

How to Calculate Premium for Core/Buy Up Disability Plans

To calculate premium due, multiply the benefit amount for STD or monthly covered payroll for LTD by the premium rate set forth in your policy. Be sure to apply earnings definitions, benefit maximums, rounding rules, age reductions, guarantee issue limits, and spouse coverage limitation or restrictions. These are set forth in your policy. Please see the examples below to calculate core/buy premium*. The volumes and rates are for illustration purposes only.



Short-Term Disability Insurance

STD CORE PLAN:

50% of Weekly Earnings
\$300 Maximum Weekly Benefit
\$.350 Per \$10 Weekly Benefit

STD BUY UP PLAN:

60% of Weekly Earnings
\$1,500 Maximum Weekly Benefit
\$.410 Per \$10 Weekly Benefit

EXAMPLE 1:

Jane Doe's Annual Earnings are \$55,000 / \$1,058 Weekly

STEP 1: Calculate the core benefit volume

Weekly Earning	x	% of Weekly Earnings	=	Total	Max Weekly Benefit
\$1,058		50%		\$529	\$300

STEP 2: Calculate the core premium

Weekly Benefit	÷	Rate Units	=	Units	x	Rate	=	Monthly Core Premium
\$300		10		30		.350		\$10.50

STEP 3: Calculate the buy up benefit volume

Weekly Earning	x	% of Weekly Earnings	=	Weekly Benefit
\$1,058		60%		\$635

STEP 4: Calculate the buy up premium

Weekly Benefit	÷	Rate Units	=	Units	x	Rate	=	Monthly Core Buy Up Premium
\$635		10		63.5		.410		\$26.04

EXAMPLE 2:

Jane Doe's Annual Earnings are \$125,000 / \$2,404 Weekly

STEP 1: Calculate the core benefit volume

Weekly Earning	x	% of Weekly Earnings	=	Total	Max Weekly Benefit
\$2,404		50%		\$1,202	\$300

STEP 2: Calculate the core premium

Weekly Benefit	÷	Rate Units	=	Units	x	Rate	=	Monthly Core Premium
\$300		10		30		.350		\$10.50

STEP 3: Calculate the buy up benefit volume

Weekly Earning	x	% of Weekly Earnings	=	Weekly Benefit
\$2,404		60%		\$1,442

STEP 4: Calculate the buy up premium

Weekly Benefit	÷	Rate Units	=	Units	x	Rate	=	Monthly Core Buy Up Premium
\$1,442		10		144.2		.410		\$59.12



Long-Term Disability Insurance

LTD CORE PLAN:

- 60% of Monthly Covered Payroll
- \$5,000 Maximum Monthly Benefit
- \$8,333 Maximum Monthly Covered Payroll
- \$.280 Per \$100 Monthly Covered Payroll

LTD BUY UP PLAN:

- 66.67% of Monthly Covered Payroll
- \$12,000 Maximum Monthly Benefit
- \$17,999 Maximum Monthly Covered Payroll
- \$.300 Per \$100 Monthly Covered Payroll

EXAMPLE 1: John Smith's Annual Earnings are \$55,000

STEP 1: Calculate the core monthly covered payroll

Annual Earnings	÷	Months per Year	=	Monthly Earning
\$55,000		12		\$4,583

STEP 2: Calculate the core monthly benefit volume

Monthly Covered Payroll	x	% of Monthly Covered Payroll	=	Monthly Benefit Volume
\$4,583		60%		\$2,750

STEP 3: Calculate the core premium

Monthly Covered Payroll	÷	Rate Units	=	Units	x	Rate	=	Monthly Core Premium
\$4,583		100		45.83		.28		\$12.83

STEP 4: Calculate the buy up monthly covered payroll

Annual Earnings	÷	Months per Year	=	Monthly Earning
\$55,000		12		\$4,583

STEP 5: Calculate the buy up monthly benefit volume

Monthly Covered Payroll	x	% of Monthly Covered Payroll	=	Monthly Benefit Volume
\$4,583		66.67%		\$3,056

STEP 6: Calculate the buy up premium

Monthly Covered Payroll	÷	Rate Units	=	Units	x	Rate	=	Monthly Core Premium
\$4,583		100		45.83		.30		\$13.75

EXAMPLE 2: John Smith's Annual Earnings are \$125,000

STEP 1: Calculate the core monthly covered payroll

Annual Earnings	÷	Months per Year	=	Monthly Earning	Max Covered Payroll
\$125,000		12		\$10,417	\$8,333

STEP 2: Calculate the core monthly benefit volume

Monthly Covered Payroll	x	% of Monthly Covered Payroll	=	Monthly Benefit Volume
\$8,333		60%		\$5,000

STEP 3: Calculate the core premium

Monthly Covered Payroll	÷	Rate Units	=	Units	x	Rate	=	Monthly Core Premium
\$8,333		100		83.33		.30		\$23.33

STEP 4: Calculate the buy up monthly covered payroll

Annual Earnings	÷	Months per Year	=	Monthly Earning
\$125,000		12		\$10,417

STEP 5: Calculate the buy up monthly benefit volume

Monthly Covered Payroll	x	% of Monthly Covered Payroll	=	Monthly Benefit Volume
\$10,417		66.67%		\$6,945

STEP 6: Calculate the buy up premium

Monthly Covered Payroll	÷	Rate Units	=	Units	x	Rate	=	Monthly Core Premium
\$10,417		100		104.17		.30		\$31.25

*Buy up premium calculations are on a first dollar basis. If your buy up premium is based on an excess dollar basis, please contact your account representative for calculation assistance.

For illustrative purposes only. May not be available in all jurisdictions. Coverage may be subject to limitations, exclusions and other coverage conditions contained in the issued policy. Please consult the policy for the actual terms of coverage. If there is any discrepancy between this benefit description and the policy, the terms of the policy will control.

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