

September 26, 2017

Director, Financial Institutions Division  
Financial Sector Policy Branch  
Department of Finance Canada  
James Michael Flaherty Building  
90 Elgin Street  
Ottawa ON K1A 0G5

#### **Re Review of the Federal Financial Sector Framework**

We, the Receivables Insurance Association of Canada (RIAC), are writing on behalf of receivables (credit) insurance underwriters operating in Canada, thousands of property and casualty insurance brokers in Canada and hundreds of thousands of Canadian businesses that are being deprived of the benefits of competition that a one word change to the Bank Act regulations would enable.

#### **The Issue:**

**The Bank Act in its current state does not permit Financial Institutions to refer their clients to comprehensive credit insurance carriers nor to brokers that can guide their business clients on the variety of insurance choices available to them. The Bank Act currently permits financial institutions to only refer to the export credit insurance product offered by Export Development Canada (EDC). This lack of choice deprives Canadian businesses of the benefits of competition within the insurance industry.**

The Regulations to the Bank Act (*Insurance Business (Banks and Bank Holding Companies) Regulations*) allow all financial institutions that are subject to the Bank Act to promote export credit insurance in their normal course of business. The term promotion means that financial institutions are not permitted to mention any insurer (except EDC) or any broker (who would assist the borrower in researching the credit insurance market) to the borrower.

As stated in a recent Office of the Superintendent of Financial Institutions (OSFI) ruling, these same financial institutions are prohibited from promoting comprehensive credit

Insurance, and credit insurers that offer comprehensive credit insurance policies. Comprehensive credit insurance includes the credit insurance of all accounts receivable, including export receivables. It is a business tool that can increase a bank customer's borrowing base, financial stability, sales growth potential and result in best practices for accounts receivable management. As well it can strengthen the collateral position, and hence the overall strength, of the financial institution.

Canadian businesses are being denied direction from financial institutions to investigate the choices around credit insurance. They are deprived of the benefits of competition that choice of insurer would give as currently only the crown corporation, Export Development Canada, may be promoted by financial institutions.

**The Solution:**

**Remove "export" when referencing "credit insurance" in the Regulations.**

Canadian businesses need and are entitled to access to direction from their primary financing institution with respect to this financial product. RIAC believes that this can be achieved by a simple amendment to the Regulations – the elimination of the word “export” from “export credit insurance”, thereby making “credit insurance” an authorized type of insurance and allowing financial institutions to recommend both brokers and insurers, including EDC, to their clients.

**RIAC and the Department of Finance:**

RIAC and RIAC members individually have been meeting with the Department of Finance for the better part of a decade requesting this change to the Bank Act Regulations. The most recent submission has been appended hereto for context.

Most recently, the Department of Finance has suggested that this quirk in the Regulations that permits banks to recommend only the government owned credit insurer, thereby stifling competition, is not likely to be considered in this upcoming review. This is despite one of the stated aims of the “Invitation for Comments” on the “Review of the Federal Financial Sector”:

“Competition in the financial sector can be a tool to deliver economic growth. In this context, the Department is seeking views on how best to ensure that the financial sector supports long-term economic growth, while balancing the need for a well-functioning and stable sector and, in particular, the role that small and mid-sized banks can play in enhancing the innovative and competitive potential of the Canadian economy.”

The RIAC position is in direct agreement with the government's goals.

RIAC does note that some of the submissions made in the first round of this review process (to which we were directed by the Department of Finance) did make reference to the issue of banks selling insurance. It is important to note that the RIAC position does not promote the selling of credit insurance by banks. In addition, the fact that credit insurance is protection for receivables generated only from business to business transactions means that consumers are not a part of this proposal.

RIAC has approached other Associations for their views on this matter and have received the support of the Credit Institute of Canada. There are several other Associations from which, due to timing issues, RIAC has not yet received a response. As these responses are received, RIAC will update this submission. In addition, although Export Development Canada, a valued member of RIAC, has recused itself from participating in this initiative due to its governmental status, Clive Witter has offered to respond to any questions from the Department of Finance. Please contact Mr. Witter, Senior Vice President, at [cwitter@edc.ca](mailto:cwitter@edc.ca) (613-597-3306).

RIAC respectfully requests that this issue be resolved in this upcoming Review as it will enhance the innovative and competitive potential of Canadian businesses and the Canadian economy.

Yours truly,



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