

GROUP BENEFIT PLAN ELIGIBILITY

Qualification rules are important to know

Employees and Contractors

Some employers prefer to hire workers as contractors in some circumstances, rather than hiring them directly as employees. Benefit eligibility differs depending upon the status of the worker.

Workers who are on the company's payroll are deemed employees. They have the advantage of qualifying for the company's group benefit plan if they work the required minimum number of hours per week, and do not have an established end date to their employment. Those workers who are hired for a specific period (minimum one year) may also be eligible for group coverage, but must be approved by the insurer.

Contractors, on the other hand, invoice the company for their services and then take care of all their own expenses and taxes. They are not considered employees, and unless specifically addressed in the contract or by exceptions, are not entitled to participate in the employer's group benefit plan. There may be cases when the line between independent contractor and employee status becomes blurred, and the contract worker appears more like an employee. In these situations, employers need to be careful before promising coverage on their employee benefit program.

If the insurer has not agreed to provide coverage for a contractor, there may be a serious problem in the event of a claim. Insurers may check payroll records to verify eligibility, particularly when there is a significant loss such as a life insurance, disability or an emergency travel claim. If an individual becomes disabled and is actually deemed a contractor (not listed in the company's payroll) the insurer may deny the claim.

Some insurers may consider allowing a contractor to enrol in a portion of the group benefit plan, upon request for an exception, when a solid argument can be made that the contractor is really an employee by another name (ie. income source, location of work, ownership of tools, direction and supervision by the employer).

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.**



If the insurer declines, the client will have two choices:

- ☛ change the contractor's employment status and add them to payroll (the company then becomes responsible for all of the statutory benefits (CPP, EI, Workers' compensation), or
- ☛ arrange to have the contract employee purchase their own personal benefit coverage.

Note: adding a contractor to the organization's benefit plan may have implications with regard to their contractor status. We recommend both parties perform due diligence to ensure everyone understands those implications.

Employees who delay retirement or semi-retire

A growing number of Canadians plan to ease into retirement, and an increasing number don't expect to ever fully retire. Surveys show some have underestimated how much money they needed for retirement, and that the cost of living today is much higher than they expected. With mandatory retirement prohibited in Canada, except in very specific situations, workers will each decide individually when to finally retire.

Given a choice, many prefer to reduce their workload but continue employment. And if they continue to work past age 65, there can be implications regarding the benefit plans offered to them through their employer.

Mandatory retirement legislation does not affect group benefit contracts. Insurers can—and do—apply maximum age limits by benefit. All employees must continue to meet the criteria of an eligible employee as set in the insurance contract, and are required to work a minimum number of hours each week. Typical termination age limits are:

- ☛ Life/AD&D: reduces by 50% at 65, terminates at employee's age 70
- ☛ Dependent life: employee's age 70
- ☛ Critical illness: insured's age 65 or 70
- ☛ Long term disability: employee's age 65
- ☛ Short term disability: employee's age 65 or 70
- ☛ Extended health and dental: ranges from age 70 to no age limit

As more employees continue to work past age 65, they may request reduced or more flexible work hours. This can affect whether they are eligible for benefits. Employers and employees should be aware of the eligibility requirements of their benefits plan based on minimum hours worked. For benefits where there is no age limit for coverage (see above), employees are still required to meet the minimum hours requirement in order to be eligible for coverage. Insurers often contractually reduce a standard work week to 20 hours a week, and may agree to as low as 15 hours per week on an exception basis.

We are here to help!

Johnstone's Benefits is happy to provide assistance in reviewing benefits eligibility with the insurer for a contract employee, and providing costs and applying for conversion of coverage for retiring or semi-retiring employees.

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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.

