

Today's Objectives

- To discuss employer plans for disability
- To discuss individual plans for disability



Module 4 – Poor Health – Disability

→ Employer Plans (Ch 21 of *Social Ins. & Economic Security*)

Employer Disability Benefit Programs

- Other Related Topics
 - i. Group Disability Plan Costs
 - ii. Current Challenges
 - iii. Changes in Adjudication of Claims - shift to Insurer
 - iv. Burden of Proof



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Employer Disability Benefit Programs

- Other Related Topics
 - i. Group Disability Plan Costs
 - **Disability benefits are a substantial cost to the employer and these costs have been rising**
 - In addition to disability plan costs themselves, e'er also has other related costs that include hiring replacement workers, continued payments for other benefits of disabled e'ees (RPP contributions, health and other benefit coverages)
 - There has been increased focus on early intervention programs, rehab support, progressive return to work programs (these costs are usually less than ongoing claim)
 - Likelihood of an e'ee returning to work after being on disability for 6 months is < 50%



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- Other Related Topics

- ii. Current Challenges

- Disability due to mental and nervous disorders have risen and now account for more than 20% of LTD Claims
 - There has also been a sharp increase in the number of claims attributed to new diagnosis such as:
 - fibromyalgia
 - repetitive strain injury
 - chronic fatigue syndrome
 - multiple chemical sensitivity
 - environmental diseases



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- Other Related Topics
 - ii. Current Challenges
 - These new emerging illnesses require a multi-disciplinary approach
 - Plans need to address emotional and psychological needs of e'ee, along with physical condition and symptoms



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- Other Related Topics

- iii. Changes in Adjudication of Claims - shift to Insurer

- Traditionally physician was expected to provide answers that would satisfy the competing interests of the patient, employer and insurer
 - Responsibility for adjudication now rests with the insurer and the insurer relies on physician (and now sometimes other health care practitioners) for input
 - Physician is asked by the insurer to
 - » identify restrictions and limitations of the disabled e'ee
 - » provide objective findings that describe the condition
 - Insurer then uses this information to draw a conclusion on the presence and degree of disability



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- Other Related Topics

- iv. Burden of Proof

- **At time of claim, burden of proof lies with the e'ee**

- E'ee must provide evidence of disability
 - Insurer adjudicates claim (with medical input) to evaluate whether the requirements for disability are met under the terms of the contract

- **After disability is admitted as a claim, the burden of proof shifts to the insurer**

- Is relatively difficult to show just cause to terminate benefits once they have started
 - That is why most insurers are relatively stringent in their initial adjudication of claims



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Employer Disability Benefit Programs

- Taxation of E'er Provided DI Plan - recap
 - E'er contributions to DI plan are tax-deductible expenses for E'er
 - E'ee contributions to a DI plan are not tax deductible to e'ee
 - E'er contributions to a DI plan are not a taxable benefit to the e'ee
 - DI benefits are considered taxable income to e'ee, except those DI plans that have been fully paid for through e'ee contributions



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Employer Disability Benefit Programs

- Plan Example - Western Faculty Plan
 - Benefits include Salary Continuance plan and LTD
 - There is also a Critical Illness benefit
 - These benefits are fully paid for by the e'er (Western)

- i. Salary Continuance Plan
 - **Pays 100% of salary for a max of 15 weeks**
 - Recurrence provisions
 - Partial disability provisions
 - Integrated with WSIB



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Employer Disability Benefit Programs

- Plan Example - Western Faculty Plan
 - ii. Long Term Disability
 - 15-week elimination period (co-ordination with above)
 - **Own Occ/Any Occ definition** (see webpage)
 - Monthly benefit determination:
 - Benefit = 70% (income up to \$80,000) + 65% of next \$40,000
 - So maximum monthly benefit capped at \$6,834 per month
 - Coverage **ends at 65** (normal retirement date) at the latest
 - LTD **benefit is indexed annually**
 - There is a partial disability benefit (if you earn at least 20% of pre-disability income but less than 80% of pre-dis income)
 - Recurrent disability provision



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Employer Disability Benefit Programs

- Plan Example - Western Faculty Plan

- ii. Long Term Disability

- Group Life Ins. premium waived (e'ee portion) while on LTD
 - Integration of benefits
 - Rehab program

- iii. Critical Illness Benefit

- Provides a lump sum payment of \$2,000 if one of the critical illnesses is diagnosed (heart attack, stroke, life threatening cancer)
 - There is a 30-day survival period requirement to receive the benefit
 - There are some exclusions
 - **Benefit payable once only**



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Employer Disability Benefit Programs

- Plan Example - Western Faculty Plan
 - Further details (optional reading) on the above 3 Western Faculty benefits can be found by accessing the link below and reviewing p. 30-36 of the benefits booklet (can access through link below)

https://www.uwo.ca/hr/benefits/your_benefits/faculty.html



Module 4 – Poor Health – Disability
→ Individual Plans

Individual Disability Insurance (DI)

1. Who buys/needs Individual DI?
2. General Definitions
3. Disability Definitions
4. Benefit Components
5. Policy Features
6. Taxation
7. Individual DI versus Group DI



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→ Individual Plans

Individual Disability Insurance (DI)

1. Who buys/needs Individual DI?

– **Self-employed** individuals

- There are disability plans customized for various groups of self-employed, e.g. Manulife 'Proguard' series (professionals such as doctors) and their 'Venture' series (lower cost more standard plan)
- Also an 'Expense Comp plan that reimburses overhead expenses for small businesses/professional practices during disability)

<https://www.manulife.ca/personal/insurance/health-insurance/disability.html>

– **Individuals whose employers don't provide benefits**

– **Individuals who want to supplement disability benefits** that are provided by their employer to fill in coverage gaps (e.g. disability definition, payment amount)



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→ Individual Plans

Individual Disability Insurance (DI)

1. Who buys/needs Individual DI?

- Individual Disability Insurance is a popular product
 - Canadian work force is generally more mobile (on average a person now changes jobs 7 times during their career)
 - A greater % of workforce are self-employed/contract workers

2. General Definitions

- **DI policies are designed to replace income loss** (monthly payments) **when insured is disabled as “result of sickness or injury”**



Individual Disability Insurance (DI)

2. General Definitions

a) **‘Accidental bodily injury’** definition is used to determine whether an injury is covered

- Under this definition only, the result (i.e., the injury) has to be unexpected or unforeseen (versus ‘accidental means’ clause which is more restrictive and would require both the cause of the injury and the injury being unexpected or unforeseen)
- Injury must have occurred while the policy was in force (not before policy was purchased or after it expired)

b) **Sickness**

- Policy may cover only sickness that is first contracted after policy takes effect
- Some insurers modify this to cover sickness that is first diagnosed and treated after policy takes effect



Individual Disability Insurance (DI)

2. General Definitions

c) Pre-existing Condition

- Most DI policies will contain a standard provision for exclusion or restriction of pre-existing conditions
- An pre-existing condition exclusion example: “DI benefits are not payable for a total disability that occurs within the first 12 months if the disability results from any sickness or injury for which the person was treated or attended to by a doctor, or for which prescribed drugs were taken within 90 days prior to the policy taking effect”

