



**DI in Employer-Sponsored Programs**

The concept of employer-sponsored DI is an ideal approach to those who make up our primary markets: business owners, professionals and key executives.

**Summary**

Employer-Sponsored Programs (ESP) come in a number of forms. All of these programs are also referred to as “salary continuation” and all are set up for the benefit of employees. ESPs include:

- **Qualified Sick Pay Program (QSPP)** - Under this approach, the employer funds 100% of the premiums for individual DI coverage. If a formal program has been established, the employer directly pays the premium and takes a tax deduction. Policies sold under this program are list billed to the employer.
- **Executive Bonus (Section 162)** - In this approach, the employer pays a bonus to an employee in the amount of the premium for disability insurance. The bonus is included in the employee’s taxable income and benefits will be received income tax free.
- **Voluntary Income Protection Program (VIP)** - Under voluntary programs, the employer merely makes the program available to employees by allowing them to pay for DI coverage on a voluntary basis. Usually this is done by payroll deduction and list-billed to the employer, but may be individually billed.
- **Supplemental DI Programs** - There are a variety of programs and sales concepts that are intended to supplement a firm’s basic group LTD coverage. These include:
  - Combination LTD/DI programs
  - LTD Supplement programs
  - Executive carve-out programs

Such programs are really no more than variations on the basic concepts of QSPPs and VIPs.

**Support for Marketing Employer-Sponsored Programs:**

We provide field representatives with a variety of tools in support of the sale, installation and administration of employer-sponsored programs, most of which can be found on [BerkshireLifetools.com](http://BerkshireLifetools.com). These include:

- Prospecting tools
- Sales presentations
- Training resources
- Sample installation documents



- Policy Forms:      Employer Paid (e.g. QSPP and Executive Bonus) – 1500 unisex rates with two or more qualifying participants (three or more for medical risks).  
Employee Paid (e.g. VIP) - 1400 gender distinct rates with two or more qualifying participants (three or more for medical risks), except in Montana which only allows the use of policy form 1500. State variations concerning the minimum number of lives may apply.
- As a convenience, you may use the 1500 for a partner, S-Corporation owner or sole proprietor who wants to buy a personal policy and sets up a QSPP for one or more employees; however, individual issue and participation limits will apply.
- Discounts:        A premium discount of 10% is available with two or more eligible participants (three or more for medical risks) in an employer-sponsored program. This applies in all states.
- Producer Rights:    Only the endorsed producer is permitted to market an employer-sponsored program to the eligible employees, even if exclusivity has not been granted. The endorsed producer (a.k.a. “Employer-Sponsored Agent”) is defined as the producer who developed the relationship, sold the program and obtained endorsement of the program from the employer.



**Taxation**

The table below summarizes the tax treatment of premiums and benefits paid under an employer-sponsored program.

<b>Premium Paid By</b>	<b>Policy Owner/Benefits Paid to</b>	<b>Tax Treatment of Premium</b>	<b>Tax Treatment of Benefits</b>
Sole proprietor, partnership, S-Corporation	Employee	Deductible by employer (IRC Sec. 162)	Reported as income (IRC Sec. 104)
C-Corporation	Employee*	Deductible by employer (IRC Sec. 162) Employer's premium excluded from employee's taxable income (IRC Sec. 106)	Reported as income (IRC Sec. 104)
Sole proprietor, partnership, S-Corporation	Sole proprietor, partner, S-Corp stockholder	Deductible by employer, but must be included in owner's taxable income (Rev. Ruling 91-26)	Received tax-free (IRC Sec. 104)
Employee	Employee	Not deductible (IRC Sec. 213)	Received tax-free (IRC Sec. 104)

*Note: This information is subject to changes in the tax law.*

*\*Includes stockholder-employees.*



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Issue & Participation Tables:	<p>The proper Issue &amp; Participation table (individual-pay or employer-pay) depends on the tax status of the disability benefit.</p> <p>Only the individual-pay Issue &amp; Participation table can be used with the VIP program.</p>
Installation:	<p>QSP: Sample installation forms can be found on <a href="http://BerkshireLifetools.com">BerkshireLifetools.com</a>.</p> <p>VIP: An employer must provide written proof of employer sponsorship in the form of a letter. The letter must be written on employer letterhead and addressed to the employee(s); it must state that the employer sponsors disability policies underwritten and issued by Berkshire. The letter must be signed by the employer or by a designated company officer. Sample letters may be found on <a href="http://BerkshireLifetools.com">BerkshireLifetools.com</a>.</p>
Proof of Employer Sponsorship:	<p>QSP: Policies are employer-paid and always list-billed to the employer – no additional documentation is required.</p> <p>VIP: Every application must be submitted with a completed Voluntary Income Protection Eligibility Confirmation (Form AA1670).</p>



**Multi-Life Program:**

The Multi-Life DI program offering is a comprehensive package of product solutions, sales support programs and customer support services. Multi-Life programs are marketed and sold to and through businesses as an employee or executive benefit.

The Multi-Life DI offering features case-level processing and Guarantee Standard Issue (GSI) underwriting. A group must have an employer-employee relationship to be considered for a GSI offer.

A separate product called Income ProVider (policy form 1200) is used for GSI offers. Rates are unisex, based on age last birthday.

The minimum number of “eligible” lives for employer-paid cases is 10. The minimum number of “eligible” lives for employee-paid (voluntary) cases is 75, based on the assumption of a 30% participation of the eligible group.

For GSI, employees are offered a standard policy with no medical underwriting. The maximum amount of coverage available is determined by the specific make up of the group, case design, and other factors. In all cases, the issued benefit amounts will not exceed Berkshire’s issue and participation limits. The company’s financial rules will also apply. Participants previously declined by Berkshire or Guardian are not eligible for coverage through this program.

**Multi-Life Requirements:**

Employer-Paid Cases:

Participation Requirements	<ul style="list-style-type: none"> <li>• 100% of proposed eligible group with 10 insured life minimum</li> <li>• 100% employer-paid premiums</li> <li>• Acceptable occupations in classes 6 – 1 (with a minimum of 80% in classes 6 – 3)</li> </ul>
Issue Ages	18 – 70*
Minimum Monthly Benefit	\$500
Maximum Monthly Benefit	\$10,000
Elimination Periods	90, 180, 360, 720* days
Benefit Periods	2 & 5 years, to age 65, to age 67

*\*Varies by state, and is subject to underwriting approval in all situations.*



Employee-Paid  
(Voluntary) Cases:

Participation Requirements	<ul style="list-style-type: none"> <li>• 30% of eligible group enrolled for groups with a minimum of 75 eligible lives</li> <li>• 100% employee-paid premiums</li> <li>• Acceptable occupations in classes 6 – 1 (with a minimum of 80% in classes 6 – 3)</li> </ul>
Issue Ages	18 – 70*
Minimum Monthly Benefit	\$500
Maximum Monthly Benefit	\$10,000
Elimination Periods	90, 180, 360, 720* days
Benefit Periods	2 & 5 years, to age 65, to age 67

*\*Varies by state, and is subject to underwriting approval in all situations .*

Policy Form: Form 1200 – Income ProVider

Discounts:

Case Size	Employer Paid	Employee Paid
10 – 19 lives	15%	N/A
20 – 100 lives**	25%	15%
101+ lives	35%	25%

\*\*75 life minimum applies for voluntary cases

Target Occupations for Multi-Life Programs:

Accountants, Architects, Attorneys, Business Service Company, Consulting Firms, Computer/Technology Industry, Engineers, Executive Groups, Optometrists, Pharmacists

State Product Variations:

California: Unavailable



Multi-Life Case  
Request Process:

Submit to the Multi-Life Case Unit a completed Request for Proposal form along with an electronic census in an excel format via Berkshire Life Tools. The census should include name, job title, date of birth, gender, salary, and commission/ bonus info.

The Multi-Life Team evaluates each case request. When appropriate, the underwriter will make a written offer based on the strength of the case. An offer acceptance form must be signed by the employer and returned to the Multi life team prior to the commencement of the enrollment.

Available Enrollment options:

- Online Enrollment
- Pre-filled paper proposals and applications

Your multi-life team will work with you to determine the enrollment strategy that best fits your client. Regardless of the type of enrollment, we will develop a detailed communications strategy designed to engage and educate the eligible employee population positioning you for maximum results.



**Guidelines for Multi-Life Guaranteed Standard Issue Programs**

<b>Employer Paid</b>	<b>Employee Paid</b>	<b>Retirement Protection Plus (Employer Paid or Voluntary)</b>
Income ProVider – Form 1200, Unisex Rates	Income ProVider – Form 1200, Unisex Rates	Income ProVider – Form 1200, Unisex Rates
Monthly Benefit – up to \$10,000, based on case size and other factors	Monthly Benefit – up to \$7,500 based on case size and other factors	Monthly Benefit – up to \$3,840; \$4,250, age 50 – 60
EP/BP – minimum EP – 90 days, BP – 2 & 5 years, to age 65, or to age 67	EP/BP – minimum EP – 90 days, BP – 2 & 5 years, to age 65, or to age 67	EP/BP – minimum EP – 180 days, BP – to age 65
Minimum number of insured lives – 10, 100% participation	Minimum number of eligible lives – 75 assuming 30% of eligible group purchases coverage	Same as Employer-Paid or Employee-Paid GSI guidelines
Employer pays 100% of premium, assumes taxable benefit	Employee pays 100% of premium, assumes tax-free benefit	Same as Employer-Paid or Employee-Paid GSI guidelines
Acceptable occupations in classes 6 – 1	Acceptable occupations in classes 6 – 1	Acceptable occupations in classes 6 – 3
No Medical/Dental occupations accepted	No Medical/Dental occupations accepted	
Additional Benefit Riders: <ul style="list-style-type: none"> <li>• Basic Residual</li> <li>• Enhanced Residual</li> <li>• Catastrophic Disability Benefit</li> <li>• Cost of Living Adjustment</li> <li>• Additional Monthly Benefit Rider</li> <li>• Retirement Protection Plus Rider</li> </ul>	Additional Benefit Riders: <ul style="list-style-type: none"> <li>• Basic Residual</li> <li>• Catastrophic Disability Benefit</li> <li>• Retirement Protection Plus Rider</li> <li>• Cost of Living Adjustment 3%</li> <li>• Additional Monthly Benefit Rider</li> </ul>	Additional Benefit Riders: <ul style="list-style-type: none"> <li>• Cost of Living Adjustment</li> <li>• Additional Monthly Benefit Rider</li> </ul>
Definition of Total Disability: <ul style="list-style-type: none"> <li>• 2 Year Modified Own Occ; Any Occ Thereafter (Base</li> </ul>	Definition of Total Disability: <ul style="list-style-type: none"> <li>• 2 Year Modified Own Occ; Any Occ Thereafter (Base</li> </ul>	Definition of Total Disability: <ul style="list-style-type: none"> <li>• 2 Year Modified Own Occ; Any Occ Thereafter (Base</li> </ul>



<b>Employer Paid</b>	<b>Employee Paid</b>	<b>Retirement Protection Plus (Employer Paid or Voluntary)</b>
Policy) <ul style="list-style-type: none"> <li>• Modified Own Occ Rider</li> <li>• True Own Occ Rider</li> </ul>	Policy) <ul style="list-style-type: none"> <li>• Modified Own Occ Rider</li> </ul>	Policy <ul style="list-style-type: none"> <li>• Modified Own Occ Rider</li> </ul>
Actively at work full time for six months at the time of application, working a minimum of 30 hours a week	Actively at work full time for six months at the time of application, working a minimum of 30 hours a week	Actively at work full time for six months at the time of application, working a minimum of 30 hours a week
Additional buy-up coverage available with full underwriting	Additional buy-up coverage available with full underwriting	Additional buy-up coverage may be available with full underwriting if Internal Revenue Code (IRC) maximum contribution amount is not offered on a GSI basis
Applicants previously declined by Berkshire or Guardian are ineligible	Applicants previously declined by Berkshire or Guardian are ineligible	Applicants previously declined by Berkshire or Guardian are ineligible