

Annual Best Practices Reminder for Employers & Plan Administrators

Taxation Issues

- Employer paid life insurance premiums are a taxable benefit for employees in Ontario. Effective January 1st, 2013 employer contributions to **Group AD&D and Group Critical Illness premiums** became taxable income, in the hands of employees, for federal income tax purposes, just like Life and Dependent Life premiums.
- 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**. Ensure the proper premium source is being applied, especially when premium is shared (e.g.50/50).
- All employer paid benefits including Cost Plus benefits are only taxable in Quebec.

Liability Issues

- Do not have a plan that allows employees to opt out of all benefits. **ALL** plans should have mandatory enrollment. (*If you still have a non-mandatory plan, maintain a signed waiver on file for each employee who declines coverage-revisit the waiver issue every few years*). In non-mandatory scenarios, consider implementing mandatory for all new eligible employees, and grandfather existing waived employees only.
- Always enroll new employees within the waiting period (usually 3 months) and within 30 days of a status change (marriage, separation, birth, salary change etc.) to avoid late limitations and benefit reductions. A good policy is to complete and forward enrollment forms to the insurer as soon as the employee begins work. Most companies will ensure the individuals are enrolled as soon as they are eligible.
- Ensure that all salary changes and employee terminations are reported promptly.
- If Cost Plus is used, maintain a list of employees eligible for this benefit on file. (Use this benefit discreetly.)
- Obtain Plan/Benefits Administrator liability coverage. This is often available as a rider to your general business liability policy, usually at no cost. It is often referred to as “Benefit Plan Administrator Liability Rider”. Discuss this with your Property & Casualty , (General Insurance), Broker.
- Advise employees in writing of conversion privilege options under their group plan at time of termination. The conversion privilege must be exercised within a certain period of time after

termination, (usually 30 days). Inform them of the name and phone number of the person to contact to apply.

- 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 the employees in a timely manner.
- Confirm staff receives the maximum Life & LTD amounts for which they are eligible. Obtain a signed waiver from the employee if excess Life or LTD benefit (above the Non-Evidence Maximum) is not applied for by the employee.
- If you terminate an employee, do not offer any benefit coverage after termination until you have checked with your insurance company as to what coverage (if any) is available.
- When making offers of employment, do not offer any benefit coverage until you have checked with your insurance company as to what coverage (if any) is available.
- Advise your employees in writing that the company reserves the right to discontinue or alter employee benefits at any time.

Privacy & Confidentiality Issues

- The aim of Bill C-6 and Ontario's Privacy Act is to protect an individual's right to privacy when dealing with businesses. It may change the amount and type of information you are entitled to as an employer. Find out how you are or may be affected.
- Have employees, not the employer, retain a copy of all receipts and claim forms submitted.
- Select a plan with drug cards or policies that allow claims to be mailed directly from the employee to the insurer and benefit cheques returned directly to the employee's home, or deposited electronically.
- Employee Statements of Health and Evidence of Insurability forms, should **NOT** be maintained on file by the employer.

Administrative Issues

- Ensure that employees submit claims promptly (within 6 months) and within 30 days of plan termination to avoid denials of claim payments.
- Obtain a letter from each employee acknowledging that employee benefits are a mandatory benefit and allowing payroll deductions if the premium is shared. Premiums must be at least 50% paid for by the employer. To our knowledge there is only one exception.
- Maintain copies of enrolment, termination, change forms and correspondence sent to the insurer.

- Most plans will not allow sub contractors to be included without a separate class and individual consideration, if at all. **ONLY** permanent full time T-4 employees should be enrolled.
- Ensure premiums are paid on time. Most insurers have EFT (auto withdrawal) programs to make payments easier. Premiums which are in arrears can lead to suspensions, denied claims and increased liability for the employer. This situation is **critical** if employees are also required to make contributions.
- Inform your broker and insurer ahead of time, of any absence which may lead to a disability claim (5 days for STD, 2 weeks for LTD), from onset of absence.
- Consider implementing or amending a common-law policy that allows staff to become eligible to enroll their common-law spouse after 1 year of cohabitation.
- Workplace Safety and Insurance Board (WSIB) now includes many businesses which were optional in the past. Find out if you are affected.

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

Rev. January, 2014

Service to us means more than just placing your business and a call now and then. We take your business needs seriously. We believe by staying abreast of legislated changes, product changes, etc, and sharing this information with our clients and prospects, we demonstrate our commitment to active, full service.

Give John or Jordan Kovats a call today at 519-622-3347.

How can we be of service to you?

"We treat your benefit program as if it were our own."