



Canadian Life & Health
Insurance Association
Association canadienne des
compagnies d'assurances
de personnes

Submission in response to the Autorité des marchés financiers consultation on group insurance offered to student association members

October 17, 2022





INTRODUCTION

CLHIA members are pleased to take part in the discussion launched by the AMF on group insurance offered to student associations in Quebec educational institutions.

A few figures

Group insurance, including supplementary health insurance like that offered to students, plays an important role in the financial security of more than 6 million Quebecers.

The life and health insurance industry is a partner with the government in the area of Health.

Les assureurs protègent près de 70 % des Québécois contre les coûts des services de santé

En 2021, les assureurs de personnes ont versé aux Québécois 5,7 G\$ de prestations d'assurance maladie complémentaire. Ils ont en outre remboursé 2,1 G\$ en prestations d'invalidité.

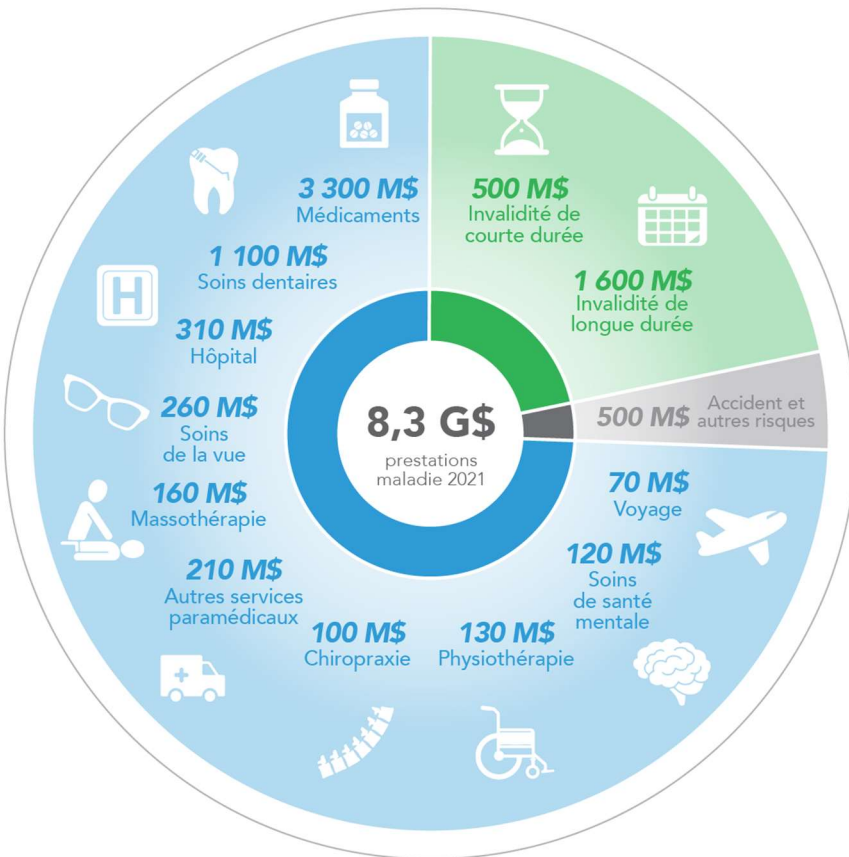
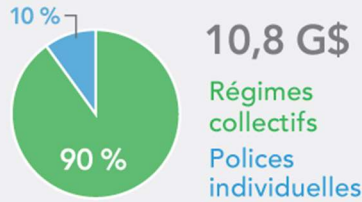
	Prestations versées	Québécois couverts
Maladie complémentaire	5,7 G\$	6,1 millions
Invalidité	2,1 G\$	2,8 millions
Accident et autres risques	0,5 G\$	3,4 millions

L'assurance maladie couvre les frais hospitaliers et médicaux non pris en charge par les régimes publics d'assurance maladie, par exemple les médicaments d'ordonnance, les soins de la vue, les soins dentaires, et les soutiens à la santé mentale. Ce type d'assurance peut aussi fournir un revenu de remplacement aux personnes incapables de travailler en raison d'une invalidité.

Produits :
90 % de l'assurance maladie est obtenue dans le cadre d'un régime collectif.

Produits connexes :
Assurance maladie complémentaire; assurance voyage; assurance maladies graves; assurance invalidité; assurance décès ou mutilation par accident; et comptes de crédits-santé.

primes maladie 2021



The supplementary health insurance offered specifically to student associations helps protect a large number of students across Quebec.

These insurance plans may cover, for example, the cost of psychological care, including virtual health care services, dental treatments, massage therapy, optometry services, drug costs in excess of those covered by RAMQ, and travel insurance.

The pandemic has had an impact on the mental health of all Quebecers in recent years, particularly students. Nearly 70% of students experienced psychological distress as a result of the pandemic.¹

¹ <https://www.quebecscience.qc.ca/parteneriat/sante-mentale-communaute-etudiante/> (in French only)



Life and health insurers have provided unprecedented support to the mental health of Quebecers during the COVID-19 pandemic, paying close to \$120M in claims for psychological treatment in 2021, an increase of about 40% over 2020.²

Presented below are the comments of life and health insurers on the offer of group insurance to Quebec student associations. A table follows with the answers to the AMF’s specific questions.

Group Insurance

Group insurance enables all members of a specific group and their family or dependants to access available benefits by **pooling risk**, that is, risk is assessed on the basis of the entire group using pre-established pricing assumptions.

Pooling risk within a group helps **contain costs** since financial risk is diluted across the entire group, regardless of the risk that each person may present individually.

Group insurance provides **non-discriminatory access**, in that it makes coverage available to students with diminished insurability, owing to pre-existing medical conditions for example.

Group insurance provides **affordable access** to coverage for certain people who might not otherwise qualify (e.g. low income, need for specific care that is otherwise unaffordable).

With its modest cost and non-discriminatory coverage, group insurance gives **accessibility** to the entire target client group and ensures the **sustainability** of insurance plans.

Students are often in a precarious or vulnerable financial situation. They don’t always have access to insurance coverage, through their parents for example. They must continue to benefit from the affordable, non-discriminatory access offered by group insurance.

The plans, as they are designed today, meet a demand expressed by student associations and their members across Canada. Imposing different requirements in Quebec limiting access to insurance for certain groups would not be fair to Quebecers.

Recommendation:

- **Maintain the current regulatory framework with automatic enrollment and the right to opt out for student association group insurance plans in order to ensure that all students continue to benefit from coverage available at an affordable cost.**

² Source: [Canadian Life & Health Insurance Facts](#), CLHIA, 2022



Issues identified by the AMF

The AMF identifies areas for improvement with regard to the group insurance offered to student associations, including:

- **Automatic enrollment:** Automatic enrollment in the insurance plan without prior confirmation of the student's need for such insurance (e.g. many students already benefit from similar coverage under their parents' or spouse's insurance or through participation in an employer-provided insurance plan);
- **Opt-out option:** When the opt-out right must be exercised and the length of time allotted to exercise an opt-out option (e.g. in the first month of the fall session only);
- **Information:** Level of information about the product and its cost.

Automatic enrollment

Automatic enrollment in the group insurance plan with an opt-out option optimizes plan enrollment to the benefit of students and their families. It ensures the sustainability of the plans by maintaining an affordable price.

Automatic enrollment is not prohibited in group insurance. Because it provides better protection, automatic enrollment was chosen by the government of Quebec when it created the VRSP (which also provides for automatic enrollment with the right to opt out).

Why not require a positive action by students?

Voluntary enrollment requiring a positive action on the part of students would not benefit them for the following reasons:

- It would complicate and burden the process for students (form to fill out, insurability questions to answer, cumbersome administrative process). The number of persons enrolling would likely drop. Lower plan membership would increase the cost of insurance for all plan members.
- Each student would have to answer insurability questions. Some students could see their application for coverage declined.
- There would be an increased risk of adverse selection.³ A large portion of plan members would be individuals planning to make claims (e.g. a large dental expense is anticipated). They might then opt out of the plan after maxing out their coverage. The positive effect that pooling risk has on premiums would disappear because of adverse selection to the detriment of all members. This would result in a higher cost of insurance.
- Given the high turnover rate among students, the administrative burden of providing individualized services to thousands of persons each year would risk discouraging many students and result in higher administrative costs.

³ Adverse selection is the increased likelihood that individuals will take out insurance because they feel their health risk is greater than what the insurance company had anticipated in determining the premium amount. In other words, healthy individuals are less likely to purchase health insurance than less healthy individuals who statistically make more claims. That is why pooling risk provides insurance coverage at an affordable price. The greater likelihood of claims versus membership would make the product unaffordable and limit access to insurance for certain often vulnerable individuals.



The obligation to implement voluntary enrollment involving a positive action could have the ultimate effect of limiting the offer of this product to students and, consequently, many individuals would no longer have access to a broad range of benefits and services.

Can inspiration be drawn from association plans?

Comparisons with other types of association plans such as those of professionals (lawyers, notaries, etc.) should be avoided.

First, participation in those plans may be mandatory for certain coverages, for example because of the *Act respecting prescription drug insurance* if a professional does not otherwise have access to drug coverage. That is not the case for students.

Also, professionals who join these plans usually do so for a long period of time, if not their entire career. Given the high student turnover rate each year, insurance and administrative costs could not be amortized over a long period of time.

If enrollment involving a positive action on the part of students were required, administrative costs would account for a disproportionate percentage of the premium, which would be too high when compared to the amount of coverage offered.

Viability of student plans

If the current winning conditions for students are not maintained, a large number of students will suffer, including those with low incomes who would not otherwise be able to obtain insurance.

The students who would suffer most are those who do not have other equivalent coverage, namely:

- students whose parents do not have group insurance
- students who do not live with their parents
- students' spouses and children who are not covered by the student's parents' plans.
- persons aged 26 or older who go back to school
- students with impaired insurability

The best solution

Automatic enrollment with an opt-out right is the best solution to optimize coverage and costs for students, while providing flexibility to leave the plan if students feel they do not need the coverage that is offered. This is a more advantageous and flexible solution for students than voluntary enrollment requiring a positive action or a plan with mandatory participation.



Student needs

In the context of group insurance, a certified representative acts as an intermediary between the insurer and the policyholder. The representative is mandated by the policyholder⁴ to carry out an analysis of the group's needs and make recommendations, among other things. To this end, the policyholder and its representative analyze the group's past experience and the policyholder usually surveys the members of its group to determine their collective needs.

Group insurance is generally renewable annually. At renewal, the group's needs may be reviewed to ensure that the plan will continue to be financially viable and adapted to the collective needs of the members and the policyholder.

Complementarity of parents' group insurance

The coverage offered under student association plans may be complementary to parents' group insurance:

- It allows students to also protect their spouse and children who would not be covered under a parent's insurance plan.
- Students can benefit from coverage not provided under the parent's insurance plan.
- The student plan may enable students to obtain a 100% reimbursement of the expenses they incur by first submitting a claim under the parent's insurance plan and then under the student plan for any unpaid balance.
- Students can also submit claims in full confidence.

It would be a mistake to say that all students with coverage under a parent's plan do not need the coverage provided under their student association plan, because they would then have better coverage.

Recommendations:

- **Continue to allow the mechanism of automatic membership with an opt-out right for group insurance offered to student associations.**
- **Standardize and enhance automatic enrollment processes and related communications put in place by student associations and their agents.**

Opt-out option

When to opt out of the plan

The student association will determine when and the amount of time allotted to exercise an opt-out option, as well as the relevant communication tools to inform plan members of the option. The option must be timely based on the targeted clientele and the processes established with the educational institution which acts as the association's agent for the billing and collection of student contributions. This period is at the beginning of the school year, when students make decisions about their courses and pay their tuition. It can vary from plan to plan.

Since group insurance is generally priced on an annual basis with annual maximums, the start of the school year is a suitable time.

⁴ Section 27 of the *Act respecting the distribution of financial products and services*, chapter D-9.2, and section 8.1 of the Regulation respecting the pursuit of activities as a representative.



Adding the option to opt out at any other time during the school year would not be financially viable for the plan and would be too cumbersome from an administrative perspective for students, associations and their agents.

Several opt-out periods would, for example, allow a student to use the yearly maximums during the fall session and then opt out of the plan, thereby ceasing to contribute once the benefits available under the plan had been maxed out. The plans, and those participating in them, would then be victims of adverse selection.

Pricing per session would mean an increase in costs for all students and a huge administrative burden for students and all parties involved in offering, implementing and servicing the plan.

Recommendations:

- **Identify an appropriate period at the beginning of the school year to exercise the opt-out option for all plans in order to standardize practices.**
- **Standardize and enhance opt-out processes and related communications put in place by student associations and their agents.**

Information

Among the sound business practices to which insurers are required to adhere, they must ensure that policyholders and plan members receive the information they need to make an informed decision and exercise their rights.⁵

Lawmakers gave group policyholders responsibility for administering the plan.⁶ Policyholders may wholly or partially delegate administration of the plan to a third party when they are unable to administer it themselves, but they may not delegate their responsibility in this regard.

To fulfill their obligations, insurers provide student associations with documentation relating to the plan. Insurers also inform associations of their responsibilities as administrators of group plans through training and documentation (e.g. Administrator’s Guide). Insurers may also provide various communication tools.

Other parties involved in the implementation and administration of group plans, such as firms and their representatives, third party administrators (TPAs), educational institutions and student associations, also use several means of communication to inform members about their plan (e.g. explanatory brochures, websites, social media, student planners, presentations, reminders, invoices, etc.).

The TPA, the policyholder’s agent

Policyholders may mandate a TPA to administer all or part of the plan on their behalf, with or without the participation of the insurer. The TPA therefore performs administrative functions on behalf of the policyholder.

Administrative oversight is generally the responsibility of the policyholder, in this case the student association.

⁵ Section 62 of the *Insurers Act*, chapter A-32.1

⁶ Section 61 of the Regulation under the *Act respecting insurance*, A-32.1, r. 1



Communication tools intended for plan members may be developed or communicated by the TPA as the TPA may be their primary point of contact.

The involvement of the insurer, the policyholder, the representative and the TPA may vary from plan to plan depending on the agreements in place.

Enhanced practices

As stated in the AMF's consultation document, insurers have made several improvements to enhance the customer experience of students over the course of the work carried out in collaboration with the AMF. They are part of the process of continuous improvement of insurers' practices that make the fair treatment of consumers a focus of their concerns.

Knowing that there is always room for improvement and that different models currently exist, we believe it would be desirable to continue discussions with all stakeholders to identify sustainable solutions that will enhance and coordinate communications with students to ensure they get the information they need in a timely manner to make informed decisions about their group insurance plan. They will then be able to continue benefiting from the coverages and services available to them.

Recommendations:

- **Create a working group including all stakeholders to identify common solutions to optimize, standardize and coordinate communications with students.**

CONCLUSION

The group insurance offered to student associations protects thousands of students across Quebec. Automatic enrollment with the right to opt out helps optimize the coverages available to students who are often in a precarious or vulnerable financial situation, at a time in their lives when they have little concern for their financial security.

It is important to maintain the mechanisms currently in place that promote accessibility to insurance coverage for students.

That being said, there is always room to enhance the means of communication to ensure that students are well informed about their group insurance plan in a timely manner so that they can make informed decisions. We invite the AMF to continue the discussion in this regard.

If, at the conclusion of this consultation, the AMF is of the opinion that the responsibilities relating to the implementation and administration of a student group insurance plan should be more strictly governed by legislation, we suggest that this proposal be submitted to the government and that an upstream discussion be held with all stakeholders, including student associations, consultants, TPAs, firms and their representatives, insurers, educational institutions, and consumer organizations.

Please do not hesitate to contact Lyne Duhaime, President, CLHIA-Quebec (lduhaime@clhia.ca) if you have any questions or would like to discuss our comments further.



Appendix to the CLHIA Submission in Response to the AMF Consultation on Group Insurance Offered to Members of a Student Association

Detailed responses to the AMF's questions

Questions from the Consultation Document	Comments/Responses
5.2 Questions about the current system - Automatic enrollment with opt-out right	
5.2.1 Enrollment process	
<p>A.1 Do you believe that the current enrollment process (automatic enrollment with opt-out right) is working properly?</p>	<p>This process has been used across Canada by insurers for the student clientele for approximately 30 years, and it is working well.</p> <p>The process of automatic enrollment in group insurance with the right to opt out is in line with the principles of the <i>Act respecting the accreditation and financing of students' associations</i>.</p> <p>This process is critical to the viability of the plans.</p>
<p>A.2 Are students adequately informed about the existence of the insurance plan and its main features?</p> <ul style="list-style-type: none"> • Prior to their enrollment in the insurance plan; • When they pay their insurance premium; • During the period allotted to opt out of the insurance plan • If you think that improvements can be made to the information provided to students, share your suggestions with us while specifying the associated advantages and disadvantages. 	<p>Students have several sources of information provided by various stakeholders involved in the implementation and administration of their group insurance plan.</p> <p>Recommendation:</p> <p>To optimize the communication of information to students, a working group could be created involving all stakeholders. The working group could seek to:</p> <ul style="list-style-type: none"> • Clarify the responsibilities of student associations and their agents. • Enhance, standardize, and coordinate the processes and communications put in place by student associations and their agents.
<p>A.3 Can improvements be made to the enrollment process to help students make an informed decision?</p> <p>If you have any suggestions you would like to share with us, please do so while specifying the associated advantages and disadvantages.</p>	<p>The process itself works well if it is communicated effectively.</p> <p>Recommendation:</p> <p>See recommendation above.</p>
5.2.2 Opt-out process	
<p>B.1 What are the advantages of the current opt-out process (automatic enrollment and opt-out option that must be exercised by the student at the beginning of the session)?</p>	<p>Mass communication campaigns (brochures, emails, publication in the student planner, posters, information booths, social media posts, special mention on tuition bill, etc.) intended to inform students about the requirements they need to meet</p>



Questions from the Consultation Document	Comments/Responses
<p>What are the current good practices for the opt-out process?</p> <p>Does this opt-out process have certain disadvantages? If so, what are they?</p>	<p>to opt out of the plan and the benefits available appear to be comprehensive and reach a large majority of the student population.</p> <p>However, as with any type of communication, a certain proportion of insureds may be less aware or indifferent to the financial information being shared.</p> <p>A student who does not read the available information provided may be insured when he or she does not wish to be.</p> <p>Recommendation:</p> <p>To optimize group insurance coverage for all those who may qualify, we believe it is desirable to maintain the current process of automatic enrollment with the right to opt out.</p> <p>For the process to be communicated effectively, see the recommendation above.</p>
<p>B.2 Can improvements be made to this process?</p> <p>If you have any suggestions you would like to share with us, please do so while specifying the associated advantages and disadvantages.</p>	<p>If the obligations of student associations and educational institutions as agents of student associations for the billing and collection of student contributions were clarified, they would then have clearer responsibilities in this regard.</p> <p>As a result, the student audience would be better and more consistently informed.</p> <p>Recommendation:</p> <p>Effectively communicate opt-out options to students in a timely manner. See recommendation above.</p>
<p>B.3 At what time(s) should students be able to exercise their right to opt out of the insurance plan (e.g. fall session only, fall and winter sessions) and what should be the minimum length of time allotted for each of these opt-out periods?</p> <p>What are the advantages and disadvantages of these suggestions, if any?</p>	<p>To avoid adverse selection, considering that group plans are priced on an annual basis with annual maximums, it is advisable that there be only one opt-out period at the beginning of the school year.</p> <p>Recommendation:</p> <p>The current opt-out periods should be maintained. They could be circumscribed and standardized.</p>
<p>5.2.3 Student access to the insurance plans</p>	
<p>C.1 Can you suggest ways to ensure that students have access to these insurance plans at the best possible cost?</p> <p>Do these suggestions have advantages or disadvantages? What are they?</p>	<p>Automatic enrollment with the right to opt out provides optimal access to insurance plans for students.</p> <p>Several health care services, such as mental health care, are available under the plans providing students with affordable and accessible support.</p> <p>Each year, these plans pay tens of millions of dollars in needed health services for students—services that</p>



Questions from the Consultation Document	Comments/Responses
	<p>would be jeopardized if the access provided by automatic enrollment plans were to be diminished by a fundamental change in the means of accessing them.</p> <p>Students currently enjoy coverage at an affordable price without having to provide proof of insurability. Students who have pre-existing health conditions or are in a precarious situation are able to obtain insurance coverage that would otherwise be out of reach if it were not for their membership in a large group.</p> <p>We believe that automatic enrollment optimizes access to insurance for students.</p> <p>Recommendation:</p> <p>Maintain the ability to provide automatic enrollment with the right to opt out for students.</p>
5.2.4 Complaint process	
<p>D.1 Can you suggest ways to ensure a simple and efficient complaint process for the student clientele?</p> <p>Do these suggestions have advantages or disadvantages? What are they?</p>	<p>We do not believe that a system different from the current framework applicable to insurers for handling complaints should be put in place for students.</p> <p>Recommendation:</p> <p>We do not recommend the creation of a separate framework for handling complaints filed by students. However, best practices could be developed in this regard. The proposed working group could address this issue.</p>
5.3 Questions about other proposals	
<p>E.1 In addition to your answers to the preceding questions regarding the current system, do you have any other suggestions to make regarding these insurance plans and the enrollment method for students?</p> <p>Do these solutions have advantages or disadvantages? What are they?</p>	<p>See the attached letter from the CLHIA.</p>
5.4 Other comments	
<p>F.1 Do you have any other comments regarding group insurance offered to student association members or this consultation?</p>	<p>See the attached letter from the CLHIA.</p>



About the CLHIA

The CLHIA is a voluntary association whose member companies account for 99 per cent of Canada's life and health insurance business. These insurers provide financial security products including life insurance, annuities (including RRSPs, RRIFs and pensions) and supplementary health insurance to over 29 million Canadians. They hold over \$1 trillion in assets in Canada and employ more than 166,000 Canadians.

Life and health insurers in Canada:

- Provide over 29 million Canadians with a wide range of financial security products such as life insurance, annuities (including RRSPs, RRIFs and pensions) and supplementary health insurance
- Pay more than \$110 billion in benefits annually, or almost \$2.2 billion weekly
- Are major investors in the Canadian economy, with assets of over \$1 trillion at the end of 2021
- Employ more than 166,000 Canadians
- Hold \$28 billion in federal government bonds and \$126 billion in provincial and municipal bonds



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