

The Purpose of a Benefit Eligibility Waiting Period For New Employees

Most if not all group benefit plans require new employees to satisfy a waiting period before becoming eligible for benefits. Firms can waive the waiting period for employees and often do if they wish to hire a key employee who is coming from a firm with benefits and doesn't wish to have a lapse in their coverage. Firms will also do this for people who are employed in a contract or part time position and then hired as a full-time employee. I quite often see waiting periods getting waived when a business owner hires a family member.

Insurance companies require a letter of direction to accompany the application of an employee who is having their waiting period waived.

The length of the waiting period is commonly tied to an employer's probationary period. The most popular waiting period with most of my firm clients is 3 months. The duration of the waiting period can vary from one benefit to another just as it can vary from one employer to another, but in most cases all coverages go into effect on the same date.

Other waiting periods used are 6 and 12 months. Firms who have higher than usual employee turnovers, such as the trucking and hotel industries regularly choose these longer waiting periods.

The main purpose of a waiting period is because it helps to minimize unnecessary recordkeeping and administrative expenses. And too, it eliminates higher claim costs that are associated with employees who are only employed for short periods of time.

It's very important to submit a new employee's application for benefits on or before the end of the waiting period, otherwise they will be considered Late Entrants and be required to provide medical evidence for themselves and their family members for all and any coverage. And believe me, you don't want to go there!