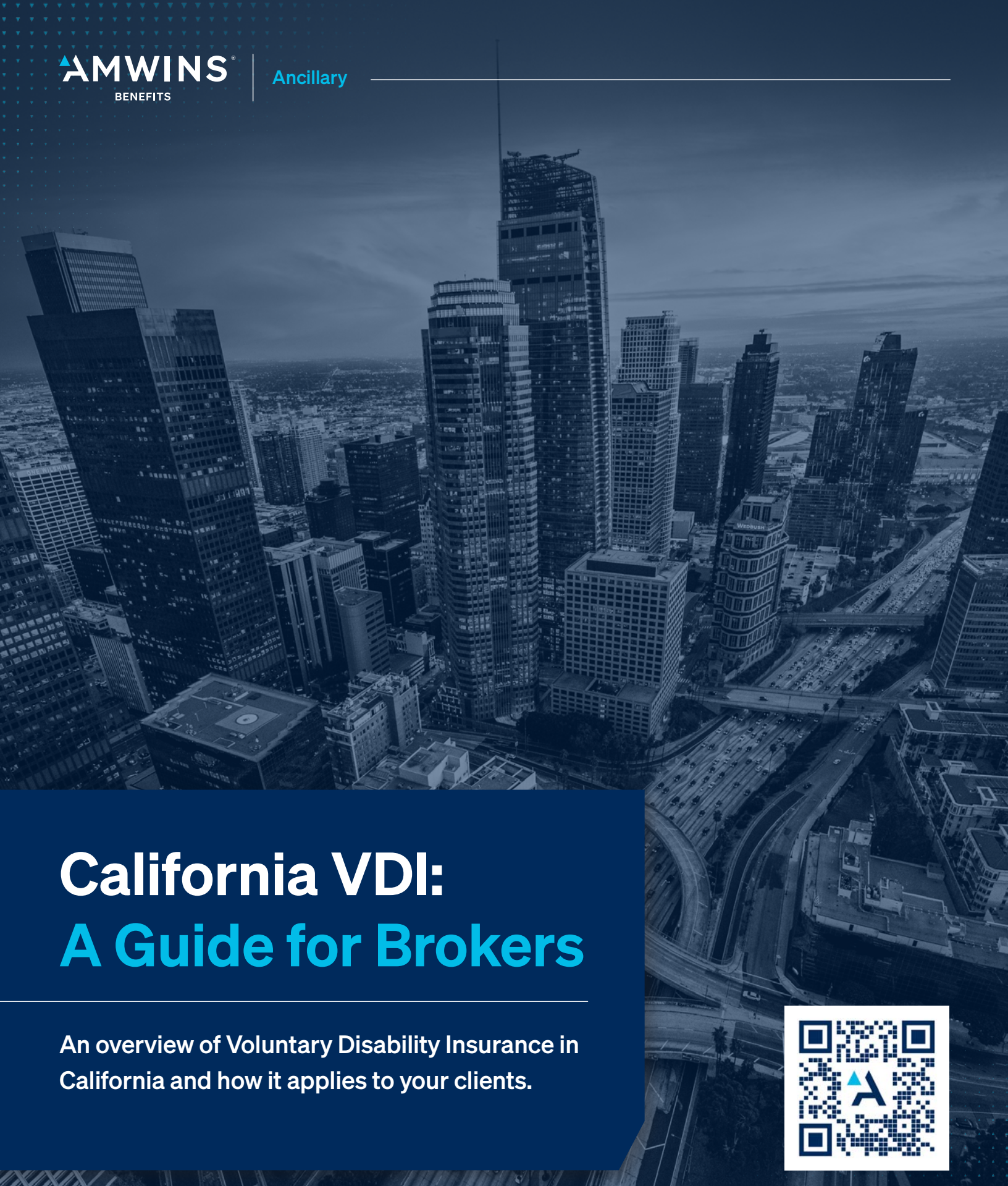
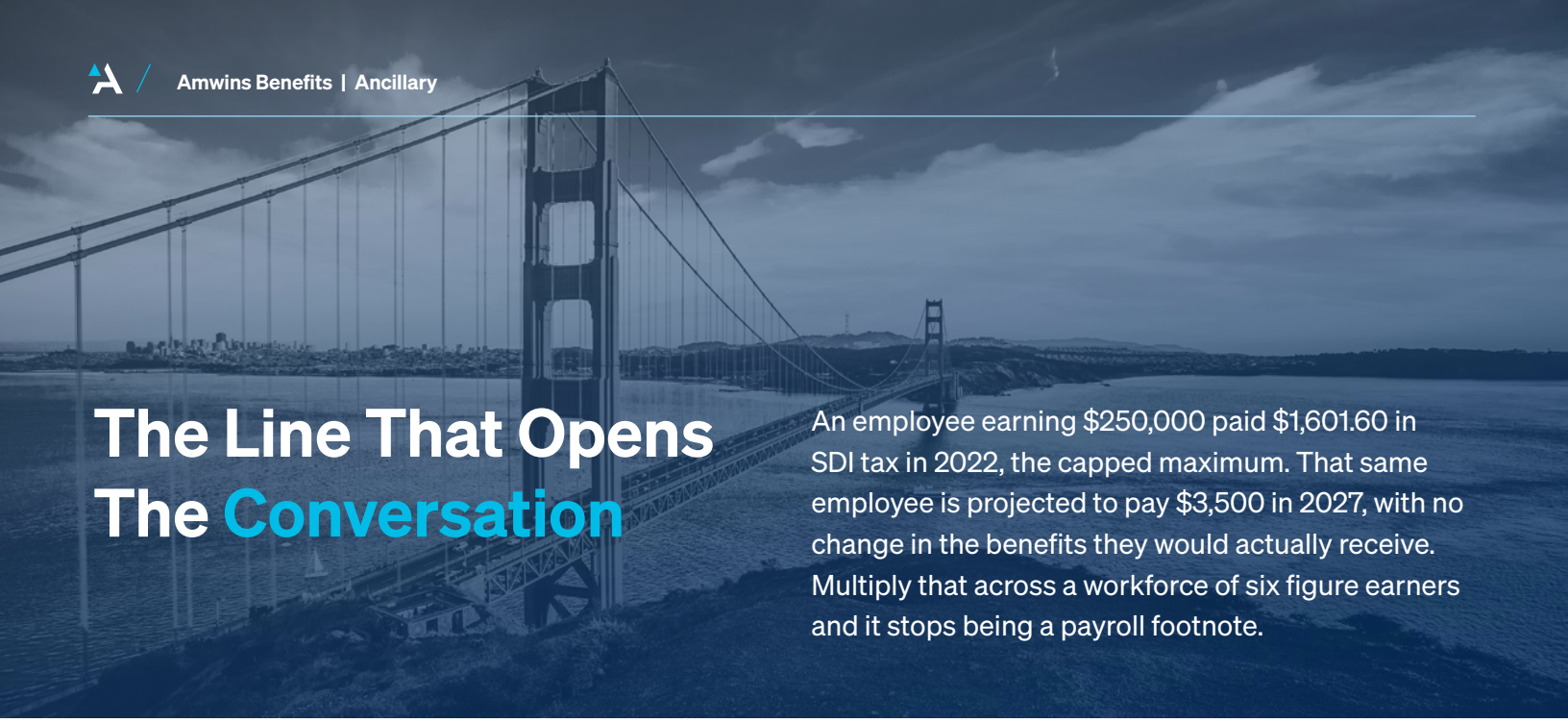
AMWINS BENEFITS | Ancillary



California VDI: A Guide for Brokers

An overview of Voluntary Disability Insurance in California and how it applies to your clients.



The Line That Opens The Conversation

An employee earning $250,000 paid $1,601.60 in SDI tax in 2022, the capped maximum. That same employee is projected to pay $3,500 in 2027, with no change in the benefits they would actually receive. Multiply that across a workforce of six figure earners and it stops being a payroll footnote.

1.40%
Contribution rate
On all wages. Up from 1.30% in 2026. EDD projected.

None
Wage cap
Fourth straight year with no ceiling.

$1,791
Max weekly benefit
Per week, or $93,132 a year. A ceiling that does not move with pay.

SDI replaces 70% to 90% of wages depending on income. The 70% band applies above roughly $85,000 in annual earnings, which covers essentially every employee in a VDI target workforce. Above roughly $133,000, the $1,791 weekly cap binds and the benefit stops growing entirely while contributions keep climbing.

Annual Salary	SDI Premium	Weekly Wage	Weekly Benefit	Benefit as % of Pay
$100,000	**$1,400**	$1,923	$1,346	**70.0%**
$200,000	**$2,800**	$3,846	$1,791	**46.6%**
$300,000	**$4,200**	$5,769	$1,791	**31.0%**
$400,000	**$5,600**	$7,692	$1,791	**23.3%**
$500,000	**$7,000**	$9,615	$1,791	**18.6%**
$750,000	**$10,500**	$14,423	$1,791	**12.4%**
$1,000,000	**$14,000**	$19,231	$1,791	**9.3%**

Built from EDD projected 2027 figures: 1.4% employee contribution on all wages, no wage ceiling, and a $1,791 maximum weekly benefit ($93,132 a year). Projections per the EDD May 2026 Disability Insurance Fund Forecast; final 2027 rates are confirmed in the 2027 Voluntary Plan General Release Letter. EDD replaces 70% to 90% of wages depending on income; every salary shown falls in the 70% band. Illustrative only. Actual benefits are calculated from the highest quarter of a claimant's base period, so these figures assume level earnings.

▸ THE ALTERNATIVE

California Employers Can Opt Out of SDI

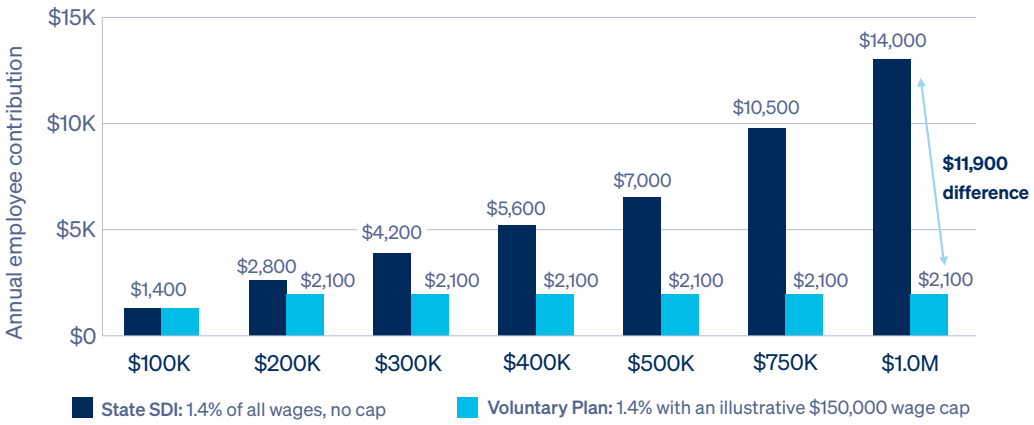
What a Voluntary Plan is, and what it lets your client control.

California law lets an employer replace SDI with a private, self insured plan approved by the Employment Development Department (EDD). The state calls it a Voluntary Plan. The industry calls it VDI, short for Voluntary Disability Insurance.

The rules are simple. The plan must match every SDI benefit and beat it on at least one. It can never cost employees more than the state rate. A majority of eligible California employees must approve it in writing before the EDD will sign off. In exchange, your client controls the levers the state controls today: the contribution rate, whether a wage ceiling applies, the weekly benefit cap, and how disability fits a broader leave strategy.

What a Voluntary Plan Changes

A Voluntary Plan cannot charge employees more than the state rate. It can charge less, and it can reinstate a wage ceiling the state no longer has. The benefit obligation stays. The contribution gets a ceiling again.



Wage cap shown for illustration only. Capping contributions also shifts part of the state assessment to the employer, so the optimal cap is a modeling decision tested in the feasibility study.

VDI at a Glance

Aspect	State SDI	California VDI
Plan sponsor	State of California (EDD)	Employer, self insured and EDD approved
Contribution rate	1.4% of wages in 2027 (projected)	May be set at or below the state rate
Wage ceiling	None since 2024	Plan may reinstate a wage cap
Benefit design	Fixed statewide schedule	Must match SDI, plus one enhanced benefit
Benefit ceiling	$1,791 a week, $93,132 a year	Employer may set a higher cap
Pricing basis	Pooled statewide experience	The employer's own claims experience
Plan surplus	Retained in the state fund	Trust funds; must benefit covered employees
Employee choice	Automatic statewide coverage	Employees may reject VDI and stay on SDI

Large California employers in technology, financial and professional services, engineering, and higher education have run Voluntary Plans for decades. This is well established ground.

▸ WHICH CLIENTS TO RAISE IT WITH

Spotting a Candidate

Not every California employer is a fit. The ones that are share a profile.

200+	$135K+	Below
California employees	Median employee income	Claims vs. state average

- Predominantly white collar workforce, where disability incidence runs below average
- Willing and able to self insure. California offers no fully insured VDI option.
- Often an existing self funded medical plan, a signal the risk appetite is already there

Some carriers set a higher employee threshold, so confirm before quoting a smaller group.

A renewal on the calendar, California headcount crossing 200, or a CFO who just noticed a larger SDI line in payroll are all natural openings.

Know the Tradeoffs Before You Are Asked

What Your Client Gains	What Your Client Takes On
– A lower contribution rate, a restored wage cap, or both – A higher weekly benefit cap for employees the state cap leaves behind – Pricing on their own claims experience, not the state pool – Claims handled by the plan's administrator rather than the EDD – Surplus stays with the plan to reinvest – One strategy for STD, LTD, and leave of absence	– If plan costs exceed contributions, they must subsidize or lend to the plan – Security deposit posted upfront and reviewed annually – Non-consenting employees stay on SDI, so payroll runs both – A wage cap shifts part of the state assessment to them – Must match every future SDI increase, indefinitely – Subject to state financial and claims audits

Turning Surplus Into Options

Many VDI plans build a surplus within a few years due to consistently low claim activity. Employers can put that surplus to work in several ways:

- Lower contribution rates for the entire covered population
- Add richer benefits at no additional cost
- Take a one-year contribution holiday
- Pursue other creative funding arrangements, subject to EDD approval

If VDI Is Not the Answer, the Benefit Gap Still Exists for High Wage-Earners

The $1,791 weekly cap is $93,132 a year. If a Voluntary Plan does not fit the group, we can quote a voluntary disability program or an employer-plan buy-up on an employee-paid basis. That closes the gap for high earners with no employer cost and no change to the state plan.

▸ BEFORE THE MEETING

What Your Client Will Ask

The questions that come up in nearly every VDI conversation, and how to answer them.

"Are we taking a benefit away from our employees?"

No. By law the plan must match every SDI benefit and improve on at least one. Employees keep the individual right to reject the plan and stay on SDI, and every covered employee receives a written summary of their benefits. Nothing state mandated goes away.

"What does this actually cost us?"

Employee contributions are trust funds, and the EDD permits them to cover plan administration alongside benefits. A well designed plan can run at no net administrative cost. The real exposure is different: if plan costs exceed contributions, the employer must subsidize the plan or lend it money.

$0

Employer cost for TPA fees

Administration is a permitted use of employee contributions, not a new employer expense line.

100%

Employee funded

Per EDD, contributions may cover benefits, TPA fees, the quarterly EDD assessment (0.00196 of taxable wages projected for 2027), and security premiums.

"Is this more administrative work for us?"

Day to day claims and payments run through the administrator or carrier, and Amwins coordinates the relationship. Your client approves the design, hosts the vote, sets up payroll codes and a trust account, and posts the notices we draft.

"What if the EDD rejects our plan?"

That is what the feasibility study is for. It tests compliance and financial viability before anything is filed, and the employee vote happens before submission as well. Once a complete application goes in, the EDD requires a minimum of 30 days before the requested start date.

"What if some employees vote no?"

Majority approval gets the plan approved but does not bind individuals. Employees who reject VDI stay on SDI, and the employer keeps remitting their contributions, reporting both groups on one quarterly return. That group shrinks over time: the election window is limited to the initial vote, the point of hire, and any legislative change to the plan text, and new hires are covered automatically unless they opt out.

"Are we locked in?"

No. A Voluntary Plan can be withdrawn, with written notice to the EDD at least 30 days before the requested withdrawal date.

▸ IF THEY SAY YES

How It Gets Done

Most of the work sits with us. Then it settles into an annual rhythm.

Step One: The Feasibility Study

One study answers two questions: does it pay off, and does it help employees.



Financial Benefit

Models plan costs, fees, and the security deposit against current SDI contributions, using your client's own claims history.



Employee Benefit

Tests whether a richer design, a shorter wait, a higher weekly cap, or faster claims is realistic at the same or lower cost.



Compliance Check

Confirms the plan is solvent and equal to or better than SDI on every benefit before anything is filed.

If the Numbers Work

Phase	Amwins and the TPA partner	Your client's team
Design and filing	Plan design, legal plan text, EDD application, security deposit	Approve the plan design
Employee election	Draft the employee communications and run the presentation	Host the vote, certify the majority
Setup and launch	TPA onboarding, claims setup, written benefit summaries	Payroll tax codes, trust bank account, post the notices

What to Expect, and When

ROUGHLY 3 TO 5 MONTHS, START TO FINISH

1 — Feasibility & Design
4 to 6 weeks
Data collection, cost modeling, plan design

2 — Employee Election
3 to 4 weeks
Disclosure, vote, majority approval

3 — EDD Filing & Approval
4 to 8 weeks
Security deposit, EDD review, 30 day minimum

4 — Launch & Setup
2 to 4 weeks
TPA onboarding, payroll, employee communications

A planning estimate built from known regulatory steps, not a published industry average.



The Annual Calendar

- **Mid-February:** Annual Report of Self-Insured VP Transactions (DE 2568V), with trust fund statements
- **April 15:** Security Review Worksheet (DE 2544SRW). New security posted if the amount rises 5% or more
- **Early December:** updated plan text provisions (DE 2008) for any change effective January 1
- **Quarterly:** contribution return reporting VP and SDI wages, plus the EDD assessment

▸ WHAT TO DO NEXT

Bring Us the Client. We Will Run the Study.

No cost to find out whether the numbers work.

Identify a California client that fits the profile and we will run the feasibility analysis: cost modeling against current SDI contributions, a claims and utilization review on their own experience, and a compliance check against every California requirement. You get a clear answer before anyone commits.

The easy part usually takes a few days from payroll: a California census with age and salary, both base and total compensation, plus the total covered California population. No payroll tax reporting needed. We calculate current SDI withholding from the census.

Three Ways to Get the Claims Data

Claims experience is the piece most likely to stall a study. It should not. Any one of these three gets us to a credible model.

1

Ask the carrier

STD claim detail for two to three years: annual claim counts, average duration, amounts paid, and a disability versus PFL split.

2

Pull the renewal file

STD annual claim counts often already appear on the experience exhibit or renewal illustration. No new request needed.

3

Start from industry norms

If no claims data is available, we model from benchmark incidence ranges for the industry and demographic profile, then refine the moment real experience arrives.

Option three is directional, enough to decide whether to pursue VDI. Actual experience is required before final design and pricing.

Why Amwins Runs Point

VDI is a specialty and very few carriers and TPAs do it well. Amwins Benefits | Ancillary runs point on feasibility, carrier and TPA selection, implementation, and ongoing administration. You stay the adviser. We carry the mechanics.

▸ START WITH ONE CLIENT

Ready to explore VDI for a California client?

Send us a census and we will run the feasibility study. You will get a clear answer, backed by the numbers, regardless of the result.

amwins.com/ancillary

$1.8B+ Ancillary Premium | **130+** Carrier Partnerships | **20+** Years Average Expertise | **20** Regional Offices

General education only, not tax, legal, or plan specific advice. Benefit payments funded by employee contributions are generally FICA exempt; Paid Family Leave is generally taxable federally and exempt in California. Confirm plan design, feasibility, tax treatment, and compliance with Amwins Benefits | Ancillary, your carrier or TPA partner, and your own advisors. Figures reflect EDD projected 2027 rates and are subject to change. Final 2027 rates are published in the 2027 Voluntary Plan General Release Letter. Sources: EDD DE 2040; EDD May 2026 Disability Insurance Fund Forecast; assessment rate per CUIC 3252(b).