

# Allstate Benefits

## Long Term Disability (LTD) Coverage

### Frequently Asked Questions (FAQs)

Q. *How is the plan designed?*

A. The LTD policy provides coverage for the employee only, no dependent coverage. It is an event-based (becoming disabled) coverage which requires proof of loss of income. It is designed with 3 components, an elimination period for accident and sickness (90 or 180 days), a monthly benefit (from \$400 to \$6,000, or 60% of monthly earnings, whichever is less) and a benefit duration period (2 or 5 years, or to Normal Social Security Retirement Age NSSRA). Plan designs are directly impacted by the employer's industry classification (SIC code); not all plan options may be available. Otherwise, the employer determines the elimination and benefit duration periods and the employee chooses the monthly benefit. However, in some instances, the employer may also choose the monthly benefit amount.

Q. *What is an elimination period?*

A. An elimination period is the number of consecutive days that the employee must be disabled in order for benefit payments to begin. No benefits are paid during the elimination period.

Q. *What is a benefit duration period?*

A. A benefit duration period is the number of years that the employee may be able to collect a monthly disability benefit.

Q. *How does the coverage work?*

A. Once the employee has provided sufficient proof of disability and loss of income, and has satisfied the appropriate elimination period for injury or sickness, a monthly benefit will be paid. This monthly benefit will continue until the employee has been released by their provider to return to work (normal duties/activities) or the benefit duration has been reached.

Q. *Are there any medical questions to answer for this coverage?*

A. If an employee enrolls themselves when they are initially eligible for the coverage there will be no medical questions to answer, the coverage is Guarantee Issue. Should they choose to enroll at the next annual enrollment period, regular Evidence of Insurability (EOI) will apply.

Q. *Is there a waiting period before using the LTD benefits?*

A. No. There is no waiting period, but there is an elimination period which must be satisfied once you are disabled before benefits begin. Please see "What is an elimination period?".

Q. *Is LTD coverage for on- and off-the-job disabilities?*

A. Yes. This policy provides 24-hour coverage for active full-time employees.

Q. *Is there a Waiver of Premium provision?*

A. Yes. Coverage will be continued and the insured is not required to pay premiums while receiving benefits under this plan

Q. *Does this policy provide partial disability benefits?*

A. **Yes. The insured is considered partially disabled if income is reduced from 20 to 80% of pre-disability earnings; payments will be based on the percentage of income lost due to disability.**

Q. *Does this policy provide recurrent disability benefits?*

A. **Yes. A current disability will be treated as part of the insured's claim and will not require completion of another elimination period if they are continuously insured under the plan and the recurrent disability occurs within 6 months from the end of the prior claim and is related to the prior disability.**

Q. *Does this policy provide family survivor income benefits?*

A. **Yes. If a disabled insured dies, a lump sum benefit equal to 3 times the insured's gross disability benefit will be paid to the eligible survivor if, on the date of death, the insured's disability had continued for 180 or more consecutive days and they were receiving or entitled to receive payments under the plan.**

Q. *Do benefits decrease, or rates increase with age?*

A. **Monthly benefits do not decrease with age in this policy, but all plans have modified benefit durations for disabilities beginning at age 60 or beyond. Additionally, if using age-banded premiums, rates will increase upon policy anniversary when an insured moves from one age bracket to another.**

Q. *What if an employee has a salary increase after they enroll?*

A. **All changes to existing coverage must be made during the annual enrollment period. Increases in coverage made during the annual enrollment period will be subject to EOI, unless the employee elected 60% of their monthly earnings at initial enrollment and simply wants to cover their increased monthly earnings, or the increase in monthly benefit is less than \$100 per month.**

Q. *Is there a pre-existing conditions limitation?*

A. **Yes, this policy includes a 12/12 pre-existing condition limitation provision. There will be no coverage under the policy for 12 months from the effective date for conditions considered to be pre-existing.**

Q. *What is the definition of a pre-existing condition?*

A. **It means a condition for which the insured has received medical treatment, consultation, care, or services, including diagnostic measures, or for which they've taken prescription drugs or medicine in the 12 months just prior to the effective date of coverage. A pre-existing condition can exist even though a diagnosis has not yet been made.**

Q. *Are pregnancies covered?*

A. **Pregnancy is covered as any other illness. However, no benefits will be paid for a disability (including pregnancy-related disabilities) which begins in the first 12 months of coverage if it is due to a pre-existing condition. Please see, "What is the definition of a pre-existing condition?"**

Q. *Who submits claims?*

A. **The insured will submit the claim for processing. This should be completed as quickly as possible once the insured has been declared disabled.**

Q. *What documents are required in order to get a claim paid?*

A. **The claim form will provide information as to the documentation necessary to provide proof of your specific loss.**

Q. *How is the benefit paid out?*

A. **The monthly benefit amount is paid on a monthly basis, every 30 days in arrears. Once proof of disability and loss of income have been established, the elimination period is added to the date the disability began in order to determine the date that LTD benefits begin (i.e., disability began on 6/01/11; policy has a 90 day elimination period – this means that LTD benefits begin on 9/01/11). LTD benefits are calculated from that date in 30 day increments. (Hence, the first LTD benefit payment would be issued on 10/1/11 and pay for the disability period of 09/01 to 09/30/11.) The claim is then pended for 30 days and will be reprocessed for the next payment as long as the insured remains disabled.**

Q. *Once an insured collects 100% of the LTD benefit for a particular disability, are there any benefits left?*

A. **Once an LTD benefit has been paid out at 100% for a particular disability, no benefits are payable for that disability unless a 6 month period has elapsed from the date of the last related disability. However, a benefit may be payable for a new event (disability) which results in loss of income that is totally unrelated to any previous disabilities.**

Q. *Are LTD benefits reduced by other benefits?*

A. **Yes. LTD benefits are reduced by all deductible sources of income listed in the policy, including, but not limited to, total benefits received as disability income payments under any state compulsory benefit act or law, other employee benefit plans, sick leave and Social Security or other federal disability benefits. However, the monthly benefit will not be reduced to less than \$100. This “coordination of benefits” allows disabled employees to receive up to 60% of their gross income from all sources combined. LTD benefits are NOT reduced by income received from such sources as 401(k) plans, profit sharing plans, military pension, individual disability plans paid for by the employee and retirement plans from another employer.**

Q. *Are benefits taxable?*

A. **LTD benefits are not taxable if the premium is paid for with after-tax dollars (income already taxed by the government). Benefits providing 60% of income replacement tax-free during disability are nearly equivalent to most employees’ net take-home pay before disability begins. If premiums are paid with pre-tax dollars (through a Section 125) or by the employer, then disability benefits received by the insured will be taxed as regular income.**

Q. *Is there an option to continue this coverage after employment terminates?*

A. **Yes, an insured may continue their coverage for up to 24 months on a direct pay basis if they have had LTD coverage for the past 12 consecutive months and the master contract under their employer is still in force. They may call 1-888-580-5140 for details.**

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