

Can Employers Be Liable For Employees Loss of Disability Benefits Coverage

August 01, 2017

The answer is "yes". This risk mainly arises when an employer who offers disability plan coverage to its employees, terminates the employment of an employee and the disability benefits coverage is not continued for the entire period required by law. There are ways for employers to address this risk, both pre-employment and pre-termination.

The "Make Whole" Requirement

Subject to province-specific exceptions and enforceable contractual provisions, a provincially-regulated employer is entitled to terminate an employee's employment without cause upon providing reasonable notice. Such notice can be provided as working notice, pay in lieu of notice or a combination of the two. Where pay in lieu is provided, the employer must nevertheless "make the employee whole" for the entire reasonable notice period.

If the employee becomes disabled during the notice period and disability benefits coverage has not been continued for the entire reasonable notice period, can an employer be liable for the loss of disability benefits coverage? The answer is yes, as was seen in a case which was affirmed by the Ontario Court of Appeal.

In the Ontario case of *Brito v. Canac Kitchens, Luis Olguin*, a team leader employed with Canac Kitchens for 24 years and who was 55 at the time of dismissal, had his employment terminated on a without cause basis. The Court assessed his common law reasonable notice period to be 22 months, for which the employer had an obligation to "make the employee whole".

While employed at Canac, Mr. Olguin was covered by a disability benefits plan. Canac continued his disability benefits coverage only for the eight weeks required by Ontario's minimum employment standards statute, and not for the entire 22-month reasonable notice period.

After that eight week period, but still within the 22-month reasonable notice period, Mr. Olguin underwent multiple surgeries for cancer, received chemoradiation treatment and a tracheostomy procedure. He claimed, among other things, damages for disability benefits against Canac.

The main issue at Court was how the law deals with the period from the disability date (in this case, one day after his first surgery date) to the end of the 22-month notice period. Ultimately, the Court concluded that Canac was responsible to pay for 17 weeks of short-term disability coverage and long-term disability coverage all the way until his 65th birthday.

For perspective, the damages for loss of salary were approximately \$95,000 (less statutory amounts provided and mitigation earnings) and disability damages were more than \$200,000.

Proactively Addressing this Risk

Some steps that employers can take to address this risk, other than not offering disability benefits plans to its employees, include the following:

1. Before employment commences, ensure that employees sign employment agreements that have enforceable termination provisions. The enforceable terminations should, among other things, limit the continuation of benefits (including disability benefits) to only the requirements of applicable minimum employment standards legislation or some other period in which the employer is comfortable that it can continue benefits coverage.
2. Upon termination of employment and any settlement relating to such termination, the employer should obtain an enforceable full and final release from departing employees. The full and final release should, among other things, release the employer from any liability for loss of disability benefits.
3. Discuss with insurance providers options, if any, to continue disability benefits post-termination date, including coverage during a working notice period and any pay in lieu of notice. This can be done when setting up the plans, on an ongoing basis, and on a case-by-case basis when terminating an employee's employment. Employers may also wish to try arranging for alternate disability coverage with another insurer for the reasonable notice period if the current insurer will not continue disability benefits for the reasonable notice period.

Each employer's risk tolerance is different and each termination should be considered on a case-by-case basis. Depending on the circumstance, the risk might be minimal or **appreciable**. Brito is a good reminder of the value of a well-drafted employment agreement and an enforceable full and final release.

By

[James Fu](#)

Expertise

[Labour & Employment](#), [Pensions & Benefits](#)

BLG | Canada's Law Firm

As the largest, truly full-service Canadian law firm, Borden Ladner Gervais LLP (BLG) delivers practical legal advice for domestic and international clients across more practices and industries than any Canadian firm. With over 800 lawyers, intellectual property agents and other professionals, BLG serves the legal needs of businesses and institutions across Canada and beyond – from M&A and capital markets, to disputes, financing, and trademark & patent registration.

blg.com

BLG Offices

Calgary

Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa

World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver

1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal

1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

The information contained herein is of a general nature and is not intended to constitute legal advice, a complete statement of the law, or an opinion on any subject. No one should act upon it or refrain from acting without a thorough examination of the law after the facts of a specific situation are considered. You are urged to consult your legal adviser in cases of specific questions or concerns. BLG does not warrant or guarantee the accuracy, currency or completeness of this publication. No part of this publication may be reproduced without prior written permission of Borden Ladner Gervais LLP. If this publication was sent to you by BLG and you do not wish to receive further publications from BLG, you may ask to remove your contact information from our mailing lists by emailing unsubscribe@blg.com or manage your subscription preferences at blg.com/MyPreferences. If you feel you have received this message in error please contact communications@blg.com. BLG's privacy policy for publications may be found at blg.com/en/privacy.

© 2026 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.