

GROUP BENEFITS News



Mosey & Mosey

Working towards better solutions...

This Issue:

Critical Illness - Has the Time Come?

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Dear Abbi – Vaccines

Critical Illness – Has the Time Come?

The Plan

Critical Illness (CI) insurance provides a lump-sum benefit when you are diagnosed with a specified serious illness and survive for a minimum period of time (e.g., 30 days). The most common diseases are cancer, heart attack, and stroke, but different plans offer a much expanded list of eligible conditions, such as blindness, deafness, transplant surgery, or multiple sclerosis.

History

Dr. Marius Barnard, the brother of the surgeon who performed the first heart transplant operation, was instrumental in developing Critical Illness insurance in South Africa. CI has been available in various forms for approximately 15 years in Canada and other countries. When a limited form of the “living benefit” product was more recently launched in Japan, it was reported that over 500,000 policies were sold in the first ten months!¹

Canadians have tended to think of their government health insurance as adequate protection against unforeseen medical risks. A survey reported that half (49%) of Canadians do not have a financial plan to cope with a critical illness, yet 89% said they have a family member or close friend who has suffered from a critical illness like stroke, heart attack, cancer or Alzheimer's disease.² More recent survey information from BMO Nesbitt Burns identified just 26% of Canadians who say they have a plan to deal with a future need for health-related assistance.³ These conditions are hitting close to home, yet there is resistance to adequate preparation by a significant number of us.

At Risk

“Is 60 the New 70?”

- Canadian ‘Boomers’ are in worse shape than those aged 65-74, with higher rates of obesity and inactivity.
- About 21% of Canadians aged 45-59 have already been diagnosed with heart disease, stroke, or high blood pressure.

Heart & Stroke Foundation, 2006 Report Card

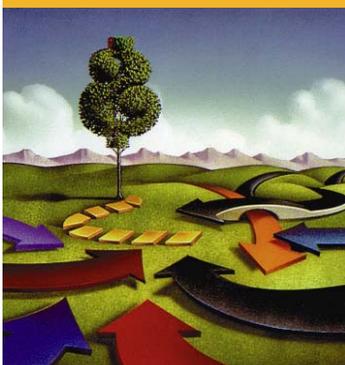
- In 2004, only 26% of the target population in Ontario was screened for breast cancer.

Cancer Advocacy Coalition of Canada, 2006 Report.

- About 44% of men and 39% of women will be diagnosed with cancer in their lifetime.
- In 2003, there were 833,000 Canadian cancer survivors.

Canadian Cancer Statistics, 2007

Winter 2008



Recent product development has made CI more readily available to employer sponsored plans.

Why CI?

Other types of insurance, including provincial health plans, leave important needs unprotected. Following a serious illness or injury, there are many needs that may warrant additional coverage. These may include:

¹ See: <http://www.critical-illness-insurance.com/history.htm>.

² News Release, June 23, 2005 at www.ipsos.ca: “Half of Canadians do not have a financial plan to deal with critical illness.” Survey conducted on behalf of Sun Life Financial.

³ News Release, March 29, 2007 Caring for Aging Relatives Taking Toll on Boomers According to BMO Study www.ipsos.ca: “Half of Canadians do not have a financial plan to deal with critical illness.” Survey conducted on behalf of Sun Life Financial.

- Renovate or replace your home when illness strikes.
- Pay off or pay down your mortgage.
- Hire a personal support worker to help you at home, or take care of your children.
- Purchase medical devices and equipment that are at best only partly covered by other plans.
- Travel to other centres to receive health services that are experimental or not available locally.

High income earners, or those working in hazardous occupations, may not be able to buy enough disability income coverage particularly if they are covered only by small-group plans.

The Product/The Market

There are many CI products in the marketplace, geared towards various needs. Employer sponsored plans are available for all sized groups but with varying plan design and availability. Some highlights may include:

- Guaranteed insurability regardless of health.
- Portability/Conversion
- Benefits to age 65 or 75
- Funding flexibility that allows employers to customize plan design and premium structures.
- Favourable tax treatment that may allow for tax –free employee benefits with simultaneous employer deductions.



These are some of the features that make the employer sponsored marketplace favourable for CI versus that of the personally owned policy.

Though there has been no ruling, the Canada Revenue Agency has treated group CI as a health services plan, and so neither premiums nor benefits are taxable for employees, except for employer premiums in Quebec.

Our Experience

Mosey & Mosey have been marketing these types of products and have witnessed numerous claims that have resulted in tax free payments to plan members. The positive impact for employers/employees of this coverage leads us to believe that all clients should take time to investigate this type of benefit for their employees.

Conclusions

When we're young, we're bullet-proof. As we age, we deny bad things can happen to us, or we just hope we're spared.

The 2007 sanofi-aventis Healthcare Survey indicated that 62% of the 1,700 Canadian benefit plan members surveyed said they would be interested in paying personally for critical illness insurance. As group plans become more widely available and better understood by both employers and plan members, they may finally get their wish.

2008 Employment Insurance Changes

Effective January 1, 2008, the federal government will increase the maximum insurable earnings under its Employment Insurance benefit by 2.75% to \$41,100. The maximum weekly benefit is now \$435, using the 55% benefit level.

If payments under your short term disability or weekly indemnity plan are tied to the EI maximum, costs will increase automatically as of January 1, 2008. The increase will have to be implemented in order to continue to qualify for the EI premium reduction program.



Healthy Workplaces – Managing Mental Health at Work⁴

What is Mental Illness?

The 9th revision of the International Classification of Diseases (ICD-9) category called “Mental Disorders” includes psychoses, such as schizophrenia, with neurotic disorders, such as depression. Alcohol- and drug-related issues are also included. Even though insurance companies refer to “mental and nervous” conditions, Diseases of the Nervous System are separate and relatively rare in the workplace.

The Public Health Agency of Canada estimated the burden of mental illnesses at \$14.4 billion (2001), ranking about third in cost and equal to cancer. For employers, mental illness is often the highest cost and fastest growing cause of Long Term Disability, representing about 25% of claim costs. In Short Term Disability, these conditions are typically ranked first or second, with musculoskeletal injuries and disorders.

Causes of depression include a genetic or family history, psychological or emotional vulnerability, imbalances in brain chemistry and in the endocrine/immune systems, and/or a major stress in the person's life.

Mental illnesses are also among the most complicated claims to manage, for two reasons. First, they often occur with other conditions, like heart attacks or cancer, and if mental illness is present, it is too often not diagnosed or properly recorded. Worse, even when diagnosed, patients do not always get appropriate care. Insurance company medical directors often advocate for specialist referral or improved treatment plans.

Second, considerable evidence ties the workplace itself to the onset, aggravation, or improvement in the condition. Dr. Martin Shain at the Centre for Addiction and Mental Health in Toronto found that mental and physical health problems were typically two to three times more common in situations such as work overload, lack of control over job responsibilities, inadequate rewards, and poor employee-to-job matching. A 2004 report by Statistics Canada demonstrated that the most important factor affecting the ability of those with bipolar disorder to participate in the workforce was not their access to drugs, physician visits or counselling, but the degree of support they received from colleagues and management, as well as family and friends. Employer policy, programs and practices can make a big difference.

News Items

1. Workplace Demons

According to the Centre for Addiction and Mental Health, a typical workplace with 100 employees has:

- 15 to 25 employees who suffer from serious, acute and milder forms of depression, anxiety, substance abuse or some combination of them;
- 10 to 20 employees who are alcoholics and drink excessively; and
- 2 to 7 employees who use illicit drugs.



2. Employers Could Do More

A March 2006 survey of 1,501 Canadians by Desjardins Financial indicated that most believed their employers and unions could do more to help people with mental health issues. The survey found that 51% have either been personally affected by mental illness, or know someone who has. 59% see work pressure as the largest cause of stress, anxiety or depression. Over six in ten have a device that allows their employer to reach them at any time. Of those, 83% say it either maintains (54%) or increases (29%) their stress.

3. UK Fund Manager: Less Stress = More Value

In January 2006, the Financial Times of London reported that Henderson Global Investors said companies need to better manage stress and mental health issues. No fringe player, Henderson manages Cdn\$133 billion in assets.

In explaining its interest in this area, Henderson said:

We believe that preventative approaches to stress management can lead to business benefits and could pre-empt regulatory intervention. Furthermore, we believe that proactive human resources management can contribute to long term shareholder and business value.

Conclusion

Mental health issues are on the mind of business leaders because they have a big impact on organizational success. Unfortunately, a persistent, deep-rooted stigma, steady increases in disability claims, reluctance to acknowledge a causal organizational role, and the huge burden of mental illness in Canada all indicate change is slow to occur.



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⁴ Adapted from articles that appeared originally in *businesshealth*, ©Mannett Communications, 2005, 2006.



Dear Abbi—Vaccines,

QUESTION: Our plan covers vaccines, but there have been hardly any claims. Now, it seems there are more adult vaccines, including the new one for HPV. Should we pay for these, or not?

Our bet is that vaccine claims will gradually increase, largely driven by interest in the new vaccine for Human Papilloma Virus (HPV). One insurer told us the HPV vaccine has already become a significant part of the cost of vaccines, though this class remains small overall.

Traditionally, vaccines have been reserved for children, and have been relatively inexpensive and most often covered by public health agencies. More recently, adult vaccines for Hepatitis A and B have been heavily advertised, and Gardasil™ for HPV was approved for use in Canada in July 2006. Federal approval for another product (Cervarix™) is expected shortly. Both will have a one-time cost of about \$500 per person, assuming the plan member takes all three doses over a six-month period.

HPV has attracted the greatest attention. The vaccine controls the two virus sub-types that are responsible for about 70% of all cases of cervical cancer. Fortunately, most HPV infections clear themselves and incidence of this cancer is relatively rare: In 2007, about 1,350 new cases are expected, and 400 Canadian women will die of cervical cancer. Most cases occur between ages 40 and 59.

In addition to cervical cancer, a Pap test can detect precancerous cervical cell abnormalities (dysplasia). Dysplasia may not cause any signs or symptoms in its early stages and it may (or may not) develop into cancer if isn't treated. The Canadian Cancer Society warns the new HPV vaccines should not replace screening because 30% of cervical cancer is not caused by the two main strains, and mid and long-term efficacy of the new vaccine has not yet been clinically proved.

The first HPV product is approved for women aged 9 to 26, however, use will no doubt expand. Trial results for older women will be available soon, and in some countries, use has also been approved for boys. (Men often transmit HPV.) However, it is not yet clear just how popular these vaccines will be. There have been reports of serious adverse effects, including a small number of cases of Guillain-Barre Syndrome, fainting, and seven deaths. The US Centers for Disease Control investigated the deaths and has not linked them to the vaccine.

In its 2007 Budget, the federal government announced \$300 million of funding for HPV vaccines over a three year period. Ontario is one of five provinces to use the federal money, and is vaccinating girls in Grade 8. For employers, the expense could become significant in the future as the federal funding expires, and as the number of people approved for vaccinations expands. A more general consideration is that claim costs will be incurred now for a benefit that is uncertain and likely deferred many years into the future.

The best information we have is that vaccine coverage in extended health plans is about 50-50. At point of writing, this coverage is standard for Manulife and Sun Life, but not for Great-West Life, or for Medavie Blue Cross. Green Shield typically covers vaccines if they are prescribed by a physician and not covered by the government. If your plan does not currently allow vaccines, reimbursement can generally be arranged for an additional cost.

As for a recommendation, our advice would depend on the plan sponsor's philosophy and objectives for its health benefits plan. Currently, the cost for vaccines is small, but is likely to expand in the future, especially if governments decide not to list new vaccines as they come to market. Please contact your Mosey & Mosey consultant to discuss this emerging issue in more detail.

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