



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

Submission to the
**EMPLOYMENT AND SOCIAL
DEVELOPMENT CANADA – PREMIUM
REDUCTION PROGRAM**

July 29, 2022

OVERVIEW

The Canadian Life and Health Insurance Association (CLHIA) is pleased to provide its comments to Employment and Social Development (ESDC) Canada on the *Reforming the Premium Reduction Program*.

The life and health insurance industry plays an important role in providing financial security to Canadians, protecting millions of Canadians through a wide variety of life, health and retirement income products. In 2020, Canadian life and health insurers provided 12 million Canadians with disability income protection.



Protecting 29 million Canadians

26 million with drug, dental and other health benefits

22 million with life insurance averaging \$228,000 per insured

12 million with disability income protection



\$97 billion in payments to Canadians

\$46 billion in annuities

\$37 billion in health and disability claims

\$14 billion in life insurance policies

The industry is also a major contributor to the Canadian economy, by employing 158,000 Canadians and providing an important source of stable capital for the federal government through investments and tax contributions.



\$8.2 billion in tax contributions

\$1.3 billion in corporate income tax

\$1.3 billion in payroll and other taxes

\$1.7 billion in premium tax

\$3.9 billion in retail sales tax



Investing in Canadians

\$1 trillion in total invested assets

91% held in long-term investments

We appreciate the opportunity to provide comments on Reforming the Premium Reduction Program from the perspective of the provision of sickness benefits.

OVERVIEW

The Canadian Life and Health Insurance Association (CLHIA) is the national trade association for life and health insurers in Canada. Our members account for 99 per cent of Canada's life and health insurance business. The industry provides a wide range of financial security products such as life insurance, annuities, and supplementary health insurance. Canadian life insurers operate in more than 20 countries and three of our members rank among the top 15 largest life insurers in the world by market capitalization.

The CLHIA is happy to contribute further comments to Employment and Social Development (ESDC) Canada on Phase 2, Theme 2 “Ensuring the financial sustainability of the EI program (How can we build a better EI program while balancing costs and benefits and limiting the need for premium increases?)”.

Our members were active participants in Phase 1 of ESDC's review of Employment Insurance. We were pleased the “What we Heard Report” reflected our industry' views that:

- The EI Program must be financially viable,
- EI Program must focus on program's core insurance principles of income support during sickness,
- The important role of insurers in the Premium Reduction Program (PRP) and core issues of importance to our sector – flexibility so more employer sponsored plans can qualify while simplifying and digitizing the process.

SECTION ONE

Overview: Phase 2 – PRP Consultation

As the work to modernize the EI programs continues, CLHIA cautions that employers are still very much feeling the effects of the pandemic. Prior to the pandemic the effects of a labour shortage were being felt and these shortages continue. Employers are also seeing increased costs due to rising inflation with the resulting pressure on wages. The contribution rate for the Canada Pension Plan is also increasing. Pressure on employers is real and changes to the EI Sickness program must ensure all of the various pieces of support work in concert with each other.

The longer-term effects of COVID-19 are still to be seen. The CLHIA is monitoring trends through data collection. For example, in 2020 our members paid out \$420 million in psychology-related claims to support mental health – up nearly 25% from 2019. Workplace health benefit plans are designed to support employees and provide access to care.

CLHIA members support changes to the PRP and believe they are essential given the extension of EI Sickness benefits from 15 weeks to 26 weeks. PRP reform goes hand in hand with the extension of the EI Sickness benefits. Insurers believe that the key principle of the PRP is to provide incentive for employers to offer eligible disability programs, thus keeping employees out of the EI Sickness



program. Insurers also took note of testimony from the National Payroll Institute of a survey they had done where results indicated a majority of employers will not extend their short-term disability programs beyond the existing 15 weeks. These survey results cemented our belief that moving too quickly without proper planning will hurt employees' private disability coverage at a time where they need support.

Our programs include supports for employees to ensure that they recover as quickly as possible and that they are able to return to work at the earliest possible time. Employees are provided with these supports through active case management with the disabled employee, their treatment providers and the employer, along with assistance to assure appropriate treatment and care, if necessary. All promoting a timely and positive recovery. These supports are not available under the EI Sickness program and the risk is 26 weeks of EI Sickness benefits alone turns into delayed or stalled recovery periods with the employee transferred back to a private insurer, to Retraite Quebec or to Canada Pension Plan Disability (CPPD). Neither the employee nor the employer is served by a program resulting in a lengthier absence from work.

As the EI Sickness program is being enhanced, the PRP program must be enhanced, modernized and updated along with it. The PRP program, to be successful, needs to be workable and attractive to employers, and not require a 26-week employer-sponsored income replacement program to qualify. Flexibility is a must if PRP participation is to be sustained and for it to grow. The success of the of the PRP program is possible only if it is also modernized and updated. Insurers believe that with the EI sickness benefit increasing to 26 weeks, the EI program must mitigate the possibility of inadvertently prolonging claims.

SECTION TWO

Core Recommendations to Improve PRP

Our industry's core messages to improve the PRP are focused on foundational principles to ensure the PRP meets the needs of today's employers and employees. We believe there are 4 key areas of reform that should be done concurrently. These reforms will help to build employer participation.

Flexible:

- We support maintaining the existing program criteria of 15 weeks as well as creating a new category for 26 weeks of income replacement benefits while disabled.
- We fully endorse including multiple sources of income support as 'counting' towards eligibility, including sick days, salary continuance plans, short-term disability and long-term disability, sponsored by the employer. The multiple benefits employers typically provide in benefit packages are designed to keep employees healthy and connected to their workplace. In most cases, when STD and LTD are both offered as employment benefits, the employee will not need access to or claim EI Sickness benefits, in the event of an absence for medical reasons. By accepting PRP participation by an employer who provides a 15-week STD benefit combined with an LTD program where there is no break in coverage, a revised PRP provides a continuity of care between one benefit to the next and eases the burden to the EI Sickness program. By remaining flexible, it will allow more of the Canadian workplace to have access to the tools they need to recover and return to work in a safe and healthy manner.
- Should the PRP change any criteria for approval, recognize the complexity of these changes as most employers will need a transition period to make contractual changes. A proper

transition program is an essential part of ensuring success for both insurers and the employers who have contracts.

Simple:

- We recommend Service Canada move to a digital attestation program.
- Service Canada should accept attestation from the employer, that the contract they obtained from the insurer conforms with the PRP requirements. Insurers will continue to advise employers if contract wording is compliant.

Modernize and Digitize the Application Process:

- Modernize the PRP process to ensure all information can be filed digitally, while still accepting other methods so as not to exclude employers without digital access.
- Build processes to minimize the amount of information required by Service Canada.

Build Participation:

- While the changes noted above will go far in increasing participation by employers already eligible, there is more to do.
- ESDC needs to find ways to inform employers of the PRP, potentially by leveraging the insurer-employer relationship or other government processes such as tax remittance.
- ESDC should continue to incent employers to submit their application by providing a valued benefit in the form of return of EI premiums.

SECTION THREE

Benefits of short-term disability and long-term disability programs

Short-term disability plans:

STD benefits provide financial protection for employees when they are unable to work for a short period of time due to injury or illness. Benefits can continue for as long as the employee remains disabled, up to the plan's maximum benefit duration.

Long-term disability plans:

LTD benefits provide financial protection for employees when they are unable to work due to injury or illness for time periods that extend beyond what is covered by EI or an STD plan. Benefits can continue so long as the employee remains totally disabled according to the plan's definition of disability, up to the plan's maximum benefit duration. Often to age 65.

Private disability plans offer:

- Robust disability management expertise to minimize or prevent time lost from the workplace;
- Active case management, including rehabilitative supports, if necessary, which are an integral part of the private plan;
- Job search assistance that may be provided to help disabled employees return to the workforce when they are unable to return to their own occupation;
- A consistent goal regardless of the type of disability program– to provide the support and tools needed to sustainably return an individual back to work as quickly as possible.

CONCLUSION

In 2020, 12 million Canadian employees were protected by private disability plans and \$8.5 billion in benefits were paid out for disability claims. Preliminary results for 2021 indicate that these figures remain relatively steady. Private health and disability plans have an important role in keeping employees healthy but providing assistance when the need arises.

CLHIA strongly urges ESDC to reinforce the need to sustain private disability plans by building a transformed PRP that allows employers flexibility but has the end result of keeping employees out of the EI Sickness stream. Instead, they enter the private disability income replacement path with all of the attending benefits, including active case management, rehabilitative supports, providing employees with the tools they need to safely recover. Accessing private disability benefits has the further benefit of keeping employees attached to their workplace.

Once again, we appreciate the opportunity to share the insurance industry's perspective. Should you have any follow-up questions, please do not hesitate to contact Joan Wier, VP Group Benefits for CLHIA, jwier@clhia.ca.