

# Guaranteed Renewable vs. Non-Cancelable Which Approach Is Right For Your Client?

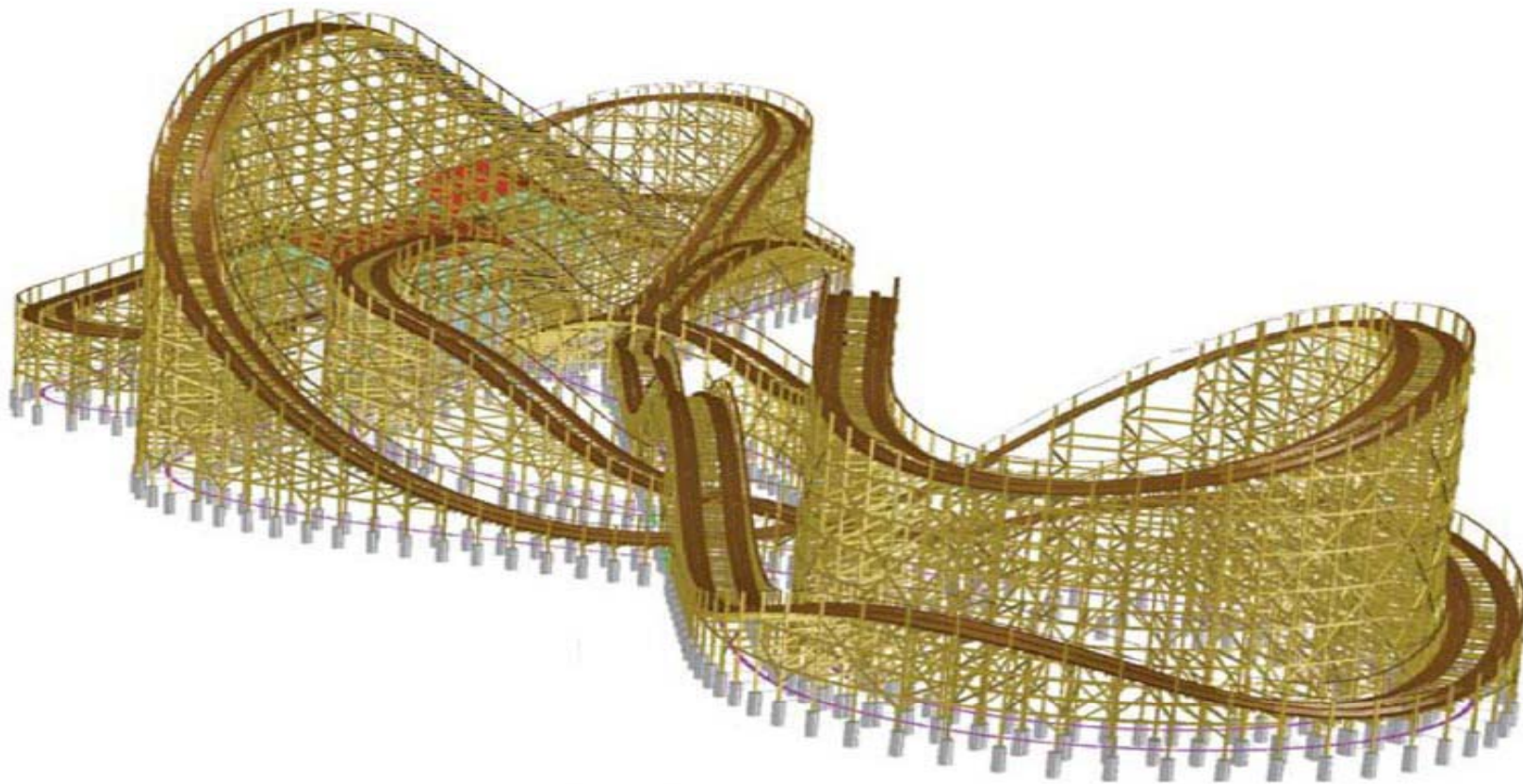
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## The History of IDI - 1920 to present





## **Guaranteed Renewable (GR)**

As long as the premium is paid by the end of each grace period, We cannot change any part of the policy, except its premium, until the Termination Date. Before that date We can change the premium only: (1) After the policy is three years old; and (2) if the change applies to all policies with like benefits insuring the same Risk Class.



## **Non-Cancelable (NC)**

As long as the premium is paid by the end of each grace period, until the Termination Date, We cannot change: (1) the policy; or (2) its premium.

Presumptive Disability – changes Age 66/67 BP to lifetime.



## Similarities

- first three years
- premiums must be paid on time
- policy provisions cannot change

## Differences

- GR rates can change after first three years
- rate change applies to entire Risk Class
- Risk Class – occupation class, gender, age



## **Process of Increasing Rates**

- Identify source of problem (entire block? certain risks?)
- Company issue or industry issue?
- File rates for state approval

## **Possible Effect of Increasing Rates**

- Increase lapse rate?
- Exacerbation of problem?
- Nuclear option to restore profitability?



## Some Examples

\$5,000 Monthly Benefit, 90 day BWP, Age 66/67 BP,  
Residual rider

35 yr old male cardiologist (4P)

GR = \$1,317      NC = \$1,947      Diff. = \$630

40 yr old female attorney (5A)

GR = \$1,433      NC = \$2,261      Diff. = \$828

50 yr old male HS Principal (3A)

GR = \$2,056      NC = \$3,293      Diff. = \$1,237



## Considerations

- Cost
- Age
- Occupation Class
- Risk Tolerance
- Ability to predict the future





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Thanks for listening. Questions?

