Johnstone's Journal

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 use as a payroll stuffer.

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Late Applicants

Avoid the headaches and liability

Employees Must Enrol in the Plan

Does it really matter when employees complete and submit their application forms to join the group benefit plan? In short, YES.

At first glance this doesn't seem fair. Why can't an employee (or employer) choose for themselves when to join 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 far 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 make this happen, a number of assumptions are made and procedures must be followed to avoid employees from selecting against the insurer (anti-selection).

Mandatory Coverage and Anti-selection

Occasionally, employees will balk at joining 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 crops up. Group benefit plans don't work this way, of course, 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. If an application is received after 31 days, the employee or the dependent is considered a late applicant.

The only exception is with extended health and dental benefits which can be waived but only when an employee has similar coverage through another plan, such as with their spouse.

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 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 coverage altogether.

If the insurer does agree to cover the employee or dependent, the headache does not end there. Most group policies limit payment for dental claims in the first year, usually to $250.

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 or didn't understand the ramifications.

Notifying Us of Life Events

When employees have life changing events, such as getting married or gaining a dependent, those changes must also be reflected in the employees' coverage files within 31 days of the event. Employees should not wait until their child's first dental appointment to think about coverage—babies too must be enrolled with 31 days of birth. For common law relationships, couples must be cohabitating for 12 months. A common law spouse is eligible to join the plan within 31 days after the cohabitation requirement—see July 2010 Journal.

To avoid headaches and any potential liability of declined coverage, ensure employees complete their applications and change forms no later than 31 days after becoming eligible.

If there are extenuating circumstances why an application or change is late, contact our office.