061.

This material is not a contract. Benefits are provided through a group policy (No. 1105GDH-IPP Disability Income Protection) filed in the State of Illinois in accordance with and governed by Illinois law, issued to the American Dental Association by Great-West Financial®. The ADA is entitled to receive royalties from the ADA Members Insurance Plans. Coverage is available to eligible ADA members in all fifty states and US territories under the aforementioned group policy. Each Plan participant will receive a Certificate of Insurance explaining the terms and conditions of the policy. Great-West Financial® is a marketing name of Great-West Life & Annuity Insurance Company, Corporate Headquarters: Greenwood Village, CO; Great-West Life & Annuity Insurance Company of New York, Home Office: NY, NY, and their subsidiaries and affiliates. GWL&A is not licensed in New York, but eligible members residing in New York may apply for coverage under the aforementioned group policy. © 2019 Great-West Life & Annuity Insurance Company. All Rights Reserved. RO658484-0119.

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