
INSURANCE BROKERS ASSOCIATION OF CANADA
ASSOCIATION DES COURTIERS D'ASSURANCES DU CANADA

November 15, 2016

Financial Institutions Division
Financial Sector Policy Branch
Department of Finance Canada
90 Elgin Street
Ottawa, Canada
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Re: Consultations on Financial Sector

The Insurance Brokers Association of Canada (IBAC) welcomes the opportunity to comment briefly on the Department of Finance's most recent Bank Act consultation entitled "Supporting a Strong and Growing Economy: Positioning Canada's Financial Sector for the Future".

IBAC is the national voice of P&C (Property and Casualty) insurance brokers and an advocate for insurance consumers. IBAC represents the interests of both insurance brokers and their customers to the Government of Canada. IBAC is comprised of 11 member associations, representing 35,000 member brokers, all committed to upholding the insurance interests of all Canadians.

IBAC works to elevate the status of insurance brokers through professional development and by establishing approved standards of qualification and ethical practice. IBAC's licensing courses and education programs ensure that brokers are equipped to provide the highest quality, best informed advice to consumers.

Current Financial Sector Climate

Overview of the Banking Sector

The consultation paper correctly points out that in recent years, the Canadian financial sector has become even more concentrated. In the banking sub-sector, the six large banks have grown larger and now have 93 per cent of assets in that sector. Even more than that, the assets of the three largest banks as a percentage of total bank assets increased from 54 per cent in 2002 to 65 per cent in 2015.

Banks are also extremely profitable. Again, as highlighted in the paper, the large banks have proven profitable through both strong and weak economic periods. The large banks' return on equity exceeds their international peers, smaller Canadian banks and the corporate sector overall. In 2015 Canada's big six banks recorded record profits of some \$35 billion.

At the same time the large banks have "undergone significant business expansion in Canada, with new offerings and increased market share. This includes both organic growth and acquisitions across a range of product lines, such as deposits, mortgage lending, wealth management, securities dealing". Bank growth in these areas continues to be very significant.



In totality, the federal government faces a policy context where banks are increasingly concentrated, increasingly profitable, and increasing market share with new product offerings and lines of business. This is not a policy or economic context that calls out for expanded bank business powers or even a debate about any new bank business powers.

Wisely, the department of Finance has framed the policy debate in the consultation paper as seeking the three core policy objectives of stability, efficiency and most importantly utility in how the financial services sector meets the financial needs of consumers and business and how the interests of consumers are protected. For insurance brokers the principle of protecting consumers is paramount: Insurance ought not to be sold to consumers at the point of credit granting. This is a fundamental policy that has been adhered to by successive governments and expanded to include the online environment.

Further to this, regulations governing bank behaviour in insurance sales in the increasingly important online setting were passed in the fall of 2011, and in force in March of 2012. IBAC has been working closely with the government ever since in making sure that all the banks are in compliance with these regulations. This framework serves consumers well.

Overview of the P&C insurance.

Canada's property and casualty (P&C) insurance companies help consumers manage risks related to property, including home and auto, and provide property and business disruption coverage to large and small businesses.

In contrast to the banking sector the Property and Casualty insurance sector maintains far less concentration and has a broader competitive mix. The consultation paper highlights this contrast with the fact that there are "87 federally incorporated P&C companies in Canada, with assets totalling \$118 billion. In addition, there are 74 foreign incorporated P&C insurance companies operating in Canada, with assets of \$35 billion." While this sub-sector has undergone consolidation in recent years as the market share of the three largest P&C insurers increased from 25 per cent in 2007 to 31 per cent in 2014 - it pales compared to banking consolidation in Canada over that same time period.

It is also worthy of note that despite the fact that P&C insurers have been impacted by the increasing severity and frequency of catastrophic events such as the northern Alberta wildfires, consumers in Canada continue to be served well by the current competitive mix of which brokers are a vibrant part.

In conclusion, we support the direction of the consultation paper and applaud the fact that a delay in the Bank Act review does not represent a revolving door for banks to reopen a policy debate when the current climate does not justify it; and when successive governments, supported by all political parties, have reaffirmed the historic position with regards to banks and insurance.

Sincerely,



Robert G Harrison
President