

LONG-TERM DISABILITY (LTD) ESSENTIALS

Why LTD Matters

Long-Term Disability (LTD) benefits provide income replacement and continued access to certain group benefits when an employee is unable to work due to illness or injury. LTD benefits typically replace 60–70% of monthly income after an elimination period, commonly 17, 26, or 52 weeks. Most LTD policies terminate both coverage and benefit payments at age 65.

Disability Claims Process

The disability claims process can be complex and time-sensitive. Before an insurer will assign a claim to a disability claims specialist and begin the formal review process, three key documents must be completed and submitted: the employee statement, employer statement, and attending physician statement. This is where our team can help by guiding employees and employers through the process, coordinating documentation, communicating with the insurer, monitoring timelines, and helping keep the insurer accountable throughout the claim review process.

Definition of Disability & Earnings

LTD policies commonly define “total disability” as the inability to perform the essential duties of your own occupation for the first two years of disability and the inability to perform any occupation thereafter. It is important to understand how your policy defines earnings or income, as this definition determines which forms of compensation are included when calculating your disability benefit. While benefits are typically based on regular salary or wages earned before the disability begins, some policies may also include commissions or other earnings. Because disability benefits are calculated using earnings in effect at the date of disability, it is essential to notify us promptly of any salary or compensation changes.

Non-Evidence Maximum (NEM)

The Non-Evidence Maximum (NEM) is the amount of disability coverage available without medical evidence. Coverage above the NEM requires evidence of insurability. Employees should be informed when salary increases or benefit changes may affect eligibility for additional 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.**



Continuation of Benefits During Leave

Legislated leaves such as maternity or parental leave generally require employers to continue benefits coverage. For non-legislated leaves such as sick leave or disability leave, continuation of benefits is typically at the employer's discretion, although employers must comply with Human Rights legislation and avoid discrimination based on disability.

Employees on disability leave generally remain eligible for group benefits while they remain employees and continue paying any required premium contributions. Employers should establish clear policies outlining:

- How long benefits continue during LTD leave
- Cost-sharing and premium collection
- Circumstances under which benefits or employment terminate

Termination of Employment & Benefits

Benefits generally continue during an approved disability leave. However, there may come a point where it becomes clear that the employee is unlikely to return to work in the foreseeable future. In these circumstances, the employment relationship may be considered "frustrated," a legal concept meaning that, due to a prolonged and indefinite inability to perform the essential duties of the position, the employment contract can no longer be fulfilled by either party. When employment ends, health and dental benefits typically cease, although certain coverage's, such as life, disability and AD&D insurance, may continue under an approved waiver-of-premium provision. Employers should carefully assess each situation and apply their policies consistently.

Employers may terminate employees on medical leave only when the termination is unrelated to

the disability itself and supported by documented business reasons such as restructuring or performance concerns that existed before the disability. Legal advice is always recommended before proceeding with termination.

Waiver of Premium

Most group insurance policies for life insurance, AD&D, disability and critical illness insurance include a waiver of premium provision. If approved, the insurer maintains the employee's coverage without requiring premium payment for the duration of the qualified disability.

Disability Plan Offsets

Most LTD policies reduce benefits by other income sources to prevent duplication of coverage. Common offsets include Workers' Compensation benefits, Canada Pension Plan (CPP) disability benefits, Employment Insurance (EI) sickness benefits, and wages, severance, or other employer remuneration.

Understanding key policy provisions, including the definition of disability, benefit calculations, offsets, continuation of benefits, waiver of premium provisions, and employment considerations can help employers and employees make informed decisions and avoid unexpected issues during a claim. Because every policy contains unique terms and conditions, it is important to review coverage carefully and seek guidance when questions arise. Our team is available to assist you throughout the entire disability claims process.

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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.

