



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

2023 PROVINCIAL BUDGET SUBMISSION

Presented to the
HONOURABLE TRAVIS TOEWS
MINISTER OF FINANCE & PRESIDENT OF
TREASURY BOARD

January 12, 2023





The Canadian Life and Health Insurance Association (CLHIA) is pleased to provide its comments to Alberta Minister of Finance and President of the Treasury Board Travis Toews in advance of the 2023 budget.

WHO WE ARE

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.



Protecting **3.2 million Albertans**

- 3.1 million** with drug, dental and other health benefits
- 2.2 million** with life insurance averaging \$322,000 per insured
- 1.7 million** with disability income protection



\$11.6 billion in payments to Albertans

- \$4.8 billion** in annuities
- \$5.3 billion** in health and disability claims
- \$1.5 billion** in life insurance policies



\$279 million in provincial tax contributions

- \$42 million** in corporate income tax
- \$34 million** in payroll and other taxes
- \$203 million** in premium tax



Investing in Alberta

- \$112 billion** in total invested assets
- 98%** held in long-term investments

Canada’s life and health insurers have been proud to work with all levels of government throughout the COVID-19 pandemic to protect and support Canadians through health benefit plans, travel insurance and other financial security products.

The life and health insurance industry was resilient during the COVID-19 pandemic, stepping up to help employers maintain, and in some cases augment, their health benefit programs through premium reductions and deferrals. Working together with all levels of government we will continue to help maintain benefits for workers in Alberta and across the country. Workplace plans have shown remarkable resilience—nearly 27 million Canadians ended 2021 with supplementary health insurance that provided access to medications and other health care services. The industry also paid out \$580 million for mental health support, with claims growing 75 per cent since before the pandemic.

In 2021, the industry added 5,200 jobs across the country, including over 1,000 in Alberta. These jobs were a result of our members’ needs to add staff as we shifted to working remotely and Canadians made increased use of their health benefits, including increased virtual care options.



In this submission, we have provided four recommendations for consideration for the upcoming 2023 provincial budget. We believe that these recommendations will help support the Albertan economy as the province faces added pressures from higher inflation and recent natural events.

1. SUPPORTING WORKPLACE HEALTH BENEFIT PLANS

27 million Canadians access their needed health benefits through their workplace benefit plans. In Alberta, 3.1 million Albertans have workplace health benefit plan coverage. These plans cover large and small employers; public employers and private employers; and cover Canadians in every province and territory. We know Albertans value their workplace benefit plans that give them access to affordable prescription drugs, dental care and health benefits.

The federal government is currently working on policy and program development in the areas of dental care, Pharmacare and a Rare Disease strategy. This work is also of interest to the Government of Alberta as the province has its own programs.

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. Workplace benefit plans already coordinate with provinces and territories.

Support for Dental Care

Millions of Canadians rely on workplace benefits plans to access dental services and in 2021 the industry paid over \$9 billion in dental claims. Eighty-eight per cent of Canadians with access to an employer sponsored benefits plan say that they find it helpful with access and affordability for a variety of health services, including dental care.

While many Canadians access dental care through their workplace benefits, there are those who do not have access to coverage. Our industry believed that the best approach for enhancing access to dental care was to support provincial programs. However, the federal government has moved forward with a separate program, and we are now working to ensure that it does not displace health benefit plans that are working well. We noted that the interim program, the Canada Dental Benefit, the eligibility criteria make it clear that it is not available to those who have access to private workplace health benefits. We will continue to advocate for clear eligibility criteria and other incentives so that employers continue to offer dental benefits through workplace plans.

Any new federal program to expand dental care coverage should include clear eligibility criteria and remain targeted to those Canadians without access today. The program should also not result in fewer Canadians accessing dental benefits through their workplace plan.

We recommend that the government ensure that Albertans continue to have access to affordable dental care supports. We would encourage all levels of government to work together to support workplace and individual health benefits plans that currently provide Albertans with comprehensive access to a wide range of dental care services.

Participation in the development of a federal rare disease strategy

Canadians pay some of the highest prescription drug costs in the world—our drug prices are third highest among the Organization for Economic Co-operation and development (OECD) countries. In 2020 insurers paid out more than \$650 million in coverage for rare disease drugs to over 15,000 Canadians. From 2012 to 2019, expenditures on rare disease drugs grew by 32 per cent—more than six times the rate for all prescription medicines.



Federal, provincial, and territorial governments need to work together, along with private insurers, to find the best way to increase access to high-cost medications in a fiscally sustainable way. For example, federal, provincial and territorial governments and private insurers should work together to develop a standard list of medicines that all Canadians can access regardless of where they live or whether they have workplace benefits. Private insurers want to work with governments to ensure access across the country not only to this standard formulary of medicines but also to high-cost medicines used to treat chronic and rare diseases.

We are concerned that the federal Government is contemplating a program that would only include public plans. Private payers must be included in all aspects of the rare disease strategy to ensure all patients have appropriate access and that the system is sustainable over the longer term. We would like to ask the Government of Alberta to support this approach.

We recommend that the Alberta government support the industry’s approach to ensure that private payers are included in all aspects of the federal government’s national strategy for rare disease drugs, including the funding model.

2. PENSION INNOVATION

Automatic Features

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. We are pleased with the changes the government has made to its pension legislation to enable these features in voluntary pension plans. However, many employers offer employees voluntary savings plans with company matching contributions in addition to or instead of a pension plan. These plans include group registered savings plans, group deferred profit sharing plans and group tax-free savings accounts.

In the CLHIA submission on the province’s Private Sector Pensions Review Consultation Paper, we recommended that the government consider explicitly allowing employers to deduct employee contributions from payroll automatically without a burdensome consent process. By enabling automatic contributions from all capital accumulation plans, more employees would be able to save more for retirement. They would also benefit from matching company contributions from their workplace pension and savings plans.

We believe that additional legislative changes may be necessary to allow for all Albertans to take advantage of automatic features. We would be pleased to follow up with the government directly to discuss further.

Enhancing Decumulation Solutions

We also support enhanced retirement income security for all Albertans, including access to widely available, effective and innovative retirement income solutions. Individuals saving for retirement seldom know either the amount of retirement income they can draw from those savings or how long those savings must last.



To help address this, the federal government enacted in 2021 – Variable Payment Life Annuities (VPLAs) and Advanced Life Deferred Annuities (ALDAs), two decumulation solutions intended to help Canadian retirees.

The CLHIA continues to believe the VPLA legislation, as enacted, would only enable a select minority of Canadians participating in Defined Contribution Registered Pension Plans (DC plans) or Pooled Registered Pension Plans (PRPPs), which is an issue as we estimate it requires at least 10,000 plus active members to provide the scale for a stable VPLA solution. The current measures do not take into consideration many other retirees who are members of smaller DC or PRPP plans that lack scale for a standalone VPLA solution. The CLHIA believes in standalone VPLAs that can pool funds from across DC plans, PRPPs, as well as Group RRSPs to maximize participation and provide a potentially stable income for the many hundreds of thousands of Canadians expected to retire each year.

In order to provide sustainable, affordable retirement income arrangements for older Alberta residents, we encourage the government to monitor and parallel federal measures to introduce ALDAs and VPLAs as new retirement income options and encourage the federal government to permit standalone VPLAs.

3. SUPPORT FOR PRIVATE SECTOR INVESTMENT IN INFRASTRUCTURE PROJECTS

Building modern, world class, infrastructure is vitally important to maximizing economic development and prosperity in Alberta. There are important investments to be made in Alberta's infrastructure - such as public transit, roads, hospitals, and schools.

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. As such, life insurers are ideal financial partners for long-term infrastructure projects, including public-private partnerships, as they can commit to long-term financing. 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 Albertans depend on. The industry has a strong desire to invest further in infrastructure projects.

However, the industry is able and wants to do more. 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 by structuring projects to attract long-term



investors, allowing Alberta to modernize its infrastructure and make the economy more productive and competitive.

4. SUPPORTING A DYNAMIC AND INNOVATIVE BUSINESS CLIMATE

Alberta imposes a three per cent tax on life, health and disability insurance premiums. Life insurers – and consequently insured Albertans – paid \$203 million in premium taxes in 2021. The premium tax is outdated – it predates corporate income taxes and imposes a supplemental tax burden five times the \$42 million in corporate income taxes levied on life and health insurance companies in Alberta in 2021.

Canada's life and health insurers oppose any form of consumption tax on insurance premiums. These taxes directly increase the cost of purchasing insurance for individual policyholders and employers offering group benefits plans, making it more difficult for Albertans to adequately protect themselves, their families and employees. This is problematic given that an aging population and escalating health care costs are increasing Alberta 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 Alberta develop a tangible plan to reduce, and eventually eliminate, tax on life and health insurance premiums.

CONCLUSION

The industry greatly appreciates the opportunity to provide comments on Alberta's 2023 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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79 Wellington St. West, Suite 2300
P.O. Box 99, TD South Tower
Toronto, Ontario M5K 1G8
416.777.2221
info@clhia.ca