



# 2021

## Federal Budget Submission

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**Presented to  
The Standing Committee on Finance**

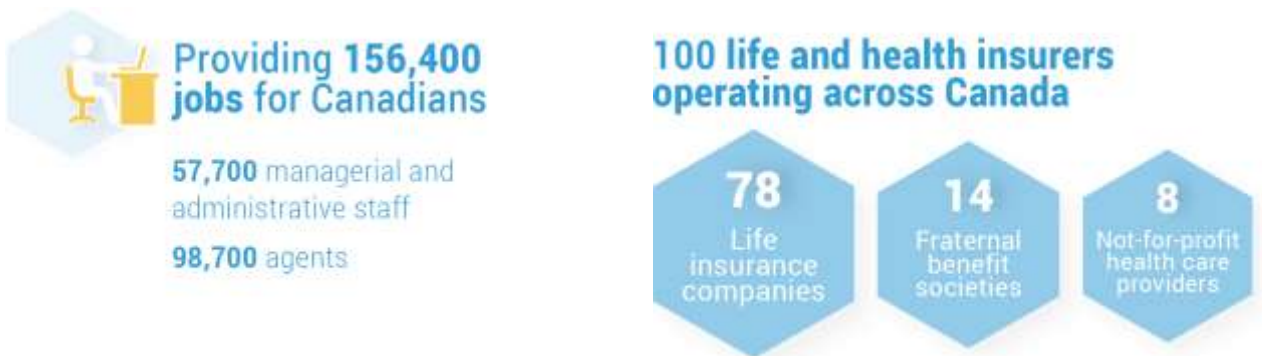
August 2020



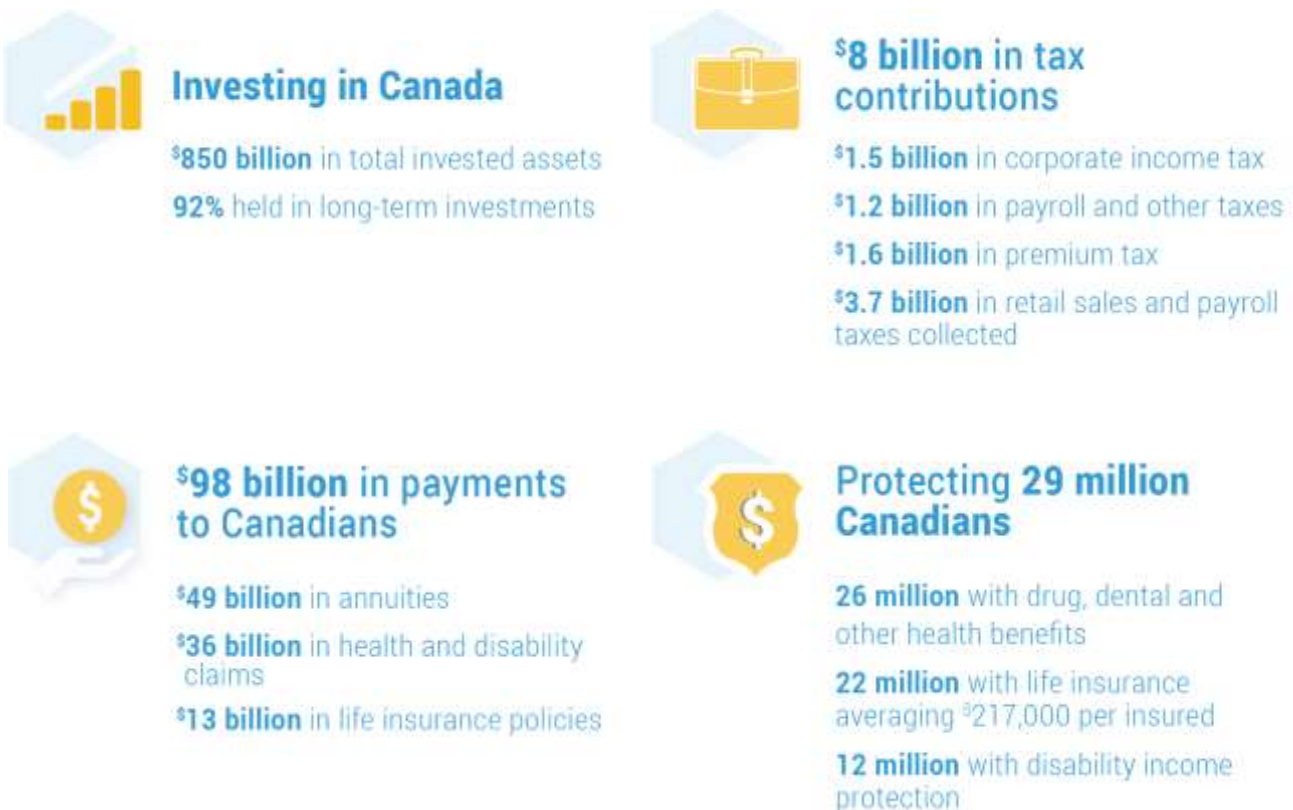
- *Work collaboratively with provincial and territorial governments and Canada's life and health insurers to support workplace and individual drug plans that currently provide millions of Canadians with comprehensive access to affordable medicines, in particular by:
 
  - *Developing a comprehensive strategy to ensure all Canadians have access to rare disease drugs based on funding committed in Budget 2019;*
  - *Establishing a standard list of medicines that all Canadians will be covered for, regardless of whether they are enrolled in a private or public plan; and*
  - *Ensuring Canadians can continue to afford their medicines by implementing changes to the Patented Medicines Regulations as planned on January 1, 2021.**
- *Work with the industry as the Government updates its privacy legislation to implement a balanced approach between an individual's right to control their personal information and the need to maintain a vibrant and sustainable insurance market in Canada.*
- *Phase out the capital tax on Canadian financial institutions to encourage competitiveness.*
- *Create more opportunities for insurers to invest in assets and projects that meet sustainability goals.*
- *Leverage our industry's investment capacity in order to expand and accelerate long-term infrastructure projects across the country, supporting Canada's recovery from the economic impacts of the COVID-19 pandemic.*

The Canadian Life and Health Insurance Association (CLHIA) is pleased to provide its recommendations for the upcoming 2021 Federal Budget. Canada is in the midst of an unprecedented and challenging time as it continues to battle the COVID-19 pandemic and its associated economic impacts. Throughout the pandemic, the Canadian life and health insurance industry is proud to have worked collaboratively with all levels of government to take action to support the health and financial well-being of Canadians.

The industry plays a key role in the Canadian economy, by employing nearly 160,000 Canadians and by providing an important source of stable capital for the federal government through investments and tax contributions.



The industry also provides financial security to millions of Canadians through a wide variety of life, health, and retirement income products.



In this submission, we recommend the following initiatives for the 2021 budget:

## 1. SUPPORTING ACCESS TO AFFORDABLE PRESCRIPTION DRUGS

All Canadians should have access to affordable prescription medicines. Currently, nearly 26 million Canadians have access to a wide range of prescription drugs and other health supports through extended health care plans.

That being said, the industry recognizes that the system across the country could be improved and that the time has come to take meaningful steps for the benefit of all Canadians. It is important that federal, provincial and territorial governments work collaboratively and with Canada's life and health insurers to ensure everyone has access to their needed medications while also addressing the high costs faced by Canadians.

The industry believes that there are three key elements that any reform to the prescription drug system must embody:

### *Protecting and enhancing existing benefit plans*

Today, life and health insurers work with employers to offer a wide variety of prescription drugs through employer sponsored benefit plans. Canadians value their benefit plans, which provide access to a range of health services including prescription medicines, vision care, dental care and mental health supports. These services both treat illness and contribute to overall wellness. A reformed system must ensure the continued viability of the health benefit plans that the majority of Canadians rely upon and value today.

COVID 19 has presented unprecedented challenges for Canadians. Canada's life and health insurers want to acknowledge the important work that the federal government has undertaken to support Canadians. The Canada Emergency Wage Subsidy (CEWS) has helped employers to not only maintain their employment levels but continue to provide them with crucial benefits. Canada's life and health insurer have also worked to help employers who have faced heightened financial pressure maintain, and in some cases augment, their health benefit programs through premium rebates and deferrals.

### *Providing drug coverage for everyone*

Federal, provincial and territorial governments and private insurers should work together to develop a standard list of medicines that all Canadians can access regardless of where they live or whether they have workplace benefits. Private insurers want to work with governments to ensure access across the country not only to this standard list of medicines but also to high cost medicines.

Governments should work together to make sure anyone who needs coverage can get it, while ensuring that out-of-pocket costs are not a barrier. Canadians need to be better able to navigate existing public plans so that they can access the coverage they are entitled to. One approach might be to ensure all Canadians are covered through a plan offered either by an employer or the government.

### *Ensuring affordability for consumers and taxpayers*

We know Canadians pay some of the highest prescription drug costs in the world. The CLHIA commends the federal government's reforms to the *Patented Medicines Regulations* which would have been implemented on July 1, 2020 but which have been delayed until January 2021 due to COVID-19. We believe the proposed changes are essential for ensuring affordability of prescription drugs in Canada and that the proposed framework strikes an appropriate balance between paying fair prices that contribute to an environment conducive to pharmaceutical innovation, and ensuring

Canadians no longer pay among the highest prices in the world for medication. It is crucial that the federal government move ahead with these reforms to achieve affordability for consumers.

Further meaningful reductions in prescription drug prices and improved access for all Canadians can be achieved today by working within our current system. For instance, specialty drugs, including those for chronic and rare diseases, accounted for just two per cent of total prescription claims in 2018 but made up 33 per cent of the costs. High-cost drugs are a challenging and evolving class of prescription medications. Their unique characteristics and high costs may require a separate strategy around coverage in order to ensure that Canadians have access – for example, by harmonizing catastrophic drug coverage across the country. We commend the federal government for committing \$500 million in funding for high-cost drugs for rare diseases in *Budget 2019*.

***We recommend that the federal government work collaboratively with provincial and territorial governments and Canada's life and health insurers to support workplace and individual drug plans that currently provide millions of Canadians with comprehensive access to medicines, in particular by:***

- ***Developing a comprehensive strategy to ensure all Canadians have access to rare disease drugs based on funding committed in Budget 2019;***
- ***Establishing a standard list of medicines that all Canadians will be covered for, regardless of whether they are enrolled in a private or public plan; and***
- ***Ensuring Canadians can continue to afford their medicines by implementing changes to the Patented Medicine Regulations as planned on January 1, 2021.***

## **2. ENHANCING THE PRIVACY OF CONSUMERS' INFORMATION**

Canada's life and health insurers applaud the Government's work to ensure federal privacy legislation is current and relevant and provides appropriate protection for all Canadians. In order to ensure a strong and vibrant insurance market, we believe privacy legislation should ensure that Canadians have strong protection while balancing insurers' need to access personal information so that we can continue to provide affordable coverage to Canadians.

Insurers need to access personal information to provide products and services to Canadians. For example, it is used to evaluate applications for life and health insurance coverage and in the assessment of benefit claims (e.g. death claims, disability claims, medical or dental claims). Most of this information is personal in nature and protecting its confidentiality has long been recognized by the industry as crucial in order to maintain the trust of consumers. Accordingly, life and health insurers have taken a leadership role in the protection of consumer information.

Given life and health insurers' unique use of personal information, the industry has a strong interest in the Government's work in this area. It will be important that any amendments to the *Personal Information Protection and Electronic Documents Act* adopt a balanced approach towards the appropriate use of personal information by the insurance industry.

***We recommend that the Government work with the life and health insurance industry as it updates its privacy legislation to implement a balanced approach between an individual's right to control their personal information and the need to maintain a vibrant and sustainable insurance market in Canada.***

## **3. ELIMINATING CAPITAL TAX ON FINANCIAL INSTITUTIONS**

In 2018, life insurers paid nearly \$200 million in federal capital taxes in addition to the \$1.3 billion in income taxes paid on corporate profits. Capital tax perversely increases life insurers' cost of capital, limiting their ability to strengthen capital levels, to underwrite additional risks, and to provide greater



protection for Canadians. Studies generally indicate that a 10 per cent increase in the cost of capital leads to a seven to 10 per cent reduction in investment over the long-run. This contrasts with the Government's continued policy to reduce the "hurdle rate" for new investments for manufacturers and other businesses by providing for accelerated capital cost allowance and other tax credits.

Internationally, governments continue to strengthen regulatory capital requirements of financial institutions (FIs) to protect consumers and prevent the need for costly taxpayer-funded bail-outs. Canada is no exception. However, Canada is the only major country to also levy a tax on the very same regulatory capital held to protect consumers.

***As the only nation in the G20 to impose such a tax, it is time for the Government to eliminate capital tax on Canadian financial institutions to enhance their competitiveness. If complete elimination is not possible in the short-term, the CLHIA recommends that the capital tax be phased out over a reasonable period.***

#### **4. CREATE MORE OPPORTUNITIES FOR LIFE AND HEALTH INSURERS TO INVEST IN SUSTAINABLE ASSETS**

Canadian life and health insurers are supportive of governments' action to reduce, mitigate and adapt to the risks of climate change. While the immediate impact of climate change—more frequent and severe storms, flooding, drought, and forest fires—is obvious to property and casualty insurers, climate change also presents a unique 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.

As a substantial investor in the Canadian economy, the life and health insurance industry is well positioned to support the transition to a lower carbon economy through its investment portfolio. In fact, Canadian life and health insurers have already taken steps to increase their investments in products and assets that meet environmental, social and governance (ESG) criteria and have more than \$50 billion invested in products or assets that integrate ESG or sustainability factors.

However, the industry is able and wants to do more. The industry relies on government action to stimulate the supply of sustainable assets for investment, such as infrastructure and climate transition projects. Currently, insurers capacity to invest more is not matched by available assets.

***We recommend that the government create more opportunities for insurers to invest in sustainable assets and projects.***

#### **5. ENCOURAGING PRIVATE SECTOR INVESTMENT IN INFRASTRUCTURE**

The CLHIA commends the Government's investments to date to provide much needed long-term support for public infrastructure. Effective long-term investments will benefit Canadian productivity and competitiveness and help drive economic growth.

With over \$780 billion in long-term investments, Canada's life and health insurance industry is already a significant investor in Canada's economy. Canadian life and health insurers have invested over \$45 billion in domestic infrastructure and have a strong desire and capacity to invest more. As the Government looks to post-pandemic recovery efforts, infrastructure will be even more important.

Canada's life and health insurers ready to invest and to partner with government to get infrastructure projects built across the country. ***To this end, we would encourage the Government to develop***

***government policies and bring forward regulations to encourage private investment in infrastructure which would support Canada's economic recovery from COVID-19.***



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