

Benefit Plan “Late Applicants” A Potential Liability for Businesses?

Here are the main points extracted from an Alberta Court Case where a firm was found responsible for NOT enrolling a new employee onto their group benefit plan. The full details of the court case can be viewed by copying the web link (bottom of the page) into your internet browser:

- On July 7 1998, a young employee started a job at a steel fabrication company in Alberta. His employment contract provided for a benefits package from an Insurance Provider. His waiting period to join the plan, however, was 90 days after commencing employment.
- The Group policy stated that an employee who becomes eligible for benefits must make an application for those benefits within 31 days of becoming eligible. Any applications after the 31 day waiting period would require that the employee submit evidence of his insurability.
- On February 23, 1999 the Group Enrollment form was completed by the employee, with his parents listed as the beneficiaries.
- The very next day, the 22 year-old employee died while on the job.
- The Group Enrollment form that was completed the day before had an incorrect employment start date on it. Based on that, the insurance company denied the initial life insurance claim for the parents of the employee on the basis that the employee did not complete the 3-month waiting period.
- Proof was provided that the employee did indeed start prior to the 3 month waiting period and a subsequent claim was made by the parents. The insurance company, however, denied the claim a second time as he was determined to be a late registrant under the terms of the plan and did not provide the required evidence of insurability.
- The parents of the employee sued the employer for negligence in failing to provide insurance coverage under an employment contract between the employer and the employee and demanded that the employer pay the benefits that would have otherwise flowed from the group policy. The total claim for damages amount was \$92,000.00.
- The employer claimed that the employee declined to apply for insurance coverage which disentitled him to coverage at the time of his death. The employer further claimed that it was the employee's sole decision as to whether or not he enrolled in the plan.
- What it boiled down to is that, even though the employer may have exercised due diligence in informing the employee of their options to join the plan, decline enrollment, or join as a late registrant, they could not prove, beyond a reasonable doubt, that they had done so. In the end, the judge decided to apportion the liability equally and the employer was ordered to pay half of the damages.

Web Link to Court Case Details:

<http://www.canlii.org/ab/cas/abqb/2006/2006abqb146.html>