



Stephen Frank
President and CEO

December 17, 2018

The Honourable Karen Casey
Minister of Finance and Treasury Board
Department of Finance
7th Floor, Provincial Building
1723 Hollis Street
P.O. Box 187
Halifax, NS B3J 2N3

Dear Minister,

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 Nova Scotians. We protect over 75% of Nova Scotians through a wide variety of life, health, and retirement income products. The industry paid over \$2.4 billion (\$46 million a week) in benefits to Nova Scotians in 2017. The industry also plays a strong role in supporting the province's economy. Over 3,000 Nova Scotians work within the sector (as employees or independent agents). The industry is also a major investor in the province with more than \$20 billion in assets, providing an important source of stable capital for the provincial government and businesses. Canadian life insurers contributed nearly \$60 million in provincial taxes to the government for the 2017 calendar year.

The industry commends the province's move toward fiscal sustainability in order to protect its ability to invest in key priorities, such as health care. To enhance the province's policy goals, this submission recommends that the Government:

- ***Ensure that residents of Nova Scotia have access to affordable prescription drugs by supporting workplace drug plans that currently provide millions of Nova Scotians with comprehensive access to essential medicines and by working with our industry to coordinate efforts to bring down costs through bulk-buying and enhancing access to high cost medicines when needed;***

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- ***Leverage our industry's investment capacity in order to expand and accelerate long-term infrastructure projects, allowing Nova Scotia to modernize its infrastructure and make the economy more productive and competitive;***
- ***Reduce and ultimately eliminate the premium tax on life, health and disability insurance premiums as fiscal circumstances permit; and***
- ***Support investment in mitigating climate change and working with the life and health insurance industry on this issue.***

The CLHIA appreciates the opportunity to contribute to Nova Scotia'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 Nova Scotia BUDGET SUBMISSION

to

**The Honourable Karen Casey
Minister of Finance and Treasury Board
Government of Nova Scotia**

by the

Canadian Life and Health Insurance Association

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EXECUTIVE SUMMARY

The Canadian Life and Health Insurance Association (CLHIA) is supportive of the province's approach to ensuring fiscal sustainability in order to protect the province's ability to invest in key priorities.

Canada's life and health insurers play a key role in providing a social safety net to Nova Scotians.



Protecting 740,000
Nova Scotians

680 thousand - With supplementary health benefits
590 thousand - With life insurance averaging
\$174,000 per insured
280 thousand - With disability income protection



\$2.4 billion in payments
to Nova Scotians

\$1,091 million - Annuities
\$1,033 million - Health and disability claims
\$ 287 million - Life insurance policies

The industry also plays a strong role in supporting the province's economy. Over 3,000 Nova Scotians work within the sector in high value, professional jobs (as employees or independent agents). The industry is also a major investor in the province and contributes significant income through provincial taxes to the government.



\$58 million in tax
contributions

\$13.0 million - Corporate income tax
\$ 9.0 million - Payroll and other taxes
\$36.0 million - Premium tax



Investing in
Nova Scotia

\$21 billion - Total invested assets
98% - Held in long-term investments

In this submission, we recommend the following initiatives:

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

- ***Reduce and ultimately eliminate the premium tax on life, health and disability insurance premiums as fiscal circumstances permit; and***
- ***Support investment in mitigating climate change and working with the life and health insurance industry on this issue.***

Our recommendations are sustainable and will help drive prosperity for all Nova Scotians.

2019 NOVA SCOTIA BUDGET

1. SUPPORTING ACCESS TO AFFORDABLE PRESCRIPTION DRUGS

All Canadians should have access to affordable prescription medicines regardless of where they live. Canada's life and health insurers play an important role in providing prescription drug coverage to Canadians. Life and health insurers provide more than 25 million Canadians with access to a wide range of prescription drugs and other health supports through extended health care plans.

However, 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 focusing on access by "filling the gaps". Rather, improvements must also address 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. Nova Scotians value their benefit plans that provide access to a wide variety of health services, including prescription medicines, vision care, dental care, and mental health supports. These services both help prevent illness and contribute to overall wellness for the residents of Nova Scotia.

Providing drug coverage for everyone

Governments should ensure that all Canadians can access and afford necessary medicines so that no one is excluded from coverage and all are able to take their medications as prescribed. To achieve this, governments should establish a shared list of the medicines available to everyone through workplace plans for those who have a plan, and under government plans 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. Current government "formularies" differ between jurisdictions, and exclude many medically appropriate drugs.

Ensuring affordability for consumers and taxpayers

Meaningful reductions in prescription drug prices and improving access for all Nova Scotians 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, paying unduly high prices. We therefore recommend that private plans be included in the pCPA. This would allow governments and insurers 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 that residents of Nova Scotia have access to affordable prescription drugs by supporting workplace drug plans that currently provide over 70% of Nova Scotians with comprehensive access to essential medicines and by working with our industry to coordinate efforts to bring down costs through bulk-buying and enhancing 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 Nova Scotia and Canada compete to grow in a challenging economy.

Canadian life insurers are a leading source of long-term financing for infrastructure (re)development. The nature of Canadian life 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 financing projects ranging from roadways and public transit to public buildings and wastewater systems. These investments efficiently match insurers' long-term liabilities for life coverage, retirement savings and pension plans upon which Nova Scotians 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 local or regional 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 these levels 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 Nova Scotia to modernize its infrastructure and make the economy more productive and competitive.

3. ELIMINATING TAX DISINCENTIVES ON LIFE & HEALTH INSURANCE

Nova Scotia imposes a 3% tax on life, health and disability insurance premiums. Life insurers – and consequently insured Nova Scotians – paid \$36 million in premium taxes in 2017. The premium tax is outdated – it predates corporate income taxes, and imposes a supplemental tax burden almost three times the \$13 million in corporate income taxes levied on life and health insurance companies in Nova Scotia in 2017.

Canada's life and health insurance companies oppose any form of consumption tax on insurance premiums that increases the cost of insurance for consumers and business and consequently makes it more difficult for Nova Scotians to adequately protect themselves, their families, and their employees. Such taxes discourage individuals and businesses from purchasing life, disability, and supplementary health and dental insurance and increase Nova Scotians' reliance on publicly-funded social services in the event of illness, injury and death.

Moreover, because many individual life insurance policies provide long-term, guaranteed prices, any increase in premium tax rate cannot be flowed through to holders of such policies. Increased tax costs fall disproportionately, and unfairly, on new consumers of insurance. We realize that eliminating the taxes on life, health and disability insurance premiums may be difficult at this time, given the current fiscal situation in Nova Scotia. But as recently reported by the C.D. Howe Institute¹, these taxes are counterproductive to ensuring Nova Scotians have affordable insurance coverage. We are concerned that these taxes encourage individual Nova Scotians and their employers to reduce or forego their essential insurance coverage, placing families at financial risk, and increasing costs to the public health and welfare system.

Consequently, ***we strongly urge the Government to reduce and ultimately eliminate the premium tax rate on life and health insurance premiums, thereby ensuring Nova Scotians have the fullest possible access to affordable life and health protection, and avoiding unnecessary demands on public health and welfare services.***

4. SUPPORT ACTIONS TO MITIGATE CLIMATE CHANGE

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

While the immediate impact of human-driven climate change – increased frequency and severity of violent storms, flooding, drought, forest fires, etc. - may be more obvious, climate change presents a unique risk to public health, and consequently to life and health insurers.

¹ A. Laurin and F. Omran, *Piling On – How Provincial Taxation of Insurance Premiums Costs Consumers*, C.D. Howe Institute, Commentary No. 522, October, 2, 2018, <https://www.cdhowe.org/public-policy-research/piling-%E2%80%93-how-provincial-taxation-insurance-premiums-costs-consumers>

Increasing planetary temperature, 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, not only for travel insurers, as Canadians often vacation in warmer areas that are particularly susceptible, but as normal ranges for insects and their hosts shift northward. While managing climate change is of interest to many, it is of particular concern to the life and health insurance industry.

We support investment in mitigating climate change and look forward to working with the Government on this issue.