



Guideline G3

GROUP LIFE AND GROUP HEALTH INSURANCE

This Guideline has been approved by the Board of Directors of the Canadian Life and Health Insurance Association Inc. (CLHIA). Member Companies are expected to adopt this CLHIA Guideline having regard to the company's structure, products and business processes, including distribution channels. Member Companies are urged to incorporate this Guideline into the company's ongoing compliance program.

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1. INTRODUCTION

Group life and group health insurance is purchased by Group Policyholders on a voluntary basis for their Plan Members, and assists in providing the Plan Members and their eligible dependents with protection for both planned and unexpected life events.

In the event of any conflict between the provisions of this Guideline and any applicable law, the law takes precedence over this Guideline to the extent of the conflict.

2. PURPOSE

This Guideline is intended to help ensure consistent practices amongst member companies in the administration of a Group Insurance contract in regard to the following:

- a) group insurance plan description for Plan Members;
- b) life insurance conversion privilege;
- c) continuation of a disabled Plan Member's life insurance or disability income insurance;
- d) change of insurer; and
- e) coordination with cost-of-living adjustments in government plans.

3. SCOPE

This Guideline applies to Group Life and Group Health Insurance (e.g., accidental death and dismemberment, disability, dental or drug coverage).

This Guideline does not apply to annuities, creditor's group insurance, personal accident and sickness insurance (including such insurance issued to the client base of a credit card issuer), and uninsured plans.

4. DEFINITIONS

In this Guideline,

- a) **"Disability Income Benefit"** means a benefit provided under a Group Insurance contract whereby the insurer will make periodic income replacement payments to a Plan Member insured under the contract in the event of his or her disability.
- b) **"Emergency"** means a sudden and unforeseen medical condition that requires immediate treatment. An emergency no longer exists when the evidence indicates

that no further treatment is required outside of the insured person's home province/territory or Canada or the insured person is able to return to their home province/territory for further treatment.

- c) **"Group Insurance"** means insurance under which the lives or health of a number of Plan Members are insured under a contract or contracts between an insurer and a Group Policyholder.
- d) **"Group Policyholder"** means a legal entity which enters into a contract of Group Insurance with an insurer in respect of Plan Members of a group.
- e) **"Life Waiver of Premium"** means a provision under a Group Insurance contract providing life coverage, whereby the insurer will waive the payment of premiums falling due for the life coverage with respect to the Plan Member, or any other person insured under the contract through the Plan Member, in the event of and during the period of disability of the Plan Member.
- f) **"Plan Member"** means the primary person insured under the Group Insurance plan, such as the employee, union member or association member, but does not include a person insured through the primary person.
- g) **"Replacing Contract"** means a contract of Group Insurance issued by the same or another insurer that:
 - is effective no later than 31 days after the termination of another Group Insurance contract (the 'Terminating Contract'),
 - insures the same group of Plan Members or part of the group of Plan Members as was insured under the Terminating Contract, and
 - includes one or more of the coverages, such as Group Life and Group Health Insurance (e.g., accidental death and dismemberment, disability, dental or drug coverage) that were included under the Terminating Contract.
- h) **"Terminating Contract"** means, where a Replacing Contract is issued, the contract of Group Insurance that was in place immediately before the Replacing Contract.
- i) **"Treatment, Treat, Treated"** means a procedure prescribed, performed or recommended by a physician for a medical condition. This includes but is not limited to prescribed medication, investigative testing and surgery.

5. GROUP INSURANCE PLAN DESCRIPTION FOR PLAN MEMBERS

An insurer should issue or arrange for issue to the Group Policyholder, for delivery to each Plan Member, a certificate or other document (e.g., plan description or booklet) in paper or electronic form that contains the following information:

- a) the name of the insurer and identification of the contract;

- b) the name of the Group Policyholder, and may include the division, subsidiary or affiliate of the Group Policyholder;
- c) the amount, or the method of determining the amount, of insurance on the Plan Member and on any other persons insured under the contract of Group Insurance through the Plan Member;
- d) a description of any exclusions or limitations;
- e) a clarification that the document is intended to summarize some of the contract provisions. In the event of a difference of wording from those of the contract, the contract will prevail, to the extent permitted by law;
- f) the circumstances in which the insurance terminates and the rights, if any, upon such termination, of the Plan Member and of any other person insured under the contract through the Plan Member;
- g) in a prominent position, words to the effect that the insurance information contained in the document is important and the document should be kept in a safe place;
- h) the procedure to be followed by a claimant in making a claim including:
 - i) to whom and where claims should be made;
 - ii) the time limit within which a claim must be made or within which a notice or proof of claim must be submitted;
 - iii) information about obtaining the form required for submission of a claim; and
 - iv) where and from whom the Plan Member may obtain more detailed information about the benefit or other provisions under the contract of Group Insurance which are relevant to the Plan Member.

6. LIFE INSURANCE CONVERSION PRIVILEGE

In Quebec, there is legislation describing the conditions under which a Plan Member may convert his or her group life insurance coverage to coverage on an individual basis for him- or herself and any other person insured under the contract through the Plan Member upon termination of the Group Insurance contract, or termination of membership in the Group Insurance contract, providing life coverage.

In the rest of Canada, the following applies:

- a) Every contract of Group Insurance providing life coverage shall provide that a Plan Member may, on or before attaining the age of 65 years, and without evidence of insurability, convert up to the least of:
 - i) the full amount of the terminated insurance on the Plan Member's life;

- ii) the amount of the insurance not replaced under any contract of group life coverage; and
- iii) \$200,000 in respect of all group life coverage on the Plan Member's life.

However, when a Plan Member chooses to convert an amount less than the full amount of terminated coverage, the insurer may apply its minimum issue amount.

- b) As a minimum, the insurer should offer conversion to an individual contract of term insurance for either a renewable period of one year or up to age 65. The insurer may also offer conversion to any other policy it chooses to make available for conversion, at the insurer's current individual insurance rates.
- c) If the group coverage was subject to evidence of insurability and an extra premium had been applied to the group premium, then a comparable extra premium may be applied to the individual contract issued as a result of conversion.
- d) Application for the individual contract must be made within 31 days after the date of termination of the Plan Member's life coverage under the contract of Group Insurance.
- e) A contract of Group Insurance that provides life coverage need not provide that the conversion privilege applies to reductions or termination of coverage which become effective at specified ages or upon a Plan Member's retirement, and which are stipulated in the contract of Group Insurance.
- f) The conversion privilege under this Guideline also applies to life coverage under a contract of Group Insurance in respect of a disabled Plan Member that is continued under a Life Waiver of Premium provision, including where a Plan Member recovers but does not return to work and therefore ceases to be a Plan Member. If there has been a change of insurer, the insurer which has continued the coverage under the Life Waiver of Premium should grant the conversion.

7. CONTINUATION OF A DISABLED PLAN MEMBER'S LIFE INSURANCE OR DISABILITY INCOME INSURANCE WHEN CONTRACT OR BENEFIT TERMINATES - WITHOUT REPLACING CONTRACT

To protect a disabled Plan Member from loss of life insurance or Disability Income Benefits:

- a) Every contract of Group Insurance with a Life Waiver of Premium provision should provide that, upon termination of the contract or benefit provision, the insurance on the life of a Plan Member who is disabled according to the definition of disability included in the contract of Group Insurance at the

time of the termination will be continued as though the contract or benefit provision were in full force and effect. This clause applies provided that the disability of the Plan Member is reported to the insurer not more than 180 days following commencement of disability or such longer continuous period as may be provided in the contract or under applicable law.

- b) Every contract of Group Insurance with a Disability Income Benefit should provide that, upon termination of the contract or benefit provision, the Disability Income Benefit of a Plan Member who is disabled according to the definition of disability included in the contract of Group Insurance at the time of its termination will be continued as though the contract or benefit provision were in full force and effect. This clause applies provided that the disability of the Plan Member is reported to the insurer not more than 180 days following commencement of disability or such longer continuous period as may be provided in the provision or under applicable law.
- c) In the case of short term disability, as provided in the contract, the insurer of the terminating contract should provide the Disability Income Benefit when the disability commenced before the termination of the Group Insurance contract or benefit provision and the disability recurs within a period of 14 days, or such longer period as may be provided in the contract, from when the Plan Member ceased to be disabled.

In the case of long term disability, as provided in the contract, the insurer of the terminating contract should provide the Disability Income Benefit when the disability commenced before the termination of the Group Insurance contract or benefit provision and the disability recurs within a period of 180 days, or such longer period as may be provided in the contract, from when the Plan Member ceased to be disabled.

- d) The insurer of the terminating contract should provide the Life Waiver of Premium where the disability commenced before the termination of the Group Insurance contract or benefit provision and the disability recurs within a period of 180 days, or such longer period as may be provided in the contract, from when the Plan Member ceased to be disabled.

8. CHANGE OF INSURER

A Plan Member should be protected from loss of insurance solely because the Group Policyholder has changed insurers, or because the Plan Member was not actively at work at the time of the change. This does not apply to any changes in coverage or benefits as a result of plan design changes reflected in the Replacing Contract made at the request or with the agreement of the Group Policyholder.

- (1) The Replacing Contract should provide that:
 - (a) Any Plan Member or any other person insured under the Terminating Contract through the Plan Member at the time of its termination:

- i) whose insurance under the Terminating Contract terminated solely by reason of its termination, and
 - ii) who is eligible for insurance under the terms of the Replacing Contract,

should be insured under the Replacing Contract, subject to the payment of premiums.
 - (b) The amount of insurance in respect of any Plan Member or any other person insured through the Plan Member under the Replacing Contract should be the lesser of:
 - i) the amount for which the Plan Member is eligible under the terms of the Replacing Contract, and
 - ii) the amount for which the Plan Member was insured under the Terminating Contract, including voluntary coverages.
 - (c) Insurance under the Replacing Contract in respect of any Plan Member or any other person insured under the contract through the Plan Member should become effective on the later of:
 - i) the date the Plan Member's insurance terminates under the Terminating Contract, and
 - ii) the date the Replacing Contract becomes effective.
 - (d) No Plan Member or any other person who was insured under the Terminating Contract through the Plan Member on its termination date should be ineligible under the Replacing Contract solely because the Plan Member was not actively at work on the effective date of the Replacing Contract.
- (2) Where any Plan Member who was insured under the Terminating Contract is not actively at work due to accident or sickness on the date of termination of the Terminating Contract, the following should apply:
- (a) A claim for Disability Income Benefit should be considered by the insurer of the Terminating Contract as if the contract had remained in force so long as notice of claim is submitted to it within the greater of 180 days or such longer continuous period as may be provided in the Terminating Contract or under applicable law, following the commencement of disability.
 - (b) With respect to a Group Insurance contract which includes a Life Waiver of Premium provision:
 - i) The claim for Life Waiver of Premium should be considered for acceptance by the insurer of the Terminating Contract as if the contract had remained in force so long as a notice of claim is submitted to it within the greater of 180 days or such longer

continuous period as may be provided in the Terminating Contract or under applicable law, following the commencement of disability.

- ii) Regardless of the cause of death, if the Plan Member dies during the Life Waiver of Premium waiting period or during the period in which a claim for Life Waiver of Premium could have been, but was not made, the insurer of the Terminating Contract should adjudicate the Life Waiver of Premium claim as if:

1. the Life Waiver of Premium waiting period has been satisfied, and
2. a claim for the Life Waiver of Premium has been made.

Therefore, if the other conditions of the Life Waiver of Premium provision have been satisfied, the insurer of the Terminating Contract is liable for the life insurance claim.

- (c) With respect to the Disability Income Benefit referenced in (a)(b), the insurer of the Replacing Contract may collect premiums until such time as the insurer of the Terminating Contract has made its claim decision. With respect to a Group Insurance contract which includes a Life Waiver of Premium provision as referenced above, the insurer of the Replacing Contract should collect premiums until such time as the insurer of the Terminating Contract has made its claim decision.
 - (d) The life insurance benefit should be provided by the insurer of the Replacing Contract on a premium paying basis under the following circumstances:
 - i) where the Terminating Contract is a contract of Group Insurance which does not include a Life Waiver of Premium provision, in respect of the Plan Member or any person insured under the contract; or
 - ii) where such Plan Member does not qualify for continuation of insurance under the Life Waiver of Premium provision in the Terminating Contract because of age, failure to meet the definition of disability or failure to submit a claim within the period required in (b) above.
 - (e) No Plan Member who is receiving benefits under the Terminating Contract may receive duplicate benefits under the Replacing Contract.
- (3) Travel health claims for losses incurred outside of Canada or outside of the home province of the Plan Member, or any other person insured under a contract of Group Insurance through the Plan Member and arising from an Emergency should be adjudicated by the insurer of the contract of Group Insurance in force on the date the Emergency occurred. Travel health

claims resulting from a follow-up related to an Emergency should also be adjudicated by the insurer of the contract of Group Insurance in force on the date the original Emergency occurred.

If there is a change in insurer during the Emergency, a travel health claim should be considered by the insurer of the Terminating Contract as if the contract had remained in force for the duration of the Emergency.

A Plan Member or any other person insured under a contract of Group Insurance through the Plan Member choosing to continue their trip and not return to their home province or territory following an Emergency, may no longer be insured for losses resulting from that Emergency.

- (4) An insurer should make a reasonable effort to determine whether a contract of Group Insurance it is proposing to issue is a Replacing Contract, and if so, what responsibilities it has under this Guideline or applicable law. As long as it does so, nothing in this Guideline prevents an insurer from withdrawing its contract of Group Insurance or revising its premiums if the insurer has been given incorrect information or has been misled with respect to amounts of coverage or other data pertinent to the insurer's risk.
- (5) In determining whether to issue a Replacing Contract, an insurer may require that satisfactory evidence of insurability be submitted in respect of any coverage. Where the insurer so requires, the Replacing Contract does not become effective until after the evidence of insurability required by the insurer of the Replacing Contract has been approved by it.
- (6) Nothing in this Guideline should prevent an insurer, upon agreement with the Group Policyholder, from issuing a Replacing Contract with different terms and conditions than the Terminating Contract. In particular, it is not necessary that the Replacing Contract ensures that there is no loss of coverage under all circumstances to any Plan Member or any other person covered under the Terminating Contract through the Plan Member.
- (7) Any or all of the benefits required to be paid by the insurer of the Terminating Contract pursuant to this Guideline may be provided instead by the insurer of the Replacing Contract. To the extent such provision is made in the Replacing Contract the insurer of the Terminating Contract is not liable to pay benefits.
- (8) Where any benefits are required to be paid by the insurer of the Terminating Contract, the insurer of the Replacing Contract is not liable to pay such benefits.

9. NON-PAPER TECHNOLOGIES

Where appropriate, the insurer may make available the use of technology (e.g., electronic signatures, applications, and other documents, voice recordings) as an alternative to documents in paper form.

10. COORDINATION WITH COST-OF-LIVING ADJUSTMENTS (COLA) IN GOVERNMENT PLANS

- 1) In this section, "**government sponsored plan or support program cost-of-living adjustment**" means an increase in the level of benefit under any government sponsored plan or support program to reflect an increase in the cost-of-living, as measured by the appropriate governmental agency, but does not include any change in the formula used to calculate the initial benefit level under any such plan.
- 2) Where the Disability Income Benefit does not have a COLA, the Disability Income Benefit payable should not be reduced because of a government sponsored plan or support program cost-of-living adjustment occurring after the date on which the Disability Income Benefit becomes payable.
- 3) Where the Disability Income Benefit does have a COLA, such Disability Income Benefit may be reduced by the lesser of:
 - a) The government sponsored plan or support program cost-of-living adjustment occurring after the date on which the Disability Income Benefit becomes payable under the contract of Group Insurance, and
 - b) The amount determined in (3)(a) multiplied by the percentage rate of the cost-of-living adjustment made under the contract of Group Insurance during the same time period divided by the percentage rate of the cost-of-living adjustment in the government sponsored plan or support program.