

Disability Provisions and Their Impact

CRA Changes Withholding Tax Process for Taxable Disability Plans

Currently, the Canada Revenue Agency (CRA) allows taxes to be paid with the filing of a claimant's annual income tax return; tax deductions do not need to be taken from disability benefit payments when they are issued. Effective January 1, 2015, the CRA will require insurance carriers to deduct and remit federal and provincial income tax from all taxable disability benefit payments as they are issued to claimants throughout the year. This change applies only to insured Short Term Disability and Long Term Disability plans that are taxable. Existing claimants will be notified of this change by their insurance carrier prior to the change, while new claimants will see this change implemented immediately.

Pre-Existing Conditions Clause – How It Impacts Your Employees

Most Long Term Disability benefits include a pre-existing conditions clause. This stipulates that benefits are not payable for disabilities related to a pre-existing condition which causes disability within a certain time period from the commencement of insurance under the benefit, usually the first 12 months of insurance under the benefit. A pre-existing condition is any injury or illness (whether diagnosed or not) for which an employee was treated or attended by a physician, or for which drugs were prescribed, within a certain time period (usually 3 or 6 months) prior to the date the employee's insurance under the benefit became effective. It is important that employees understand the provisions that impact the assessment of their claims.



Coordination of Worker's Compensation with STD and LTD

If an employee experiences a work-related injury that results in their inability to work for a period of time, and income replacement benefits are payable through Worker's Compensation, it is important to still submit a claim for disability benefits through your group disability plan as soon as possible. Although initially there may not be any STD or LTD benefits payable due to offset provisions, there are time limitations for submission of disability claims as well as life waiver claims which could be at risk if submission is delayed.