



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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Group Benefits for Employees on Disability Leave Make sure everyone knows what to expect

Group Benefits for Disabled Employees

All employees, even those who are absent from work due to disability, are eligible for group benefit coverage as long as they are formally an employee. However, as soon as their employment is terminated, so too is the benefit plan. As we can all imagine, disabled employees and their families rely on their benefits to continue. That is why it is usual for employers to continue coverage and pay premiums even for those employees who are absent from work due to a disability (illness or injury). However, we're often asked, "when should benefits terminate?" Our response is, "have you established a policy?"

It is often impossible to know how long an employee will be absent—it could be a few weeks or a few years. Because there are so many variables involved, it is important to establish a policy regarding the continuation of benefits so everyone concerned knows in advance what to expect.

What to Consider in Developing a Policy

Most employers continue benefits when an employee is off work due to illness or injury in the same way as when the employee is actively at work. If there is a cost sharing arrangement, it remains the same. When developing a policy, you should consider:

- If premiums are shared, how will you collect premiums from the disabled employee?
- If the disabled employee does not pay their share of the ongoing costs, will you terminate coverage? Will you notify him or her by registered mail?
- Benefits usually end with the termination of employment (and employment terminates when the employment contract is "frustrated" – a legal term). What period of absence will you allow before terminating employment and therefore benefits? Keep in mind that disability insurance, as well as any other benefit which includes a waiver of premium rider (such as life and accidental death and disablement) will continue without premium payments (provided the definition of disability is satisfied), but health and dental coverage will cease.

What is a Good Policy?

As mentioned, benefits terminate when employment terminates, even if the employee is disabled. Deciding when to terminate is the employer's decision and therefore, benefits will continue until you notify us otherwise.

Many employers continue benefits for disabled employees for up to two years after disability benefits have been approved. After that period, as it is highly unlikely that the employee will return to work, employment is terminated. The reasoning for this is that the insurer will assess the claim based on the employee's ability to work. In most contracts, during the first two years, they consider the employee's ability to do his or her own job. But after two years, the insurer looks at the claimant's ability to do **any** job. If benefits are approved beyond two years, the insurer has deemed that it is highly unlikely that the employee will return to work and the employer will end the employment contract,

Other Considerations

Ensure you apply for all eligible waivers. Under this provision, the insurer agrees to maintain the benefits while waiving premium payments. This normally applies to Life, AD & D, WI and LTD (see [June 2011 Journal](#)).

If the absence is due to a work-related WCB disability, make sure you file the paperwork with the group insurer around the 120th day of absence (see [June 2008 Journal](#)).

If it is an automobile insurance claim, you can expect that there will be a coordination of income payments between the auto insurer and the group insurer. These cases usually require the completion of subrogation forms so that the group insurer can recover payments from the auto insurer.

Report All Claims to Us

To help you properly coordinate all disability claims, we are here to help. Please make sure that you forward all paperwork to our office. We will assist in the processing of the claim and coordinate all waiver applications.