

## PERSONAL UNPAID LEAVE OF ABSENCE

Benefit coverage should not be assumed

### Leave of absence

There are many types of unpaid leaves of absence such as maternity leave, parental leave, compassionate care leave, family responsibility leave, and bereavement leave. But the one that will be the focus of this Journal is the personal, unpaid leave of absence.

The difference between personal, unpaid leave and those mentioned above is that a personal leave of absence is a leave that an employer can provide at their discretion to their employees whereas all the others are governed by federal or provincial laws.

For further details on the federal and provincial leaves of absence, please contact us and we will be happy to discuss them.

### 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.

Too 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 of absence. This assumption is incorrect, as continuation of benefits during an unpaid leave of absence must be approved by the insurer.

From a benefits point of view, it is important to remember that these types of leaves of absences are 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 normal place/country of residence, as is the case 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 an insurer views the insurance risk resulting in certain benefits such as travel coverage or disability coverage being excluded during the leave.

### 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.**



## Benefits might not be continued

Employees on an unpaid leave of absence 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 employee's 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 for an employee during the leave of absence—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 from the employer 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 their decision in writing, 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 or have limitations during the leave. As mentioned, the insurer 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.

If you are looking to obtain approval from insurers for an employee going on an unpaid leave of absence, please contact us if you need assistance with the process.

## Payment of premiums

If coverage has been approved during the leave of absence, insurance premiums must continue to be paid. It is important that employers have a policy on who pays for the premiums when employees go on leave.

Employers have a few different options on who pays for the premiums;

- ☛ employer pays the full premium
- ☛ employer pays a percentage of the premium and the employee pays the remainder
- ☛ employee pays the full premium

The decision on who pays the premium may depend on what the cost sharing arrangement is for employees who are currently actively at work.

In the case where the employee will pay a portion or all of the premium while on leave, a common practice is to have them either pay for the premiums up front, or make payments monthly (by post-dated cheque) as there will not be any employment income where the employer can deduct the amounts owing through payroll.

### Reminder –make sure you update your salaries

Many employers have salary updates at the beginning of the calendar year. In order to reflect the correct coverage for any salary based benefits, it is important to update your salaries.

## CONTACT US

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