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President and CEO

November 4, 2015

The Right Honourable Justin Trudeau, M.P.
Prime Minister of Canada
House of Commons
Ottawa, Ontario
K1A 0A6

Dear Prime Minister,

On behalf of the Canadian life and health insurance industry, let me first take this opportunity to congratulate you and your team on the election results and wish you every success over the mandate. As your Government prepares to deliver its first Speech from the Throne, I would like to take this opportunity to highlight several policy issues that we believe the Government can make good progress on for the benefit of all Canadians and the economy.

About CLHIA

Established in 1894, the Canadian Life and Health Insurance Association (CLHIA) is a voluntary association whose member companies account for 99% of Canada's life and health insurance business. The industry provides a wide range of financial security products such as life insurance, annuities (including RRSPs, RRIFs and pensions) and supplementary health insurance to 28 million Canadians. It also holds more than $720 billion of assets in Canada and employs 155,000 Canadians.

Improving Canada's infrastructure

As you clearly outlined during the election campaign, Canada currently faces a significant infrastructure challenge. Many of our core public infrastructure assets are badly in need of repair and new investments are required to both improve Canada's productivity to support economic growth and Canadians' standard of living.

Canada's life and health insurance industry plays an important role in supporting infrastructure development right across the country. With almost 90% of our more than

$720 billion Canadian assets held in long-term investments, Canadian life and health insurers are one of the largest long-term institutional investors in Canada.

CLHIA was pleased with the initiatives outlined during the election campaign with respect to investments in infrastructure and urges your government to ensure infrastructure remains a high priority. With Canada's infrastructure deficit estimated to be up to $400 billion, ongoing investments in Canadian infrastructure will require the use of innovative financing arrangements such as public-private partnerships (P3s). P3s are one of the most mutually beneficial ways for long-term investors to support government priorities, while also allowing governments to access the significant capacity and appetite of Canadian private investors.

Canada's life and health insurance industry supports infrastructure projects in the country and has a strong appetite to do more to keep Canada moving forward. We encourage the Government to take a leadership role in bringing different levels of government and investors, including the life and health insurance industry, together to discuss solutions to Canada's infrastructure deficit.

Helping Canadians save for retirement

Canada's life and health insurance industry administers two-thirds of Canada's private pension plans and is working together with provincial governments to make Pooled Registered Pension Plans (PRPPs) available to all Canadians. Most Canadians are on track for retirement, and a targeted solution is needed for those without adequate savings, who tend to be mid-income earners without access to a workplace plan. PRPPs provide such a targeted solution, but need time to gain traction before they are fully established. In the meantime, there are discussions about enhancing the Canada Pension Plan (CPP) to help address the lack of retirement savings. The CPP is an important component of Canada's public pension pillar and offers Canadians a base level of retirement income. However, it was not intended to be the sole source of income in retirement and while modest increases to the CPP may be appropriate as time goes on, the CPP should not take on a different role than was originally intended.

Lowering the cost of prescription drugs

Canada's life and health insurance industry plays an important role in the health care of Canadians. The industry provides supplemental health coverage to 28 million Canadians which account for over 15% of all health care expenditures in Canada. During 2014, life and health insurers reimbursed a total of over $30 billion to policyholders and beneficiaries in Canada to help cover their supplemental health needs, of which about $10 billion was for prescription drug costs.

The Canadian life and health insurance industry agrees that the current system of prescription drug coverage is in need of major reform if it is to serve Canadians well in the long-term. A key concern with respect to prescription drugs is the high prices that Canadians face. Canada is the second highest per capita payer of drugs among 25 OECD countries.

The public policy objective in reforming the prescription drug system, in our view, is to ensure that Canadians have access to the drugs they need without undue financial hardship as a result of prescription drug costs. To this end, one of the critical areas in need of reform relates to how prices are regulated for new drugs in Canada. As a priority, the Canadian life and health insurance industry believes that the overall mandate and operations of the Patented Medicines Prices Review Board (PMPRB), the federal agency that regulates prices for new drugs needs to be fundamentally reformed in order to drive prices down. Committing to such reform would represent a very significant contribution towards improving the sustainability of the health care system in Canada while creating a positive impact on the federal and provincial treasuries.

Encouraging Canadians to save for their long-term care needs

Another major health care policy concern is long-term care. The CLHIA conducted an analysis and found that current government programs will only cover half of the estimated $1.2 trillion needed to provide long-term care to the baby boomer generation as they pass through old age. According to a poll conducted on behalf of CLHIA, three quarters of Canadians (74%) admit they have no financial plan to pay for long-term care if they needed it. In addition, most Canadians mistakenly believe that long-term care costs will be covered by governments.

Clearly, there is much work to be done to help Canadians prepare adequately for their potential long-term care needs. In order to incent and provide financial assistance to Canadians to prepare financially, the CLHIA recommends that the Government of Canada introduce a non-refundable 15% tax credit for Canadians purchasing qualifying long-term care insurance. Such a tax credit, along with the provincial equivalent, would act as an important signal from the Government to Canadians about the need to plan and take financial responsibility for their potential long-term care needs.

The CLHIA is ready to work with your Government as you begin work on these important policy issues for Canadians.

Once again, congratulations and best wishes as you open the 42nd Parliament.

Yours sincerely,

Original Signed by

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