



THE JOURNAL

solid group plans made simple

ACCIDENTAL DEATH & DISABLEMENT

AD&D: a true insurance benefit

Accidental death & disablement (AD&D) is an insurance product widely offered in the insurance and financial markets. AD&D provides a benefit payment if the insured has a covered loss caused by an accident. Covered losses include the accidental death of the insured person, or a disablement (or dismemberment) of the insured caused by an accident, as contractually provided in the policy's schedule of benefits.

Why do we refer to it as a true insurance benefit? Some benefits in a group plan are not insurance, but rather a tax effective and/or cost effective way of paying for certain coverages such as vision or dental care. AD&D insurance provides coverage for the 'what if's', unlikely but potential occurrences, similar to fire or water damage insurance.

AD&D is a standard component of most group benefit plans and as a group insurance product, is particularly comprehensive. Typically equal to the group life insurance benefit, Basic AD&D provides coverage 24 hours per day, 365 days per year, on or off the job, anywhere in the world.

Optional AD&D

AD&D is also often offered as an additional optional benefit by employers as part of their group benefit plan. With an Optional AD&D plan, employees can choose to purchase single coverage (employee only) or family coverage (employee, spouse, and dependent child(ren)) to supplement their Basic AD&D coverage. The advantages of offering Optional AD&D as part of a group benefits plan includes:

- Low rates due to group purchasing power
- Enhanced benefit provisions
- Payroll deductions, and
- Consolidated benefits communications

AD&D death benefit

The amount, known as the "principle sum" is paid out in addition to the group life insurance benefit if the cause of death was accidental.

THE JOHNSTONE'S ADVANTAGE

Our mission is simple:
Treat each client as if they were our only client.

Our value is clear:
We are completely independent. We work for you and offer total flexibility on insurers and plans.

We offer all your group insurance services including administration, brokerage, consulting, and communications.

We provide dedicated client support, customization, and flexibility to meet all of your company's benefits needs. And we make **solid group plans simple.**



AD&D disablement benefit

In the event an accident causes loss or loss of use of a limb(s), eyesight, hearing, etc., or more serious injury resulting in forms of paralysis, the lump-sum benefit is paid to the insured person if the covered loss occurs within 365 days of the accident.

The AD&D benefit for paralysis, quadriplegia and hemiplegia are paid at two times the principle sum of insurance.

Taxability of AD&D

AD&D benefits, whether paid for death or disablement, are not subject to tax when received. Premiums paid by an employer are treated identically to premiums paid for life insurance, treated as a taxable benefit to the employee.

Employee eligibility

AD&D insurance is available to eligible employees, regardless of their health history. Coverage typically ends at age 70, depending on the contract. In Basic AD&D contracts, the amount of AD&D insurance typically reduces by 50% once an employee turns 65, assuming termination age is 70. There is no reduction clause for Optional AD&D.

Beneficiary designation

In the event of the accidental death of the employee, benefits will be payable to the designated beneficiary or beneficiaries on file with the insurer. If there is no person designated as beneficiary, the benefit will be payable to the employee's estate.

Benefits are payable to the employee for disablement claims, even if the spouse or a dependent child is the insured person. Some of the ancillary AD&D benefits, such as the Occupational

Training Benefit and Education Benefit are paid to the insured person that suffered the loss.

Air travel limitations and exclusions

Insurers will not accept certain types of aviation risk in AD&D policies, so they include specific provisions such as the following:

- ✦ Basic AD&D covers the insured while they are riding as a passenger, but not as a pilot, operator, or member of the crew
- ✦ The aircraft must have a current and valid certificate of airworthiness
- ✦ The aircraft must be piloted by a person who holds a current and valid pilot's licence of a rating authorizing him or her to pilot such an aircraft

Basic AD&D policies also typically exclude "injuries sustained in an accident associated with an aircraft owned or leased by the policyholder".

For Basic AD&D, the policyholder is the employer; for Optional AD&D, the policyholder is the employee.

Time to review your risk

If your business requires you to use a non-commercial, leased, chartered, or privately owned aircraft, you may be at risk unless you have purchased coverage for your specific situation.

We can help employers review and implement appropriate Business AD&D coverage as part of their group insurance plan.

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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 share with your employees.

