
Clients want to know:

“What about government insurance?”

After reading this, you should understand:

- ➔ *The different forms of insurance provided by the federal and provincial governments*
- ➔ *The limitations on government-provided insurance*



In addition to regulating the life insurance industry, governments provide life, disability, and health insurance coverage.

Government-Provided Life Insurance

The federal government provides life insurance in all provinces except Quebec via the **Canada Pension Plan (CPP)**; Quebec funds the Quebec Pension Plan (QPP). Both plans provide the same benefits.

Contributor's Benefit

When a CPP or QPP contributor dies, an application may be made for a death benefit. It is paid to the estate of the contributor. The benefit is equal to the total payment that would have been received by the contributor for six months at age 65, to a maximum of \$2,500.

Survivor's Benefit

After a CPP/QPP contributor dies, the spouse may apply for a surviving spouse's pension. This pension can be received by a legal or common-law spouse. The amount the surviving spouse will receive depends on how long contributions were made to the plan, the age of the spouse when the contributor dies, whether the spouse is receiving a CPP/QPP pension, whether the spouse is disabled, and whether there are dependent children.

Children's CPP/QPP Benefit

When a CPP/QPP contributor dies, his or her child can receive a monthly children's benefit. This benefit is adjusted annually. It is paid until the child

Canada Pension Plan (CPP)

The CPP provides both a retirement benefit and a death benefit and also a survivor's benefit. All workers in Canada who meet certain requirements must contribute to CPP, beginning at age 18.

reaches the age of 18; to receive the benefit between the ages of 18 and 25, a child must prove full-time attendance at a post-secondary institution.

If both parents were CPP/QPP contributors, and they die, their children may receive two benefits.

Workers' Compensation is another government benefit that is provided provincially and funded through employer contributions. It provides a death benefit to workers who are killed on the job; off-site coverage is not provided.



"My dad died three years ago from lung cancer. Since he worked full-time before he got sick, I receive a payment every month from the Canada Pension Plan."

Anna, a graduate of the University of Alberta, has been a stay-at-home mother for her entire life. What type of life insurance coverage would she be entitled to receive?

- A Universal life insurance
 - B Canada Pension Plan
 - C A group plan provided to the alumni of University of Alberta
 - D A and C**
-

Government-Provided Disability Insurance

Governments at both the federal and provincial levels provide disability benefits to Canadians.

Sources of government benefits include:

- Canada Pension Plan (CPP)/Quebec Pension Plan (QPP);
- Veterans Affairs;
- Employment Insurance (EI).

Workers' Compensation (often referred to as Workers' Comp) is another source of benefits for workers. It is government-mandated and funded by employers.

Canada Pension Plan/Quebec Pension Plan

The Canada Pension Plan (CPP) and Quebec Pension Plan (QPP) provide disability pensions to disabled contributors and to the child/children of a disabled person. The spouse of a disabled contributor does not receive a benefit. To qualify for a disability pension, it is necessary to:

- Have contributed to the CPP for the required period of time and have met requirements for earned income;
- Meet the CPP definition of disability;
- Be between the ages of 18 and 65 *and*;
- Apply in writing.

A disability pension is not a permanent benefit; a person must continually prove his or her disability is severe *and* prolonged in order to receive benefits.

Contributions

The applicant must have contributed to the CPP/QPP in any four of the previous six years or three of the previous six years if contributions have been made to CPP for 25 years or more. During that period, earned income must have been at least 10% of each **year's maximum pensionable earnings (YMPE)**. The YMPE is set by the government and increases annually. In 2011 the YMPE is \$48,300. The minimum for earned income is \$4,830 (2011) to qualify for the disability pension.

There are a number of exceptions for those who do not meet these requirements. This information can be acquired from Service Canada at: www.servicecanada.gc.ca

Pensionable earnings
Pensionable earnings is a range of income on which Canada Pension Plan/Quebec Pension Plan pension contributions are made.

CPP Definition of Disability

Disability, as defined for the CPP, is quite restrictive: physical or mental disability must be both severe **and** prolonged. "Severe" means that a person is not able to regularly pursue any substantially gainful occupation; "prolonged" means the condition prevents a return to work in the next 12 months or is likely to be fatal.



Canada Pension Plan disability benefits are paid when the disability is proven to be severe *and* prolonged.

CPP Benefits

The benefit is comprised of a flat amount and an amount that is based on how much and how long contributions have been made to CPP. Benefits are taxable. They are adjusted every January 1 by changes in the Canadian cost-of-living index.

The disability benefit ends at age 65, at which time it is replaced by the CPP retirement pension.

It may be possible to receive benefits from an individual disability income policy and some or all CPP disability benefits; this is based on the conditions written into the policy by the insurance company that has issued the individual policy.

CPP Disability Pension for the Child of a Disabled Person

A disability pension is paid to the dependent child or children of a disabled person *in addition to* the disabled contributor. A dependent child can be natural or adopted and must be less than 18 years old or between 18 and 25 and in school full-time. The splitting of the benefit between the child and the contributor means the contributor does not take the full payment into his or her taxable income.

+ FILE

See file 28 for a case study of how benefits are combined.

CPP Elimination Period

Benefits begin four months after the date the person has been found to be disabled, as defined by the CPP.

Veterans Affairs

A veteran of the First or Second World War or the Korean War, or a current or former member of the regular or reserve force, or a civilian who served in close support of the Armed Forces during wartime who has suffered a permanent disability resulting from an injury or disease may be eligible for disability pension benefits from the federal government.

When a disability pensioner dies, his or her survivor may continue to receive the pension for one year and will receive a survivor's pension thereafter. Surviving children may also be eligible to receive orphan benefits.

See: www.vac-acc.gc.ca

Employment Insurance

Employment Insurance (EI) provides benefits for unemployment, maternity and parental leave, sickness, and compassionate care. Sickness is when illness, injury, or quarantine prevents a person from working.

Premiums, paid by both employers and employees, are based on how much the employee earns. Premiums are tax-deductible for the employer. The employee premium is a non-refundable tax credit.

EI Benefits

To be eligible for benefits, a person must show:

- That regular weekly earnings have been decreased by more than 40%;
- That 600 “insured hours” have accumulated since the last claim or in the last 52 weeks.

When filing for sickness benefits, a medical certificate indicating the expected duration of the illness must be provided.

EI sickness benefits are 55% of average earned earnings to a maximum of \$468/week (2011). They fall into a “second payer” position when there are other sources of disability income, such as a wage loss insurance plan. This means benefits are paid first by the other plan. Eligibility for EI begins when those benefits are exhausted.

When EI is used to extend the elimination period of a personal policy the premium cost of the insured is reduced.



“I only have a six-month personal disability policy. I will use EI after that policy ends so that I receive continued benefits.”

The EI benefit will be reduced by:

- Employment income;
- Workers' Compensation benefits;
- Group disability plan benefits;
- CPP disability pension;
- Pension income.

There is a two-week waiting period, which can run concurrently with the last two weeks of group plan benefits. Benefits are payable for up to 15 weeks for sickness and maternity leave. Parental leave benefits are paid to a maximum of 35 weeks and, when combined with maternity benefits, they are paid for a maximum of 50 weeks. Compassionate-care benefits are paid for six weeks. All benefits are taxable.

EI Elimination Period

A claimant must file within two weeks of becoming disabled or sick. The elimination period is two weeks.

Workers' Compensation

Workers' Compensation, commonly known as "Workers' Comp," is available to employees whose injury or sickness is work-related. Thus, an injury or sickness that occurs while a person is not "on the job," is disqualified.

Workers' Comp premiums are fully (100%) paid by the employer.

Workers' Comp Benefits

Workers' Comp benefits pay up to 90% of net pre-disability take-home pay. Benefits are paid either as a lump sum if the disability is permanent, or for the duration of the disability, or until the worker returns to work. Benefits are also available as a death benefit if death occurs on the job.

Benefits are not taxable. Benefits received from individual or employer disability plans may be **reduced** by what is received from Workers' Comp.

Workers' Comp Elimination Period

Workers' Compensation has no elimination period.

Provincial Health Insurance

All provinces provide medical services to their residents, however, the range of services that each delivers varies widely. The same services provided provincially are available when a Canadian travels or moves within Canada.

Basic medical services provided through provincial plans include:

- Treatment by a registered medical doctor and services that he or she may requisition;
- Hospital treatment and services requisitioned by a medical doctor;
- Hospital and chronic-care-facility stays;
- Medically required dental surgery;
- Prescription drugs for seniors;
- Others unique to individual circumstances and provincial plan provisions.

When a patient elects to have medical services that are available at home provided outside his or her province, these services are not covered by the provincial plan.

While most expenses are paid by provincial programs, some are not.

- Physicians may charge for transferring files, telephone consultations, and physical examinations required for school, camp, or work.
- Hospital services that are not covered include semi-private or private hospital rooms, private-duty nursing, and ambulance services.
- Surgical services that are not covered include elective cosmetic surgery (such as a facelift).
- Dental services are covered only when performed in the hospital for fractures or necessary jaw reconstruction.
- Government plans do not cover prescription drugs and medical appliances such as splints, braces, and artificial limbs.

