



Canadian Life
and Health Insurance
Association Inc.

Association canadienne
des compagnies d'assurances
de personnes inc.

The Role of Disability Income Insurance Plans in Canada's Disability Income System

Submission to the

**House of Commons Sub-Committee
on the Status of Persons with Disabilities**

By the

**Canadian Life and Health
Insurance Association Inc.**

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EXECUTIVE SUMMARY

- Disability income insurance plans provide income replacement benefits, assist recipients to return to work, and are often combined with extended health care benefits.
- Disability income insurance plans cover more than 8.4 million Canadian workers.
- Total disability income insurance plan payments have almost doubled from \$2.4 billion in 1990 to \$4.8 billion in 2001.
- Total CPP(D) payments have been virtually constant since the mid-1990s. In 1994, total CPP(D) payments were roughly equal to total disability income insurance plan payments. By 2001, they were only 59 per cent as large.
- Only those disability income insurance recipients who suffer “severe and prolonged” disabilities may also qualify for CPP(D).
- Based on their initial disability assessments, some disability income insurance plan recipients appear likely to qualify for CPP(D) benefits, and are advised to apply for several important reasons, namely:
 - i) All of them have contributed to CPP and are thus entitled to apply.
 - ii) If they qualify for CPP(D), the period during which they receive CPP(D) benefits does not reduce the amount of their CPP retirement benefits.
 - iii) Their overall disability incomes will increase over time by the full amount of CPP(D)’s cost of living adjustments.
 - iv) Most disability income insurance plans are designed and priced on the assumption that such applications will be made.

- CPP(D)'s average monthly approvals have declined by 56 per cent since 1994.
- The majority of applications for CPP(D) are initially rejected (e.g., 57 per cent in 2000).
- However, many rejections are overturned on appeal.
- If their CPP(D) applications are rejected, disability insurance recipients who appear to suffer from severe, prolonged disabilities are often encouraged to appeal.
- For disability income insurance recipients, one factor contributing to the frequency of initial CPP(D) rejections is the fact that those applications only rarely include pertinent information from disability income insurance plans' disability assessments.
- During CPP(D)'s often lengthy assessment period, many disability income insurance plans advance estimated CPP(D) benefits to recipients and are subsequently repaid when CPP(D) makes a retroactive payment of benefits.
- The current arrangements for such advance payments are a major improvement over the situation that prevailed prior to the 1991 amendments to CPP legislation.
- The current arrangements for integrating disability income insurance plan benefits and CPP(D) benefits work well in the great majority of cases.
- However, there may be infrequent instances in which unanticipated taxes owing arise from the integration of benefits.

