

## PROTECTING YOUR EMPLOYEES IN THE EVENT OF AN ILLNESS OR ACCIDENT

The majority of employers consider long term disability (LTD) to be the most important benefit offered through a group insurance plan. LTD generally protects employees up to age 65 from a loss of income in case of an illness or accident.

It is essential to understand some of the terminology pertaining to LTD, which can make a difference with regard to the approval or denial of a claim, as well as the length of time the claim will be payable. Here are a few terms that you should know:

- ◆ Total disability
- ◆ Partial disability
- ◆ Own occupation versus any occupation
- ◆ Cost of living adjustment (COLA)

### Total disability

Each contract defines this term slightly differently. For example:

Definition 1: Employees must be unable to perform all essential duties of their job.

Definition 2: Employees must be unable to perform any work for which they are reasonably qualified through education, training and experience.

The first definition is more generous than the second, since the criteria for approval are based on the job that the employee was doing immediately before they became disabled. However, be aware that both are definitions of “total disability.”

### Partial disability

An employee who is capable of working a certain number of hours per day or days per week, on a regular basis, is considered partially disabled. For example, a person with a back problem who can stand only four hours per day,

whereas their job requires them to stand eight hours per day, is considered partially disabled. If the person has a permanent restriction and the group insurance plan covers partial disability, then the person can work part-time and receive disability payments for the hours they are unable to work. On the other hand, if the contract does not include partial disability, they would not be entitled to any LTD benefits, unless the doctor specifies that they cannot carry out one or more essential tasks of their occupation, or they cannot perform the essential tasks of their occupation at least one half of the time they would normally have to do so. A partial disability benefit encourages the employee to return to work permanently, even if they have a restriction.

### Own occupation versus any occupation

Most contracts have two different periods of assessment: **own occupation** and **any occupation**. In the initial period, e.g. the first 24 months of disability, the employee is considered totally disabled if they cannot perform the essential duties of their own occupation. After the initial 24-month period, the insurer’s definition can change to “any occupation.” This means that if the person can work at an occupation for which they are reasonably qualified through education, training and experience, they are no longer considered totally disabled and no longer qualify to receive LTD benefits. Some contracts have only one assessment period, while others have different time limitations, such as 36 or 60 months. The “own occupation” period is more generous than “any occupation.”

### Cost of living adjustment (COLA)

You might want to include a cost of living adjustment in your LTD plan, so that the benefit claims gradually increase to keep up with inflation (consumer price index, or CPI). This additional feature is advantageous in the case of a disability that starts at a young age, whereas if it is not included, the LTD payments will erode over time.

For further information on your needs pertaining to protection in the event of an illness or accident, please contact your portfolio manager at Vézina. We will give you expert advice on the choice of insurance that best suits your situation and protects what matters most to you.