

# Voluntary Short and Long Term Disability

## Voluntary benefits. So important.



### Anyone who needs a paycheck needs to protect it.

A paycheck is a terrible thing to lose. Virtually everyone needs one every month to pay for things like food, shelter, health care, transportation—necessities of life. No paycheck, and suddenly the cash flow reverses, from feeding the nest egg to draining it to pay for ordinary (and sometimes extraordinary) expenses.

To the same extent that workers rely on their paychecks, companies rely on their workers. That's why it's never been more important for both sides to invest in the financial security of the American worker. Whether contributory or voluntary, group disability income protection helps protect both business and its most valuable asset: employees.

### Voluntary Group Disability Insurance

- ▶ Maximum short term benefits up to \$1,250 per week
- ▶ Maximum long term benefits up to \$7,500 per month

- ▶ Elimination periods of 14, 30, 60, 90 or 180 days
- ▶ Benefit duration up to Social Security Normal Retirement Age
- ▶ Elimination period interruption provision on long term plans
- ▶ Partial and residual available on short term; included on long term
- ▶ Rate guarantees up to two years
- ▶ Maternity covered as an illness

### All the flexibility you need.

Voluntary benefits offer terrific flexibility to both the employer and employee. The employer can provide a better package of benefits and employees can select to pay for only the benefits they desire.

Employers have many options including:

- ▶ Pre-tax as part of a Section 125 (flex) plan or after-tax
- ▶ Multiple types of benefits
- ▶ Offer benefits as stand-alones or as add-ons to employer-paid coverage

## Do the math:

### one in three

Americans will have a disability that keeps them out of work for 90 days or longer



### one in seven

can expect to be disabled five years or more



*Life and Health Insurance Foundation for Education, 2008*

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Best of all, employers can continue to offer voluntary benefits to employees in any economic climate since they have little or no impact on a company's benefits budget.

- ▶ Employer chooses Elimination Period and Benefit Durations which can vary by class of employee
- ▶ Employee chooses benefit amount in either \$25 weekly or \$100 monthly increments up to 60% of income
- ▶ Guaranteed Issue up to \$5,000 per month on virgin groups and \$7,500 per month on takeovers
- ▶ Participation requirement of 25% or 35% combined if both plans are offered
- ▶ Participation is waived if employer agrees to hold mandatory meetings<sup>1</sup>
- ▶ Employee can increase elected amount without EOI during approved annual enrollment periods (a pre-ex applies)
- ▶ Partial and residual available on short term; included on long term
- ▶ Rate guarantees up to two years

### Voluntary benefits. Employee satisfaction.

Any employee-paid voluntary benefits save your company the cost of premiums. But Reliance Standard goes further. We know that time is money, too, so we work hard to reduce the time you and your employees spend dealing with insurance matters. For example:

- ▶ Our web-based administration streamlines collection and payment of premiums.
- ▶ You'll have a single point of contact for all inquiries.
- ▶ You'll have a single point of contact for all claims.
- ▶ You'll eliminate duplicate paperwork using our integrated systems.

Most importantly, we work to minimize the cost of lost productivity by aggressively managing disability claims in order to get employees back to work as soon as possible.

Disability claims management includes:

- ▶ The expertise of licensed rehabilitation professionals
- ▶ Centralized claims processing
- ▶ Vocational and physical rehabilitation evaluation
- ▶ Assistance with Social Security processes

### Eligibility

#### Full-Time Employee

- ▶ A full-time employee working 30 or more hours per week (part-time, temporary, or seasonal employees are not covered.)

#### Minimum Earnings

- ▶ Employee must be earning a minimum of \$15,000 annually in base pay.

<sup>1</sup> Certain states have minimum participation requirements; waiver of participation is part of Enrollment Advantage, and applies for the initial rate guarantee period

## Benefits

### Choose from multiple Short Term Disability Schedule Options:

#### Incremental

- ▶ **Incremental Plans** allow for employees to elect their benefit amount in weekly increments of \$25 starting at \$100, and subject to 60% of salary (rounded down) to a maximum of \$1,250 per week.<sup>2</sup>
- ▶ **Incremental Core/Buy-Up Plans** allow the employer to provide a flat benefit amount for each employee. Employees can then elect to purchase additional flat benefit amounts as described in the Incremental option above, up to a combined benefit maximum.
- ▶ **Voluntary Contributory Plans** allow employees to elect their benefit amount as described under the Incremental option above, but the employer pays for a portion of the employee's coverage if and only if the employee elects to purchase coverage.

#### Percentage of Earnings

- ▶ 40%, 50% or 60%.
- ▶ Employees choose which percentage of their covered earnings they would like to insure. Employer may select percentage to offer and then employee chooses if he/she wants to buy the benefit (no level of benefit choice).

### Choose from multiple Long Term Disability Schedule Options:

#### Incremental

- ▶ **Incremental Plans** allow for employees to elect their benefit amount in monthly increments of \$100 starting at \$500, and subject to 60% of salary (rounded down) to a maximum of \$7,500 per month.
- ▶ **Incremental Core/Buy-Up Plans** allow the employer to provide a flat benefit amount for each employee. Employees can then elect to purchase additional flat benefit amounts as described in the Incremental option above, up to a combined benefit maximum.
- ▶ **Voluntary Contributory Plans** allow employees to elect their benefit amount as described in the Incremental option above, but the employer pays for a portion of the employee's coverage if and only if the employee elects to purchase coverage.

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A minimum benefit is designed to avoid a situation where an employee has been paying into a plan and after he/she becomes disabled learns that he/she would not receive a benefit because of integration or offsets with other sources of income (such as workers' compensation, state disability benefits, Social Security).

Standard minimum benefits are \$25 per week for VPS and \$50 per month for VPL.

The Benefit Period or Benefit Duration determines how long benefits may be payable after the elimination Period has been satisfied. The available Benefit Period options range from a short term duration of 11 weeks to a long term duration of up to Social Security Normal Retirement Age for any one period of disability.

## Voluntary Short Term Disability (VPS) Options

### Partial Only

An insured must be totally disabled for 30 days (including any applicable Elimination Period) before beginning work on a partial basis (performing some of the duties all of the time or all of the duties some of the time).

### Partial with Residual

An insured may be partially disabled, satisfy the elimination period being partially disabled, and once the elimination period is satisfied, the Partial Benefit is applicable.

## Voluntary Long Term Disability (VPL) Options

### Work Incentive and Rehabilitation Benefit

The purpose of the Work Incentive Benefit is to encourage claimants to return to work. The Work Incentive Benefit period begins on the day the person returns to work on a partial basis. During the first 12 (in some cases 24) months of returning to work (some refer to this as "rehab employment") on a partial basis for which benefits are payable, Reliance Standard will not offset the monthly benefit by the return to work wages until the sum of the monthly benefit plus the return to work wages exceeds 100% of the insured's covered monthly earnings. If the sum exceeds 100% of covered monthly earnings, the monthly benefits will be offset dollar for dollar by the excess amount until the sum reaches 100% of covered monthly earnings.

A child care credit is included during the Work Incentive Period. After the Work Incentive period, the monthly benefit will be offset by 50% of return to work wages.

<sup>2</sup> \$2,100 per week in California.

## Survivor Benefit

- ▶ The Reliance Standard Survivor Benefit for VPL provides a lump sum benefit to the survivor of an insured person upon his/her death if the insured had been receiving VPL benefits and had met the definition of "Total Disability" for at least 180 days before his/her death.
- ▶ The survivor benefit amount will be equal to three times the insured's net monthly benefit before death.

## Specific Indemnity

- ▶ Similar to the dismemberment portion of an AD&D policy, the Specific Indemnity Benefit guarantees a minimum number of monthly benefit payments if the insured is disabled due to an accidental dismemberment.
- ▶ The monthly benefit will not be reduced (no offsets) for Other Income Benefits and will not cease if the insured returns to active work (or dies), until the minimum amount of monthly benefits is paid. Additionally, benefits may be paid beyond the scheduled minimum duration if the insured still meets the contract's definition of "Total Disability." If the benefits continue after the period of guaranteed payments, offsets will apply.

## Worksite Modification

- ▶ Employers will be reimbursed 100% of the actual reasonable expenses incurred up to a maximum reimbursement of \$2,000 to make modifications, provide special equipment/furniture and/or training to allow disabled employees to return to work.

## Conversion Privilege

- ▶ With Reliance Standard's Conversion Privilege, an employee who has been insured under the VPL policy may elect to convert his/her group coverage (up to 60% to a maximum of \$3,000) upon the termination of his/her employment.

## Limitations

### Mental/Nervous Disorders Limitation (VPL)

Our standard VPL contract provides a benefit payment for up to two years for disabilities arising from mental and nervous disorders. At the end of the two years, the individual must be confined to an institution (hospital) to be eligible to receive further VPL benefits. This restriction is needed due to the subjective nature of the determination of both disability and mental/nervous disorders.

### Limited Benefits for Certain Disorders (VPL)

Reliance Standard's Limited Benefit Option offers the policyholder the option of limiting benefit payments to 24 months for disability caused or contributed to by any of the following:

- ▶ Chronic Fatigue Syndrome
- ▶ Environmental Allergic or Reactive Illness
- ▶ Self-Reported Conditions
- ▶ Musculoskeletal and connective tissue disorders of the neck and back including any disease, disorder, sprain, strain of the joints or adjacent muscles of the cervical, thoracic or lumbosacral regions or their surrounding tissue

### Substance Abuse Limitation (VPL)

Our standard VPL contract provides a benefit payment for up to two years for disabilities arising from substance abuse disorders, provided the insured is participating in a Substance Abuse Rehabilitation program. As with mental and nervous disorders, this restriction is needed due to the subjective nature of the determination of both disability and substance abuse disorders.

### Pre-Existing Condition Limitation

Both our VPS and VPL plans include a "3/12" pre-existing condition limitation. A pre-existing condition is any condition (whether diagnosed or not) for which an insured sought treatment, advice, care or services from a doctor, or for which he/she took prescription drugs or medicines within a specified period of time (usually 3 months) before the individual effective date of coverage. Benefits would not be payable for a disability due to a pre-existing condition, should the insured become disabled due to such pre-existing condition within the first 12 months of coverage.

## Exclusions

### Most VPS contracts will not cover disabilities that result from any of the following:

- ▶ Intentionally self-inflicted injuries
- ▶ Act of war, declared or undeclared
- ▶ Committing a felony
- ▶ Sickness covered by workers' compensation or other workers' disability law
- ▶ Injury occurring out of or in the course of work for wage or profit

### Most VPL contracts will not cover disabilities that result from any of the following:

- ▶ Intentionally self-inflicted injuries
- ▶ Act of war, declared or undeclared
- ▶ Committing a felony
- ▶ Injury or sickness that occurs while the insured is confined in any penal or correctional institution

**RELIANCE STANDARD**

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