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**May 2008**  
**Volume 10 Issue 3**

### ***In This Issue***

1. *Continuing Coverage while Disabled*
2. *When to Submit an LTD Claim*
3. *Quiz Corner*



## **Continuation of Coverage while Disabled**

When an employee becomes unable to work due to illness or injury, employment income ceases. But what happens to the other components of the compensation package such as the benefit plan?

Employers often express concern over maintaining premium payments for inactive employees. Premium costs can be reduced by ensuring that the employee applies for the waiver of premium (WOP) feature. This feature allows coverage for certain benefits to be continued for disabled employees without premium. Typically it is included on basic life and disability benefits but it can be found on other benefits as well. It is almost never included for health or dental plans.

If long-term disability (LTD) coverage is included on your plan, the WOP benefit for LTD and other benefits is evaluated at the time of the LTD claim. If LTD is not included on your plan, then an application needs to be made. If your LTD is insured with a separate benefit provider, you will need to apply to both providers to have the WOP applied. All benefits that do not have a WOP feature will continue to be billed. If there is a cost sharing arrangement for these benefits for active employees, employers can ask that this cost sharing be

continued while employees are disabled.

How long this arrangement continues is up to the employer to decide but they do have a duty to reasonably accommodate employees up to the point of undue hardship. What is considered “reasonable accommodation” and “undue hardship” however, is a very grey area.

Frequently, a clause that extends benefits for a set length of time – ex. 12, 24, 36 months – is included in the corporate employee policies and procedures manual. In the case of union environments, it may be included in the collective agreement. Such automatic termination clauses provide an indication of reasonable accommodation, but again, each situation must be considered on its own merits - even in a union environment.

When determining a termination date, keep the union (if applicable) and the employee involved in the process and always make sure that you have the most current medical information. If an employee indicates that he or she will soon be able to return to work, either on a modified or full-time basis, an extension of the coverage may be warranted.

Be diligent in documenting the process of evaluation and all correspondence with all stakeholders. Employers should

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inform the employee of the termination in a registered letter and should provide a reasonable notice period before termination.

## **LTD: When to Claim**

The insurance companies always like to have the most current medical picture of an employee when evaluating a claim for long-term disability (LTD) benefits. Submitting a claim too soon after the date of disability may mean that the insurance company has to ask for more current information closer to the expiration of the elimination period. Submitting a claim at the end of the elimination period can result in a delay in receiving benefits and submitting too long after the end of the elimination period can result in an outright decline of the claim.

When evaluating a claim, the adjudicator may ask the attending physician for further details or seek clarification on earlier reports. To allow time for a review of the claim and the return of this additional information, it is reasonable to submit the claim 6 to 8 weeks before the end of the elimination period (the elimination period is usually 17 weeks).

An LTD claim should always be submitted when it is reasonable to expect that the employee will be off work for longer than the elimination period. This includes situations where the employee is on a workers compensation claim.

LTD benefits are coordinated with workers compensation (WC) benefits. WC is the first

payer and typically the payment is larger than what the LTD plan would pay. In such an instance, the benefit plan wouldn't pay out anything. However if the amount from WC reduces or is terminated, then the LTD benefits can begin. The disabled employee would continue to receive an income.

If an LTD claim had not been submitted in the early stages of the disability, the employee would be without any coverage or income. The LTD provider would not consider the claim after WC expired because too much time would have lapsed between the date of disability and the date of claim. Most contracts indicate that claims must be submitted no later than 90 days after the end of the elimination period.

Submitting an LTD claim also allows the insurance provider to evaluate and apply the waiver of premium benefit. If there is no LTD benefit, an application for the WOP should be made for the

other benefits (ex. basic life).

**Disclaimer:** The information provided in this newsletter is for general information only. Advice of a specialist should be sought for your specific circumstances.

**Sources:** Accommodation – SCC Warns Employers to Think Twice Before Terminating an Employee on Long-Term Disability, *Ultimate HR Manual.*, January 2008, No. 32 p. 1-3.

## **Quiz Corner**

***Put your mental mettle to the test and a \$50 prize in your pocket!***

Rearrange these letters to form two words that are antonyms.

NO CROP

Answers can be sent to: info@gmsinsurance.com or by fax to 905-670-4146. We will draw a winner from the correct answers.

**Many insurers offer disability management services. Such programs can ease the burden of case management because managers don't need to become versed in health and medical conditions in addition to performing their regular duties.**

***Source: Manulife***