



Canadian Life & Health Insurance Facts

2022 Edition



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



Canada's life and health insurers provided more benefits to more people in 2021 than ever before.

Over 29 million Canadians enjoyed financial protection and greater affordability that comes from life insurance, health insurance and retirement solutions. And insurers paid out a record \$113 billion in benefits – up nearly \$10 billion from pre-pandemic levels.

2021 was a year of recovery. Insurers have been proud partners in this, helping employers and their employees get back on their feet by providing workplace benefits that are flexible and relevant to attract and keep top talent and help people plan for retirement. The number of Canadians with workplace benefits is increasing, with hundreds of thousands more workers and their dependents having workplace health benefits than the year prior. Insurers paid out a record \$40.8 billion in claims for drugs, dental, disability and accident coverage.

COVID has put severe strains on many over the past two years as lockdowns and precautions have isolated millions from their normal support networks. Insurers have stepped up with a deliberate focus on coverage for mental health. Mental health supports have become an increasingly important health benefit, with claims growing 75 per cent since before the pandemic, and insurers paying out \$580 million for counselling and therapies in 2021.

Throughout it all, Canada's life and health insurers have demonstrated their financial strength and resilience. Insurers' capital reserves have remained in excess of government requirements, so Canadians can have confidence that when the unexpected occurs, their insurance protection will be there for them.

We hope this edition gives you a sense of the importance of workplace plans and individual insurance products and how they are making life more affordable for so many.

Stephen Frank
President and CEO

In 2021, Canada's life and health insurers...




Provided coverage for over **29 million** – or 76% of Canadians

Paid a record **\$58 billion** in annuity claims - up 26%



Employed over **166,000 Canadians** - up more than 5,000



Paid out **\$580 million** for mental health support - up 45% from 2020, and 75% since 2019

Paid a record **\$30.4 billion** in claims for health, drugs and dental care – up 14% from 2020

Paid out **\$113 billion** in total claims, up 17% from 2020 and nearly **\$10 billion** above pre-pandemic levels



Provided insurance products to nearly **100 million** people worldwide



What's inside



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Industry profile

CLHIA's member companies



63

CLHIA's **63 member companies** account for 99 per cent of Canada's life and health insurance business.

They include **four types of insurers**:

- life insurance companies
- not-for-profit regional health benefits providers
- fraternal benefit societies, and
- property and casualty insurers who offer health insurance products

What CLHIA's members offer

These companies and their subsidiaries offer products across **three main lines of business** that are profiled in this edition:

- life insurance products
- health insurance products
- retirement solutions

This chart shows the distribution of these lines of business across our member companies:

47 Life insurance companies



8 Not-for-profit health care providers



5 Fraternal benefit societies



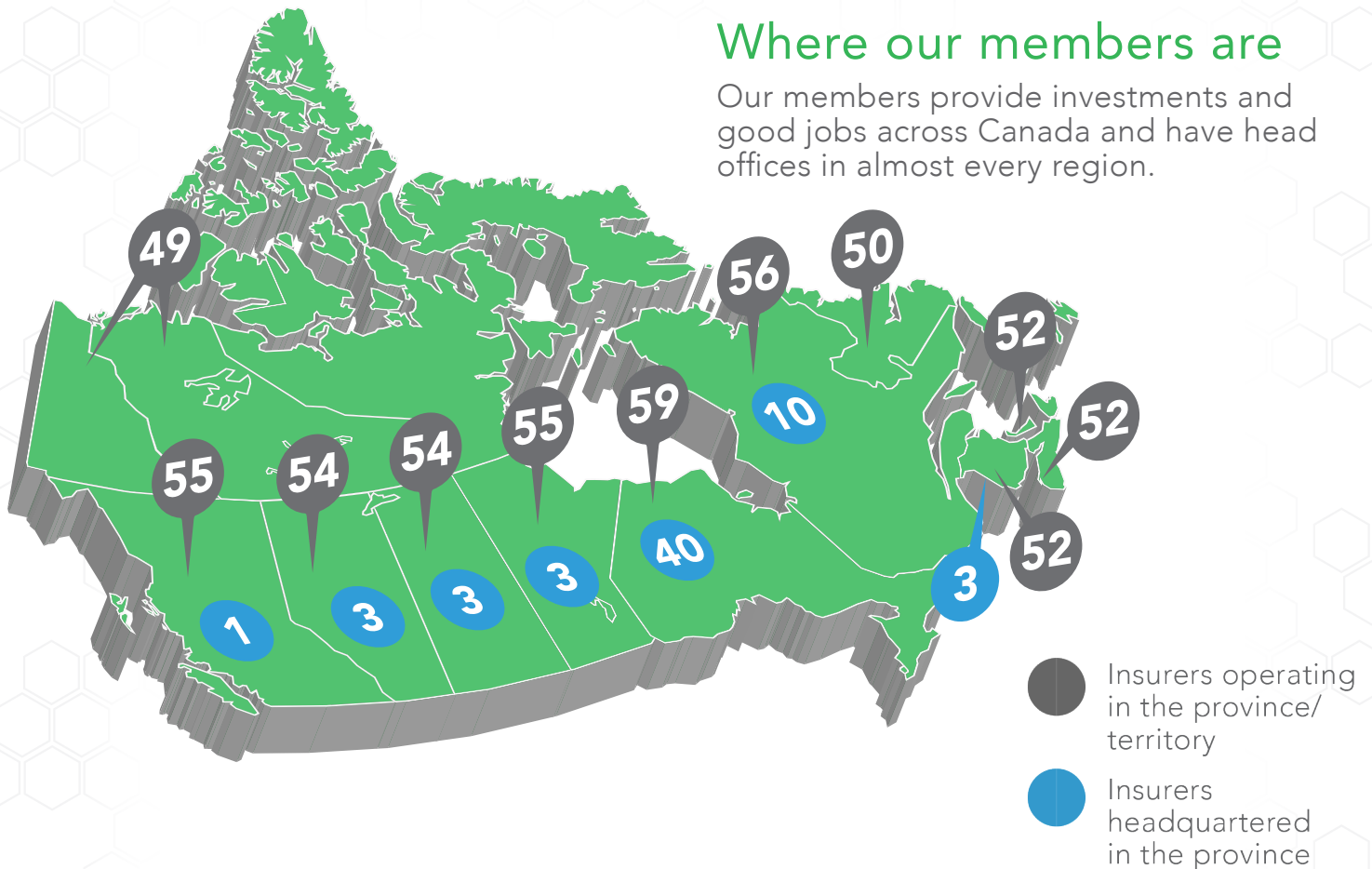
3 Property and casualty insurers



Disclaimer: This chart is not representative of the relative business lines within a given company.

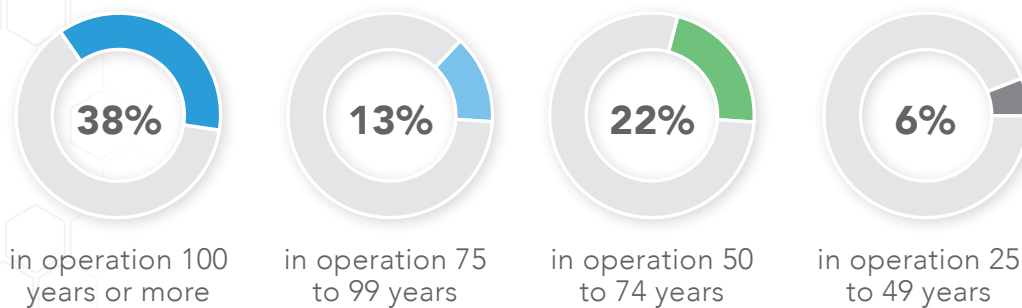
Where our members are

Our members provide investments and good jobs across Canada and have head offices in almost every region.



Strong and reliable insurers

CLHIA's members include some of the oldest continually operating companies in Canada. More than a third have been providing insurance for 100 years or more.



Our members give back to their communities

Canadian life insurers support charitable initiatives, particularly in the areas of health and wellness, social services and disaster relief.

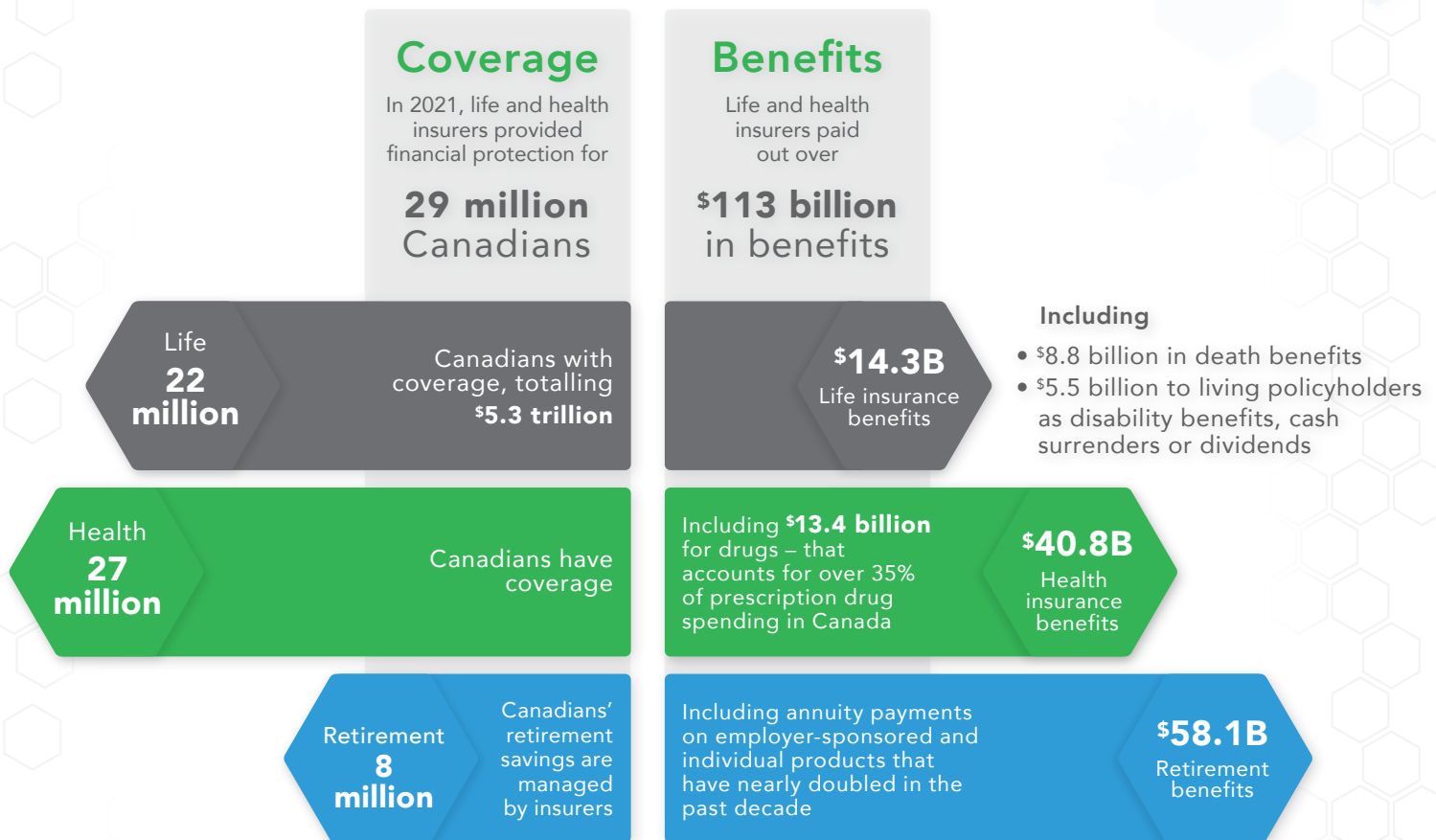
\$61 million
donated in 2021



Canada's life and health insurers provide financial protection for over 29 million Canadians

In 2021, life and health insurers paid out **\$113 billion** in benefits while providing a high degree of customer satisfaction.

Total benefits paid for life, health and retirement have increased **over 60 per cent** from a decade ago.



How insurance is sold

Most insurance products are sold as:

66%

Group plans

which provide coverage for a group of people – employees, or members of a union or association – under one contract.

34%

Individual policies

which provide coverage for one person or a family.

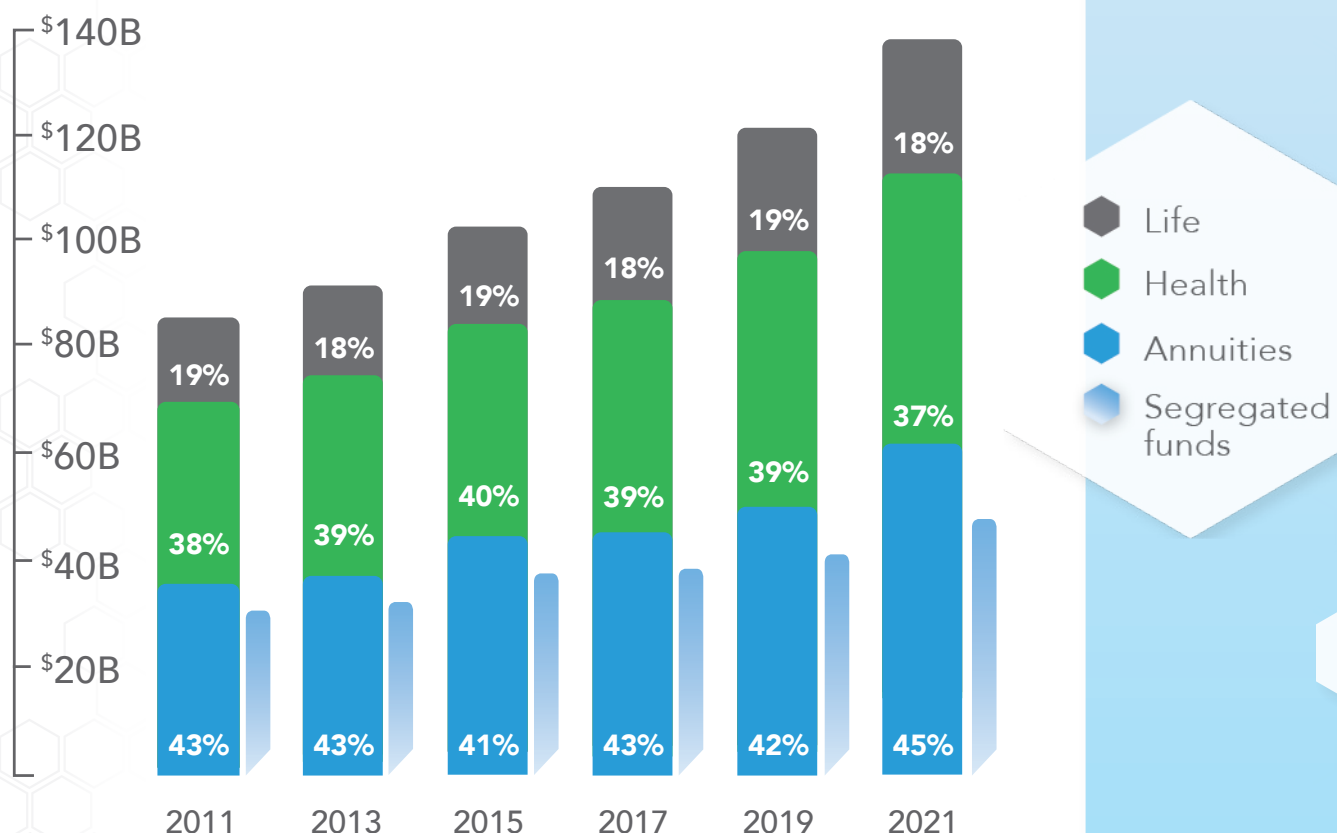
More than 150 life and health insurers, their subsidiaries and affiliates operate in Canada*

By lines of business

life insurance **77** health insurance **128** retirement solutions **37**

Life and health insurers collected \$139 billion in premium revenues

Total premiums rose to **\$139 billion** in 2021.** This was led by annuities (including segregated funds), up **20.7 per cent**; followed by health insurance, up **8.1 per cent**; life insurance, up **6.1 per cent**.



Insurers are focused on customer satisfaction

Insurers process hundreds of millions of claims annually, and only about one in every 100,000 claims results in a complaint.



Notes

* This 150 includes the subsidiaries of the 63 CLHIA member companies mentioned on page 7.

** Including premium revenues of \$3.6 billion from foreign branches operating in Canada.

Consumer complaints
Visit www.olhi.ca

Consumer protection
Visit www.assuris.ca





Lines of business



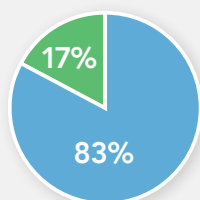
Life insurance



Life insurance provides financial security to beneficiaries when the insured person dies. Benefits can be used to replace income, pay a mortgage or other debts of the deceased, or contribute to an estate.

Sold as:
Most life insurance - over **eighty per cent** - is purchased by individuals through an agent or advisor.

2021 life insurance premiums



\$25.6B

Individual policies

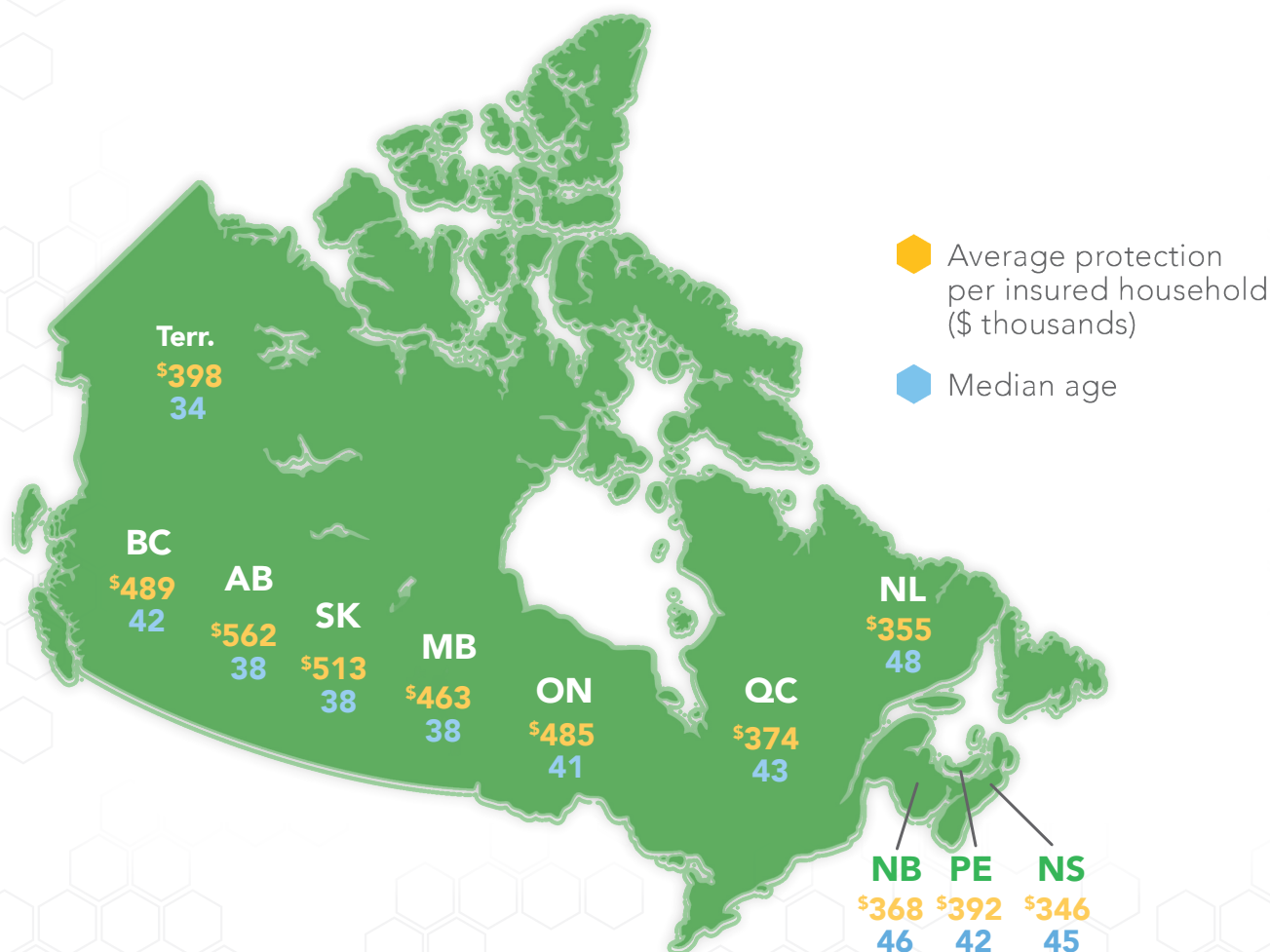
Group plans

Related products:

Supplementary benefits, such as payments on accidental death, disability, or critical illness – or waiver of required premiums upon disability – can be added to life insurance products.

Protection & age breakdown

Life insurance coverage reflects the age and income level of policyholders, their marital status, target income for dependent support, mortgage balances, etc.



Notes

Term insurance

provides cost-effective, temporary coverage. Premiums typically increase over time in 5, 10 or 20 year "steps". Term insurance usually provides a right to convert to permanent insurance with the same insurer without further underwriting, providing consumers with the ability to adjust coverage features to address long-term needs.

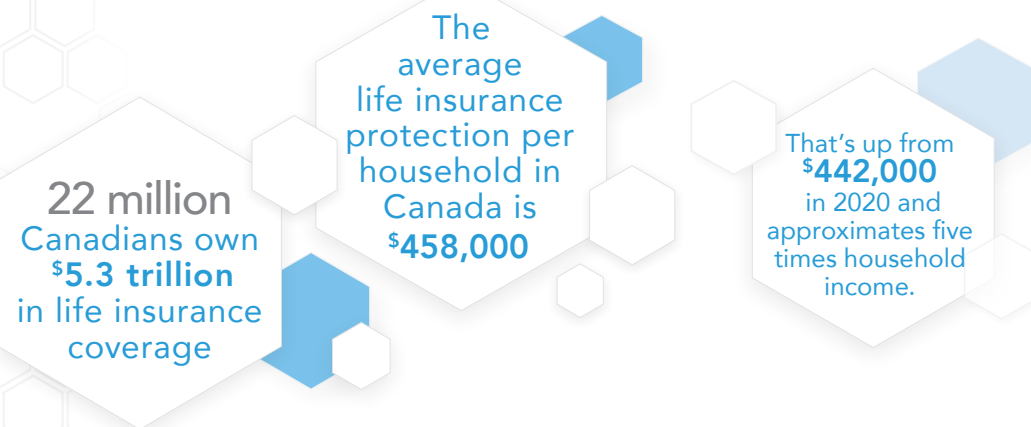
Permanent insurance

– such as universal life or whole life – meets life-long protection needs. In addition to death protection, cash values are accumulated and can be used for financial emergencies, or to supplement retirement income. Premiums can be paid over a set number of years or for life.

In **whole life insurance**, the insurer takes on both the risk related to death and the underlying investment risk.

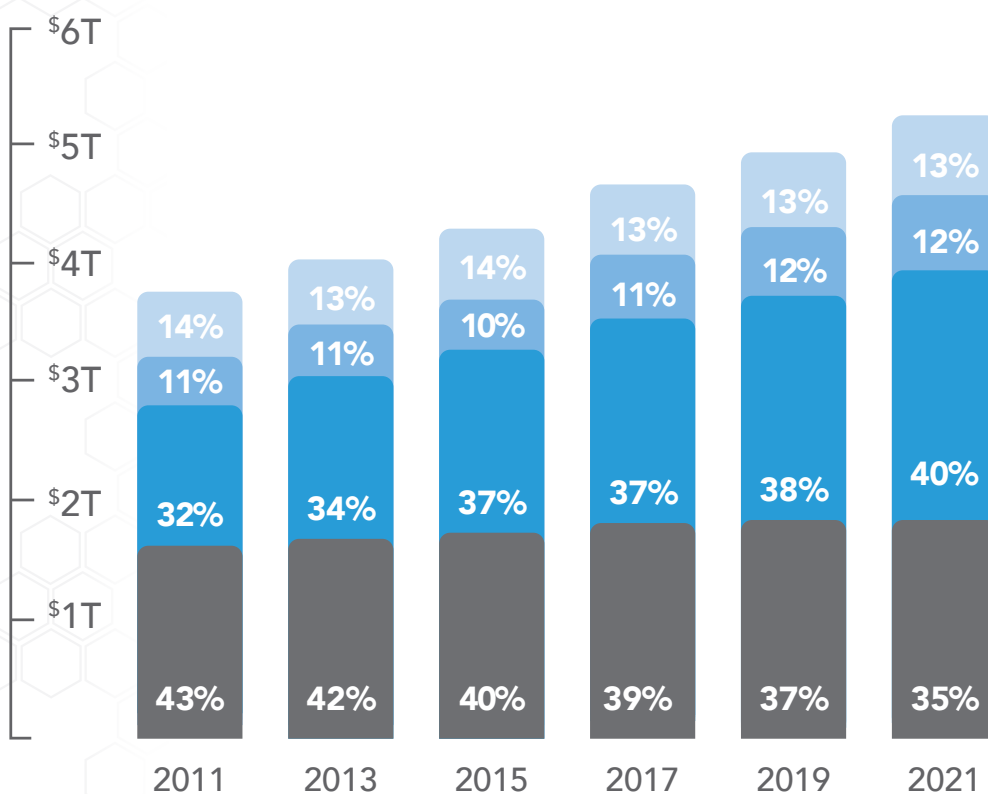
Universal life insurance

allows consumers to select – and change – premium levels and investment options while the insurer assumes the risk related to death.



Individual life coverage continues to grow

Individual life insurance now equals 65 per cent of the value of total policies in-force, up from 57 per cent in 2011 – driven primarily by term life insurance.



Health insurance

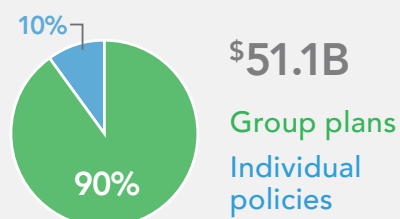


Health insurance provides coverage for hospital and medical expenses not covered by public health plans, such as prescription medicines, vision care, dental care and mental health supports. This type of insurance can also provide income replacement for those unable to work due to disability.

Sold as:

Ninety per cent of health insurance is purchased through a group plan.

2021 health premiums



Related products:

Supplementary health insurance; travel insurance; critical illness insurance; disability insurance; accidental death and dismemberment insurance; and health care spending accounts.

Cost-effective health protection

At 86 per cent, the **vast majority** of health insurance premiums are paid out as benefits to policyholders (5-year average).



86%
paid out to
policyholders
as benefits

8%

operating
costs

3%
taxes

3%
profits

Helping patients with access to specialty drugs

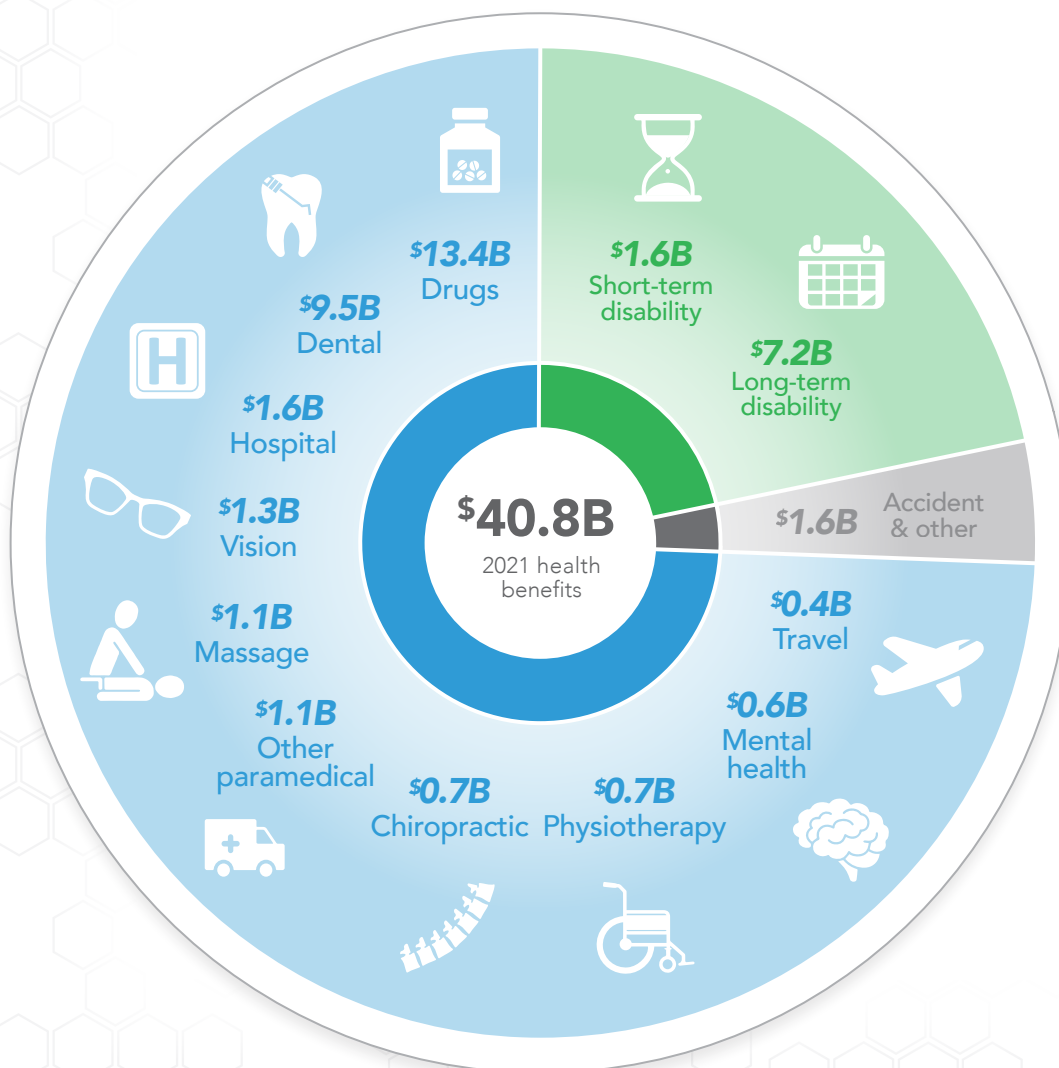
Specialty drugs are used to treat serious, chronic, and complex health conditions, making conditions more manageable. Their increased use in recent years has been a driver of higher claims costs. In 2021, year-over-year spend per plan member for specialty drugs increased by **6.8 per cent**, compared to less than four per cent for traditional drugs. Specialty drugs now represent **29 per cent** of total drug spend.*

Insurers protect nearly 70 per cent of Canadians against health care costs

In 2021, Canada's life and health insurers paid \$30.4 billion in supplementary health care benefits. They also reimbursed claims for \$8.8 billion in disability benefits.

2021 health benefits by coverage type

	Paid in benefits	Canadians covered
Supplementary health	\$30.4 billion	27 million
Disability	\$8.8 billion	12 million
Accident & other	\$1.6 billion	20 million



Notes

Supplementary health

reimburses a variety of expenses, such as prescription drugs, dental, hospital and medical expenses, that are not covered by provincial government plans.

Disability

helps replace lost income due to disability (frequently integrated with Public Pension Plans, Workers' Compensation and Employment Insurance), usually paying around two-thirds of earnings.

Accident & other

includes coverage for accidental death and dismemberment, long-term care and critical illness.

*Express Scripts. 2022 Prescription Drug Trend Report.

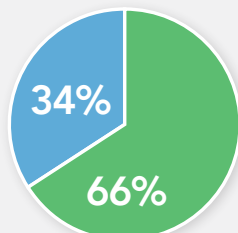
Retirement solutions



Annuities are a contract sold by life insurers that pay a guaranteed regular income in exchange for upfront contributions. These products protect individuals from outliving their savings and are often used to provide retirement income.

Sold as: Sixty-six per cent of annuities is purchased through a group plan.

2021 annuity contributions



Group plans
Individual policies

Related products: Accumulation annuities, like life annuities and term certain annuities; pay-out annuities; and segregated funds.

Life and health insurers manage retirement savings for over 8 million Canadians

Over eighty-five per cent of small businesses that provide pensions, RRSPs, TFSAs, and RRIFs to their employees offer these through life and health insurers.

Benefits of owning annuities

Annuities aren't like other retirement income products. Here's what they offer that's different:



Lifetime income benefits reduce the risk of outliving your savings

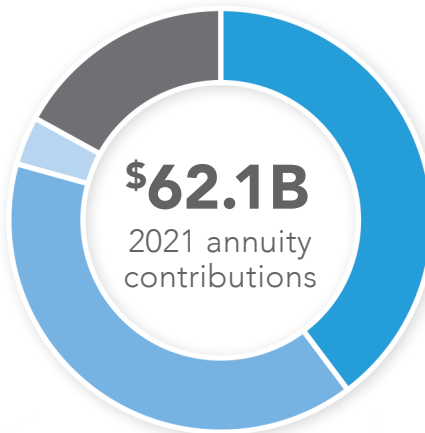


Pension plan de-risking by transferring the investment risks of defined benefit plans to insurers to manage



Maturity guarantees mitigate the risk of volatile investment returns

Sources of annuity contributions



- Pension plans
- RRSPs & TFSAs
- RRIFs
- Non-registered savings

Notes

Accumulation annuities

A flexible and secure investment vehicle for pension plans, RRSPs, TFSAs and non-registered funds during the savings stage.

Segregated funds

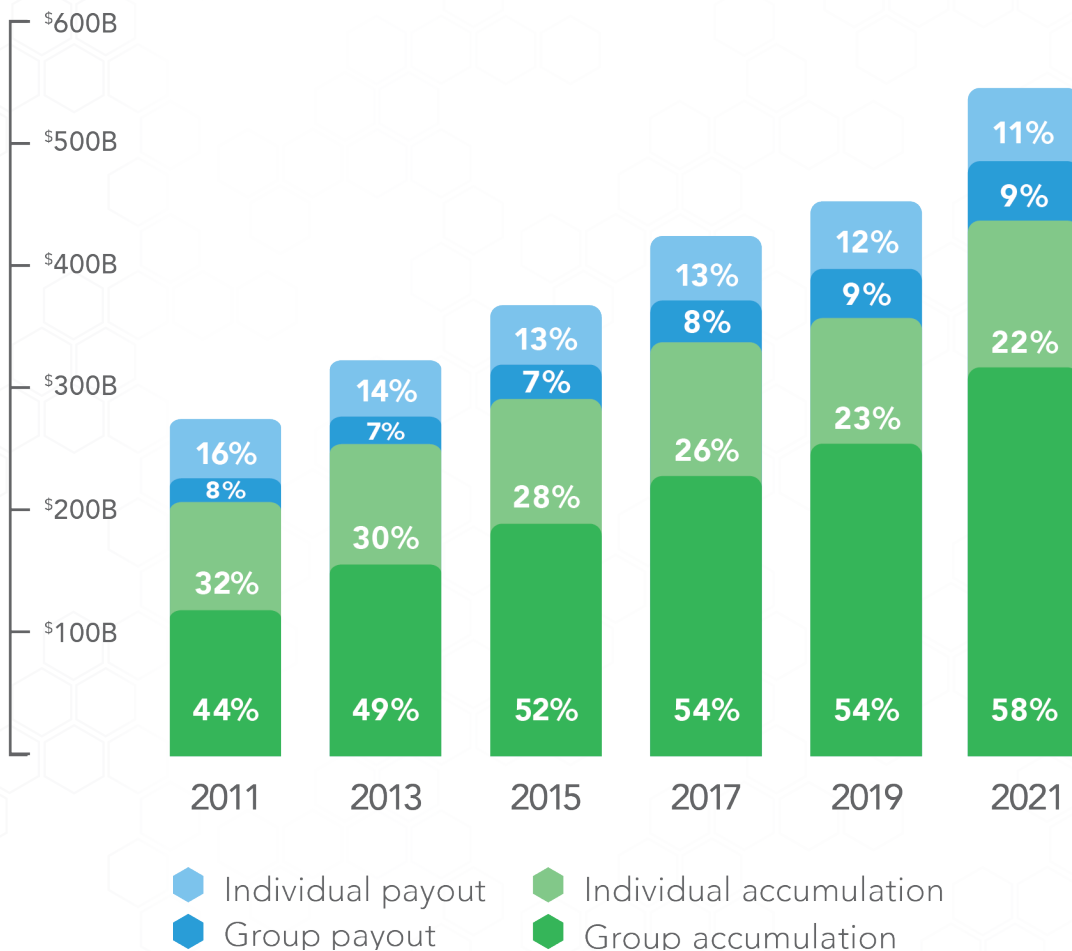
See "How Insurers Invest."

Growing assets to support retirees

Over the last decade, accumulation annuities have driven growth in retirement assets held by insurers - up an average of **seven per cent annually** since 2011.

80%
of assets are in the accumulation stage – up from 76% a decade ago

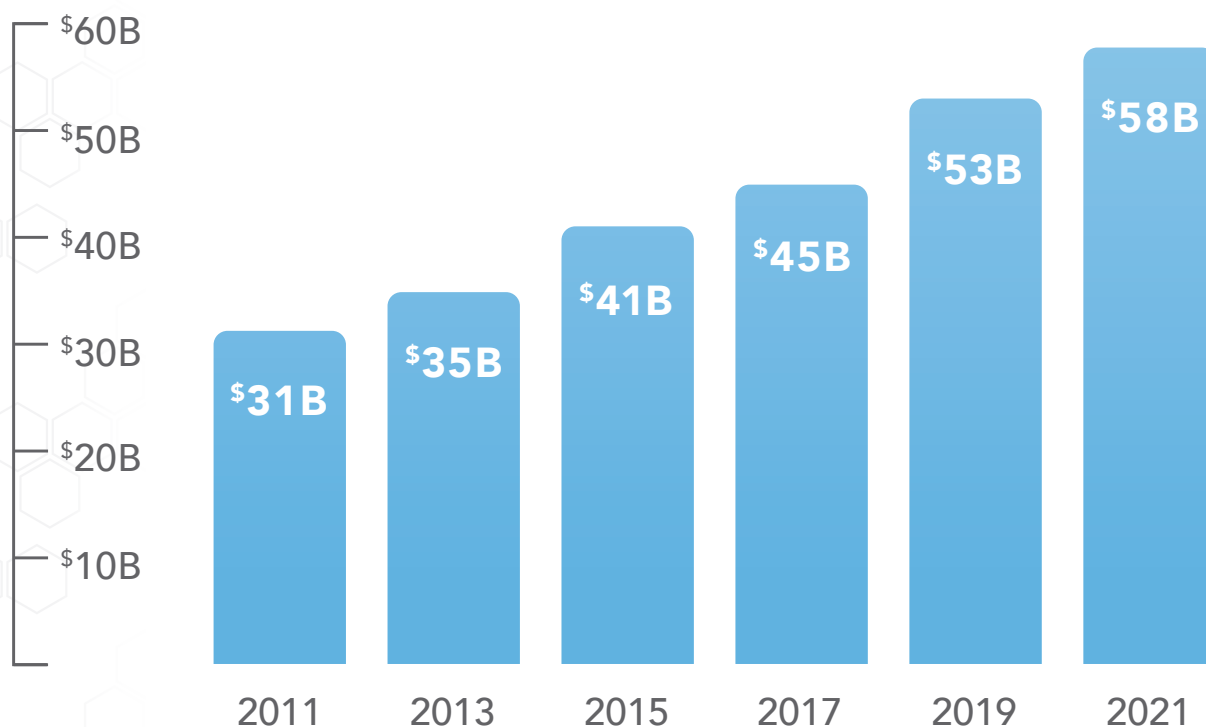
83%
of assets are invested in segregated funds – up from 71% a decade ago



Retirement solutions



Insurers paid out \$58.1 billion in retirement benefits in 2021



Since 2011, benefits have increased at an average rate of

7% per year



Over **80%** of benefits are provided through segregated funds

Notes

Decumulation annuities

Pay-out annuities

Provide guaranteed income for life or over a defined term in exchange for an upfront payment.

Variable Payment Life Annuities (VPLA)

Provide lifetime retirement income payments that vary based on investment returns and the mortality experience of the fund. VPLAs allow pooling of investment and longevity risks (i.e., the risk of outliving one's retirement savings) by allowing PRPPs and DC plans to establish a separate annuities fund under the plan.

*According to Statistics Canada Pension Satellite Account, 2020; and TFSA data from Investor Economics, a division of ISS Market Intelligence. Data excludes unfunded liabilities for public Old Age Security of about \$1.6 trillion

**This includes employees at all levels of government



Insurers manage 7 per cent of Canada's pension assets

Insurers manage **\$373 billion** of the **\$5 trillion** in total pension assets in Canada in 2020. This includes assets in over 15,000 private employer-based plans that provide retirement protection for 3.1 million people.*

Canada's total pension assets

Private

Employer-based plans

\$805 billion

\$202 billion

of which is **managed by life insurers**, accounting for **70% of private pension plans**, primarily for small-to medium-sized businesses

Personal

RRSPs, TFSAs, etc.

\$1,872 billion

\$171 billion

is managed by life insurers

Public pensions

CPP/QPP + government employees**

\$564 billion + \$1,764 billion = \$2,328 billion





Industry in detail



How insurers invest



Insurers are a significant source of long-term investments

**\$970
billion**

of stable industry investment is driving economic growth and innovation across Canada. What the industry earns from these investments helps reduce the cost of insurance for Canadians.

90%

of insurers' assets are held in long-term investments.

The long-term nature of insurers' liabilities is especially well suited to financing infrastructure investments.

Insurers' investments support the economy and governments

**\$60
billion**

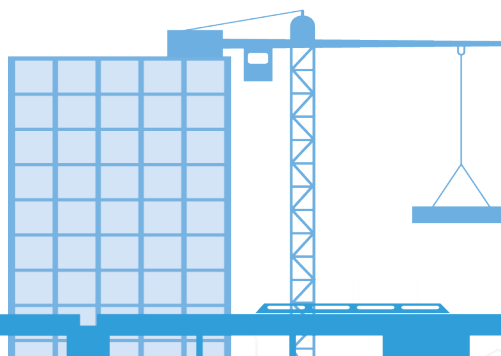
Infrastructure investments

**\$126
billion**

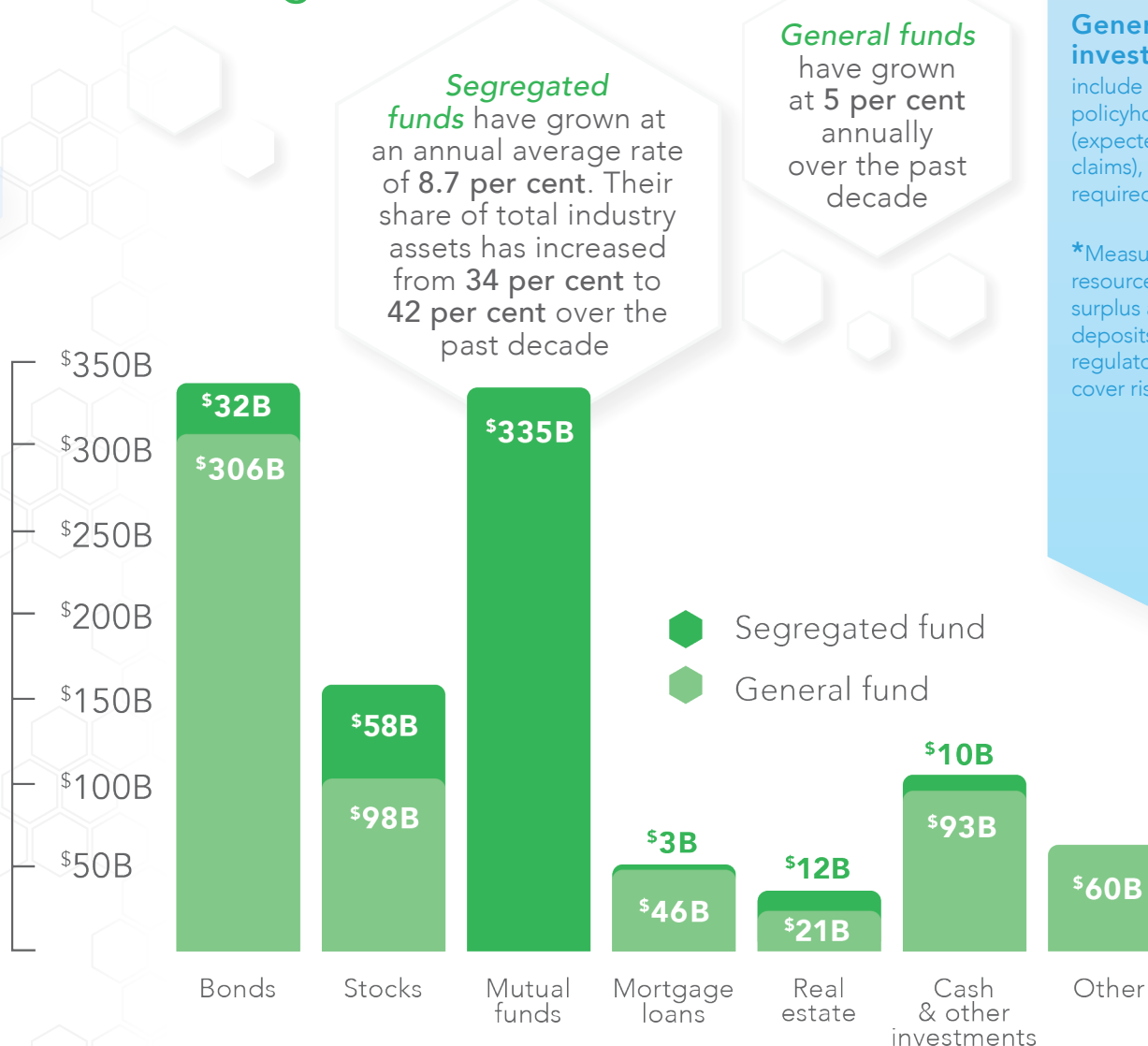
Provincial, territorial & municipal government bonds

**\$28
billion**

Federal government bonds



How insurers invest to cover future claims and contribute to Canada's economic growth



Notes

Segregated fund investments

A pool of investments held by a life insurance company that is managed separately (i.e. segregated) from its other investments and used to support annuity contracts.

General fund investments

include amounts for other policyholder benefits (expected future contractual claims), other liabilities and required capital.

*Measured as total capital resources (available capital, surplus allowance and eligible deposits) as a per cent of regulatory capital required to cover risks.

Insurers are strong and stable

2021

Capital ratio*
134%

Regulatory requirement
100%

Life and health insurers maintain very strong capital resources, enough to cover potential claims from policyholders, and to meet the rigorous expectations of government regulators.

Capital adequacy levels are maintained by retaining profits and by issuing equity and debt in capital markets.

Insurers' tax contributions



Canadian life and health insurers contributed over \$8.8 billion in taxes

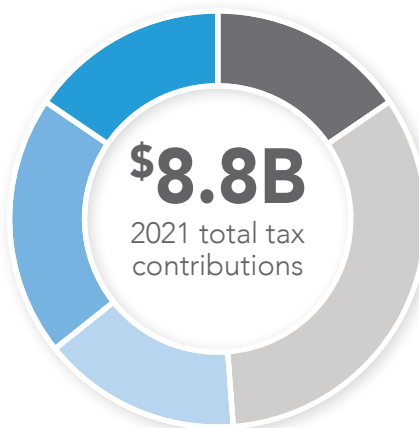
In 2021, insurance companies' contributions to Canada's tax base included \$2.9 billion paid to the federal government and \$5.9 billion paid to provincial/territorial governments. Of the total, \$4.7 billion was borne directly by insurers, and \$4.1 billion was collected and paid as provincial sales taxes on life and health insurance and as employees' share of payroll taxes.

Distribution of total tax contributions

Taxes borne: \$4.7B

- Corporate income tax & federal capital tax: \$1.6B
- Provincial premium tax: \$1.7B
- Payroll & other taxes borne: \$1.4B

Taxes borne are taxes paid by insurers directly to governments.



Taxes collected: \$4.1B

- Federal payroll taxes collected: \$1.3B
- Provincial retail sales tax on premiums: \$2.8B

Taxes collected are taxes that insurers collected from customers and employees and paid to governments on their behalf.

International operations

Canadian life and health insurers are trusted at home and around the globe

Canada's insurers provide coverage and services to 70 million people in over 20 jurisdictions. In fact, three of Canada's life and health insurers rank among the top 15 largest in the world.



20

countries & territories



70 million

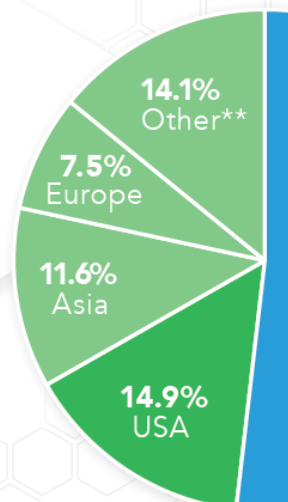
people protected outside of Canada



278,000

people employed outside of Canada

Source of premium income



Notes

*The industry's contribution is especially high for health insurance, accounting for over 50% of value-add generated. See Piling On - How Provincial Taxation of Insurance Premiums Costs Consumers, C.D. Howe Institute.

**Includes the Caribbean and Latin American countries

The industry's 2021 total tax contribution to all levels of government in Canada was **60% higher than its share** of Canada's GDP

>50%

of total tax contributions are premium-based taxes*

\$2.9B
+ **\$5.9B**

\$8.8B

Federal taxes

Provincial/territorial taxes

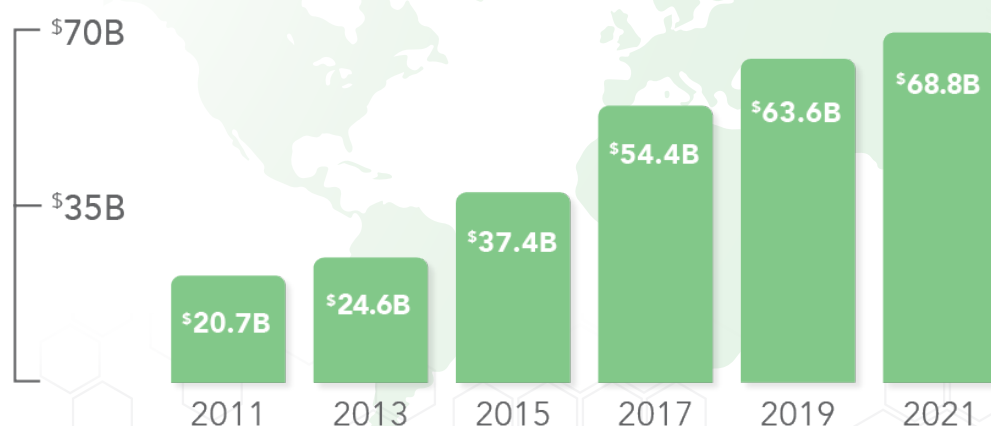
Total taxes

Canadian insurers' foreign assets continue to grow

Assets held by Canadian life and health insurers on behalf of policyholders outside of Canada amounted to nearly \$1.2 trillion at the end of 2021, twice the level from ten years ago.

Premiums

Revenue from premiums outside of North America has more than tripled since 2011



51.9%
Canada



For simplicity, we use the letters K, M, B, and T to refer to thousands, millions, billions and trillions, respectively.



Canadian Life and Health Insurance Facts, 2022 Edition presents authoritative, factual information about the life, health and annuity business of all federally registered and provincially incorporated insurance providers in Canada (including the health business of property and casualty insurers), unless stated otherwise. The sources of material for this publication include information from these insurance providers as well as relevant data from government agencies, regulatory bodies, and other associations. Their assistance is acknowledged with thanks.

The CLHIA is a voluntary association whose member companies account for 99 per cent of Canada's life and health insurance business. These insurers provide a wide range of financial security products including life insurance, annuities (including RRSPs, RRIFs and pensions) and supplementary health insurance to over 29 million Canadians. They hold over \$1 trillion in assets in Canada and employ more than 166,000 Canadians.

Wherever possible, figures presented here relate to the Canadian life and health insurance business of companies of all national origins. However, where relevant, the numbers relate only to the worldwide business of Canadian companies.

 www.clhia.ca

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