

COLI: Case study for using term approach

Corporate-owned term

As employers strive to attract and retain top talent, they must provide a robust and meaningful array of benefits for executives and highly compensated employees. Because employers typically restrict the maximum coverage available under group term plans, executives may not have adequate death benefit protection relative to their compensation. MetLife's experience in financing executive benefits enables us to work with our clients to craft attractive solutions that meet the needs of both the employer and their employees.

One such solution is a Corporate Owned Life Insurance (COLI) Contract.



The case study

Background: Employer had an agreement with select employees to provide a survivor benefit to the employees' specified beneficiaries in the event of the employee's death during their active employment or contract. The survivor benefit is generally deductible by the employer when paid and taxable to the beneficiary when received.



The employer's need

- A simple solution to financing the survivor benefit
- Retention of top performers with a reassuring company-paid benefit that helped fill the gap created by group term life restrictions while minimizing employer risk
- Simple design that avoids annual imputed income costs to the employee
- Ease of administration — ability to add new participants and remove terminated participants on plan anniversary
- A relatively economical solution, compared to available permanent policies, paying only for the insurance amounts and duration needed
- A structure that offers rate guarantees and rate collars
- Guaranteed Issue (GI) coverage to fast-track the underwriting and issuing process
- Receive tax-free insurance benefit and make a tax-deductible payment to the employee's specified beneficiaries (tax deductibility is based on IRS guidelines, consult your counsel to determine deductibility for specific plan)



The employee's need

- Company-paid beneficiary protection — peace of mind in knowing that the company has financed benefits and beneficiaries would receive a (taxable) death benefit from the company
- No additional annual imputed income taxes; accepts trade-off that survivor benefit is taxable



The solution

MetLife worked with the employer to provide the security of death benefit protection during the executive's working life, while financing the benefit with a Corporate Owned Life Insurance (COLI) Contract.

MetLife developed and provided the client-specific solution in response to the need.

- The employer purchased term life insurance on the lives of the selected group of employees, providing notice and obtaining consent as required under insurance and tax rules. The contract lists the employer as the owner and beneficiary of the policy, which is renewed annually.
- In the event of a death within the policy term, the employer would receive a tax-free insurance benefit.
- The employee's specified beneficiaries would, in turn, receive a taxable survivor benefit payment from the employer from its benefit plan.



Our advantage

MetLife's Retirement & Income Solutions team is here to help guide the far-reaching financial decisions that will impact hundreds, even thousands, of lives for years. We know what's at stake. By partnering with us, you'll work with skilled associates who develop innovative financial solutions designed to help reduce financial and regulatory risk, so both your company and your plan participants can have a more secure future. Explore our solutions to find the one that best suits your organization's needs.



MetLife can work with you to design a solution to fit your company's needs.
For more information, please call **877-MET-EXEC**.

Any discussion of taxes is for general informational purposes only and does not purport to be complete or cover every situation. MetLife, its agents and representatives may not give legal, tax or accounting advice and this document should not be construed as such. Employers should confer with their qualified legal, tax and accounting advisors as appropriate.

The information contained in this document provides a general description of Corporate Owned Life Insurance (COLI) Term Insurance.

Like most insurance policies, MetLife's policies contain terms for keeping the policy in force. Your representative can provide you with costs and complete details.

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