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Notice of Ancillary Coverage Termination

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Due to the COVID-19 pandemic, many employers are being forced to terminate, lay-off and furlough employees. When employers exercise one of these options, it is important that they consider the ramifications to the former employees' ancillary benefits and take appropriate actions.

Employers that Offer Group Life Insurance Coverage

Where an employee is no longer employed, the employee's group life insurance coverage may end. Employers that have recently terminated, laid-off or furloughed employees may need to offer these former employees an option to convert the group term to an individual policy. This conversion option would allow an employee to continue life insurance on his or her own. Timing is important when converting a policy. Once terminated/laid-off/furloughed, employers must notify their former employees as soon as possible that they may be eligible to convert their coverage to an individual policy, as there may be a deadline to convert the coverage. Former employees should be directed to the plan's SPD or the certificate of life insurance coverage for deadlines, which may be quickly approaching depending on when the employees were terminated/laid-off or furloughed.

Employers that offer Voluntary Benefits

Employers may pay for voluntary benefits for their employees using either pre- or post-tax dollars deducted from employees' payroll. Employers should review their SPDs and/or employee handbooks regarding payment procedures for voluntary benefits. When employment ceases, so do employer contributions. Many times, former employees do not realize the employer has stopped paying. Employers that have recently terminated, laid-off or furloughed employees due to the COVID-19 pandemic should notify their former employees that they are no longer paying for their voluntary benefits. Further, employers should advise their former employees what steps they can take to continue coverage on their own.

If you have questions, please contact your account manager or account executive.