

Disability Quick tips

Helpful information about statutory disability insurance

As you may know, on July 5, 2011, New Jersey Governor Christie signed into law Senate Bill 2609, which alters how employee contributions to both State and Private Disability plans will be calculated in the future.



What does the bill do?

Since the enactment of the TDB law in 1948, employees have paid a fixed rate based strictly upon a percentage of state set taxable wages. The current employee contribution rate, .50% of the taxable wage cap, has been in effect since 1976.

The bill allows the State Department of Labor to annually adjust the contribution rate employees will pay into the State Disability Fund (the Fund) and also to disability plans written by Zurich and other approved private plan carriers. The employee contribution rate will now be based on the overall surplus or deficit of the Fund at the end of each calendar year and may increase or decrease as a result with no future plus or minus rate change cap. The rate is set at .20% of the New Jersey taxable wage base of \$30,300 for calendar year 2012, meaning employees will pay up to \$60.60 annually.

What are the tax ramifications to employees and employers as a result of this new law?

Because employees will be contributing less to the cost of their disability coverage, a greater proportion of their disability benefit payments will be taxable subject to FICA. Consequently, employers will have to increase their matching FICA contributions.

As a result of the new law, will Zurich's coverage always be more expensive than state fund coverage?

No, depending upon the employer's premium and claim history, in many instances, Zurich is able to charge employers less than the Fund costs. Also, the Fund charges any employer, who has not contributed to the State Fund during at least one of the past three years, a rate of .50% of taxable wage base + the employee contribution + the cost of State Fund 4F Deficit and State Plan Experience Rating Assessments.

Enjoy the numerous advantages of a private plan from Zurich in North America ("Zurich").

What are the advantages to maintaining or purchasing a New Jersey private plan through Zurich?

- **Quicker claims response times:** Zurich examines claims within 3 days of receipt. The Fund takes about 14 days after receipt of the claim to make a decision. During a time of income loss, the reduced time for Zurich to respond to the claim is essential to the claimant.
- **Efficient and productive:** Because Zurich examines claims and begins its claims management process quickly, employees typically return to work sooner.
- **Complimentary claims management services:** Zurich has a robust disability claims management department. We provide, at no cost to employers, independent medical examinations and a special investigations unit when claim circumstances warranting these services arise.
- **Personalized underwriting and claims service:** We assign dedicated claims examiners to our accounts.
- **Cost savings for the employer:** Zurich pays the state billed assessments on behalf of our insured employers for the period of time they are covered under our private plan.
- **Customized benefit plans:** New Jersey employers have the option to obtain coverage over and above statutory benefit plans customized to their employees' needs. Many of these enhancements favorably impact employee eligibility for benefits. The Fund writes minimum coverage plans only.
- **Ability to add coverage for non-New Jersey-based employees:** New Jersey employers can choose to add coverage for non-New Jersey-based employees onto their NJTDB policy. These employees must work in a state that does not have a separate state mandated coverage requirement. The Fund will only cover New Jersey employees.
- **W-2 forms available:** Zurich offers employers annual W-2 forms for all employees who have received benefits which is very helpful to our policyholders at tax time.
- **FICA fronting to employers:** Zurich pays the employer's FICA matching contribution and then bill it at year-end.
- **Specialized reports:** Policyholders receive specialized reports to assist in employee disability leave management.

If I leave private plan coverage and then wish to return if the variable Fund costs go back up in the future, will I be required to hold another employee consent election?

Yes. The Department of Labor requires that a majority of employees provide written consent to allow their employer to move their coverage to private plan coverage. The new election is required even if employees had previously elected to purchase coverage from a private plan.

Has Zurich been in contact with the State of New Jersey regarding the new law?

Yes. Since the announcement of the law change, Zurich, our trade associations and their lobbyists and counsel have had multiple meetings with the State of New Jersey Department of Labor, the Governor's office and the Department of Banking and Insurance to identify all the potential consequences of the new law and to propose a variety of corrective solutions. We will continue to work diligently with the State to explore alternatives to modify the law so that it is ultimately satisfactory to all affected parties.

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