



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

## 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](http://www.mainstayinsurance.ca)

The site provides easy access to many insurance company's websites and to the health and dental claim forms you utilize on a regular basis. We have also added links to the log on pages for members (employees) in order to provide quick entry to other websites.

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](mailto:feedback@mainstayinsurance.ca)

## Dates of OHIP changes!

In our last issue we reviewed the upcoming changes in health coverage that were announced in the Ontario budget. The dates of these changes have now been clarified by OHIP.

Effective November 1, 2004 optometry exams will no longer be covered (except for those under age 20 or over age 65).

Effective January 1, 2005 children will now be covered for three new vaccines. Certain high risk situations may be eligible earlier.

Effective March 31, 2005 physiotherapy will be de-listed as announced.

For more information, speak to your health care professional or you can contact OHIP directly at [www.health.gov.on.ca](http://www.health.gov.on.ca) or at 1-800-268-1154.

## Beneficiaries, Wills and Planning for the future

Although Mainstay Insurance Brokerage Inc. specializes in group insurance benefits for employers and their staff, it is the individual employees and their dependents (spouses and children) who truly benefit from these programs.

The "living benefits" such as health and dental care coverage and even disability insurance are straightforward as the patient is typically involved in the decision making process of how they wish to be treated, by whom and when.

"Death benefits" such as life insurance are more complex as the patient is deceased and is no longer available to make their wishes known. In such situations the proper choice of a beneficiary and a well written will are important preplanning activities to undertake.

The beneficiary is the person to whom you would like the proceeds of your life and/or accidental death proceeds to be paid to. When an individual is married it is often the spouse or children. When individuals are single, living common law, separated, divorced, or widowed, the choices may be more difficult.

A beneficiary can not receive insurance funds until they reach legal age. This is important to keep in mind as often "underage" children are left with insurance monies

but are unable to collect them until they attain legal age. In these cases it is wise to appoint a trustee to administer the funds or the funds will be held, until the child becomes of legal age or until a financial guardian is appointed by the courts.

A will that lays out your choice of guardians, executors and trustees can further ensure that proceeds from life insurance policies, your home and any other assets that make up your estate are distributed in the manner that you wish.

We have seen situations where a person does not identify a beneficiary and leaves the designation blank. In this case, the proceeds are made payable to the estate of the deceased. This is usually the administrator or executor identified in the will or appointed by the court.

In some cases employees choose to leave their money to charity. This is best done through a will rather than by beneficiary designation. This is because an insurance claim must be made by the charity at the time of death. In most cases the charity would not even know about the death to make the claim. This situation could work if the charity were made aware of the bequest and the insured was a regular volunteer who's loss would be missed. But why risk the proceeds not being claimed?

Again a will is the best solution to ensuring that your wishes are carried out at the time of your death.

Wills can be written from information provided by books, from kits available at bookstores, online, or by a lawyer. Costs can range from \$50 to \$1000 depending on the complexity of the estate, time required etc. Most lawyers charge from \$300-\$600 for a simple will. A lawyer may also make suggestions for estate planning and powers of attorney at this time.

Most lawyers can produce simple wills. If you are going through a divorce or separation, have dependent children from other marriages or relationships, or have a complex estate, it is best to get advice from a lawyer that specializes in writing wills.

Remember that the time to ensure that your matters are in order is NOW while you have the ability to do so. Some things to consider:

1. Review your beneficiary(ies)
  - If they are underage, consider appointing a trustee
  - If there are more than one, show the percentage split
  - Appoint a contingent beneficiary in the event the first dies with or before you.
2. Contact a lawyer and start the will process.



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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...*

Total drug expenditures per capita in Ontario for the year 2003 were \$244 from public funding (e.g. hospital administered medication) with another \$431 coming from private funding such as insurance companies or private payors.

The total drug expenditures in Canada have risen from approx \$10 billion in 1995 to nearly \$20 billion in 2003.

91% of other services such as paramedicals and dentists are now being privately funded. With the new Ontario budget changes, this will likely increase even more.

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.

## Changes to the "Cost Plus" Benefit

With this mailing you have also received a letter regarding the use of "cost plus" benefits.

In past years we have seen more and more clients making use of this tax advantageous benefit, typically for upper management, executive staff and shareholders.

The Canadian Revenue Agency (CRA) has been "tightening up" on the use of this benefit, specifically in the cases of employees that are also owners and shareholders. This issue has come up during audits of group insurance policy holders. In these cases

the "cost plus" benefits were determined to be taxable benefits to the owner / shareholder and were also deemed to not be tax deductible by the firm.

The outcome of this review is that the benefit is subjected to double taxation.

For this reason, both brokers and insurers are suggesting that clients obtain accounting or tax advice before using "cost plus" benefits to ensure that things are set up in the best way possible.

While the benefit can still

be used for employee, the guidelines for its use are now more strict and must apply to a larger class of employees than just owners.

In the coming months please pay close attention to any mailings from your insurer that will outline how they will be dealing with this change.

If you would like more details on this issue please contact your accountant or tax professional. In addition an excellent article was written in the Toronto Star by James Daw August 19<sup>th</sup>, 2004 on this issue.

## Keeping Benefits Tied to Earnings Up-to-Date

Each year at plan renewal we do a brief review of your plan and its history and look at new and ongoing issues that may impact it.

The proper administration of your benefit plan is an ongoing process that needs regular, periodic maintenance. Hiring, termination, salary changes and the status of your employee's families all require that your plan be updated on a regular basis.

One area that should be reviewed when you are updating salary increases is the definition of what "earnings" are. Each policy considers earnings for disability and life insurance in different ways.

Most plans cover base salary at the minimum but many also provide coverage for overtime, bonuses, and can be amended to add coverage for commissions as well.

It is important to report the full "earnings" so that an employee suffering a death or disability claim obtains the highest benefit they are entitled to. Failure to keep this number current could expose your firm to a liability situation.

Another area to monitor is the impact of salary increases on disability and life insurance. In most cases, there is a non-evidence limit (NEM) offered by carriers. This provides a base benefit for each employee that does NOT have to be medically approved.

Amounts that are in excess of this amount require an evidence of insurability (EOI) form to be completed by the employee and the risk must be approved by the insurer. The insurer may also ask for more specific information to help them assess the risk.

It is very important to ensure that staff complete and return these forms (to the insurer) in a timely in order to obtain the benefit amount that they are entitled to.

If you see anyone on your billing that has a life or disability benefit amount equal to the NEM or an amount that has not changed even though you have updated the salary amount, please contact the insurer to see if there is any outstanding information required.

If an employee is declined the excess coverage a note will be sent to the plan administrator to be kept on file for future reference.

If you have any questions on this or any issue, please call your insurer's customer service line or contact Mainstay directly at **(905)886-9203 or 1-877-624-6789**.