



**Canadian Life  
and Health Insurance  
Association Inc.**

**Association canadienne  
des compagnies d'assurances  
de personnes Inc.**

October 18, 2012

Mr. James Rajotte, M.P.  
Chair, House of Commons Standing Committee on Finance  
House of Commons  
Ottawa, Ontario K1A 0A6

Dear Mr. Rajotte:

**Bill C-377 [An Act to amend the Income Tax Act (requirements for labour organizations)]**

I am writing to you on behalf of the Canadian Life and Health Insurance Association (CLHIA) in order to draw to the attention of the House of Commons Standing Committee on Finance some effects of the captioned private member's bill that we believe are unintended and may not align with broader government policy. We have previously raised this issue with the Bill's sponsor; our letter to Mr. Hiebert is attached for your information. To date, alternative wording proposed by Mr. Hiebert's staff would not effectively address our concerns.

Established in 1894, CLHIA is a voluntary association with member companies accounting for 99 per cent of Canada's life and health insurance business. The Canadian life and health insurance industry protects more than 26 million Canadians, as well as over 45 million policyholders in more than 20 countries around the world, with products such as life insurance, annuities, pensions, RRSPs, RRIFs, disability insurance and supplementary health insurance. The industry makes benefit payments of over \$64 billion annually to Canadians.

If adopted, Bill C-377 would require non-profit labour organizations and labour trusts to file detailed financial information with the Canada Revenue Agency on an annual basis. This reporting obligation would go beyond the existing requirement to file form T1044 *Non-Profit Organization (NPO) Information Return*, and would include both a statement of the organization's assets and liabilities and, in some circumstances, a statement of significant cash flow transactions that would identify the parties (including individuals), amounts and purposes of all transactions in excess of \$5,000. Importantly, the Canada Revenue Agency would be required to make these expanded filings publicly accessible and searchable.

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Canada's life and health insurance industry is concerned that, as drafted, the bill could require inappropriate disclosure of personal health, medical and financial information for individuals who receive benefit payments from uninsured supplementary health benefit plans, pensions, RRSPs and similar arrangements, as well as disclosure of individuals' contributions to such plans, even where those individuals have no real connection to a labour organization. This is because "labour trust" is defined broadly in the Bill, to include "**a trust or fund** in which a labour organization has a legal, beneficial or financial interest or that is established or **maintained** in whole or **in part for the benefit of a labour organization, its members** or the persons it represents" (emphasis added).

Based on the bolded text above, the scope of Bill C-377 appears to extend beyond labour organizations and trusts as ordinarily contemplated to impose a reporting obligation with respect to various benefit plans, retail mutual funds held in RRSPs, TFSAs, or otherwise, and similar arrangements unrelated to labour organizations.

That your next door neighbour was reimbursed by an insurance company for her son's orthodontic treatment, or that you contributed to an RRSP for your spouse, should not, in CLHIA's view, be required to be disclosed to everyone on your street, throughout Canada, and around the world, simply because an unrelated individual who is a member of a labour union uses the same insurer, or invests in the same mutual fund.

We believe that the proposed requirement to report such information is unintended; it would certainly be inconsistent with the spirit of the *Personal Information Protection and Electronic Documents Act*.

Subsection 248(1) of the *Income Tax Act* already contains a definition of "employee benefit plan" that identifies specific arrangements that are excluded from that definition. Parallel exclusions could be used to better focus Bill C-377 and avoid such unanticipated disclosure of medical or financial information of members of such plans. Similarly, third party arrangements offered by a regulated financial institution should be exempted where membership in a labour organization is not a defining characteristic of eligible participants.

We therefore recommend the following amendment to Bill C-377:

149.01(1)

"labour trust" means a trust or fund in which a labour organization has a legal, beneficial or financial interest or that is established or maintained in whole or in part for the benefit of a labour organization, its members or the persons it represents, but does not include

(a) a fund, plan or trust referred to in subparagraph 6(1)(a)(i) or paragraph 6(1)(d) or (f).



- (b) a trust described in paragraph 149(1)(y),
- (c) an employee trust,
- (d) a salary deferral arrangement, in respect of a taxpayer, under which deferred amounts are required to be included as benefits under paragraph 6(1)(a) in computing the taxpayer's income,
- (e) a retirement compensation arrangement,
- (f) an arrangement the sole purpose of which is to provide education or training for employees of the employer to improve their work or work-related skills and abilities,
- (g) an interest in an account, fund or contract held or issued by a regulated financial institution that is available on substantially the same terms to an individual who is not a member of a labour organization, or
- (h) a prescribed arrangement.

We would be pleased to meet with you and answer any questions regarding our proposed amendment to Bill C-377. I can be contacted by telephone at (416) 359-2021 or by email at [rsanderson@clhia.ca](mailto:rsanderson@clhia.ca).

Yours sincerely,

*(Original signed by)*

Ron Sanderson  
Director, Policyholder Taxation and Pensions

attachment



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Frank Swedlove  
President

June 11 2012

Mr. Russ Hiebert, M.P.  
309 East Block  
House of Commons  
Ottawa, Ontario K1A 0A6

Dear Mr. Hiebert:

**Bill C-377 [An Act to amend the Income Tax Act (requirements for labour organizations)]**

I am writing on behalf of the Canadian Life and Health Insurance Association (CLHIA) in order to draw to your attention some effects of your Bill C-377 that we believe are unintended and may not align with broader government policy.

Established in 1894, CLHIA is a voluntary association with member companies accounting for 99 per cent of Canada's life and health insurance business. The Canadian life and health insurance industry protects more than 26 million Canadians, as well as over 40 million policyholders in more than 20 countries around the world, with products such as life insurance, annuities, pensions, RRSPs, RRIFs, disability insurance and supplementary health insurance. The industry makes benefit payments of over \$58 billion annually to Canadians.

If adopted, Bill C-377 would require non-profit labour organizations and labour trusts to file detailed financial information with the Canada Revenue Agency on an annual basis. This reporting obligation would go beyond the existing requirement to file form T1044 *Non-Profit Organization (NPO) Information Return*, and would include both a statement of the organization's assets and liabilities and, in some circumstances, a statement of significant cash flow transactions that would identify the parties (including individuals), amounts and purposes of all transactions in excess of \$5,000. Importantly, these expanded filings would be required to be made publicly accessible and searchable once filed with the Canada Revenue Agency.

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Canada's life and health insurance industry is concerned that, as drafted, the bill could require inappropriate disclosure of personal information for individuals who receive benefit payments from uninsured supplementary health benefit plans, pensions, group RRSPs and similar arrangements, as well as for individuals who have no real connection to a labour organization. This concern is rooted in the fact that "labour trust" is defined broadly in the Bill, to include "**a trust or fund** in which a labour organization has a legal, beneficial or financial interest or that is established or **maintained** *in whole or in part for the benefit of a labour organization*, its **members** or the persons it represents" (emphasis added).

Based on the bolded text above, the scope of Bill C-377 could be interpreted as extending beyond labour organizations and trusts as ordinarily contemplated to impose a reporting obligation with respect to various benefit plans. Consequently, the reportable transactions would likely include personal health, medical and financial information.

We expect that the reporting of such information is unintended and would certainly be inconsistent with the spirit of the *Personal Information Protection and Electronic Documents Act*.

For example, an employer could be subject to this reporting obligation with respect to an exclusively employer-financed health and dental benefit plan, simply because some of the employees covered under the plan are members of a labour organization.

Equally importantly, the above italicized text of the Bill suggests that where a member of a labour organization invests in a retail mutual fund, enters into a life insurance contract the value of which is determined by reference to a segregated fund, or participates in any other generally available investment fund, that investment would bring the entire fund and all other individual participants in that fund within the reporting scope of the proposed changes, even where those individuals have no personal affiliation with a labour organization. For example, your constituents' RRSP contributions, to the extent they exceed \$5,000 in any year, would become publicly searchable by their neighbours. We think this would be inappropriate.



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Several approaches could be adopted to limit the type of plans to which Bill C-377 might apply, so as to address the issues we have identified. CLHIA would be pleased to discuss our concerns and possible alternative legislative text with you. Ron Sanderson, the Association's Director, Policyholder Taxation and Pensions, is our principal resource on this matter, and he can be contacted by telephone at 416-359-2021, or by email at [rsanderson@clhia.ca](mailto:rsanderson@clhia.ca).

Yours sincerely,

*(Original signed by)*

Frank Swedlove

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