

DISABILITY INSURANCE

IN ACTION

Let's look at Disability Insurance in the form of a **real-life example**.

MEET JOHN



Age: 47
Occupation: Account Executive
Salary: \$100,000/year
Level of Physical Activity: Low
Smoker: Yes

While driving to work one day, **John experiences a minor stroke and crashes his car**. He is taken immediately to the hospital, where his initial injuries are assessed – broken arm, concussion, and whiplash.



Over the next few days, it becomes apparent that he has **lost the use of his entire right side due to his stroke**, and is unable to continue working until he regains his mobility and speech. He is set to begin physiotherapy in an attempt to restore his motor skills, but his doctors warn him and his family that the process could take several weeks, months or even years, and he will be unable to continue working during recovery. Fortunately, he has access to both Short-and Long-Term Disability Insurance through his employer.



Let's follow John through his journey of diagnosis to recovery to see how Short-Term Disability (STD) and Long-Term Disability (LTD) help him:

SHORT-TERM DISABILITY (STD)



After his crash, John is taken to the hospital immediately. Since his STD Insurance includes **1st-day hospital coverage**¹, his coverage period begins on day one. John recovers from his initial injuries in the hospital and remains for further testing over the next few days, which reveals the cause of the crash: a stroke.



1
1st-day hospital coverage is an add-on for STD where the coverage period begins on the first day an employee enters the hospital, rather than the standard 8 days later.

Note: John will not begin receiving reimbursement until he has filed a claim that is approved by the Insurer.

2
John's coverage is 66.67% of salary, with a maximum weekly payment of \$1,200. Since John is a high earning employee at \$100,000/year, he'll hit his weekly maximum, and can expect \$1,200/week during his STD period.



John's doctors inform him that he will require physiotherapy in order to restore his motor skills and that the recovery will take time. They advise him to confirm his coverage with his employer, who reminds him of his STD and LTD Insurance.

STD



John completes the required forms to process an STD claim, including a statement from his attending physician, employer, and himself. His Insurer reviews the claim information and approves the STD claim, and his **STD payments begin**². Because of his 1st-day hospital coverage, John receives back-pay for the period between day one and the time his claim is approved.



LTD

Throughout John's recovery, the Insurer is in regular communication with John to monitor his condition and recovery. After 15 weeks, his recovery has been progressing well, but his recovery will still take more time, and his STD coverage through his employer at 17 weeks. In anticipation of a continued disability while recovering, John now applies for Long Term Disability (LTD) Insurance for his remaining recovery.

LONG-TERM DISABILITY (LTD)

3
John's LTD coverage percentage is the same as his STD benefit (66.67%). However, through LTD, John receives a monthly payment, rather than a weekly one. (\$1,200 x 4 = \$4,800).
Note: These payments are subject to the Non-Evidence Maximum (NEM) and Overall Maximum.



His LTD claim is approved and his **coverage continues**³ for the duration of his recovery. Slowly, John regains his speech and minor mobility, but even as his physical health increases, his mental health decreases, and he becomes more and more depressed as time goes on with limited mobility.



4
An Employee Assistance Plan (EAP) provides access to accredited professionals to help work through life's challenges. In John's case, his depression and frustration during his long recovery period.

EAP

Fortunately, John's employer also provides access to an **Employee Assistance Program (EAP)**⁴, which provides help and support through difficult periods in people's lives. Knowing the increased levels of depression in LTD recipients, John's employer is able to remind him about this aspect of his coverage, and between his physiotherapy and assistance through his EAP, John begins to feel better both physically and mentally.



5
Employers are often able to provide **accommodated work schedules** to ease the transition back to work and get people feeling better faster.

After 12 more weeks, John has regained his speech and most of his mobility on his right side. He arranges to return to work on an **accommodated work schedule**⁵ (after gaining approval from his employer and the Insurer) starting with two days a week. His LTD payments continue, but are **reduced by 50% of his return to work earnings**⁶, until he is able to resume full-time work.



6
John is receiving his maximum LTD benefit of \$4,800/month. Based on his annual salary of \$100,000, by returning to work two days a week at \$415/day, John is earning \$830/week. His monthly LTD payment is **reduced by 50% of his total monthly return to work earnings** (\$1,660), and he will be paid \$3,140 in LTD monthly.

\$415/day x 2 days per week
= \$830/week x 4 weeks
= \$3,320 x 0.50
= \$1,660

Over the next several weeks, John is able to return to work in full, with minimal financial disruption to his family thanks to the payments from his Disability Insurance. In total, John was unable to work for over half a year (29 weeks), and without his Disability Insurance coverage, John's family might have had difficulty keeping up financially.