



**SUCCESS  
STRATEGIES**  
Advanced Sales

# Qualified Sick Pay Plans

Protecting employees and your client's bottom line from the unexpected

Business owners recognize the wide variety of risks that their business may face, including increasing costs of materials and labor, regulatory changes that may impact their industry, or general inflation. However, many business owners don't realize the risk of an employee becoming disabled as the result of an illness or injury at some point in their lives – or how an employee's disability can affect the company's bottom line.



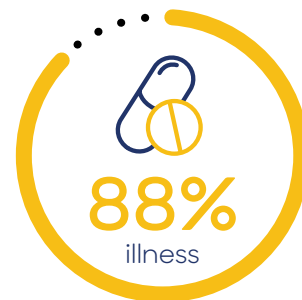
**1 IN 4** 20-year-olds  
will become disabled  
before they retire<sup>1</sup>



Most common  
cause of disability<sup>3</sup>,  
**12%** Accident/Injury



Average duration for all  
MassMutual DI claims based  
on claims incurred from  
1986 – 2019:<sup>2</sup> **4-Years**



## **Problem:** How to Provide Support to a Disabled Employee

Many business owners may feel an obligation to help a loyal, long-term employee and their family financially during a time when they are unable to work. However, doing so may not be as easy as it seems.

### **Risks:**

- Payments to an employee who is not performing services for the company are not considered a “salary” or “compensation,” and therefore are not deductible to the business as a business expense.
- The potential loss in productivity, along with cost of hiring a temporary replacement to handle the duties of a disabled employee, could significantly reduce business cash flow.
- The value of future disability payments may have a negative impact on the company's balance sheet for accounting purposes.
- Continuing the salary for one employee may set a precedent for how other employees expect to be treated in the event of future disabilities.



# Disability Income Insurance

## **Solution:** Qualified Sick Pay Plan (QSPP)

A QSPP is a salary continuation plan under which the business can continue to pay salary to an employee who can't work due to a disability. The business can choose which employees to include in the plan and how much of a benefit will be provided. Every employee doesn't need to be treated the same – the business can create a plan that offers a certain level of coverage for executives or managers and a different level (or even no coverage) for other employees. A QSPP can help assure employees that income will continue in the event of a covered disability and be offered as a valuable incentive to key employees.

### How does it work?

- The Board of Directors or managing partners adopt a resolution to create the plan.
- The company's legal advisor creates a written agreement that sets company policy in the event of an employee disability, including:
  - Who is included
  - How much salary they will be paid
  - When the payments start
  - How long the payments will continue
- Terms of the plan are communicated with all eligible employees.
- It's important that the plan is instituted (and communicated) prior to a covered employee becoming disabled.

Once in place, a QSPP can be funded with a Radius Choice disability income insurance policy from Massachusetts Mutual Life Insurance Company (MassMutual®) on the covered employees. The premium costs are fixed and deductible as a business expense. If a disability occurs, benefits are paid to the employee from the policy, rather than out of current cash flow or company assets. Additionally, the risks and responsibilities of the plan are transferred to the insurance company – MassMutual will determine eligibility for benefit payments, process the claims, and pay the benefits.



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Contact Advanced Sales at **1-800-601-9983 Option #2**  
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<sup>1</sup> Social Security Administration, Fact Sheet, 2022

<sup>2</sup> Data is for all disability income insurance policies issued by MassMutual.

<sup>3</sup> Integrated Benefits Institute, Health and Productivity Benchmarking, 2017 Long Term Disability, September 11, 2018

Radius Choice (policy form XLIS-RC-15 et al. and ICC15-XLIS-RC in certain states including North Carolina) is disability income insurance issued by Massachusetts Mutual Life Insurance Company, Springfield, MA 01111-0001.

