

## MANAGING BENEFITS DURING LAYOFFS AND LEGISLATED LEAVES

Even the most stable small businesses experience ups and downs — a slow season, a restructuring, or employees taking time away for health or family reasons. When that happens, your group benefits plan plays an important role in supporting both your people and your business continuity.

Understanding how benefits work during temporary layoffs and legislated leaves of absence helps you avoid compliance issues, protect your employees, and ensure there are no gaps in coverage that could create financial risk.

### Maintaining Coverage During Layoffs

Most insurers allow benefits to continue for employees on temporary layoff for a limited period — typically up to 3 to 6 months — provided premiums continue to be paid and the employee–employer relationship remains intact.

Employers should:

- Confirm the maximum duration permitted by their insurer.
- Keep records of all communications and expected recall dates.
- Ensure premiums are paid on time to avoid unintended coverage lapses.

### Benefits That May Continue

Core benefits such as Extended Health Care, Dental, and Life Insurance can often be maintained. However, Disability coverage (STD and LTD) may be restricted during a layoff since employees are not actively at work. It's essential to confirm with the insurer which benefits remain active.

If you expect a layoff to last longer than allowed by the insurer, coverage usually must stop. In such cases, employees often have conversion rights (e.g., switching life or health coverage to a personal plan).

Converting to an individual plan is time-sensitive:

- Employees typically have 31 days to convert Life Insurance, AD&D, and Disability benefits.
- 60 days is common for converting Extended Health and Dental coverage.

### 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.**



## Legislated Leaves of Absence

Legislated leaves — such as maternity, parental, compassionate care, critical illness, or family medical leaves — are protected under employment standards laws. The general rule is that employment is deemed continuous during such leaves, and benefit entitlements continue as they normally would if the employee were actively at work.

The cost-sharing arrangement also continues, meaning the employer and employee remain responsible for their usual share of premiums, provided the employee chooses to maintain coverage. The employer must continue all benefits that are 100% employer paid.

## When an Employee Opt's Out

If an employee pays for a portion of the premium they may choose to opt out of benefits coverage during their leave of absence; however, they must make that decision at the start of their leave. Once the employee elects to continue or discontinue coverage, that choice remains in effect for the duration of the leave.

If the employee opts out because they are covered under a spouse's plan, note that this typically applies only to health and dental benefits — not life or disability insurance.

When advising employees on whether to maintain coverage during a leave of absence, it's important to emphasize that opting out of LTD requires extra consideration. If coverage is suspended, any medical conditions developed during the leave could be flagged as pre-existing upon their return, potentially leaving them ineligible for future claims related to those conditions.

By choosing to continue premium payments, the employee effectively secures their insurability

and ensures uninterrupted protection, regardless of any health changes that may occur while they are away from the workplace.

Employers should have employees sign a waiver of coverage form confirming that they understand the implications of discontinuing benefits (*we can help design this form*).

## Administrative Considerations

Employers are encouraged to review their administrative processes, including:

- How premiums will be collected from employees who are on leave when premiums are shared.
- How to clearly communicate options to employees so they understand the implications of continuing or opting out of coverage.
- Using a waiver of coverage form if employees choose to discontinue benefits during their leave.

## We're Here to Help

If you have upcoming layoffs or employee leaves, it's worth reviewing your insurance contract to ensure your policy reflects how you want to handle absences.

We can help you:

- Interpret insurer rules
- Communicate clearly with employees
- Identify possible compliance risks

## CONTACT US

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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.

