



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

2023 PROVINCIAL BUDGET SUBMISSION

Presented to

THE HONOURABLE SIOBHAN COADY DEPUTY PREMIER AND MINISTER OF FINANCE

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The Canadian Life and Health Insurance Association (CLHIA) is pleased to provide its comments to the Newfoundland and Labrador Minister of Finance in advance of the 2023 budget.

WHO WE ARE

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 **420,000** Newfoundlanders and Labradorians

- 390,000 with drug, dental and other health benefits
- 310,000 with life insurance averaging \$192,000 per insured
- 120,000 with disability income protection



\$1.2 billion in payments to Newfoundlanders and Labradorians

- \$0.4 billion in annuities
- \$0.6 billion in health and disability claims
- \$0.2 billion in life insurance policies



\$59 million in provincial tax contributions

- \$8 million in corporate income tax
- \$4 million in payroll and other taxes
- \$47 million in premium tax



Investing in Newfoundland and Labrador

- \$19 billion in total invested assets
- 98% held in long-term investments

Canada’s life and health insurers have been proud to work with all levels of government throughout the COVID-19 pandemic to protect and support Canadians through health benefit plans, travel insurance and other financial security products.

Our industry showed remarkable resilience during the COVID-19 pandemic, stepping up to help employers maintain, and in some cases augment, their health benefit programs through premium reductions and deferrals.

We believe that working together with all levels of government to help maintain benefits for workers will be crucial as Newfoundlanders and Labradorians struggle with affordability challenges and inflation continues to rise.

In this submission, we have provided four recommendations for consideration for the upcoming 2023 provincial budget. We believe that these recommendations will help support the government as it advances solutions on key areas such as healthcare and the economy.



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 2021, 390,000 Newfoundlanders and Labradorians had supplementary health insurance and \$420 million in health insurance benefits were paid.

Newfoundlanders and Labradorians value their benefit plans that provide them with access to prescription medicines, vision care, dental care, and mental health supports. For example, in 2021, the industry paid out over \$13 billion in prescription medication claims to Canadians—representing 35 per cent of national drug spending.

Eighty-eight per cent of Canadians with access to an employer sponsored benefits plans say that they find it helpful with access and affordability for a variety of health services. It is important that Newfoundlanders and Labradorians continue to have access to these benefit plans and that any new programs do not disrupt existing coverage.

Support for dental care

Millions of Canadians rely on workplace benefits plans to access dental services and in 2021 the industry paid over \$9 billion in dental claims.

While the current system works well for many, there are gaps that leave some with limited or no coverage for dental care. Canada's life and health insurers support the federal government's efforts to provide access to those without dental coverage. We were pleased that in the work on the dental benefit for children, the federal government noted the program was only available to those without access to existing coverage. We believe that providing targeted supports to those who do not have coverage helps fill the gaps and is fiscally responsible.

However, we must ensure that as the federal program is expanded to more individuals, that the program does not put existing benefit plans at risk.

We recommend that the government ensure that Newfoundlanders and Labradorians continue to have access to affordable dental care supports. We would encourage all levels of government to work together to support workplace and individual health benefits plans that currently provide Newfoundlanders and Labradorians with comprehensive access to a wide range of dental care services.

Continued access to virtual care services

During the COVID 19 pandemic, the life and health insurance industry provided access to virtual care services, including access to physician services, through group and individual plans. These services have been widely embraced by millions of Canadians and many Canadians still rely on these services today. It is important that these services continue to exist to help meet the health care needs of millions of Canadians.

We would encourage the Newfoundland and Labrador government ensure that Newfoundlanders and Labradorians continue to be able to access virtual care services through public health care and private health benefit plans.



PENSION INNOVATION

Automatic Features

Universal access to workplace pension and savings plans can help Newfoundlanders and Labradorians achieve greater financial security in retirement. There is a significant savings shortfall and declining pension coverage for individuals at all age cohorts in Newfoundland and Labrador 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 recommend that Newfoundland and Labrador amend the Pension Benefits Act and Labour Standards Act to enable automatic plan enrollment, contributions and annual contribution escalation. These reforms will make it easier for Newfoundlanders and Labradorians to achieve lifetime financial security through higher retirement income by enabling Newfoundlanders and Labradorians 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.

Enhancing Decumulation Solutions

We also support enhanced retirement income security for all Newfoundlanders and Labradorians, including access to widely available, effective and innovative retirement income solutions. Individuals saving for retirement seldom know either the amount of retirement income they can draw from those savings or how long those savings must last.

To help address this, the federal government enacted in 2021 – Variable Payment Life Annuities (VPLAs) and Advanced Life Deferred Annuities (ALDAs), two decumulation solutions intended to help Canadian retirees.

The CLHIA continues to believe the VPLA legislation, as enacted, would only enable a select minority of Canadians participating in Defined Contribution Registered Pension Plans (DC plans) or Pooled Registered Pension Plans (PRPPs), as we estimate it requires at least 10,000 plus active members to provide the scale for a stable VPLA solution. The current measures do not take into consideration many other retirees who are members of smaller DC or PRPP plans that lack scale for a standalone VPLA solution or the many thousands of Canadians who save for their retirement through Group and individual Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs), etc. The CLHIA believes in standalone VPLAs that can pool funds from across DC plans, PRPPs, as well as RRSPs and RRIFs to maximize participation and provide a potentially stable income for the many



hundreds of thousands of Canadians expected to retire each year.

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 VPLAs as new retirement income options. We also ask that the government encourage the federal government to permit standalone VPLAs.

SUPPORT PRIVATE SECTOR INVESTMENT IN INFRASTRUCTURE PROJECTS

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.

Insurers remain a leading source of long-term infrastructure financing and have participated in various infrastructure projects ranging from roads to wastewater systems. In 2021 alone, the industry invested \$60 billion in infrastructure.

However, the industry is able and wants to do more. Our industry recognizes the importance of infrastructure investment in driving economic growth, supporting economic recovery and in delivering much needed assets that serve Newfoundlanders and Labradorians on a daily basis. In addition to the economic benefits, we also recognize the role sustainable infrastructure plays in mitigating disaster related consequences, such as flooding and severe storms and negative implications to the mortality and health of Newfoundlanders and Labradorians.

We recommend the government continue to leverage our industry's investment capacity in order to expand and accelerate long-term infrastructure projects by structuring projects to attract P3 partners, allowing Newfoundland and Labrador to modernize its infrastructure and make the economy more productive and competitive.

SUPPORTING A DYNAMIC AND INNOVATIVE BUSINESS CLIMATE

Newfoundland and Labrador imposes a five per cent tax on life, health and disability insurance premiums. Life insurers – and consequently insured Newfoundlanders and Labradorians – paid close to \$50 million in premium taxes in 2021. The premium tax is outdated – it predates corporate income taxes and imposes a supplemental tax burden nearly six times the \$8 million in corporate income taxes levied on life and health insurance companies in Newfoundland and Labrador in 2021.

These taxes directly increase the cost of purchasing insurance for individual policyholders and employers offering group benefits plans, making it more difficult for Newfoundlanders and Labradorians to adequately protect themselves, their families and employees. This is problematic given that an aging population and escalating health care costs are increasing Newfoundland and Labrador residents' 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 Newfoundland and Labrador develop a tangible plan to reduce, and eventually eliminate, tax on life and health insurance premiums.



CONCLUSION

The industry greatly appreciates the opportunity to provide comments on Newfoundland and Labrador's 2023-24 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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