



ZURICH®

Disability Quick tips

Helpful information about statutory disability insurance

Our intention is strictly to offer a Paid Family Leave coverage option to any existing or new Disability policyholder not wishing to utilize the default State Plan Paid Family Leave coverage

As you may know, on May 2, 2008 New Jersey Governor Corzine signed into law Senate Bill 786 making New Jersey the third state in the country to provide Paid Family Leave benefits for employees. The following are answers to frequently asked questions regarding this bill:

What does the bill do?

The bill will allow for up to six weeks of paid family leave for care of a newborn or adopted child (within 12 months of birth or adoption) or for care of a sick family member at a benefit rate matching the NJ TDB rate. The 2009 TDB benefit is 66 2/3 percent of salary to \$546 weekly maximum.

TDB law indicates Disability benefits and Paid Family Leave benefits must be completely segregated from one another both in premium billing and claim paying and reporting aspects. Billing for Paid Family Leave will appear as a separate item on the employer's State of New Jersey quarterly billing report (form NJ-927).

Important:

The Paid Family Leave benefits for care of a newborn are completely separate from Disability benefits and are applied for only after the claim for Disability benefits has completely ended. A separate claim form will be required by the State when the employee applies for Paid Family Leave benefits.

When will the benefits begin?

The bill is written into law effective January 1, 2009. The first benefit payment date is for claims beginning on or after July 1, 2009.

How is New Jersey Paid Family Leave funded?

Paid Family Leave benefits will be funded completely by New Jersey employees. The initial employee contribution will be .09 percent of the State set 2009 Taxable Wage Base or approximately \$25 annually and increasing to .12 percent of the Taxable Wage Base or approximately \$33 annually in 2010. Funding will begin effective January 1, 2009.

I have an approved Private Plan for TDB Disability Benefits through Zurich: What should I do to provide the required Paid Family Leave Benefits to my employees?

Paid Family Leave coverage will automatically default to State of New Jersey Plan coverage. The bill allows for Private Plan coverage as an alternative to State coverage as long as the private coverage does not charge the employees more or is more restrictive in benefit payments to the employee. Due to 100 percent employee contributions for Paid Family Leave, a new and separate employee consent election (50 percent + 1 must sign) will be required to move paid Family Leave Coverage to a private carrier. The new employee election is required even if the group already has Private Plan Disability coverage.

What is Zurich's position regarding offering Paid Family Leave Benefits?

Due to required segregation of Disability and Paid Family Leave benefits, there will be no foreseeable advantage for an employer to have both Disability and Paid Family Leave benefits coverage with either the State Plan or a Private Plan carrier. This, in addition to a study of the Paid Family Leave fiscal estimate published by the State, results in Zurich's decision not to actively solicit or market Paid Family Leave coverage.

Our intention is strictly to offer a Paid Family Leave coverage option to any existing or new Disability policyholder not wishing to utilize the default State Plan Paid Family Leave coverage.

What's next?

In response to direction received from the State of New Jersey on September 18, 2008, Zurich has filed our Family Leave policy and Family Leave Employee Notice of Compliance with the State. Once these forms are approved by the State, Zurich will be recognized as an approved Paid Family Leave benefits insurer.

Since enactment of the law, Zurich has been working diligently to convert our systems and infrastructure to prepare for the Family Leave Coverage. Zurich will be fully prepared to begin collecting premiums as of January 1, 2009 and to administer claims effective July 1, 2009.

For more information, contact:

James Iannicelli

AVP – Disability Underwriting

Phone: 973-394-5886

james.iannicelli@zurichna.com

Mike Brown

Regional Vice President – Disability Sales

Phone: 973-394-5147

mike.brown@zurichna.com

Catherine Janusee

Disability Underwriter

Phone: 973-394-5163

kate.janusee@zurichna.com

The comments contained in this communication are for general distribution and cannot apply to any single set of specific circumstances. If you have a legal issue to which you believe this communication relates, we urge you to consult your own legal counsel.

This is intended as a general description of certain types of insurance and services available to qualified customers through the companies of Zurich North America. Your policy is the contract that specifically and fully describes your coverage. The description of the policy provisions gives a broad overview of coverages and does not revise or amend the policy.

Insurance coverages underwritten by member companies of Zurich North America, including Zurich American Insurance Company.

Certain coverages not available in all states. Some coverages may be written on a nonadmitted basis through surplus lines brokers.