

Ancillary Benefits Waiver of Premium Portability & Conversion

Waiver of Premium

There are TWO types of Waiver of Premium

- 1) Long Term Disability Waiver
- 2) Life Insurance Waiver



CAUTION: Employers often hear that an employee qualifies for Waiver of Premium when they are approved for LTD, and mistakenly assume that that means that their Life Insurance premium has been approved for waiver – be sure to clarify which waiver has been approved

Disability Waiver of Premium

Long Term Disability Waiver of Premium ensures that coverage will continue for as long as an employee is entitled to receive monthly benefits – **quite simply, if LTD benefits are payable, LTD premium is waived.**

Due to lengthy elimination periods associated with long-term disability plans, which typically range from 90 to 180 days – and the potential for disability status to change during that timeframe, **premium for long-term disability income coverage must be paid through the elimination period.**

After the elimination period is satisfied, the carrier will automatically waive premium from the first day of the month following the date LTD benefit payments begin.

Waiver continues through the last day of the month following the last date of the employee's long-term disability income benefit payments.

Life Waiver is much more complicated!

To qualify for a waiver of premium on a life insurance policy, an employee must:

1

Satisfy the waiver elimination period stated in the policy AND be totally disabled from any occupation

2

Be under the age of 60* at the time of total disability

3

Continue to pay premium during the elimination period until the waiver is approved

**Age 60 is most common, but it is good practice to double check your policy*

Life Waiver of Premium

To qualify for a waiver of premium on a life insurance policy, an employee must:

- ✓ **Satisfy the waiver elimination period stated in the policy**

Look in your Policy for the Disability Elimination Period

- **Example:**

- The Disability Elimination Period is a **period of 6 consecutive months.**

Life Waiver of Premium

To qualify for a waiver of premium on a life insurance policy, an employee must:

✓ **Be totally disabled from any occupation**

LIFE Definition: Total Disability, Totally Disabled means that because of an Injury or Sickness You are completely and continuously unable to perform any work or engage in any occupation.



CAUTION: The Life Insurance Definition for Total Disability is stricter, and differs, from the LTD Definition of Total Disability. The LIFE DEFINITION is what matters for Life Waiver of Premium.

LTD Definition: Total Disability (EXAMPLE – DETAILS VARY DEPENDING ON PLAN)

- If You are Disabled and earning less than 20% of Your Basic Monthly Earnings, the Monthly Benefit while Disabled is the lesser of:
 - 66 2/3% of Your Basic Monthly Earnings, less Other Income Benefits; or the Maximum Monthly Benefit. The Maximum Monthly Benefit is \$7,500, less any Other Income Benefits.

Life Waiver of Premium

To qualify for a waiver of premium on a life insurance policy, an employee must:

- ✓ **Be under the age of 60* at the time of total disability**

If they are over 60, Life Waiver is not an option and Port/Convert must be offered.

**Age 60 is most common, but it is good practice to double check your policy*

Life Waiver of Premium

To qualify for a waiver of premium on a life insurance policy, an employee must:

- ✓ **Continue to pay premium during the elimination period until the waiver is approved**



Life Waiver will be denied if the life insurance premium was not paid during the elimination period, while the employee is on LTD waiting for Life Waiver approval.

Life Waiver of Premium – Port and Convert

OFFER PORT AND CONVERT

If your employee's coverage will not be continued under the policy while they are satisfying the waiver elimination period (for instance the employee has been terminated), they have 31 days from termination to convert or port their life insurance policy; otherwise, they risk losing coverage.

OFFER PORT AND CONVERT

If your employee's coverage does not qualify for Waiver of Premium, they have 31 days from the day they are notified that they don't qualify, to convert or port their life insurance policy; otherwise, they risk losing coverage.

OFFER PORT AND CONVERT

If your employee terminates employment, they have 31 days from the date of termination to convert or port their life insurance policy; otherwise, they risk losing coverage.



- ✓ Be sure to ask a LIFE claims specialist for help with Waiver of Premium for Life Insurance. Because Life Waiver comes up during an LTD claim, it is important to not ask the LTD claim specialist about Life Waiver.
- ✓ Be sure to have a LIFE claims specialist help count the duration of the waiver elimination period and also when and if Port/Convert should be offered – this is a black and white area and days must be counted correctly.

Questions?

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