



NEWS RELEASE

CANADIAN LIFE AND HEALTH INSURANCE INDUSTRY LAUNCHES INDUSTRY INITIATIVE TO PROTECT CANADIANS' DRUG COVERAGE

TORONTO – The Canadian life and health insurance industry today announced an agreement to collectively protect fully insured private drug plans from the full financial impact of high cost drugs. This agreement will help ensure that Canadians with fully insured employer drug benefit plans can continue to access the drugs they need, and is particularly beneficial to small and medium-sized companies that provide such coverage to their employees.

A recent poll conducted by Leger Marketing on behalf of the Canadian Life and Health Insurance Association (CLHIA) showed that a third of small and medium sized business employers, even though currently satisfied with their coverage, would consider making changes to their drug plans if premiums were to jump in price by 25 per cent. "It is the industry's view that no Canadian should face the prospect of losing their drug coverage due to rare but very expensive drugs costs. We believe that today's announcement represents an important step in the right direction and demonstrates the industry's commitment to delivering innovative solutions to the cost of providing health care in this country" said Frank Swedlove, President of the CLHIA.

Prescription drug coverage in Canada is currently a mix of public and private accountability. In the absence of progress on a catastrophic drug program in Canada, insurers are banding together in order to share the costs of highly expensive and recurring drug treatments through an industry drug pooling framework. Going forward, participating insurers will set premiums for fully insured employer drug plans without including any pooled high cost drug claims. This will effectively shelter Canadians from potentially losing their employer-sponsored drug coverage due to a high cost claim -- something that was increasingly a risk for those employed by small and medium sized businesses. Twenty-three insurance companies across Canada, that collectively represent 100 per cent of the supplementary drug market, have committed to joining this pooling framework.

"The ability for insurance companies to pool the costs of very expensive drugs represents a win-win scenario for all participants in fully insured plans," added Mr. Swedlove. "Employers get a more financially sustainable drug plan, employees benefit as they will continue to receive coverage from their employer plans even in the face of a high cost drug claim, and insurers are able to spread the cost of high cost claims amongst the participating companies."

About the CLHIA

The Canadian life and health insurance industry provides a wide range of financial security products, including life insurance, annuities (including RRSPs, RRIFs and pensions) and supplementary health insurance, to about 26 million Canadians and their dependents. Established in 1894, the CLHIA is a voluntary association whose member companies account for 99 per cent of Canada's life and health insurance business.

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