



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

Submission to the  
**GOVERNMENT OF CANADA ON  
CANADA DISABILITY BENEFIT**

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December 21, 2023



## INTRODUCTION

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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.

In 2022, life and health insurers covered 12 million individuals with disability insurance, paying \$9.4 billion in disability claims.

The CLHIA is pleased to reiterate some of the comments we provided in our previous submission in November 2022. It is difficult to provide further insight into the design of the Canada Disability Benefit (CDB) at this time, but we will be happy to review the draft regulations when they are posted and provide the views of our members to the Government of Canada for consideration at that time.

## DEFINITIONS

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The CLHIA agrees with other stakeholders who have suggested the definition of disability for the CDB be aligned with other government disability programs.

Alignment with the definition of disability of other disability programs could streamline the application process for Canadians who qualify for the CDB. For example, this could mean that if the medical criteria were already met by one program, no further medical evaluation would be required to be eligible for the CDB. This could eliminate the need for new medical forms, which would help to minimize additional administrative burden to physicians and streamline the process for those Canadians applying.

In addition, if the CDB did not require a new evaluation of disability, the appeal process could be limited to appeals of financial eligibility and benefit amount.

### **Mental health lens needs to be part of definition of disability**

The definition of disability that is developed should include reference to mental health. According to the Mental Health Commission of Canada, mental health is a resource that develops the capacity to deal with challenges. It is both a health and social policy issue.

Workplaces are essential in maintaining mental health and increased access to mental health supports builds a healthier more resilient workforce. CLHIA's own data review of 2021 – the first full year where we could see the impact of COVID-19 – showed that there was nearly \$600 million dollars in claims through employee health plans - an increase of 75% from 2019.



## Recommend

- A need for a clear, consistent, definition of “disability” as various programs including provincial disability programs, the Canada Pension Plan Disability, and the Canada Revenue Agency (CRA) Disability Tax Credit all have a different definition, resulting in confusion as to when and how disabled Canadians can access supports.
- The definition of disability must include a reference to mental health.

## ELIGIBILITY

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Insurers offer a variety of disability programs to employers, including the following:

Short Term Disability (STD) – income support for a short period of time where the average claim resolves after eight (8) weeks. Duration of available benefits will vary by employer contract but typically end at 6 months.

Long-Term Disability (LTD) – typically available after the STD benefits expire. May last until age 65 if the eligibility requirements continue to be met.

Administrative Services Only (ASO) supports - ASO is an arrangement where the employer assumes all responsibility and risk for claims payment. In this case, the insurer may provide all other services including medical claim management.

Workplace Absence Intervention Services – provided during the period when the employee is on sick leave.

### Taxability of disability benefits

Canadians who pay 100% of the premium for their disability insurance, and qualify for long-term disability benefits, receive a non-taxable disability (LTD) benefit. This means they do not receive a T4A, their long-term disability benefit income is not reported to the Canada Revenue Agency (CRA), and they do not report this as income on their tax return.

### Integration of benefits with other disability income support plans

Private insurers coordinate access to disability income supports with multiple levels of government disability programs, including provincial income support programs, workers’ compensation boards and auto insurance plans.

The income replacement landscape in Canada can be complicated. The new Canada Disability Benefit should consider that an individual may have multiple sources of income replacement, and some may not be taxable.



## Recommend

- That the federal government work closely with provinces/territories and other providers of disability benefits to ensure Canadians receiving the Canada Disability Benefit are not disadvantaged.
- That the government carefully review eligibility requirements. The disability support landscape is complicated by programs delivered at a provincial or territorial level or by private insurers as well as a tax credit provided by CRA. We ask that as much detail as possible be contained in the regulatory consultation so as to provide all stakeholders an opportunity to have proper input in the design of the CDB without unintended consequences.

## CONCLUSION

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We would like to take this opportunity to thank you for your consideration of the views of the Canadian life and health insurance industry. The CLHIA looks forward to participating in stakeholder conversations around the Canada Disability Benefit. Should you have questions regarding any of our comments, you may contact Sheila Burns, Director, Health and Disability Policy [sburns@clhia.ca](mailto:sburns@clhia.ca).



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