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

Submission to the

HONOURABLE FRANÇOIS-PHILIPPE CHAMPAGNE MINISTER OF FINANCE CANADA

August 1, 2025

WHO WE ARE

The Canadian Life and Health Insurance Association (CLHIA) is pleased to provide its recommendations in advance of the 2025 Federal Budget.

Our industry plays a key role in providing financial security to Canadians.

$11.2 billion in tax contributions

$2.7 billion
in corporate income tax

$1.7 billion
in payroll and other taxes

$2.0 billion
in premium tax

$4.8 billion
in retail sales and payroll taxes collected

Investing in Canada

$1.1 trillion
in total assets

90%
held in long-term investments

Protecting **30 million Canadians**

27 million
with drug, dental and other health benefits

23 million
with life insurance averaging $252,000 per insured

12 million
with disability income protection

$128 billion in payments to Canadians

$48 billion
in health and disability claims

$17 billion
in life insurance claims paid

$63 billion
in annuities

WORKPLACE HEALTH BENEFIT PLANS

Life and health insurers work together with employers to offer access to a wide variety of health services through employer sponsored benefit plans. In 2023, $36.6 billion in health insurance benefits were paid to over 27 million Canadians with supplementary health insurance.

Canadians value their health benefit plans and do not want to put those at risk. This coverage provides much-needed financial relief, especially during times of economic uncertainty.

Support for prescription drugs

Our industry is concerned about the risks posed by the *Pharmacare Act* in widening the gaps in prescription drug coverage. Current agreements with provinces support single payer pharmacare which risks disrupting the coverage of nearly 4 million Canadians for their diabetes medications/contraceptives. Canadians in pharmacare provinces have been pushed off their existing plan for medications on the pharmacare formulary, and some have been forced to reapply for pre-approvals for some medications, putting additional burden on already struggling health systems. A better approach is to target scarce public resources to those who do not have existing drug coverage. Savings from not duplicating existing prescription drug access via employer plans could be reallocated to expand access for those who need drug coverage to a greater number of medications.

We recommend that the federal government support universal access to medication through a fill-the-gaps system and focus resources on those without access to prescription drug coverage.

Additionally, the PMPRB recently updated its guidelines for monitoring and reviewing drug prices. These guidelines don't permit private insurers and the association from making direct complaints against manufacturers for excessive prices. Thousands of medications offered only through private plans will not have the oversight provided by a direct complaints process, leaving employers who fund Canadians with private drug plans at risk of higher prices in an environment where medications enter the market at increasingly higher prices.

Prior to the implementation of these new guidelines on January 1, we ask that the government revert to allowing direct complaints from insurers.

Continued access to health care through virtual care

In 2023, over 10 million Canadians had access to employer-funded virtual care through their workplace benefit plans, amounting to more than half a million virtual care visits. This is a critical service for Canadians and helps provide access to medical care for the over 6 million Canadians without a family doctor.

Through innovation and a continued evolution of healthcare, new technologies are becoming available to offer employees more convenience, access to treatments and more personalized role in their health care. Virtual care in a country like Canada that's so dispersed and in many cases, remote, is a huge innovation that can create significant health improvements for people across the country.

Insurers are calling on the federal government to provide flexibility to address out-of-pocket payment for care without removing access to employer funded virtual care. ***The federal government should protect access to health care by permitting and encouraging employer funded virtual care through clarifying its January 2025 interpretations of the Canada Health Act. CLHIA would be happy to work with Canada on a clarification that would protect access through the employer-funded model while ensuring Canadians do not pay out of pocket for healthcare.***

ANTI-COMPETITVE TAXATION ON LIFE INSURERS

Life and health insurers provide financial protection to nearly 30 million Canadians and makes significant tax contributions to government revenue ($11.2 billion in 2023However, tax measures implemented by the previous government unfairly targeted Canada's life and health insurers. A robust life insurance sector is important for Canada, especially in uncertain economic times, to encourage growth and innovation. Considering the vital financial services we provide to Canadians, imposing a heavier tax burden on life and health insurers is inequitable, anti-competitive and counterproductive and thus, such sector-specific measures should be reversed. More specifically:

- The 2022 Budget measure to charge an additional 1.5% tax on taxable income greater than $100 million earned by Canadian banks and insurers has created an inequitable sector-specific two-tier corporate tax system in Canada. This policy has the potential to negatively impact flow of capital to FIs. Higher taxes ultimately increase the price of products and services these FIs provide to Canadians, adding to the affordability challenges Canadians are currently facing.

- Starting in 2023, the government taxed 90% of the contractual service margin (CSM) of life insurers immediately, instead of over the term of the contract. The CSM represents unearned, projected future profits on long-term insurance contracts that can span several decades. Taxing projected future profits is fundamentally unfair and inconsistent with the tax principles applied to all other taxpayers. The insurance industry is the only industry being taxed upfront on unearned profits in Canada. Canada is also an outlier globally to levy a tax on the unearned future profits of life and health insurers.

- In 2024, Canada's *Global Minimum Tax Act* (GMTA) came into effect imposing a minimum tax of 15% on the profits earned in each jurisdiction where a Canadian entity operates. Recent developments in international tax policy including the Trump administration's opposition to the OECD's Pillar II measures, led to a joint announcement by the G7 and the OECD to pursue a "side by side" agreement aligning US and OECD rules. This suggests that significant work is underway to clarify the application of these rules globally. Further, several of the world's largest economies, such as China and India, have not announced any plans to adopt this international tax measure.

  Given the significant uncertainty around the final rules, we recommend that Canada defer the application of the GMTA until the international framework is finalized, so as to as not disadvantage Canadian insurers competing with insurers headquartered in the US or other jurisdictions that have not yet adopted OECD's Pillar II rules.

  As an immediate step, we urge the government to repeal, or at a minimum, delay the Global Minimum Tax top-up tax implemented in 2024. This would send a clear signal to Canadian companies that the government is supportive of international growth strategies of successful Canadian enterprises while also providing relief from costly compliance efforts under this complex new tax regime while the rules are still being finalized.

We urge the government to re-evaluate the domestic and international tax burden on life and health insurers to ensure that the industry is not paying significantly more taxes than other sectors and is not subject to higher tax burden than competitors in international markets due to the GMTA.

INVESTMENT IN INFRASTRUCTURE

Due to the long-term nature of liabilities held by life and health insurers, we are seeking opportunities to commit long-term financing towards infrastructure projects. As a substantial investor in the Canadian economy, Canadian life and health insurers have already invested $60 billion in infrastructure.

We welcome OSFI's decision to reduce capital charges on investments in Canadian infrastructure. The industry is ready to put this capital towards Canadian infrastructure to boost Canada's economic growth and productivity. There are opportunities for the federal government to partner with the life and health insurance industry

We recommend the government leverage our industry's investment capacity and expertise, through partnerships, to expand and accelerate long-term financing structures, create a framework to develop policies which attract private capital, and remove regulatory inefficiencies.

Municipalities, who maintain and build most of Canada's infrastructure, need access to large capital pools and a guarantee of financial support for privately funded resiliency projects.

We recommend the government work with life and health insurers to channel private capital towards municipal infrastructure renewal and invest in resiliency and mitigation projects to safeguard communities

We recommend the government work with public investment agencies, including the Canada Infrastructure Bank, to ensure that it is not crowding out private capital, and rather using public funds to finance projects that cannot be financed by the private sector,

PENSION INNOVATION

CLHIA supports the concept of Variable Payment Life Annuities (VPLAs) currently being developed federally and provincially (i.e., Quebec, Ontario and Saskatchewan) to help retirees access a secure and reliable income stream in retirement.

To help ensure that the product is viable and accessible to as many Canadians as possible, it is important that legislation and regulations for VPLAs be principles-based, ensure sufficient scale, provide for a single Canada-wide pooled solution under both federal and provincial legislation to ensure a harmonized experience, and use market-based pricing.

More specifically, the VPLA framework should allow funds from other registered retirement plans (not just those from Defined Contribution Pension Plans and/or Pooled Registered Pension Plans) in order to maximize the ability of Canadians to effectively secure a post-retirement income stream. This includes funds in RRSPs, Registered Retirement Income Funds (RIFFs), Deferred Profit-Sharing Plans (DPSPs), Locked-in Retirement Accounts (LIRAs) and Life Income Funds (LIFs). Also, to keep costs down and to keep the product affordable, governments should not make VPLAs overly complicated or administratively burdensome.

Finally, as the federal government passed legislation to support VPLAs in 2021 (over four years ago), with little movement since, we would strongly recommend the government move forward with regulations so that VPLAs can be made available so that more Canadians can retire with confidence.

We strongly encourage the federal government work with provinces to develop a VPLA framework that allows for maximum flexibility in terms of a design framework and a harmonized experience for all Canadians.

There is a significant savings shortfall and declining pension coverage for individuals across Canada. It is estimated that approximately 40% of employees in 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.

Necessary reforms to allow automatic features for federally regulated workspaces would include legislative amendments to the *Pension Benefits Act* (PBA) and *The Canada Labour Code* so that employers can make payroll deductions for the purposes of employees participating in a workplace savings program using automatic features while allowing employees to "opt out" should they decide not to participate.

Federal leadership in introducing these reforms would not only improve the retirement security of those employed in federal workplaces it would also serve as a precedent for provinces to follow in bringing the same benefits to the many more workers employed in provincially regulated workspaces.

We recommend that the federal government make legislative and regulatory amendments to permit employers to use automatic features within their voluntary workplace pension and savings plans.

ELECTRONIC DELIVERY OF DOCUMENTS

Electronic delivery of governance documents

The 2024 Budget committed to introduce legislative changes allowing the electronic delivery of governance documents by financial institutions by introducing a "notice-and-access" method of delivery. We welcome these legislative changes and recommend they be introduced as soon as possible.

It is important to note that, for insurance companies, many policyholders also receive disclosure and voting packages that are almost identical to those received by shareholders. To ensure fairness, policyholders of these products should also benefit from a notice and access regime. This will allow for more environmentally friendly and efficient communication between companies and policyholders.

Electronic delivery of tax slips

We recommend that electronic delivery become the default option for tax slips, with consumers having the option to opt out if they prefer to continue receiving paper copies. Currently, the default delivery method of tax slips in Canada is paper copies, with customers having to actively opt into electronic delivery.

This approach would reduce the environmental footprint of the sector, promote efficient communications to customers, enable cost savings that can be passed down to Canadians, and ensure a more secure delivery of documents.

We recommend that the legislative changes be introduced as soon as possible and that voting policyholders and shareholders be included. We also recommend that electronic delivery of tax slips become the default.

REDUCING INTERPROVINCIAL BARRIERS AND ENHANCING REGULATORY HARMONIZATION

We welcome the introduction of measures to reduce internal trade barriers in Canada including the *One Canadian Economy Act*. Given that CLHIA members have business across the country, it is important that there is consistency in the rules governing the insurance business.

One example is the harmonization of requirements for financial advisors and financial planners. Licensing requirements for life and health insurance agents vary by province. For an insurance agent to sell insurance in multiple Canadian provinces, the agent needs to obtain a license in each province they operate in.

Harmonizing licensing for insurance agents can benefit consumers. Currently, when a consumer moves to another province or an agent is referred business in another province, they need to obtain a license or cannot service that client. A harmonized system would allow the consumer to continue to be served by their insurance agent without finding a new one.

We recommend that the government work with provincial/territorial regulators to harmonize requirements for financial advisors and financial planners.

Another example is the harmonization of cyber incident reporting requirements. Having different incident reporting expectations across jurisdictions is burdensome and adds unnecessary complexity during a suspected or confirmed information security incident. Insurers should be focused on addressing the incident rather than multiple and disparate reporting requirements.

We recommend the federal government work with federal/provincial regulators to harmonize cyber incident reporting requirements. We also advocate for information sharing across regulators, so companies only report to one entity. This reduces the administrative burden on businesses. We recommend Health Canada take a leadership role in coordinating the harmonization of burden reduction efforts for physicians. Individual provinces have expressed intent to work on this, and it provides an opportunity for Health Canda to ensure alignment.

CONCLUSION

Should you have any questions, you may contact Sarah Hobbs, Vice President, Policy at Shobbs@clhia.ca.

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