



# 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                     |

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

##### STEP 3: Calculate the core premium

|                         |   |            |   |       |   |      |   |                      |
|-------------------------|---|------------|---|-------|---|------|---|----------------------|
| Monthly Covered Payroll | ÷ | Rate Units | = | Units | × | 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 | × | % 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 | × | 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 | × | % of Monthly Covered Payroll | = | Monthly Benefit Volume |
| \$8,333                 |   | 60%                          |   | \$5,000                |

##### STEP 3: Calculate the core premium

|                         |   |            |   |       |   |      |   |                      |
|-------------------------|---|------------|---|-------|---|------|---|----------------------|
| Monthly Covered Payroll | ÷ | Rate Units | = | Units | × | 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 | × | % 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  | × | 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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