

WHAT IS IT?

Compulsory Short Term Disability refers to income replacement plans governed by state jurisdictions. Six jurisdictions mandate disability benefits for non-work related short term disabilities: California, Hawaii, New Jersey, New York, Rhode Island, and the Commonwealth of Puerto Rico.

Plan requirements vary by state; generally employers can comply by providing one of the following:

- Insured disability plan with an approved carrier (not an option in Rhode Island)
- Self-funded disability plan (not an option in Rhode Island)
- Participate in the state disability plan (not available in Hawaii)

WHY OFFER IT?

Required by state law in the states mentioned above. Non-compliance may result in fines and penalties.

WHAT TYPES AND SIZE OF EMPLOYERS OFFER IT?

All employers with one or more employees working in a compulsory state.

The following groups are exempt from participation:

- **California:** certain employees of non-profit organizations, railroad and government employees, and members of the religious sector.
- **Hawaii:** certain religious, charitable, educational and nonprofit employees; certain students, domestic workers, stockholders, real estate salespersons and brokers.
- **New Jersey:** certain agricultural laborers, domestic workers, and railroad employees; certain mutual fund, securities, and real estate agents; certain hospital student nurses and interns, union members, government employees, and members of the religious sector.
- **New York:** government, railroad, maritime or farm laborers, and members of religious organizations; certain employees of non-profit organizations, students who work part-time during the school year or their regular vacation period, and golf caddies.
- **Puerto Rico:** certain domestic workers, students employed by school or college, and government and non-profit organization employees.
- **Rhode Island:** certain domestic workers, students employed by school or college, employees of certain non-profit organizations, government employees and members of the religious sector.

WHAT ARE THE CRITICAL UNDERWRITING OR PARTICIPATION REQUIREMENTS?

- All employees (part-time and full-time) are eligible for coverage
- Employee must live or work in a compulsory state (varies by state)
- Employee demographics

HOW MUCH DOES IT COST?

- **Employer:** costs vary by state. Employer contributions are not required in California or Rhode Island.
- **Employee:** costs vary by state.

INFORMATIONAL LINK(S)

- [California State Disability Plan](#) (State of California)
- [Hawaii State Disability Plan](#) (State of Hawaii)
- [New Jersey State Disability Plan](#) (State of New Jersey)
- [New York State Disability Plan](#) (New York State)
- [Puerto Rico Disability Law](#) (Benefit Resource Management, Inc.)
- [Rhode Island State Disability Law](#) (Rhode Island Department of Labor and Training)

PROS AND CONS

PROS

- Provides replacement income for a non-occupational injury, including pregnancy.
- Supplements Social Security disability benefits which do not cover first six months of a disability.
- Employer and employee contributions to a state plan are tax deductible.
- Most supplemental plans are offset with benefits provided by the state plan, reducing overall premiums.

CONS

- Non-compliance can result in fines and penalties.
- Compulsory requirements are not standardized among states.

NOTES

- Employers whose home office is in a non-compulsory state must offer STD coverage to employees working in compulsory states, regardless of the number of employees.
- Fulfillment obligations must be met for self-insured plans (e.g., bonding, filing, and financial disclosure).
- Some employers may elect to provide additional STD benefits that go above and beyond the state mandated disability benefits.



This Fact Sheet is designed to provide a general overview of the benefit program, service, or regulatory act it describes. The information included in this document is not a substitute for legal or professional opinion relative to a plan sponsor's particular fact pattern. Your ArlenGroup consultant can answer more specific questions relative to its application for your organization.