

## IIS Seminar: Canada's Regulatory Approach Enjoys Increased Status After Financial Crisis

Canada's financial institutions have stood out as remarkably immune from the global financial crisis, and financial professionals from around the world are interested.

According to Frank Swedlove, president of the Canadian Life and Health Insurance Association, Canada's insurers in particular are looking strong in the wake of the crisis. "The industry remains strong and well capitalized," he told BestWeek ahead of the International Insurance Society's 47th annual seminar in Toronto. As of the first quarter, the industry's minimum continuing capital and surplus requirements were "sitting at a multiyear high of 230%. This is well above the Canadian regulator's minimum requirement of 150%."

Michael Morrissey, president and chief executive of the IIS, said one of the reasons he selected Toronto as this year's seminar venue is that "Canada distinguished itself in how its financial community and regulatory system survived the financial crisis."

Morrissey cites the guidance of Canadian Finance Minister James Flaherty, who he said is widely considered to be among the best among the Group of 20 nations. And some of Canada's regulatory approaches did much to prevent the global financial crisis from infecting the country's institutions, he said.

Flaherty himself delivered the opening keynote address at the IIS seminar, and cited Canadian insurers as strong institutions. He said there was no question insurance regulation worked well in Canada.

But Flaherty pointed to banking regulation as an example of why the Canadian system did so well through the financial crisis. None of Canada's banks needed government help to get through the crisis, he said, because rules were enforced. "In the countries where the crisis hit hard, there were lots of rules, but ineffective supervision," he said.

In banking, Canada holds to some basic rules, he said. There is no mortgage deductibility for tax purposes, for instance. "We do not believe in using tax policy to increase risk," he said.

Also, loan originators must hold the mortgages they grant, and creditors can go after other assets of a homeowner to recoup their loans.

According to Swedlove, the Canadian insurance industry holds assets of more than C\$1 trillion (US\$1.02 trillion) and provides financial security to more than 26 million Canadians.

"With \$514 billion in assets held in Canada, the Canadian life and health insurance industry is one of the largest investors in the Canadian economy," he said. "These long-term capital investments in governments and private industry support large-scale projects, including green tech such as wind energy, infrastructure and agriculture. The industry employs more than 135,000 Canadians."

Swedlove said while the domestic market in Canada "tends to be fairly mature," companies are continuing to develop new products for the "evolving needs" of Canadians.

"Canadian insurers have been successful in foreign markets for more than a century and now operate in over 20 countries serving the needs of over 40 million policyholders through life and health and annuity contracts," he added. The Canadian life and health insurance industry earns 45% of its premium revenue outside of Canada, with the largest market being the United States.

Swedlove said Canadian companies are looking for opportunities abroad, particularly in Asia. "Three of our companies are among the 20 largest life insurers in the world," he said. (Published: BestWire - 06/21/2011).

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