



THE JOURNAL

solid group plans made simple

WAIVERS OF PREMIUM

An employee is disabled – now what?

One of your employees cannot work due to a sickness or injury. It looks like it will be a lengthy absence. Does their group insurance coverage continue? For how long? Who pays?

Develop a policy

We recommend our clients develop a company “continuation of benefits” policy that defines what happens for the period employees are disabled and unable to work. This period is largely at the employer’s discretion, unlike continuation of benefits during legislated leaves of absence such as maternity and parental leaves, however we advise caution to ensure the policy or employer actions are not seen as discriminatory under Human Rights legislation.

A typical policy is to continue benefits for two years after long term disability (LTD) benefits have been approved, based on the point in time that the insurer will re-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 LTD 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 terminate the employment contract.

It is important the policy clearly outlines what your company’s rules are as it relates to benefits continuation, including cost sharing, for legislated and non-legislated leaves so that it is fair and then consistently applied from one employee to the next.

Understanding the waiver of premium benefit

Most group insurance policies for life insurance, accidental death & disablement (AD&D), disability (short-term and long-term disability) insurance include a Waiver of Premium benefit. Under this provision, if approved, the insurer is acknowledging its responsibility for valid coverage for the period an employee meets the definition of disability as defined in the policy, without receiving payment of premiums.

Critical illness insurance policies also often include a Waiver of Premium benefit, which could waive off all future premiums due and payable on the confirmed diagnosis of the insured person suffering from any one of the critical illnesses covered under the policy.

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.**



Typically, if the employee becomes disabled after age 65, they would not be eligible to apply for Waivers of Premium.

Extended health, dental and employee assistance plans (EAPs) do not include a Waiver of Premium benefit provision. Premiums must be paid to continue coverage during a period of disability for these benefits.

Long term disability

Long term disability (LTD) premiums are waived once the LTD claim is approved. The approval letter from the LTD insurer will confirm the effective date for the Waiver of Premium.

Life and AD&D

If the life and AD&D insurance are with a different insurer than for LTD, that insurer will complete a thorough review of the application for the Waiver of Premium for these benefits in much the same manner as they would assess an LTD claim. The definition of disability in the life insurance policy may differ from that in the LTD policy.

If the life and AD&D insurance are with the LTD insurer, that insurer will advise of approval for Waivers of Premium for all of the applicable benefits in the same letter; no separate application is required as the insurer accepts the LTD application form for the waiver purposes. If the AD&D insurance is with a different insurer than for life insurance, AD&D premiums are typically waived once the Life Waiver of Premium has been approved in writing by the life insurance carrier.

No LTD coverage

Disabled employees may be eligible for the Waivers of Premium for applicable benefits, even if their employer does not offer LTD coverage.

LTD coverage is declined

Although an employee may be declined for LTD benefits, they may still qualify for the Waivers of Premium for other applicable benefits.

Workers' compensation benefits

What happens if the employee is covered by workers' compensation, that exceeds the LTD benefit payable

causing the LTD benefit to offset to zero?

The LTD carrier typically requires the LTD claim forms to be completed and submitted in the required timeframe to assess eligibility for LTD benefits and the applicable Waivers of Premium should the workers' compensation benefit ends.

Death of employee or dependent

If no Waiver of Premium application is submitted and approved, it's more than just saving those premiums!

The insurer in place at the time of disability remains responsible for the coverages in place with that insurer at that time – if there is a Waiver of Premium in place. Since it is not uncommon for organizations to change insurers over time, if there is no Waiver of Premium in place, the disabled employee may have no coverage for life and AD&D insurance. The employer could be held responsible and required to pay the insurance amount payable to the employee or their beneficiary.

We're here to help!

One of our core value added services is assisting clients with disability and waivers of premium claims. These claims are time sensitive, paper intensive and can be confusing!

Please send all paperwork for short-term or long-term disability claims to us. If your employee is on workers' compensation for an extended period, we can help you understand how to claim a Waiver of Premium benefit. Or if your employee doesn't have disability coverage but is disabled and unable to work, let us know!

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