

It is important to understand when an employee's benefit coverage will stop as a result of termination of employment. Under a standard group benefits contract, when an employee is permanently laid off, or let go, coverage ends on the last day worked, or the end of the statutory notice period, whichever is later.

Statutory Notice Period

The statutory notice period is the minimum notice an employer must provide to an employee upon termination. The notice period is legislated by federal, provincial and/or territorial employment standards and may differ based on the employee's length of service. An employer may ask the employee to work until the end of the statutory notice period or may terminate employment immediately and provide pay in lieu of notice. In both scenarios, the employee's benefits coverage will terminate at the end of the statutory notice period.

According to the Employment Standards Act of Ontario, an employee with more than 1 year of service, but less than 2 years, is entitled to 2 weeks notice. The employer is required to continue all benefits during this time, regardless of whether the employee is actively at work or receiving pay in lieu of notice.

Severance Agreements

An employer may wish to extend certain benefits beyond what is legislatively required, as part of a severance agreement. Note that not all benefits can be extended beyond the statutory notice period. For example short and long term disability, and in some cases, coverage for out-of-country emergency medical expenses will not be considered past the end of the statutory notice period.

Please note: approval by the insurance carrier must be obtained prior to presenting the severance package to the employee.

Employees Who Resign or Retire

When an employee resigns, coverage will typically terminate at midnight on their last date of work, and coverage may not be extended. If the employer chooses to provide pay in lieu of notice, benefits end on the last day of the notice period. Note: For benefit programs which include coverage for retirees, a plan member who retires is transferred to the new class.

If you are considering extending benefits as part of a severance package, beyond what is required by the Employment Standards Act, you must obtain approval from the insurer prior to making the offer to the employee.

* This is not a legal document, and is intended solely for informational purposes.