

Benefit Facts Article by Brian Bulger - April 13, 2008

Short-Term Disability

For business owners and self employed people who require income right away, and who don't have other sources of immediate income, Short-Term Disability (STD) can help save the day.

STD insurance, often referred to as Weekly Indemnity (WI), is a group insurance benefit that offers replacement income for up to 104 weeks. The usual payment periods acquired are either for a maximum of 15 or 17 weeks. These particular periods are used to coincide with the maximum sick-leave period payable under Employment Insurance (EI). This is called EI integration.

The typical amounts payable to a disabled employee with STD range from 50% to 75% of gross weekly earnings. The most common is 60% to 66.67%. If a firm has WSIB it may be possible to set up their STD to pay only if employees become disabled away from work and reduce their insurance costs.

The definition of disability for STD is usually Any Occupation. In other words a person cannot be able to do "any" occupation due to their disability to be eligible.

Benefits can begin on the 1st, 8th, 15th, 31st and 61st day. The longer the waiting period, the lower the premiums will be. One of the more costly options would be a 1-8-17 week plan, meaning that the benefit payments begin on the first day of accident, the eighth day of sickness and continue for 17 weeks. A more popular option is 15-15; 15 day wait, payable for 15 weeks.

I find that most firms today do not include STD within their benefit plans. The simple reason a firm wouldn't, is because most employees are eligible for the sick-leave benefit through EI. After a two week waiting period EI will pay 55% of a disabled employee's weekly earnings, to a maximum of \$447 per week for 15 weeks.

A firm can decide on the maximum benefit that their STD will pay. It's important to consider, because a low maximum benefit will greatly affect the higher income earners in a firm. For example, if a plan is set up to pay 66.67% of weekly earnings with a maximum benefit of \$500, employees earning more than \$675 per week will have a shortfall in coverage.

If a firm has STD in place they can receive an EI rate reduction on their employer payment portion so long as their STD coverage matches or is better than the EI sick-leave benefit.

The most cost effective way to provide STD to employees is to use EI, and if necessary consider topping up the EI sick-leave payments for anyone who experiences a shortfall.