

## Private Health Services Plan – Self Employed

### CLIENT ACCOUNT INFORMATION

**Company Name** (or name of self employed individual)

**Contact Person**

**Phone Number** (    )

**Mailing Address**

**Fax Number** (    )

Street: \_\_\_\_\_

**Cell Number** (    )

City

Province

Postal Code

**E-mail Address**

**Fiscal Year End**

December 31<sup>st</sup>

**Type of Business** (check one)

**Proprietorship** (no arms-length employees)     **Partnership** (no arms-length employees)

**How do you wish to fund the Employee Health Care Plan?** (check one)

**Option A** – Payments are included with submission of claims     **Option B** – Monthly by pre-authorized cheque

*Note: Claims submitted with funds in excess of \$5,000 will be held for five (5) business days*

Unused benefits for each fiscal year will be forfeited if not claimed on or before June 30<sup>th</sup> of the calendar year following the expense. Expenses for each fiscal year must be submitted prior to Income Tax preparation.

### EMPLOYEE INFORMATION

**Medical/Dental “Deductible Schedule” for the Self Employed**

Benefits will be pro-rated for first plan year.

Owner of business    \$1500

Spouse of owner    \$1500

Dependents    \$750 (each)

Please Note: Inclusion of an \*arms length employee to your plan requires special consideration. Please consult with your Olympia Trust representative for details.

*\*Arms Length – anyone not related by blood relationship, marriage or adoption*

**Employee Name** (please print)

**Address**

**Home Phone Number**

(    )

Street: \_\_\_\_\_

City

Province

Postal Code

**LISTING OF DEPENDENTS: Please list all of your dependants that will be covered under this Plan** (Attach separate listing if required)

**Name of Dependent(s)**

**Relationship**

**Date of Birth**

**Benefit Limit**

Owner of Business

\_\_\_\_/\_\_\_\_/\_\_\_\_  
mm    dd    yyyy

\$1,500

Spouse

\_\_\_\_/\_\_\_\_/\_\_\_\_  
mm    dd    yyyy

\_\_\_\_/\_\_\_\_/\_\_\_\_  
mm    dd    yyyy

\_\_\_\_/\_\_\_\_/\_\_\_\_  
mm    dd    yyyy

\_\_\_\_/\_\_\_\_/\_\_\_\_  
mm    dd    yyyy

**Total Annual Benefit Level**    \$

Dependents of an Eligible Employee are defined as follows:

- a) A spouse who is either:
  - i. legally married to the Employee, or
  - ii. living with the Employee (If Travel Medical Insurance applies, cohabitation must have existed for the past 12 consecutive months) and is publicly represented as the Employee’s spouse or partner
- b) Any financially dependant member of the employee’s household with whom the employee is connected by blood relationship, marriage or adoption

### OPTIONAL OUT-OF-PROVINCE/CANADA TRAVEL MEDICAL INSURANCE

I have been informed of this option and have elected to:  
(Applicant *must* initial one selection)

\_\_\_\_\_ decline                      \_\_\_\_\_ accept

If accepted, the Out-of-Province/Canada Travel Medical Emergency Insurance application for new small groups must be filled out and attached. When included and initialed, the application will form a part of this contract as fully as if it were stated at length over the signature of the Applicant herein.

### OPTIONAL EXCEPTIONAL EXPENSE INSURANCE

I have been informed of this option and have elected to:  
(Applicant *must* initial one selection)

\_\_\_\_\_ decline                      \_\_\_\_\_ accept

If accepted, the Exceptional Expense Insurance application must be filled out and attached. When included and initialed, the application will form a part of this contract as fully as if it were stated at length over the signature of the Applicant herein.

## ADMINISTRATIVE SERVICES AGREEMENT

**BETWEEN:**

OLYMPIA TRUST COMPANY, of 2300 – 125 9<sup>th</sup> Avenue SE  
Calgary, Alberta T2G 0P6 (hereinafter called “Olympia”)

– and –

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(hereinafter called “the Employer”)

**WHEREAS:**

- (A) The Employer has established a Private Health Services Plan, a summary of which is included in this document, for its employees and their dependants (hereinafter called the Employee Health Care Plan); and
- (B) Olympia is engaged in the business of providing financial, administrative and trustee services;

**NOW THEREFORE** Olympia and the Employer hereby agree as follows:

### **Responsibilities of Olympia**

Olympia shall provide the following services to the Employer:

1. Olympia will provide consultation to the Employer with regard to requirements to establish an Employee Health Care Plan for its employees.
2. Olympia will assist the Employer with implementing the Employee Health Care Plan.
3. Olympia will administer and manage the Employee Health Care Plan on an ongoing basis.
4. Administration of the Employee Health Care Plan will include but not be limited to the following:
  - a) Establishing Accounts for eligible Employees, as authorized by the employer.
  - b) Confirming that claims meet eligibility requirements.
  - c) Monitoring claim pools to ensure account maximums are not exceeded.
  - d) Establishing client reporting procedures.
  - e) Processing elections on year end account balances.
  - f) Processing and distributing claims from accounts.
  - g) Arbitrating contestable claims between Employee and Employer.
5. Olympia will follow the guidelines and procedure manuals set forth by respective Provincial Health Information Acts and the Federal Freedom of Information and Privacy Protection Act.
6. Olympia will hold all monies received from the Employer in trust which bears no interest to the employer.
7. Olympia will be entitled to all interest earned on trust funds.

### **Responsibilities of the Employer**

1. The Employer will ensure that the plan remains funded as outlined in the attached Fee Schedule, in a manner necessary to meet its obligations to its employees and Olympia. In the event that the employer fails to fund the plan as required, Olympia is under no obligation to, and will not pay out claims submitted by the employees.
2. The Employer shall provide Olympia with a current record of all eligible employees and dependants covered under the plan.
3. The Employer shall notify Olympia immediately about changes affecting the eligibility of any employees and/or dependants in a manner that is satisfactory to Olympia.
4. The Employer shall maintain a registry of all eligible employees signifying which employees are participating in the Employee Health Care Plan and which employees are opting out.

### **Other Terms**

1. The Employer authorizes Olympia to apply payments from the Employer’s account in settlement of eligible benefits payable to employees under the Employee Health Care Plan and settlement of administration fees due to Olympia, and to make adjustments to accounts to comply with the Fee Schedule of this agreement.
2. Olympia trust shall not be liable in the event that it has paid a benefit for which an employee was not eligible because the Employer failed to supply Olympia with timely or accurate information in a manner satisfactory to Olympia.
3. This agreement can be terminated immediately by either party upon written notice to the offices of the other party. Termination of this agreement constitutes termination of the Employee Health Care Plan.  
In the event this agreement is terminated, Olympia shall have no obligations under the Employee Health Care Plan beyond paying claims incurred prior and including the date of termination. The Employer shall be required to fund its obligations under this agreement, including fees and applicable taxes due to the administrator, up to and including the date of termination.
4. In the event that there has been no activity for a period of thirty (30) consecutive months, Olympia reserves the right to terminate this agreement by written notice mailed to the Employer’s address.
5. This agreement, together with the Employee Eligibility Profile, the Client Account Information File, Optional Insurance Forms (if applicable) and the Sole Proprietorship Information Circular; copies of which are attached and made a part hereof, constitutes the entire agreement.  
**No agent or other persons has authority to waive any conditions or restrictions of the agreement; to make or modify the agreement; or to bind Olympia by making any promise or representation or by giving or receiving any information.**
6. Time is of the essence in the agreement.
7. In addition, Federal and Provincial sales taxes will be levied on fees when applicable. Olympia Trust G.S.T. Registration #R898780739.
8. In the event that the actual number of eligible employees at start up should differ from the number indicated on this schedule, an adjustment will be made to the employers account.
9. Each additional Employee subsequently added to the plan will be subject to a forty dollar (\$40.00) plus G.S.T. set up fee. Employees dropped from the plan will be deleted at no charge.
10. Additional thirty dollars (\$30.00) will be charged for all NSF cheques.

**Employer Fee Schedule Payable to Olympia Trust Company**

**1. Enrollment Fee:** - A ONE TIME enrollment fee as follows:

i.	Base Fee .....	\$335
	<b>Plus</b>	
ii.	\$40 for each participating employee .....	(\$40 x <u>1</u> (# of employees) <u>40.00</u>
	<b>Total Enrollment Fees</b>	<u>375.00</u>
	<b>G.S.T. (6%)</b>	<u>22.50</u>
	<b>Subtotal (a)</b>	<u><b>397.50</b></u>

**2. Optional Insurance Fees**

Out-of-Province/Canada Travel Medical Insurance (annual fee).....	(b) _____
Exceptional Expense Insurance (annual fee).....	(c) _____
	<b>Total Due (a+b+c)</b> _____

**3. Administration Fees**

Calculated as **10%** plus G.S.T. of benefits paid out under the Employee Health Care Plan

**Payment Options:**     Cheque     Visa     MasterCard

Card Number    \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

Expiry Date    \_\_\_\_\_

Cardholder Name    \_\_\_\_\_

*Note: The submission of claim funding will not be accepted by credit card.*

**TOGETHER WITH THE ENCLOSED PAYMENT OF \$\_\_\_\_\_ PURSUANT TO THE SET UP FEE OUTLINED IN THE FEE SCHEDULE OF THIS AGREEMENT, AND IN WITNESS WHEREOF,** the terms of this agreement are hereby accepted by the parties hereto this \_\_\_\_\_ day of the month of \_\_\_\_\_, 20\_\_\_\_, at \_\_\_\_\_, \_\_\_\_\_.

**Employer Signature:**

\_\_\_\_\_

- I have explained to the employer that Olympia Trust will administer this private health services plan. I have also explained the fees, compliance matters and claims processing procedures to the employer.
- If Insurance is being sold, my signature below indicates that I am an agent licensed to sell Accident & Sickness Insurance, that Olympia Trust has been provided my current licensing information and a copy of my valid Errors & Omissions Insurance.

**Agent Signature:** \_\_\_\_\_

*Sole Proprietor Information Circular must be attached & signed by the applicant(s)*

Acknowledgement and Acceptance for **Olympia Trust Company** by: \_\_\_\_\_

## SOLE PROPRIETOR INFORMATION CIRCULAR

The federal budget brought down by Paul Martin, then Finance Minister, in February 1998, announced that amounts paid or payable as a premium to a private health services plan would be deductible in computing the income of a self-employed individual or unincorporated business person (full details are contained in new section 20.01 of the ITA).

As a result of this budget announcement, Olympia Trust, as administrator, entered into contracts with self-employed individuals and unincorporated business persons in a manner commensurate with guidelines outlined in the budget.

In April 1999, a technical interpretation letter from CRA (Document Number 9904155E) relative to the above legislation indicated that CRA's opinion was that a contract between a proprietor and an administrator in which the administrator agreed to reimburse the proprietor for eligible medical expenses where no arms length employees are involved does not qualify as a private health services plan and the income received from the plan would be taxable income.

Olympia Trust challenged this interpretation (Document 9904155E) on the grounds that the intent of the legislation was ignored. It had several exchanges of information and discussions with senior CRA officials. In the end, it was clear that neither CRA nor the federal Department of Finance wanted sole proprietors without arms length employees to avail themselves to the tax planning opportunities announced in the 1998 budget.

Olympia Trust made legal representations to CRA supporting the private health services plan, as set up and administered by Olympia Trust, does properly meet the necessary requirements of the ITA. Olympia Trust invited CRA to defend their technical interpretation letter in the courts.

The response by CRA was to visit Olympia Trust and review its operations, contract, and customers. Five of these customers were examined by CRA in detail, including a review of our legal submissions made to CRA, and eventually the income received from the private health services plan was received on a tax free basis by the Olympia Trust customers subject to the examination.

Olympia Trust has now waited three years and has continued to process claims for its existing sole proprietors but has not contracted any new ones. In the three years, there has been no effort on the part of CRA to deny the tax free status of payments received by the plan holders. It appears that CRA does not wish to defend their technical interpretation (DN9904155E) in the courts. As a result of everything that has transpired, Olympia Trust will now accept applications for the administration of private health services plan for sole proprietors with no arms length employees.

Olympia Trust is prepared to challenge, in court, the technical interpretation issued by CRA in April 1999 (DN9904155E), but such a challenge is not without risks.

A sole proprietor who applies for and uses a PHSP is at risk that the amounts received from the plan will be considered taxable income. If this should happen, the taxpayer should generally be able to re-file his or her tax returns for the appropriate year(s) and claim the medical tax credit. The sign up fee and administration fee should generally be deductible as a business expense.

I, \_\_\_\_\_, a sole proprietor with no arms length employees, have read the above information circular. I understand the attendant risk and possible loss of applicable tax deductions for health and dental expenses.

\_\_\_\_\_  
Signed

\_\_\_\_\_  
Date

\_\_\_\_\_  
Please print

In order for this contract to be valid, this document must be attached to and form part of the Administrative Services Agreement, the Client Account Information Form and the Employee Eligibility Profile.

