

# **Suggestions and Reminders for Employers and Plan Administrators**

## **Taxation Issues**

- Employer paid group Life Insurance, Critical Illness, AD&D 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).

## **Liability Issues**

- Due to the small size of your employee plan, enrolment into the plan is mandatory.
- If an employee has eligible dependents (i.e. a spouse and/or children), they MUST enroll in the group benefits plan. They need to understand that they cannot waive extended health and dental benefit because they do not want to pay. They can only waive the extended health and dental plans if they are covered under a spouse's plan.
- Enroll new hires within the waiting period (usually 3 or 6 months) and notify the 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.
- If Cost Plus and/or a Health Care Spending account are used, define the amount (e.g. \$1,000 per year) and class of employees (e.g. Management) eligible for this benefit.
- 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. Inform the

employee of the name and phone number of the insurer so that they may contact them to make an application.

- 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 & LTD 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.

### **Privacy & Confidentiality Issues**

- 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.
- 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 SOH/EOI forms.

### **Administrative Issues**

- Obtain a signed letter from each employee acknowledging that employee benefits are mandatory and allowing payroll deductions if the premium is shared. To qualify for a group benefits plan, the 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.
- Ensure that all salary changes, employment status changes and employee terminations are reported promptly to the insurance company.

- 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 order to maintain coverage.
- Ensure all staff and dependents are covered by their provincial health plan (e.g. BC Medical Services Plan) to be eligible for benefits.
- Ensure premiums are paid on time and as billed. Insurers have EFT (auto withdrawal) and 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 WCB or LTD claim.
- 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.

I hope you find the above information helpful – please feel free to contact me for further information.



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