

Market and Benchmark Insight Report for Canada – 2019

Competitive employee benefit norms for mid-market employers in Canada

Introduction

Cowan Insurance Group provides independent employee benefit advice to over 1,200 Canadian employers and therefore has substantial experience to guide companies in the development of their total rewards programs. At Cowan, we are regularly asked by multinational employers to benchmark employee benefits in Canada, and this document provides such guidance.

This document considers:

- Canada’s Benefits Landscape highlighting Canadian healthcare
- Typical Benefit Plan Design and Cost
- Advisor Remuneration

We are proud to be an Asinta Partner, and hope this document is of use to you.



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Inside

| | |
|--|----|
| Canadian Benefits Landscape | 2 |
| Canadian Benefits Menu | 3 |
| Insured Benefits – Design & Typical Costs | 9 |
| Setting up Policies | 12 |
| Onboarding & Policy Administration | 12 |
| Advisor Remuneration. | 12 |
| The Cowan Insurance Group | 12 |



1. Canadian Benefits Landscape

Employee benefits are important in Canada because they help attract and retain employees and shape an employers' brand. They vary substantially based on a company's attraction and retention goals, culture, as well as their industry.

Top three other considerations include:

- Socially provided healthcare based on the Canada Healthcare Act
- Salary levels
- Location of the employee population



1.1 The Canada Health Act

The Canada Health Act is federal legislation that puts in place conditions by which individual provinces and territories in Canada may receive funding for healthcare services.

There are five main principles in the Canada Health Act:

- **Public Administration** – All administration of provincial health insurance must be carried out by a public authority on a non-profit basis. It also must be accountable to the province or territory, and the records and accounts are subject to audits.
- **Comprehensiveness** – All necessary health services, including hospitals, physicians and surgical dentists, must be insured.
- **Universality** – All insured residents are entitled to the same level of healthcare.
- **Portability** – A resident that moves to a different province or territory is still entitled to coverage from their home province during a minimum waiting period. This also applies to residents that leave the country.

- **Accessibility** – All insured persons have reasonable access to healthcare facilities. In addition, all physicians and hospitals must be provided reasonable compensation for the services they provide.

Canadian healthcare benefits are discussed in greater detail in section 2.0.

1.2 Salary Levels

Salary levels will impact benefit provisions. In lower paid industries you may find only senior managers are offered a higher level of cover and all other employees have a more core coverage level. However, if you have employees with substantial salaries (where base salary is over C\$100,000), these staff members may have limitations applied to pension contributions and income replacement caps (disability) based on all-source maximums. Please note in 2018 the average Canadian salary was C\$55,806.

1.3 Location

The location of employees can also influence benefit provision and salaries. Costs may be higher in metropolitan areas such as Vancouver, Toronto or Montreal, however, this is shifting based on the influx of remote workers or telecommuters. It should be noted that knowledge hubs, similar to our global partners, see some of the richest benefit offerings and salaries due to the highly competitive job market.





2. Canadian Benefits Menu

2.1 Healthcare

The provinces and territories manage government sponsored healthcare, or Government Health Insurance Plan (GHIP), in Canada. The federal budget determines the provincial healthcare funding, however, each province/territory manages their own healthcare platforms through taxes or individual premiums. For example, Ontario (OHIP) is funded through provincial taxes and British Columbia's Medical Services Plan (MSP) is mandated for all residents and funded through resident premiums.

The Government Health Insurance Plan (GHIP)

As mentioned earlier, Canada's healthcare system is a group of socialized health insurance plans that provides coverage to all Canadian citizens. It is publicly funded and administered on a provincial or territorial basis, within guidelines set by the federal government.

Individual citizens receive preventative care and medical treatments from primary care physicians as well as access to hospitals, dental surgery and additional medical services. The system **does not** offer prescription drug coverage.

With a few exceptions, all citizens qualify for health coverage regardless of medical history, personal income, or standard of living. There is no time limit imposed on residents who are hospitalized, so long as their stay is medically necessary for treatment. In-patient use fees can only be charged for accommodation or meals if, in the opinion of the attending physician, the patient requires chronic care and is more or less a permanent resident in a hospital or other institution.

Medically Required Hospital Services

There are several hospital services covered by government plans. They include:

- Standard ward accommodation and meals
- Drugs administered in the hospital
- Routine surgical supplies
- Necessary nursing services
- Use of operating room, case room, anaesthetic

facilities including necessary equipment and supplies

- Use of radiotherapy and physiotherapy facilities (where available)
- Laboratory, x-ray, and other diagnostic procedures
- Services of persons who are paid by the hospital
- Acute care
- Emergency services

What isn't covered

The following are not covered under the GHIP:

- Medical exams that are not medically necessary (such as third-party exams or insurance form requests or sports).
- Elective services (such as private duty nursing or semi-private hospital accommodation) and cosmetic surgery are not covered either.
- Drugs taken home from the hospital

Certain jurisdictions will cover additional services or provide limited coverage for other health practitioners such as physiotherapy or psychology.

2.1.3 Medically Required Medical Services

There are several medical services covered by government plans. They include:

- Most physician and surgeon services, including anaesthetists and surgical assistants
- Immunization programs for infants and children
- Diagnostic services
- Coverage for general medical and surgical procedures
- Anaesthesia
- Certain dental and oral surgeries performed in a hospital
- Obstetrical services



2.1.4 Trends in Canadian Healthcare

Canada's healthcare system is the subject of much political controversy and debate. Some question the efficiencies of the current system to deliver treatments in a timely fashion, and advocate adopting a private system similar to the United States. Conversely, there are worries that privatization would lead to inequalities in the healthcare system with only the wealthy being able to afford certain treatments and services.

Regardless of the political debate, Canada boasts one of the highest life expectancies (about 80 years) and lowest infant mortality rates of industrialized countries, which many attribute to Canada's healthcare system.

2.1.5 Employer Sponsored Healthcare

The healthcare landscape across Canada greatly impacts private-employer sponsored programs. With continued shifts in cost from the public system to the private payor, plan sponsors experience an increase in plan costs as they fill the gap in coverage that have been created. Although it's not mandatory, over 85% of companies offer a core benefits plan including life, disability, health, and dental.

In general, Canadian benefits vary widely according to industry type. According to the 2018 Sanofi Canada Healthcare Survey, 77% of employers are offering traditional benefit plans while 23% offer plans with more flexibility. For example, we see generous benefits in the financial services, high-tech, and professional services sector due to the high salary levels and the competitive job market. However, in the retail and hospitality sectors, benefits are far less rich.

The following factors impact healthcare plan designs and costs:

- Increased incidence of chronic disease
- New high drug costs (Biologics)
- Revised treatment guidelines
- Earlier detection
- Cost shifting – public vs. private
- Unmanaged prescription formularies
- Low generic prescription fill rate
- Lack of employee awareness
- Lack of workplace wellness
- Aging population
- Attraction and retention of talent





2.2 Mandatory Employer Sponsored Benefits

The ranges of benefits that are typically available to employees in Canada are shown in the table below.

| Benefit | Comments |
|----------------|--|
| Pension | <p>Canada Pension Plan (CPP) is a mandatory and contributory savings plan for all employed Canadians. Effective January 1, 2019 employees and employers contribute 5.10% up to the maximum (C\$57,400 in 2019). Increases to CPP premiums are scheduled each year between 2019 and 2023, at which time both employer and employees will be contributing 5.95% up to the maximum, and an additional 4% on earnings between the maximum and an upper earning limit that is expected to be approximately C\$82,700 in 2025.</p> <p>Income from CPP can start as early as age 60 or deferred to age 70.</p> <p>Old Age Security (OAS) is paid from general tax revenues and is not something that Canadian citizens contribute to directly. Income from OAS can start as early as age 65 or deferred to age 70. To qualify for the maximum, you must have been a Canadian citizen for 40 years after your 18th birthday. To collect a minimum OAS payment, you must have been a Canadian citizen for 10 years after your 18th birthday.</p> <p>When designing your Canadian Retirement Savings Plan, great care needs to be taken in three areas:</p> <ul style="list-style-type: none"> • Plan type that is competitive within your sector, i.e., Registered Pension Plan (both Defined Contribution and Defined Benefit), Group RRSP or Deferred Profit Sharing Plan • Contribution formula • Provider that specializes in your chosen plan type, with competitively low investment fees, state of art technology and a comprehensive investment platform |



Legislated Leaves

Canada has one of the highest counts of government regulated and legislated leaves. These leaves, although paid through the government sponsored Employment Insurance benefits, are job protected. This means the employer is responsible to maintain the employee's position until it is reasonable for the employee to return to work.

Leaves are governed based on Federal or Provincial mandates and vary by province.

Federally Regulated Employees

| Type of Leave | Provision | Qualification |
|--|--|---------------------|
| Maternity | 17 weeks (beginning up to 11 weeks before birth) | 6 months employment |
| Parental/Adoption | 52 weeks | 6 months employment |
| Sickness | 12 weeks | 3 months employment |
| Death, disappearance, or critical illness of a child | Critical illness – 37 weeks | |
| Disappearance due to crime – 52 weeks | | |
| Death due to crime – 104 weeks | 30 days employment; child under the age of 18 | |
| Bereavement | 3 days paid (3 days unpaid if less than 3 months employment) | 3 months employment |
| Compassionate Care | 8 weeks | Not specified |
| Reserve Forces | As long as necessary or up to 15 days per year for training | 6 months employment |

Example of Employee Leave as Governed by Province (British Columbia)

| Type of Leave | Provision | Qualification |
|-----------------------|---|---------------------|
| Maternity | 17 weeks (beginning up to 11 weeks before birth) | 0 weeks |
| Parental/Adoption | 37 weeks (35 weeks if maternity leave taken); extra 5 weeks if child requires additional care | 0 weeks |
| Family Responsibility | 5 days per year | 0 weeks |
| Compassionate Care | 8 weeks | 0 weeks |
| Bereavement | 3 days | 0 weeks |
| Jury | As required | 0 weeks |
| Reserve Forces | As long as necessary | 0 weeks |
| Compassionate Care | 8 weeks | Not specified |
| Reserve Forces | As long as necessary or up to 15 days per year for training | 6 months employment |



| | |
|--|--|
| <p>Maternity/ Paternity Leave</p> | <p>Maternity Benefits (except Quebec)</p> <p>Benefits are payable, only to the biological mother (including surrogate mother), for a maximum of 15 weeks. A woman may elect to receive benefits at any time from the 12th week preceding the expected week of delivery or from the week of delivery, if earlier, and can end as late as 17 weeks after the expected date of delivery or the week in which delivery occurs, if later.</p> <p>Parental Leave (except Quebec)</p> <ul style="list-style-type: none"> • Benefits are payable, to the biological or adoptive parents, for a maximum of 35 weeks. • Benefits must be claimed within a 12-month period at a rate of 55% of average weekly earnings, or 3x extended parental leave of up to a maximum of 61 weeks taken over up to 18 months at a benefit rate of 33% of average weekly earnings. • Two parents can share these 61 weeks of extended parent benefits. • If your newborn or newly adopted child is hospitalized, the 52-week or 78-week timeframe can be extended by the number of weeks your child is in the hospital. To qualify, you need to have worked at least 600 hours in the last year. <p>December 4, 2017 Bill C-44 related amendments to the Canada Labour Code ensure that the new and expanded EI leaves are job-protected for federally regulated employees.</p> <p>Changes to maternity and parental benefits do not apply to Quebec. Parents in that province are subject to the QPIP offering different benefits. In Quebec, weekly checks work out to nearly C\$900 a week. Quebec has also eliminated any waiting period, significantly reducing what it takes to qualify and giving a shorter time option.</p> |
| <p>Employment Insurance</p> | <p>For most people, the benefit level is 55% of an employee's average insurable weekly earnings, up to a maximum amount. As of January 1, 2019, the maximum yearly insurable earnings amount is C\$53,100. This means that an employee can receive a maximum amount of C\$562 per week.</p> <p>The maximum benefit period varies between 14 to 45 weeks and is dependent upon the regional unemployment rate and the number of accumulated hours of employment over the preceding 52-week period, or since an employee's last claim, whichever is shorter.</p> <p>The Employment Insurance Benefit entitles the recipient to income replacement due to:</p> <ul style="list-style-type: none"> • Sickness • Maternity • Parental leave • Compassionate care leave |
| <p>Eye Exams</p> | <p>Eye exams are usually included as part of the Extended Healthcare benefit at a reasonable and customary level every 24 months for adults, and every 12 months for children under the age of 18.</p> <p>Vision benefits are separately defined and customarily includes eye glasses and contact lenses at C\$250/24 months</p> |



2.3 Wider Benefit Provisions

In addition to mandatory benefits, employers will often provide a range of other benefits to help recruit and retain employees. The most common of these are outlined below.

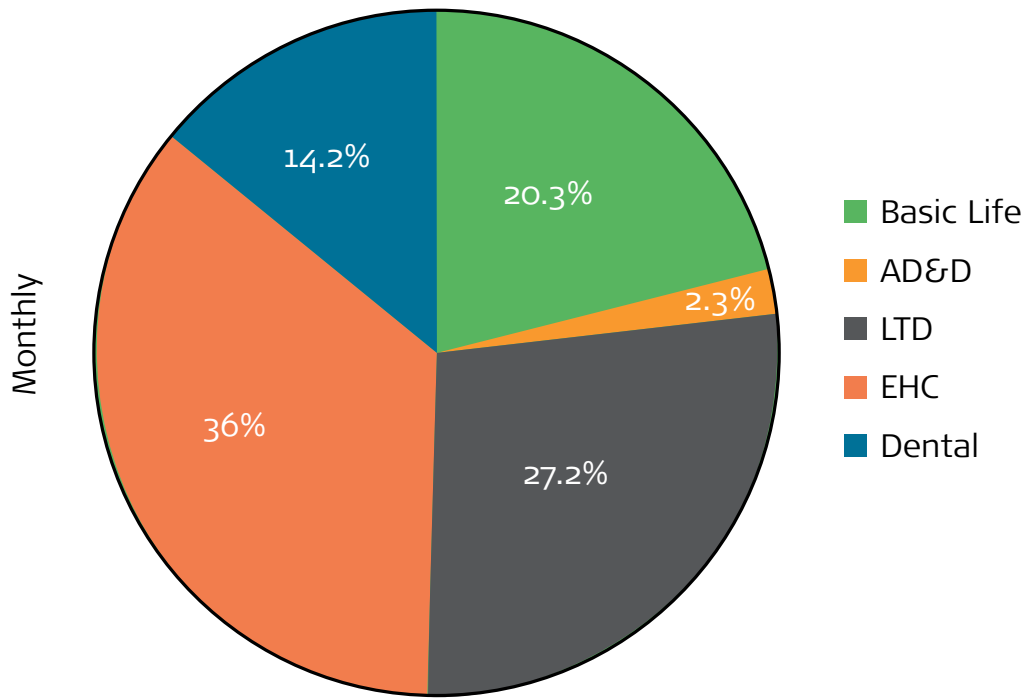
| Benefit | Comments |
|---|--|
| Retirement | In addition to saving for retirement, employees are looking for low cost savings vehicles for short- and medium-term goals. Payroll deductions placed into a tax-free savings account is an example of a employee funded cost savings vehicle that's attractive to all demographics |
| Healthcare | <p>Eighty seven percent of employers in Canada offer an extended healthcare benefit to supplement the government health insurance plan for salaried employees.</p> <ul style="list-style-type: none"> • 73% of employers pay 100% of the premium for salaried employees • 49% of employers offer extended healthcare to hourly workers • 74% pay 100% of the premium for hourly employees <p>Extended healthcare includes prescription drug coverage, hospital, paramedical practitioners, supplemental healthcare and out of country coverage at varying levels depending on employer size, demographics and industry.</p> |
| Voluntary Benefits | Larger employers will often provide employees with a range of 'voluntary benefits' that can be provided at discounted prices through the employer. Although a trend is emerging with more employers offering outside the box voluntary programs such as virtual wellness and pet insurance. |
| Flexible Benefits | Flexible benefit plans are common in Canada and are highly desired for their flexibility, ability to address generational differences in the workforce and employee attraction. However, they are commonly only offered by larger employers. A few carriers have come to market recently with small to mid-size off the shelf flexible benefit plans that are getting traction in the market place. However, the high cost remains a hurdle for small employers. |
| Healthcare Spending Accounts and Wellness Accounts | Many employers address the ever-changing needs of employees' desire for flexibility with Healthcare Spending Accounts (100% employer funded). This enables employees to use the funds within the parameters of eligible expenses dictated by Canada Revenue Agency (CRA) to meet their individual/family needs. Wellness accounts are administered differently and have a broader scope to eligible expenses. They are taxable for the employee and therefore not as commonly implemented. |
| Gymnasiums | Very large employers can provide 'gym on site' facilities whereas smaller employers may offer gym subsidies or access to a gym with lower corporate rates. Many employers choose to subsidize this benefit through wellness accounts that offer more flexibility for employees with wellness needs outside of the standard gym membership options. |
| Workplace Canteens | This benefit is not common in Canada, however, in highly competitive industries such as the technology industry we are seeing an increase in catered lunches for employees. Large employers often have an on-site cafeteria with subsidized food prices. |



3. Insured Benefits – Design and Typical Costs

3.1 Benefit Plan Cost Distribution

The following cost distribution chart is from a recent renewal for a client in southwest Ontario. In this particular case, the employees pay 100% of the LTD premium.



We can provide sector specific benchmarking and advise on appropriate benefit design while working with clients to ensure that the plan is also cohesive with the company's culture and vision. We will also implement pro-active measures within the plans to help improve employee health and reduce overall plan costs.

3.2 Prescription Drug Plans

| | Basic | Standard | Comprehensive |
|-------------------------|------------------------|-------------------------|-------------------------|
| Deductible | C\$10 per prescription | C\$5 per prescription | None |
| Coinsurance | 80% | 90% | 100% |
| Fertility Drugs | No coverage | C\$500 lifetime maximum | C\$500 lifetime maximum |
| Smoking Cessation Drugs | No coverage | C\$500 lifetime maximum | C\$500 lifetime maximum |
| Preventive vaccines | No coverage | Included | Included |



3.3 Supplemental Health Plans

| | Basic | Standard | Comprehensive |
|---|------------------------------------|------------------------------------|------------------------------------|
| Coinsurance | 80% | 90% | 100% |
| Private Duty Nurse | No coverage | C\$20,000 per policy year | C\$30,000 per policy year |
| Hospital Coverage | No coverage | Semi-private | Private |
| Paramedical Practitioners— Acupuncturist, Chiropractor, Massage Therapist, Physio therapist, Naturopath, Osteopath, Psychologist/ Social Worker, Speech Therapist | No coverage | C\$500 lifetime maximum | C\$500 lifetime maximum |
| Vision Care | No coverage | 100% – C\$200 every 24 months | 100% – C\$300 every 24 months |
| Eye Exams | 1 exam every 24 months | 1 exam every 24 months | 1 exam every 24 months |
| Medical Equipment and Supplies | Included | Included | Included |
| Orthotic Devices/ Orthopaedic Shoes | C\$300 per policy year combined | C\$400 per policy year combined | C\$500 per policy year combined |
| Hearing Aids | C\$300 every 5 policy years | C\$500 every 5 policy years | C\$700 every 5 policy years |

3.4 Travel Insurance

| | Basic | Standard | Comprehensive |
|------------------------|---------------------------|---------------------------|---------------------------|
| Coinsurance | 100% | 100% | 100% |
| Maximums | C\$5,000,000 per lifetime | C\$5,000,000 per lifetime | C\$5,000,000 per lifetime |
| Number of Days Limited | 60 | 60 | 60 |



3.5 Benefit Costs

| Benefit | Comment/Cost | Lower Quartiles Approach | Medium Quartile Approach | Upper Quartile Approach |
|--|--|--|--|--|
| Life Insurance | <p>Life Insurance is provided through an insurance carrier and is typically a mandatory benefit for all employees and is employer paid.</p> <p>Premiums will vary according to group demographics, industry trends and inflation.</p> | Flat benefit of C\$20,000 – C\$100,000 | 1.5-2 times annual salary. In some instances, the definition of earnings may include bonuses, commission and overtime pay. | 3-4 times annual salary. In some instances, the definition of earnings may include bonuses, commission and overtime pay. |
| Income Protection (Long Term Disability) | <p>This benefit is provided to 88% of employers with salaried employees and 60% of employers with hourly employees. 53% of employers do not contribute to the premium in which case the employee is responsible for 100% of the premium payment in order to ensure a non-taxable benefit at the time of a claim.</p> <p>**Non-evidence maximum is the guaranteed issue amount, amounts above need to be approved by the insurer with medical evidence.</p> | 60% of monthly earnings to a maximum of C\$5,000 with a non-evidence maximum of C\$1,500 | Most employers offer a 66.67% benefit or a graded scale that is similar. Maximum of C\$7,500 and non-evidence maximum of C\$3,000. | 70% of monthly earnings however, this is only common in high-income, white-collar business – c-suite employees. |
| Employee and Family Assistance Program (EFAP) | <p>Most Canadian companies provide an EFAP policy in varying levels depending on the needs of their organization. This could include platinum type plans with face-to-face, e-counseling, or virtual-only policies. Many products incorporate an EFAP with a Wellness component.</p> | Provided | Provided | Provided |



4. Setting Up Policies

Employers often ask us to comment on how policies need to be set up in Canada, and about the possible restrictions that could apply.

Having a group benefits plan in Canada is not legislated or mandatory, however, most employers offer them in order to stay competitive in the marketplace. The setup for all benefit lines is fairly simple – discuss your needs with a consultant, look at benchmarking data, decide on your philosophy as an employer, then go to market and choose your providers.

The lengthier tasks come from the Plan Administrators role once the plan is in place. The ongoing administration and maintenance. This can also be outsourced to a Third Party Administrator (TPA) to take on this role. (Cowan provides this service at an extra charge.)

5. Onboarding and Policy Administration

Onboarding

In Canada, we only have open enrollment if there is a flexible benefit plan in place. If there is a traditional benefit plan in place, enrollment is mandatory according to the eligibility definition implemented at the inception of the insurer contract (typically 3 months). Employees have 31 days to enroll in the plan without needing to supply medical evidence and risking decline of coverage.

Enrollment is typically a manual process, unless a flexible plan is in place. Manual enrollment requires the completion of a physical form with a wet signature. This form is typically required to be held by the employer should a Life claim happen because it serves as a legal document for beneficiary designation.

For employee communication, we use the following approach:

- Staff presentations
- Benefit communication packets including new employee packets
- Benefit videos

Policy Administration

As a company, we offer third party administration support on a fee-for-service basis. This includes onboarding, terminations, life event changes and general employee required changes to the plan.

Our consulting services include policy oversight, marketing, plan implementations, contract and renewal negotiations, financial review and renewals, overall strategy and employee communications including any escalated employee queries.

6. Advisor Remuneration

We typically have commission built into the insurer premium, paid by the insurer on a graded scale based on the size of the account. Services outside of core consulting are negotiated on a fee-for-service basis, and depend on the scope of the project.

Cowan provides full transparency on our fee structure with respect to consulting fees and offers flexibility in terms of the structure required.

Fees are typically paid through the insurance provider as a percentage of overall premiums and/or paid claims inclusive of our consulting services.

7. Cowan Insurance Group

Contact Jacquie Fritsch for your Canadian global employee benefits needs.



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