

OPENING A DIALOGUE

QNPHC: Summit on Personalized Health Care

June 5, 2014

© Frank Zinatelli
Vice President and General Counsel
CLHIA



PRESENTATION OUTLINE

- **The CLHIA - Who We Are**
- **Life and Health Insurance Industry in Canada:**
 - Overview
 - Two Issues
- **Questions/Discussion**



The CLHIA Who We Are



OUR MISSION STATEMENT

“... to serve ... members in areas of common interest, need or concern. In carrying out this mission, the Association shall ensure that the views and interests of its diverse membership and of the public are equitably addressed.”



OUR STRATEGIC OBJECTIVES

4. To inform and educate members about domestic developments and, where warranted, international developments of importance to them
5. To preserve and advance the industry's reputation
6. To promote, on behalf of its members, public policies that contribute to the betterment of the Canadian economy and society
7. To deliver maximum value for money to its members





Life and Health Insurance Industry in Canada

Industry Overview



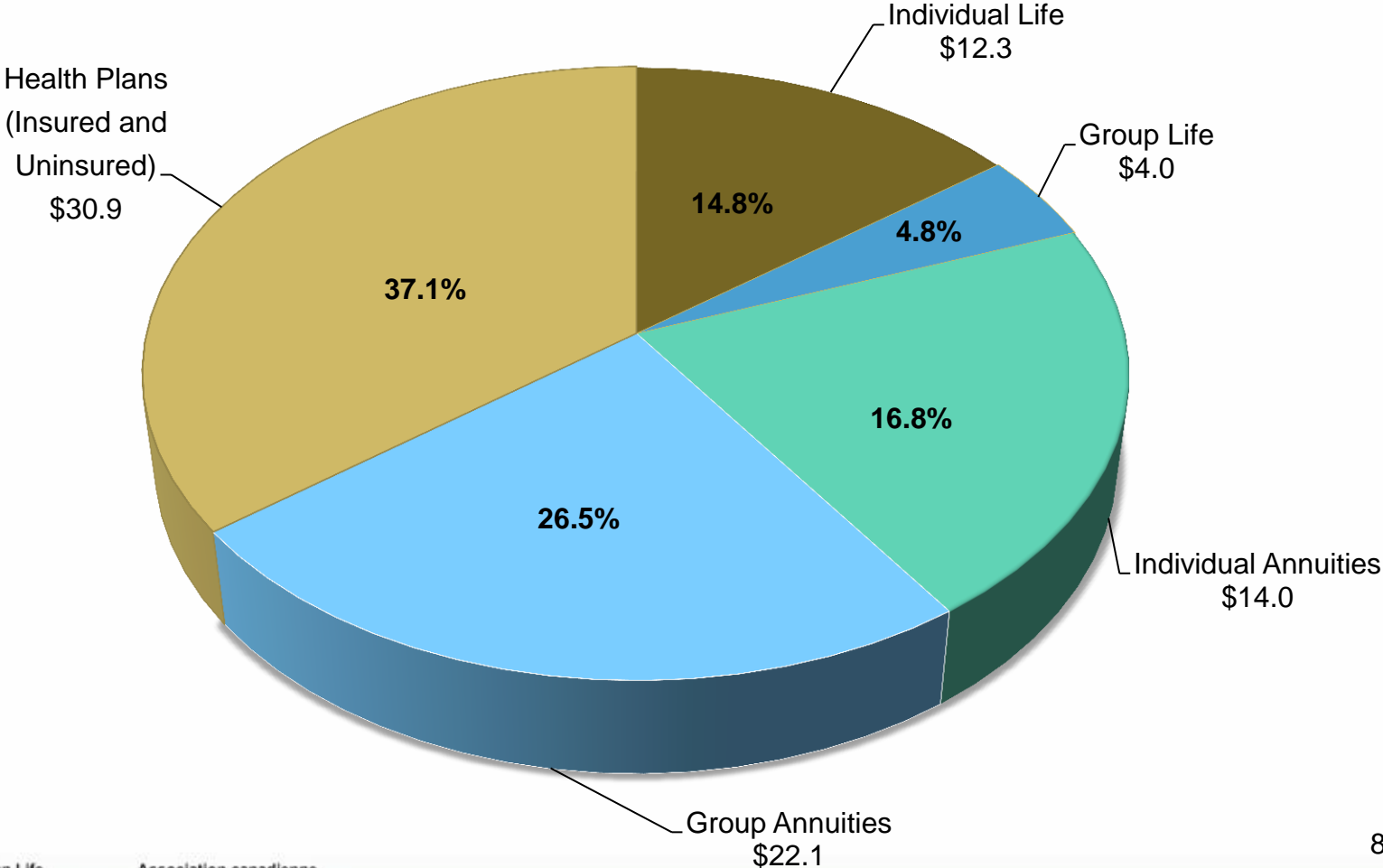
NUMBER OF INSURERS IN CANADA

LIFE AND HEALTH INSURANCE INDUSTRY	
Number of Active Companies by Incorporation in 2012	
Registration	
Canada	60
U.S.	24
United Kingdom	1
Europe	5
Total	90



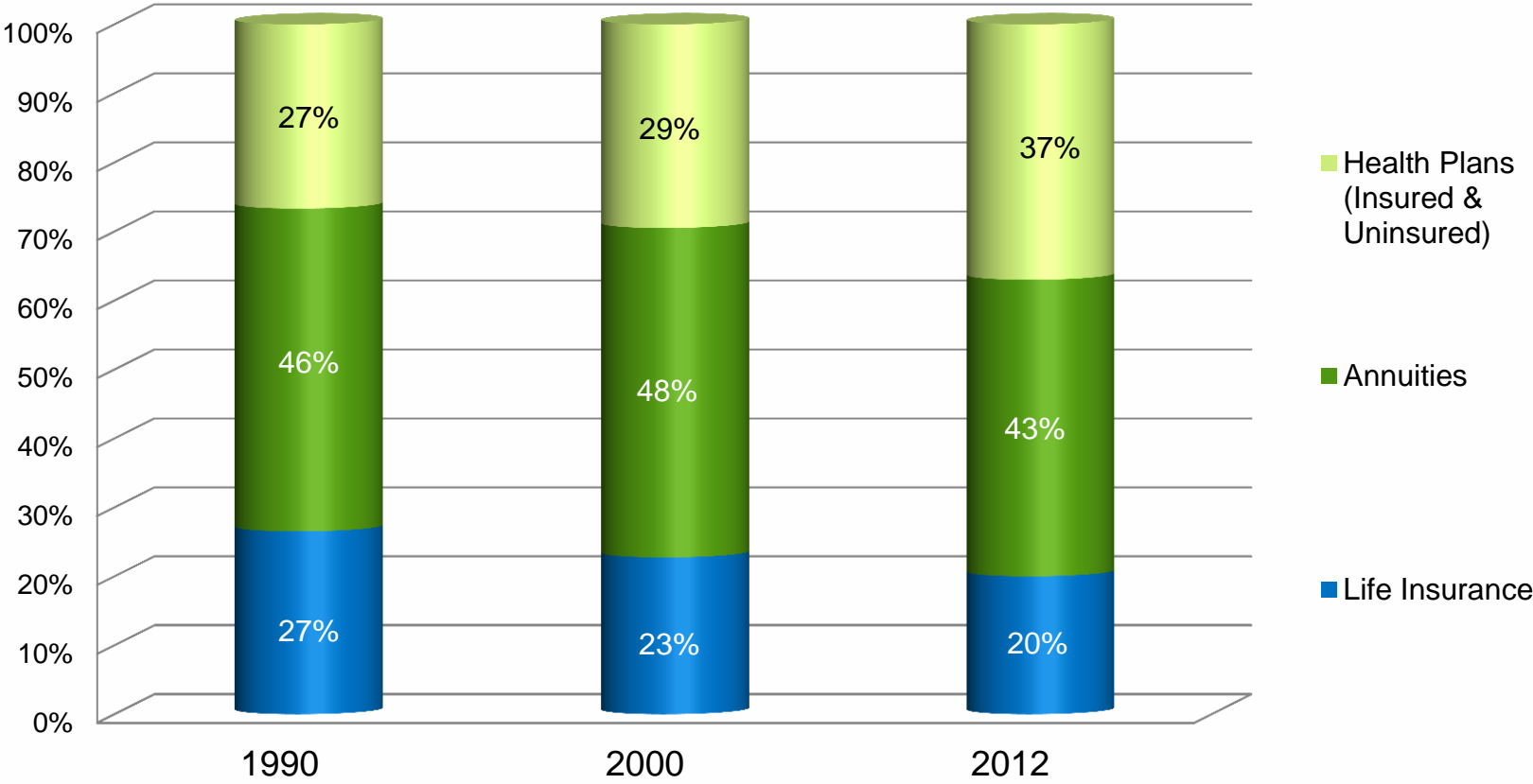
PREMIUM INCOME

TOTAL IN CANADA - 2012 (\$83.3 BILLION)



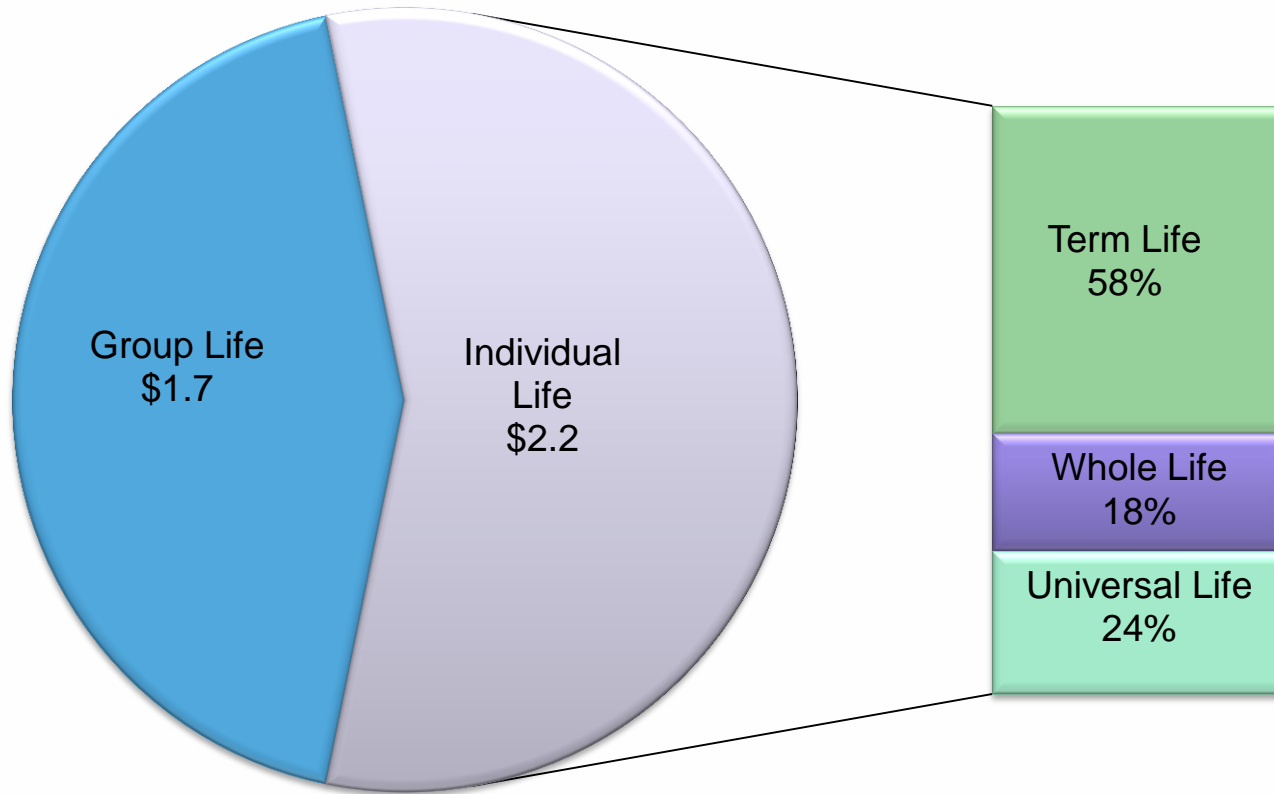
PREMIUM INCOME

BY LINE OF BUSINESS (% OF TOTAL PREMIUMS)



PRODUCTS AND SERVICES

LIFE INSURANCE

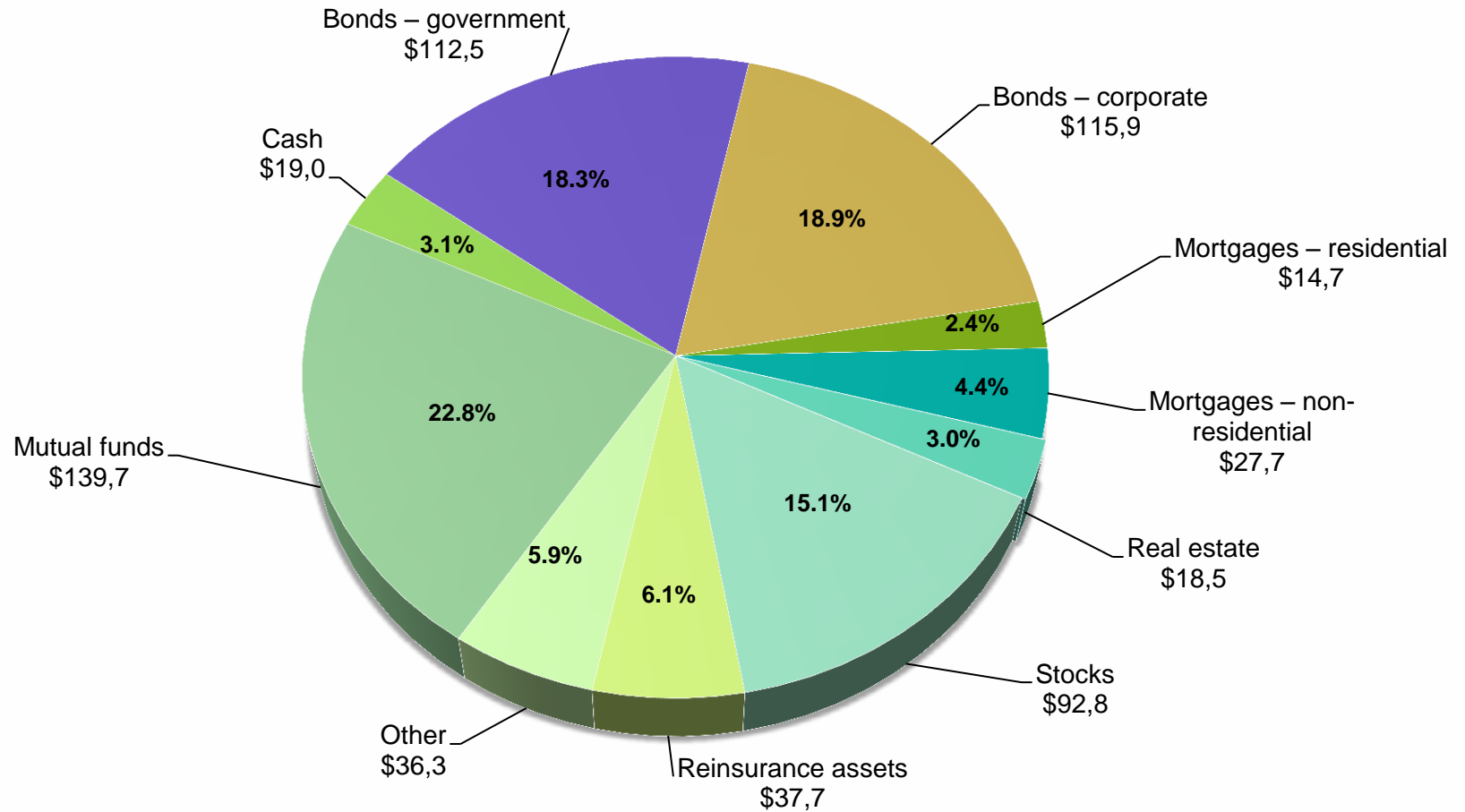


Life Insurance Coverage = \$3.9 trillion



INDUSTRY ASSETS

IN CANADA - 2012



Total Assets = \$614.8 Billion



FOREIGN OPERATIONS

2012 International operations of Canadian Life and Health Insurers account for:

- 40% (\$48 B) of worldwide premiums
- 50% (\$597 B) of worldwide assets
- 3 Canadian life insurance companies rank in the Top 20 of the world's largest life insurers



An Issue

Drug Pooling



DRUG POOLING

REASONS

- Inaction by government on PharmaCare Strategy since 2004
- Fear about affordability and sustainability of drug plans for smaller businesses who have one or more high claim employees
- Desire of members to do the “right thing”



DRUG POOLING

MAIN FEATURES OF THIS INITIATIVE

- All members must have internal EP3 mechanism
- Only applies to fully insured plans
- Claims subject to pooling are:
 - Recurring (2 consecutive years)
 - Over \$50 thousand for two years
 - Plan will pay 85%
 - Subject to cap of \$400,000 thousand, rising to \$500,000 in 2015
- Pooling facility run by separate entity



DRUG POOLING:

- Helps spread risk of high claims by members
- Keeps small and medium-sized businesses “in the game”
- Open invitation to governments to develop a joint program to meet the needs of all Canadians



Another Issue

Genetic Testing



Understanding Insurance

- Insurance: a contract to provide financial protection against **unanticipated** loss.

Principles of Insurance

- Spreading of risk across large groups.
 - Law of large numbers.
- Premium charged reflects the applicant's risk.
- Pooling of similar risks.
- Consumer and insurer have equal access to information.



Private Sector Life Insurance

- Different underwriting process for individual and group insurance.
- Once in place, permanent life insurance remains in force until death of insured.
 - As long as premiums continue to be paid.
 - Even if adverse information subsequently becomes available.



Risk Assessment

- How is risk assessment determined?
 - Detailed assessment – age, gender, health, family history, occupation, lifestyle (e.g., smoking).
 - Assessment is objective and evidence based.
 - Treat equal risks equally.
 - Differentials must be valid.
- Premium relates to mortality/morbidity risk in any future year.



Medical Developments

- Medical basis of underwriting analyses are continuously updated, over time
 - Generally more liberal for most conditions.
 - More medical conditions covered than previously (e.g., kidney transplants, diabetes, cancer).
 - Pushing boundaries of risk for which insurers can price – competition.
- Individual, customized analysis



What we do Now

- Insurers do not ask for genetic testing to be performed.
- Genetic test information, where available, is considered in the unique medical context of each client.
 - Can offset adverse information.
- Confidentiality of information, consistent with privacy laws.



Looking Ahead

- Principle of equal information
+
Doing more!



QUESTIONS/DISCUSSION

