



Stephen Frank  
President and CEO

October 15, 2018

Select Standing Committee on Finance and Government Services  
c/o Parliamentary Committees Office  
Room 224, Parliament Buildings  
Victoria, B.C.  
V8V 1X4

Dear Members,

Please find enclosed a submission from the Canadian Life and Health Insurance Association (CLHIA) providing input to your deliberations on the forthcoming provincial Budget.

Canada's life and health insurers play a key role in providing a social safety net to British Columbians. We protect over 70% of British Columbians through a wide variety of life, health, and pension products. The industry pays more than \$10 billion in benefits to British Columbians each year. The industry also plays a strong role in supporting the province's economy. Nearly 17,000 British Columbians work within the sector (as employees or independent agents). The industry is also a major investor in the province with \$89 billion in assets, providing an important source of stable capital for the provincial government and businesses. Canadian life insurers contributed almost \$220 million in provincial taxes to the government for the 2017 calendar year.

The industry supports the province's plan to make life more affordable for British Columbians and to create a strong, sustainable economy throughout the province. To enhance the province's policy goals, this submission recommends that the Government:

- ***Ensure British Columbians have access to affordable prescription drugs by supporting workplace drug plans that currently provide millions of British Columbians with comprehensive access to essential medicines and by working with our industry to coordinate efforts to bring down costs through bulk-buying and enhance access to high cost medicines when needed;***
- ***Leverage our industry's investment capacity in order to expand and accelerate long-term infrastructure projects, allowing British Columbia to modernize its infrastructure and make the economy more productive and competitive;***

Canadian Life and Health Insurance Association  
79 Wellington St. West, Suite 2300  
P.O. Box 99, TD South Tower  
Toronto, Ontario M5K 1G8  
416-777-2221 www.clhia.ca

Association canadienne des compagnies d'assurances de personnes  
79, rue Wellington Ouest, bureau 2300  
CP 99, TD South Tower  
Toronto (Ontario) M5K 1G8  
416-777-2221 www.accap.ca

- ***Refrain from increasing taxes on life and health insurance premiums that are ultimately borne by B.C. consumers; and***
- ***Continue to make investments to mitigate the effects of climate change and to continue to work with the life and health insurance industry on this issue.***

The CLHIA appreciates the opportunity to contribute to British Columbia's budget consultation process. If you require any further information on these matters, my colleagues and I are at your disposal.

Yours sincerely,

*Original signed by*

Stephen Frank



**2019  
BUDGET SUBMISSION**

to

**The Select Standing Committee on  
Finance and Government Services**

by the

**Canadian Life and Health Insurance Association**

**October 2018**

Canadian Life and Health Insurance Association  
79 Wellington St. West, Suite 2300  
P.O. Box 99, TD South Tower  
Toronto, Ontario M5K 1G8  
416-777-2221 [www.clhia.ca](http://www.clhia.ca)

Association canadienne des compagnies d'assurances de personnes  
79, rue Wellington Ouest, bureau 2300  
CP 99, TD South Tower  
Toronto (Ontario) M5K 1G8  
416-777-2221 [www.accap.ca](http://www.accap.ca)

## EXECUTIVE SUMMARY

The Canadian Life and Health Insurance Association (CLHIA) is supportive of the province's plan to make life more affordable for British Columbians and to create a strong, sustainable economy throughout the province.

Canada's life and health insurers play a key role in providing a social safety net to British Columbians. We protect over 70% of British Columbians through a wide variety of life, health, and pension products. The industry pays more than \$10 billion in benefits to British Columbians each year. The industry also plays a strong role in supporting the province's economy. Nearly 17,000 British Columbians work within the sector (as employees or independent agents). The industry is also a major investor in the province with \$89 billion in assets, providing an important source of stable capital for the provincial government and businesses. Canadian life insurers contributed almost \$220 million in provincial taxes to the government for the 2017 calendar year.

In this submission, we recommend the following initiatives:

- ***Ensure British Columbians have access to affordable prescription drugs by supporting workplace drug plans that currently provide millions of British Columbians with comprehensive access to essential medicines and by working with our industry to coordinate efforts to bring down costs through bulk-buying and enhance access to high cost medicines when needed.***
- ***Leverage our industry's investment capacity in order to expand and accelerate long-term infrastructure projects, allowing British Columbia to modernize its infrastructure and make the economy more productive and competitive;***
- ***Refrain from increasing taxes on life and health insurance premiums that are ultimately borne by B.C. consumers; and***
- ***Continue to make investments to mitigate the effects of climate change and to continue to work with the life and health insurance industry on this issue.***

Our recommendations are sustainable and will help drive prosperity for all British Columbians.

# 2019 BRITISH COLUMBIA BUDGET

## 1. SUPPORTING ACCESS TO AFFORDABLE PRESCRIPTION DRUGS

All Canadians should have access to affordable prescription medicines regardless of where they live across the country. The industry recognizes that real problems exist in our prescription drug system today and that the time has come to take meaningful steps to make improvements for the benefit of all Canadians.

Improving the system requires more than simply “filling the gaps”. Rather, improvements must address access issues as well as the cost and financial sustainability of the system. In order to achieve this, it is important that federal, provincial, and territorial governments work collaboratively and with private insurers to meet the objectives of ensuring everyone has access to their needed medications and to address the relatively high costs faced by Canadians.

The industry believes that there are three key elements that any reform of the prescription drug system must embody. These include:

### *Protecting and enhancing existing benefit plans*

Today, life and health insurers work together with employers to offer access to a wide variety of prescription drugs through employer sponsored benefit plans. British Columbians value their benefit plans that provide them with access to a wide variety of health services, including prescription medicines, vision care, dental care, mental health supports, and many other services. These services both help prevent illness and contribute to overall wellness for British Columbians.

### *Providing drug coverage for everyone*

Governments should ensure that all Canadians can access and afford the medicines they need so that no one is excluded from coverage and all are able to take their needed medications as prescribed. To achieve this, governments should establish a list of the medicines that everyone should be covered for through workplace plans for those who have a plan, and by government for those who don't. This list of drugs would be based on scientific evidence and include expensive drugs when needed and drugs for rare disorders.

Governments should also work with the industry to establish a national risk-sharing model for high cost drugs to ensure all regions and/or employers in Canada can afford to offer the minimum standard formulary.

## *Ensuring affordability for consumers and taxpayers*

Meaningful reductions in prescription drug prices and improving access for all British Columbians can be achieved today by working within our current system. For instance, negotiations through the pan-Canadian Pharmaceutical Alliance (pCPA) have helped to bring down costs for public plans. However, the current approach only leverages half the buying power of the Canadian market in any negotiation and leaves those Canadians with private insurance, or paying out of pocket, to fend for themselves. We would therefore recommend that private plans be included in the pCPA. This would allow governments to negotiate the best prices possible using the entire Canadian market volume while ensuring that all Canadians are treated fairly and pay the same price for the same drug.

***We recommend that the Government ensure British Columbians have access to affordable prescription drugs by supporting workplace drug plans that currently provide millions of British Columbians with comprehensive access to essential medicines and by working with our industry to coordinate efforts to bring down costs through bulk-buying and enhance access to high cost medicines when needed.***

## **2. INFRASTRUCTURE INVESTMENT**

The CLHIA is pleased that the Government recognizes the need to make long-term investments in infrastructure for the province. World-class infrastructure is vitally important to maximizing economic growth as British Columbia and Canada compete to grow in an increasingly global economy.

Canadian life insurers are a leading source of long-term financing for infrastructure (re)development. The nature of Canadian life and health insurance products – routinely lasting more than 50 years – results in predictable long-term liabilities. Life insurers can commit to long-term financing throughout the "design, build, operate and maintain" stages of infrastructure projects. This inherent structural advantage makes the industry an important and stable investor in long-term assets.

Canadian life insurers have participated in projects ranging from roadways and public transit to public buildings and wastewater systems. These investments efficiently match insurers' long-term liabilities for the life and health coverage, retirement savings and pension plans upon which British Columbians depend, and thereby increase the cost effectiveness of insurance for consumers. The industry has a strong desire to invest further in infrastructure projects.

Given that the bulk of Canada's \$400 billion infrastructure deficit is at the smaller municipal government level, a more nuanced approach is needed to address this specific segment of the country's infrastructure deficit. Active collaboration between all levels of government and the private sector to develop a comprehensive long-term plan to fund and facilitate identified needs at the local level will help speed projects to market and reduce the infrastructure deficit.

*We recommend the Government leverage our industry's investment capacity in order to expand and accelerate long-term infrastructure projects, allowing British Columbia to modernize its infrastructure and make the economy more productive and competitive.*

### **3. ELIMINATING OR REDUCING TAX DISINCENTIVES ON LIFE AND HEALTH INSURANCE**

The CLHIA supports the B.C. Government's view that it is essential to keep business taxes low to ensure a competitive tax environment that attracts investment, creates jobs and moves B.C.'s economy forward.

B.C.'s insurance premium tax dates back to the early years of the last century, before the introduction of corporate income taxes. With public health care costs and the need for disability insurance protection rising significantly, there are serious adverse implications from the continued application of premium taxes in the 21st century. Privately provided employee health and disability insurance programs provide an important "relief valve" for the pressures facing public health care programs, but the premium tax impedes employers' capacity to obtain private insurance by directly increasing its cost. In 2017, the industry paid \$117 million in premium taxes to British Columbia, an amount that otherwise could have provided enhanced coverage and benefits to insured workers and their families.

High taxes on insurance premiums, however structured, cause employers to curtail employee health, disability and life insurance benefits and individual consumers to purchase less protection than they would in the absence of premium-based taxes. In line with the B.C. Government's initiative to remove barriers to economic growth and given the realities of the 21st century needs for supplementary health, disability and other insurance, the policy rationale for continuing insurance premium tax should be revisited.

In addition, the premium tax on life insurance creates competitive inequities in the B.C. marketplace for financial protection and retirement savings products. Many Canadians save for retirement through the build-up of cash values in permanent life insurance policies that are subject to premium tax. Other financial services, such as deposits held by banks and trust companies, are not subject to any comparable tax. With inevitable pressures on the public income security system due to the ageing of the baby boom generation, it makes good sense for the Government to remove or reduce taxes which currently discourage the fullest possible use of savings and investment products that provide long-term retirement security. As the province's Budget 2017 Consultation Paper notes, "Low taxes support affordability and stimulate economic growth".

Finally, provinces that have imposed a Retail Sales Tax on insurance premiums for workplace life and health insurance benefit plans have seen a marked reduction in employers' ability to provide such benefits, transferring costs to the public purse by increasing income support and health care expenditures.

***Canada's life and health insurance companies strongly recommend that the province resist any suggestions to impose a provincial Retail Sales Tax on insurance premiums. In addition, we recommend that B.C. should reduce and eventually eliminate the premium tax on life and health insurance premiums. This would encourage employers and individual B.C. residents to maintain or expand life and health insurance protection for their employees and families.***

#### **4. SUPPORT ACTIONS TO MITIGATE CLIMATE CHANGE**

Canadian life and health insurers are supportive of the Government's plan of action on climate change, and managing risks associated with it. The industry encourages the Government to continue to make investments to reduce emissions, reduce air pollution, and protect land and water.

Climate change presents a unique risk to life and health insurers. Climate change, driven by air pollution and emissions of greenhouse gases, leads to negative health outcomes, including respiratory illness, cardiovascular disease and death. Climate change also increases the risks of the spread of vector borne diseases, which will create particular challenges for travel insurers, as Canadians often vacation in warmer areas that are particularly susceptible. While managing climate change is of interest to many, it is of particular interest to the life and health insurance industry.

***We support the Government's continued investment in mitigating climate change and looks forward to continuing to work with the Government on this issue.***