



# Canadian Life & Health Insurance Facts

2019 Edition

Canadian Life and Health Insurance Facts, 2019 Edition presents authoritative, factual information about life and health insurance in Canada.

It is published by the Canadian Life and Health Insurance Association (CLHIA). The CLHIA is a voluntary association whose member companies account for 99% of Canada's life and health insurance business. The industry provides a wide range of financial security products such as life insurance, annuities (including RRSPs, RRIFs and pensions) and supplementary health insurance to almost 29 million Canadians. It also holds over \$850 billion of assets in Canada and employs over 156,000 Canadians.

This edition includes 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.

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.

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In order to simplify the text, we use the letters K, M, B, and T to refer to thousands, millions, billions and trillions, respectively.

Provincial and historical data are available in the appendices.

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# President's message

Canada's life and health insurers provide coverage to make life more affordable.

Through workplace and individual plans, our member companies make a wide-range of health care services affordable to those who need them. Life insurance policies free millions of families from worry. And wealth management products help people plan confidently for retirement.

When Canadians buy these products, they aren't just taking out a policy. They are investing in their own, or their employees' financial security. They are accepting that life has risks. And they are choosing to answer that uncertainty by partnering with some of the most reliable and experienced financial institutions in the world.

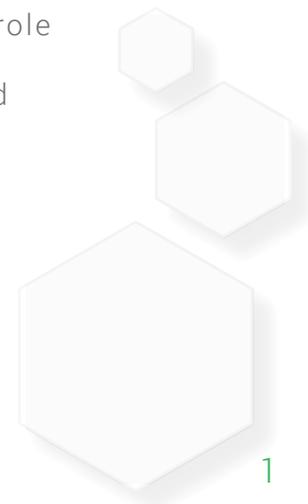


Canada's life and health insurers are diverse, including regional health insurers, non-profits, co-operatives and fraternal, as well as large companies with international reach. Together, in 2018 these insurers:

- Provided financial protection for 29 million Canadians, paying out \$98 billion in benefits
- Worked hard to meet our promises of clients' satisfaction, with only one in 100,000 claims resulting in a complaint
- Contributed to Canada's economic growth, making over \$780 billion in long-term investments and providing over 156,000 jobs
- Exported Canadian strength to the world, offering protection to 60 million people in 20 countries
- Were among the most stable and secure financial institutions in Canada, with capital reserves 39 per cent higher than what government regulators expect

Celebrating our 125th year in 2019, the CLHIA is especially proud of the role we continue to play in the success of our industry and their clients. We sincerely hope this data improves your understanding of our industry and its contributions to financial security in Canada and around the globe.

Stephen Frank  
**President & CEO**





# What's inside

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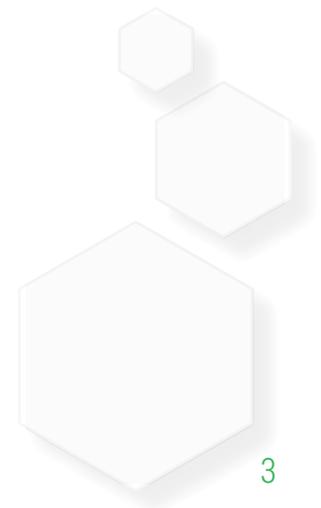
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# Industry profile

# Industry at a glance

## Canada's life and health insurers ...

Provide financial protection for **29 million** Canadians and pay out **\$98 billion** in benefits

Focus on consumer satisfaction, with **only 1 in 100,000** claims resulting in a complaint

Contribute to economic growth, making over **\$780 billion in long-term investments** in Canada and providing **over 156,000 jobs**



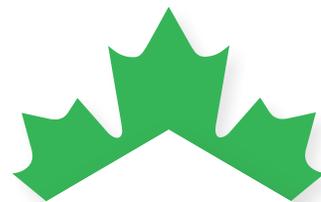
Are a source of financial security and stability with capital reserves **39% higher** than governments require



Bring Canadian strength to the world, offering protection to **60 million people in 20 countries**

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

Insurers provide life insurance, extended health coverage and retirement solutions through group and individual plans. In 2018, life and health insurers paid out \$98 billion in benefits while working to provide a high degree of customer satisfaction.



There are more than **160 life and health insurers** operating in Canada providing a competitive Canadian marketplace

## Coverage Benefits

### Life

**22 million**

Canadians own \$4.8 trillion in life insurance coverage

**\$13.2B**

- **\$7.7 billion** paid as death benefits
- **\$5.5 billion** paid to living policyholders as disability benefits, cash surrenders or dividends

### Health

**26 million**

Canadians have supplementary health insurance

**\$36.1B**

**\$11.7 billion** for prescription drugs, which accounts for **over 35% of Canada's total spending on prescription drugs**

### Retirement

**8 million**

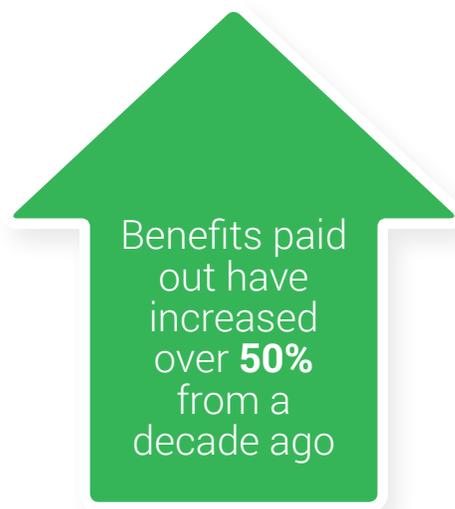
Canadians' retirement savings are managed by the industry

**\$48.7B**

Annuity payments on employer-sponsored and individual products **increased by 76% over the past decade**

**Over 90%**

of benefit payments went to living policyholders



Benefits paid out have increased over **50%** from a decade ago

## Notes

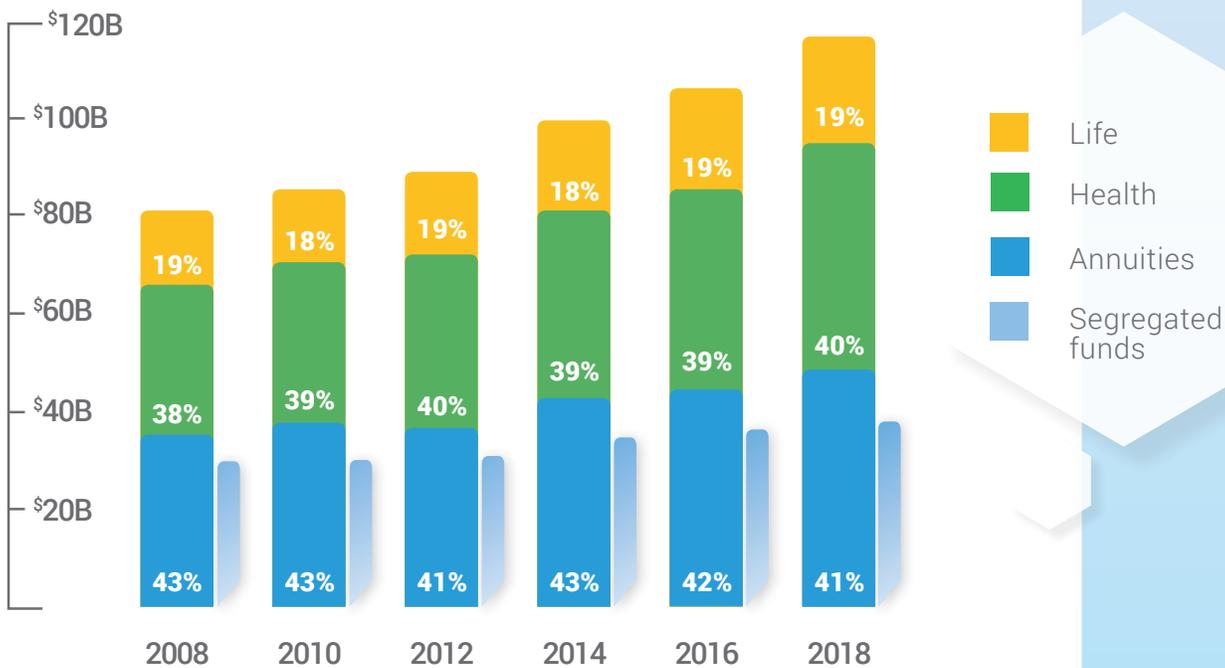
\* Including premium revenues of \$3.2 billion from foreign branches operating in Canada

Consumer complaints  
Visit [www.olhi.ca](http://www.olhi.ca)

Consumer protection  
Visit [www.assuris.ca](http://www.assuris.ca)

## Life and health insurers collected \$117 billion in premium revenues

Total premiums in Canada rose to \$117 billion in 2018.\* Year-over-year growth was led by health insurance, up 7.8 per cent; followed by annuities (including segregated funds), up 4 per cent; and life insurance, up 3.8 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 result in a complaint.







# Lines of business

# Life insurance

## Life insurance provides families with financial security

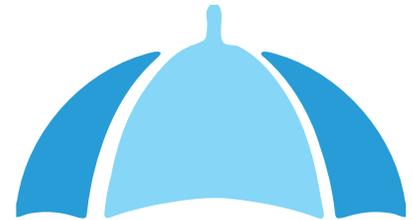
Canadians buy life insurance primarily to provide financial protection for their families in the event of death. Benefits from a life insurance policy are used to replace income for families, pay a mortgage or other debts of the deceased, or contribute to an estate.

**22 million**

Canadians own

**\$4.8 trillion**

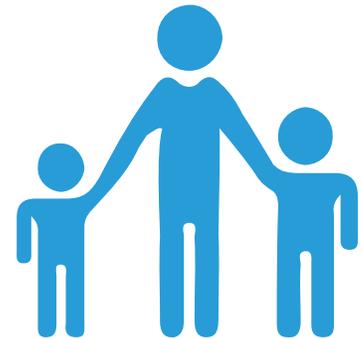
in life insurance coverage



The average life insurance protection per household in Canada is

**\$423,000**

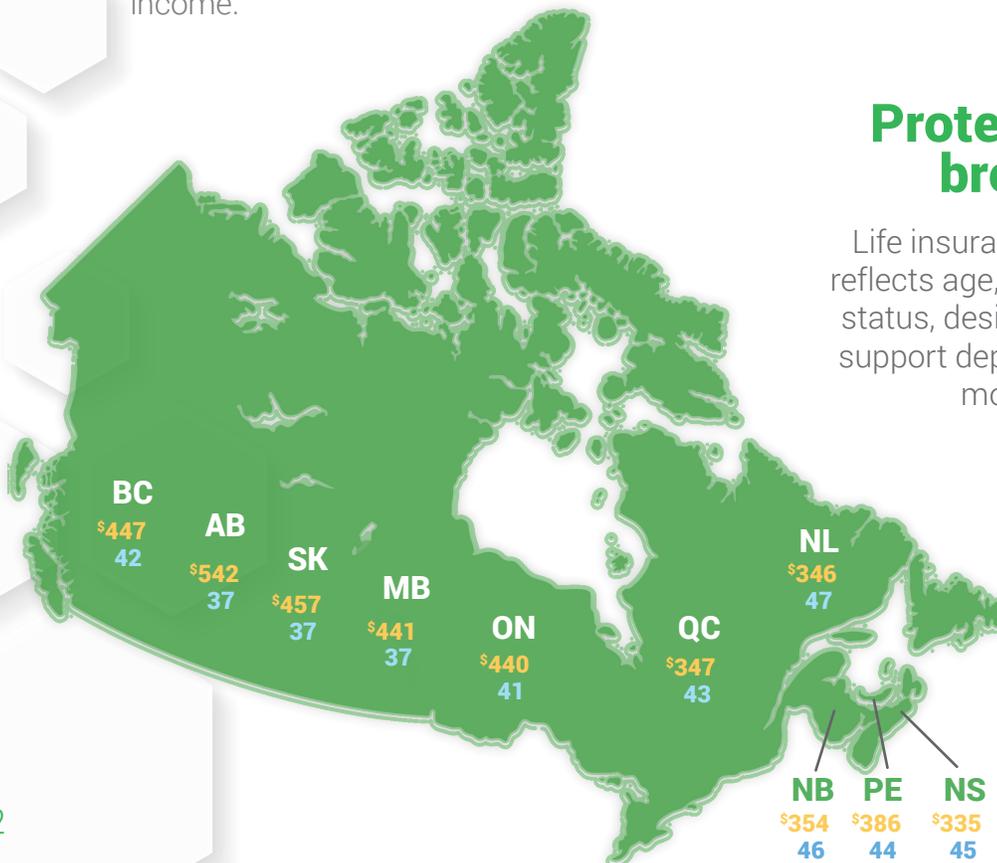
That's **up from \$417,000 in 2017**, approximating five times household income.



## Protection & age breakdown

Life insurance coverage closely reflects age, income levels, marital status, desired level of income to support dependents, outstanding mortgages, etc.

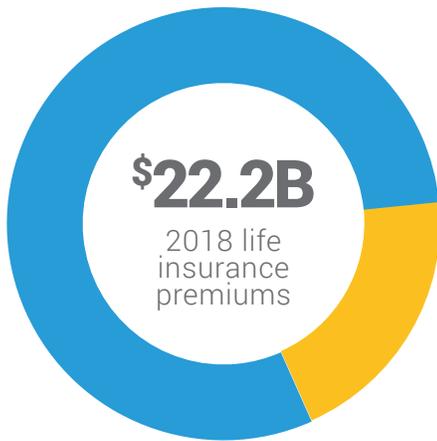
- Average protection per insured household (\$ thousands)
- Median age



# Notes

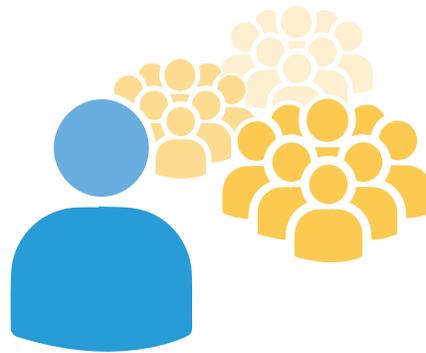
## Eighty per cent of life insurance premiums are paid to purchase individual policies

How Canadians purchase life insurance policies

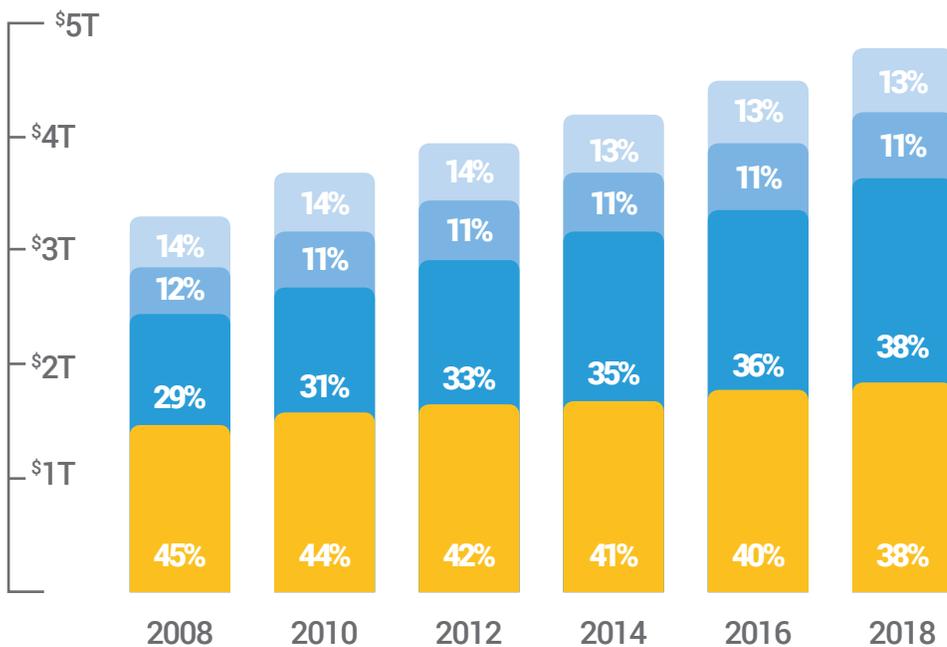


Most life insurance policies are purchased by individuals through an agent or advisor. A relatively smaller amount is purchased as part of a group policy through an employer or as members of an association.

- Individual: 80%
- Group: 20%



Individual life insurance in-force has grown faster than group in the past decade, accounting for 62% of the total, up from 55% in 2008. This is mostly driven by growth in individual term life insurance.



- Individual universal life
- Individual whole life
- Individual term
- Group term

**Term insurance** provides cost-effective, temporary coverage over an insured's younger years. 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** 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.

**Whole life insurance** is the traditional form of permanent insurance where the insurer takes on both the risk related to death and the underlying investment risk.

**Universal life insurance** is a flexible form of permanent life insurance where consumers select investment options and the insurer assumes the risk related to death.

# Retirement solutions

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

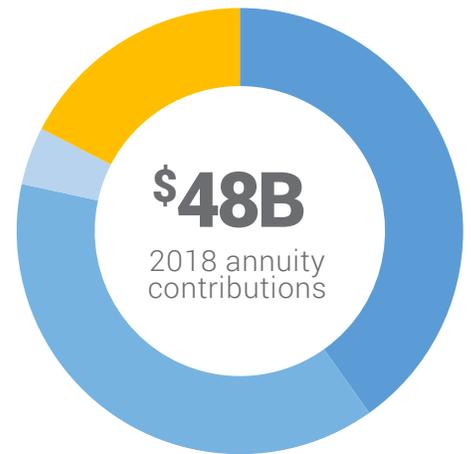
Over 85 per cent of small businesses that provide pensions, RRSPs, TFSA's, RRIFs to employees offer these through life and health insurers.

### Benefits of owning annuities

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



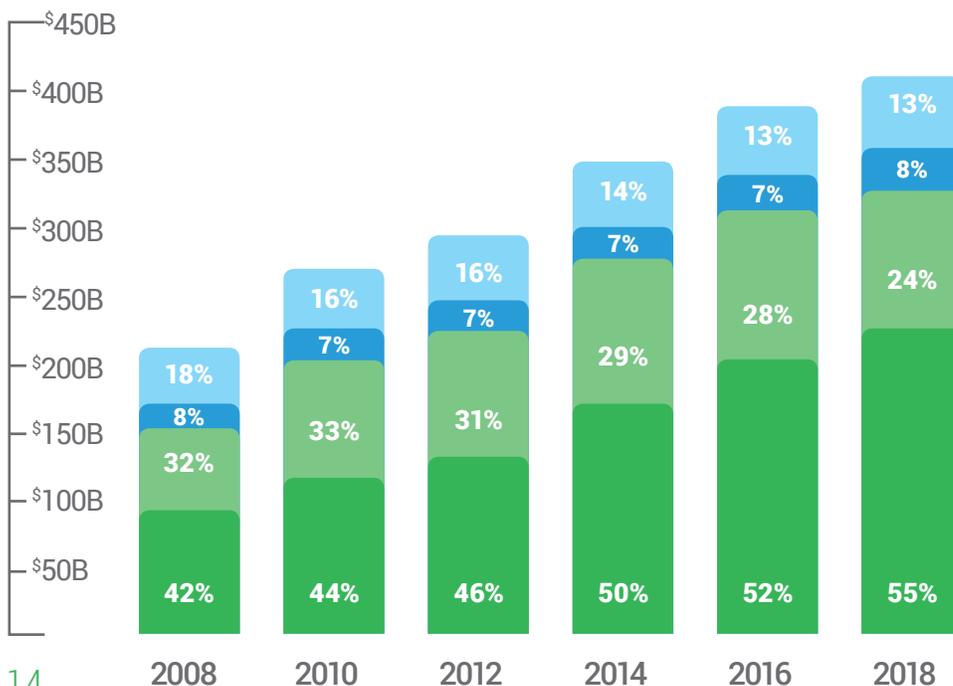
Sources of annuity contributions



- Pension plans
- RRSPs & TFSA's
- RRIFs
- Non-registered savings

## Growing assets to support retirees

Growth in retirement assets held by insurers over the past decade has been driven mostly by accumulation annuities - up an average of 7 per cent annually since 2008.



**79%**  
of assets are in the accumulation stage – up from 74% a decade ago

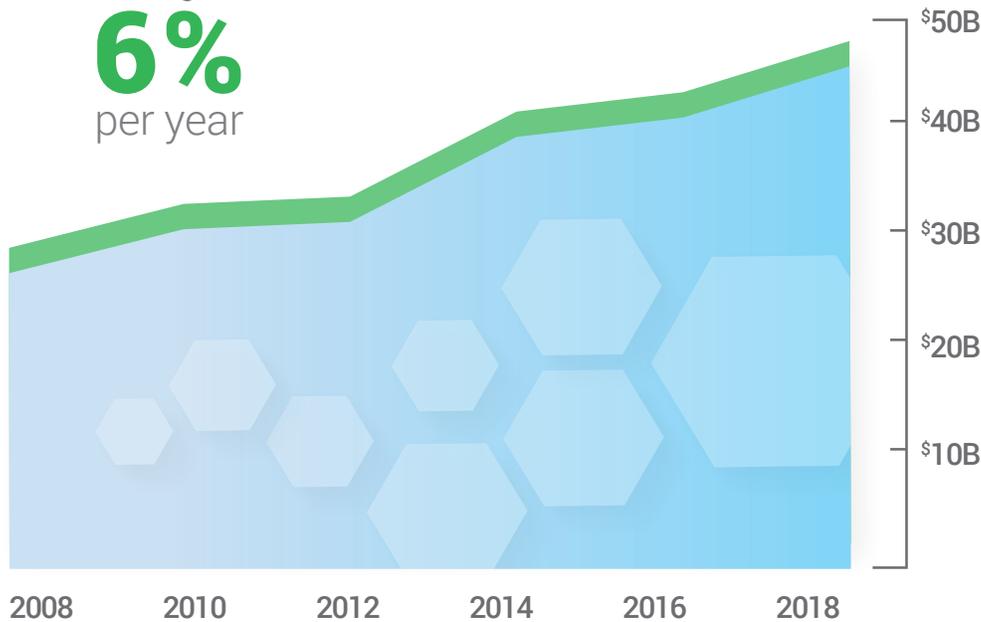
- Individual payout
- Group payout
- Individual accumulation
- Group accumulation

## Notes

# Insurers paid out \$48.7 billion in retirement benefits in 2018

Since 2008, benefits have increased at an average rate of

**6%**  
per year



# Insurers manage \$321 billion of Canada's pension funds

Canada's total pension assets reached **\$3.8 trillion at the end of 2017**. This includes \$694 billion in assets held by about 15,400 private employer-based plans which provide retirement protection for about 3 million Canadians.\*

**\$694B**

Private (employer-based)

**\$172 billion is managed by life insurers**

**\$1,233B**

Personal (RRSPs, TFSA, etc)

**\$149 billion is managed by life insurers**

**\$1,912B**

Public pensions (CPP/QPP + government employees)

### Lifetime income benefits

A feature of annuities that manages the risk of outliving savings.

### Maturity guarantees

An annuity feature to manage risk of volatile investment returns.

### Pension plan de-risking

Employers may transfer the investment and survival risks associated with defined benefit plan members to insurers who specialize in managing these risks.

### Accumulation annuities

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

### Pay-out annuities

This type of annuity can provide guaranteed income for life, just like a DB pension. Only life insurers can guarantee income for life.

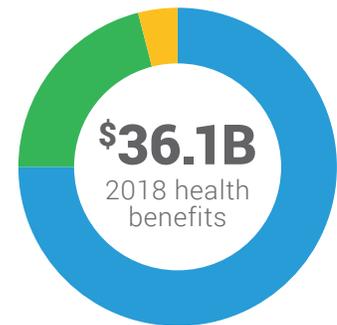
\*According to Statistics Canada Pension Satellite Account, 2017. Data excludes unfunded liabilities for public Old Age Security of about \$1.6 trillion.

# Health insurance

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

In 2018, insurers covered \$26.9 billion in extended health care costs, including the costs of prescription drugs, dental procedures and added hospital costs. Canada's life and health insurers also covered costs of disability claims and other insurable services. These benefits cover expenses beyond those covered by public health plans.

Benefits by coverage type



### Extended health

**26M** Canadians covered  
**\$26.9B** in benefits

### Disability

**12M** Canadians covered  
**\$7.8B** in benefits

### Accident & other

**20M** Canadians covered  
**\$1.4B** in benefits

## Extended health breakdown



**\$11.7B**  
Drugs



**\$8.5B**  
Dental



**\$3.9B**  
Paramedical\*  
& vision



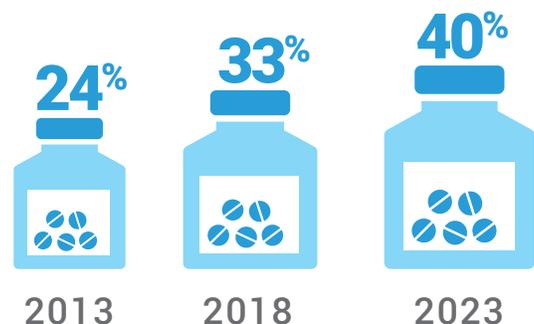
**\$1.9B**  
Hospital



**\$0.9B**  
Travel

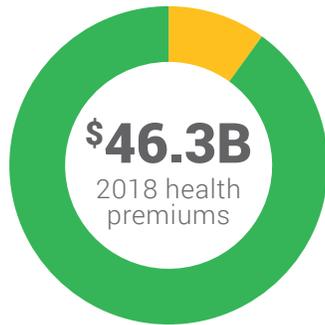
## Specialty drugs

In 2018, specialty drugs, such as drugs for rare diseases, accounted for 2 per cent of the total number of prescription drug claims, but made up 33 per cent of the costs - this cost is anticipated to reach 40 per cent by 2023.\*\*



## Ninety per cent of premiums are paid to purchase group plans

How health insurance is purchased



Canadians access health insurance in two ways, through group plans provided by employers, unions or professional associations, and individual plans that are purchased by individual consumers.

- Individual: 10%
- Group: 90%

**80%** of working Canadians and their families are protected by private health insurance plans, up from 73 per cent a decade ago.



## Cost-effective health protection

Insurers put almost 90 per cent of health premiums to work, providing benefits to policy holders. (5-year average)

**7%**  
operating costs

**3%**  
taxes



**87%**  
paid out to policy holders as benefits

**3%**  
profits

## Notes

### Extended health

Reimburses a variety of expenses, such as prescription drugs, dental, hospital and medical expenses, 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.

### \* Paramedical

Refers to services and professions, such as physiotherapy, that supplement and support medical treatment

### \*\* Source

Drug Trend Report, Express Scripts Canada





# Industry in detail

# How insurers invest

## Insurers are a significant source of long-term investments

**\$780B**

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.

**insurance cost**

**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

**\$46B**

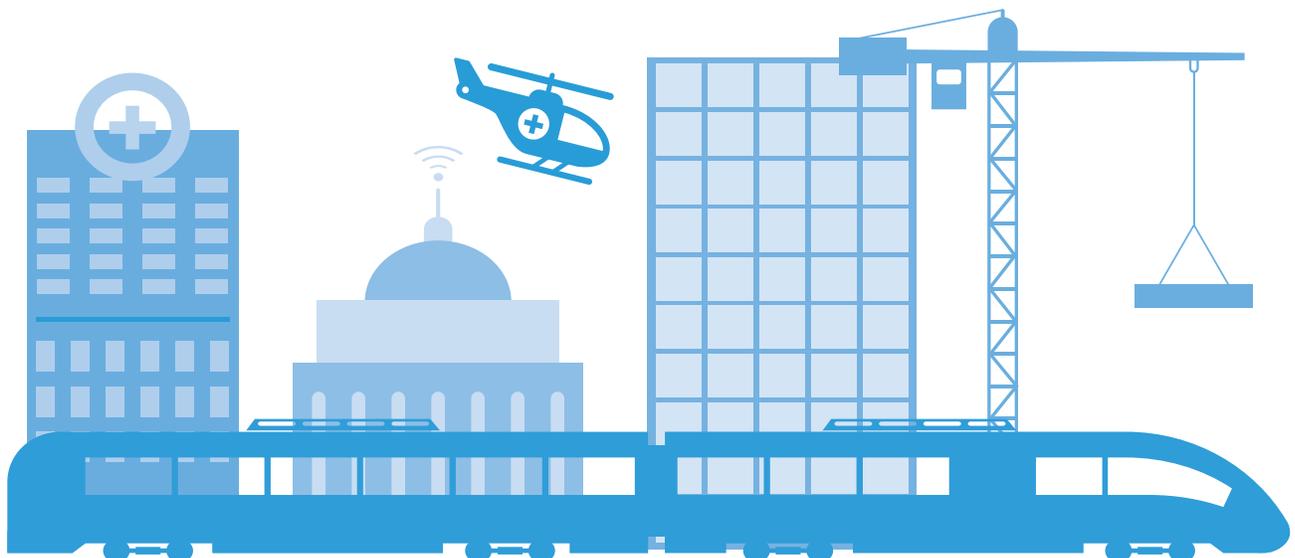
Infrastructure investments

**\$110B**

Provincial & municipal government bonds

**\$26B**

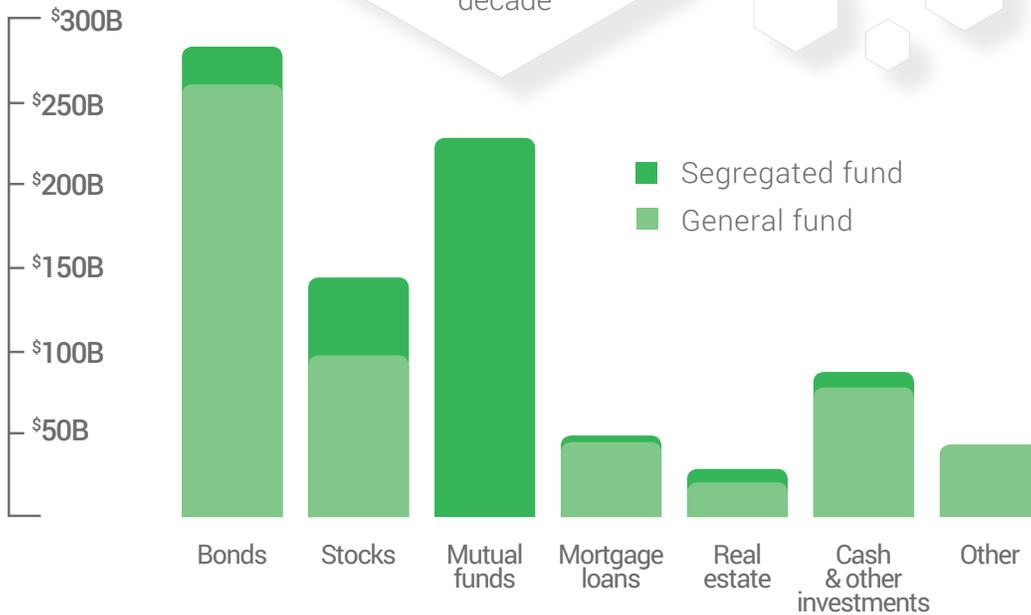
Federal government bonds



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

**Segregated funds** have grown at an annual average rate of 8.7 per cent - its share of total assets has increased from 31 per cent to 38 per cent over the past decade

**General funds** have grown at 5.5 per cent annually since 2008



## Insurers are strong and stable

2018

Capital ratio\*  
**139%**

Regulatory requirement  
**100%**

Life and health insurers maintain very strong capital reserves, 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.

## Notes

### Segregated fund investments

primarily support annuity contracts, where the investment risk is retained by policyholders.

### General fund investments

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

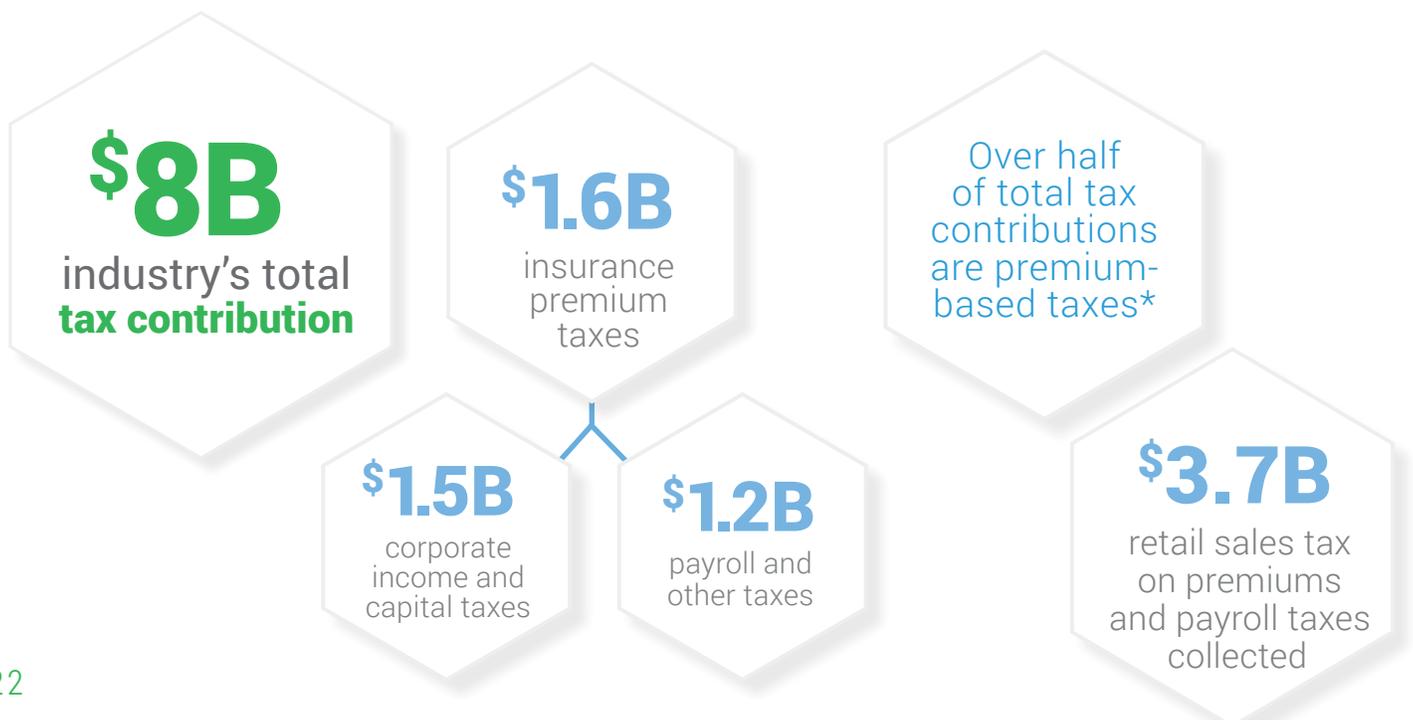
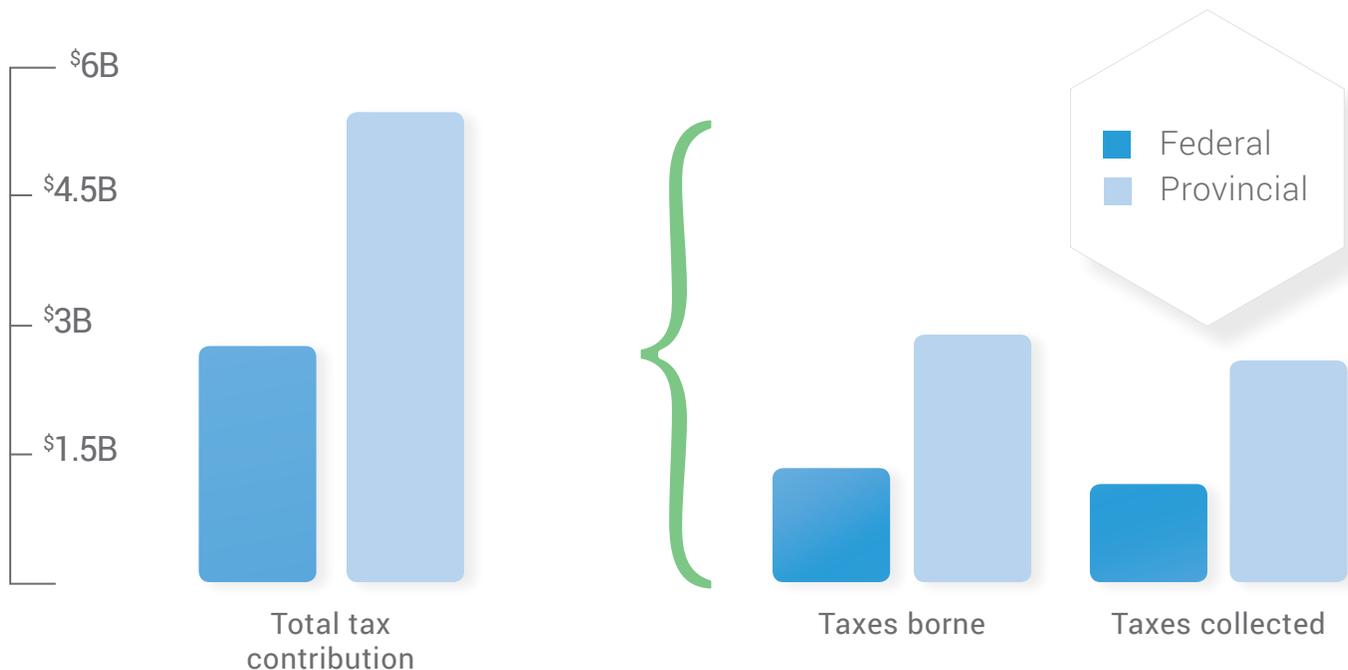
\* Measured as available capital as a per cent of regulatory capital required to cover risks. In 2018, OSFI and Quebec's AMF changed how they calculate capital ratios resulting in a one-time reduction of the ratio.

# Industry's tax contributions

## Canadian life and health insurers contributed over \$8 billion in taxes

In 2018, insurance companies' contributions to Canada's tax base included \$2.6 billion and \$5.4 billion paid to the federal and provincial governments respectively. Of this \$4.3 billion was borne directly by insurers. A further \$3.7 billion was collected and paid as provincial sales taxes on life and health insurance and as employees' share of payroll taxes.

The industry's 2018 total tax contribution to all levels of government in Canada was nearly twice its share of Canada's GDP.



# International operations

## Notes

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

Canada's insurers provide coverage and services to 60 million people in 20 jurisdictions. In fact, three of Canada's life and health insurers rank among the top 15 largest in the world.



\* 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*, CD Howe Institute.

### Canadian insurers' foreign assets continue to grow

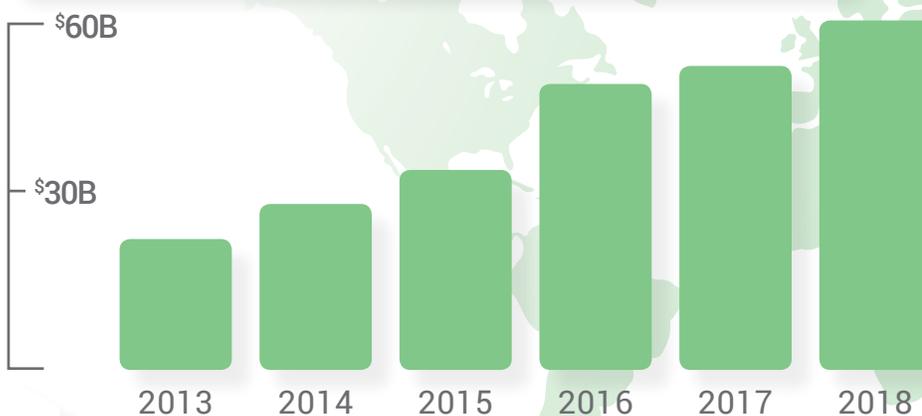
Assets held by Canadian life and health insurers on behalf of policyholders outside of Canada amounted to \$898 billion at the end of 2018, up 37 per cent from five years ago.

### Source of premiums



\*\* Includes the Caribbean and Latin American countries

### Revenue from premiums outside of North America have more than doubled since 2013







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