



# Long-Term Disability Insurance - Chapter 3-4

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## 1. Introduction

Long-term disability insurance, (LTD), is part of the Public Service Management Insurance Plan (PSMIP). It provides Public Service employees excluded from collective bargaining, and who are members of the plan, with monthly income benefits to replace a substantial portion of earnings lost as a result of extended periods of total disability.

## 2. Authorities

### 2.1 Legislative and regulatory

- Financial Administration Act;
- Public Service Management Insurance Directives made by TB 81500 of November 1, 1990, as amended from time to time (Appendix A to Chapter 1-1, Insurance and Related Benefits Volume of the TBM).

### 2.2 Administration

The administration of the LTD is the same as for the PSMIP (See Chapter 1-1, paragraph 2.2 of this volume).

## 3. General provisions

The LTD plan supplements other disability benefits payable under such plans as the *Public Service Superannuation Act* (PSSA), the *Government Employees Compensation Act*, the Canada Pension Plan and the Quebec Pension Plan, to assure a reasonable level of income during periods of long-term disability.

The cost of the plan is shared by the employee and by the government as employer.

## 4. Specific provisions

Note: As LTD insurance is one portion of the larger PSMIP, the following must be read in conjunction with Chapter 1-1 of this volume, "Public Service Management Insurance Plan". Except as noted below, the basic provisions of the PSMIP in matters such as eligibility apply to LTD.

### 4.1 Eligibility

The eligibility requirements for LTD and the exceptions are the same as for the other portions of the PSMIP. (See Paragraph 4.1 of Chapter 1-1 of this Volume.) However, the following persons who are eligible for the other portions of the plan are not eligible to carry LTD insurance:

- judges under the *Judges Act*; and
- employees who have attained the age of 64 years, 9 months.

### 4.2 Optional and compulsory coverage

#### 4.2.1 Optional

LTD membership is optional for persons who were eligible to join the PSMIP or the Disability Insurance (DI) Plan before the applicable effective date (September 1, 1982 for part-time employees and November 1, 1970 for all other employees) and have remained continuously employed since that date. Persons who did not join LTD or the DI Plan within two months of becoming eligible to apply must submit a Statement of Health acceptable to the Insurer in order to have coverage.

#### 4.2.2 Compulsory

LTD insurance is compulsory for all persons eligible to join the PSMIP who entered the Public Service on or after the applicable effective dates specified in paragraph 4.2.1 above.

#### 4.2.3 Other employers

Employees of any board, commission, corporation or other portion of the Public Service of Canada specified in Parts I and II of the Public Service Management Insurance Directives are eligible to join LTD insurance on the dates specified in the Directives.

### 4.3 Effective date of coverage and premiums

### 4.3.1 Eligible employees with an option

In cases where an acceptable Statement of Health is required, coverage and premiums begin on the first day of the month following the month in which application is received by Personnel, provided that the Statement of Health is accepted by the Insurer.

### 4.3.2 Eligible employees with compulsory insurance

Coverage for compulsory LTD members commences on the date of eligibility under the PSMIP. Premiums will only be payable from the first day of the month following the date coverage commences.

LTD insurance may only be cancelled by those persons who were members before November 1, 1970; for all others, cancellation is not permitted.

A member insured for LTD who ceases to be eligible because he or she is appointed to duties which are not managerial or confidential may retain his or her membership in LTD. If a member in this situation should decide to switch his or her membership to the DI Plan, he or she must simultaneously cancel all optional insurance under the PSMIP.

Coverage continues until age 65, but contributions cease at age 64 years, 9 months.

### 4.3.3 Level of insurance and cost of coverage

Contributions and benefits for LTD insurance are based on the member's current salary, the definition of which is the same as that used under the Supplementary Death Benefit Plan. If that salary is a multiple of \$250, contributions and benefits are based on that salary; if it is not a multiple of \$250, they are based on the next highest multiple of \$250. This is known as the "adjusted salary".

#### 4.3.3.1 Part-time employees

For a part-time employee, as defined in paragraph 3.2 of Chapter 1-1 of this volume, the "adjusted salary" is determined by reducing the full-time salary for his or her occupational group and level in proportion to the relationship his or her assigned hours of work bear to the normally-scheduled full-time hours of work for that group.

e.g., Insured Salary =

Assigned Hours Multiplied By Full-Time Salary

Full-Time Hours

If this amount is not a multiple of \$250, it is rounded to the next highest multiple of \$250.

#### 4.3.3.2 Premium Rate

The current premium rate is \$0.83 per month for each \$1,000 of the adjusted annual salary of which the member pays \$0.124 and the government, as employer, pays the remainder.

#### 4.3.3.3 Retroactive salary increases

Effective March 1, 1993, "insured salary" includes retroactive increases in salary when they are authorized after the date on which disability benefits became payable, provided the effective date of the increase is prior to the date of entitlement to benefits.

### 4.3.4 Leave without pay

A member's coverage continues during all periods of leave without pay and premiums are collected from salary on return to duty. Only the employee's share of the LTD premium is required where the leave without pay is due to:

1. illness;
2. maternity reasons;
3. paternal responsibilities for the purpose of caring for the member's child;
4. parental responsibilities for the purpose of caring for a child for which the member accepts custody for adoption;
5. personal needs for a period not exceeding three months when the leave was approved by the appropriate authority as leave for personal needs;
6. service in the Armed Forces;
7. educational leave in respect of which the member would pay single contributions under the PSSA; or
8. service with a federal Royal Commission, board or agency that is an agent of Her Majesty in Right of Canada.

Subsections .2, .3 and .4 above only apply to those members who are entitled to leave without pay for family responsibilities related to paternity, adoption and other personal needs. (Chapter 1-5, Compensation Volume 8, TBM).

In all other leave-without-pay situations, the member must pay both the employee's and the employer's share of premiums. However, all premiums are waived in cases of leave without pay during any period where a member is or becomes eligible for

LTD benefits. In any case where an employee is paid for part of a month, whether or not the employee is on leave without pay for the remainder of the month, only the employee's share is payable for that month, regardless of the reasons for leave.

#### **4.3.5 Administrative errors affecting premium deductions**

Where it is discovered that, as a result of administrative error, premium deductions are not being made from an employee's salary, the proper deductions should be commenced immediately. The paying office should also be instructed to pick up retroactive deductions back to January 1 of the year in which the error is discovered, or the date on which deductions should have commenced, whichever date is more recent. The retroactive deductions should be made over a period equal to the period for which collection is being made, that is by "doubling up" for as long as necessary.

#### **4.4 Level of benefit and offset of other disability benefits**

Effective September 1, 1979, the level of benefit is 70% of adjusted salary with total offset of other disability benefits paid in respect of the same disability, such as those payable under the Canada or Quebec Pension Plans, the PSSA, or benefits under the Government Employees Compensation Act or similar provincial or federal legislation.

Benefits to all employees who became disabled prior to September 1, 1979, are subject to annual increases to a maximum of 2%. Benefits to employees who became disabled on or after September 1, 1979, are subject to annual increases to a maximum of 3%.

#### **4.5 Definition of disability**

Benefits are payable for up to 24 months in respect of any medically-determinable physical or mental impairment which a) results in the withdrawal of any mandatory licence required by the employee to carry out his or her occupation or employment, or b) renders the employee completely incapable of performing substantially all of the essential duties of his or her occupation or employment.

Benefits will continue to be paid, after the 24-month period referred to above, as long as the totally disabling condition prevents the employee from earning more than 66 2/3% of the current annual rate of remuneration for the occupation of the employee or the position held by the employee immediately prior to the date he or she became totally disabled. However, an employee who engages in an occupation or business, except as provided in the Rehabilitation provision of the Long-term Disability Benefit, will be deemed not to be totally disabled. In no case are benefits payable beyond age 65.

It is important for personnel officers to remember, and to remind potential claimants, that in order to be eligible for benefits under LTD, a claimant must satisfy the Insurer's medical consultants, on the basis of concrete medical evidence, that he or she is totally disabled within the exact meaning set out in the plan.

If, for example, an employee's retirement on grounds of disability has been approved by Health Canada, or if the employee has been ruled eligible for benefits under the Canada or Quebec Pension Plan, this may provide useful additional information to the Insurer, but does not alter the fact that the employee's condition must still be shown to be one of total disability as defined in the plan. Similarly, where an employee is involuntarily released for cause under paragraph 11(2)(f) of the *Financial Administration Act* (FAA) as amended by the *Public Service Reform Act*, the employee should be made to understand clearly that this does not mean he or she will automatically be eligible for LTD benefits. "Incapacity" for the purposes of the PSEA can be quite different from "total disability" for the purposes of LTD, and personnel officers and claimants should govern their expectations accordingly.

#### **4.6 Commencement of benefits**

LTD benefits become payable after 13 weeks of disability, or after the member's paid sick leave is exhausted, whichever is later.

#### **4.7 Earnings from rehabilitation programs**

While in receipt of benefits, an employee may engage in a Rehabilitation Program, which means a program of vocational training or a period of work for the purpose of rehabilitation, either of which is approved in writing by the Insurer. Depending on the circumstances, the employee may be able to engage in such a program for up to 24 months without losing his/her qualification for benefits. Monthly benefits will not be reduced by any earnings received from the program, with one exception. The employee's total income while working together with any benefits received under this Plan, must not exceed 100 per cent of the current salary for the occupation of the employee or the position held by the employee immediately prior to the date he or she became totally disabled. Please note that benefits would be offset by 100 per cent of any earnings from employment not approved by the Insurer as rehabilitative.

The Insurer may pay the expenses incurred by an employee, other than usual employment expenses, which are associated with an approved rehabilitation program, provided the expenses have been approved, in writing, by the Insurer prior to being incurred.

#### **4.8 Pre-existing conditions**

Under the provisions of LTD, no benefits are payable in respect of a disability resulting from any illness or condition which existed at the commencement of an employee's insurance.

This limitation is waived once an employee has completed a period of 13 continuous weeks of active employment while insured, with no absence due to illness, during which the employee did not receive any medically required services for the disabling condition. This limitation is waived after the employee has been a member of the plan for 12 months, provided that the disability does not commence during that time.

## 4.9 Claims

### 4.9.1 Claims procedure

The Insurer wishes to make prompt and proper payment of any benefits to which an employee is entitled. If the employee is totally disabled and thinks the disability will last long enough to qualify for benefits, the employee should notify his or her personnel office as soon as possible. The personnel office will provide a claim form and a form for the doctor to complete (Attending Physician's Statement of Disability). It will be the employee's responsibility to complete Part I of the claim form and to arrange for the completion of the Attending Physician's Statement. It is important for both the employee and the doctor to complete these statements as clearly and completely as possible. If the employee or the doctor wish to add extra information to help explain the case, this is perfectly acceptable.

Claims for benefits are adjudicated by Industrial Alliance on the basis of all, and only, the objective medical evidence provided on the claimant's condition. To substantiate a claim, the medical information provided must be sufficiently complete, and supported to the fullest extent possible by objective test results and clinical findings, so that an independent physician, possessed of the appropriate medical qualifications, would, on the basis of that information, be able to arrive at a diagnosis of total disability for the claimant's own job.

Accordingly, the employee should ask the doctor to provide a full, well-documented report that clearly shows the objective medical evidence supporting his or her diagnosis and prognosis. If more than one doctor is involved in the assessment or treatment of the employee's disabling condition, all doctors should supply the Insurer with full medical reports. The onus is ultimately on the claimant to provide the Insurer with sufficient medical proof of total disability. It is important to note that any omissions or unclear statements could result in a delay in settling a claim.

The completed forms should be returned to the personnel office, which is responsible for completing Part 2 of the claim form and passing the claim on for processing. (If the employee wishes, however, the Attending Physician's Statement can be detached and mailed directly to Industrial Alliance. It is the employee's responsibility to follow-up with his or her physician to ensure that the medical report is completed by the doctor in a timely manner and reaches Industrial Alliance without delay.) All of this should be done within 90 calendar days of the date the employee becomes totally disabled.

The Insurer has the right to request additional medical information from the claimant's doctors as often as may be reasonably required. In addition to these supplementary reports, the Insurer frequently uses independent medical consultants to provide the necessary additional objective medical evidence. This is often the only objective way the Insurer has to assess, or monitor the course of, a disability, to ensure that benefits are not paid to persons who are not eligible or who have recovered to the point where they no longer qualify.

### 4.9.2 Review procedure

If a claimant does not agree with the decision given by the Insurer in connection with a claim for benefits, his or her case may be put forward for a review by the Board of Trustees. The Board has power only to make recommendations to the Insurer and cannot overrule decisions the Insurer has made. However, the Insurer supports the principle of such a review procedure and has given its full cooperation in all respects. If a claimant wishes to have his or her case reviewed by the Board of Trustees, the claimant should give all of the details of the case to the personnel office, or write directly to:

The Secretary  
Board of Trustees  
Public Service Management Insurance Plan  
Treasury Board Secretariat  
5th Floor, West Tower  
L'Esplanade Laurier  
Ottawa, Ontario  
K1A 0R5

## 5. General information

The general information contained in Chapter 1-1 of this volume, "Public Service Management Insurance Plan", concerning the role of the Board of Trustees (including the review of individual cases), the detailed administration of the plan, applications for coverage and claims for benefits, applies to LTD.

## 6. References

This chapter replaces chapter 3-2 of PMM volume 16.

## 7. Enquiries

Enquiries about the policy should be directed to the responsible officers in departments headquarters, who in turn, may seek interpretation from the following:

Income Protection Policies Group  
Pensions and Benefits Division  
Human Resources Policy Branch  
Treasury Board Secretariat  
Ottawa, Ontario  
K1A 0R5

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## Appendix A - Long-Term Disability Insurance for Part-Time Employees

### 1. Purpose

The purpose of this Appendix is to consolidate the basic terms of participation for eligible part-time employees under the Long-term disability (LTD) insurance portion of the Public Service Management Insurance Plan (PSMIP).

### 2. Policy

#### 2.1 Overview

Effective September 1, 1982, all part-time employees excluded from the collective bargaining process who are assigned to work more than one-third of the normally-scheduled full-time hours of work for their occupational groups, and who meet all of the normal membership requirements of the PSMIP, are eligible to participate in both the LTD portion and the optional insurance portions of the plan. The coverage of part-time employees who join the plan is proportionate to the coverage of full-time members, and the terms and conditions of participation are, apart from the few exceptions noted below, essentially the same for both groups.

The terms of participation for part-time employees under the LTD portion of the plan are consistent with those applied to represented part-time employees under the Disability Insurance (DI) Plan.

#### 2.2 Eligibility

A part-time employee's assigned hours of work, and not the actual hours worked, determine his or her eligibility, premium rate and level of insurance under the LTD portion of the PSMIP. Therefore, it is essential that departments ensure that the hours of work formally assigned to a part-time employee are as close as possible to the current average of the hours he or she actually works. Whatever period is chosen to average the actual hours of work, it should be, in each case, a fair and reasonable one, given the nature of the work and the normality of the conditions prevailing during that time. If a part-time employee belongs to an occupational group for which there are no normally-scheduled full-time hours of work, departments can use as the standard full-time hours for prorating purposes the full-time hours of work most common within the department or to occupational groups within its employ engaged in work of a similar nature.

A part-time employee assigned to work one-third or less of the normally-scheduled full-time hours of work for his or her occupational group is not eligible to join the plan.

A part-time employee assigned to work thirty or more hours a week, that is, a person eligible to contribute to the Public Service Superannuation Account, is eligible to participate in the plan on exactly the same basis as a full-time employee.

A part-time employee assigned to work more than one-third of the normally-scheduled full-time hours of work for his or her occupational group, but less than thirty, is eligible to participate in the plan under the special terms and conditions applicable to "eligible part-time employees". The inclusion of this group of employees in the plan makes the scope of the plan's eligibility requirements fully consistent with the definition of "employee" in the *Public Service Staff Relations Act* and the *Public Service Employment Act*.

Of course, those part-time employees described in the above paragraph must also satisfy the normal conditions concerning duration of employment as set out in section 4 of Chapter 1-1 of this volume, that is, those conditions applied to full-time employees, in order to be eligible to join. One example of the application of these conditions is that part-time employees appointed for terms of six months or less will only become eligible when they have completed six months' service.

#### 2.3 Optional membership

All part-time employees who satisfied the conditions of membership in the plan as part-time employees on August 31, 1982, must apply if they wish to join the LTD portion of the plan. Applications received by personnel offices on or after December 1, 1982, must be accompanied by a completed Statement of Health.

If a part-time employee in this situation was previously eligible as a full-time employee to join the DI Plan or LTD on an optional basis, chose not to do so, has been continuously employed in the Public Service ever since, and now chooses to apply for LTD membership, his or her application will be considered to be a late one and evidence of insurability satisfactory to the Insurer will be required before the application is accepted.

## **2.4 Compulsory membership**

For all part-time employees who become eligible to join the PSMIP on or after September 1, 1982, membership is compulsory in the LTD portion of the plan with effect from the date they first become eligible.

For part-time employees on strength in the Public Service on August 31, 1982, who were not eligible to join the PSMIP on that date, because, for example, they were in the middle of a term of six months' duration or less, or were assigned to work one-third or less of the normally-scheduled full-time hours for their occupational group, membership is compulsory in the LTD portion of the plan from the date they first become eligible. If they were previously eligible as full-time employees to join the DI Plan or LTD, chose not to do so, and were continuously employed in the Public Service until becoming eligible once again as part-time employees, they must apply if they now wish to join LTD, in accordance with the procedure described in the last paragraph of the preceding subsection.

## **2.5 Level of coverage**

A part-time employee's LTD premiums and benefits are based on his or her "adjusted salary". A part-time employee's adjusted salary is determined by reducing the full-time salary for the employee's group and level in proportion to the relationship his or her assigned hours of work bear to the normally-scheduled full-time hours of work for that group. If this amount is not a multiple of \$250, it is rounded to the next highest multiple of \$250.

## **2.6 Effective date of coverage and premium deductions**

For a part-time employee compulsorily enrolled in the LTD portion of the plan, coverage is effective on the day the employee first becomes eligible to join the plan, and premiums are deducted effective the first day of the following month.

For a part-time employee with an option, premiums will be deducted effective the first of the month following receipt by the personnel office of the application, and coverage is effective that same day subject to acceptance by the Insurer.

In any case where an employee is absent from work on sick leave or on leave without pay for any reason on the date coverage would otherwise become effective, insurance is deferred until the employee returns to active duty, and premiums are deducted effective the first of the following month.

## **2.7 Movement from full-time to part-time employment**

When a member of the LTD portion of the plan who was assigned to work thirty or more hours a week is subsequently assigned to work more than a third of regular full-time hours but less than thirty hours per week, the terms of the member's participation in LTD will be automatically adjusted to those applicable to eligible part-time employees, and vice versa when the movement is from part-time to full-time employment.

## **2.8 Other conditions**

Part-time employees participate in the LTD portion of the plan on the same basis as full-time employees for the purposes of all provisions of the LTD portion of the plan, apart from the few exceptions noted above. For example, a part-time employee who works each and every hour he or she is assigned to work will satisfy the "actively at work" requirements of the plan in respect of the thirteen-week qualifying period related to pre-existing conditions and in respect of the intervening period between successive periods of disability.

## **3. Special administrative procedures**

The administrative procedures related to the enrolment of part-time employees in the LTD portion of the PSMIP and the processing of their claim forms are outlined in the Insurance Administration Manual and related bulletins issued by the Compensation Directorate, Government Services Canada.