

July 2003

Volume 3, Issue 3

From the Masthead



Mainstay Insurance Brokerage Inc. Phone: (905)886-9203

The Effect of War or Terrorism on Benefit Coverage

In order to serve you better

To assist you with your employee benefit plan, we are continually updating our website. Located at:

www.mainstayinsurance.ca

The site provides easy access to many of the insurance company's websites and to the extended health and dental claim forms you utilize on a regular basis.

If you use a form that is not on our website and would like it added, please send us an e-mail at:

feedback@mainstayinsurance.ca

Traveling out of country?

If you are planning a trip that will take you out of Canada, don't forget to take along your out of country card and/or the brochure provided by your insurer.

In the event you have an accident or illness while away, call the 1-800 number immediately in order to open a claim. The provider will assist with the processing of the claim with your provincial health plan (e.g. OHIP) and will attempt to reimburse claim payments directly to the treatment provider.

If you fail to call at the time the incident occurs, you will be required to submit the claim to the provincial plan yourself before the insurer can consider payment. This can result in lengthy delays in obtaining any eligible claim reimbursement.

Contact your insurer or plan administrator for information.

Supplied by Manulife Financial

Many clients have raised questions relating to war and terrorism and the impact those circumstances may have on coverage or claims under Manulife's group benefits contracts. While we cannot respond to hypothetical questions, the following questions and answers are intended to provide an understanding of Manulife's contract provisions and claims adjudication process.

Q. Are there any changes being made to our group benefits contract because of the situation with Iraq?

A. No changes are being made to your contracts as a result of the situation with Iraq

Q. If one of our employees is called to active military duty, do they remain covered?

A. No, an employee called to active military duty does not remain covered under a group benefits policy. Manulife group contracts include a Termination of Insurance provision.

Entering the armed forces of any country on a full-time basis or being called to active duty for the armed forces of any country is one of the criteria for termination. As a result, an employee who is called to active duty ceases to be eligible under the

policy. Coverage for dependants also terminates.

Q. Do group benefits contracts contain an exclusion for war?

A. That depends on the type of group benefit provided under the contract. Manulife's Canadian group life benefit (including basic and optional life insurance) does not contain an exclusion for war. All other benefits (including AD&D, LTD, Extended Health and Dental) do contain an exclusion for war. The actual provisions of each contract will be used in adjudicating any claim submitted. Our current standard exclusion is "*No benefit is payable for any claim or loss directly or indirectly related to: war, insurrection, the hostile actions of any armed forces, or participation in a riot or civil commotion*"

Q. Do group benefits contracts contain an exclusion for terrorism?

A. Manulife's Canadian group contracts do not contain any specific reference to terrorism.

Q. If my employees travel to the US, is their coverage void?

A. No, your employees' coverage is not rendered void if they travel to the US. Any claim submitted by one of your employees will be assessed to determine

whether any exclusion for war applies to that particular employee's claim.

Q. Do my employees need to be actively engaged in a war for the exclusion to apply?

A. No. The exclusion will apply to any claim that is directly or indirectly related to war.

Q. Is there any impact on the out of country assistance coverage due to the war with Iraq?

A. Claims for out of country medical benefits will be assessed to determine whether any exclusion for war would apply to a particular claim. In addition, there may be reasons why assistance services cannot be provided. If, for example, air travel is interrupted in a specific country, air evacuation service would be suspended. Manulife's contracts state that neither Manulife nor World Access will be liable in any manner if conditions, events, or factors beyond our control delay, interfere, or prevent the provision of any service.

For more information on Manulife policies, contact ManuAssist at 1-800-265-9977.

For other carriers, call your plan administrator or insurer directly.



Mainstay Insurance Brokerage Inc.

10 Linton Court
Thornhill, Ontario
L3T 5M9

PHONE:
(905) 886-9203

TOLL FREE:
1-877-624-6789
1-877-MAINSTY

FAX:
(905) 707-0216

E-MAIL:
inquiries@mainstayinsurance.ca

WEBSITE:
mainstayinsurance.ca

Note: This side of the newsletter is intended for you, the plan administrator. The information on the 'front' is targeted more to your staff and can be copied and distributed for their reference.

Just in case you were wondering...

We are often asked by clients to "shop around" for better benefit rates. In a market with a shrinking number of insurers and many that are being selective in who and what they quote, this is getting more difficult each day.

An article that discusses this issue was recently published in the *Insurance Journal* and is available on our website (under additional information) at...

<http://www.mainstayinsurance.ca/images/rateshop.pdf>

This information is provided as a reference to clients of Mainstay Insurance Brokerage Inc. It is not intended as advice. Your situation and the contract provided by your insurer as well as any relevant legislation shall always take precedence. Always obtain appropriate legal, human resource or accounting advice.

Contractors and Sub-Contractors, Why all the fuss?

As the needs of business change, so do the methods by which businesses operate. In no area is this more apparent than the use of contract and sub-contracted staff. In an effort to reduce long-term full-time employees and to deal with fluctuating business requirements, employers are utilizing these "newer" forms of staffing to handle both short and long term business needs.

Why can this cause a problem? Let's look at "contract employees" first. These are typically staff that are true T-4'd employees working full time. Instead of being hired on a permanent basis, they are hired for a specific time duration (the length of the contract) such as six months or one year, for example.

Problems with the provision of benefits can occur in a number of ways. The most significant issue is typically with the Long Term Disability benefit. Because the employment contract is a temporary one, LTD can be seen by "contractors" as a method by which they can extend earnings beyond the term of the contract. For this reason, most insurers will NOT offer any LTD benefits to this class of employee. If contract staff were enrolled in the same manner as a permanent employee and an illness or injury resulted in a LTD claim, that claim would be declined. This could result in a liability for the employer for offering the benefit initially.

Another area of concern is staff turnover. If these positions do not become permanent, the staff will move on at the end of the contract. This activity often shows up in the higher utilization of health and dental benefits as contractors race to get services performed before the contract expires and the benefit is lost.

Sub-contractors are even less like traditional employees than contract staff. They are usually more "arms length" from the company, invoice for their services and usually work for a number of different customers of their choosing.

"Subs" have been used for years in the building trades as well as for peripheral business support services such as bookkeeping, landscaping or janitorial services. These roles have changed as more firms are making use of "full-time" sub-contractors to fulfill the roles of regular employees. Instead of having the obligations of an employer, which may include making source deductions and providing T-4's, the sub provides an invoice to the employer for their service.

This situation can create a number of problems for the employer when it comes to benefits. The first is that in many cases the insurer will not allow subs to be enrolled in the plan. The enrolment of even one of these "subs" could cause a claim to be declined and hence result in several potential areas

of liability for the employer.

An option provided by some insurers is to allow subs to be enrolled in a plan but with restricted benefit levels (such as no LTD and a flat life benefit).

This may seem appear to be a good idea but actually opens another area of risk in that the sub could be viewed as an employee. If the sub obtains a majority of their income from this one source, utilizes the firm's tools and equipment and obtains employee benefits for example, it could result in an employer being held responsible for EI, WSIB, CPP and tax withholdings. It could also result in the sub losing their "write-offs" as a self employed person and potentially create financial hardships for both parties.

In order to ensure that you comply with the rules and contractual obligations of your benefit contract, it is important to inform your broker of the use of ANY type of contract staff. To ensure you are meeting all legislative and tax requirements you should discuss your individual situation with your accountant or lawyer before proceeding.

For more general information on contract and sub-contracted staff, there are articles posted on the Mainstay website under "Additional Information - Benefit & HR issues".