



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

Stephen Frank
President and CEO

November 28, 2023

The Honourable Chrystia Freeland
Deputy Prime Minister and Minister of Finance
90 Elgin Street, Ottawa
K1A 0G5

Dear Minister Freeland:

Re: Request to revisit decision on dividend received deduction (DRD) rule

I am writing on behalf of the life and health insurance industry in Canada to express our deep disappointment with the approach taken in the Fall Economic Statement to address valid concerns about the application of the dividend received deduction (DRD) rule. We would like to request that this matter be immediately reviewed.

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 and provide financial services to more than 29 million Canadians.

Following the Budget 2023 announcement on changes to deny DRDs to FIs on their portfolio shares, CLHIA reached out immediately to provide information about differences between life insurers and banks. We pointed out that life insurers do not hold equities to facilitate tax arbitrage transactions. Rather shares on which DRD was claimed were held by life insurers to ensure we can meet our promises to Canadians on their long-term insurance policies. We demonstrated the impact this policy would have on Canadian consumers who are depending on their policies to provide financial security for their families and that the costs of this change would be borne, in many cases, immediately by the consumer.

We also provided information about the high level of tax that already exists on life insurance customers and companies in Canada. We also specifically pointed out that dividends received by life insurance companies were already subject to tax under Part XII.3 of the Income Tax Act – the Tax on Investment Income of Life Insurers.

We were hopeful that the proposal would be reconsidered given the target of the initial announcement was to limit the use of tax arbitrage strategies in the market as well as the fact that this would impact Canadians ability to protect themselves financial against future risks. Unfortunately, the changes announced in the Fall Economic Statement do not address the issues raised by our industry. The changes will not help Canadian consumers and do almost nothing to reduce the impact of this initiative.

We encourage the Minister to review this decision immediately and we would be happy to provide more information as necessary. We will follow-up with your staff in the coming days to arrange a time to speak.

Sincerely,

Stephen Frank

c.c. Deputy Minister Chris Forbes