



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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Conversion

Communicate with employees and mitigate possible damages

Benefits Terminate with Employment

When employment terminates, so do the employee benefits. At that time, employees have the option of converting some of their benefits to individual policies. If they do so within a specific time period, they will not be required to provide medical evidence.

If, however, an employee is terminated without cause, and they dispute the termination, the date in which the employee's benefits should terminate may be in question.

The EmployER's Duty

Employers can terminate an employee with or without cause. If the employer terminates someone without cause, they are required to provide either reasonable notice or pay in lieu of notice. Sometimes an employee will contest the reasonable notice and initiate a wrongful dismissal suit.

Standards for reasonable notice vary from province to province. Regardless of location, however, if an employee wins a wrongful dismissal case, the law will find that the employee should be put in the same position that he or she would have been in if reasonable notice had been given. This means that benefits would have continued until the end of that notice period.

The EmployER's Liability

The real problem occurs if an employee becomes disabled or even dies before the end of the reasonable notice period. If benefits were terminated, the insurer will deny the claim. The result is that the employer would be liable for the claim if proper notice was not given.

The EmployEE's Duty

The good news is that not all of the onus is on the employer. While they should have provided benefits during the notice period, **the employee is also under a duty to mitigate his or her damages.** A court may find that the employer cannot be held liable for what the court calls "avoidable losses." If you offer a conversion package, and the employee declines it, the court may decide in your favour.

To prevent potential liability, it is vital that you—the employer—give each terminated employee a letter advising him or her of their options to convert their coverage to an individual policy. Furthermore, it is important that the employee sign an "Acknowledgement of Conversion Privilege," and you keep this in your files.

Conversion Packages

It is clear that to protect everyone involved, employers must provide all employees with a termination package that describes their options when they lose their benefits.

This package should identify the benefits that are convertible, the process to convert benefits, and the necessary forms. For benefits that are not convertible, other options should be offered.

There is a description of the options that may be available to terminated employees on the back of this issue of *Journal*. While this does not guarantee that as an employer, you will not be found liable in a wrongful dismissal suit, it may help mitigate possible losses. Of course, the best possible termination is one that provides either proper notice or severance.

When Employment Ceases: Which benefits can I convert to an individual plan?

Life Insurance	Almost all insurers will permit you to convert your life insurance coverage to an individual policy within 31 days of your employment termination. The maximum amount of coverage that can be converted is \$200,000. This can be completed without the submission of medical evidence, and simply requires that you confirm that you want to convert all, or part, of the coverage you had while employed. The cost of this coverage is based on the insurance product you choose and your current age.
Accidental Death and Disablement (A.D.&D.)	A.D.&D. coverage can be converted to an individual policy. The conversion can be completed without the submission of medical evidence, and simply requires that you confirm that you want to convert all, or part, of the coverage you had in place while you were employed. Individual AD&D policies may require a minimum annual premium for a converted policy (e.g. \$500/year). The cost of this coverage will be based on the insurance companies' assessment of the risk.
Disability	<p>Not many insurers permit conversion of disability benefits. However, there are other personal disability options. Some policies can be issued without medical information, while others require the submission of medical information.</p> <p>RBC Insurance is one of the few insurers may permit conversion. If it is included in your contract, they permit conversion of your current coverage within 31 days of employment termination (subject to RBC approval). The maximum amount of coverage that can be converted is \$4,000/month. This conversion can be completed without the submission of medical evidence, and simply requires your confirmation that you want to convert all, or part, of the coverage you had while employed.</p> <p>The cost of disability coverage is based on the amount of coverage you choose and your current age.</p>
Health and Dental Coverage	<p>There are a number of group providers that offer individual health and dental coverage that is similar to your current health and dental coverage. If you are converting from an insurer's existing health or dental plan, the requirement for evidence of good health is waived, and the contract will not contain a pre-existing condition limitation.</p> <p>The cost of this coverage is based on whether you require single, couple or family coverage.</p>

HOW DO I FIND OUT ABOUT THE CONVERSION OPTIONS AVAILABLE TO ME?



CONTACT JOHNSTONE'S BENEFITS
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We can provide you with the costing, and forms necessary to convert all or part of your current coverage.