

# Small Business and Self-Employed Worker Insurance

Your **greatest strength** as a worker comes from your ability to **earn a living**. If you catch a cold or come down with the flu, you'll probably be back on your feet in a few days. But what if you became **disabled** due to an illness or injury? Would your financial resources carry you through? Would your **business survive** if you or one of your partners or key employees became disabled?

**Income replacement insurance is essential** for everyone who wants to ensure their financial health. People who lack access to a benefit plan or who simply want to increase their protection should take out coverage to protect themselves in the event of accident, sickness, disability or death.

A number of insurance companies offer their own type of coverage. To be able to compare the various products on the market, you should take the time to familiarize yourself with the **main features** of this type of insurance.

## What you need to know about small business and self-employed worker insurance:

- What it is
- How it is sold
- General
- Coverage
- Premiums
- Additional benefits

### What is it?

Generally speaking, insurance for self-employed workers and small businesses includes life and disability insurance, business expenses insurance as well as hospital, medical, paramedical and dental care coverage.

This type of insurance offers the **coverage and advantages** normally found in group plans, but it is purchased on an **individual basis**. It meets the needs of self-employed workers, owners of very small businesses and employees who do not have a benefit plan or who simply want to **increase their protection**.

### How is small business and self-employed worker insurance sold?

Insurance coverage for self-employed workers can be sold "**a la carte**," meaning that each product is sold separately, or the various types of coverage can be bundled into **plans** or **packages**.

This insurance can be individual, spouse, family, etc. It can be sold alone or paired with another type of coverage, such as life insurance.

If you would like more information about disability insurance coverage and insurance for self-employed workers, visit our [I'm Shopping for a Product](#) section.

### General

## Types of contracts

Three types of contracts exist on the market:

- **Noncancellable** contracts: the insurer cannot cancel this type of policy, even if there has been a change to the insured's employment or health status. The insurer cannot alter or add to the provisions nor can it increase premiums. This is the most expensive type of coverage.
- **Guaranteed renewal** contracts: the insurer cannot cancel this type of policy, even if there has been a change to the insured's employment or health status. The insurer cannot alter or add to the provisions; however the company reserves the right to revise rates and increase premiums for an entire employment class. It can therefore increase the premiums for all of the insureds in the same category, but it cannot do so for a single person.
- **Contracts that are renewable under certain conditions:** Premiums, provisions and the possibility of renewal are not guaranteed.

## Age

- The entry age for the **basic coverage** varies from company to company.
- The entry age for certain types of **additional benefits** may be more restricted than that for basic coverage.
- When the policy is established, double-check to see how the insurer determines the age of the insured. Insurers use one of two methods: Age can be based on the insured's age at the **last birthday**, or the insured's age at the **nearest birthday**.

## Coverage offered

Coverage varies from one insurer to another, but the main types of coverage include:

- Disability
- Overhead or business expenses insurance
- Life
- Accident
- Life and accident insurance for children
- Hospital, medical, and paramedical insurance
- Dental care insurance
- Vision care insurance

## Eligibility conditions

In addition to providing evidence of insurability that is satisfactory to the insurer, applicants are sometimes required to meet other conditions to be eligible for certain types of coverage. For example:

- Number of hours worked per week
- The duration of work during the year
- Line of work

Generally speaking, insurers require that the insured person be covered by a provincial health care plan to be eligible for certain types of coverage, such as hospital or medical expenses.

## Duration of coverage

Find out when each of the different types of insurance coverage ends.

## Insurance coverage

### Disability benefits

If the insured person **becomes disabled**, the insurance company pays a monthly benefit. Here are some questions to ask:

- What is the **maximum amount** of insurance you can take out? For example, is it based on your work income or the amount of your insurance?
- Before **what age** must the disability occur for benefits to be paid?
- If you become disabled, up to what **age** can you expect to **receive benefits**?
- What is the definition of **disability**? Often two definitions are given, namely incapacity to occupy your current job and incapacity to occupy any job. Check how long each applies
- Does a **waiting period** apply before benefits are paid? If so, are benefits retroactive?
- Can your **benefits be cut** if you are also receiving benefits from a private or public health plan, or any other source, for the same disability?
- Do the premiums vary according to **line of work**?
- Are benefits payable if you **return to work on a gradual basis**?
- During a disability period, will you be eligible for a **waiver of premiums**? If so, until what age?
- Does a **waiting period** apply before the waiver of premiums comes into effect? If so, is the waiver retroactive?
- Does the **waiver of premiums** apply to all of the premiums payable under the contract?
- If you have taken out insurance coverage for other people (members of your family, for example), can premiums for this coverage be waived in the event of your death?
- If you have a **relapse** for the same cause or a related cause, does a new **waiting period apply**? If the relapse is considered a **recurrence** of the first event, how much time must elapse between the first event and the recurrence? Six months? Twelve months?
- In the case of a **partial disability**, are you eligible for benefits?

### Overhead or business expenses insurance

In the event of disability, overhead or business expenses insurance can provide **monthly benefits** to the **insured to cover any overhead** up to the insured amount.

- What is the **maximum amount** you can take out?
- If you become disabled, how will the amount of the **benefit be determined**? Based on the amount taken out or based on monthly business costs for a set period?
- What is the **maximum duration** of benefits?
- Are benefits payable if you **gradually return to work**?

### Life insurance

This coverage provides a lump-sum payment in the event of death.

- Are you **required to take out** life insurance to qualify for the other types of coverage? If so, what is the minimum required?
- What is the **maximum** insurance amount that you can take out for yourself and the other people you are insuring?
- When does the insurance terminate? Is it **renewable**? If so, **until what** age?
- Does the insurance include a [conversion privilege](#)?

Some companies offer the possibility of adding **critical illness insurance** at a reasonable price. Find out whether this option is available and under what conditions.

### Accident insurance

If you choose this option, you will receive a lump-sum benefit payment in the event of an accident. Remember to ask the following questions:

- Can you take out this insurance? If so, is it offered independent of life insurance?
- What types of coverage are offered? For example: [accidental death or dismemberment](#), [accidental fracture](#).
- Are these types of coverage available for all insureds? What is the **maximum amount** covered for each type of coverage?

### Hospital, medical, and paramedical insurance

This type of insurance generally **reimburses expenses for hospital stays** and **therapeutic equipment** or services that are not covered by the provincial health care plan.

Ask which types of **coverage are offered** and what is covered.

- For example, does coverage for hospital expenses reimburse the cost of a room with one bed or two? Ambulance transportation? A stay in a convalescent home? Chiropractic or acupuncture treatments?
- What is the **percentage of maximum reimbursement** for medical and paramedical expenses? Check the **amounts allocated for each claim**. For example: Let's say you receive treatments which are covered at 80% subject to a maximum of \$85 per treatment. If you paid \$100, the maximum reimbursement would be \$68, i.e. 80% of \$85.
- Does a **waiting period** apply before the first claim can be submitted?
- Is there a **deductible**? If so, how much per year?
- Is there a reimbursement limit per treatment? Per day? Per year? Lifetime?
- Are you covered if the incident occurs **outside of Canada**? If so, what are the limits as to the amount and duration of benefits?

Some insurers include **travel insurance** and an international assistance service along with this insurance.

## Prescription drug insurance

This coverage provides **total or partial reimbursement of prescription drug expenses**.

In Quebec, insureds can choose an option that provides payment of the following:

- The portion of costs not reimbursed by Quebec's basic prescription drug insurance plan.
- The cost of drugs not covered by the public plan.

Insureds must be registered for Quebec's basic prescription drug insurance plan.

The main points to consider when making a decision about prescription drug insurance:

- What are the **eligibility requirements**?
- What is the **reimbursement percentage**?
- How much is the **deductible**?
- What is the **maximum** payable per drug and per year?
- Which **drugs are eligible**?
- Does a **waiting period** apply before the first claim can be submitted?

## Dental care insurance

This coverage provides total or partial reimbursement of **dental care expenses**. The main points to consider when making a decision about dental care insurance coverage include:

- Are there **insurance coverage prerequisites** for this type of coverage?
- Which **services are covered**? For example: Diagnostic and preventive services, basic fillings, periodontal services, oral surgery, adjunctive general services and minor restorative work (on dentures).
- What is the **co-payment**?
- How much is the **deductible**?
- What is the maximum amount payable per year?
- Does a **waiting period** apply before the first claim can be submitted?

## Premiums

Find out the following about premiums:

- Are they **guaranteed** until the end of the payment period or, if applicable, for each of the predetermined periods?
- Are **premium reductions** for couples available?
- Is it possible to **suspend the payment of premiums** for certain types of coverage in the event of disability? If so, for how long and under what conditions?
- Is there a way to **maintain coverage** if you are **out of work**?
- Does a **waiver of premiums** apply in the event of disability? When does the waiver period **start**? When does it **end**? Is this coverage **included** in the contract or is it **optional**?

## Payment terms

Insurers offer various premium payment methods:

- Can **premiums be paid** monthly, every three months, twice a year, or yearly? It's important to compare premiums with the same payment frequency, since a given policy may be more competitive than another at one payment frequency but not at another.
- Can premiums be paid by **pre-authorized bank withdrawals, by credit card, by cheque, etc.?**

### How to compare premiums?

**Premiums vary from one product to another and from one insurer to another** according to the terms mentioned above, the gender of the insured, the insured's state of health, smoking status, occupational hazards, etc. The total premium also generally includes fixed fees to cover administrative costs.

This all makes it fairly complicated to consistently compare premiums from one insurer to the next. This is why it's so important to seek out [sound advice](#) to make sure that the product you want to buy meets your needs *and* your budget.

### Optional benefits

Insurance companies may offer many different types of **optional benefits** that can be purchased in addition to small business and self-employed worker insurance. For more information about these types of coverage, visit our [What to Look for in Additional Benefits](#) section.

### Other sections of the Insurance Shopping Guide

- What to look for in [Term Life Insurance](#)?
- What to look for in [Universal Life Insurance](#)?
- What to look for in [Critical Illness Insurance](#)?
- What to look for in [Optional Benefits](#) offered with these types of insurance?
- How to prepare for a [meeting with a representative](#)?