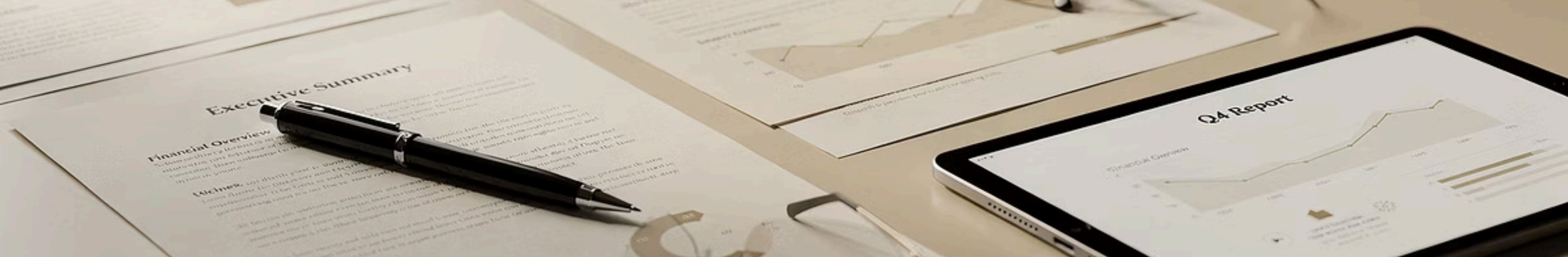




The Bonafide Foundation

An exclusive, no-nonsense guide of best practices in Group Benefits — presented as a categorized checklist for benefit plan administrators and decision makers. Designed to reduce liability, ensure compliance, and eliminate administrative risk.

BONAFIDE ADVISORY GROUP INC.



Executive Summary: Your Comprehensive Guide

This guide covers the essential best practices every plan administrator should know — from tax strategy to compliance, liability, and renewal.

01

Taxation

Optimizing tax implications for benefits.

03

Liability Mitigation

Reducing legal and financial risks.

05

Cost Plus

Understanding and leveraging flexible spending options.

07

Plan Administrator Acknowledgement

Confirming understanding of responsibilities.

02

Privacy & Confidentiality

Safeguarding sensitive member data.

04

Administrative Items

Streamlining daily plan operations.

06

Disclosure & Privacy Policy

Ensuring transparent communication and adherence.

08

Renewal Questionnaire

Preparing for efficient plan renewals.

Why the Bonafide List?



Our Foundation Together

Covers issues in detail as a shared foundation — educating areas of risk so the Plan Administrator can identify and resolve them *before* encountering them.



Consistent Awareness

Consistently repeats key information, raising awareness and encouraging comprehension. Serves as an ongoing reference for the PA.



Compliance & Protection

If ever involved in a lawsuit, the list supports your compliance case and reduces liability by documenting what was discussed.



Self-Sufficient Partners

Goal: self-sufficient, educated plan-administering partners who don't waste time fixing errors that should never occur.

 Use at new case placement, every renewal meeting, new PA training and PA future resource tool

1.0 Taxation

We encourage activating tax deductions in the current year — future tax rules cannot be assumed unchanged. Always consult your accountant; we are happy to participate in those meetings.

1a. Premium Cost Sharing

Employer-paid Group Life, CI, AD&D & dependent life premiums are **taxable benefits**. Employees should pay these premiums first under any cost-sharing formula. Pooled lines become 100% employee-paid, remainder employer-paid (~60–70%).

 **Risk:** Incorrect LTD funding → taxable claim outcome

 **Best Practice:** Employee pays LTD premium first

1b. Long Term Disability (LTD)

1. Employee-paid LTD = tax-free benefit on claim.
2. Employer-paid LTD = taxable benefit.
3. A third unique option exists: employer covers cost as a *taxable benefit shown on each paycheque* (not just T4), satisfying CRA's "regular income as paid" requirement per IT-428 S.17. Cannot be done retroactively.

1c. Shareholder Benefits

Highest benefit class must be titled **Senior Executives** (never "Shareholders only"). Outlier Cost Plus claims (e.g. \$36,000 knee replacement) risk double taxation if audited. Best practice: do not claim Cost Plus above **\$15,000**. Consult your accountant.

1d. Quebec Employees

All employer-paid benefits including Cost Plus & HSAs are **taxable benefits to the employee** in Quebec. RAMQ compliance required. Please bring any Quebec residents to our attention immediately.

2.0 Privacy & Confidentiality

We promote inclusion and accessibility for all eligible employees. Employers may design and offer a benefit plan, but must **not** have access to individual employee health information — unless necessary for reasonable work accommodation, which the employee brings forward.

A third-party benefit provider as administrator and claim adjudicator protects employers from discrimination liability, HR/legal reprimand, lawsuits, and financial losses. This privacy veil works in everyone's best interest.

Governing Legislation

PIPEDA, PIPA and the **Manitoba Privacy Act** protect individual privacy and restrict personal information available to employers.

Compliance Checklist

- Old Claims Experience Reports with employee detail must **NOT** be kept on file by employers.
- Employees — **not the employer** — retain copies of receipts and claims submitted.
- Employees complete and forward EOI forms **directly to the insurer**.
- Employers must NOT keep copies of Evidence of Insurability (EOI) forms.**
- Bonafide Advisory team members may assist with sensitive data to protect Employer.

3.0 Liability Mitigation

3a. Employee Surveys

Only survey staff on benefits you are willing and committed to implement. Consumer behavior ranges from "I need everything" to "I don't care" — only ask questions you can act on.

3c. Documented Communication

Keep benefit booklets current by pointing to online updated resources. Communicate plan changes promptly with documented proof. Within the employee contract include a policy to terminate benefits after prolonged absence (minimum 1 year; often 2 years + 120 days). Advise employees in writing of conversion privileges within **30 days** of benefit loss.

3b. CGL Coverage

Obtain Plan/Benefits Administrator liability coverage — available as a free rider on your CGL policy from your P&C broker. This is your safety net for all benefit plan administration matters. Please send a copy to Bonafide Advisory, we will have a copy on file.

3d. Waivers & Exceptions

All Bonafide Advisory plans are **contractually mandatory**. Waivers must be signed by spouses/dependents and witnessed. Review all benefits annually and at every life status change. Never promise benefit coverage at hire or termination without consulting Bonafide Advisory and a lawyer.

4.0 Administrative Items

The Plan Administrator role spans the entire employee journey — from pre-hire to retirement. Here are the key operational requirements.

01

Enrollments & Changes

Enrol new hires within the waiting period (usually 3 months). Notify insurer within **30 days** of all status changes. Retain copies of all enrolment, termination, change & beneficiary forms. Only permanent full-time T4'd employees may be enrolled.

03

LTD & Disability Reporting

Inform Bonafide Advisory and insurer ahead of time of any absence that may lead to an LTD claim — within **5–6 weeks** of last day worked. A LTD claim must be filed for all WSIB/WCB cases.

02


Legislative Leaves & Dependants

Continue benefits during ALL legislative leaves (pregnancy, parental, etc.). Have employees provide post-dated cheques for their premium share. Ensure over-age or disabled dependent children apply to maintain coverage. All staff must be covered by provincial health or an insurer-approved PPR policy.

04

Billing & Premium Payment

Premiums must be paid on time and as billed. Use EFT/PAD auto-withdrawal programs. Arrears can lead to suspensions, denied claims, and employer liability — especially critical when employees contribute to the plan.

 Insured **MUST** call the insurer **IMMEDIATELY** in the event of an out-of-province/country emergency.

Health stability clauses and travel restrictions can leave staff with no coverage.

5.0 Cost Plus

Cost Plus is an excellent addition to any benefit plan — providing staff with a **tax-free benefit using pre-tax business dollars**. Any CRA-eligible medical or dental expense not covered by the plan may qualify: paramedical overages, major dental, orthodontics, laser eye surgery, and more. No additional cost beyond administrative fees and taxes on claims made. Communication of Cost-Plus must be made available to eligible employees. Claims are not reflected in group experience.

❏ Effective Jan 1, 2013, CRA views trading bonuses for flex credits (HSA) as taxable benefits. Shareholders should consult their accountant — the use of "shareholders only" may result in a taxable benefit and negate Cost Plus advantages.

Sample Calculation

Scenario: Executive's child needs \$3,000 orthodontic treatment. Plan covers basic dental only. Marginal tax rate: 43%. Corporate tax rate: 15%.

Without Cost Plus	Executive must earn \$5,300 to net \$3,000 after tax
With Cost Plus	Business pays \$3,300 + taxes; net cost after 15% tax = \$2,805
Savings	Executive saves \$2,495 ; expense paid in tax-effective manner

*Admin fees range 10–15%; minimums and maximums may apply. Best practice: do not claim Cost Plus above \$15,000 for shareholders.

6.0 Disclosure & Privacy Policy

Our Independence

Bonafide Advisory is an independent insurance broker governed by provincial insurance councils and licensed in each province where we do business. We are members of **Advocis** and **Canadian Group Insurance Brokers**. Products recommended are those best suited to your needs — without regard to any one company's compensation practices.

Compensation Transparency

Bonafide Advisory Group is compensated a portion of your premium for designing, marketing, and servicing your benefit plan — including commissions, bonuses, and other inducements. Compensation ranges based on volume of total business. We do not operate fee-for-service — we never want clients to hesitate contacting us. *"If in doubt, shout!"*

Privacy Practices

Client information is collected solely for: reviewing benefit needs, assisting with applications, ongoing insurer communications, claims support, and litigation support. Information may be shared with our contracted MGA. Client consent is required for collection, use, and disclosure except where required by law.

7.0 Plan Administrator Acknowledgement

The Plan Administrator or Owner acknowledges that the administration requirements of the employee benefits plan — including taxation, privacy & confidentiality, liability, late enrolment, and mandatory enrolment — have been reviewed. Copies of all Bonafide Advisory Group documents are available at www.BonafideAdvisory.ca.

Understanding Confirmed

The PA understands that employee education meetings are available upon request, and that Bonafide Advisory Group specializes in employee benefits/group insurance. Bonafide Advisory Group does not distribute individual life or A&S products — specialists in those areas handle them. Referral available upon request.

Available Products

The PA understands that group products such as EAPs, HSAs, Critical Illness, LTD, and STD may not currently be on the plan but are available upon request. Bonafide Advisory Group can also assist with referrals to other areas of insurance.

Renewal Package

The PA acknowledges receipt of the benefit renewal package and that it has been explained by Bonafide Advisory Group or their representative. Electronic consent may be provided for communications via email, blog, and other electronic forms for all business purposes.

8.0 Renewal Questionnaire

Complete the following at every renewal meeting to ensure the plan remains accurate, compliant, and fully optimized for your workforce.

Workforce Status

- Are all employees actively at work? Any lay-offs?
- Anyone on or going on parental/disability/sick leave?
- Any WCB or LTD cases pending?
- Any staff changes planned — growth or reductions?
- Anyone approaching age 65 or benefit termination age?

Plan Accuracy

- Are all eligible employees enrolled in the plan?
- Are salaries up to date with the insurer?
- Do all staff have proper Life & LTD coverage? (No outstanding medical questionnaires?)

Unusual Circumstances

- Any unusual hiring circumstances? (Do not add to plans without discussion)
- Foreign workers on work permits?
- Contract staff with T4 & EI/ CPP deductions?
- Independent contractors (no T4 or deductions)?
- Part-time, seasonal, student, or co-op staff?

Strategic Review

- Any unusual circumstances, questions, or staff queries?
- Have any of the company's goals or mission changed?

- ☑ Completing this questionnaire at every renewal is a cornerstone of proactive plan administration and ongoing compliance with Bonafide Advisory standards.

What This Means for You



Fewer surprises at renewal



Reduced employer liability




Properly administered plan



Better employee experience



Confidence in your benefit program

 This is how we ensure your plan runs properly — not just competitively.