



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

**2025-2026 PROVINCIAL BUDGET
SUBMISSION**
Presented to
**THE HONOURABLE CAROLINE WAWZONEK
DEPUTY PREMIER AND MINISTER OF
FINANCE**

September 20, 2024





RECOMMENDATIONS

1. Support health benefit plans that currently provide millions of Canadians with access to prescription drugs, dental care and health benefits by:
 - a. Supporting amendments to Bill C-64 that ensure Northwesterners can continue to access their medications through their health benefit plans and focus on addressing any gaps that currently exist;
 - b. Continue to permit virtual primary care services for Canadians, including employer funded virtual care; and
 - c. Work with the private sector to improve the mental well being of Indigenous residents.
2. Enable automatic plan enrollment, contributions and annual contribution escalation.
3. Monitor and parallel the federal measures to introduce Variable Payment Life Annuities and Advanced Life Annuities as new retirement income options.
4. Leverage our industry's investment capacity and expertise in funding the construction of sustainable infrastructure projects and develop policies to encourage private investment in infrastructure.
5. Develop a tangible plan to reduce and eventually eliminate premium-based taxes as fiscal circumstances permit.



INTRODUCTION

The Canadian Life and Health Insurance Association (CLHIA) is pleased to provide its recommendations to the Northwest Territories on the 2025-2026 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. Our industry plays a key role in providing financial security to Canadians.



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 2025-2026 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

27 million Canadians have supplementary health insurance plans, including prescription drug coverage, largely through their workplace. This coverage provides much-needed financial relief, especially during an affordability crisis.

The federal government recently tabled Bill C-64 – An Act representing pharmacare. Life and health insurers believe that everyone should have access to the drugs they’ve been prescribed – but how we achieve this matters.

Bill C-64 risks:

- Disrupting existing prescription drug coverage paid for by employers;
- Limiting choice for Canadians;
- Using scarce fiscal resources to replace existing coverage; and,
- Failing to provide coverage for uninsured Canadians who rely on other medications beyond a short list of diabetes medications and contraceptives.

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

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. This includes supporting amendments to Bill C-64 that ensure Northwesterners can continue to access their medications through their health benefit plans and focus on addressing any gaps that currently exist.***

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

In 2023, over 10 million Canadians were covered by employer funded virtual care, amounting to half a million virtual care visits. Employer funded virtual care offers benefits to employers, Canadians, and the healthcare system. Canadians, especially those living in rural and remote areas, have grown



appreciative and reliant on employer-funded virtual care. Employer funded virtual care is not paid for by Canadians out of pocket, but rather delivered as an add on, complementary service to health benefit plans.

The inclusion of virtual care in workplace benefit plans illustrates the long-standing role of Canadian employers in supporting the health of Canadians alongside the public system. Employers are a key funding partner in the healthcare system, along with governments. This was exemplified during the COVID-19 pandemic and remains true today. Critically important is that the complementary access to care we provide comes at no cost to governments and with no charges to individual Canadians.

We believe that it is critical to ensure that all people in Canada have access to virtual care consultations paid for by their employer and that patients should not have to pay out of pocket for them. 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 for Canadians, including employer funded virtual care.***

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. ***Working together with the Northwest Territories, our industry can help support private initiatives in this area to improve the mental well being 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. This decline is due to multiple factors, including employees’ indecision about whether to participate in their workplace pension plan. About **40 per cent of employees** across Canada do not take full advantage of workplace pension plans, **leaving as much as \$3 billion on the table annually in free company matching dollars.**

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 the federal measures to introduce ALDAs, 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 SUSTAINABLE INFRASTRUCTURE

Managing climate-related risks is an area of growing concern to our industry and there is interest in helping governments build a more resilient Canada.

Canadian life and health insurance products routinely last more than 50 years resulting in predictable, long-term, liabilities. This makes life insurers ideal partners for long-term infrastructure projects, including public-private partnerships as they can commit to long-term financing.

The 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 over \$75 billion invested in products or assets that integrate ESG or sustainability factors.

The industry is able and wants to do more, however, insurers' capacity to invest more is not matched by available and bankable sustainable assets.

We recommend the government leverage our industry's investment capacity and expertise in funding the construction of sustainable infrastructure projects and that the government develop policies to encourage private investment in infrastructure, 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 approximately \$2 million 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 2025-2026 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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