Johnstone's Benefits

THE JOURNAL

solid group plans made simple

Llate applicants

Managing liability and expectations

Employees must enrol in the plan

Why can't an employee (or employer) choose when the employee joins the plan?

The reason is found in the development of group benefit plans versus individual plans—the quality of benefits, scope of coverage, and pricing of group plans are superior. A number of basic underlying principles make group benefit plans a convenient way in which to insure employees, usually with little or no health information required. To allow for this, insurers use a number of assumptions and procedures must be followed to avoid employees from selecting against the insurer (known as "anti-selection").

Mandatory coverage and anti-selection

Occasionally, employees will not want to join the benefit plan because they don't see a need for coverage at that time, and think they will just enrol when the need for coverage arises. Group benefit plans do not function in this manner because then only people who know they need insurance would be on the plan and premiums wouldn't cover the costs of the claims. This is called "anti-selection".

To protect the plan against anti-selection, group benefit plans require employees and their dependents to enrol in the program within 31 days of becoming eligible (also known as the 30 day rule). If an application is received after 31 days, the employee or the dependent is considered a late applicant.

The only exception to this rule is extended health and dental benefits which can be waived when an employee has similar coverage through another plan, such as their spouse's group plan.

What happens when an applicant is late?

Not enrolling employees on time causes headaches for both the employer and the employee. For anyone applying late, it's now up to the insurer to allow the employee to enrol or not, based on their assessment of the potential risk. To make that decision, insurers will require the employee to complete a detailed medical questionnaire. They may also require an examination by a physician, all at the employee's expense.

Depending on the results of the questionnaire and physician's report, it is possible that the employee is declined benefits coverage altogether – including life and disability insurance. If the insurer does agree to cover the employee, most group policies limit payment for dental claims in the first year, usually to $250.

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**.

The risk to the employer with an employee who has been declined due to late submission, is that the uninsured employee can legally seek damages, claiming they were ill-informed by the employer or didn't understand the ramifications of applying late for benefits.

Notifying us of life events

All insurers require dependents to be enrolled into the plan within 31 days of becoming eligible (e.g. date of marriage or birth). If dependents are not enrolled within this period, they become late entrants, and the insurer may require a completed medical questionnaire. Coverage is then subject to insurer approval and may also include claims restrictions (e.g. dental) during the first year of coverage.

Dependent eligibility

Coverage for dependents

Your employee benefit plan is designed to help with your family's health expenses. Below are standard definitions for dependents; your plan may have more specific requirements**,** therefore you should always review the definitions under your plan.

Definition of spouse

Contracts vary slightly but generally a spouse who is eligible for benefits is defined as:

- a person legally married to the employee, or,
- a person who the employee has been residing with (cohabitating) for at least one year and who is being represented publicly as the spouse.

Separation or divorce

There are some benefits-related scenarios that might arise after a legal separation or divorce:

- *Can I keep my spouse on my plan even though we are separating?* **YES – with approval**, if you continue to be legally married and this is part of a separation agreement.
- *We are getting divorced and the judge says I must keep my spouse on my plan. Is this okay?* **YES – with insurer approval.** Although the definition of spouse is no longer satisfied, if a court-ordered agreement exists, benefits can continue. However, insurers are not legally bound by divorce agreements and employees must request approval.

If you remarry or enter in to a new common-law arrangement, note that only one spouse can be covered at a time.

Definition of dependent children

A dependent child is defined as an unmarried child, stepchild or legally adopted child, and is the child of the employee or the legal spouse, and who lives with them and is fully dependent on them for support, and,

- is under age 19 or 21 (depending on your contract), or
- is attending an educational institution full-time and is under age 25 (26 in Quebec).

Guardianship: A court order is required to add any dependent child not defined above.

Disabled dependents: will be covered to any age if incapable of self-sustaining employment. Call us for details as the insurer approval is required.

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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.