



**Canadian Life
and Health Insurance
Association Inc.**

**Association canadienne
des compagnies d'assurances
de personnes Inc.**

September 9, 2011

Mr. John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario
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Me Anne-Marie Beaudoin
Secrétaire de L'Autorité
Autorité des marchés financiers
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Dear Sir/Madam:

Canadian Securities Administrators Consultation Paper 91-402 on Derivatives: Trade Repositories

The Canadian Life and Health Insurance Association is pleased to provide comments on the Canadian Securities Administrators Consultation Paper 91-402 on Derivatives: Trade Repositories.

Established in 1894, the Canadian Life and Health Insurance Association (CLHIA) is a voluntary trade association that represents the collective interests of its member life and health insurers. These members account for over 99 per cent of the life and health insurance in force in Canada and contribute to the financial well-being of millions of Canadians by

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providing a wide range of financial security products. The Annex to this letter provides a brief overview of the industry's role in Canada's economy.

The CLHIA agrees that the reporting of OTC derivative transaction data to a trade repository will greatly improve market transparency and will assist with the prevention of fraud and other market abuses.

The CLHIA agrees with the concept of establishing a Canadian trade repository provided the mandate is purely that of an information gathering function. With respect to reporting where there is a U.S. (or any non-Canadian) counterparty, duplicate reporting should be avoided. If the trade repository is also performing a derivatives transaction clearing function then the need to report to foreign jurisdictions should be considered with the goal of avoiding duplicate reporting and maintaining as efficient a marketplace as possible.

The most important matter related to derivatives trade reporting is to preserve the confidentiality and anonymity of information being provided. Appropriate safeguards must be established in this regard.

The CLHIA has the following comments related to the specific questions raised in the Consultation Paper.

Question #1: If a Canadian trade repository is mandated, should it be privately developed and operated for profit. Privately developed and operated on a not-for-profit basis or should provincial market regulators perform this function directly?

A Canadian trade repository should have a legislative basis in each jurisdiction to establish the legal basis for its key functions, powers and responsibilities. However, it is important to avoid creating inefficiency, which would be the result if more than one provincial market regulator were to become involved with performing this function directly. The goal should be to create only one Canadian trade repository, which should be privately developed and operated. Given its regulatory mandate, it would seem appropriate that it would function as a not-for-profit corporation. Any Canadian trade repository must be established on a consensus basis between the federal government and the provincial and territorial securities regulators.

Question #2: What is required to enable Canadian derivatives market participants to be able to report derivatives transaction information in real time and how long will it take to achieve this functionality?

Real time clearing and real time reporting need to function on the same basis and depend on having an electronic platform capable of handling this. Currently insurance company trade



reporting is done at the end of the day. From an insurance company point of view, next day reporting is reasonable at the current time. As a general rule, life insurers use a financial intermediary or broker when executing OTC derivative transactions and are usually on the buy side of the transaction. As such, real time reporting would be the responsibility of the broker and would depend on the broker's system capability.

Question #3: What is the appropriate block trade threshold for the Canadian market?

The CLHIA agrees that the two tests proposed by the Commodity Futures Trading Commission, as outlined on page 30 of the Consultation Paper, are appropriate to determine the minimum block size threshold for various classes of derivatives. It seems reasonable that the largest 5% of trades would constitute a block trade and that everything else would be reported in real time. Taking this definition into account, insurers would not generally be involved in block trades.

Question #4: What is the appropriate publication delay for block trades?

Delayed reporting of 15 minutes appears reasonable in a real time reporting environment. Delayed one day reporting is appropriate at the current time.

Question #5: Would a uniform block trade threshold across asset classes be acceptable or should thresholds be determined based on asset class? If block trade thresholds should be determined based on asset class, what thresholds would be suitable for specific asset classes?

The threshold for block trades in a particular asset class should take into account the liquidity of the particular asset class.

Question #6: If block trade thresholds are determined by asset class and given the changes inherent in liquidity conditions, how often should these be assessed? (As per the CFTC's two tests proposed for example?)

Changes should be reassessed on an ongoing basis taking into account what is reasonable from a practical point of view.



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The CLHIA looks forward to further consultation regarding the development of requirements for reporting of derivatives transaction data to trade repositories.

If you require any additional information at this time, please feel free to contact me by e-mail at JWood@clhia.ca or by telephone at 416-359-2025.

Yours truly,

A handwritten signature in black ink that reads "James Wood". The signature is written in a cursive, flowing style.

James Wood
Counsel

Attachment

Life and Health Insurance in Canada

About the Life and Health Insurance Industry in Canada

The life and health insurance industry contributes to the financial well-being to more than 26 million Canadians by providing a wide range of financial security products such as individual and group life insurance, annuities, pensions, RRSPs, RRIFs, disability insurance and supplementary health insurance. The industry is a major investor in Canada's economy with total assets of \$475 billion. This pool of capital is one of the country's most important sources of long-term investment capital. The industry employs 132,000 Canadians across the country.

Canada's life and health insurance industry is sound and well capitalized -- it is well positioned to meet the obligations of its policyholders despite the challenges of the current economic climate. Canadian life and health insurance companies' credit standing remains strong and amongst the very highest in the corporate world.

Key Industry Statistics – 2009

	Canada
Benefit payments	\$58.6 billion
Canadians with coverage for:	
Financial protection (any product)	26 million
Supplementary health benefits	23 million
Disability income protection	11 million
Life insurance	21 million
Individual Annuities (RRSPs, RRIFs, etc.)	3.6 million
Group RRSPs	2.0 million
Pensions	1.0 million
Assets	\$475 billion
Life Insurance ownership	\$3.5 trillion
Employees & agents	132,000
Head offices	96

Contributions of the Industry

Life and health insurers make significant contributions to the country's economic and social well-being. The industry:

- **provides a wide range of financial security products to more than 26 million Canadians**
- **makes benefit payments of nearly \$59 billion annually** to Canadians. Over 90% goes to living policyholders as annuity, disability or health benefits. The remainder goes to beneficiaries as death claims.
- **is a major investor in Canada's economy** with assets of \$475 billion in the country.

- **plays an important role in meeting the financing needs of all levels of government** in Canada with government securities accounting for 17% of total assets.
- **is a significant contributor to public finances in Canada.** The industry paid almost \$3 billion in taxes during 2008, with over \$1.5 billion paid to provincial governments. In addition, the industry collects and remits retail sales tax payable by policyholders on group insurance premiums which amounted to over \$1.5 billion in Ontario and Quebec.
- **is a major employer** with 132,000 Canadians earning some or all of their livings from the industry.
- **contributes to small business.** The products of life and health insurers and the consultative role of life insurance agents help small and medium-sized businesses attract and retain a skilled workforce.
- **is internationally successful.** In more than 20 countries around the world, Canadian life and health insurers have an outstanding track record of competing in foreign markets, with over \$74 billion or just over half of their worldwide premiums generated abroad.
- **develops products to reflect and to anticipate changing consumer needs and expectations** such as "index-linked" life insurance policies; innovative approaches to group insurance ("cafeteria" and "spending account" options); flexible retirement options; and innovative and expanded health insurance (critical illness and long term care).
- **takes industry-wide initiatives to protect consumers** by developing guidelines, voluntarily and proactively, to respond to emerging issues.
- **has an independent OmbudService for consumers** of life and health insurance products called the OmbudService for Life and Health Insurance (OLHI). Consumers with questions or complaints can call, free of charge, the OLHI for bilingual information and assistance about the life and health insurance products and services.

About the CLHIA

The Canadian Life and Health Insurance Association Inc. (CLHIA), established in 1894, is a voluntary trade association that represents the collective interests of its member life and health insurers. Our members account for over 99% of the life and health insurance in force in Canada and administer more than half of Canada's pension plans. For more information about the CLHIA and the life and health insurance industry visit www.clhia.ca

