

CONFIDENTIAL



Processing Disability Claims: LTD

Other income benefits (offsets) (continued)

Other disability income under a group plan: The plan must be purchased by the employer. We can offset it, but we have to determine from the employer if it satisfies 4 or 5 other criteria (outside of Safe Harbor, etc.). "Governmental retirement system" applies to state governments as well. This could include an individual disability contract.

Income replacement by compromise, settlement, etc: This includes Workers' Comp, motor vehicle accidents, slip and fall lawsuits, etc. The examiner must determine the litigation amount. If the employee is awarded something, we use it as an offset (but we don't subrogate). We need to obtain a copy of the complaint (may need to send an investigator to get it). If the claimant receives a settlement after we've been paying, we can offset it later.

The intent of Workers' Compensation benefits is to provide coverage to an employee for lost wages for the long term. Most Workers' Comp claims are settled out. When this happens, the employee will still have LTD benefits available. The amount of the settlement is factored in to an offset amount and subtracted from the gross monthly benefit.

Lump sum (compromise) settlements: A claimant may have received a one-payment settlement instead of periodic payments from another insurance carrier. The Benefit Analyst needs to determine how many months to spread the single amount over in order to calculate the monthly (the offset). If the settlement agreement indicates that the lump sum represents payments for three years, the Benefit Analyst takes the total lump sum amount and divides it by 36 to get the monthly offset amount. However, if the settlement agreement does not specify the timeframe, the Benefit Analyst can call the carrier and obtain the information or, according to our contract, prorate the settlement over their actuarial projected lifetime. If the claimant is projected to live another 12 years, the Analyst spreads the single payment over 144 months to determine the monthly offset amount.

Note: For detailed procedures on accessing the CHES screens referenced on the following pages, refer to the Using CHES manual.