



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

2025-26 PROVINCIAL BUDGET SUBMISSION

Presented to
HONOURABLE RENÉ LEGACY
MINISTER OF FINANCE AND TREASURY
BOARD

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INTRODUCTION

The Canadian Life and Health Insurance Association (CLHIA) is pleased to provide its recommendations to the New Brunswick government 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.



\$54 million in provincial tax contributions

\$15 million
in corporate income tax
\$15 million
in payroll and other taxes
\$24 million
in premium tax



Investing in New Brunswick

\$16 billion
in total invested assets
96%
held in long-term investments



Protecting 620,000 New Brunswickers

560,000
with drug, dental and other health benefits
540,000
with life insurance averaging
\$176,000 per insured
190,000
with disability income protection



\$2.7 billion in payments to New Brunswickers

\$1.1 billion
in health and disability claims
\$0.4 billion
in life insurance claims paid
\$1.2 billion
in annuities

Canada’s life and health insurers play a key role in providing financial security to New Brunswickers. The industry is also a significant contributor to the province’s economic growth and productivity by way of:

1. Supporting economic recovery by **employing 3,200 New Brunswick residents** in high value, professional jobs (as employees or independent agents).
2. Driving economic growth through **over \$16 billion of industry investments in New Brunswick.**
3. Contributing **\$54 million** in provincial tax revenue to the New Brunswick government.

We have been proud to work with all levels of government to protect and support Canadians through health benefit plans, travel insurance and other financial security products.

We believe that working together with all levels of government to help maintain benefits for workers in New Brunswick and across the country will be crucial as New Brunswickers struggle with affordability challenges. In 2023, over 560,000 New Brunswickers had coverage for supplementary health insurance, which provided access to medications and other healthcare services.

The industry remains financially stable, with capital reserves above regulators’ expectations. Our



industry will continue to work closely with all levels of government to advance economic growth and drive productivity in New Brunswick.

We recommend that New Brunswick:

1. Support workplace health benefit plans by:
 - a. Advocating to the federal government to support universal access to medication through a mixed-payer system and work towards a framework that focuses tax dollars on those without access to prescription drug coverage;
 - b. Ensuring that New Brunswickers continue to be able to access virtual care services through public health care and workplace health benefit plans.
2. Pension innovation, including:
 - a. Making legislative amendments to enable automatic enrollment and automatic contributions in workplace pension and savings plans.
 - b. Monitoring and matching the federal measures related to Advanced Life Deferred Annuities (ALDA), and Variable Payment Life Annuities (VLPA) as new retirement income options and encourage the federal government to permit “decumulation only” options.
3. Leverage our industry’s investment capacity to expand and accelerate long-term infrastructure projects by structuring projects to attract long-term investors.
4. Develop a tangible plan to reduce and eventually eliminate premium-based taxes as fiscal circumstances permit.
5. Modernize insurance legislation to harmonize with other provinces.

1. 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. New Brunswickers value the benefit plans that provide them with access to prescription medicines, vision care, dental care, and mental health support. For example, in 2023, \$860 million in health insurance benefits were paid to over 560,000 New Brunswickers with supplementary health insurance.

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 New Brunswickers. 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

27 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 an affordability crisis.

The federal government recently passed bill C-64 – *An Act respecting pharmacare*. Our industry is concerned about the risks posed by this legislation in widening the gaps in prescription drug coverage.

The legislation itself is unclear. These concerns are further compounded by the Minister’s recent letter to Senators, clarifying that this bill establishes a Canadian pharmacare plan for diabetes and contraceptive medications paid for and administered exclusively through a public plan, rather than through a mix of public and private payers. This eliminates Canadians’ existing private coverage for these medications and creates significant uncertainty for their remaining drug benefits. Canadians could lose coverage for some or all of their medications. Even the best government plan covers far fewer medications than workplace plans.

Not only does the federal approach limit New Brunswick’s authority to negotiate a system that works best for them, the legislation risks:

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

Over 134,000 New Brunswickers with existing private coverage for their diabetes medication or contraceptives could be disrupted, with over 69,000 New Brunswickers that could be pushed off their existing plan and over 64,000 New Brunswickers that could be forced to switch medications or pay out-of-pocket for their current medications. A better approach is to target scarce public resources to those who do not have existing drug coverage.

Instead of spending scarce public resources on those who already have good prescription drug coverage, this funding could be better spent expanding prescription drug coverage of New Brunswickers without existing access or other healthcare priorities of the province. Further, the federal government has not adequately costed or allocated the necessary funds to run the proposed program. This creates a risk for provinces to make up for the shortfall at a time when provincial governments are already facing healthcare funding challenges.

Standing together, provincial and territorial governments are the strongest possible advocates for the healthcare needs of their residents. ***We recommend that the provincial government:***

- ***Work with our industry to develop mechanisms to ensure continued coverage through workplace health benefit plans for all medications; and,***

- **Advocate to the federal government to support universal access to medication through a mixed-payer system and work towards a framework that focuses tax dollars on those without access to prescription drug coverage.**

Continued access to virtual care services

In 2023, over 10 million Canadians, including over 116,000 New Brunswickers, had access to employer funded virtual care through their workplace benefit plans, amounting to more than 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.

This is a critical service for Canadians and helps provide access to needed medical care for the over 6 million Canadians without a family doctor. Taking away employer funded virtual care from over 116,000 million New Brunswickers without a plan for how to provide access for these individuals will just make things worse.

As you may know, the federal Minister of Health sent the Canada Health Act interpretation letter to the provincial and territorial Health Ministers on January 10, 2025. The letter does not help address the primary care crisis in Canada nor does it provide reassurance to the 10 million Canadians who rely on employer-funded virtual care.

Provinces should continue to have the flexibility to offer their residents the choice of virtual care options. It is a critical component of Canada’s health care system and should be supported by all governments as an important model to support access to care in Canada.

Policy and decision makers should be focused on the real problem of Canadians paying out of pocket for care. Insurers have called on the federal government to provide flexibility to address out of pocket payment for care without removing employer funded virtual care for 10 million Canadians who already have access to it through their workplace benefit plans. **We encourage the province to advocate to the federal government to ensure the continuation of employer funded virtual care. Further, we encourage New Brunswick to protect access to virtual care currently afforded to over 116,000 New Brunswickers by permitting and encouraging employer funded virtual care through regulation. CLHIA would be happy to work with New Brunswick on a regulation that would achieve these health objectives.**

2. PENSION INNOVATION

Enhancing Accumulations

Universal access to workplace pension and savings plans can help New Brunswickers achieve greater financial security and be more financially prepared for retirement. There is a significant



savings shortfall and declining pension coverage for individuals at all age cohorts in New Brunswick. About **40 per cent of employees** across Canada do not take full advantage of these workplace plans, **leaving as much as \$3 billion on the table annually in free money in the form of matching employer contributions.**

Automatic features – which include automatic enrolment, contributions, and escalation – are an effective way of helping employees take full advantage of their workplace and retirement savings plans and to optimize their future income. Under our proposal, employees are free to knowingly decide not to participate, should they believe it to be in their interest.

Increasingly, employees are working longer because they believe they cannot afford to retire. Automatic features make it easier for employees to save more effectively and seamlessly, leading to higher savings rates and better financial outcomes for their future.

We recommend that New Brunswick amend pension and employment legislation, where applicable, to enable automatic plan enrollment, contributions and annual contribution escalation. These reforms will make it easier for New Brunswickers to achieve lifetime financial security through higher retirement income by enabling New Brunswickers to receive employer matching dollars.

Enhancing Decumulation Solutions

Individuals saving for retirement seldom know the amount of retirement income they can draw 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 minimizes their spending contributions back into the economy, reducing economic growth in the province. Decumulation solutions can help retirees manage their retirement income to meet their financial needs throughout 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 VPLAs as variable life benefits (VLBs) and variable life payments (VLPs) respectively in the pension legislation.

In order to provide sustainable, affordable retirement income arrangements for New Brunswick residents, we encourage the government to monitor and parallel the federal measures to introduce ALDAs, VLBs and VLPs as new retirement income options.

Additionally, 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 acquire a VPLA directly.



Instead, these individuals with RRSPs, RRIFs, LIRAs, etc., are required to transfer these funds to a PRPP in order to access a VLP solution. It is important that these individuals, who are only looking to access decumulation solution in the form of VLP, be able to do so cost effectively and with ease. The ITA and PRPP legislation should facilitate this without any unnecessary and costly burden.

We also recommend that the provincial government encourage the federal government to permit standalone VPLAs and “decumulation only PRPPs”.

3. SUPPORT PRIVATE SECTOR INVESTMENT IN INFRASTRUCTURE PROJECTS

Managing climate-related risks is an area of growing concern to our 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 over \$75 billion invested in products or assets that integrate ESG or sustainability factors.

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. New Brunswick could look to the Ontario Securities Commission’s recently-announced Ontario Long-Term Asset Fund (OLTF) as a new approach to providing retail investors with greater capacity to access investment in long-term assets like infrastructure and opening up additional capital for investment in these long-term 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 New Brunswick to modernize its infrastructure and make the economy more productive and competitive.

4. REDUCE AND ULTIMATELY ELIMINATE TAXES ON INSURANCE PREMIUMS

New Brunswick imposes a two per cent tax on life, accident and sickness insurance premiums. Life insurers – and consequently insured New Brunswickers – paid \$24 million in premium taxes in 2023. The premium tax is outdated – it predates corporate income taxes and imposes a supplemental tax



burden almost double the \$15 million in corporate income taxes levied on life and health insurance companies in New Brunswick in 2023.

Premium taxes directly increase the cost of insurance, causing existing employers in New Brunswick 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 increase New Brunswickers' needs for income security and supplementary health care. Policies such as implementing premium taxes on insurance products that discourage individual responsibility for these benefits is not good public policy.

Furthermore, premium taxes on insurance are clearly inequitable, they reduce savings efficiency within life insurance products with no comparable tax to savings in competing products offered by banks, credit unions, trust companies or securities dealers.

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

5. MODERNIZE INSURANCE LEGISLATION TO HARMONIZE WITH OTHER PROVINCES

With the start of a new government and a fresh legislative session we want to draw attention to the Insurance Act in New Brunswick, changes to which appear to have stalled. A number of other provinces have made legislative amendments to modernize their insurance legislation, reflecting 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 New Brunswick is out of date with modernized insurance provisions and is, 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 and that these changes are implemented. 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 New Brunswick government modernize its provincial insurance legislation to update and harmonize with other provincial insurance legislation.

CONCLUSION

The industry greatly appreciates the opportunity to provide comments on the New Brunswick 2025-2026 Budget. Should you have any questions, you may contact Sarah Hobbs, Vice President, Policy at Shobbs@clhia.ca.



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