

## What is disability insurance?

Disability insurance (DI) may be purchased independently by your employee from an insurance company, provided through your employee's professional association or as a part of the group benefits you offer your employees. DI is a type of insurance that may entitle the insured to receive a certain level of income replacement if they are unable to work because of an illness or injury. DI can be short-term or long-term and, in some cases, you may be providing both types of coverage. One of the differences between short and long-term coverage is that payments for short-term disability benefits are made almost immediately after someone stops working because of a disability; while long-term disability benefits have a longer waiting period before payments start.

For more information about group benefits, refer to [\*\*A guide to supplementary health insurance\*\*](#)

For specific information about disability insurance, refer to [\*\*A guide to disability insurance\*\*](#)

If you suspect someone of committing disability benefits fraud or abusing their benefits plan, report it at [clhia.ca/antifraud](http://clhia.ca/antifraud)

## What is disability benefits fraud?

Disability benefits fraud generally occurs when you **intentionally** misrepresent your situation by concealing information or providing false or misleading information for the purposes of financial gain.

The following are some examples of plan sponsor disability fraud and other situations where there may be **direct intentional** misrepresentation or concealment of a material fact, medical, financial, and/or functional condition for financial gain.

### A plan sponsor that:

- Adds non-employees to their benefit plan to allow them to collect disability benefits.
- Creates a shell company for the purpose of administering benefits.
- Inflates their disabled employee's income to increase the employee's benefits.
- Moves the employee to a new employment category for the sole purpose of getting benefits, or better benefits.
- Backdates the date of employment to make an employee eligible for benefits.
- Hires someone for the sole purpose of providing benefits.
- Adds to their plan non-eligible employees that do not meet the definition of an employee (e.g. seasonal or part time).



## What are the potential implications of a plan sponsor committing disability fraud?

- The administrator can be reprimanded by the employer and/or their employment terminated.
- Premiums may increase and/or benefits may be reduced.
- The insurer may terminate the group plan/contract.
- An employee could sue their employer (falsely believing they have coverage, even if they do not).
- The employer could face civil or criminal repercussions.
- The employer could face reputational risk.

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## Plan sponsor disability fraud case study:

The example below was created for illustrative purposes only. It is not an actual case and is not meant to reflect all the actual steps taken in the adjudication or investigation of a disability claim.

Jane Doe, the human resources manager/benefit plan administrator at Acme Warehouse and Logistics, is dating someone who just bought a house. Jane is excited to be a part of this new chapter and hopes she will be invited to move in! The problem is the cost of the renovations to get the house ready is extremely high.

Over dinner one evening Jane is told how limited the budget was to complete the work.

Jane came up with a brilliant idea. What if she was to create a fake employee, put them on payroll, and add them to the benefits plan at her work so she could fabricate a disability claim? Her employer would not be financially responsible because the insurer would pay the disability benefits. The benefits would be directly deposited into Jane's bank account and the funds would be used to pay for the renovations.

Genius, right?! Jane quickly puts her plan into action.

Things were going well until the insurance company received a tip from another Acme Warehouse and Logistics employee that Jane had fabricated an employee and enrolled them in the benefits plan. The insurance company launched an investigation, verifying the tip and obtaining solid evidence of fraudulent activities. When the insurer contacted Jane about their suspicions and evidence, Jane broke down confessing to the fraud. Jane was required to pay back the fraudulent payments and when her employer was informed, Jane's employment was immediately terminated.

Those renovations for the house just got more expensive!