



Canadian Life & Health
Insurance Association
Association canadienne des
compagnies d'assurances
de personnes

**2024-25 PROVINCIAL BUDGET
SUBMISSION
PRESENTED TO THE
HONOURABLE JILL BURRIDGE
MINISTER OF FINANCE INTRODUCTION**

DECEMBER 22, 2023





The Canadian Life and Health Insurance Association (CLHIA) is pleased to provide its comments to Prince Edward Island Minister of Finance in advance of the 2024-25 budget.

The CLHIA is the national trade association for life and health insurers in Canada. Our members account for 99 per cent of Canada’s life and health insurance business. The industry provides a wide range of financial security products such as life insurance, annuities, and supplementary health insurance.



Protecting 130,000 Prince Edward Islanders

130,000 with drug, dental and other health benefits
95,000 with life insurance averaging \$220,000 per insured
50,000 with disability income protection



\$368 million in payments to Prince Edward Islanders

\$167 million in health and disability claims
\$68 million in life insurance claims paid
\$133 million in annuities



\$10.8 million in provincial tax contributions

\$1.5 million in corporate income tax
\$1.1 million in payroll and other taxes
\$8.3 million in premium tax



Investing in Prince Edward Island

\$6 billion in total invested assets
98% held in long-term investments

In 2022, the industry added 6,000 jobs across the country, employing over 170,000 Canadians. These jobs support Canadians making increased use of their health benefits. The industry remains financially stable, with capital reserves above regulators’ expectations and our industry will continue to work closely with all levels of government.

In this submission, we have provided recommendations for consideration for the upcoming 2024-25 provincial budget. We believe these recommendations will help support the Prince Edward Island economy as the province faces added pressures from higher inflation and natural events.

1. SUPPORTING WORKPLACE HEALTH BENEFIT PLANS

Overview

Life and health insurers work together with employers to offer access to a wide variety of health services through employer sponsored benefit plans. In 2022, about 130,000 Islanders had supplementary health insurance and \$130 million in health insurance benefits were paid. Based on survey data, we know Islanders value their benefit plans that provide them with access to prescription medicines, vision care, dental care, and mental health supports.

Collaboration with our sector and the province is essential. Provinces and territories already provide programs to many citizens and have infrastructure to deliver these services. It is important that



provinces and territories continue to coordinate with workplace benefit plans and ensure policies and programs do not have unintended consequences on workplace benefit plans that can negatively impact the health of Islanders. Additionally, as our sector is a key partner in the healthcare system, we can provide valuable insights that can benefit the province as the government considers health priorities and solutions.

Support for prescription drugs

Budget 2022 committed the federal government to introduce a Canada Pharmacare Act. Canada’s life and health insurers believe that everyone should have access to the drugs they’ve been prescribed – but how we achieve this matters for working people’s health and pocketbooks. Twenty-seven million Canadians have supplementary health insurance plans, including prescription drug coverage, largely through their workplace. We know that Canadians value their health benefit plans and do not want to put those at risk. This coverage is vital, providing much-needed financial relief, especially during times of soaring living costs. We support government efforts to improve access to prescription drugs, including the agreement between Prince Edward Island and the federal government, committing to increased funding to improve the provincial formulary.

However, under a federal single-payer pharmacare model, Canadians could lose coverage for their medications. Even the best government plan covers far fewer medications than workplace plans. Forcing working Canadians onto a public drug plan could mean over seven million Canadians could lose or experience disruption to their access of much-needed medications.

A federal single-payer pharmacare program would also cost \$40 billion and will shift costs to the federal government, and cause disruption as employers drop plans or reduce coverage.

CLHIA supports the innovative approach that Prince Edward Island has taken to enhance access to prescription medications for Islanders. Your bilateral agreement with the federal government has allowed many more Islanders to access medications.

The CLHIA has been advocating for the federal government to target supports to those without coverage by:

- Working with provinces to provide much needed coverage to a small portion of Canadians who do not have access to prescription drug coverage;
- Ensuring that the majority of individuals and families continue to maintain their prescription drug coverage; and,
- Keeping government costs manageable to fund an effective and sustainable pharmacare plan.

Standing together, provincial and territorial governments are the strongest possible advocates for the healthcare needs of their residents. ***We recommend that the provincial government advocate to the federal government to target support to those without access to prescription drug coverage. Our industry supports a national formulary for all private and public plans and is open to working with all Governments toward lower drug prices. We encourage Prince Edward Island to advocate to the federal government to protect workplace benefit plans that are working well today.***

Continued access to virtual care services

Many employer-provided benefit plans include options for workers to consult medical professionals virtually. These consultations do not replace the need for a family physician but complement the public



health care system when individuals are unable to access a family physician. Canadians need to be able to access virtual care services in the same manner that they have for many years. This is why we welcomed the Prince Edward Island government’s recent announcement that Islanders without a primary care provider will be able to continue to access virtual health care services.

Insurers have called on federal government to provide flexibility to provinces and territories to ***maintain virtual care services that are enabling complementary access to care*** for the millions of Canadians in every region, including millions without a primary care provider. ***We encourage Prince Edward Island to advocate to the federal government to continue to permit virtual primary care services (including doctors and nurse practitioners) through benefit plans.***

2. PENSION INNOVATION

Automatic Features

Universal access to workplace pension and savings plans can help Islanders achieve greater financial security in retirement. There is a significant savings shortfall and declining pension coverage for individuals at all age cohorts in Prince Edward Island due to multiple factors, including employees who have difficulty deciding whether to participate in their workplace pension plan. In fact, about **40 per cent of employees** across Canada do not take full advantage of them, **leaving as much as \$3 billion on the table annually in free company matching money.**

Automatic features – which include automatic enrolment and contributions at a pre-set (or starter) rate, and automatic annual contribution escalation – have proven to be highly effective in increasing participation and savings rates. Increasingly, employees are working longer because they believe they cannot afford to retire. Helping employees retire on time, with the help of automatic features to increase accumulations, has positive economic and health outcomes for businesses, employees, and government. This is due to expected reductions in disability claims (higher risk of on-the-job injuries for older employees) and decreased financial stress or anxiety and other cost savings. The turnover through timely retirements better enables employers to plan for younger talent to train and succeed retiring employees.

We were pleased to see a reference to enabling automatic features in the province’s Employment Standards Act Comprehensive Review Panel’s [final report](#).

We recommend that Prince Edward Island government move ahead with amendments to the Employment Standards Act to enable automatic contributions. These reforms will make it easier for Islanders to achieve lifetime financial security through higher retirement income by enabling Islanders to receive employer matching dollars. With rising inflation impacting the ability to save for retirement, this change would support employees in their retirement planning and enable employers to help their employees to save for a secure retirement.

3. SUPPORT PRIVATE SECTOR INVESTMENT IN SUSTAINABLE INFRASTRUCTURE PROJECTS

We support the government of Prince Edward Island taking action to reduce, mitigate and adapt to the risks of climate change. Managing climate-related risks is an area of growing concern to the life and health insurance industry and we want to help governments build a more resilient Canada.



Sustainable infrastructure plays a critical role in mitigating and adapting to climate change, which includes building climate-resilient infrastructure projects that mitigate climate change, as well as assets that support adaptation.

The nature of Canadian life and health insurance products – routinely lasting more than 50 years – results in predictable, long-term, liabilities. As such, life insurers are ideal financial partners for long-term infrastructure projects, including public-private partnerships (P3), as they can commit to long-term financing. This inherent structural advantage makes the industry an important and stable investor in long-term assets.

As a substantial investor in the Canadian economy, the life and health insurance industry can play a key role in helping mitigate and build resilience to the impacts of climate change through sustainable investments. Canadian life and health insurers already have \$60 billion invested in domestic infrastructure and more than \$75 billion invested in products or assets that integrate ESG or sustainability factors.

However, the industry is able and wants to do more. Our industry recognizes that sustainable infrastructure is crucial for adapting to and mitigating the risks of climate change but insurers' capacity to invest more is not matched by available sustainable assets.

We recommend the government leverage our industry's investment capacity to expand and accelerate long-term sustainable infrastructure projects by structuring projects to attract long-term investors, allowing Prince Edward Island to modernize its infrastructure and make the economy more productive and competitive.

4. SUPPORTING A DYNAMIC AND INNOVATIVE BUSINESS CLIMATE

Prince Edward Island imposes a 3.75 per cent tax on life, health and disability insurance premiums. Life insurers – and consequently insured Islanders – paid \$8.3 million in premium taxes in 2022. The premium tax is outdated – it predates corporate income taxes and imposes a supplemental tax burden more than five times the \$1.5 million in corporate income taxes levied on life and health insurance companies in Prince Edward Island in 2022.

These taxes directly increase the cost of purchasing insurance for individual policyholders and employers offering group benefits plans, making it more difficult for Islanders to adequately protect themselves, their families and employees. This is problematic given that an aging population and escalating health care costs are increasing Islanders' need for income security and supplementary health care. We believe that discouraging individual responsibility for these benefits by taxing the purchase of insurance coverage is not sound public policy.

We recommend that Prince Edward Island develop a tangible plan to reduce, and eventually eliminate, tax on life and health insurance premiums.

5. MODERNIZE INSURANCE LEGISLATION TO HARMONIZE WITH OTHER PROVINCES

The provincial *Insurance Act* has not been updated in the last few decades. A number of other provinces have made legislative amendments to modernize their insurance legislation that reflects changes in the life and health insurance market. This includes new products and the technologies and processes that



support them. The modernized language also includes many examples of greater consumer protection. As a result, there are some sections within the PEI Insurance Act that are out of date with modernized insurance provisions and are, as a consequence, no longer harmonized with other provincial insurance acts.

Given that CLHIA members have business across the country, it is important that there is consistency in the rules governing the insurance business. Having different rules with varying rights creates a lot of confusion for consumers as it means insurance companies have to provide multiple provisions in insurance contracts in order to comply with each province's insurance act. We believe that provinces should harmonize their legislation to avoid confusion and discrepancies.

We understand that New Brunswick has been actively reviewing its insurance legislation and will be amending it to modernize the language in the future. In addition, Nova Scotia has indicated its intent to amend its insurance act following New Brunswick's changes.

We recommend that Prince Edward Island follow other Atlantic provinces and modernize its Insurance Act to update and harmonize with other provincial insurance legislation.

CONCLUSION

The industry greatly appreciates the opportunity to provide comments on Prince Edward Island's 2024-25 Budget. Should you have any questions, you may contact Susan Murray, Vice President, Government Relations and Policy at smurray@clhia.ca



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