

DISABILITY INSURANCE ELECTIVE COVERAGE PROGRAM

California's Disability Insurance Elective Coverage (DIEC) program provides benefits to eligible business owners and self-employed individuals suffering a loss of income when they are unable to perform their usual work due to illness or injury, whether or not it is work- or pregnancy-related.

Background

The DIEC program was created by the California State Legislature in 1962 through the direct actions of a state legislator acting on behalf of a constituent's unfortunate circumstance. The constituent was being forced to close his business, as he was without any disability coverage to help offset the expenses during a critical illness.

Through the legislator's concerned actions, California became the only state to offer a state-sponsored disability insurance program to business owners and self-employed individuals on an elective basis.

Today this program serves as a safety net to those small business owners, entrepreneurs, or self-employed individuals who make up a large portion of companies doing business in California.

Who Can Elect to be Covered by DIEC?

Any self-employed individual who receives the major part of his or her income from the trade, business, or occupation in which he or she is self-employed.

Individual proprietors and general partners are eligible to apply for coverage. It is not required that all active general partners be included in the election. A general partnership also includes a husband and wife co-ownership in which both spouses are active in the operation and management of the business. Limited partners and corporate officers are not eligible since they are considered to be employees subject to the mandatory provisions of the California Unemployment Insurance Code (CUIC).

Major Requirements

- You must own your own business or be self-employed.
- You must have a minimum income of \$4,600 annually.
- You must possess a valid active license, if required by your occupation.
- You must be able to perform all of your normal duties on a full-time basis at the time your application is submitted.
- You must derive the major portion of your income from your trade, business, or occupation.
- Your business cannot be seasonal.
- You must stay in the program for 2 complete calendar years unless you discontinue your business or move out of California.

Eligibility and Benefits

DIEC benefits are payable when a participant cannot work due to illness, injury, or pregnancy.

For disabilities beginning on or after January 1, 2004, benefits range from \$50 to a maximum of \$728 per week, and are payable for a maximum of 39 weeks.

To receive benefit payments, your application for elective coverage must be approved before you become disabled, and you must:

- File a claim in accordance with regulations with a certificate of disability signed by a duly authorized medical or religious practitioner.
- Serve a 7-day nonpayable waiting period.

- Have paid contributions for at least one quarter during the 12-month base period of the claim. Generally, a minimum of 6 months must elapse from the effective date of coverage before a valid claim may be filed based solely on this election.
- Submit to a reasonable medical examination, if required.

Claims are filed by mail and checks are usually mailed every 2 weeks.

What is the Cost?

Premiums are based on net profit reported on Internal Revenue Service (IRS) Schedule SE. Each quarter, one fourth of this amount is reported as "wages." For the calendar year 2004, premiums are calculated at 2.1 percent of these "quarterly wages."

For example: \$24,000 (IRS Schedule SE) ÷ 4 = \$6,000 (quarterly wages) x .021 = \$126 (quarterly premium due).

The maximum annual premium is \$1,445.41.

If the participant becomes disabled for a portion of the quarter, premiums may be reduced.

The DIEC rate is re-evaluated and computed each calendar year about November 30 to ensure program solvency.

The state makes no revenue on this plan. Therefore, premiums are based on benefits paid and administrative costs.

Disqualifications

No disability insurance payments can be made to persons who willfully make false statements or withhold material facts to gain benefits. A participant is also ineligible for disability benefits:

- If coverage has been terminated prior to becoming disabled (there is no vested interest).
- When in legal custody as the result of a conviction, or when confined by a court order.

- If the participant is no longer in the labor market.
- If a quarterly contribution return is delinquent.

Appeals

All participants have the right of appeal to an impartial Administrative Law Judge (ALJ) concerning determinations of eligibility or benefit amounts. Further appeal from an ALJ's decision may be filed with the Unemployment Insurance Appeals Board, or the Board may set aside the ALJ's decision on its own motion. Decisions of the Board may be reviewed by the courts.

Social Security

If a person is permanently disabled, he or she should contact the Social Security Administration. For information about benefits under their programs, call 1-800-772-1213. The individual should also apply for DIEC benefits, as receiving Social Security does not conflict with DIEC.

Paid Family Leave

In 2002, legislation was enacted to extend disability compensation to cover individuals who take time off of work to care for a seriously ill child, spouse, parent, domestic partner, or to bond with a new minor child. Persons covered by the DIEC program will also be covered for Paid Family Leave insurance benefits commencing on or after July 1, 2004. (Please see the *Paid Family Leave Fact Sheet*, DE 8714CF for further information.)

For More Information

For additional information on the DIEC program:

- Visit EDD's Internet site at www.edd.ca.gov;
- Contact your nearest Disability Insurance office, listed under "Employment Development Department" in the State Government section of your telephone directory; or
- Call the DIEC Unit at (916) 464-2500.