

## DISABILITY SOLUTION SHEET

# Business Loan Protection

Many insurance products are sold as protection — a safety net if something goes wrong. But what if the goal isn't to just protect their business, but to also set them up to expand or take on new partners? That's where a business loan protection (BLP) rider comes in. Disability insurance exists to keep the doors open, despite a disabled owner.

### WHY A BLP RIDER?

A BLP rider is designed specifically to help business owners expand or sell their business.

#### Consider these situations:

- A client is applying for a bank loan for business expansion and the bank wants to ensure the loan obligation will be fulfilled if the client suffers a disability
- A business owner is lending a non-owner money to buy into the business and wants assurance the obligation will be fulfilled should the non-owner become disabled
- A business owner is selling the business and wants to ensure the sale will go through even if the new owner becomes disabled

In short, a BLP rider is a vehicle to offer protection against long-term debt.

### HOW IS BLP DIFFERENT?

BLP is a rider on a business overhead expense policy (BOE). Prior to the rider, business owners and lenders had no way to ensure long-term debt would be repaid if the borrower became disabled. BOE policies include a 12- to 24-month protection, but usually nothing longer. And assigning an individual DI policy leaves the borrower's income unprotected.

#### A BLP rider:

- Mirrors the loan obligation and pays the benefit directly to the lender
- Can be up to 30 years, depending on the age of the client
- Does not impact the borrower's ability to purchase individual DI - they can have both to protect their loan obligation and their income

### HOW TO DESIGN COVERAGE

Designs should be based on the length and amount of the loan obligation. For example, take an orthodontist looking to expand his building and his practice. He is 45 years old, lives in Pennsylvania and needs coverage for a \$500,000 loan, plus interest. The loan has a 15-year payment plan.

The BLP rider with the following elements would provide the right level of protection:

- 30-day waiting period
- 15-year benefit period
- \$3,000 monthly benefit

**This type of design would cost around \$1,715 annually.**

### GET STARTED

BLP presents a fantastic opportunity to talk with your business-owner clients about their future plans. You can positively impact your relationship and provide a solution they didn't know exists, but one that can be extremely beneficial. Even if your clients already have BOE, your Ash DI team can show you how to offer them BLP. Working together, we can turn protection into something more.

Contact the Ash disability team at (800) 589-3000 to help create a foundation for paychecks, made possible.

## DISABILITY INSURANCE



#### A Business Loan Protection Rider is a tool to help business owners:

- Expand
- Add partners
- Sell to a new owner

By protecting a long-term obligation against a potential disability, BLP allows the business owner to focus on growth instead of worrying about loss.

#### Information Required for Proposal:

- Client name
- DOB
- State of Residence
- Any known health history
- Occupation
- Loan Amount
- Payment Amount
- Term of loan in years