

Disability Insurance

Frequently Asked Questions

What are the general items required when submitting a Disability claim?

- Employee/Employer statement of claim
- Group Policyholder certification
- Attending Physician statement

What is the standard turn around time for processing STD claims?

On average, eight business days from the initial claim notification. For claims received with all of the required information and no issues to resolve, processing may be even faster.

What is generated to confirm the claim payment and to whom is it mailed?

The check and its attached EOB (Explanation of Benefits) are mailed to the claimant. The employer may, however, request a copy be sent to them.

If the Employer offers both STD and LTD coverages, will we automatically set up the LTD claim when appropriate?

Yes, when the time is appropriate, we will forward the employee the necessary claim packets needed for filing. Any medical documentation already received for the Short Term Disability claim will be used for Long Term Disability claim to minimize the need for claimants to submit duplicate documentation.

How often is additional medical information required on Short Term Disability claims?

Once an initial claim determination is made, it is normal to request periodic updates from the doctor in order to confirm that the disability is continuing and meets policy requirements. How frequently such updates are requested is determined by the nature, extent, and quality of the information being provided by the doctor as well as the medical norms for the reported diagnoses.

Do we use disability guidelines?

Yes, we use "The Medical Disability Advisor: Workplace Guidelines For Disability Duration", by Presley Reed, a nationally recognized standard within the disability field.

Disability Tax Information*

Frequently Asked Questions

What tax regulations apply to ASO disability business?

- If a member does not have a correctly completed W4 form on file with us, Federal Income Tax at the standard tax rate will be deducted from a disability claim. If a member does have a correctly completed W4 form on file with us, Federal Income Tax at the standard tax rate will be deducted according to the member's declared exemptions.
- FICA taxes are withheld at the standard rate of 7.65% (1.45% Medicare + 6.20% Social Security).
- State income tax is only withheld upon request from the claimant. The claimant must complete a state W4 form.
- Local taxes are not withheld unless requested. The claimant must notify the Disability Case Manager in writing of his or her request for local tax withholding.

What tax regulations apply to insured disability business?

- Federal Income Tax will be withheld at the claimant's request as long as the member has a correctly completed W4-S form on file with us. FICA taxes are withheld at the standard rate of 7.65% (1.45% Medicare + 6.20% Social Security).
- State income tax is only withheld upon request from the claimant. The claimant must complete a state W4 form.
- Local taxes are not withheld unless requested. The claimant must notify the Disability Case Manager in writing of his or her request for local tax withholding.

What determines taxable vs. non-taxable disability income?

The amount reported as taxable income to the employee is directly related to the percent of premium that the employer paid.

- If the employer pays the entire premium for the short term or long term disability insurance, disability benefits paid to the employee are considered taxable income.
- Employee contributions made on a pre-tax basis (such as a Section 125 or Cafeteria Plan) are considered the same as employer-paid dollars for tax purposes, thus benefits paid to the employee are taxable. It is important to note that this is true even on a fully-contributory plan.
- If the employee pays the entire premium on a post-tax basis, the benefits are considered non-taxable.
- If the employer and employee share the cost of the short term or long term disability insurance, the portion of the benefit that matches the percent of the employer's contribution is taxable. The employee's contribution follows the above rules.
 - Ex. 1: Mr. Jones contributes 60% of the premium on a pre tax basis. His employer pays the other 40%. If Mr. Jones becomes disabled, his disability benefit will be 100% taxable.
 - Ex. 2: Mrs. Doe contributes 100% of the premium on a pre tax basis. If Mrs. Doe becomes disabled, her disability benefit will be 100% taxable.
 - Ex. 3: Mr. Rice contributes 100% of the premium on a post tax basis. If Mr. Rice becomes disabled, his disability benefit will be non taxable.
 - Ex. 4: Mrs. Lewis contributes 60% of the premium on a post tax basis. This means the 60% she contributed was already taxed. Her employer paid 40% of the premium. If Mrs. Lewis becomes disabled, 40% of her disability benefit will be taxable.

IRS regulations require that the percentage of premium considered to have been paid by the employee be the average percent for the three plan years prior to disability. If the plan has not been in force for three years, the percent is averaged for the time that the insured has been covered under the plan.

What employers are exempt from FICA withholding?

- Certain government and charitable agencies/organizations (i.e. city and state governments, police departments, churches, etc.) are exempt from FICA withholding.
- Claimants who meet the FICA Wage Cap Earnings are exempt from the Social Security portion of FICA deductions.
- FICA withholding will be determined by the Disability Case Manager at the time a claim is reported, in accordance with current FICA regulations.

How are FICA taxes withheld from disability benefits?

- FICA taxes are withheld for the first full 6 months of disability. If the first date of absence is after the first day of the month, that month would not be included in the 6 month withholding period.
 - Example: First day absent = January 6th. The FICA withholding period would be February 1st through July 31st.
- Any day the claimant returns to work, the FICA period will restart if the claimant later qualifies for disability benefits again.

What tax reporting services do we offer employer groups?

W-2 Preparation Service

Any employee who receives short term or long term disability benefits will receive a W-2. The IRS requires that W-2 forms be prepared for both taxable and non-taxable benefits.

W-2 preparation is a standard service offering for insured employer groups and therefore will automatically be included for all plans including short or long term disability benefits, for all size groups. There is no additional charge to insured clients for this service. For ASO clients, contact the Life & Disability Underwriting department for W-2 preparation pricing and approval.

If an employer does not wish to have us prepare W-2's, they must submit a W-2 Production Opt Out Form with their sold case materials. The Claims Department can provide a copy of the form. If an employer group chooses to opt out of W-2 preparation, we will provide monthly, quarterly, and annual tax withholding summaries. However, the employer group assumes the tax liability in accordance with IRS regulations. The reports are mailed to the client for receipt by the 15th day of the following month.

FICA Match Services

FICA match service is available at an additional charge for clients with 51 or more covered employees. As a default, the proposal document will indicate that this service is included and the cost for this service will be included in the group's rates. If the employer group does not wish to elect this service, deselect the option in the proposal system. If FICA match service is not available on your quoting system, please contact the Life & Disability Underwriting department for a proposal.

What are the implications for employer groups who do not accept W-2 preparation service or the Employer FICA Match service from us?

Employer groups who do not contract with us for W-2 and FICA preparation service will have to wait until we send a report to them (January 15) to prepare a W-2 for their employees who received disability benefits during the prior year. The employer group may also need to prepare separate W-2 forms for each person receiving disability benefits since most computer systems generate the W-2 from the employee's earnings. Employer groups who do not accept W-2 or FICA Match Services are responsible for submitting the employer portion of FICA taxes to the government. Daily and/or monthly reports are mailed to employer groups who do their own FICA deposits.

How does an employer group decline to elect these services?

An employer group must complete an "Opt Out Form" when they wish to decline the W-2 and/or Employer FICA Match Service. Please note, if an employer group declines our W-2 service, the group will not be able to elect our Employer FICA match service. In order to have the Employer FICA match service, our W-2 service must also be selected. The Claims Department can provide a copy of the form.

Why would an employer group turn down these services?

In most cases, those employer groups who decline our service have contracted with an external organization (i.e. accounting firm) and are already paying that firm for the same service.

Can an inforce customer add W-2 service or Employer F.I.C.A. Match service to their disability program?

W-2 service may be added:

- for inforce employer groups with effective dates prior to 1/1/08, W-2 will be added by request of the group.
- for new business with effective dates on or after 1/1/08, W-2 is automatically included.

An inforce group can request to add Employer FICA Match service; however, this service can only be added prospectively with a January 1 effective date. The request to add this must be received no later than December 1 of the prior year. The Account Manager should request that a proposal created for the employer group with the appropriate rate to provide this service. FICA Match service cannot be added retroactively.

This product description is intended to be a brief outline of benefits available. It does not include all terms of coverage offered by us. The entire terms are contained in the contract documents (the applicable certificate, policy and/or trust agreement). In the event of conflict between the contract documents and this product description, the contract documents will prevail. Products may vary and may not be available in all states. This information describes our standard programs.

Exclusions and limitations are listed in the policy and certificate for this product.

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