

May 5, 2008

Benefit Facts

The Non-Evidence Maximum Benefit and What it Guarantees

The Non-Evidence Maximum (NEM) is the maximum limit of coverage available to employees within a group benefit plan without the need to provide medical evidence of insurability. It is a design of benefit plans that pertains to the Life and Disability coverages.

Many of the insurance companies who underwrite group insurance in Canada require firm clients to have a minimum of five or more employees in order to be eligible for a group benefit plan. All the participants of the policy may be guaranteed the Extended Health Coverage and Dental options chosen by the firm, regardless of any pre-existing medical conditions.

The guaranteed NEM an employee would have for Life insurance with a 5 - 9 person firm could be as much as \$150,000 and \$2,000 for their monthly Long Term Disability (LTD) coverage. Insurance companies will offer to increase a firm client's NEMs over time, however a firm can decline such an offer if they wish. The larger the firm the higher the NEM limits that are offered.

Many firms today "cap" their employee's life insurance coverage at \$25,000 to \$30,000, and when this happens the NEM for their Life insurance becomes an non-issue. The vast majority of insured firms today do not cap their LTD coverage and so it is with the disability coverage where the NEM can be a concern.

For example, if a firm had an LTD NEM of \$2,000, and the percentage payable to their disabled employees was 67% of gross monthly earnings, anyone earning \$3,000 per month or more would require to provide medical evidence of good health in order to acquire coverage for the excess LTD coverage; The amount over and above the guaranteed \$2,000. This can pose a real problem for the presidents, owners and other higher income earners if they cannot pass a medical.

And be aware that when a firm moves their benefit plan from one insurance company to another, the higher income earners may require to provide medical evidence for the excess Life and LTD coverage if the new insurer won't grandfather the present limits of coverage.

You should also know that there is a clause written into most group plans, that any amount paid by the employer to a disabled employee will be deducted from the amount paid in benefits by the insurer. So topping up an insured's disability benefit is technically not allowed. I don't doubt that a few Policyholders have ignored this clause by not telling their insurance company and risked the rare chance that their insurer may retain their right to audit the firm's payroll records.

The Chambers of Commerce Group Insurance Plan will insure firms with 1 - 50 employees. Their guaranteed NEM for firms with 3 - 4 employees is \$25,000 for Life and \$1,200 per month for the LTD. With 5 - 9 employee firms it's \$150,000 Life and \$2,000 for the LTD. Their NEMs are higher for larger firms.

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