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Financial Institutions Division
Financial Sector Policy Branch
Department of Finance Canada
James Michael Flaherty Building
90 Elgin Street
Ottawa, ON
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Re: Supporting a Strong and Growing Economy: Positioning Canada's Financial Sector for the Future

We would like to thank the Department of Finance for the opportunity to participate in the review of Canada's federal financial sector legislative and regulatory framework. The current legislative and regulatory framework is serving Canadians well in ensuring stability, efficiency and utility while allowing Canadians to access the products they need in a competitive environment.

The Great-West Life Assurance Company (Great-West Life) has as its corporate goal improving the physical, mental and financial well-being of Canadians. Operating in every province and territory with over 12,000 employees in Canada, approximately 22,000 worldwide and celebrating its 125th anniversary this year, Great-West Life is a leading Canadian insurer with approximately \$1.2 trillion in assets under administration. Together with its subsidiaries London Life Insurance Company and The Canada Life Assurance Company, Great-West Life serves the financial security needs of more than 12 million people across Canada and funded more than \$2 billion in new private debt and commercial mortgages in 2015.

Current Landscape

Our company has grown from its 19th century prairie roots to be a major international financial services firm with interests in the United States, Europe and Asia. We are not unique in this regard as a number of our competitors are significant players on the international scene. Canadian life insurers are recognized around the world for their expertise and soundness. The current financial services legislative and regulatory framework in Canada is, at least in part, responsible for providing the foundation that has supported this international expansion. On the domestic front, Canadians are well-served with access to the insurance products they need and a very competitive insurance marketplace. Canada is also consistently found to have one of the soundest banking sectors in the world. The recurring five-year reviews of financial services legislation is an important process, and one that we fully support, but it is clear that this review is being undertaken from a position of strength and we see no need for changes beyond those noted herein. This suggests that with regard to question two on page 30 of the *Supporting a Strong and Growing Economy: Positioning Canada's Financial Sector for the Future* (the Consultation

Document), that the policy objectives of stability, efficiency and utility are being met. And further, with regard to question five on page 30, we feel that the current review process is working well.

The international regulatory landscape over approximately the last decade can be characterized as one that has increasingly emphasized market conduct and consumer outcomes. The International Association of Insurance Supervisors Insurance Core Principles, and in particular Principles 18 (Intermediaries) and 19 (Conduct of Business) are illustrative of this. In Canada, market conduct is largely a matter of provincial jurisdiction and the Autorité des marchés financiers Sound Commercial Practices Guideline and the Canadian Council of Insurance Regulators Framework for Cooperative Market Conduct Supervision reflect this trend. Our companies are of the view that the customer is at the center of all we do and are supportive of legislative or regulatory initiatives intended to enhance consumer outcomes so long as they are evidenced-based and developed with strong stakeholder consultation.

As alluded to above, the domestic regulatory landscape is increasingly being driven by international developments. This is true not only on the conduct side, but on the prudential side as well as evidenced by new regulatory capital standards and resolution plan requirements. The industry looks to the Government of Canada to be a leader in helping to ensure sound regulatory initiatives while using care to temper the potential for undue regulatory burden. As suggested by question three on page 30 of the Consultation Document, there are often lessons to be learned from the experiences of other jurisdictions and these should be examined closely to ensure that any domestic regulatory action is appropriate for the Canadian marketplace.

Our companies are members of the Canadian Life and Health Insurance Association (CLHIA) and we participated in the development of and endorsed the CLHIA's response to this consultation. However, we would like to take this opportunity to further elaborate on a handful of points raised by the CLHIA and to raise some additional issues for consideration.

Infrastructure Investment

We are a significant player in funding Canada's infrastructure needs. In 2015 our companies invested more than \$1.9 billion in infrastructure projects across the country. In its submission, the CLHIA raised a number of points regarding restrictions on life insurers' ability to participate in infrastructure financing. We share these concerns and the view that these investment restrictions are a significant obstacle to the life insurance sector as it works to support the Government of Canada in meeting the country's infrastructure needs.

Few details have been released regarding the recently announced federal infrastructure bank. In the absence of details, we are concerned about any potential impact of the proposed bank to squeeze private capital out of the infrastructure space, and or to lower borrower protections. It is our view that a lack of available private capital for investment is not a problem facing Canada, and that there is in fact more long-term capital available for investment than there are investable transactions.

Self Evaluative Privilege

The government is to be commended for its adoption of Prescribed Supervisory Information provisions in federal financial services legislation. Clearly the federal government recognizes the importance of issues around financial institutions' relationship with regulators and privilege intended to promote robust communication between regulators and the regulated. We would now urge the government to consider the action taken by Alberta, Saskatchewan (not yet in force) and Manitoba in adopting self-evaluative privilege provisions as set out by the Canadian Council of Insurance Regulators in its "Final Report on Privilege Model and Whistle Blower Protection" dated May 2008. As regulatory information

sharing and cooperation become more formalized, it is paramount that financial services legislation provide appropriate protections to promote dialogue between financial institutions and regulators to the benefit of financial stability.

Fin-tech

Financial technology, or Fin-tech, is emerging as one of the most important developments in financial services and by extension in financial regulation. From our point of view, the challenge for regulators will be to balance the value for customers of innovation while ensuring that customers receive from new entrants the protections that they enjoy today from one of the most stable financial sectors in the world.

We look to be a leader in the fin-tech space and would benefit from the sandbox and innovation hub approaches discussed in the CLHIA submission, as would smaller newer entrants. What we believe is important is that all players, be they start-ups or established financial institutions, have an opportunity to compete on the basis of delivering the best solution and experience to the customer and that market outcomes be determined on this basis, not on the basis of special and differential regulatory treatment.

Fin-tech has the potential to fundamentally change how Canadians interact with financial institutions and the financial system. The payments system and associated infrastructure must keep pace, remaining modern and accessible as appropriate, if the full benefits of fin-tech innovation are to be realized.

We would also echo the points raised by the CLHIA regarding ownership limits that restrict life insurers from holding 25% of an entity or controlling 10% of voting interests. These provisions may hinder innovation as partnerships between start-ups and incumbent firms may be important if Canadians are to access new products and services brought about by innovation in a timely and efficient manner.

Cyber Security

Cyber security is one of the most significant challenges facing government and business alike. Threats that arise in this domain are typically international in scope and we encourage the government to continue working in international fora to address these issues on a multilateral basis. We would also echo the views expressed by the CLHIA with regard to critical infrastructure.

Further Consultations

We appreciate the process that has been outlined for this consultation whereby there will be a number of opportunities for consultation and input before any new or revised provisions would become law. We look forward to the continuation of this process, and future opportunities to participate.

Yours,



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