



TheStandard®  
Positively different.



# Voluntary Long Term Disability Insurance

FOR THE STATE OF CALIFORNIA EXCLUDED EMPLOYEES

Answers to your questions about coverage from Standard Insurance Company



## About This Booklet

This booklet is designed to answer some common questions about the group Voluntary Long Term Disability (LTD) insurance coverage being offered by the State of California to Excluded employees. Written in non-technical language, this is not intended to provide a detailed complete description of the coverage, but rather to give you a better understanding of group Voluntary LTD insurance available from Standard Insurance Company. To get a better understanding of typical policy provisions offered by Standard Insurance Company refer to the Certificate of Insurance available to you at [www.standard.com/mybenefits/california](http://www.standard.com/mybenefits/california).

If you become insured, you will receive a group insurance certificate containing a detailed description of the insurance coverage including the definitions, exclusions, limitations, reductions and terminating events. The controlling provisions will be in the *statement of coverage* issued by Standard Insurance Company. Neither the certificate nor the information presented in this booklet modifies the *statement of coverage* or the insurance in any way. Please note that defined terms and provisions from the *statement of coverage* are italicized in this booklet.

If you have additional questions, please contact your Department Personnel Office.



TheStandard®  
Positively different.

## What is Voluntary Long Term Disability Insurance?

Chances are you already purchase home, auto and life insurance to protect yourself against the threat of loss. And you have health insurance to guard against costly medical bills.



So, what steps have you taken to help shield yourself, your lifestyle and those who count on you from an unexpected loss of income? Would you be able to meet your financial obligations if you became disabled and unable to work?

LTD insurance is designed to pay a monthly benefit to you in the event you cannot work because of a covered illness or injury. This *LTD benefit* replaces a portion of your income, helping you to meet your financial commitments in a time of need.

## Why Buy Long Term Disability Coverage Through My Employer?

### Advantages of Group Voluntary LTD Coverage

By sponsoring group Voluntary LTD insurance, the State of California is offering its excluded employees the opportunity to purchase group coverage and choose between two different *LTD benefit* options: a 55% benefit level or 65% benefit level option. Some of the key advantages offered through this plan are:

- **Savings** – Typically, group insurance rates are lower than the rates of individual insurance plans, generally providing you with coverage at a lower cost.
- **Tax Savings** – Because your premium contributions will be paid with after-tax dollars, disability benefits received are federal and state income tax-free!
- **Choice** – At the time you enroll, you decide whether the 55% or the 65% benefit level better meets your specific needs.
- **Convenience** – With premiums deducted directly from your paycheck, you don't have to worry about mailing monthly payments.
- **Peace of Mind** – You can take comfort and satisfaction in knowing that you have taken a step toward securing your income during a period of disability.

## The Need for LTD Insurance

You probably think the odds are one in a million that you could ever become disabled. And you might be asking yourself, “Won’t CalPERS, workers’ compensation or Social Security cover me if I become disabled?” Recent statistics show that these assumptions might be too optimistic:

- Nearly one out of three Americans between the ages of 35 and 65 will become disabled for more than 90 days.  
*American Council of Life Insurers, 2001 Life Insurers Fact Book*
- In 2003, 9.9 million American workers suffered disabling off-the-job injuries not covered by workers’ compensation, while just 42,300 disabling injuries occurred on the job.  
*National Safety Council, “Injury Facts,” 2004 edition*
- From 1965 to 2003, the Social Security Administration denied 57 percent of applications for disability benefits.  
*Social Security Administration, www.socialsecurity.gov, “Applications for Disability Benefits & Benefits Awards” as of February 12, 2004*

To help determine your need for disability income protection, complete the worksheet below. Fill in amounts for your monthly expenses and income and compare the two.

### Monthly Expenses

Food .....	.\$ _____
Mortgage/rent .....	_____
Childcare/education .....	_____
Utilities (electricity, gas, cable, phone, etc.) .....	_____
Clothing .....	_____
Debts (credit cards, student & auto loans, etc.) .....	_____
Insurance (health, life, auto, home, etc.) .....	_____
Taxes .....	_____
Other .....	_____
<b>Total Monthly Expenses .....</b>	<b>.\$ _____</b>

### Monthly Income

After-tax pay .....	.\$ _____
Spouse income .....	_____
Other income .....	_____
<b>Total Monthly Income .....</b>	<b>.\$ _____</b>

To determine if you need LTD coverage, consider whether you will be able to meet your financial obligations if you did become disabled and could no longer work. Do you depend on your regular paycheck to pay your bills? Voluntary LTD insurance from The Standard may be part of the solution.

## How Do LTD Benefits Work?

The monthly *LTD benefit* is based on the benefit option you select when you enroll.

### Benefit percentage

The plan provides two options to choose from:

- **55% Benefit Option:** replaces up to 55% of the first \$10,910 of your monthly base salary (*predisability earnings*)
- **65% Benefit Option:** replaces up to 65% of the first \$9,231 of your monthly base salary (*predisability earnings*)

### LTD benefit calculation

Your monthly *LTD benefit* is determined by multiplying your predisability earnings by the benefit option you select when you enroll. This amount is then reduced by other income you receive or are eligible to receive while *LTD benefits* are payable, to determine the *LTD benefit*. The other income offsets are referred to as *deductible income*.

### Maximum monthly LTD benefit

The maximum monthly *LTD benefit* is \$6,000.

### Minimum monthly LTD benefit

The minimum *LTD benefit* is the greater of \$100 or 10% of your *LTD benefit* before reduction by *deductible income*.

You will also find a Needs Estimator online at [www.standard.com/mybenefits/california](http://www.standard.com/mybenefits/california).

## Which Plan is Best for Me?

Below is an example that illustrates how the *LTD benefit* amount is calculated under both benefit percentage options.

### Chris

Chris\* is 49, single and has worked for the State for eight years as a correctional officer. He made \$69,840 a year (\$5,820 per month) before an accident resulted in his being disabled from that occupation. His doctor says he will probably be unable to work for two years. Chris' disability is not severe enough to meet the Social Security definition of disability, but he is receiving a CalPERS disability retirement benefit estimated at \$607 per month.

\* Chris is a fictional example. His CalPERS benefit is estimated based on current income, age and years of service.

## What are Other Features of the Voluntary LTD Coverage?

- **24 hour coverage** for *disabilities* that occur both on and off the job.
- **Federal and State Income Tax-free LTD benefits** when premium payments are made with “after-tax” dollars under current federal and state income tax laws.
- **Rehabilitation plan** provision that prepares you to return to work, when approved by The Standard and may pay for return to work expenses you incur, such as job search, training and education expenses.
- **Monthly adjustment to work earnings for child care expenses** may be allowed when determining *deductible income*, if the expense is necessary to enable a return to work, up to \$250 per child, subject to a total monthly maximum of \$500 (provided for up to 24 months care for children age 12 and under).
- **A Continuing Education Benefit** may be available to *disabled* employees with *student dependents* under age 22. It pays \$100 each month per *student dependent* enrolled in higher education, for up to a maximum of 48 months during your lifetime, while *LTD benefits* are payable to you. This benefit will first be applied to any overpayment of your claim due The Standard.
- **Survivors benefit** equal to three times your unreduced *LTD benefit* may be payable to your survivors if you die while *LTD benefits* are payable and you have been continuously *disabled* for at least 180 days. Any survivors benefit payable will first be applied to any overpayment of your claim due to The Standard.
- **Conversion** of coverage may be available to employees whose coverage is ending and who have been insured continuously under the LTD insurance for at least one year.

### 55% vs. 65% Benefit Level

In this example, Chris' after-tax pay before becoming disabled is \$4,074 (calculated as follows):

	55% Benefit Example	65% Benefit Example
Chris' Monthly LTD Premium	\$17.15	\$30.37
Chris' Predisability Income		
Monthly Base Salary (predisability earnings)	\$5,820	\$5,820
Less estimated State & Federal income taxes <sup>1</sup>	- 1,746	- 1,746
After-tax pay prior to disability	\$4,074	\$4,074
Chris' LTD Benefit		
LTD benefit before reduction by deductible income	\$3,201	\$3,783
Less Social Security benefit	0	0
Less estimated CalPERS disability benefit	- 607	- 607
LTD Benefit amount	\$2,594	\$3,176
Chris' Income While Disabled		
CalPERS estimated disability retirement benefit	\$607	\$607
LTD Benefit amount	+ 2,594	+ 3,176
Total income while disabled	\$3,201	\$3,783
Estimated After-tax Income Replacement Level		
Without LTD insurance	15%	15%
With LTD insurance	79%	93%

<sup>1</sup> Estimated at 30% combined State and Federal taxes

## How do I Apply for Coverage?

When eligible to become insured, complete and sign the LTD Enrollment form and return it to your Department Personnel Office for processing.

## How to Calculate Your Monthly Cost?

The monthly premium rate factors are indicated in the tables below for each benefit level option. You determine the applicable factor based on whether you are a Safety or Non-Safety employee, your age as of the previous January 1 and *LTD benefit* option you select.

Non-Safety Employee		
Age as of last January 1	55% Benefit Option Premium Rate Factor	65% Benefit Option Premium Rate Factor
Under age 30	\$.00054	\$.00093
30 through 39	.00119	.00221
40 through 49	.00281	.00508
50 through 59	.00594	.01089
60 or over	.00810	.01478

  

Safety Employee		
Age as of last January 1	55% Benefit Option Premium Rate Factor	65% Benefit Option Premium Rate Factor
Under age 30	\$.00076	\$.00130
30 through 39	.00173	.00314
40 through 49	.00400	.00729
50 through 59	.00853	.01561
60 or over	.01156	.02105

To calculate the monthly payroll deduction for your Voluntary LTD coverage, use the worksheet to the right or the Premium Calculator found at [www.standard.com/mybenefits/california](http://www.standard.com/mybenefits/california).

	55% Benefit Option	65% Benefit Option
1. Enter your monthly base salary	Line 1: _____ (not to exceed \$10,910)	Line 1: _____ (not to exceed \$9,231)
2. Enter the Premium Rate Factor from the applicable rate table above and enter on Line 2	Line 2: _____	Line 2: _____
3. Multiply Line 1 by the amount shown on Line 2 and enter on Line 3	Line 3: _____	Line 3: _____
4. Add the monthly administrative fee	+0.80	+0.80
5. Estimated monthly payroll deduction	\$ _____	\$ _____

## Commonly Asked Questions

### Am I eligible for this coverage?

To be eligible for Voluntary LTD insurance coverage, you must be:

- An active, excluded employee who is appointed to a permanent half-time or greater position and is *actively at work*.<sup>2</sup> Temporary or seasonal employees or full-time members of the armed forces of any country are not eligible



- A citizen or resident of the United States or Canada, and
- In one of the following classifications:
  - Managerial (M, E59, E79, E99)
  - Supervisory (S, E48, E58, E68, E78, E98)
  - Confidential (C, E97), or
  - Excluded/Exempt (E88, E89, E92), and
  - Excluded employees who are enrolled in LTD at the time they are redesignated to E01 through E21, E67 or E77. However, future incumbents appointed to these positions will be designated represented and will not be eligible for LTD.

<sup>2</sup> *Actively at work* means performing with reasonable continuity the *material duties* of your *own occupation* with the State of California.

### When does my insurance go into effect?

You become eligible for LTD insurance on the later of October 1, 2004 and the date you become an eligible employee (*member*). You have 60 days after you become eligible to enroll in the LTD program. If you do not apply within 60 days after becoming eligible, you may apply only during a *designated open enrollment period*.

Enrollment forms (applications for coverage) processed by the 10th of the month will ensure you have LTD coverage the first day of the following month, as long as you meet the *active work* requirements<sup>3</sup>. If your enrollment form is processed after the 10th of the month, your insurance will become effective on the first day of the second calendar month following the date you apply, as long as you meet the *active work* requirements<sup>3</sup>.

### When do LTD benefits become payable?

If your claim for *LTD benefits* is approved by The Standard, benefits become payable after a six-month *benefit waiting period* during which you are continuously *disabled*. *LTD benefits* are not payable during this *benefit waiting period*.

<sup>3</sup> The *active work* requirement requires that you be capable of *actively working* on the day before the scheduled effective date of your insurance or your insurance will not become effective until the day after you complete one day of *active work* as an eligible employee.

### When am I considered disabled?

During the *benefit waiting period* and the next 24 months, you are considered *disabled* if, as a result of injury or illness,<sup>4</sup> you are:

- Unable to perform with reasonable continuity the *material duties* of your *own occupation*, and
- Unable to earn 80% or more of your *indexed predisability earnings*, while working in your own or another occupation.



Thereafter, you are considered *disabled* if, as a result of injury or illness,<sup>4</sup> you are:

- Unable to perform with reasonable continuity the *material duties* of *any occupation* that you are able to perform, whether due to education, training or experience, which is available at one or more locations in the national economy and in which you can be expected to earn at least 60% of your *indexed predisability earnings* within 12 months following your return to work, regardless of whether you are working in that or any other occupation, or
- Unable to earn 80% or more of your *indexed predisability earnings*, while working in any occupation for which you are reasonably fitted by education, training and experience.

<sup>4</sup> Physical disease, injury, pregnancy or mental disorder

### What will reduce my LTD benefit?

Your monthly *LTD benefit* may be reduced by other income (*deductible income*). *Deductible income* includes, but is not limited to: *work earnings*; sick leave; workers' compensation; state disability income; Social Security; disability and retirement benefits under the State's retirement plan (such as CalPERS and STRS); other group insurance benefits; third party settlements and any amounts received by compromise, settlement or other methods as a result of a claim for the above.

### What is the maximum benefit period?

The *maximum benefit period* means the longest period for which *LTD benefits* may be payable for any one period of continuous disability. If you become *disabled* before age 62, *LTD benefits* may continue while you are *disabled* until the longest of your Social Security normal retirement age (SSNRA), three years six months or age 65. If you become *disabled* at age 62 and older, the benefit duration is determined by your age when *disability* begins, the schedule ranges between three years six months and one year. Persons *disabled* at age 69 and older will not receive benefits for more than one year.

### When do LTD benefits end?

*LTD benefits* end automatically on the earliest of:

- The date you are no longer *disabled*
- The date your *maximum benefit period* ends
- The date you die
- The date benefits become payable under any other LTD plan under which you become insured through employment during a period of *temporary recovery*
- The date you fail to provide proof of continued *disability* and entitlement to benefits

### What exclusions apply to this coverage?

You are not covered for a *disability* caused or contributed to by your committing or attempting to commit an assault or felony, or your active participation in a violent disorder or riot, an intentionally self-inflicted *injury*, *war*, the loss of your professional or occupational license or certification or a *preexisting condition* or the medical or surgical treatment of a *preexisting condition*.



### What is a preexisting condition?

A *preexisting condition* is a mental or physical condition, whether or not diagnosed or misdiagnosed:

- a) For which you have done, or for which a reasonably prudent person would have done, any of the following:
  - i. Consulted a physician or other licensed medical professional;
  - ii. Received medical treatment, services or advice;
  - iii. Undergone diagnostic procedures, including self-administered procedures;
  - iv. Taken prescribed drugs or medicines;
- b) Which, as a result of any medical examination, including routine examination, was discovered or suspected;

at any time during the 365-day period just before your Voluntary LTD insurance became effective.

The *preexisting condition* exclusion will no longer apply once you have been insured under the Voluntary LTD insurance plan for 24 months and have been *actively at work* for at least one full day after those 24 months.

**Note:** If you become insured with the 55% LTD benefit and later elect to change your coverage to the 65% LTD benefit, the increase in coverage will be subject to a new *preexisting condition* exclusion. If you subsequently become *disabled* and LTD benefits are not payable at 65% due to this new *preexisting condition* exclusion, your claim will be administered as if you had not changed plans.

### What limitations apply to this coverage?

LTD benefits are not payable for any period when you are:

- Not under the ongoing care of a *physician* in the appropriate specialty as determined by The Standard
- Not participating in good faith in a plan, program or course of medical treatment or vocational training or education approved by The Standard, unless your *disability* prevents you from participating

In addition, payment of LTD benefits is limited in duration to 24 months in your lifetime if your disability is caused or contributed to by (or medical or surgical treatment of) *mental disorders* or *other limited conditions*, including but not limited to chronic fatigue conditions, allergy or sensitivity to chemicals or the environment, chronic pain conditions, carpal tunnel or repetitive motion syndrome, temporomandibular joint disorder or craniomandibular joint disorder, arthritis, diseases or disorders of the cervical, thoracic or lumbosacral back and its surrounding soft tissue and sprains of joints or muscles.

### When does my Voluntary LTD insurance coverage end?

The Voluntary LTD insurance ends automatically on the earliest of the following:

- The date the last period ends for which you make a premium contribution
- The date your employment terminates
- The date you cease to be an eligible employee, however, insurance may continue for limited periods under certain circumstances as described in the *statement of coverage*
- The date your *employer* ceases to participate under the *group policy*



### What if I have additional questions?

If you have additional questions or for more information, please contact The Standard's customer service line at 888.641.7193 or your Department Personnel Office.

You may also access information at [www.standard.com/mybenefits/california](http://www.standard.com/mybenefits/california).

### About Standard Insurance Company

Your employer has chosen Standard Insurance Company to provide group Voluntary LTD coverage to eligible employees. The Standard has earned a solid reputation for quality products, superior customer service, expert resources, steady growth, innovation and strong financial performance. Founded in 1906, The Standard has developed a national presence in the employee benefits industry, providing customers with group and individual disability insurance and retirement plans, and group life and dental insurance.

Just as others count on you, you can count on The Standard for Voluntary LTD insurance in a time of need. Contact your Personnel Office for more information about group Voluntary LTD insurance from The Standard.



The Standard<sup>®</sup>  
Positively different.

Standard Insurance Company  
1100 SW Sixth Avenue  
Portland OR 97204

[www.standard.com](http://www.standard.com)

A subsidiary of StanCorp Financial Group, Inc.