

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.