



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

2024 BUDGET SUBMISSION

Presented to the

HONOURABLE SIOBHÁN COADY
MINISTER OF FINANCE

December 22, 2023





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 Newfoundland and Labrador Minister of Finance in advance of the 2024 budget.



Protecting 410,000 Newfoundlanders and Labradorians

390,000
with drug, dental and other health
benefits
300,000
with life insurance averaging
\$204,000 per insured
120,000
with disability income protection



\$1.2 billion in payments to Newfoundlanders and Labradorians

\$0.6 billion
in health and disability claims
\$0.2 billion
in life insurance claims paid
\$0.4 billion
in annuities



\$59 million in provincial tax contributions

\$6 million
in corporate income tax
\$4 million
in payroll and other taxes
\$49 million
in premium tax



Investing in Newfoundland & Labrador

\$18 billion
in total invested assets
98%
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 2024 provincial budget. We believe these recommendations will help support the Newfoundland and Labrador economy as the province faces added pressures from higher inflation and natural events.

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. In 2022, 390,000 Newfoundlanders and Labradorians had



supplementary health insurance and received over \$450 million in health insurance benefits in the year. 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 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 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

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 is vital, providing much-needed financial relief, especially during times of soaring living costs.

Under a federal single-payer pharmacare model, 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 to the federal government, and cause disruption as employers drop plans or reduce coverage.

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

- Providing much needed coverage to the small portion of Canadians who do not have access to prescription drug coverage;
- Ensure that the majority of individuals and families continue to maintain their prescription drug coverage; and,
- Keep 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 Newfoundland and Labrador 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. This is why we welcomed the Newfoundland and Labrador government’s recent announcement that residents without a primary care provider will be able to continue to access virtual health care services.

Insurers have called on 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 Newfoundland and Labrador to advocate to the federal government to continue to permit virtual primary care services (including doctors and nurse practitioners) through benefit plans.

2. PENSION INNOVATION

Automatic features

Universal access to workplace pension and savings plans can help Newfoundlanders and Labradorians achieve greater financial security in retirement. There is a significant savings shortfall and declining pension coverage for individuals at all age cohorts in Newfoundland and Labrador due to multiple factors, including employees who have difficulty deciding 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 expected reductions in disability claims (higher risk of on-the-job injuries for older employees) and decreased financial stress or anxiety and other cost savings. The turnover through timely retirements better enables employers to plan for younger talent to train and succeed retiring employees.

We recommend that Newfoundland and Labrador amend the *Pension Benefits Act* and *Labour Standards Act* to enable automatic plan enrollment, contributions and annual contribution escalation. 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. 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.



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 Newfoundlanders and Labradorians, 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 group 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 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 VLPs as new retirement income options. We also ask that the provincial government encourage the federal government to permit standalone VPLAs.

3. SUPPORT PRIVATE SECTOR INVESTMENT IN INFRASTRUCTURE PROJECTS

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 we want to help governments build a more resilient Canada. Sustainable infrastructure plays a



critical role in mitigating and adapting to climate change. This 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 Newfoundland and Labrador to modernize its infrastructure and make the economy more productive and competitive.

4. SUPPORTING A DYNAMIC AND INNOVATIVE BUSINESS CLIMATE

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 close to \$50 million in premium taxes in 2022. The premium tax is outdated – it predates corporate income taxes and imposes a supplemental tax burden eight times the \$6 million in corporate income taxes levied on life and health insurance companies in Newfoundland and Labrador 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 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

A number of other provinces have made legislative amendments to modernize their insurance legislation that reflects 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 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 Newfoundland and Labrador government follow the lead of other Atlantic provinces to 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 Newfoundland and Labrador's 2024 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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