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

2026-27 PROVINCIAL BUDGET SUBMISSION
Presented to
HONOURABLE JOHN LOHR
MINISTER OF FINANCE AND TREASURY BOARD

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INTRODUCTION

The Canadian Life and Health Insurance Association (CLHIA) is pleased to provide its recommendations to Nova Scotia on the 2026-2027 Budget.

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. Our industry also plays a key role in providing financial security to Canadians.

$71 million in provincial tax contributions

$19 million
in corporate income tax

$9 million
in payroll and other taxes

$43 million
in premium tax

Investing in Nova Scotia

$27 billion
in total invested assets

97%
held in long-term investments

Protecting **780,000 Nova Scotians**

780,000
with drug, dental and other health benefits

560,000
with life insurance averaging $215,000 per insured

290,000
with disability income protection

$3.4 billion in payments to Nova Scotians

$1.6 billion
in health and disability claims

$0.5 billion
in life insurance claims paid

$1.3 billion
in annuities

In 2024, the industry employed more than 180,000 Canadians, including nearly 4,000 in Nova Scotia. These jobs not only support the provincial economy but enables Nova Scotians to access the workplace benefit plans that they rely on.

In this submission, we have provided recommendations for consideration for the upcoming 2026-2027 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.

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 2024, 780,000 Nova Scotians had supplementary health insurance and $1.3 billion in health insurance benefits were paid. This coverage provides much-needed financial relief, especially during times of economic uncertainty. In Nova

Scotia, life and health insurers offer Nova Scotians robust benefit plans with access to extended health services such as physiotherapy, chiropractic services and massage services that are not covered through public plans, helping keep the workforce healthy. Nova Scotians value their benefits and do not want to put those at risk.

Collaboration between our sector and the province is essential. Provinces and territories already provide programs to many citizens and have infrastructure to deliver these services. It is important that provinces and territories continue to coordinate with workplace benefit plans and ensure policies and programs do not have unintended consequences on workplace benefit plans that can negatively impact the health of Nova Scotians. Additionally, as our sector is a key partner in the healthcare system, we can provide valuable insights that can benefit the province as the government considers health priorities and solutions.

Our industry is working proactively with the province on Universal Mental Health services for Nova Scotians, and we look forward to continuing that collaboration.

Support for prescription drugs

Our industry is concerned about the risks posed by the *Pharmacare Act* in widening the gaps in prescription drug coverage. Current agreements with provinces support single payer pharmacare. A single payer, first dollar coverage program risks disrupting over 150,000 Nova Scotians with existing coverage through workplace benefit plans for diabetes medications or contraceptives, with over 70,000 Nova Scotians that could be pushed off their existing plan and nearly 81,000 Nova Scotians that could be forced to switch medications or pay out-of-pocket for their current medications.

Canadians in pharmacare provinces have been pushed off their existing plan for medications on the pharmacare formulary, and some have been forced to reapply for pre-approvals for some medications, putting additional burden on already struggling health systems. A better approach is to target scarce public resources to those who do not have existing drug coverage. Savings from not duplicating existing prescription drug access via employer plans could be reallocated to expand access for those who need drug coverage to a greater number of medications.

We continue to believe that the best use of limited taxpayer dollars is to focus on those without coverage. This would help avoid disrupting the existing coverage of Nova Scotians that rely on access to diabetes medication, related products and contraceptives that meet their needs and are offered through and paid for by workplace benefit plans.

Standing together, provincial and territorial governments are the strongest possible advocates for the healthcare needs of their residents. ***We recommend that the provincial government:***

- ***Work with our industry to develop mechanisms to ensure continued coverage through workplace health benefit plans for all medications; and,***
- ***Support universal access to medication through a fill-the-gaps system and focus resources on those without access to prescription drug coverage.***

Continued access to virtual care services

In 2023, over 10 million Canadians, including over 166,000 Nova Scotians, had access to virtual care through their workplace benefit plans, delivering more than half a million virtual care visits.

This is a critical service for Canadians and helps provide access to needed physical and mental health care for the over 6 million Canadians without a family doctor. Taking away employer funded virtual care from over 166,000 Nova Scotians without a plan for how to provide access for these individuals will worsen the primary care access gap.

As you may know, the former federal Minister of Health sent the Canada Health Act interpretation letter to the provincial and territorial Health Ministers on January 10, 2025. The letter does not help address the primary care crisis in Canada nor does it provide reassurance to the 10 million Canadians who rely on employer-funded virtual care.

Provinces should continue to have the flexibility to offer their residents the choice of virtual care options. It is a critical component of Canada's health care system and should be supported by all governments as an important model to support access to care in Canada. As Nova Scotia works to increase residents' access to primary care, access to virtual care services can assist with supporting this initiative.

Insurers have called on the federal government to provide flexibility to provinces and territories to maintain virtual care services that are enabling complementary access to care for the millions of Canadians in every region, including millions without a primary care provider.

We encourage Nova Scotia to advocate to the federal government to continue to permit virtual primary care services for Canadians, including employer funded virtual care.

Further, we encourage Nova Scotians to protect access to virtual care by permitting and encouraging employer funded virtual care through regulation. CLHIA would be happy to work with Nova Scotia on regulation that would achieve these health objectives while ensuring Canadians do not pay out of pocket for healthcare.

Support for mental health access

We believe that all levels of government and the private sector have a role to play in helping curb Canada's mental health crisis. Our industry plays a significant role in improving the mental health of Canadians. For example, in 2024, our industry paid out $910 million in mental health support to Canadians.

As the Nova Scotia government implements a universal mental health and addictions care program, we appreciate the continued consultation Nova Scotia has had with health insurers to develop a plan that does not jeopardize coverage through employer plans. **We recommend this collaboration and engagement between public and private payers continue post implementation and through pilot, to help ensure mental health care is accessible, high quality and patient focused**.

PRIVATE SECTOR INVESTMENT IN INFRASTRUCTURE PROJECTS

Due to the long-term nature of liabilities held by life and health insurers, we are seeking opportunities to commit long-term financing towards infrastructure projects. As a substantial investor in the Canadian economy, Canadian life and health insurers have already invested $50 billion in domestic infrastructure.

Canadian life and health insurance products routinely last more than 50 years resulting in predictable, long-term, liabilities. This makes life insurers ideal partners for long-term infrastructure projects and provides opportunities for Nova Scotia to partner with the life and health insurance industry.

We recommend the government leverage our industry's investment capacity and expertise, through partnerships, to expand and accelerate long-term financing structures, create a framework to develop policies which attract private capital, and remove regulatory inefficiencies.

Municipalities, who maintain and build most of Canada's infrastructure, need access to large capital pools and a guarantee of financial support for privately funded resiliency projects. It can be a challenge for governments, particularly at the municipal level, to attract sufficient bids to finance smaller projects. A way to solve this issue is to "pool" multiple projects to secure better financing terms and attract private sector investment.

We recommend that the government work with municipalities to pool smaller infrastructure projects to attract private capital.

Public agencies should work to ensure public investment is not crowding out private capital. Public funds should not be used to finance infrastructure projects that could be financed by the private sector.

We recommend the government work with public investment agencies to ensure that it is not crowding out private capital, and rather using public funds to finance projects that cannot be financed by the private sector

REDUCING INTERPROVINCIAL BARRIERS AND ENHANCING REGULATORY HARMONIZATION

We welcome the introduction of measures to reduce internal trade barriers in Canada including the *Free Trade and Mobility within Canada Act*. Given that CLHIA members have business across the country, it is important that there is consistency in the rules governing the business of insurance.

The current regulatory environment imposes significant and growing compliance costs on insurers. Our sector is accountable to more than 40 regulators across federal and provincial jurisdictions, resulting in overlapping and duplicative requirements that add complexity and confusion for consumers. Given the current economic and competitive pressures Canada is currently facing, there is an urgent need to enhance regulatory harmonization to ensure that our regulatory landscape supports Canada's competitiveness.

One opportunity to improve regulatory harmonization is for the licensing of insurance agents. Licensing requirements for life and health insurance agents vary by province. For an insurance agent to sell insurance in multiple Canadian provinces, the agent needs to obtain a license in each province they operate in.

Harmonizing licensing for insurance agents can benefit consumers. Currently, when a consumer moves to another province or an agent is referred to business in another province, they need to obtain a license or cannot service that client. A harmonized system would allow the consumer to continue to be served by their insurance agent without finding a new one.

Another opportunity to remove interprovincial barriers is to develop a framework for mutual recognition of advisor licenses, meaning that insurance agents licensed in one province can operate in any province in Canada, if they meet minimum standards. Mutual recognition would help reduce administrative burden on both regulators and advisors. It would also benefit consumers by providing easier access to advisors across Canada and improve continuity of service across jurisdictions when consumers move between provinces.

We recommend that Nova Scotia work collaboratively with other provinces to harmonize advisor licensing requirements and develop a framework for mutual recognition of advisor licenses.

A number of other provinces have made legislative amendments to modernize their insurance legislation that 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, insurance legislation in Nova Scotia is out of date with modernized insurance provisions and is, as a consequence, no longer harmonized with other provincial insurance acts.

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 recommend that Nova Scotia modernize its Insurance Act to update and harmonize with other provincial insurance legislation.

PENSION INNOVATION

CLHIA supports the concept of Variable Payment Life Annuities (VPLAs) currently being developed federally and provincially (i.e., Quebec, Ontario and Saskatchewan) to help retirees access a secure and reliable income stream in retirement.

To help ensure that the product is viable and accessible to as many Canadians as possible, it is important that legislation and regulations for VPLAs be principles-based, ensure sufficient scale, provide for a single Canada-wide pooled solution under both federal and provincial legislation to ensure a harmonized experience, and use market-based pricing.

More specifically, the VPLA framework should allow funds from other registered retirement plans (not just those from Defined Contribution Pension Plans and/or Pooled Registered Pension Plans) in order to maximize the ability of Canadians to effectively secure a post-retirement income stream. This includes funds in RRSPs, Registered Retirement Income Funds (RIFFs), Deferred Profit-Sharing Plans (DPSPs), Locked-in Retirement Accounts (LIRAs) and Life Income Funds (LIFs). Also, to keep costs down and to keep the product affordable, governments should not make VPLAs overly complicated or administratively burdensome.

Finally, as the federal government passed legislation to support VPLAs in 2021 (over four years ago), with little movement since, we would strongly recommend the federal and provincial governments move forward with legislation and regulations so that VPLAs can be made available so that more Canadians can retire with confidence.

We strongly encourage the federal and provincial governments work to develop a VPLA framework that allows for maximum flexibility in terms of a design framework and a harmonized experience for all Canadians.

There is a significant savings shortfall and declining pension coverage for individuals across Canada. It is estimated that approximately 40% of employees in Canada do not take full advantage of these workplace plans, leaving as much as $3 billion on the table annually in free money in the form of matching employer contributions.

Automatic features – which include automatic enrolment, contributions, and escalation – are an effective way of helping employees take full advantage of their workplace and retirement savings plans and to optimize their future income.

Necessary reforms to allow automatic features for federally regulated workspaces would include legislative amendments to the *Pension Benefits Act* (PBA) and *The Canada Labour Code* so that employers can make payroll deductions for the purposes of employees participating in a workplace savings program using automatic features while allowing employees to “opt out” should they decide not to participate.

Nova Scotia leadership in introducing these reforms would not only improve the retirement security of those employed in the province’s workplaces it would also serve as a precedent for other provinces to follow in bringing the same benefits to the many more workers employed in provincially regulated workspaces.

We recommend that the Nova Scotia government make legislative and regulatory amendments to permit employers to use automatic features within their voluntary workplace pension and savings plans.

SUPPORTING A DYNAMIC AND INNOVATIVE BUSINESS CLIMATE

Nova Scotia imposes a 3 per cent tax on life, health and disability insurance premiums. Life insurers − and consequently insured Nova Scotians − paid $43 million in premium taxes in 2024. The premium tax is outdated – it predates corporate income taxes and imposes a supplemental tax burden more than double the $19 million in corporate income taxes levied on life and health insurance companies in Nova Scotia in 2024.

Furthermore, premiums for some permanent insurance products such as universal life policies embed a savings component in the premium along with cost of insurance. In the current regime, the premium tax is applied on the entire premium amount paid by a policyholder whether it is to support the insurance component or the savings component of the policy. There are no comparable taxes being applied on savings deposited in products offered by banks, credit unions, trust companies or the securities industry thereby putting the insurance industry at a disadvantage.

Premium taxes directly increase the cost of insurance, causing existing employers in Nova Scotia to provide fewer life, health, and disability insurance benefits to their employees and driving individual consumers to purchase less protection than they would in the absence of these taxes. This is counter productive and discourages individuals from arranging for their future financial security through insurance products.

We recommend that Nova Scotia develop a tangible plan to reduce and eventually eliminate premium-based taxes as fiscal circumstances permit. Such a move would encourage employers and individual Nova Scotians to maintain or expand employment in Nova Scotia.

CONCLUSION

The industry greatly appreciates the opportunity to provide comments on the Nova Scotia 2026-2027 Budget. Should you have any questions, you may contact Sarah Hobbs, Vice President Policy at shobbs@clhia.ca.

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