



BENEFITS BY DESIGN

# The Small Business Handbook

FOR DESIGNING YOUR **FIRST GROUP BENEFITS PLAN**

This **small business handbook** is designed to help small business employers design their **first group benefits plan**.

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# Determining your benefits philosophy

When designing any benefits plan — but especially your first one — it's important to determine the “why” behind the plan, otherwise known as the [benefits philosophy](#).

A benefits philosophy can be as simple as, “I want to build a plan that makes my business a place of choice for job-seekers” or “I want to keep employees happy and healthy.”

It's important to have a **clear philosophy** in mind so that you know which benefits to prioritize to meet your goals and that of your employees. If you're unsure where to start, **consider discussing the matter with your employees** and asking them what coverage is most important to them!

For example, if one of your goals is to keep employees happy, healthy, and engaged at work, you might want to consider mental health solutions, like an [employee assistance program \(EAP\)](#).

## Plan for plan sustainability

We believe that a benefits plan should be sustainable for years to come (after all, do you really want to set up a new one each year?). A sustainable group insurance plan grows with an organization. It is priced appropriately from the beginning, lessening the impacts of large increases at renewal.

[Blog: Why focusing on employee benefits sustainability is the best shot at success](#)



Many insurance carriers discount their rates when you first sign up, which can provide attractive cost-savings at first. However, there are many hidden costs and impacts to [changing insurance carriers](#) and these discounts aren't sustainable for the insurer over the long term, so they increase them at your first renewal. This often leads to significant, unsustainable increases in cost from one year to the next.



# The most common small business benefits

To get a sense of what benefits small businesses include in their plans, we evaluated over 3,000 of our own small business clients. Among the small businesses whose plans we evaluated, these five benefits were taken most frequently:

## Extended health care (EHC) and dental insurance

Extended health care (EHC) and dental insurance are practically synonymous with benefits coverage and are a highly sought-after benefit by employees. That's plain to see simply by the uptake of the small businesses we evaluated — **88% have EHC and 83% have dental insurance.**

Generally paired together, these benefits work to keep employees happy and healthy through supplemental health coverage beyond their provincial health plan. Because employees place a lot of value on these kinds of coverages, their inclusion in the benefits package makes your plan more competitive and serves to attract and retain top talent in your organization.

## Life and dependent life insurance

Life and dependent life insurance provide financial assistance in the event of a covered plan member's death. Benefits are paid to the named beneficiary completely tax-free.

Like EHC and dental insurance, life insurance is among the most common offerings in a group benefits plan. Although **89%** of small businesses we looked at include a life insurance benefit, only **55%** include a dependent life insurance benefit, suggesting small business employers prioritize their employees over dependents.

However, this attitude goes against employees' wishes, who, more often than not, would like to see dependents covered. Employees are more frequently making employment decisions based on their [total compensation package](#), including benefits, so employers should consider whether to add dependent life insurance carefully.

# The most common small business benefits

## Accidental death & dismemberment (AD&D) insurance

Accidental death and dismemberment (AD&D) Insurance provides financial assistance and support for covered employees in the event of bodily harm or loss of life as the result of an accident. It is almost always paired with life insurance, hence why **87%** of groups evaluated have AD&D alongside the **89%** who have life insurance.

Like life insurance, AD&D provides coverage for those “what if” scenarios, which are what insurance is all about!

## Health and dental insurance costing too much? Try a health care spending account (HCSA)

[Health care spending accounts \(HCSA\)s](#) are experiencing a strong and growing uptake among small businesses. HCSAs are a viable option for offering employees health and dental coverage while providing yourself with [cost containment](#). Employers choose an amount to offer

employees for the year, allowing employers to predict their overall cost of providing benefits more accurately. This is different from traditional, fully-insured plans that include health and dental insurance, which can have varying costs or large annual increases.

The eligible expenses under a HCSA are determined by the [Canada Revenue Agency \(CRA\)](#), as HCSAs are administered in accordance with the Income Tax Act (Canada). As with other employee benefit programs, an HCSA is a tax-deductible benefit, and the benefits are received tax-free.



# Looking for added coverage? Check out these benefits

Alongside the five most common benefits listed previously, here are some additional benefits to consider, based on the uptake from the small businesses we looked at:

## Disability insurance

Disability insurance, both [short-term disability \(STD\)](#) and [long-term disability \(LTD\)](#) insurance, are common inclusions in a small business benefits package. Each provides income replacement in the event an accident, injury, or illness prevents an employee from working and earning an income.

We discovered that while **39%** of the small businesses we evaluated have LTD, only **7%** have STD. This is likely due to the fact that Employment Insurance (EI) provides similar (if less comprehensive) coverage to employees as STD, and small business employers are usually on a budget. Although both provide much-needed income replacement in the event of a serious accident, injury, or illness, small business employers seem to prioritize LTD over STD.

## Critical illness insurance

Just over a quarter — **28%** — of the small businesses we looked at have [critical illness \(CI\)](#) insurance as part of their benefits package. CI insurance covers plan members and their dependents for unexpected serious illnesses by providing a single, tax-free, lump-sum payment upon diagnosis of a covered condition.

CI is a viable addition to any benefits plan simply because the odds of a Canadian being given a serious diagnosis like a [chronic disease](#) are increasing. [Nearly one in two Canadians](#) are expected to be diagnosed with cancer in their lifetime and [incidences of heart disease and stroke are increasing](#) as well. Unfortunately, there is an ever-increasing likelihood of a serious illness impacting your workplace, and CI is well positioned to provide financial protection and peace of mind in the face of a diagnosis.

# Looking for added coverage? Check out these benefits

**16% of the small businesses evaluated had at least one spending account, either a health care spending account (HCSA) or a wellness/personal spending account (PSA).**

## Spending account(s)

### Wellness or personal spending account (WSA/PSA)

A [personal spending account \(PSA\)](#), sometimes known as a Wellness Spending Account (WSA), provides employees with additional health and well-being options and provides [near limitless options for eligible expenses](#). These options are generally over-and-above what is normally covered under a traditional benefits plan. Employees often place a lot of value on the perks provided through a PSA.

### Employee assistance program

Finally, **16%** of small businesses we looked at provide access to an [employee assistance program \(EAP\)](#). We expect to see this number continue to grow, as Canadians grapple with the [long-term effects of COVID-19](#) and the continuing [mental health crisis](#).

An EAP provides employees and their families with access to accredited professionals to deal with life's challenges. EAPs offer counselling services for mental health problems, financial issues, stress related to eldercare or marital issues, and more.

**In a world dealing with a multitude of stressors such as financial stress, childcare, or anxiety, an EAP is a welcome addition to any employee benefits plan.**

[Blog: 6 Ways an employee assistance program makes businesses better](#)



# Data analysis

Data represents over 3,000 small businesses (50 employees or less), and represents a portion of Benefits by Design (BBD)'s group benefits business. These small businesses reflect a cross-section of industries located across Canada, including construction, manufacturing, retail trade, finance, and more.

## About Benefits by Design (BBD)

Benefits by Design (BBD) is a proud Canadian success story. Established in 1996, we are on a mission to help working Canadians promote and protect their health, wealth, and happiness by delivering employee benefits by design.

The intent of this report is to provide you with general information regarding the current landscape within the Small and Medium Enterprises (SME) employee benefits environment. The data does not constitute recommendations or other advice regarding employee benefits programs and the user is in no way obligated to use any of this information within their organization. The decision to utilize this information rests with the user. BBD recommends that the user consults with their Advisor or tax authority regarding any plan designs.



**You have the data – now let us help you put it into action.**

**Contact us** to learn more about our employee benefits plans



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