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

2025 BUDGET SUBMISSION

Presented to the

HONOURABLE ADRIEN SALA MINISTER OF FINANCE

January 6, 2025

INTRODUCTION

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.

The Canadian Life and Health Insurance Association (CLHIA) is pleased to provide its comments to the Manitoba Minister of Finance in advance of the 2025 budget.

Protecting **1.1 million Manitobans**

910,000
with drug, dental and other health benefits

880,000
with life insurance averaging $222,000 per insured

410,000
with disability income protection

$3.6 billion in payments to Manitobans

$1.2 billion
in health and disability claims

$0.4 billion
in life insurance claims paid

$2.0 billion
in annuities

$137 million in provincial tax contributions

$24 million
in corporate income tax

$26 million
in payroll and other taxes

$38 million
in premium tax

$49 million
in retail sales tax

Investing in Manitoba

$31 billion
in total invested assets

97%
held in long-term investments

In 2023, the industry employed almost 180,000 Canadians, including 8,300 Manitobans. 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 provincial budget. We believe these recommendations will help keep life affordable for Manitobans and strengthen the Manitoba economy.

1. SUPPORTING WORKPLACE HEALTH BENEFIT PLANS

In Manitoba, life and health insurers offer Manitobans robust benefit plans with access to extended health services such as physiotherapy, chiropractic services and massage services that are not covered through public plans. In 2023, 910,000 Manitobans had supplementary health insurance and $880 million in health insurance benefits were paid. Based on survey data, we know that Manitobans value their benefit plans which provide them with access to prescription medicines, vision care, dental care, and mental health supports.

Collaboration between our sector and the province is essential. Provinces already provide programs to many citizens and have infrastructure to deliver these services. It is important that provinces 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 Manitobans. 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. 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. Recognizing that Manitoba has already implemented universal coverage for contraceptives, this proposal eliminates Manitobans' existing private coverage for diabetes medications and creates significant uncertainty for their remaining drug benefits.

Not only does the federal approach limit Manitoba's authority to negotiate a system that works best for Manitobans, Bill C-64 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.

Nearly 100,000 Manitobans with existing private coverage for their diabetes medication or related devices and supplies could be disrupted, with over 33,000 Manitobans that could be pushed off their existing plan and over 70,000 Manitobans 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 Manitobans without existing access or other healthcare priorities of the province. As well, 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 nearly 243,000 Manitobans, had access to virtual care through their workplace benefit plans, amounting in more than half a million virtual care visits to date. 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.

Employer-paid virtual care has been available in Canada since 2017 and has improved Canadians' access to timely, quality health care services. Since then, employer investment has improved the innovative and secure technologies that make these services possible.

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 virtual care for 243,000 Manitobans without a plan for how to provide access for these individuals will just make things worse.

Provinces should continue to have the flexibility to offer their residents the choice of virtual care options. Employer-paid virtual care should be supported by all governments as an important and necessary solution to the current health care crisis.

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 address out of pocket payment for care without removing virtual care options 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 continue to permit virtual primary care services for Canadians, including employer funded virtual care.***

2. PENSION INNOVATION

Enhancing accumulations

Universal access to workplace pension and savings plans can help Manitobans 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 Manitoba. **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. It is important to note that automatic features are not "mandatory". 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 the Manitoba government move ahead with legislative amendments to permit employers to use automatic features within their voluntary workplace pension and savings plans.

These reforms will make it easier for Manitobans to achieve lifetime financial security through higher retirement income and ensure that Manitobans are not leaving matching employer dollars on the table.

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 variable life benefits (VLBs) and variable life payments (VLPs) respectively in the pension legislation.

In order to provide sustainable, affordable retirement income arrangements for Manitoba residents, we encourage the government to monitor and parallel the federal measures to introduce ALDAs, VLBs and VLPAs 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 participate.

Instead, enabling "standalone VPLAs" or "decumulation only PRPPs" can help ensure the broadest access point to VPLAs (or VLPs) for all Canadians. 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 help address the need for decumulation solutions for Canadians.

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 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 Manitoba to modernize its infrastructure and make the economy more productive and competitive.

4. SUPPORTING A DYNAMIC AND INNOVATIVE BUSINESS CLIMATE

Manitoba imposes a two per cent tax on life, health and disability insurance premiums. Life insurers − and consequently insured Manitobans − paid $38 million in premium taxes in 2023. The premium tax is outdated – it predates corporate income taxes and imposes a supplemental tax burden nearly twice the $24 million in corporate income taxes levied on life and health insurance companies in Manitoba in 2022.

In addition, Manitoba applies its 7% retail sales tax to Group insurance contracts - including group contracts covering group life, optional and dependent life, creditor insurance, accidental death and dismemberment, disability, and critical illness, costing employers $49 million annually. Manitoba is one of only three jurisdictions in North America that apply retail sales tax to life and health insurance premiums, thus placing its employers at a competitive disadvantage both within Canada and globally, discouraging new employers from establishing operations in Manitoba and incenting existing employers to relocate to lower-tax jurisdictions.

Canada's life and health insurers oppose any form of consumption tax on insurance premiums. These taxes directly increase the cost of purchasing insurance for individual policyholders and employers offering group benefits plans, making it more difficult for Manitobans to adequately protect themselves, their families and employees. This is problematic given that an aging population and escalating health care costs are increasing Manitoba 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 Manitoba 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 Manitoba's 2025 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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Association canadienne des compagnies d'assurances de personnes

120 Bremner Boulevard, Suite 1520
P.O. Box 4
Toronto, Ontario M5J 0A8
416.777.2221
info@clhia.ca