

February 01, 2012

**Benefit Facts Article** by Brian Bulger

### **An Employer's Obligation to their Employees**

Once an employer has a benefit plan in place for their firm they are **obligated** to inform their insurer whenever their employee's earnings change. The purpose of keeping employee's earnings current is to ensure that their disability coverage stays current. Failure to do so could be a costly mistake for any employer, because if an employee becomes disabled and they receive less disability income than what they are eligible for, the employer could be held responsible by the employee for the shortfall.

In January of every year, the Administrators of the Chambers of Commerce Group Insurance Plan mail a form called the Annual Firm Update to each and every firm who is insured on the Plan. The form provides a list of all of the employees who participate in a firm's benefit plan as well as each person's gross monthly earnings. It also shows the dates of birth of each participant, asks if there has been any changes to anyone's earnings and provides a place to show everyone's current earnings.

The reason this form is sent out in January each year is because many firms use December 31st as their year end. Therefore, for many employees January is a time for raises and other income adjustments.

Most other group benefit insurers use the annual renewal date of their firm clients group plan to remind clients to update their employee's earnings.

As an increase in income will provide a higher level of disability coverage, many employees will be asked to provide medical evidence for proof of their good health. It's typical for an insurance company to request eligible employees to complete and submit health statements for underwriting. Additional questionnaires and a visit by a Nurse for further medical information may also be required.

Employees don't have to apply for the excess disability coverage if for some reason they don't wish to, as it's their choice. Not wanting to pay the additional premium cost or having a pre-existing health condition that would cause them to be declined the excess coverage are two reasons that come to mind why an employee may not want to apply.

A firm can and should notify their insurer of changes to the earnings of their employees right when they take place. And I further recommend to my firm clients to retain documents as proof of their actions.