Johnstone's Benefits

# THE JOURNAL

solid group plans made simple

## GROUP INSURANCE ELIGIBLITY

### Employees vs. Contractors

As an employer, you are looking for workers to fulfill the needs of your organization. The employment landscape is changing for some organizations – even more noticeably in the COVID-19 environment – with more flexibility of location, online, part-time and short-term opportunities.

There are many reasons why you will hire permanent 'employees' to create and maintain knowledge, expertise and stability. Typically you will provide group benefits coverage to these staff as part of their total compensation arrangement, provided they work the required minimum number of hours per week as defined in the insurance policy. If you hire or contract an 'employee' for a specific period of time, they may also be eligible for group coverage, but must be approved by the insurer.

There are also reasons you may hire independent 'contractors' – a worker who invoices you for services rendered, either as an individual or as their own company. It may be the preference of the person, or it may be because you are hiring for a specific project, or other business requirement. Unless specifically addressed in the contract or by exception, and approved by the insurer, these workers will not be entitled to participate in your organization's group benefit plan.

### Insurers: contractors and eligibility

If an insurer has not agreed to provide coverage for a 'contractor', they may deny any submitted claim. Insurers often check payroll records to verify eligibility, particularly when there is a significant loss such as a life insurance, disability or any emergency travel claim.

Organizations occasionally ask the insurer to make an exception to add a contractor to their benefit plan. Some insurers will consider allowing a contractor to enrol in a portion of the group benefits plan when a solid argument has been made that the contractor is really an employee by all intents and purpose, and may include, example, the worker's income source, their location of work, ownership of tools, and direction and supervision by the employer.

If the insurer declines, you have two choices:

- Change the contractor's employment status and add them to payroll as an employee; you become responsible for all statutory benefits (CPP, EI, Workers' Compensation, Health Tax), or
- Arrange with the contractor to purchase personal benefits coverage.

### THE JOHNSTONE'S ADVANTAGE

Our mission is simple: **Treat each client as if they were our only client**.

Our value is clear: **We are completely independent**. We work for you and offer total flexibility on insurers and plans.

We offer all your group insurance services including administration, brokerage, consulting, and communications.

We provide dedicated client support, customization, and flexibility to meet all of your company's benefits needs. And we make **solid group plans simple**.

**NOTE:** adding a contractor to your benefits plan may have implications for their contractor status. We recommend both parties carefully review possible impact.

## Participation requirements

Group benefit plans typically have a 100% participation requirement for employees who have satisfied the waiting period as defined in the policy – making it a condition of employment. This is the default provision in most policies, unless specifically set up with a lesser participation requirement, for example 75%, and as agreed to by the insurer.

All eligible employees are required to participate in the following benefits, as applicable to the specific plan:

- Group life insurance
- Basic accidental death & disablement
- Short term disability
- Long term disability
- Critical illness

Like trying to obtain home insurance to cover a house fire that has already taken place, employees can't apply for these types of coverages in a group benefits plan once a need arises or they have incurred a claim. This is called anti-selection. It would result in the potential to have only high claimers enrolled in the plan, which would risk the plan's sustainability for the employer as well as participating employees.

## EHC and/or dental participation

Employees who have extended health (EHC) and/or dental coverage through their spouse's benefits plan can choose to waive their EHC and/or dental coverage. This is more likely to happen if the employee is paying a percentage of the premiums for these benefits, or if they would get financial credit for opting out, and if the plans have duplicate or non-required coverage under a spouse's plan. This option is not available for life, AD&D or disability coverages.

To waive EHC and/or dental coverage, employees are required to complete the waiver section of the Application for Change form. If the employee and/or dependents lose coverage under the spouse's plan in future, the employee can add back the waived coverage, without question, within 31 days of the loss by requesting the change on this same form.

## Late applicants

A specific provision in the insurance policy identifies when coverage will be effective and any limitations to benefits if forms are not submitted within 31 days of eligibility (ie. coverage effective when the insurer approves; dental benefits limited to a maximum of $200 per person during first 12 months of coverage).

**REMINDER**

All employees who are eligible for coverage as defined in the group insurance contract should participate in the benefits plan. Definition of an eligible employee is typically permanent, full-time working a minimum 30 hours per week, and a resident of Canada. The effective date of coverage is once the employee has completed the necessary enrolment forms, fulfilled the waiting period (if applicable) and is actively at work.

# CONTACT US

**Johnstone's Benefits**
3095 Woodbine Drive
North Vancouver, BC
V7R 2S3

Phone: 604 980 6227
Toll Free: 1 800 432 9707
Fax: 604 983 2935

Website: www.jbenefits.com

**JOHNSTONE'S JOURNAL** is published monthly and designed to provide topical information of interest not only to plan administrators, but to all employees who enjoy coverage under the benefit plan. Feel free to make copies and share with your employees.