

# SAFETY & HEALTH INSURANCE AVAILABLE AND FARMER INSURANCE NEEDS EXECUTIVE SUMMARY

PREPARED FOR  
THE CANADIAN AGRICULTURAL SAFETY ASSOCIATION

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## 1. SCOPE / OBJECTIVES

It is a common view that farmers do not have adequate health insurance to manage their health needs given the physical and mental risks that come with farming. The cost of farmers' injuries and illness can be mitigated if farmers had more preventative, appropriate, and cost-effective health and disability coverage.

This project is to perform a preliminary overview of the health benefit plans currently offered by provincial and territorial farm organizations and a summary of the available coverage from traditional insurance providers.

## TYPES OF INSURANCE WITHIN THE SCOPE OF PROJECT

For this project, the coverages shown below will be referred to as “Health Insurance”:

- Dental
- Hearing Loss
- Vision care
- Extended health care typically includes: prescription drugs, paramedical services, emergency travel and medical supplies, that aren't covered by a provincial plan
- Critical Illness
- Mental Health Assistance – counselling with a designated psychosocial professional
- Disability – if disabled due to an injury or illness; whether due to work or non-work situations; and are unable to work for a short or a long period of time
- Business loss of income – for self-employed business owners who generate all their firm's sales and revenues and who are involved in the day-to-day operations/management of the business, i.e. for farmers.

## 2. WHY HEALTH INSURANCE IS NEEDED

When considering health insurance, it is important to be clear about the difference between events that result in unexpected, potentially catastrophic loss, such as an accident resulting in severe disability (a catastrophic insurance event) and those that are routine, such as a semi-annual visit to a dentist (a routine or administrative event). The former has a low frequency of occurrence but has catastrophically large impacts and costs. The latter occurs frequently with relatively minor costs.

When purchasing health insurance for 'routine' events, an insurance company will typically charge a markup to cover the cost of these events, in the order of 32 – 40%.

## DEATH AND DISABILITY

- One in three Canadians will be disabled by injury for 90 days or more at some point in their life. Thus, supplementary disability health insurance is needed to help cover the costs associated with an accident or disability.
- According to the Workers Compensation Board Association<sup>1</sup> in 2015 for Canada:

<b># OF CLAIMS DUE TO LOST TIME = 232,629</b>	<b># OF AGRICULTURE CLAIMS = 3,331</b>	<b>% OF TOTAL = 1.43%</b>
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<b># OF CLAIMS DUE TO FATALITIES = 852</b>	<b># OF AGRICULTURE CLAIMS = 10</b>	<b>% OF TOTAL = 1.17%</b>
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- According to the most recent report published by Canadian Agricultural Injury Reporting (CAIR), agriculture is a dangerous occupation when compared with other Canadian industrial sectors (4th most hazardous with respect to rates of fatal injuries).
- Farm work related injuries<sup>2</sup> accounted for the majority of costs, at 80% of all agriculture related injury costs (\$374 million).

## MENTAL HEALTH

- Mental health and a lack of treatment create major health related costs. According to the Mental Health Commission, most mental health services are not paid for under the Canada Health Act (Medicare). As a result, they must be paid for out-of-pocket or through a group/private health plan unless provided in hospital.<sup>3</sup> Only one in three sufferers, reports and seeks treatment for mental health issues.
- In 2011, mental health problems and illnesses among working adults in Canada cost employers more than \$6 billion in lost productivity from absenteeism, presenteeism<sup>4</sup> and turnover.
- In Canada:
  - Mental health problems and illnesses account for more than one-third of disability claims and two-thirds of disability costs
  - Annually, one in five people in Canada experience a mental health problem or illness, with a cost to the economy in lost time, work disruption, and health care of more than \$50 billion
  - In any given week, 500,000 Canadians are unable to work due to mental health problems

1. [http://awcbc.org/?page\\_id=14](http://awcbc.org/?page_id=14)

2. Unintentional injury – fatality that occurs during activities related to the operation of a farm or ranch in Canada and/or any unintentional (e.g., suicide) injury resulting in fatality that involves any hazard of a farm or ranch environment in Canada (excluding fatal non-work related injuries that take place in the farm residence).

3. <https://ccla.org/current-state-mental-health-canada/>

4. Researchers say that presenteeism—the problem of workers being on the job but, because of illness or other medical conditions, are not fully functioning—can cut individual productivity by one-third or more. In fact, presenteeism appears to be a much costlier problem than its productivity-reducing counterpart, absenteeism. And, unlike absenteeism, presenteeism isn't always apparent. An employer knows when someone doesn't show up for work, but often can't tell when—or how much—illness or a medical condition is hindering someone's performance. <https://hbr.org/2004/10/presenteeism-at-work-but-out-of-it>

## ROUTINE HEALTHCARE COSTS

- Most Canadians pay out-of-pocket for eye, dental, hearing, physiotherapy and other health costs.
- More than 60% of prescription medications are paid for privately in Canada. Canada is the only country with a universal healthcare system that does not include prescription drugs. This means that Canadians still pay for approximately 30% of their total healthcare directly or via private insurance; with only 70% of health costs paid for publicly. In fact, Canadians are as likely to hold private health insurance as Americans.<sup>5</sup>

## 3. FARMERS ARE LIKE NON-FARM BUSINESSES IN THE UPTAKE OF HEALTH INSURANCE

The fewer the number of employees a business has, the less likely it is to provide a health insurance plan for the employees. A 2011 LIMRA<sup>6</sup> study shows the portion of Canadian businesses that offer some sort of health benefits to employees is:

- 72% of employers with 50 to 99 employees
- 53% for employers with 20 to 49 employees
- 34% for those with 10 to 19 employees, and
- 24% for those with 5 to 9 employees.

For businesses with only 1 to 4 employees, it is estimated that only 12% to 15% of them offer health insurance to their employees.

Farms typically have very few employees, even for large farms with tens of millions of dollars in assets. Statistics Canada reported agricultural operations in Canada employed 280,315 people in 2015. This is an average of 1.4 employees per farm.<sup>7</sup>

Therefore, one might reasonably conclude that farmers are similar to non-farm small business owners in their low uptake of health insurance.

5. By Kathleen O'Grady and Noralou Roos, Sept, 2014 <http://evidencenetwork.ca/archives/20113>

6. LIMRA is a worldwide research, consulting and professional development organization that works with 850 insurance and financial services companies in 73 countries. Visit [www.limra.com](http://www.limra.com) for the study. The specific source article is at <http://www.benefitscanada.com/benefits/other/what-stops-small-businesses-from-offering-benefits-68049>, and <http://www.smallbizadvisor.ca/group-benefits/what-stops-small-businesses-from-offering-benefits-3773>

7. 2016 Census of Agriculture for Canada – Extracts relevant to this study, <https://www.statcan.gc.ca/daily-quotidien/170510/dq170510a-eng.htm>

## 4. METHODS FOR BEING INSURED

There are several ways to be insured. They include:

### SELF INSURED: COVERAGE UNDER SPOUSE'S PLAN, SELF INSURANCE, HSA'S:

- A spouse employed off-farm may be enrolled in a group health insurance plan that offers coverage to family members, although disability coverage would only be available to the plan member (family members would not be covered). Or, a farmer's own off-farm employment may provide coverage. According to Statistics Canada, 44.4% of all farm operators did some off-farm work and 30.2% of operators worked an average of thirty hours or more per week off the farm. Thus, many may have health insurance coverage from this source.
- Being self-insured requires the farm to have sufficient financial resources to cover the health costs. For 'routine' events this may not be too challenging, but for catastrophic events such as long-term disability for a key employee or the farmer/owner, few farms can afford to be self-insured.
- Health Spending Accounts (HSA's) is a method of making self-insurance more tax efficient. However, HSA's are not insurance.

### PURCHASED HEALTH INSURANCE:

- Conventional group benefits plans have premiums based on: catastrophic risk insurance costs, anticipated routine claims, insurer reserves, administration expenses, and a profit margin.
- Individual health insurance is a policy purchased by an individual for themselves and their family based upon personal needs and budget. The premium cost is not averaged across a larger group.

### WORKERS COMPENSATION BOARD PLANS:

- Workers' Compensation is administered provincially rather than federally. Thus there is variation between provinces on which businesses must enroll in Workers' Compensation insurance.
- Employees are eligible for medical costs and wage-loss benefits due to work related injuries via a system funded entirely by employers. In exchange, employers are free from legal liability.
- WCB does not cover:
  - Disability or death, unless it is work related
  - Extended health, dental, hearing loss, vision care, critical illness or mental health, unless it is work related
  - A mental health claim may require a doctor's diagnosis to confirm a connection between a physical injury and a psychological condition
  - Any of the health risks/costs for family members and dependents, i.e. only for the employee

- Nearly all employees in Canada are covered by WCB. But, because WCB does not cover the above listed health risks/costs, a high percentage of Canadian employees are also covered by purchased health insurance plans.

### 5. PLANS AVAILABLE AND WHO PROVIDES THEM

#### INSURANCE COMPANIES OFFERING GROUP AND INDIVIDUAL HEALTH INSURANCE PLANS IN CANADA

- Approximately 90% of health insurance is purchased through group plans provided by employers, unions or professional associations, and only 10% are ‘individual’ plans, i.e. not in a group plan.
- For those farm and non-farm businesses that wish to have health insurance coverage, there are 99 insurance companies in Canada offering such plans.
- Each of the insurance companies has many brokers and/or agents that offer a variety of different combinations of specific benefits within their health insurance plans. E.g. include dental coverage, or not, at the customer’s option.

#### WORKERS COMPENSATION COVERAGE IN THE PROVINCES

- Except for two provinces (Nova Scotia and Saskatchewan), it is mandatory for farm employers to sign up for, and pay premiums to, their provincial Workers Compensation Board
- Farm family members who work on the farm have the option of enrolling in the WCB coverage

#### CANADIAN AGRICULTURAL SAFETY ASSOCIATION

- The Canadian Agricultural Safety Association (CASA) (<http://casa-acsa.ca/about>) is a non-profit, collaborative organization established by producer groups, governments, researchers and industry to co-ordinate, develop and lead national initiatives to help farmers, families and workers recognize and manage safety risks. It does not offer health insurance plans to farmers.

#### NATIONAL FARM COMMODITY GROUPS

- National supply management and commodity organizations do not offer health insurance plans.

#### PROVINCIAL FARM ADVOCACY ORGANIZATIONS IN EACH PROVINCE

- All provincial farm advocacy organizations offer health insurance plans to their members, except for the Newfoundland and Labrador Federation of Agriculture (NLFA). Ontario and Quebec have multiple general farm organizations (Christian Farmers Federation of Ontario, Ontario Federation of Agriculture, Quebec Farmers Association, UPA). The National Farmers Union has several provincial chapters (ON, PEI, NB) which offer the national (NFU) plan.

- All the organizations use an insurance company/3rd party administrator to provide the health insurance services. Several provincial organizations use the Co-operators and receive patronage returns if they are members.
- Quebec is unique. As an accredited organization, if UPA were to offer a group benefit prescription drug plan to its members, the government drug plan would not cover them, thus forcing all members to pay for their own plan. UPA does not offer any such coverage, as they found their members are better off in the public plan.<sup>8</sup>
- Six insurance companies (and their many agents) provide the insurance services for the 9 provincial farm advocacy organizations, as described above. The list and detailed descriptions of the plans are in the ‘Technical Report’.

## 6. PRELIMINARY OVERVIEW FINDINGS

The preceding sections provide an overview of relevant information about health insurance, the types of insurance available to farmers and how they are offered. Extensive interviews were conducted. A more detailed summary of the interviews is provided in Appendix 9.3.2. The interviews occurred from New Brunswick to British Columbia. The findings are as follows:

### 6.1 HEALTH INSURANCE IS READILY AVAILABLE TO FARMERS

- Prior to 10 years ago, most businesses with less than 10 employees could not get group health insurance. Now, nearly all insurance companies offer plans for businesses with as few as 2 employees, and a number (e.g. Chamber Plan) offer plans to businesses with only 1 employee. Farmers may not be aware of this change in availability.
- In addition to provincial farm organizations, there are many insurance carriers offering insurance and a great many agent locations where farmers can buy health insurance – hundreds in the smaller provinces like Manitoba and thousands in provinces like Ontario.
- Nearly all the provincial farm organizations across the country offer health insurance plans to their members. However, it appears uptake varies from 5% of members to much less than 1%. The insurance carriers and third-party administrators who work with the farm organizations are shown below. The Co-operators is a dominant carrier because of the ownership interest by several of the provincial farm organizations (e.g. KAP, OFA, APAS). These member organizations receive patronage dividends from the Co-operators.

8. <http://www.ramq.gouv.qc.ca/en/citizens/prescription-drug-insurance/Pages/description.aspx>. All Québec residents must have prescription drug insurance coverage, either through the public plan, (administered by the Régie de l'assurance maladie du Québec) or, a private plan (group insurance or employee benefit plans).

If a person is eligible for a private plan, they must join that plan and provide coverage under it for their spouse and children. Only those persons who are not eligible for a private plan may register for the Public Prescription Drug Insurance Plan.



Province	Insurance Carrier	Third-party Administrator
BC	None	HUB International / Strata Consulting – HSA Offered
AB	Co-operators	None - Direct to Co-operators
SK	Co-operators	HUB International / Strata Consulting
MB	Co-operators	HUB International / Strata Consulting
ON	Co-operators	CBA Canada
Que. UPA	None	EAP/Counselling only via Pro Health Group Inc.
Que. QFA	Manulife Insurance & soon the Chamber Plan	Bene-flex Quebec
NB	Co-operators	Go-To-Insurance
NS	Medavie Blue Cross	None – Direct to Medavie Blue Cross
PEI	Medavie Blue Cross	Johnson Insurance

## 6.2 FARMERS MAY HAVE HEALTH INSURANCE THROUGH OFF-FARM EMPLOYMENT OR THROUGH A SPOUSE’S PLAN

- Many farmers work off-farm. (As noted previously, 44.4% of all farm operators did some off-farm work and 30.2% worked an average of thirty hours or more per week off the farm). A portion of them will have health insurance benefits from that off-farm employer.
- In addition, many farmers have a spouse working at an off-farm job that provides health benefits for the family. One knowledgeable interviewee estimated that 30% of farmers might have health insurance through these off-farm employment options.

## 6.3 FARMERS ARE ACCUSTOMED TO RISK AND STRUCTURE BUSINESS TO SELF INSURE IF POSSIBLE

- Farmers are accustomed to ‘risks’ and usually have a very significant asset base and often large equity values that are used to survive commodity price downturns and natural disasters. By comparison, this substantial equity is a very different financial structure than that of most small businesses. Farmers are accustomed to using equity as security for a short term unexpected cost, i.e. they are self-insured for these risks.
- Given the typical equity position of established farmers, self-insurance to handle the ‘routine’ costs of extended health, vision, dental, etc. may be prudent. Self-insurance avoids the added administrative, insurance reserve, and insurance company profits typical on all policies. These added costs on top of benefits appears to average 25.6%<sup>9</sup> across the industry and could be higher for many plans.

- Several interviewees noted there is a potential need for disability coverage for younger farmers who had not yet developed sufficient equity to be self insured.
- Several insurance industry representatives suggested it may be best for many established incorporated farmers to buy insurance for catastrophic risks like death and disability but use an HSA for routine costs like dental, drugs, etc. for family and/or employees. The HSA enables the farm business to deduct the medical expenses of family members and/or employees as tax deductible business expenses. Reimbursement of the healthcare cost to the employee/family member is a non-taxable benefit to the recipient.

### 6.4 MENTAL HEALTH – SIGNIFICANT UNMET NEED

- Mental health issues are rapidly being recognized as a significant and growing problem in agriculture, but coverage is not yet included in many plans. In Canada mental health problems and illnesses account for more than one-third of disability claims and two-thirds of disability costs.
- As noted previously, most mental health services are not paid for under the Canada Health Act (Medicare).<sup>10</sup>
- A survey<sup>11</sup> by the University of Guelph found farmers are among the most vulnerable when it comes to mental health issues. The study revealed that 45% were experiencing high levels of stress, 58% were dealing with anxiety, and 35% suffered from depression; all much higher than in the Canadian population as a whole.
- In Canada only one in three sufferers, reports and seeks treatment for mental health issues. The Guelph study found that for farmers about 40% would not seek help because of the stigma associated with mental health; i.e. they'd feel uneasy getting professional help “because of what people might think.” Thus, especially in the agriculture community, it is still largely a taboo topic about which farmers are unwilling to admit they need mental health care assistance.
- Initiatives to address this topic are beginning<sup>12</sup>, but coverage for mental health problems is a significant un-met need.

9. The 2016 Canadian Life and Health Insurance Facts shows \$40.855 billion of premiums paid to insurance companies, and \$32.531 billion of benefits paid out by the companies. This \$8.324 billion (25.6%) in addition to the benefits, is the cost of administration (operating the insurance companies), building reserves for future claims, and profit. With self insurance, these added costs can be avoided.

10. <https://ccla.org/current-state-mental-health-canada/>

11. Source: More than 1,000 farmers in Canada were surveyed in June of 2016. <https://news.uoguelph.ca/2016/06/farmers-need-want-mental-health-help-survey/>

12. E.g., the Canadian Federation of Agriculture (CFA) recently established a partnership with the ‘Do More Agriculture Foundation’ to: help raise awareness; promote best practices; identify needed supports and contribute to the development of resources.

### 6.5 WHY FARMERS MAY NEED, BUT DON'T VALUE DISABILITY COVERAGE

- Interviewees generally believe few farmers think that something catastrophic could happen to them and, if something were to happen, someone else will step in to carry on the farm. Further, some farmers consider a physical disability to be a manageable risk as long as they are mentally competent and can still direct the farm operations. Therefore, they are not willing to spend the money on disability insurance.
- All interviewees saw a need for most farmers to purchase disability coverage due to the catastrophic impact it would have. Exceptions were those very near retirement, or older farmers with significant equity which could enable them to stop farming, sell equipment and sell or rent the land to provide needed income.

### 6.6 DISABILITY PLANS AND WCB MAY HAVE LIMITATIONS FOR FARMERS

- Some disability insurance plans base benefits/payouts on the earnings documented by T4 forms. Often this does not work well for farmers, who as the business owner, may take small drawings or dividends instead of salary shown on a T4. Therefore, insurance benefits would be small.
- Some plans may define 'disability' in restrictive ways making it difficult to claim benefits if the farmer can still manage employees.
- WCB regulations (provincial) require employers in most industries to enroll their employees. WCB coverage includes replacing lost wages resulting from a work-related injury, as well as providing medical and rehabilitation support to assist recovery and return to work. However, WCB plans do not cover extended health (dental, hearing loss, vision care), disability or death, unless it is work related. A mental health claim may require a doctor's diagnosis to confirm a connection between a physical injury and a psychological condition. This leaves major risk that can only be covered by purchasing a health insurance plan.
- WCB plans allow the farmer-owner and family working on the farm to enroll and get the insurance coverage if they choose to.
- Many private insurance policies pay similar benefits in cases of losses due to injury, permanent disability or death, but will not pay for lost time working at a reduced level while recovering. However, many farms have no non-family full-time (or extended seasonal) employees that qualify for WCB, and thus these farms do not have a requirement to enroll. WCB disability benefits are based on documented taxable income (T4).
- There appears to be alternative insurance plans available that overcome the issue of T4 documented income. Interviewees note that some insurance companies offer a flat monthly amount rather than basing disability payouts on T4s. Some other plans use gross income rather than taxable income. (Disability insurance for truckers has a similar problem to farmers in terms of documenting taxable income.)

- An industry interviewee indicated that a farm organization had been approached with the idea of including enrolment in a mandatory disability plan in their membership fee (with the premium cost built into the membership fee). The mandatory aspect was needed to ensure that not just the high claim, high cost, farmers would enroll and with all farmers included there would be reasonable and stable premiums. However, the farm organization felt this would increase their membership fees by an amount that would cause a decline in membership. As a result, no plan was implemented.

### 6.7 OTHER FINDINGS

#### Are Farmers Adequately Served by Health Insurance Providers?

- As noted previously, the market for selling health insurance to farmers is challenging for companies, as it is for non-farm businesses with few employees. However, interviewees noted there are some characteristics of farmers that make them even more challenging to reach. These include: geographic distance between farms, farmers tend to be skeptical, and, farmers may have received less prior background information than other small business owners. Therefore, the marketing/sales cycle can be very long. Several interviewees explained it often takes 5 to 8 conversations over 1 or 2 years to explain, analyze the needs, and sell health insurance to a farm customer. This makes it especially costly relative to the potential premium for insurance coverage on only a few people.
- Therefore, while many insurance companies offer health insurance to the farm market, they do not focus on it.
- The Co-operators attempted to develop a national plan about 5 years ago, but it was not successful. In addition to the challenges described above, a national plan faces: different insurance regulators in every province, different provincial government health plans/drug coverage that require varying insurance coverage (and premiums), and an entirely different system in Quebec.
- In addition, the prospective farm market for 'routine' health insurance may be quite small. As noted previously, 30% of farmers may already have coverage through off-farm employment or through a spousal plan, and an added significant percentage may be wisely self-insured for 'routine' health costs.
- However, for disability insurance (and maybe life) there appears to be a clear need for increased numbers of farmers to make use of these insurance plans. Farm lenders also have a need for loans to be covered for these risks.

#### Farmers Health Insurance Uptake Should be Compared to Non-Farm Small Business Owners

- Farmers are business owners, not employees. Farmers should be compared to the owners, not employees, of non-farm businesses.
- Section 3 estimated that for non-farm businesses with 1 to 4 employees, only 12% to 15% of them use health insurance plans. A typical farm has only 1.4 employees. Therefore, one might conclude that farmers are similar to non-farm small business owners in their uptake of health insurance.

- Industry experts suggest most small businesses (both farm and non-farm) resist the cost of putting a health plan in place unless forced to do so in order to recruit/retain competent employees.
- In addition to cost, many small business owners find health insurance products to be complex, investigation of insurance options time consuming, and objective expertise difficult to find. Among interviewees, there was unanimous consensus that few small businesses understand health insurance needs or options for coverage, and farmers have likely received a bit less information than other non-farm business owners.

### COHIP (Co-working Health Insurance Plan) and the Chamber Plan May Not Fit a Farmer's Needs

- COHIP is designed to provide accessible health, dental, travel and life insurance coverage for independent workers, such as artists and freelancers. The plan is portable when the person moves to a different employer. This portability is a unique feature of COHIP and no other insurance companies are known to offer such coverage. Currently, COHIP does not offer disability coverage outside Ontario and Quebec. The key benefit of COHIP (portability) would not generally be advantageous for farmers and the lack of disability coverage is a distinct drawback.
- The Chamber Plan is widely available to members of Chambers of Commerce or Boards of Trade in Canada. Self-employed owners and firms as small as having one or two employees are eligible with no health questions and no medical exams for the basic plans. A new special arrangement has recently been negotiated to offer the Chamber Plan to members of QFA. The Chamber membership fee will be bundled with the monthly premium.
- However, most farmers do not belong to a local Chamber and the membership fee would probably be a deterrent if the object is only to access the insurance plan. However, further research on this may be warranted.