

LONG TERM DISABILITY – IT’S A PROCESS!

It is not something any of us like to think about but picture your life in the event of a prolonged absence from work due to illness or injury. Long term disability (LTD) benefits provide employees with a percentage of their monthly income (typically between 60 and 70 percent), starting after a waiting period, which is the period of time the employee is receiving sick leave or short-term disability benefits, commonly 17, 26 or 52 weeks. LTD benefits may continue to age 65.

Disability claim process

The application process and approval time for disability claims can be lengthy, and then there’s the paperwork! If you have been off work for two or three months and believe it’s unlikely you will be able to return to work before completing the LTD waiting period, we recommend filing an LTD claim application within 90 days of the date you became disabled.

For disability claims, insurers require information from the employee, the employer, and the physician(s). These can be submitted separately, but the insurer won’t start their adjudication process until all three statements are received.

The physician statement is particularly important, so giving your physician plenty of time to provide quality and substantive information about the disability will be crucial in getting the insurer’s approval of your LTD claim. Upon review, the insurer may request additional information to assess the claim and may also ask for an independent medical exam (IME), which may take several weeks to arrange, complete and receive the resulting report.

Definition of total disability

“Total disability” is specifically defined in the LTD contract. One common definition is “unable to perform the essential duties in the employee’s own occupation for a period of two years, and for any occupation thereafter”. This definition creates a re-assessment of the employee’s eligibility for disability before continuing benefits beyond the first two years.

Definition of monthly earnings

The monthly LTD benefit an employee receives when disabled is normally based on a percentage of reported pre-disability earnings. Many LTD contracts define “monthly earnings” as regular monthly earnings, but it could include commission or other forms of income. Typically bonuses, dividends and overtime are not included in “monthly earnings”.

For those clients who we provide Third-Party Administrator (TPA) services for group benefits, it’s very important for you to keep us updated with salary changes to

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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.**



ensure your LTD insurer has correct information. Because the earnings used for the LTD claim are established at the pre-disability level, the salary/wage cannot be adjusted until the employee has returned to work. Only then will the new earnings level be used.

Disability plan offsets

Almost all LTD policies allow the insurer to deduct (or “offset”) other benefits from their insurer payout amount. Many LTD claimants do not realize they cannot stack various types of benefits

Insurers applying offsets will define them as “primary” and/or “secondary” offsets. Typical “primary” offsets include

- ✘ Benefits payable from any Workers’ Compensation plan
- ✘ Disability benefits received under any other government program such as, Canadian Pension Plan disability, provincial Disability Support Program (if applicable), Employment Insurance Sickness Benefits, etc.
- ✘ Income from the Criminal Injuries Compensation Act
- ✘ Wages or remuneration payable from, any employer, including any statutory or common-law termination and/or severance pay

Most LTD policies require the employee to apply for the CPP disability benefit (if eligible) and then allow for the deduction of the original CPP disability benefit, not an indexed or adjusted benefit.

Depending on the LTD policy, the insurer may also deduct spouse or children’s CPP benefits, known as “secondary” offsets, although this is not as common as “primary” offsets.

Generally, insurers will pay Workers’ Compensation benefits before LTD benefits, while CPP disability benefits are deducted from monthly LTD payments (note: this applies to both group and individual LTD plans). If there are offsets, we can help you understand how to keep a potential future LTD claim viable.

Partial vs. residual disability

Some insurers offer beneficial definitions of disability in their group policies; the fundamental difference being

how the employee is able to satisfy the Elimination Period.

Under the “partial” definition, the employee must be unable to perform any of the material and substantial duties of their occupation. Under the “residual” definition, the employee does not have to be totally disabled during the elimination period – rather they must be “limited from performing the material and substantial duties of their regular occupation”. Under both definitions, the employee must have 20% or more loss of indexed monthly earnings due to the same illness or injury.

Non-evidence maximum (NEM)

The insurer sets the amount of coverage an employee is eligible to receive, without having to provide the insurer with evidence of good health, based on the size and make-up of the employee group. To qualify for amounts above the NEM, an employee is required to complete an “evidence of insurability” form. Johnstone’s Benefits provides notification annually and whenever we are advised of a salary increase which results in a benefit over the NEM or an increase more than 10%.

In Canada, Employment Insurance (EI) sickness benefits can last up to 26 weeks in 2025. The length of benefits depends on how long you are unable to work due to a medical condition.

You could receive up to 55% of your earnings, up to a maximum of \$695 per week. The exact amount you receive depends on your insurable earnings before taxes in the past 52 weeks and the max changes each year.

If you are eligible for LTD benefits after 17 weeks of disability, the EI sickness benefit will be used as an offset between the 17 week and 26 week eligibility period of the EI sickness benefit.

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