



November 30, 2023

The Honourable Chrystia Freeland, P.C., M.P.  
Deputy Prime Minister of Canada and Minister of Finance  
90 Elgin Street  
Ottawa, ON K1A 0G5  
Via email: [Chrystia.Freeland@fin.gc.ca](mailto:Chrystia.Freeland@fin.gc.ca)

Dear Deputy Prime Minister:

**Re: 2023 Fall Economic Statement – Dividend Received Deduction (DRD) by Financial Institutions**

The Conference for Advanced Life Underwriting (CALU) is a national professional membership association of leaders in the life insurance and financial advisory industry. Along with our partner organization, Advocis, we speak for more than 7,500 insurance and financial advisors in every part of Canada and, in turn, the interests of millions of Canadians.

Earlier this year, we [wrote](#) to you to share our concerns about the negative impact of the tax measure announced in Budget 2023 that would deny the Dividend Received Deduction (DRD) for life insurance companies that hold Canadian equities to fund liabilities related to life insurance contracts. Our main concern was that the disallowance of the DRD for life insurance companies will result in additional taxes payable in the range of \$250 million per year, about 80 percent of which (\$200 million per year) will ultimately be passed on to existing and new life insurance policyholders in the form of lower benefits and/or higher premiums. We requested that you reconsider proceeding with this proposal given its adverse impact on life insurance policyholders.

We are disappointed that the 2023 Fall Economic Statement confirmed the government’s intention to proceed with the DRD proposal for life insurance companies, with only a slight revision to exempt dividends received from preferred shares from the DRD denial.

We have been advised that this latest proposed change would only provide nominal relief to life insurance policyholders because life insurance companies primarily hold common shares to back life insurance policy reserves, which would particularly adversely impact seniors with older permanent life insurance policies.

As many Canadians are currently facing affordability challenges, an additional tax on their savings and insurance is particularly untimely. Many life insurance policy holders, notably seniors, will be forced to choose between reducing the value of their coverage or paying more to keep the coverage they have.

We hope that you will further reconsider this tax as it applies to life insurance companies, and indirectly to the future coverage and costs to life insurance policyholders.

Yours truly,

*Robert McCullagh*

Robert McCullagh  
Chair, Board of Directors

*Guy Legault*

Guy Legault  
President & CEO