



Group STD Insurance Work Incentive Benefit

Determining What Benefits Are Payable When Employees Work

Determining the amount of short-term disability (STD) benefits payable when employees are working during a disability can be somewhat complex. This piece provides examples of how Principal Life Insurance Company handles this situation.

The work incentive benefit is designed to allow employees to earn up to 100% of their pre-disability earnings through all income sources. To better understand this benefit, check the benefits payable section of your group policy (Part IV – Benefits). You'll find a definition similar to the one below.

Employees working during a disability

The work incentive benefit payable to an employee for each full week of a benefit payment period will be the lesser of:

1. 100% of pre-disability earnings less other income sources, less current earnings from his or her own job or any job; or
2. the primary benefit less other income sources

Definition of common terms

Pre-disability earnings – An employee's weekly earnings in effect prior to the date disability begins.

Current earnings - An employee's weekly earnings for each week he or she is disabled. This includes all sources of income from the policyholder that comprised earnings prior to disability such as personal time off (PTO), sick pay, vacation pay and holiday pay. Earnings from secondary employment are not considered current earnings except as identified in secondary earnings. While disabled, an employee's weekly earnings may result from working for the policyholder or any other employer.

Income loss percentage – An employee's pre-disability earnings less any current earnings from his or her own job or any job; divided by the employee's pre-disability earnings. Example one on the back is calculated as follows:

$$\$600 - \$350 \div \$600 = 42\%$$

Primary benefit – The applicable percentage (will vary between policies) of the employee's pre-disability earnings.

This guide is to only be used as a reference. Policies vary among employers. If you have specific questions, please contact the Group Life and Disability Service Team at 1-800-245-1522.

Examples of how it works

EXAMPLE ONE <i>(without Other Income Sources)</i>	
Pre-disability earnings (PDE)	\$600 per week
Primary weekly benefit (PWB)	\$360
Part-time earnings	\$350
Other income	\$0
The employee is eligible for the lesser of:	$\$600 \text{ (PDE)} - \$0 \text{ (other income)} - \$350 \text{ (earnings)} = \250 OR $\$360 \text{ (PWB)} - \$0 \text{ (Other Income)} = \360 In this example, the lesser of the two benefits is \$250.
When the employee's part-time earnings and disability benefit are added together, they equal 100% of the employee's pre-disability earnings: $\$350 + \$250 = \$600$	

EXAMPLE TWO <i>(with Other Income Sources)</i>	
Pre-disability earnings (PDE)	\$600 per week
Primary weekly benefit (PWB)	\$360
Part-time earnings	\$200
Other income	\$150
The employee is eligible for the lesser of:	$\$600 \text{ (PDE)} - \$150 \text{ (other income)} - \$200 \text{ (earnings)} = \250 OR $\$360 \text{ (PWB)} - \$150.00 \text{ (other income)} = \210 In this example, the lesser of the two benefits is \$210.
When the employee's part-time earnings, plus other income and disability benefit are added together, they equal 93% of the employee's pre-disability earnings: $\$210 + \$150 + \$200 = \560	
Disability benefits paid will never be greater than the primary weekly benefit. In this example, if the employee had not received other income, Principal Life would have paid the primary weekly benefit of \$360.	



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This is an overview of short-term disability coverage from Principal Life. It is not an insurance contract or a complete statement of the rights, benefits, limitations and exclusions of the coverage described here. Examples provided are for illustrative purposes only.