

# Disability can rob your ability to earn a living

(NC)—Statistics confirm that a person is more likely to become disabled than to die prematurely. Protecting one's income therefore, with disability insurance, can deliver important peace-of-mind. For a better understanding of the coverage, here are the most frequently asked questions on this subject, answered by the Financial Services Commission of Ontario (FSCO), the provincial insurance industry regulator:

## Q: Why is disability insurance important?

**A:** It replaces your income, short-term or long-term, if you become temporarily, or permanently, disabled. Insurance data shows that a 20-year-old man is about three times more likely to be disabled (for at least 90 days) than he is likely to die before the age of 65—and a 35-year-old woman is about seven times more likely. This “income replacement” is a safety net if you become disabled and can't pay your expenses.

## Q: Who provides it?

**A:** Disability insurance is available through several sources:

- *Individual plans* are offered through many insurance companies. Coverage is customized to your specific needs, and you arrange and pay for it.
- *Government plans* are available through Workers' Compensation, Canada Pension Plan and Employment Insurance.
- *Group insurance plans* are typically offered through your workplace.
- *Special purpose plans* provide disability coverage through other insurance plans such as automobile insurance, creditors' insurance and life insurance.

## Q: What types of coverage does it provide?

**A:** Payments are made to cover several circumstances:

- *Total Disability* is established if due to injuries or sickness, you are not able to perform your substantial and material

duties at work and are under the care of a physician.

- *Partial Disability* is established if you cannot work full time, or if you are prevented from performing at least one important daily duty on the job.
- *Short-term coverage* begins when sick days run out and generally provides a percentage of normal earnings from six months to two years.
- *Long-term coverage* generally replaces 60 to 70 percent of normal income but there is a maximum dollar amount. Policies vary, but these benefits usually run for 2 years, or longer, up to age 65.

## Q: How do I find a qualified insurance representative in Ontario?

**A:** A complete listing of representatives licensed to sell insurance products is available online at [www.fSCO.gov.on.ca](http://www.fSCO.gov.on.ca).

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## Employee Benefits

# Answers on group disability insurance

(NC)—You may be an employer looking at a disability insurance plan for your staff. Or, you may be insured by your company. In both cases, a better understanding of how your group is covered for disabilities will make it easier if it's necessary to make a claim.

Here are the most frequently asked questions on this subject, answered by the Financial Services Commission of Ontario (FSCO), the provincial insurance industry regulator:

## Q: What is group disability insurance?

**A:** In the event of an eligible disability resulting from illness or injury, this coverage provides regular income replacement payments to an insured member of the group. The employer or organization owns the group insurance plan and is the group policyowner.

## Q: Under what circumstances can a claim be made?

**A:** The individual must supply evidence of a non-occupational injury or illness that causes loss of time at work, duties performed, and income. Every insurance policy in Ontario must explain the criteria for establishing disability and the terms under which payments will be made. In Ontario, occupational injuries, for example, are generally covered by Workers' Compensation payments.

## Q: What benefits can be expected?

**A:** Two categories exist for compensation:

- *Short-term disability* covers a temporary inability to perform your job. Policies vary, but most plans have a 17-week benefit period, and pay taxable benefits equivalent to a certain percentage of your pre-disability salary.

- *Long-term disability* covers the employee for a prolonged period, or permanently. The most common benefit period is to age 65 maximum.

## Q: Who pays the premiums for group disability insurance?

**A:** Policy terms are categorized as either “contributory” in which members pay part, or all, of the premiums, or “non-contributory” where the policyowner pays 100 percent. It's worth noting that if an employer pays any portion of the premium, the benefits are taxable.

## Q: Who do I contact for questions?

**A:** Your company's human resources department or benefits administrator can answer questions about your plan.

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# Tips on critical illness insurance

(NC)—Critical illness insurance provides a lump-sum payment should you become seriously ill with an illness or disease like cancer, heart attack, stroke, multiple sclerosis, or paralysis. The exact amount of the insurance payment varies from policy to policy and the terms depend on the degree, or the severity of the illness or disease.

Critical illness insurance is not the same as long-term care insurance, or disability insurance. Long-term care policies generally reimburse to a specified limit, the expenses for care due to a chronic illness, disabling condition, or cognitive impairment. Disability insurance replaces income on a monthly basis if an insured illness or accident prevents the ability to work.

Critical illness insurance provides a financial safety net, particularly for high-risk individuals, but it cannot be purchased for pre-existing conditions.

Before purchasing critical illness insurance, consumers should read the terms carefully and get answers to all questions, says the Financial Services Commission of Ontario. FSCO is the regulator of the provincial insurance industry and offers a guideline on this topic. Highlights from the guideline include:

- Before buying critical illness insurance, consider the benefits that may already be available to you through other policies, such as life and health insurance, on a group or individual basis. Be aware that private or supplementary health insurance plans have coverage limitations.
- If you die for a reason not covered by the critical illness policy, the premiums you paid may be refunded to your named beneficiary. Some plans will return the premium, or a

portion of the premiums paid, if the policy matures and no claim has been paid.

- You are entitled to collect the entire benefit, even if you make a full recovery.

More information about this and other financial service topics is available online at [www.fSCO.gov.on.ca](http://www.fSCO.gov.on.ca). Look for the publication *Understanding Critical Illness Insurance* in the *Consumer Brochures* section.

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