

OVERVIEW OF ELECTIVE COVERAGE CALIFORNIA TEMPORARY DISABILITY INSURANCE AND PAID FAMILY LEAVE

The elective coverage program provides temporary disability insurance and paid family leave 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, injury, or pregnancy. Certain nonprofit organizations and public entities also may elect coverage.

Approval and Termination of Elective Coverage – Individual proprietors and general partners may file a written election with the Director of the Employment Development Department (“Director”) that their services be deemed to be services performed by individuals in employment for an employer for purposes of Temporary Disability Insurance and Paid Family Leave. Similarly, any self-employed individual who receives the major part of his or her remuneration from the trade, business, or occupation in which he or she is self-employed may file such an election. An elective coverage agreement is effective for 2 calendar years unless terminated by the Director.

Grounds for Denial – Elective coverage may not be approved by the Director if the following conditions exist:

- The applicant is not normally and continuously engaged in a business or intends to discontinue the business within 8 calendar quarters.
- The applicant’s business is seasonal.
- The applicant has failed to submit returns or reports or pay contributions in a timely manner, and the applicant owes unpaid contributions.
- The applicant is unable to perform regular and customary work due to injury or illness.
- The applicant does not have a minimum income of at least \$4600 annually.
- The applicant does not derive the major portion of his or her income from the business.
- Prior agreements were terminated and an 18-month waiting period has not passed.
- The applicant was convicted in the preceding 8 calendar quarters of certain violations under California unemployment and disability compensation laws.

Grounds for Termination – Elective coverage may be terminated by the Director if any of the following exist:

- The applicant is not normally and continuously engaged in a business
- The applicant has discontinued the business.

- The applicant's business is seasonal. (Note that this provision does not apply to any public entity.)
- The major portion of the applicant's remuneration is not from his or her business.
- The applicant has an income of less than \$4600 for a third consecutive year.
- The applicant fails to submit returns or reports or pay contributions in a timely manner, and the applicant owes unpaid contributions. (Note that this provision does not apply when the elective coverage agreement has been in effect for less than 2 complete calendar years.)
- The applicant filed false statements to be considered eligible for elective coverage.
- The applicant is convicted in the preceding 8 calendar quarters of certain violations under California unemployment and disability compensation laws.

Public Entities – A written application for elective coverage by a public entity must be approved if the Director finds that: (1) the application is for coverage of services which do not constitute employment; and (2) the applicant is a “public entity.”

Nonprofit Organizations – A written application for elective coverage by a nonprofit organization must be approved if the Director finds that: (1) the application is for coverage of all of the organization's employees; (2) the applicant is a “nonprofit organization;” and (3) a majority of employees to be covered have signed a petition requesting such coverage.

Elective Financing – A nonprofit organization or public entity may elect to reimburse the costs of benefits in lieu of paying contributions. An elective financing agreement must be in place for at least two full calendar years.

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