



JOHNSTONE'S JOURNAL is published monthly, and designed to provide topical information of interest not only to plan administrators, but to all employees who enjoy coverage under the benefit plan. Feel free to make copies, and use as a payroll staffer.

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Unpaid Leave of Absence Don't offer benefits until you have asked

Leaves of Absence

This issue of *Johnstone's Journal* discusses unpaid leaves of absence at the request of an employee. Other forms of leave, such as maternity and paternity leave, medical leave, bereavement, or compassionate leave, may be governed by provincial or federal law and therefore, continuation of benefits may be mandatory. For those situations, contact our office to determine eligibility provisions.

Employee Requests

Occasionally, employees will request a leave of absence (without pay) for personal reasons or under unusual conditions. To retain valuable employees, many companies will consider these extended absences and hold the employee's job for up to one year.

Often the employer and employee negotiate these leaves without considering the status of the employee's benefits, simply assuming that benefits will continue during the leave. This assumption is incorrect, as continuation of benefits during an unpaid leave must be approved by the insurer.

First, from a benefits point of view, it is important to remember that a leave of absence is one without pay. As there are no insurable earnings, this impacts salary-related benefits such as life and disability coverage. Also, employees are often away from their homes, as when an employee takes an extended trip and leaves the country for longer than a normal vacation period. These two conditions fundamentally change the way that insurers view the insurance risk and, therefore, may exclude certain benefits such as travel coverage or disability coverage during the leave.

Benefits Might Not be Continued

Employees on an unpaid leave are not considered actively at work. All group insurance contracts specifically address how they view an unpaid leave of absence. Essentially, most insurers will consider the employees' coverage as terminated at:

- the beginning of an unpaid leave, or
- the end of the policy month following the month in which the leave began

If an employer wants to continue benefits during the leave—because of an exceptional circumstance—it is necessary to have the insurer review each individual case.

Written Confirmation is Necessary

Although each insurance company varies slightly on how they deal with benefits during an unpaid leave of absence, they are all very clear about one thing: they require a formal request to extend coverage and they reserve the right to approve or deny the continuation of benefits. In most cases, they will require:

- the date the leave begins
- the date the leave ends
- confirmation that medical coverage under the provincial health plan will continue

The insurer will confirm in writing their decision, which can take up to a week or more to obtain. They will confirm specifically which benefits have been approved and if specific benefits have not been approved. As mentioned, they may restrict the travel and disability components of the plan. If the employee is travelling, they may be required to purchase a separate travel insurance policy.