
Best Practice Suggestions & Reminders

TAXATION, LIABILITY, PRIVACY & CONFIDENTIALITY, ADMINISTRATIVE ISSUES

The following 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.

1. Liability Issues

- Do not have a plan that allows employees to fully opt out. All plans arranged by JRP must be written as mandatory enrolment. If you insist on a non-mandatory plan, 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 dependents 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 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 benefits after a prolonged absence - minimum of 1 year to meet WSIB/WCB law and often two years (+Long Term Disability elimination period, e.g. 120 days), based on the change of disability definition. Discuss with an 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 rule changes.
- Obtain Plan/Benefits Administrator liability coverage. This is available as a rider to your general business liability 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 a certain period of time after termination (usually 30 days) or it is lost. Provide the member with the conversion application, and the contract information for the insurer so they can directly arrange to convert group coverage to an individual plan with the insurer.
- Make sure benefit booklets 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 that employees receive the maximum Life & Long Term Disability amounts that they are eligible for using the definition of earnings shown in your policy. Obtain a signed waiver 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 available.
- Advise your employees in writing that the company reserves the right to discontinue or alter employee benefits at any time.
- Consider implementing a policy regarding the extension of benefits during a prolonged absence

2. Administrative Issues

- Obtain a signed letter from each employee acknowledging that employee benefits are mandatory and allowing payroll deductions if the premium is shared. In all cases, total premium must be at least 50% paid for by the employer.
- Maintain copies of enrolment, termination, and change forms and all correspondence to the insurer.
- Many plans will not allow sub-contractors to be included without a separate class, if at all. Only permanent full-time employees, working the minimum hours as required by the insurance provider, for whom you issue annual T-4's can be enrolled in your Group Benefit program.
- Ensure that all salary changes and employee terminations are reported promptly.
- Continue benefits during required legislative leaves (Pregnancy and Parental).
- Ensure over age or disabled dependent children attending post-secondary school complete the proper forms, in accordance with the providers requirements, to maintain coverage.
- Ensure all staff and dependents 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 Pre-Authorized Debit (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 role of insurer.
- Inform your broker and insurer ahead of time, of any and ALL absences that may lead to a WSIB/WCB or LTD claim (usually within 5-6 weeks of last day worked).
- Remind staff that they MUST call the insurer IMMEDIATELY in the event of an out of province/country emergency. Some group insurers have instituted health stability clauses, pre-existing medical conditions and travel restrictions that can leave staff with NO coverage if they have changed meds, have outstanding tests or results, or are travelling to areas with government travel advisories.
- Designated Beneficiaries – Remind members on an annual basis to update their beneficiary designation(s) if required. Suggested that members avoid naming their estate, as monies paid will be subject to probate fees when their estate is settled. A beneficiary designation mentioned in a will is enforceable by law only if the will specifically identifies the insurance policy.

3. Taxation Issues

- Employer paid group Life, Critical Illness, Accidental Death and Dismemberment, and Dependent 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 benefits & Health Spending Accounts are taxable benefits in Quebec.

4. Policy & Confidentiality Issues

- The Personal Information Protection and Electronic Documents Act (PIPEDA) and the Ontario Privacy Act came into effect January 1, 2004 and is designed to protect an individuals right to privacy. This law restricts the type and amount of personal information available to employers.
- All plans should have a drug card, allow online claims submission, and allow claims to be mailed directly from the employee to the insurer and cheques returned privately to the employee, or deposited directly into their bank account.
- Have employees, NOT the employer retain a copy of receipts & claims submitted. Have staff complete (and keep a copy for themselves) and forward Employee Statements of Health/ Evidence of Insurability forms directly to the insurer. Do NOT keep a copy of Statement of Health/Evidence of Insurability forms.
- Document your Corporate and HR Policies to ensure that they are aligned with how you handle your benefit program. As a Best Practice, clear documentation creates transparency and consistent understanding, and ensures that everyone is treated equally.