



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

# 2024 PROVINCIAL BUDGET SUBMISSION

Presented to the

## HONOURABLE ALLAN MACMASTER MINISTER OF FINANCE AND TREASURY BOARD

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January 26, 2024





## INTRODUCTION

The Canadian Life and Health Insurance Association (CLHIA) is pleased to provide its comments to the Nova Scotia Minister of Finance and Treasury Board 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 760,000 Nova Scotians

**760,000**  
with drug, dental and other health benefits  
**560,000**  
with life insurance averaging \$218,000 per insured  
**290,000**  
with disability income protection



### \$2.9 billion in payments to Nova Scotians

**\$1.3 billion**  
in health and disability claims  
**\$0.4 billion**  
in life insurance claims paid  
**\$1.2 billion**  
in annuities



### \$57 million in provincial tax contributions

**\$8 million**  
in corporate income tax  
**\$8 million**  
in payroll and other taxes  
**\$41 million**  
in premium tax



### Investing in Nova Scotia

**\$23 billion**  
in total invested assets  
**97%**  
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 four recommendations for consideration for the upcoming 2024 provincial 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

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, 760,000 Nova Scotians had supplementary health insurance and nearly \$1 billion in health insurance benefits were paid.

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 Nova Scotians. 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 provides much-needed financial relief, especially during times of soaring living costs, and provides Canadians with peace of mind.

A federal single-payer pharmacare model would cause disruption as employers drop plans or reduce coverage. Canadians could lose coverage for some or all of 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 from private payers to taxpayers.

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

- Working with provinces and territories 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 Nova Scotia 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.

We congratulate the Nova Scotia government for recently announcing that all residents will be able to access virtual health care services.

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 Nova***



**Scotia to advocate to the federal government to continue to permit virtual primary care services (including doctors and nurse practitioners) through benefit plans.**

### Support for mental health access

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.

We understand that the Nova Scotia government recently committed to universal mental health and addictions care for all its residents. While we agree that everyone should have access to the mental health support they need, how we achieve this matters. **As the Nova Scotia government considers a universal mental health and addictions care program, it is important that the program does not create an incentive for employers to drop plans or reduce coverage that Nova Scotians rely on.** If employers drop private plans or reduce coverage, not only will this impact the health outcomes of Nova Scotians but could also shift costs from private payers to the provincial government. **We recommend continued collaboration and engagement between public and private payers to help ensure mental health care is accessible, high quality and patient focused.**

## PENSION INNOVATION

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### Automatic Features

Universal access to workplace pension and savings plans can help Nova Scotians achieve greater financial security in retirement. There is a significant savings shortfall and declining pension coverage for individuals at all age cohorts in Nova Scotia 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 Nova Scotia amend the Pension Benefits Act to enable automatic enrollment.** These reforms will make it easier for Nova Scotians to achieve lifetime financial security through higher retirement income by enabling Nova Scotians to receive employer matching dollars. With rising inflation impacting the ability to save for retirement, this change would support employees in their retirement planning. It would also 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 province.

We support enhanced retirement income security for all Nova Scotians, 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 provincial government encourage the federal government to permit standalone VPLAs.***

## SUPPORT PRIVATE SECTOR INVESTMENT IN SUSTAINABLE 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 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 Nova Scotia to modernize its infrastructure and make the economy more productive and competitive.***

## SUPPORTING A DYNAMIC AND INNOVATIVE BUSINESS CLIMATE

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Nova Scotia imposes a three per cent tax on life, health and disability insurance premiums. Life insurers – and consequently insured Nova Scotians – paid \$41 million in premium taxes in 2022. The premium tax is outdated – it predates corporate income taxes and imposes a supplemental tax burden over five times the \$8 million in corporate income taxes levied on life and health insurance companies in Nova Scotia 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 Nova Scotians to adequately protect themselves, their families and employees. This is problematic given that an aging population and escalating health care costs are increasing Nova Scotians' 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 Nova Scotia develop a tangible plan to reduce, and eventually eliminate, tax on life and health insurance premiums.***

## MODERNIZE INSURANCE LEGISLATION TO HARMONIZE WITH OTHER PROVINCES

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A number of other provinces have made legislative amendments to modernize their insurance legislation that reflect 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, insurance legislation in Nova Scotia is 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. 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 recommend the Nova Scotia government follow the lead of other Atlantic provinces to modernize its provincial insurance legislation to update and harmonize with other provincial insurance legislation.***

## CONCLUSION

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The industry greatly appreciates the opportunity to provide comments on Nova Scotia's 2024 Budget. Should you have any questions, you may contact Susan Murray, Vice President, Government Relations and Policy at [smurray@clhia.ca](mailto:smurray@clhia.ca)



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