



Stephen Frank
President and CEO

November 5, 2018

The Honourable Scott Fielding
Minister of Finance
Room 103, 450 Broadway
Winnipeg, MB
R3C 0V8

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 Manitobans. We protect almost 75% of Manitobans through a wide variety of life, health, and retirement income products. The industry pays nearly \$3 billion in benefits to Manitobans each year. The industry also plays a strong role in supporting the province's economy. The head offices of four life and health insurers are located in Manitoba, including one ranked in the top 10 in the world. 6,500 Manitobans work within the sector (as employees or independent agents). The industry is also a major investor in the province with \$25 billion in assets, providing an important source of stable capital for the provincial government and businesses. Canadian life insurers contributed more than \$120 million in provincial taxes to the government for the 2017 calendar year.

The industry commends the province's approach to ensuring fiscal sustainability in order to protect the province's ability to invest in key priorities. To enhance the province's policy goals, this submission recommends that the Government:

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

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- ***Withdraw the Retail Sales Tax on insurance premiums as soon as Manitoba's budget deficit is eliminated; and reduce and eventually eliminate the existing premium tax on life and health insurance premiums; 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 Manitoba'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 Manitoba BUDGET SUBMISSION

to

**The Honourable Scott Fielding
Minister of Finance
Government of Manitoba**

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 Manitobans. We protect almost 75% of Manitobans through a wide variety of life, health, and retirement income products. The industry pays nearly \$3 billion in benefits to Manitobans each year. The industry also plays a strong role in supporting the province's economy. The head offices of four life and health insurers are located in Manitoba, including one ranked in the top 10 in the world. 6,500 Manitobans work within the sector (as employees or independent agents). The industry is also a major investor in the province with \$25 billion in assets, providing an important source of stable capital for the provincial government and businesses. Canadian life insurers contributed more than \$120 million in provincial taxes to the government for the 2017 calendar year.

In this submission, we recommend the following initiatives:

- ***Ensure the residents of Manitoba have access to affordable prescription drugs by supporting workplace drug plans that currently provide nearly a million Manitobans with comprehensive access to essential medicines and by working with our industry to coordinate efforts to bring down costs through bulk-buying through the pan-Canadian Pharmaceutical Alliance and enhanced access to high cost medicines when needed;***
- ***Leverage our industry's investment capacity in order to expand and accelerate long-term infrastructure projects, allowing Manitoba to modernize its infrastructure and make the economy more productive and competitive;***
- ***Withdraw the Retail Sales Tax on insurance premiums as soon as Manitoba's budget deficit is eliminated; and reduce and eventually eliminate the existing premium tax on life and health insurance premiums; 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 Manitobans.

2019 MANITOBA BUDGET

1. SUPPORTING ACCESS TO AFFORDABLE PRESCRIPTION DRUGS

All Canadians should have access to affordable prescription medicines regardless of where they live. 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. Manitobans value their benefit plans that provide them with 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 Manitoba.

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 shared 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.

Ensuring affordability for consumers and taxpayers

Meaningful reductions in prescription drug prices and improving access for all Manitobans 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 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 the residents of Manitoba have access to affordable prescription drugs by supporting workplace drug plans that currently provide nearly a million Manitobans with comprehensive access to essential medicines and by working with our industry to coordinate efforts to bring down costs through bulk-buying through the pan-Canadian Pharmaceutical Alliance and enhanced 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 Manitoba 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 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 coverage, retirement savings and pension plans upon which Manitobans 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 Manitoba to modernize its infrastructure and make the economy more productive and competitive.

3. ELIMINATING TAX DISINCENTIVES ON LIFE & HEALTH INSURANCE

The CLHIA supports the Manitoba Government's commitment to lower taxes in order to leave more money on the table for Manitobans.

The sales tax on group life insurance premiums was introduced in 2012 and increased in 2013; when coupled with the existing premium tax, it makes it increasingly difficult for individuals to afford socially responsible protection of their property, health and, indeed, their very lives. The counterproductive (and perhaps unanticipated) public policy consequences of premium-based taxes have been addressed in a recent C.D. Howe Institute study.¹

Imposing Retail Sales Tax on employer-funded group life and disability insurance for their employees significantly increases costs and is not, in our view, an effective means of building strong, healthy workplaces and communities. Given the pressures on the public income security system due to population ageing, it makes good sense for the Government to avoid measures that discourage the fullest possible availability of workplace life, disability and supplementary health protections that do not rely on public funding.

In order to encourage employers and individual Manitobans to maintain or expand life and health insurance protection for their employees and families, and in addition to the previously announced reduction in the broader Retail Sales Tax rate, ***we recommend that the province withdraw the Retail Sales Tax on insurance premiums as soon as Manitoba's budget deficit is eliminated; and reduce and eventually eliminate the existing premium tax on life and health insurance premiums; and***

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 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. 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, 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.

¹ C.D. Howe "Piling On – How Provincial Taxation of Insurance Premiums Costs Consumers".

https://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed/Commentary%20522%20v3.pdf

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