

# Medical, Dental and Life Insurance for Arts Professionals

## A Proposal for a Public Private Partnership

### Executive Summary

Artists and other cultural professionals are generally self-employed, their earnings are low compared to other Canadians, and it often fluctuates from year to year. Most artists and independent cultural professionals do not have access to benefits generally enjoyed by other Canadians.

Analysis of the most recent StatsCan data shows that the average annual income for professional artists overall is \$23,500, 26% lower than the average earnings for the labour force as a whole, despite the fact that over 40% of artists have completed university degrees, certificates or diplomas, compared with 22% for the overall labour force.

Some larger performing arts companies provide benefits to staff, and some individuals in the community have insurance through other work or spouses. But most artists and cultural professionals have no access to paid vacations and holidays; income maintenance when there is no work or they are sick; maternity, paternity and adoption leave; retirement or pension plans; and life, medical and dental insurance.

For many years, associations representing arts professionals have encouraged their members to obtain insurance coverage. There have been efforts to work with a range of insurance providers to develop programs tailored to their needs. But outside of programs developed by unions and engagers with established collective bargaining relationships, none of these initiatives has achieved the critical mass of subscribers, among a broad base of arts professionals, necessary to make it self-sustaining.

The associations of arts professionals are seeking a one-time investment from the federal government of \$10 million into **HEART**, the **Healthy Artists' Trust**. The Trust will provide a subsidy for each eligible arts professional who subscribes to a qualifying private insurance program, for the first ten years they are enrolled. This investment will ensure that a critical mass of subscribers will be achieved in one or more of these insurance programs to make them self-sustaining as a private sector initiative.

The federal government expressed an interest in pensions for self-employed Canadians through the work of the late finance minister Jim Flaherty. An investment in **HEART** will respond to the efforts of the current government to help independent workers achieve some insurance protections and financial stability, and will save Canadians millions in health costs in the coming years.

### **What is the need?**

Using census data, studies on the cultural labour force conclude there are more than 130,000 cultural workers in Canada. The number of such professionals is growing as the creative economy expands, and most are self-employed. Creative professionals are highly educated but their earnings are low compared to other Canadians and their income can fluctuate dramatically from year to year. Two-thirds of professional artists report they must work outside their profession in order to survive economically.

The Actors' Fund of Canada provides emergency financial aid to assist artists and other cultural workers in recovering from an illness, injury or other circumstances causing severe economic and personal hardship. Between 2009 and 2013, 21% of applications approved by the Actors' Fund were for reasons related to illness and a further 17% were related to injury. In 2009, a major survey of professional artists aged 55 and older was undertaken by the Senior Artists Research Project. In total, 1,512 respondents participated in this survey. Of these artists, 46% identified they had health care needs that were not covered by the public health plans and the same number stated that they did not have life insurance.

### **How is the community responding?**

Associations of arts professionals have for many years worked to develop insurance programs. Larger employers in the sector, such as orchestras and established theatre companies have programs for their workers similar to traditional employers. All of these generally work well, although independent contractors are excluded. Larger organizations, such as the Alliance of Canadian Cinema, Television and Radio Artists (ACTRA), Union des artistes, Directors Guild of Canada, Canadian Actors' Equity Association and the Writers Guild of Canada (WGC), have established robust programs in collaboration with those who engage their members. These programs are sustainable and meet the needs of the arts professionals.

Some of the smaller organizations encourage their members to obtain private coverage brokered through companies such as Blue Cross. Some have worked with other institutions to develop creative solutions, such as a program available through the Nova Scotia Cultural Federation. While these are effective for some arts professionals, none has reached a critical mass among the broader sector necessary to ensure their national reach and permanence.

One of the most recent efforts involves the Actra Fraternal Benefit Society (AFBS). AFBS was established more than 35 years ago to provide insurance, retirement and fraternal benefits to ACTRA and WGC members. Since its launch, AFBS has provided Life, Accidental Death and Dismemberment insurance, Weekly Income Replacement, Extended Health Care and Dental Care benefits, with premiums paid by engagers of the performers and writers who belong to AFBS.

In 2009 AFBS worked with 22 writers' organizations to launch the Writers' Coalition Program to provide insurance for professional writers who are members of the collaborating organizations. Through the Arts & Entertainment Plan<sup>®</sup>, it offers insurance to an even broader range of arts professionals, from music creators who belong to SOCAN, to visual artists who are members of

CARFAC, to dance professionals who are members of the CDA. Premiums for these programs are paid by the individual subscriber.

As a highly successful not-for-profit, member-owned, federally-incorporated insurance company, AFBS has the expertise to meet the particular insurance needs of arts professionals. With the endorsement of some of Canada's leading artists, the many participating associations are actively promoting the new programs to their members across Canada.

The problem for many arts professionals is the cost of coverage. Between May and June 2013, the arts associations collaborated in a survey to judge the interest of their members in this campaign. Close to 1,000 members responded in the tight deadline provided. Of the respondents, 76.2% reported they did not have insurance coverage because it was too expensive. But 64.2% reported they were likely or very likely to enroll in the insurance program if the cost is subsidized.

### **Why is this of interest to the federal government?**

Successive federal governments have acknowledged that professional artists are important for the well-being of society and to the Canadian economy.

In the 1992 *Status of the Artist Act*, it is proclaimed that the Government of Canada recognizes:

- (a) the importance of the contribution of artists to the cultural, social, economic and political enrichment of Canada;
- (b) the importance to Canadian society of conferring on artists a status that reflects their primary role in developing and enhancing Canada's artistic and cultural life, and in sustaining Canada's quality of life;...
- (d) that artistic creativity is the engine for the growth and prosperity of dynamic cultural industries in Canada; and ..."

In legislation and policies, there is recognition that artists work in an atypical manner, and some efforts have been made to address the special challenges and issues. For example, the Canada Revenue Agency has special rules, such as valuation of inventory of visual artists, capital cost allowance provisions for a musician's instrument, and how to determine whether an artist has a "reasonable expectation of profit."

In January 2011, self-employed Canadians became eligible to enroll in the Employment Insurance program and qualify to receive maternity, parental, compassionate care and sickness benefits. While this program is of interest to some freelance cultural workers, it is unlikely to attract widespread enrollment from them since its structure does not respond adequately to their particular circumstances.

Given the fluctuating income pattern of many self-employed arts professionals, some of them pay into the EI program from unrelated employment and yet, because of their self-employed

status, are unable to collect income maintenance benefits even if they are laid off by their employer.

All governments have an interest in reducing the burden on the public health care system down the road, and insurance and preventative care for citizens is an important part of that equation.

The current government has signalled that it has a strong interest in encouraging a private sector solution to a public policy challenge and is prepared to partner in such a solution if that is required.

### **Voluntary insurance model for arts professionals**

The programs available to arts professionals through the Writers' Coalition Program and the Arts & Entertainment Plan®, offer comprehensive health, dental and prescription drug coverage, as well as life and travel insurance. There is no medical required on enrollment. Since the programs are designed for arts professionals, you must be a member of one of the roughly 53 participating arts organizations to subscribe.

Monthly premiums for single coverage vary from \$110-\$135 depending on the age of the individual. Coverage for couples is available for \$198-\$247 per month and family coverage is available for \$285-\$348 per month.

In any insurance system, the key to providing a reasonable balance between the coverage provided and the premiums collected is to share the risk across the broadest possible group of people. As the number of subscribers increases, it is possible to guarantee the premium rate for longer periods. When a critical mass of subscribers is reached, it is possible to provide the most extensive coverage for the lowest cost.

### **What investment is needed from the federal government and what difference will it make?**

The arts associations are seeking a one-time investment from the federal government of \$10 million. The money will go to HEART, the Healthy Artists Trust, which will be established by the collaborating organizations. The money will be held in trust for qualified arts professionals who subscribe to the Writers' Coalition Program, the Arts & Entertainment Plan®, or a plan offered by another private insurance provider.

HEART will be overseen by the collaborating associations. Aside from necessary start-up costs, administrative charges will be applied against the trust fund only to the extent that the investment generates income. The bulk of the \$10 million federal contribution will go directly to providing subsidies for individuals who subscribe to an insurance program.

To be eligible to receive a subsidy, the arts professional applying for single coverage must have an annual Net Income of \$40,000 or lower, the arts professional applying for couple's or family coverage must have an annual Net Income of \$60,000 or lower. According to the research of senior artists, roughly 77% have an annual personal Net Income of less than \$40,000 and an annual household Net Income of less than \$60,000.

Every eligible individual will receive a subsidy for up to ten years. For the first three years, the subsidy will be 25% of the premium cost, for the next three years it will be 20%, and for the final four years it will be 15%. The subsidies will be provided on a first-come, first-served basis and will cease after ten years or when the funds are depleted, whichever occurs first.

The associations of arts professionals estimate that, without this investment, the number of subscribers to insurance programs will reach a maximum of 500, with slow growth thereafter. With this investment, the number of subscribers to all programs is expected to increase to more than 5,000 in the ten year period after HEART is launched.

It is anticipated that one or more of the private sector insurance programs will achieve a level of enrollment from arts professionals sufficient to ensure it is sustainable entirely as a private sector initiative. When it does so, the appropriate level of benefits-premiums will be achieved to ensure a reasonable rate of growth in future years, as the associations continue to encourage their members to participate in a program tailored to their needs.

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