



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

2023 PROVINCIAL BUDGET SUBMISSION

Presented to

THE HONOURABLE ERNIE STEEVES MINISTER OF FINANCE AND TREASURY BOARD

February 24, 2023





The Canadian Life and Health Insurance Association (CLHIA) is pleased to provide its comments to the New Brunswick Minister of Finance 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 **610,000** New Brunswickers

540,000 with drug, dental and other health benefits

540,000 with life insurance averaging \$169,000 per insured

190,000 with disability income protection



\$2.5 billion in payments to New Brunswickers

\$1.3 billion in annuities

\$0.9 billion in health and disability claims

\$0.3 billion in life insurance policies



\$44 million in provincial tax contributions

\$10 million in corporate income tax

\$12 million in payroll and other taxes

\$22 million in premium tax



Investing in New Brunswick

\$16 billion in total invested assets

96% 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 will be crucial as the residents of New Brunswick struggle with affordability challenges and inflation continues to rise.

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 areas such as healthcare and the economy.

SUPPORTING WORKPLACE HEALTH BENEFITS 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. New Brunswickers value their benefit plans that



provide them with access to prescription medicines, vision care, dental care, and mental health supports. For example, in 2021, about 610,000 New Brunswickers had supplementary health insurance and \$690 million in health insurance benefits were paid.

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.

We recommend that the government ensure that New Brunswickers continue to have access to affordable dental care supports. We would encourage all levels of government to work together to target supports to those without existing coverage, while preserving existing workplace and individual health benefits plans that currently provide New Brunswickers with comprehensive access to a wide range of dental care services.

Continued access to virtual care services

During the COVID 19 pandemic, the life and health insurance industry provided access to virtual care services, including access to physician services, through group and individual plans. These services have been widely embraced by millions of Canadians and many Canadians still rely on these services today. It is important that these services continue to exist to help meet the health care needs of millions of Canadians.

We would encourage the New Brunswick government ensure that New Brunswickers continue to be able to access virtual care services through public health care and private health benefit plans.

PENSION INNOVATION

Automatic features

Universal access to workplace pension and savings plans can help New Brunswickers achieve greater financial security in retirement. There is a significant savings shortfall and declining pension coverage for individuals at all age cohorts due to multiple factors, including employees who have not taken the step to participate in their workplace pension plan. In fact, **about 40 per cent of employees** across Canada **do not** take full advantage of employer contributions to their workplace pension, **leaving as much as \$3 billion on the table annually in free company matching money.**

Increasingly, employees are also 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.



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. Internationally, the United States and the United Kingdom have made sweeping legislative changes to mandate the adoption of automatic features in workplace pension plans. Based on actual cases in these jurisdictions, it is found that for large employers, the participation rate in pension plans increased from around 70 per cent to over 90 per cent. We are supportive of enabling automatic features for both existing and new employees while offering employees the opportunity to opt out of the automatic features. Automatic features are voluntary, meaning employers would have the option to decide whether to include them in the workplace pension and savings plans they offer, and employees retain the right to opt-out.

We recommend that New Brunswick amend pension and employment legislation, where applicable, to enable automatic plan enrollment, automatic contributions, and annual contribution escalation. These reforms will make it easier for New Brunswickers to receive employer matching dollars, receive higher retirement income, and achieve lifetime financial security. With rising inflation impacting New Brunswickers' ability to save for retirement, this change would support employees in their retirement planning and enable employers to help their employees save for a secure retirement.

Enhancing Decumulation Solutions

Individuals saving for retirement seldom know either the amount of retirement income they can draw from those savings or how long those savings can last. The inability to anticipate their length of retirement and associated financial needs pushes many to be overly cautious in their spending habits out of fear they will outlive their savings. Not only could this impair the comfort of retirees later in life but could also minimize their spending contributions back into the economy, reducing the economic growth in the province.

We support enhanced retirement income security for all New Brunswickers, including access to widely available, effective, and innovative retirement income solutions, including enhancing access to decumulation solutions. Decumulation solutions can help retirees manage their retirement income to meet their financial needs throughout their retirement.

In 2021, the federal government enacted legislation to enable 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 Pension Plans (DC plans) or Pooled Registered Pension Plans (PRPPs), as we estimate it requires at least 10,000 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 Registered Retirement Savings Plans (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 New Brunswick residents, we encourage the government to monitor and parallel federal measures to introduce ALDAs and VPLAs as new retirement income options. We ask that the government encourage the federal government to permit standalone VPLAs.



SUPPORT PRIVATE SECTOR INVESTMENT IN SUSTAINABLE INFRASTRUCTURE

We support the Government of New Brunswick taking action to reduce, mitigate and adapt to the risks of climate change and to transition to a low carbon, green economy. Climate change 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.

In 2022, the industry [responded to the province's consultation on the Climate Change Action Plan](#). As noted in our response, the life and health insurance industry is an important source of stable capital for infrastructure projects that both mitigate Green House Gas (GHG) emissions and adapt to the impacts of climate change. Additionally, our industry recognizes the important role infrastructure investments have in mitigating the negative implications on the health of New Brunswickers. The industry is supportive of New Brunswick's continued investments in climate-resilient and sustainable infrastructure.

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

However, the industry is able and wants to do more. 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.

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. We also encourage the provincial government to encourage private investment in infrastructure, including climate-resilient and sustainable infrastructure, allowing New Brunswick to accelerate its transition towards a low carbon, green economy.

REDUCE AND ULTIMATELY ELIMINATE TAXES ON INSURANCE PREMIUMS

New Brunswick imposes a two per cent tax on life, health and disability insurance premiums. Life insurers – and consequently insured New Brunswickers – paid \$22 million in premium taxes in 2021.

The premium tax is outdated – it predates corporate income taxes and imposes a supplemental tax burden more than twice the \$10 million in corporate income taxes levied on life and health insurance companies in New Brunswick in 2021.

Premium taxes directly increase the cost of insurance, causing existing employers in New Brunswick 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. Population aging and health care cost increases above core-inflation rates (or New Brunswick general economic growth rate) would increase New Brunswickers' needs for income security and supplementary health care. Discouraging individual responsibility for these benefits by taxing the purchase of insurance coverage is not good public policy.

Furthermore, the premium taxes on insurance products are inequitable as they reduce savings efficiency within life insurance products. There are no comparable impediments to savings in competing products offered by banks, credit unions, trust companies or the securities industry.

We recommend that New Brunswick develop a tangible plan to reduce and eventually eliminate



premium-based taxes as fiscal circumstances permit. Such a move would encourage employers and individual New Brunswickers to maintain or expand employment in New Brunswick, in line with the government's plans for making New Brunswick an attractive place for business for prospective employers.

CONCLUSION

The industry greatly appreciates the opportunity to provide comments on New Brunswick's 2023 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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