

Suggestions and Reminders for Employers & Plan Administrators

Taxation Issues

- Employer paid life, Critical illness, AD&D & dependant life premiums are taxable benefits for employees.
- Long Term Disability benefits are not taxed when received, if the premium is 100% paid by the employee. LTD benefits are taxed if **the employer pays ANY portion of the premium** unless it is shown as a regular taxable benefit (check with your accountant). Ensure the proper premium is being deducted especially when premium is shared (e.g. 50/50).
- All employer paid benefits including cost-plus & HSA's are taxable benefits (to the employee) in Quebec.

Liability Issues

- Do not have a plan that allows employees to fully opt out. **ALL** Mainstay Insurance plans must be written as contractually mandatory enrolment. If you insist on a non-mandatory plan (with another broker), maintaining a signed waiver on file for each employee who declines coverage may provide only limited protection. In the case of waivers, all benefits should be reviewed in full and updated both annually and at status change. Waivers must be signed by spouses and dependants and witnessed.
- Enrol new hires within the waiting period (usually 3 months) and notify insurer within 30 days of **all status changes** (e.g. marriage, common-law, separation, birth, salary change, spousal coverage loss, terminations etc.) to avoid large back premium charges, late enrolment limitations AND benefit reductions or outright benefit declines and the accompanying employer liability.
- Consider having a policy to terminate employment or benefits after a prolonged absence – This must be a minimum of 1 year, to meet WSIB/WCB law and often two years (+120 days) based on the change of disability definition. It is best to obtain assistance from an HR professional or employment lawyer.
- If Cost Plus is used, define the amount and class of employees eligible for this benefit. Check with your accountant regarding use by shareholders due to CRA rules (Spicy Sports case, for example).
- Obtain Plan/Benefits Administrator liability coverage. This is available as a rider (usually free) to your general business liability (CGL) policy from your Property & Casualty/General/Business Insurance broker.
- Advise employees in writing of conversion privileges available under the group plan at time of termination. Remind them that the conversion privilege must be exercised within 30 days of the loss of benefits or the option to convert is lost. Provide insurer details and contact info so that they may make an application.
- Make sure benefit booklets (or pdf versions) are up to date and accurately reflect the terms of the benefit plan. Ensure any changes to the plan are communicated to employees in a timely manner.
- Confirm employees receive the maximum life & LTD amounts they are eligible for, using the definition of earnings shown in your policy. Obtain a signed waiver (that may not fully protect you) from the employee if they choose not to apply for additional Life or LTD benefits (above the Non-Evidence Maximum).
- If you are making offers of employment (or terminating an employee), do not offer any benefit coverage (or extension) until you have checked with your broker/insurance company and lawyer as to what coverage (if any) may or may not be extended and for how long.
- Advise your employees in writing that the company reserves the right to discontinue or alter employee benefits at any time. This is a good addition to an employee/policy handbook.

Privacy & Confidentiality Issues

- The Personal Information Protection and Electronic Documents Act (PIPEDA) and the Ontario Privacy Act protects an individual right to privacy and restricts the personal information available to employers.
- OLD Claims Experience Reports (with employee detail) should **NOT** be maintained on file by employers.
- Have employees, **NOT the employer**, retain a copy of receipts & claims they submit. Have staff complete (and keep a copy for themselves) and forward Employee Statements of Health/ Evidence of Insurability (EOI) forms directly to the insurer. **The employer must NOT keep a copy of EOI forms.**

Administrative Issues

- Obtain a signed letter from each employee acknowledging that employee benefits are mandatory and allowing payroll deductions if/when the premium is shared. In most cases, total premium must be at least 50% paid for by the employer. This may also be included in offer letters, & employee/policy handbooks.
- Employer must retain copies of all enrolment, termination, change & beneficiary forms sent to insurer.
- Most plans will not allow contract employees or foreign workers on plans without a separate class, **if at all. INDEPENDENT CONTRACTORS SHOULD NOT BE ON ANY PLANS.** Only permanent full time T-4'd employees can be enrolled when dealing with Mainstay Insurance. **Please contact us if you have questions on this.**
- Ensure that all salary changes and employee terminations are reported promptly (no 30 days grace).
- Continue benefits during ALL legislative leaves (Pregnancy, Parental etc.). Have employees provide post-dated cheques for their share of the premium to avoid resetting LTD pre-ex clauses and incurring risk.
- Ensure over-age or disabled dependent children in post-secondary school apply to maintain coverage. Out of province students must obtain provincial health plan extensions and purchase student coverage.
- Ensure all staff and dependants are covered by either their provincial health plan (e.g. OHIP) or an insurer approved Provincial Plan Replacement (PPR) policy to be eligible for benefits.
- Ensure premiums are paid on time and as billed. Insurers have auto withdrawal (EFT/PAD) programs to make payments easier. Premiums that are in arrears can lead to suspensions, denied claims and increased liability for the employer. This situation is **critical** if employees are making contributions to the plan, as failing to remit could place the employer in the position of insurer and responsible for all claims.
- Inform your broker and insurer ahead of time, of any and ALL absences that may lead to a LTD claim (within 5-6 weeks of last day worked). A LTD claim must be made in the case of WSIB/WCB claims.
- Remind staff that they **MUST** call the insurer **IMMEDIATELY** in the event of an out of province/country emergency. Many group insurers have instituted health stability clauses, pre-existing medical condition and travel restrictions that can leave staff with **NO** coverage if they have changed meds, have outstanding tests or results, unstable health status, or are travelling to areas with government travel advisories.

The above information is for general reference only. It is not intended as legal or tax advice. You may or may not be affected by any or all of these issues. Changes to interpretations, conventions, legislation or individual company policies may affect these guidelines. Please check with your insurance provider, lawyer, accounting or human resources professional for further information.

COST - PLUS

Cost plus is an excellent addition to your employee benefit plan as it provides your staff with a tax-free benefit, using pre-tax business dollars. Any legitimate (as defined by CRA) medical or dental expense, which is limited, or not covered by your plan, may be eligible. Examples are paramedical amounts in excess of the maximums, major dental or orthodontic coverage, laser eye surgery, etc. There is no additional cost to having the Cost Plus benefit, other than the administrative fees* and taxes incurred when a claim is made. Claims are not reflected in the group's experience.

Sample (individual cases will vary):

The child of an executive requires a \$3,000 orthodontic treatment. The benefit plan covers basic dental coverage only.

Assumptions:

- Marginal tax rate is 43%
- Cost Plus claim would cost \$3,000 plus a 10% administration fee* (\$300) and applicable taxes for a total of \$3,300 (+ taxes)
- Corporate tax rate for this business is 15%

Without Cost Plus:

- Executive must earn \$5,300 to have \$3,000 after tax dollars to pay the expense

With Cost Plus:

- Business pays the Cost Plus claim with \$3,300 (+ taxes) in corporate funds
- \$3,300 is tax deductible for the business
- Executive receives \$3,000 in non-taxable benefits
- With a 15% tax rate the net cost to the business after tax is only \$2,805

The Result:

With Cost Plus coverage, the cost to the executive is reduced to \$2,805 and is paid for by the business. The expense has been paid for in a tax effective manner and the executive has received \$3,000 in tax-free benefits.

* Administrative fees range from 10 to 15% and minimums and maximums may apply from different insurers.

Owners/Shareholders should consult their accountant or tax advisor for more details on how this benefit may or may not apply to them. Taxation rules and interpretations are constantly changing and this example should not be taken as tax advice.

Note:

1. Effective January 1, 2013 CRA views trading bonuses for flex credits (HSA) as taxable benefits
2. CRA may deem that the use of cost-plus claims for "shareholders only" will result in a taxable benefit, remove the eligible tax deduction, and negate the benefits of making a cost-plus claim

To My Valued Clients and Prospective Clients:

Ontario Insurance Regulations requires all clients working with licensed insurance brokers to be provided a disclosure document outlining the method by which their broker is compensated plus any conflicts of interest that may exist. This document does not require the reporting of the actual amount, just that compensation is paid. We think that clients should be aware of how we are compensated and as such, have shared this information with clients since 2005 (by formula) and in monetary form since 2017.

Mainstay Insurance Brokerage Inc. does not have any conflicts of interest. We do not have an ownership in any of the firms we deal with (beyond personal mutual fund investments) nor are we provided any financial support (loans etc.) from our suppliers or partners.

Mainstay Insurance is compensated a portion of your premium costs for designing, marketing and facilitating the placement of, and the continued service of your benefit plan. This includes: commissions; bonuses; and may contain other inducements and rewards. Some insurers offer additional incentives such as travel incentives in recognition of sales made, but Mainstay does not accept this type of reward. We do not operate on a "fee for service" type of billing due to the prohibitive costs that may result for smaller companies who often require higher service levels. We never want our clients to hesitate in contacting us for fear of getting a bill. This is supported by our "if in doubt, shout" service motto.

Mainstay Insurance Brokerage Inc. is an independent insurance broker that specializes only in employee benefits. Our role is to help your firm obtain a cost effective and sustainable benefits package for you and your employees. In doing so we consider factors including: the initial, long term and overall stability of pricing; plan design; customer service; and organizational fit. We strive to provide the highest levels of customer service to you, our client. Our proactive service approach is delivered through comprehensive training of plan administrators, plus a plan structure and administrative approach designed to minimize employer liability.

The commission paid to Mainstay Insurance for employee benefits is based on your annualized paid premium. The compensation we charge is 4-6% for HSA's, and 3-12.5% for most group benefit plans. We use the GBS commission calculator <https://cgib.ca/group-benefit-scale-gbs-commission/> to establish the actual rate charged and disclose retrospectively each year at renewal.

Our level of commission is similar (though lower) to property insurance that pays 15-20%, auto insurance that pays 10-12.5%. and business insurance that can pay as much as 30% in commissions.

Mainstay Insurance uses GroupQuest Benefits Resources Inc. to provide more efficient support in the administration of your plan. They are paid additional fees directly from the providers. An amount equal to 1% - 3% of premium, may be paid by the insurer to the MGA, and generally does not directly affect your rates. In other situations, an amount of up to 2% could be deducted from your target loss ratio and paid to the MGA resulting in a slight rate increase. Each insurers compensation model is different and is subject to change.

The amount of commission we earn may be paid by a variety of methods: as a percentage of your annualized premium paid in advance; on an “as earned” basis; or a combination thereof. If your group undergoes significant changes or terminates before the end of the policy year, any reduction in the compensation advanced to Mainstay will be required to be paid back to the insurer, by us.

The Commission level on your benefit policy is calculated as	XX%
The estimated annualized premium paid was approximately	\$XX,XXX
The estimated annualized commission paid was approximately	\$XX,XXX

As an independent insurance broker in Ontario, we are bound by the laws that govern life insurance agents. We are members of our professional association, the *Independent Financial Brokers of Canada* and follow their Code of Ethics. This means that the group insurance products that we recommend are the ones we believe are best suited to meet your needs without regard to the compensation practices of any one company. Mainstay Insurance is also the founder of Canadian Group Insurance Brokers, an association of brokers that provides education to brokers in the employee benefits field. We use that education, as well the good relationships with the firms we work with, to advocate on behalf of our clients when insurance, claim or administrative issues arise.

David Patriarche and Mainstay Insurance Brokerage Inc. specialize in ONLY employee benefits/group insurance. Though licensed to sell individual life, accident and sickness, living benefits and other insurance products, we choose not to distribute them, and allow specialists in those areas to do so. Mainstay Insurance will not provide professional advice in any other areas of insurance except employee benefits. There may be products available (such as: EAP’s, HSA’s, Critical Illness, LTD, STD etc.) that our plan may not currently offer, but that may be available by making an insurer request.

To distinguish Mainstay as a brokerage that deals with a number of providers rather than an agent dealing with only one, we are contracted to sell products from the following companies:

BBD (Benefits by Design)	The Benefits Trust	Beneplan	Canada Life (Great-West)
Claim Secure	Desjardins Financial	Empire Life	GroupSource
Manulife Financial	RWAM Group insurance	Sun Life	Victor (ENCON)

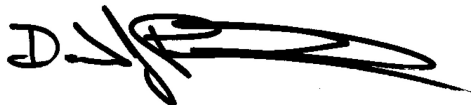
In addition, some TPA’s may use the following insurers to provide or re-insure their services:

Chubb	AIG	AXA Insurance	Co-Operators	Camden
Green Shield Canada		Industrial Alliance	La Capital	SSQ insurance

This does not limit us from obtaining pricing from other insurers, TPA’s and benefit providers.

This disclosure is made in accordance with Ontario Regulation 347/04, of the *Insurance Act*, dated this 7th day of Jan. 2021.

MAINSTAY INSURANCE BROKERAGE INC.



David J. Patriarche - President

Mainstay Insurance Privacy Policy

At Mainstay Insurance Brokerage Inc. (Mainstay Insurance), David Patriarche (President) is responsible for maintaining and protecting all client information under the control of the agency.

Client information is collected for the purposes of:

1. Reviewing employee benefit plan needs and providing client advice
2. Assisting with applications and submissions for group benefits
3. Assisting clients with ongoing service and communications with insurers/providers
4. Assisting with claims support
5. Litigation support

This information may be shared with GroupQuest Benefits Resources Inc., our contracted group benefits managing general agent (MGA), to provide sales and service assistance for your benefit plan for the purposes outlined above.

The knowledge and consent of each client is required for the collection, use and disclosure of client information except where required or permitted by law.

The client information collected must be limited to those details necessary for the purposes identified by Mainstay Insurance. Information must be collected by fair and lawful means.

Client information may only be used or disclosed for the purpose for which it was collected unless the client has otherwise consented, or when it is required or permitted by law. Client information may only be retained for the period of time required to fulfill the purpose for which it was collected.

Client information must be maintained in an accurate, complete and up-to-date form as is necessary to fulfill the purposes for which it is to be used.

Security safeguards that are appropriate to the sensitivity level of the information will be used to protect client information.

Upon request, a client shall be informed of the existence, use and disclosure of their information, and shall be given access to it. Customers may verify the accuracy and completeness of their information, and may request that it be amended, if appropriate.

Customers may direct any questions or enquires with respect to the privacy principles outlined above or about our privacy practices to David Patriarche.

Revised January 7th, 2021

Plan Administrator Acknowledgement

I have had the administration requirements of our employee benefits plan reviewed with me. These include, but are not limited to the areas of; privacy, confidentiality, liability, late enrolment, and the mandatory nature of group employee benefit plans. I have been supplied with the Mainstay Insurance Brokerage Inc. "Suggestions and Reminders for Employers and Plan Administrators", "Privacy Policy" and "Disclosure Notice". I have reviewed and understand the information contained within the documents and acknowledge that copies may be obtained at www.mainstayinsurance.ca

I understand that should I wish to have employee education meetings and/or if I have any questions or concerns regarding our employee benefits and its administration, I can contact the Insurer or Mainstay Insurance for assistance.

I acknowledge that David Patriarche and Mainstay Insurance Brokerage Inc. sell and specialize in ONLY employee benefits/group insurance. Though licensed to sell individual life, accident and sickness insurance products, Mainstay chooses not to distribute them and allow specialists in each of those areas to sell those products. Mainstay Insurance has not been asked to provide us with any professional advice in any other areas of insurance except employee benefits. Further, I understand that there are group products available (such as: EAP's, HSA's, Critical Illness, LTD, STD etc.) that our plan may not currently offer but that are available at our request. I also understand that Mainstay Insurance is able to assist with referrals to other areas of insurance upon our request.

As the owner or plan administrator for this firm, I have an adequate understanding of the issues and requirements noted above. I further acknowledge that I have received my benefit renewal package and have had it explained to me by my broker Mainstay Insurance Brokerage Inc. or their representative.

By checking this box, I hereby provide express consent to Mainstay Insurance Brokerage Inc. and their staff to communicate with our firm and employees via e-mail, blog, and other electronic forms, for any and all business purposes including updates, newsletters, plan administration etc.

My preferred e-mail for newsletter and blog subscription is: _____

Confirming Agent of Record

This letter confirms the appointment of Mainstay Insurance Brokerage Inc. and David J. Patriarche to act as our exclusive Agent of Record for our group insurance benefit program with GroupQuest Benefits Resources Inc. as their Group MGA. This appointment further authorizes our current insurance carrier to release both commissions and any information that these firms may deem necessary in the review of our benefit program.

I further acknowledge that the data from our company including that regarding our employees, has been obtained with their consent and with the knowledge that it is to be used for the purpose of obtaining quotations and making application for, and the administration of, employee benefits. I understand that Mainstay Insurance Brokerage Inc. and GroupQuest Benefits Resources Inc. will supply said information to providers of benefit products and services for the purposes previously mentioned. Further a file will be established with both Mainstay Insurance Brokerage Inc., GroupQuest Benefits Resources Inc. and each plan provider approached for these purposes.

This appointment supersedes any previous appointments and is to remain in effect unless revoked in writing by the undersigned or his/her designate.

Plan Admin. Or Owner

Date

Broker

Date

Name printed

Company Name