



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

2023 PROVINCIAL BUDGET SUBMISSION

Presented to the

HONOURABLE ALLAN MACMASTER MINISTER OF FINANCE AND TREASURY BOARD

February 3, 2023





The Canadian Life and Health Insurance Association (CLHIA) is pleased to provide its comments to the Nova Scotia Minister of Finance and Treasury Board in advance of the 2023 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 740,000 Nova Scotians

- 730,000 with drug, dental and other health benefits
- 580,000 with life insurance averaging \$191,000 per insured
- 280,000 with disability income protection



\$3.1 billion in payments to Nova Scotians

- \$1.5 billion in annuities
- \$1.2 billion in health and disability claims
- \$0.4 billion in life insurance policies



\$59 million in provincial tax contributions

- \$14 million in corporate income tax
- \$8 million in payroll and other taxes
- \$37 million in premium tax



Investing in Nova Scotians

- \$25 billion in total invested assets
- 97% 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.

Our industry showed remarkable resilience 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.

We believe that working together with all levels of government to help maintain benefits for workers in Nova Scotia and across the country will be crucial as Nova Scotians struggle with affordability challenges and inflation continues to rise. In 2021, 730,000 Nova Scotians had coverage for supplementary health insurance, which provided access to medications and other health care services.

In this submission, we have provided four recommendations for consideration for the upcoming 2023 provincial budget. We believe that these recommendations will help support the government as it advances solutions on key priority areas such as healthcare and the economy.



1. SUPPORTING WORKPLACE HEALTH BENEFIT PLANS

Overview

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, 730,000 Nova Scotians had supplementary health insurance and \$950 million in health insurance benefits were paid.

Nova Scotians value their benefit plans that provide them with access to prescription medicines, vision care, dental care, and mental health supports. For example, in 2021 the industry paid out \$13 billion in prescription medication claims to Canadians—representing 35 per cent of national drug spending.

Eighty-eight per cent of Canadians with access to an employer sponsored benefits plans say that they find it helpful with access and affordability for a variety of health services. It is important that Nova Scotians continue to have access to these benefit plans and that any new programs do not disrupt existing coverage.

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.

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. It is important that the new program continue to target supports for those without access to existing coverage in a way that would not reduce benefits and coverage from workplace benefits plans and provincial plans and would not result in fewer Canadians accessing dental benefits.

We recommend that the government ensure that Nova Scotians 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 Nova Scotians with comprehensive access to a wide range of dental care services.

2. PENSION INNOVATION

Automatic Features

Universal access to workplace pension and savings plans can help Nova Scotians achieve greater financial security in retirement. There is a significant savings shortfall and declining pension coverage for individuals at all age cohorts in Nova Scotia 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 recommend that Nova Scotia amend the Pension Benefits Act to enable automatic plan enrollment. This change will make it easier for Nova Scotians to achieve lifetime financial security through higher retirement income. It will also improve Nova Scotia’s productivity, competitiveness and health outcomes.

Enhancing Decumulation Solutions

We also support enhanced retirement income security for all Nova Scotians, including access to widely available, effective and innovative retirement income solutions. Individuals saving for retirement seldom know either the amount of retirement income they can draw from those savings or how long those savings must last.

To help address this, the federal government enacted in 2021 – Variable Payment Life Annuities (VPLAs) and Advanced Life Deferred Annuities (ALDAs), two decumulation solutions intended to help Canadian retirees.

The CLHIA continues to believe the VPLA legislation, as enacted, would only enable a select minority of Canadians participating in Defined Contribution Registered Pension Plans (DC plans) or Pooled Registered Pension Plans (PRPPs), as we estimate it requires at least 10,000 plus active members to provide the scale for a stable VPLA solution. The current measures do not take into consideration many other retirees who are members of smaller DC or PRPP plans that lack scale for a standalone VPLA solution. The CLHIA believes in standalone VPLAs that can pool funds from across DC plans, PRPPs, as well as Group RRSPs to maximize participation and provide a potentially stable income for the many hundreds of thousands of Canadians expected to retire each year.

In order to provide sustainable, affordable retirement income arrangements for older Nova Scotia residents, we encourage the government to monitor and parallel federal measures to introduce ALDAs and VPLAs as new retirement income options and encourage the federal government to permit standalone VPLAs.

3. SUPPORT PRIVATE SECTOR INVESTMENT IN INFRASTRUCTURE PROJECTS

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.

Insurers remain a leading source of long-term infrastructure financing and have participated in various infrastructure projects ranging from roads to wastewater systems. In 2021 alone, the industry invested \$60 billion in infrastructure.

However, the industry is able and wants to do more. Our industry recognizes the importance of infrastructure investment in driving economic growth, supporting economic recovery and in delivering much needed assets that serve Nova Scotians on a daily basis. In addition to the economic benefits, we also recognize the role sustainable infrastructure plays in mitigating disaster related consequences, such as flooding and severe storms and negative implications to Nova Scotians' mortality and health.

We recommend the government continue to leverage our industry's investment capacity in order to expand and accelerate long-term infrastructure projects by structuring projects to attract long-term investors, allowing Nova Scotia to modernize its infrastructure and make the economy more productive and competitive.

4. SUPPORTING A DYNAMIC AND INNOVATIVE BUSINESS CLIMATE

Nova Scotia imposes a three per cent tax on life, health and disability insurance premiums. Life insurers – and consequently insured Nova Scotians – paid close to \$37 million in premium taxes in 2021. The premium tax is outdated – it predates corporate income taxes and imposes a supplemental tax burden nearly three times the \$14 million in corporate income taxes levied on life and health insurance companies in Nova Scotia in 2021.

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

CONCLUSION

The industry greatly appreciates the opportunity to provide comments on Nova Scotia's 2023-24 Budget. Should you have any questions, you may contact Susan Murray, Vice President, Government Relations and Policy at smurray@clhia.ca



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