The question of whether the benefits outweigh the cost of including both short- and long-term disability insurance in a company’s group benefits plan is a common one. Group disability insurance is important for a number of reasons but it carries with it a relatively high price tag. As a cost-saving measure, is it enough to provide your employees with just short- or long-term disability insurance? If so, which is most important?

**The Short of It**

Short-term disability (STD) insurance is the most commonly-used of the group benefit options next to Extended Healthcare, Dental and Vision benefits. And it’s no wonder. In 2010, more than 1 in 4 Canadian workers described their day-to-day lives as highly stressful. This goes far in explaining why mental health problems account for over three-quarters of short-term disability claims in Canada and cost employers about $20 billion annually.\(^1\)

The need, then, for STD Insurance is clear, particularly in light of the other options available to most working Canadians (though individuals have the option to purchase their own policies too):

- **Group STD** typically pays a benefit of approximately two-thirds of a person’s weekly income, and the benefit is non-taxable (assuming that the employee pays 100% of his or her own STD premiums).
- **Employment Insurance** pays a benefit of 55% of a person’s weekly income. The benefit amount is fully taxable, and cannot exceed $485 per week.
- **Workers Compensation** pays a substantial benefit of 90% of a person’s weekly income but a person might qualify only if he or she becomes disabled while working.

Outside of a relatively comprehensive personal disability insurance policy, then, group STD is the best option under most circumstances.

**The Long of It**

Group long-term disability (LTD) insurance provides for a continuation of disability benefits in cases where an employee’s disability extends past the maximum 17 week short-term disability benefit period. Though less frequently used than group STD insurance, its importance is indisputable. While group STD benefits typically terminate after a maximum of 17 weeks, group LTD benefits are usually payable (potentially) until a disabled employee reaches age 65 – which could amount to a benefit payment period of 40 years or more!

**The Long and the Short of It**

Group short- and long-term disability insurance benefits are really a perfect pair. When the one runs out, the other steps in for as long as needed (assuming that an employee continues to meet his or her group insurance carrier’s disability benefits criteria). If, though, the cost of providing both benefits to your employees is cost-prohibitive, the best option is to provide them with long-term disability insurance. Though the financial burden of their having a reduced income for 17 weeks might be challenging, the burden of having a reduced income for potentially the rest of their working lives could be financially devastating.

For more information, please call.

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