

# Notes and Brief Reports

## New Hawaii Temporary Disability Insurance Law: A Further Explanation\*

The major features of the Hawaii temporary disability insurance law enacted on June 30, 1969, were presented in the October BULLETIN.<sup>1</sup> On the basis of later information, this note makes some revisions in the last part of that description pertaining to the methods by which employers can provide the benefits under the new law, and provides new information concerning the weekly benefit amount and the wage base.

The Hawaii law is similar to an employer liability law in that it requires employers to take positive action to provide insurance for their workers against the risk of nonoccupational disability. The employer may provide the protection through the following means: (1) by purchasing a policy from a commercial carrier; (2) by self-insuring (through posting bond or in other ways assuring the State director of labor of financial ability to pay the required benefits); and (3) by an approved agreement or plan—through collective bargaining, for example.

The benefits furnished must be at least as favorable as those required by the law. The insurance commissioner will establish a set of tables to determine if a plan's provisions with respect to waiting period, duration of benefits, and percentage of wage loss replaced—considered in combination—meet the criteria.

The Hawaii law is thus unlike the temporary disability insurance laws in operation in the four other States in that there is no State-operated fund that provides the insurance protection. In New Jersey and California such a fund covers automatically under a payroll tax program those employers who do not take steps to obtain private coverage. In New York the fund competes with private carriers in selling insurance coverage

to employers on a premium-paying basis. In Rhode Island the fund acts as an exclusive carrier providing coverage to all employers subject to the law.

The Hawaii system does, however, resemble the New York system in that it maintains a State-operated special fund from which payments will be made to workers who become disabled when unemployed and to employees whose employers become bankrupt or have failed to carry the required insurance.

For Hawaii employers who want to purchase insurance but are not able to obtain a policy, the State insurance commissioner may approve an assigned risk plan for apportioning employer applicants among the private insurers licensed to transact disability insurance business in the State.

An employer may withhold contributions from employees of one-half the cost of his plan but not more than 0.5 percent of an employee's weekly wage, up to a maximum weekly wage base that is recomputed annually at 1.21 times the State average weekly wage. For 1970, this flexible maximum weekly wage base is \$141.65, and the maximum deduction per week for an employee is thus 71 cents.

Any additional cost is to be borne by the employer. Employee contributions may be required in excess of that required by the law, if the plan or agreement provides benefits in excess of the statutory requirements and the contributions are reasonably related to the value of such benefits.

The maximum weekly benefit payable is also a flexible amount. It is computed at 55 percent of the maximum weekly wage base, which excludes wages in excess of 1.21 times the State average weekly wage. For 1970, the maximum weekly benefit is \$78 or 55 percent of the maximum weekly wage base of \$141.65.

If the average weekly wage of an employee is less than \$25, the weekly benefit amount is equal to the average weekly wage but not more than \$14. If the average weekly wage of an employee is \$25 or more, the weekly benefit amount is 55 percent of his average weekly wage rounded off to the nearest dollar (subject to the above maximum). Benefits will be payable from January 1, 1970.

\* Prepared in the Division of Economic and Long-Range Studies, Interprogram Studies Branch.

<sup>1</sup> "New Temporary Disability Insurance Law in Hawaii," *Social Security Bulletin*, October 1969, page 29.