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Benefit design		
 Basic components	— Optional provisions	
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Primary basic components Own/Any Occupation Periods Definition of disability Elimination period Benefit payment period Benefit percentage Integration/coordination of benefits Minimum and maximum benefits

	Own/any occupation periods	
	Definition of disability typically comprised of the Own Occupation and Any Occupation Periods Own Occupation Period – period of time an employee must be disabled from his or her own occupation Any Occupation Period – period of time an employee must be disabled from any occupation for which they're suited based on education, training, and experience	
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Definition of disability

- Establishes criteria to determine disability
- Provide income when an employee is unable to work in their own occupation during the Own Occupation Period, or any occupation during the Any Occupation Period
- Residual disability policies are the most common
- Total only, total with Social Security approval required, and partial definitions are available but less common

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Residual definition of disability

- Covers both partial and total disabilities
- Elimination period can be satisfied by days of either total or partial disability
- During the benefit payment period, employees can work on a limited basis while still qualifying for benefits
- Standard definition of disability in the industry

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Total definition of disability Requires that an employee be unable to perform all or the majority of duties of a given job Total disability is required during the elimination and benefit payment periods for an employee to qualify for disability benefits Requires 100% loss of income

Total disability with Social Security approval

- Same requirements as total definition of disability
- Also requires employee be approved for Social Security Disability Insurance (SSDI) benefits after the Own Occupation Period
- If not approved for SSDI, benefits will cease

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Partial definition of disability

- Covers total or partial disabilities
- Employee must be totally disabled during the elimination period
- During the benefit payment period an employee can work on a limited basis and still qualify for benefits

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Elimination period Amount of time an employee must be disabled before receiving disability benefits Can be a period of days or months − 3 or 6 months most common Depending on the definition of disability, the elimination period can be satisfied by either days of partial or total disability **To Transpall professional Price and with consumers or the public.** **Principal***

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Benefit payment period Maximum length of time benefits can be paid to a disabled individual Begins after the elimination period is complete Includes the Own Occupation and Any Occupation Periods Can range from 2 years to Social Security Normal Retirement Age (SSNRA) The Age Discrimination in Employment Act (ADEA) permits the reduction of either the level or the benefit payment period for individuals over 60 who become disabled

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Percentage of an employee's pre-disability earnings covered by the disability benefit Should be high enough to allow an employee to meet financial obligations, yet low enough to provide an incentive to return to work Options range from 20% to 70% for Group LTD Benefits are taxable if employer-paid

Integration of benefits Disability benefits are reduced by other income received by a disabled individual Also referred to as "offsetting" Principal* 16

Integration of benefits

Examples of other income sources:

- Social Security Disability Insurance (SSDI) benefits

 - Primary OnlyPrimary and Family
- Workers' Compensation benefits
- State disability insurance benefits
- Paid family and medical leave benefits

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Maximum monthly benefit

- Maximum monthly dollar amount an employee can receive
- Carriers have a formula to determine the maximum benefit available based on employee earnings common methods are Top 3 and Top 5 salary tests
- Should allow for normal growth of salaries

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Minimum monthly benefit The minimum dollar amount an employee will receive if disabled Ensures that claimant receives an LTD benefit even if actual benefit is reduced to zero Common options include a flat dollar amount or a percentage

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Additional components Recurrent Disability Reasonable Accommodation Work Incentive Benefit Survivor Benefit Limitations Mental Health Drug/Alcohol Special Conditions Preexisting Conditions

Recurrent disability provisions Allow disabled employee to return to work for a period of time without penalty should they again become disabled Different variations of this provision: Recurring Disability Temporary Recovery

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Pays additional benefit Assists with covering the cost of modifying the worksite to allow disabled employees to return to work Typically pays percentage of the accommodation expenses, up to a maximum amount

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Provides an incentive for disabled employees to return to work Applies when an employee returns on a limited or part-time basis Incentive is usually paid for a limited period of time — typically 12 months Benefit amount varies by carrier

Survivor benefit	
 If an employee dies while receiving disability benefits, a survivor of the employee receives a specified benefit Often payable on an accelerated basis May impact public assistance and taxes 	
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Mental health limitations

- Benefits are often limited for disabilities resulting from mental health conditions
- Usually specified mental health conditions are excluded from the limitations
- $\bullet \quad \text{Benefits are payable for specific amount of time-most common is two years} \\$

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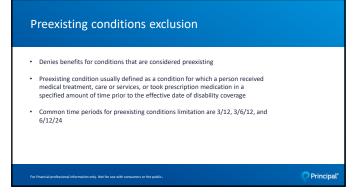
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Drug/alcohol limitations

- Limits benefit payment period for disabilities resulting from drug, alcohol, or chemical abuse or dependency
- Benefits paid for a specific period of time most common is two years
- Often tied in with mental health limitations

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Special condition limitations	
When a disability results from a "special" condition, the benefit payment period is limited Examples of special conditions include: Headaches Chronic fatigue sickness Environmental allergies Typically limited to 12 or 24 months	
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Optional benefits - Activities of Daily Living benefit - Cost of Living Adjustment (COLA) - Dependent Education benefit for francoi professional information coly, Not for cas with consumers or the public.

Activities of Daily Living benefit

- Pays an additional benefit to employees who are unable to perform a specified number of activities of daily living
- Typically pays a percentage above the regular disability benefit payment

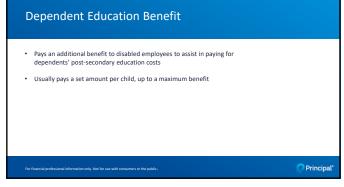
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Activities of Daily Living benefit Activities of daily living include: Bathing Dressing Eating or feeding Toileting Transferring Continence

Cost of Living Adjustment	
Helps protect employees from the cost of inflation during prolonged disabilities Benefit amount is increased by a specified amount for a set number of adjustments Different options for this include Flat benefit percentage increase Increase based on Consumer Price Index (CPI)	
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Rehabilitation benefits	
Reasonable Accommodation Benefit Rehabilitation Incentive Benefit Return to Work Childcare Benefit	
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Reasonable Accommodation Benefit

- Pays additional benefit
- Assists with covering the cost of modifying the worksite to allow disabled employees to return to work
- Typically pays percentage of the accommodation expenses, up to a maximum amount

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Rehabilitation Incentive Benefit

- Provides financial incentive for employees to participate in a rehabilitation program and return to work
- Typically pays a set percentage or benefit amount for a set length of time

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Cost containment provisions Maximum capacity 30/40 hour work week Mandatory rehabilitation Increased income loss Tor francol professional information only, Not for use with consumers or the public.

Ma	ximum capacity	
• Dis	nployees must work to their full medical and vocational capacity rability benefits are reduced by the amount an individual earns or could earn if or she worked to maximum capacity	
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30/40 hour work week

- Addresses situations where employees work 70 80 hours per week prior to becoming disabled
- If a disabled employee is able to work 30 or 40 hours per week, he or she is not considered disabled, even if there is a loss of earnings

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Mandatory rehabilitation

- Requires a disabled employee to participate in a rehabilitation program if he or she qualifies
- If qualified employee refuses to participate without good cause, LTD benefits will be reduced or terminated

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Increased income loss	
If there is an income loss component in the definition of disability, it's usually 20% An increased income loss is more restrictive as it requires an employee to have an income loss of typically 40%	
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Many of the same provisions as group LTD policies Scaled to be more appropriate with a shorter time frame Paid weekly, not monthly

Short-term disability benefits: definition	
Total, Partial, or Residual	
Similar to the definitions discussed for LTD	
The primary difference is that the entire period of disability refers to an individual's own job period	
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		s: elimination	

- Typically range from 1 to 30 days
- Accident/injury elimination period different than sickness (not hospitalization)
- First day hospital

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Short-term disability benefits: benefits

- Benefit Duration 13-26 weeks
- Benefit Percentage – 60%, 66 2/3% or flat benefit
- Minimum Benefit \$15
- Maximum Benefit \$1,500

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Summary	
Variety of provisions make up Group STD and LTD contracts Make sure the provisions chosen are the right fit for your customers	
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