



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

# 2023-24 PROVINCIAL BUDGET SUBMISSION

Presented to the

**HONOURABLE D. MARK V. MCLANE**  
**MINISTER OF FINANCE**

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January 10, 2023





The Canadian Life and Health Insurance Association (CLHIA) is pleased to provide its comments to Prince Edward Island Minister of Finance in advance of the 2023-24 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 130,000 Prince Edward Islanders

130,000 with drug, dental and other health benefits

93,000 with life insurance averaging \$208,000 per insured

50,000 with disability income protection



### \$349 million in payments to Prince Edward Islanders

\$131 million in annuities

\$156 million in health and disability claims

\$62 million in life insurance policies



### \$11.1 million in provincial tax contributions

\$2.2 million in corporate income tax

\$1.1 million in payroll and other taxes

\$7.8 million in premium tax



### Investing in Prince Edward Island

\$7 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 PEI 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. 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 five recommendations for consideration for the upcoming 2023-24 provincial budget. We believe that these recommendations will help support the PEI economy as the province faces added pressures from higher inflation and recent natural events.



## 1. SUPPORTING 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 2021, about 130,000 Islanders had supplementary health insurance and \$122 million in health insurance benefits were paid. Islanders value their benefit plans that provide them with access to prescription medicines, vision care, dental care, and mental health supports.

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 PEI 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 the current system works well for many, there are gaps that leave some with limited or no coverage for dental care. Canada's life and health insurers support the federal government's efforts to provide access to those without dental coverage. We were pleased that in the work on the dental benefit for children, the federal government noted the program was only available to those without access to existing coverage. We believe that providing targeted supports to those who do not have coverage helps fill the gaps and is fiscally responsible.

However, we must ensure that as the federal program is expanded to more individuals, that the program does not put existing benefit plans at risk.

***We recommend that the government ensure that Islanders 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 Islanders 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. According to the Patented Medicine Prices Review Board's report on Expensive Drugs for Rare Diseases, 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.

The federal government is developing a national strategy for rare disease drugs by collaborating with provinces, territories and other stakeholder groups. We are concerned that the federal government is contemplating a program that would only include public plans in the funding model. Private payers must be included in all aspects of the rare disease strategy from the beginning of the program to ensure all patients have appropriate access and that the system is sustainable over the longer term.

***We recommend that the PEI 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

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### Automatic Features

Universal access to workplace pension and savings plans can help Islanders achieve greater financial security in retirement. There is a significant savings shortfall and declining pension coverage for individuals at all age cohorts in Prince Edward Island due to multiple factors, including employees who have difficulty deciding whether to participate in their workplace pension plan. Even when employees do opt to join their workplace plans, many struggle with selecting the appropriate contribution level and investments for their needs, however, about 40 per cent of employees across Canada do not take full advantage of them, leaving as much as \$3 billion on the table annually in free company matching money.

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. Increasingly, employees are working longer because they believe they cannot afford to retire. Helping employees retire on time, with the help of automatic features to increase accumulations, has positive economic and health outcomes for businesses, employees, and government. This is due to expected reductions in disability claims (higher risk of on-the-job injuries for older employees) and decreased financial stress or anxiety and other cost savings. The turnover through timely retirements better enables employers to plan for younger talent to train and succeed retiring employees.

We were pleased to see a reference to enabling automatic features in the province's Employment Standards Act Comprehensive Review Panel's [interim report](#).

***We recommend that Prince Edward Island government move ahead with amendments to the Employment Standards Act to permit employers to use automatic features within their voluntary workplace pension and savings plans.***



### 3. SUPPORT PRIVATE SECTOR INVESTMENT IN SUSTAINABLE INFRASTRUCTURE PROJECTS

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We support the Government of Prince Edward Island taking action to reduce, mitigate and adapt to the risks of climate change. While the immediate impact of climate change—more frequent and severe storms, flooding, drought and forest fires—is obvious to property and casualty insurers, climate change also presents a complex and long-term risk to public health, and consequently to life and health insurers. As such, while managing climate change is of interest to many it is an area of significant and growing concern to the life and health insurance industry and we see it as our responsibility to support a transition to a lower carbon future.

Infrastructure investment is a vitally important aspect of mitigating and adapting to the risks of climate change and it is also crucial to maximizing economic development and prosperity throughout Prince Edward Island and Canada as we seek to grow in a challenging economy and recover from the economic impacts of COVID-19.

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 (P3), as they can commit to long-term financing. This inherent structural advantage makes the industry an important and stable investor in long-term assets.

As a substantial investor in the Canadian economy, the life and health insurance industry is well positioned to support the transition to a lower carbon economy through investment in sustainable financial products and assets, including infrastructure. Canadian life and health insurers already have \$60 billion invested in domestic infrastructure and more than \$75 billion invested in products or assets that integrate ESG or sustainability factors.

However, the industry is able and wants to do more. Our industry recognizes that sustainable infrastructure is crucial for adapting to and mitigating the risks of climate change but insurers' capacity to invest more is not matched by available sustainable assets.

***We recommend the government leverage our industry's investment capacity to expand and accelerate long-term infrastructure projects by structuring projects to attract long-term investors, allowing Prince Edward Island to modernize its infrastructure and make the economy more productive and competitive.***

### 4. SUPPORTING A DYNAMIC AND INNOVATIVE BUSINESS CLIMATE

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Prince Edward Island imposes a 3.75 per cent tax on life, health and disability insurance premiums. Life insurers – and consequently insured Islanders – paid \$7.8 million in premium taxes in 2021. The premium tax is outdated – it predates corporate income taxes and imposes a supplemental tax burden more than three times the \$2.2 million in corporate income taxes levied on life and health insurance companies in Prince Edward Island in 2020.

These taxes directly increase the cost of purchasing insurance for individual policyholders and employers offering group benefits plans, making it more difficult for Islanders to adequately protect themselves, their families and employees. This is problematic given that an aging population and escalating health care costs are increasing Prince Edward Island 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 Prince Edward Island develop a tangible plan to reduce, and eventually eliminate, tax on life and health insurance premiums.***

## 5. MODERNIZE INSURANCE LEGISLATION TO HARMONIZE WITH OTHER PROVINCES

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The provincial *Insurance Act* has not been updated in the last few decades. Recently, a number of other provinces have updated their insurance legislation to modernize the language to reflect changes in the life and health insurance market. This includes new products and the technologies and processes that support them. The modernized language also includes many examples of greater consumer protection. As a result, there are some sections within the PEI Insurance Act that are out of date with modernized insurance provisions and are, as a consequence, no longer harmonized with other provincial insurance acts.

Given that CLHIA members have business all across the country, it is important that there is consistency in the rules governing the insurance business. Having different rules with varying rights creates a lot of confusion for consumers as it means insurance companies have to provide multiple provisions in insurance contracts in order to comply with each province's insurance act. We believe that provinces should harmonize their legislation to avoid confusion and discrepancies.

We understand that New Brunswick has been actively reviewing its insurance legislation and will be amending it to modernize the language in the near term. In addition, Nova Scotia has indicated its intent to amend its insurance act following New Brunswick's changes.

***We recommend that Prince Edward Island follow other Atlantic provinces and modernize its Insurance Act to update and harmonize with other provincial insurance legislation.***

## CONCLUSION

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The industry greatly appreciates the opportunity to provide comments on Prince Edward Island's 2023-24 Budget. Should you have any questions, you may contact Susan Murray, Vice President, Government Relations and Policy at [smurray@clhia.ca](mailto:smurray@clhia.ca)



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

79 Wellington St. West, Suite 2300  
P.O. Box 99, TD South Tower  
Toronto, Ontario M5K 1G8  
416.777.2221  
info@clhia.ca