



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

2024 PROVINCIAL BUDGET SUBMISSION
Presented to
THE HONOURABLE CAROLINE WAWZONEK
DEPUTY PREMIER AND MINISTER OF FINANCE

April 5, 2024





INTRODUCTION

The Canadian Life and Health Insurance Association (CLHIA) is pleased to provide its comments in advance of the 2024 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 29 million Canadians

27 million with drug, dental and other health benefits
22 million with life insurance averaging \$246,000 per insured
12 million with disability income protection



\$114 billion in payments to Canadians

\$44 billion in health and disability claims
\$16 billion in life insurance claims paid
\$54 billion in annuities



\$9.3 billion in tax contributions

\$1.5 billion in corporate income tax
\$1.4 billion in payroll and other taxes
\$1.9 billion in premium tax
\$4.5 billion in retail sales and payroll taxes collected



Investing in Canada

\$1 trillion in total assets
90% 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 territorial budget. We believe that these recommendations will help support the government as it advances solutions on key priority areas such as healthcare and the economy.

SUPPORTING WORKPLACE HEALTH BENEFIT PLANS

Overview

In the Northwest Territories, life and health insurers offer Northwesterners robust benefit plans with access to extended health services such as physiotherapy, chiropractic services and massage services that are not covered through public plans.



Collaboration between our sector and the territory is essential. Territories already provide programs to many citizens and have infrastructure to deliver these services. It is important that 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 Northwesterners. Additionally, as our sector is a key partner in the healthcare system, we can provide valuable insights that can benefit the territory as the government considers health priorities and solutions.

Support for prescription drugs

The federal government recently tabled Bill C-64 – An Act representing pharmacare. 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.

In 2022, 27 million Canadians had supplementary health insurance, including prescription drug coverage and \$32.5 billion in health insurance benefits were paid. Based on survey data, we know Canadians - including Northwesterners, value their benefit plans which provide them with access to prescription medicines, vision care, dental care, and mental health support.

The federal pharmacare program offers a more limited formulary compared to private plans, which cover a broader range of diabetes medications and contraceptives. The program will disrupt coverage and reduce choice for Canadians who access contraceptive and diabetes medications through their health benefit plans, by forcing them to switch to the federal plan. The coverage offered through health benefit plans is vital, providing much-needed financial relief, especially during times of soaring living costs.

The federal pharmacare program will spend tax dollars on those who already have good coverage for contraceptives and diabetes medication. This is funding that could be better spent expanding prescription drug coverage to those without existing access or other healthcare priorities of the territory. As well, the program lacks a commitment to stable long-term funding to territories, causing more disruption to territorial health systems.

The industry supports a three-point plan to achieve **universal drug coverage** for Canadians, **without disrupting workplace benefit plans**:

- A national formulary, which could include a list of essential medications that all Canadians must be able to access through *both* public or private plans.
- Financial support to provinces and territories so that all jurisdictions can deliver all medications on the national formulary through their public plans.
- Public and private plans working together on bulk purchasing to ensure that all Canadians can benefit from lower prices on medications.

Standing together, provincial and territorial governments are the strongest possible advocates for the healthcare needs of their residents. ***We recommend that the territorial government advocate to the federal government to focus tax dollars on those without access to prescription drug coverage. Our industry supports a minimum national formulary for all private and public plans and is open to working with all governments toward lower drug prices. We encourage the Northwest Territories 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. As the Northwest Territories works to increase residents access to primary care, access to virtual care services can assist with supporting this initiative.

Insurers have called on the 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 the Northwest Territories to advocate to the federal government to continue to permit virtual primary care services (including doctors and nurse practitioners) through benefit plans.

Support for culturally appropriate mental wellness

We believe that all levels of government and the private sector have a role to play in helping curb Canada’s mental health crisis. Our industry plays a significant role in improving the mental health of Canadians. For example, in 2022, our industry paid out \$650 million in mental health support to Canadians.

Increased access to mental wellness programs will increase the mental health of Northwesterners. ***The CLHIA supports initiatives to improve mental health and access to mental health services for residents. We understand the Northwest Territories recently recognized the need to enhance culturally appropriate mental wellness programs. Our industry can support private initiatives in this area, working together with the Northwest Territories to improve the mental wellbeing of indigenous residents.***

PENSION INNOVATION

Automatic features

Universal access to workplace pension and savings plans can help Northwesterners achieve greater financial security in retirement. There is a significant savings shortfall and declining pension coverage for individuals at all age cohorts in the Northwest Territories due to multiple factors, including employees’ indecision about 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 decreased financial stress and anxiety about being prepared for retirement. Further turnover through timely retirements better enables employers to plan for younger talent to train



and succeed retiring employees with related reductions in disability claims (higher risk of on-the-job injuries for older employees).

We recommend that the Northwest Territories enable automatic plan enrollment, contributions and annual contribution escalation. These reforms will make it easier for Northwesterners to achieve lifetime financial security through higher retirement income by enabling Northwesterners 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 planning and enable employers to help their employees to save for a secure retirement.

Enhancing decumulation solutions

Individuals saving for retirement seldom know either the amount of retirement income they can draw from those savings or how long those savings need to last. The inability to anticipate their length of retirement and associated financial needs pushes many to be overly cautious in their spending habits out of fear they will outlive their savings. Not only could this impair the comfort of retirees but also minimize their spending contributions back into the economy, reducing the economic growth in the territory.

We support enhanced retirement income security for all Northwesterners, including access to widely available, effective and innovative retirement income solutions, including enhancing access to decumulation solutions. Decumulation solutions can help retirees manage their retirement income to meet their financial needs throughout their retirement.

In 2021, the federal government enacted tax legislation to enable Variable Payment Life Annuities (VPLAs) and Advanced Life Deferred Annuities (ALDAs), two decumulation solutions intended to help Canadian retirees. In 2023, amendments were introduced to the Pension Benefits Standards Act and Pooled Registered Pension Plans Act to enable variable life benefits (VLBs) and variable life payments (VLPs) respectively in the pension legislation.

The CLHIA continues to believe the VPLA legislation, as enacted in the Income Tax Act (ITA), would only benefit a select minority of Canadians participating in Defined Contribution Pension Plans (DC plans) or Pooled Registered Pension Plans (PRPPs). This means that those who save for their retirement through smaller group pension plans and individual RRSPs, RRIFs, etc., would not be eligible to participate. The CLHIA believes that the government should expand the ITA to enable “standalone VPLAs” or expand the PRPP Act to include a “decumulation only PRPP” to ensure the broadest access point to VPLAs (or VLPs) for all Canadians. We know that simplifying the process will make it more likely that people will acquire these decumulation solutions. Allowing people to use their retirement savings directly to acquire a “standalone VPLA” or transfer funds to a “decumulation only PRPP” to acquire a VLP will improve the client experience and maximize use and value of this decumulation solution to Canadians.

In order to provide sustainable, affordable retirement income arrangements for older residents, we encourage the government to monitor and parallel federal measures to introduce ALDAs and VLBs and VLPAs as new retirement income options. We also ask that the territorial government encourage the federal government to permit standalone VPLAs.



SUPPORT PRIVATE SECTOR INVESTMENT IN INFRASTRUCTURE PROJECTS

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 and bankable 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 the Northwest Territories to modernize its infrastructure and make the economy more productive and competitive.

REDUCE AND ULTIMATELY ELIMINATE TAXES ON INSURANCE PREMIUMS

The Northwest Territories imposes a three per cent tax on life, health and disability insurance premiums. Life insurers – and consequently insured Northwesterners – paid \$2 billion in premium taxes in 2022. The premium tax is outdated – it predates corporate income taxes and imposes a supplemental tax burden over three times the corporate income taxes levied on life and health insurance companies in the Northwest Territories in 2022.

Premium taxes directly increase the cost of insurance, causing existing employers in the Northwest Territories to provide fewer life, health, and disability insurance benefits to their employees and driving individual consumers to purchase less protection than they would in the absence of these taxes. Population aging and health care cost increases above core-inflation rates (or the Northwest Territories' general economic growth rate) and increase Northwesterners' needs for income security and supplementary health care; discouraging individual responsibility for these benefits by taxing the purchase of insurance coverage is not good public policy.

Furthermore, the premium taxes on insurance are clearly inequitable. Premium taxes reduce savings efficiency within life insurance products that have a saving component with no comparable impediment to competing savings products offered by banks, credit unions, trust companies or the securities



industry. Taxes on premiums have been widely acknowledged to be in lieu of capital taxes that previously applied to other financial institutions. Currently, not only are the deposits held by banks and trust companies not subject to premium tax, but these institutions are also no longer subject to capital tax. From a public policy perspective, it is important and timely that the Northwest Territories unwinds the inequitable application of premium tax on life and health insurance premiums.

We recommend that the Northwest Territories develop a tangible plan to reduce and eventually eliminate premium-based taxes as fiscal circumstances permit. Such a move would encourage employers and individual Northwesterners to maintain or expand employment in the Northwest Territories, in line with the government's plans for making the Northwest Territories an attractive place for business and jobs for prospective employers.

CONCLUSION

The industry greatly appreciates the opportunity to provide comments on the Northwest Territories 2024 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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