



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

2025-26 PROVINCIAL BUDGET SUBMISSION
Presented to
HONOURABLE ALLAN MACMASTER MINISTER
OF FINANCE AND TREASURE BOARD

November 18, 2024





INTRODUCTION

The Canadian Life and Health Insurance Association (CLHIA) is pleased to provide its recommendations to Nova Scotia 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. Our industry also plays a key role in providing financial security to Canadians.



\$70 million in provincial tax contributions

\$18 million
in corporate income tax
\$10 million
in payroll and other taxes
\$42 million
in premium tax



Investing in Nova Scotia

\$24 billion
in total invested assets
97%
held in long-term investments



Protecting 760,000 Nova Scotians

760,000
with drug, dental and other health benefits
560,000
with life insurance averaging \$222,000 per insured
290,000
with disability income protection



\$2.9 billion in payments to Nova Scotians

\$1.4 billion
in health and disability claims
\$0.4 billion
in life insurance claims paid
\$1.1 billion
in annuities

In 2023, the industry employed almost 180,000 Canadians, including nearly 4,000 in Nova Scotia. These jobs not only support the provincial economy but enables Nova Scotians to access the workplace benefit plans that they rely on.

In this submission, we have provided recommendations for consideration for the upcoming 2025-2026 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 Nova Scotia, life and health insurers offer Nova Scotians robust benefit plans with access to extended health services such as physiotherapy, chiropractic services and massage services that are not covered through public plans.

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 Nova Scotians. 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.

Our industry is working proactively with the province on Universal Mental Health services for Nova Scotians, and we look forward to continuing that collaboration.

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 representing 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 Nova Scotia’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 150,000 Nova Scotians with existing private coverage for their diabetes medication or contraceptives could be disrupted, with over 70,000 Nova Scotians that could be pushed off their existing plan and nearly 81,000 Nova Scotians 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 Nova Scotians 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 over 166,000 Nova Scotians, 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 to 500,000 virtual care visits without a plan for how to provide access for these individuals will just make things worse.

We believe that it is critical to ensure that all people in Canada have access to virtual care consultations paid for by their employer and that patients should not have to pay out of pocket for them. As Nova Scotia works to increase residents access to primary care, access to virtual care services can assist with supporting this initiative.

*Insurers have called on the 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 Nova Scotia to advocate to the federal government to continue to permit virtual primary care services for Canadians, including employer funded virtual care.***

Support for mental health access

We believe that all levels of government and the private sector have a role to play in helping curb Canada's mental health crisis. Our industry plays a significant role in improving the mental health of Canadians. For example, in 2023, our industry paid out \$730 million in mental health support to Canadians.

As the Nova Scotia government considers a universal mental health and addictions care program, it is important that Nova Scotia continues to consult with health insurers to develop a plan that does not jeopardize coverage through employer plans. **We recommend continued collaboration and engagement between public and private payers to help ensure mental health care is accessible, high quality and patient focused.**



2. PENSION INNOVATION

Enhancing accumulations

Universal access to workplace pension and savings plans can help Nova Scotians 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 Nova Scotia. 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 Nova Scotian 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 Nova Scotians to achieve lifetime financial security through higher retirement income and ensure that Nova Scotians 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 older Nova Scotia 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

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



4. SUPPORTING A DYNAMIC AND INNOVATIVE BUSINESS CLIMATE

Nova Scotia imposes a 3 per cent tax on life, health and disability insurance premiums. Life insurers – and consequently insured Nova Scotians – paid \$42 million in premium taxes in 2023. The premium tax is outdated – it predates corporate income taxes and imposes a supplemental tax burden more than double the \$18 million in corporate income taxes levied on life and health insurance companies in Nova Scotia 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 Nova Scotians to adequately protect themselves, their families and employees. This is problematic given that an aging population and escalating health care costs are increasing Nova Scotians’ 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 Nova Scotia 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 Nova Scotia 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 Nova Scotia follow other Atlantic provinces and modernize its Insurance Act to update and harmonize with other provincial insurance legislation.

CONCLUSION

The industry greatly appreciates the opportunity to provide comments on the Nova Scotia 2025-2026 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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