

INSURANCE NEWS AND UPDATES

CORPORATE COMPANY POLICY – “Long Term Disability Claimants”

We would like to first ask - does your company currently have a Corporate Policy Booklet or hand out for your current employees and new employees? Secondly, in this hand book do you stipulate how long you will extend health and dental benefits in the event of an employee being approved for Long Term Disability benefits (LTD) to age 65? If not, then please read the enclosed as to why you might want to have a clearly defined policy on extension of benefits in the event of an employee who has qualified for a LTD benefit.

More and more companies are asking us what their obligations are as an employer to extend benefits to an employee approved for a LTD benefit payable to age 65.

- Can these employees be terminated from employment?
- How long can or should their company extend their health and dental benefits?
- What are other companies currently doing?

The extension period for Health & Dental benefits for an employee approved for LTD benefits is basically the employer's decision as to how long you wish to extend health and dental benefits and they should be clearly indicated in your employee hand book. Corporate Policies are usually created by your HR Department and/or your company's corporate lawyers and are very beneficial in protecting your company.

The Employment Standard Act currently deems an employee approved for LTD to be the same as an employee not on LTD claim.

If your Corporate Policy does not clearly define how long your Company will extend the Group Health & Dental benefits and you currently have an employee approved for LTD benefits then we caution you on how or when you may suddenly decide to terminate these employees Health and Dental benefits which were currently provided while they are off on LTD. There are potential legal implications because of the precedent you've set by allowing benefits to continue with no defined end date for coverages.

If there is no “end” date defined in your Corporate Policy for extension of benefits in the event of an LTD claim; there are still options to consider. However, if you randomly decide to select a date to terminate these benefits then this action could potentially be viewed as “anti selection” or “prejudice” and is the very reason why we encourage companies to establish a corporate policy as to how long you are prepared to extend benefits for any employee approved for LTD benefits and by doing so will insure that **all** employees approved for Long Term Disability will be treated equally.

If your Corporate Company Policy specifies the length of period that Health and Dental will continue for an employee’s approval of LTD Claim then it becomes a non issue for this employee and their dependents.

We have included a *sample* of some wording that you may wish to include in your employee handout; we assumed that there is no formal Short Term Disability Plan currently in place and that the first 4 months (121 days) are covered by employment insurance (EI):

Sample Wording for your Corporate Guide (employee hand book)

The first two weeks there will be no income provided by this benefit, however, commencing after two weeks Employment Insurance (EI) will provide you an income according to the Employment Standard Act that will commence and cover you for the next 15 weeks (121 days). Should you continue to be disabled after 17 weeks (or 121 days) your group Long Term Disability Benefit (LTD) will commence upon approval from our company sponsored insurer and continue through to age 65 (assuming plan is payable to age 65) providing you are still deemed totally disabled under the definitions outline in your employee Long Term Disability booklet.

Our corporate policy at **XYZ COMPANY** is to continue your health and dental benefits as long as you continue as a full time active employee. Should you be off on an approved Long Term Disability claim and have not been actively at work for a period of time of **12** months our company policy deems that you are no longer considered to be actively employed at **XYZ COMPANY**, whereupon we will cease providing coverage to you and your family with respect to our Group Life Health and Dental coverage’s as of the end of **12** months.

Note: Companies often use *24 months* as the window for the maximum extension of benefits since it ties into the employee’s LTD program which usually says the first 24 months of their disability is based on the employees regular occupation and the definition usually changes to an any occupation definition to age 65.

Other questions often asked:

- i. What to do for extension of benefits to an employee's surviving dependent should an employee pass away while employed by your company.
- ii. What is the legal requirement to a company to extend benefits due to a termination of employee!
- iii. What are the rules for extension of benefits as a result of a severance package? Can this period be extended?

Survivor Benefits

In the event that an employee who has eligible dependents suffers from an early death their Group Health & Dental benefits can be extended and normally paid for by your current group carriers. These benefits may continue to provide health and dental coverage's to their eligible dependent family member(s) for a period of 12 or 24 months from date of an employee's death. At the end of this period the extension of coverage's will terminate.

Severance or Termination of Employment

If you are wanting to terminate an employee and extend benefits as per the Employment Standard Act (ESA), as part of a severance package in lieu of notice, you can extend benefits as per the ESA guidelines which is based on employee's number of years of employment. ***Any period extension of benefits above the ESA guidelines has to be preapproved by your insurance carrier and is available under special circumstances.***

This can be a very sensitive issue, we highly recommend you contact the labor board; or consult with your corporate lawyer or if need be seek council from an employment lawyer before making the final decision in terminating an employee and extending benefits.

Since we are not legal advisors and we are not always aware that there may be other legal obligations on your part to consider we highly recommend that you have your lawyers sign off on these situations.

As always, please do not hesitate to contact us at Baicorp Financial Inc, we are here to be of assistance to you and would be happy to assist you with any questions.