

## Summary Report Consultation on Employee Benefit Plans and Application of the *Insurance Act*

On June 14, 2002, Alberta Finance released a consultation paper on *Employee Benefit Plans and the Insurance Act - A New Approach*.

[www.finance.gov.ab.ca/publications/insurance/employee\\_benefit\\_plans\\_consultation.html](http://www.finance.gov.ab.ca/publications/insurance/employee_benefit_plans_consultation.html)

The paper reviewed the issues related to the regulation of health-related and income continuance employee benefit plans, and asked for views about the application of the current regulatory system and how it could be improved. Four options were identified for consideration by interested parties.

Alberta Finance received 77 written submissions from a cross-section of stakeholders, including consultants, third party administrators, employers and unions (plan sponsors and trustees), industry groups, and professional associations. There was one submission from an individual.

Of the respondents, a significant majority (70%) supported **Option 4**, which proposed exempting employee benefit plans from the application of the *Insurance Act* (Act).

Another 27% of respondents supported **Option 3** which proposed that short-term and long-term employee benefit programs be dealt with differently, and that a regulatory framework be developed that focuses protection where it is most needed. Respondents supporting Option 3 were concerned primarily with securing long-term income replacement benefits. They were equally divided, however, on whether these benefits should be secured through insurance contracts or whether employers should be allowed to pursue alternative funding methods to protect the beneficiaries of these plans.

Two respondents supported Option 1, which proposed preserving the status quo, and there were none who favoured Option 2 for a new regulatory scheme for protecting employee benefits.

### Representative Comments by Respondents on the Options

**Option 1** - The status quo is not a viable option.

**Option 2** - New regulatory systems, generally, are developed in response to new issues. The provision of employee benefits is not new. The system appears to have worked relatively well given the absence of litigation. Regulation needs to be proportionate to the degree of risk. There is not sufficient risk to support creating a new regulatory scheme.

**Option 3** – Respondents support amendments to the Act to exempt short-term employee benefit plans from the application of the Act. The nature and duration of a benefit should be the basis for any legislation. Employee benefits with a long-term time-line should be protected. In considering how to strengthen member protection, focus only on long-term disability - one approach may be to establish a separate regulatory framework.

**Option 4** - Exempting employee benefit plans would be consistent with the approach taken by other jurisdictions and would reduce the regulatory burden on employers. It would provide plan sponsors and members with the flexibility to design and fund benefit programs appropriately, within the context of overall compensation arrangements.

### Next Steps

Alberta Finance is reviewing the consultation results and will provide an update once a final decision has been made.