



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

# 2025 PROVINCIAL BUDGET SUBMISSION

Presented to  
**HONOURABLE SIOBHAN COADY**  
**MINISTER OF FINANCE**

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January 6, 2025





## INTRODUCTION

The Canadian Life and Health Insurance Association (CLHIA) is pleased to provide its recommendations to Newfoundland and Labrador on the 2025 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 also plays a key role in providing financial security to Canadians.



### **\$70 million** in provincial tax contributions

**\$13 million**  
in corporate income tax  
**\$5 million**  
in payroll and other taxes  
**\$52 million**  
in premium tax



### **Investing in Newfoundland & Labrador**

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



### **Protecting 410,000** **Newfoundlanders and** **Labradorians**

**390,000**  
with drug, dental and other health benefits  
**300,000**  
with life insurance averaging \$200,000 per insured  
**120,000**  
with disability income protection



### **\$1.4 billion** in payments to Newfoundlanders and Labradorians

**\$0.7 billion**  
in health and disability claims  
**\$0.2 billion**  
in life insurance claims paid  
**\$0.5 billion**  
in annuities

In 2023, the industry employed almost 180,000 Canadians, including nearly 800 in Newfoundland and Labrador. These jobs not only support the provincial economy but enables Newfoundland and Labrador to access the workplace benefit plans that they rely on.

In this submission, we have provided recommendations for consideration for the upcoming 2025 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.

## 1. SUPPORTING WORKPLACE HEALTH BENEFIT PLANS

In Newfoundland and Labrador, life and health insurers offer Newfoundlanders and Labradorians 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, nearly 400,000 Newfoundlanders and Labradorians had supplementary health insurance and \$495 million in health insurance benefits were paid. Based on survey data, we know that Newfoundlanders and



Labradorians 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 Newfoundlanders and Labradorians. 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. This eliminates Canadians’ existing private coverage for these medications and creates significant uncertainty for their remaining drug benefits.

Not only does the federal approach limit Newfoundlanders and Labradorian’s authority to negotiate a system that works best for them, 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.

Over 101,000 Newfoundlanders and Labradorians with existing private coverage for their diabetes medication or contraceptives could be disrupted, with over 52,000 residents that could be pushed off their existing plan and nearly 50,000 residents that could be forced to switch medications or pay out-of-pocket for their current medications.

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 Newfoundlanders and Labradorians 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 64,000 Newfoundlanders and Labradorians, 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.

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 access 64,000 Newfoundlanders and Labradorians 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 provide flexibility to address out of pocket payment for care without removing virtual care for 10 million Canadians who already have access to it through their workplace benefit plans. ***We encourage the province advocate to the federal government to continue to permit virtual primary care services for Canadians, including employer funded virtual care.***

## 2. PENSION INNOVATION

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### Enhancing accumulations

Universal access to workplace pension and savings plans can help Newfoundland and Labrador 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 Newfoundland and Labrador. 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 Newfoundland and Labrador 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 Newfoundlanders and Labradorians to achieve lifetime financial security through higher retirement income by enabling Newfoundlanders and Labradorians 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 variable life benefits (VLBs) and variable life payments (VLPs) respectively in the pension legislation.

***In order to provide sustainable, affordable retirement income arrangements for older Newfoundland and Labrador 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 SUSTAINABLE INFRASTRUCTURE PROJECTS

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We support the government of Newfoundland and Labrador in acting to reduce, mitigate and adapt to the risks of climate change. We were pleased to see that the province is developing a Climate Change Mitigation Action Plan and a Climate Change Adaptation Plan to help reduce greenhouse gas emissions and better prepare and respond to the impacts of climate change.

Managing climate-related risks is an area of growing concern to the life and health insurance 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 Newfoundland and Labrador to modernize its infrastructure and make the economy more productive and competitive.***

### 4. SUPPORTING A DYNAMIC AND INNOVATIVE BUSINESS CLIMATE

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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 to \$52 million in premium taxes in 2023. The premium tax is outdated – it predates corporate income taxes and imposes a supplemental tax burden four times the \$13 million in corporate income taxes levied on life and health insurance companies in Newfoundland and Labrador in 2023.



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.***

## 5. 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 Newfoundland 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. Having different rules with varying rights creates a lot of confusion for consumers as 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 that Newfoundland and Labrador follow other Atlantic provinces and modernize its Insurance Act to update and harmonize with other provincial insurance legislation.***

## CONCLUSION

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The industry greatly appreciates the opportunity to provide comments on the Newfoundland and Labrador 2025 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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