



Disability insurance

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Decide if you need disability insurance

Disability insurance can help protect you and your family from an unexpected illness or accident that leaves you unable to work and earn an income.

Generally, disability insurance replaces between 60% and 85% of your regular income, up to a maximum amount, for a specified time if you:

- temporarily can't work
- are permanently disabled due to an injury or illness

Permanent refers to the nature of the disability. It does not mean that you'll get benefits for the rest of your life.

Many employers offer disability insurance. However, you can get your own disability insurance plan through a life and health insurance agent.

If you're self-employed, you can also get disability insurance that will cover many of your business expenses if you're unable to work.

What to consider when buying disability insurance

If you're considering disability insurance, make sure you:

- check with your employer to see if you already have group disability coverage with your employer's plan
- shop around, especially if you're considering private disability insurance

Consider group insurance offered through a union, guild, or professional or alumni association. Premiums for this type of coverage usually increase as you get older. You'll need to renew your insurance every few years.

Short-term disability insurance

Short-term disability coverage typically provides benefits for up to 6 months while you're sick or injured.

If your employer has a short-term disability plan, your claim must be made through your disability plan. Employers aren't required to provide paid sick leave and each employer is different.

Speak with your employer's human resources staff for details on your plan including any sick time or vacation time policies that might apply.

If you don't have short-term disability coverage and your employer does not offer one, you may be eligible for Employment Insurance ([EI \(Employment Insurance\)](#)) sickness benefits.

To be eligible for [EI \(Employment Insurance\)](#) sickness benefits, you must:

- usually have used all of your sick leave
- have worked enough hours

[Find out if you're eligible for EI benefits.](#)

Long-term disability insurance

Long-term disability insurance benefits generally begin when the following benefits end:

- short-term disability insurance
- sick leave benefits from your employer
- EI benefits

Most long-term disability plans will replace 60% to 70% of your normal income.

Each disability plan is different. Some may provide disability benefits for up to two years if you're unable to return to the job you had before becoming disabled. After two years, you may continue to receive benefits only if you're unable to work at any job.

Definition of disability

The definition of a disability can vary between insurance companies. The definition can even vary between different insurance plans from the same company.

Some disability plans may also require you take part in a rehabilitation program if they can help you get back to work.

Check with your insurance plan administrator or insurance agent to learn your plan's definition of disability.

Any occupation

The definition of "any occupation" plan means you'll receive disability benefits only if you're unable to work at all. This means your illness or injury prevents you performing the duties of any job for which you're reasonably suited.

You don't qualify for benefits if you can work in a different job from the one you had before your disability, based on your training, experience and education.

Regular or own occupation

The definition of "regular or own occupation" plan means you'll receive benefits if you're unable to perform the main duties of the job you had at the time the disability started.

You'll still receive benefits even if you can work in a different job from the one you had before your disability, based on your training, experience and education. Some policies don't allow you to get benefits, or may reduce your benefits, if you begin working in a different job.

In group policies, it's common that policies have regular or own occupation plans for a specified period of time. At the end of the specified period of time, usually after the first 2 or 5 years, the disability policy will often change to the any occupation definition.

Own occupation plans that never change in definition are often purchased individually and usually cost more than any occupation plans.

You may want to consider an own occupation plan if you have a specialized occupation that would require you to take a significant pay cut in order to work in another field.

Other sources of disability benefits

You may also be eligible for benefits from the Canada Pension Plan ([CPP \(Canada Pension Plan\)](#)) and the Quebec Pension Plan ([QPP \(Quebec Pension Plan\)](#)) to add to your income when you're unable to work.

The [CPP \(Canada Pension Plan\)](#) disability benefit and [QPP \(Quebec Pension Plan\)](#) disability benefit are available to people who have contributed to those plans and aren't able to work regularly at any job because of a disability.

[Find out if you're eligible for the CPP disability benefit.](#)

[Find out if you're eligible for the QPP disability plan.](#)

Offsetting of benefits

Any benefits you receive from one insurance plan can offset income you get from another insurance plan.

If you have multiple insurance plans, your income while on disability will usually not be higher than 60% to 85% of your regular pay.

Many long-term disability insurance plans reduce your benefit amount as soon as you begin getting other sources of disability income.

Check with your insurance plan administrator or insurance agent to find out about how your plan manages offsetting of benefits.

Disability insurance benefits and taxes

Generally, if you pay the entire amount of the disability premium yourself, your disability benefits will be tax-free. This may bring your income while on disability closer to your current take-home pay.

If your employer pays all or part of the disability premium, your disability benefits will be subject to income taxes.

[Find out if you're eligible for tax credits or deductions for persons with disability.](#)

What to ask when buying disability insurance

When buying disability insurance make sure you understand the following. Ask your benefits administrator or insurance agent about anything you don't understand.

General terms and conditions

- How the plan defines disability
- Are there any exclusions
- Are there any pre-existing condition clauses in the plan that you should be aware of

Premiums

- How much the policy will cost
- Do you still need to make premium payments while living with a disability

Benefits

- the amount of money you'll get each month
- Are the benefits taxable
- Will benefits be adjusted for inflation
- How long you need to wait before starting to receive benefits
- Does the plan include partial disability benefits
- Can you increase your coverage without a medical exam

Individual plans

- Is the policy “guaranteed renewable” meaning you have the right to renew the policy, usually without additional evidence

Group plans

- Is your group plan provided by an insurance company or is it self-funded by the employer
- Will you still get benefits from a self-funded plan if the employer goes bankrupt or faces financial difficulty
- If you leave your job, are there provisions to continue your existing coverage until you get new coverage

[Read the Canadian Life and Health Insurance Association's Guide to Disability Insurance for more details.](#)

Related links

- [Living with a disability.](#)
- [Getting an insurance policy.](#)
- [Determining your insurance needs](#)
- [Health insurance](#)

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