

## Group Disability Plan Costs.

Disability benefits are a substantial cost to the employer and these costs have been rising.

Other related costs: hiring replacement workers, payments.

## Current Challenges:

Disabilities due to mental and nervous disorders have risen and now account for more than 20% of LTD.

There's also sharp increase in the number of new diagnosis:

- 1) fibromyalgia (纤维肌痛)

- 2) repetitive strain injury (重复性劳损).

- 3) chronic fatigue syndrome (慢性疲劳综合征)

- 4) multiple chemical sensitivity

- 5) environmental diseases.

These new illnesses require a multi-disciplinary approach address emotional along with physical.

Changes in Adjudication of Claims - shift to insurer.

Physician is asked by the insurer to

- 1) identify restriction and limitations of the e.e.

- 2) provide objective findings that describe the condition.

Insurer then use this information to draw a conclusion on the presence and degree of disability.

## Burden of proof

At time of claim: 1) evidence of disability  
burden → e.e.

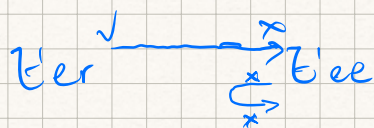
2) insurer adjudicates claim.

After -----

- 1) difficult to show causes to end benefit
- 2) so insurers are stringent in initial claims

burden → insurer

## Taxation of Eer Provided DI Plan



## Plan Example: Western Factory Plan

- Benefits includes: Salary Continuance plan, LTD, Critical Illness benefit.
- Benefits are fully paid by eer.

### Salary Continuance Plan

Pays 100% salary up to 15 wks.

Recurrence provision

Partial disability provision

Integrated with WSIB

LTD

→ 15 wks elimination period.

Own occ / Any occ

Benefit = 70% (income up to 80,000) + 65% of next 40,000

Ends at 65, benefits indexed annually.

Recurrent disability provision.

Partial disability benefit.

### Critical Illness Benefit.

Provides an one-time lump sum benefit of

\$ 2,000 if one of the critical illnesses is diagnosed



1) heart-attack 2) stroke · 3) life-threatening cancer.  
There's a 30 dys survival period requirement.

## Individual Disability Insurance.

Who buys DI?

- 1) Self-employed
- 2) whose employee doesn't provide bene
- 3) who wants supplement disability benefits.

## General Definition

DI policies are designed to replace income loss  
when insured is disabled as "results of sickness  
or injury"

Accidental bodily injury: to define whether an injury  
is covered.

The result has to be unexpected or unforeseen

Injury must have occurred while the policy was in force  
Sickness.

Cover only sickness that's first contracted after  
policy takes effect

Pre-existing condition