



Canadian Life & Health
Insurance Association
Association canadienne des
compagnies d'assurances
de personnes

Submission to the
**GOVERNMENT OF CANADA ON MODERNIZING
CORPORATE GOVERNANCE FOR FEDERALLY
REGULATED FINANCIAL INSTITUTIONS**

September 23, 2022



OVERVIEW

The Canadian Life and Health Insurance Association (CLHIA) is pleased to provide its views to the Government of Canada on consideration of [modernizing the corporate governance framework for federally regulated financial institutions](#) (FRFIs) to support diversity and the use of electronic communications.

WHO WE ARE

The CLHIA is a voluntary association whose member companies account for 99 per cent of the life and health insurance business in Canada.



Protecting 29 million Canadians

26 million with drug, dental and other health benefits

22 million with life insurance averaging \$228,000 per insured

12 million with disability income protection



\$97 billion in payments to Canadians

\$46 billion in annuities

\$37 billion in health and disability claims

\$14 billion in life insurance policies



\$8.2 billion in tax contributions

\$1.3 billion in corporate income tax

\$1.3 billion in payroll and other taxes

\$1.7 billion in premium tax

\$3.9 billion in retail sales tax



Investing in Canadians

\$1 trillion in total invested assets

91% held in long-term investments

Life and health insurers play a key role in providing financial security to Canadians. Additionally, the industry makes a significant contribution to the economy, employing over 158,000 Canadians in high value, professional jobs (as employees or independent agents). The industry is also a major investor in domestic assets and contributes significant revenue through taxes to the federal and provincial governments.

We commend the government's efforts to modernize the corporate governance framework for federally regulated financial institutions (FRFIs) to be consistent with recent changes to the *Canada Business Corporations Act* (CBCA). CLHIA members are supportive of the amendments made to the CBCA for publicly traded companies on diversity requirements and the use of electronic communications. CLHIA members would be supportive of adopting similar amendments to the corporate governance framework for FRFIs.



In the following sections, we have provided comments on two key measures for your consideration: (1) adapting and applying the *Canada Business Corporations Act* diversity requirements for FRFIs; and (2) expanding FRFIs' use of electronic communications with their owners, including the delivery and provision of governance documents, as well as virtual meetings.

ADAPTING AND APPLYING THE CANADA BUSINESS CORPORATIONS ACT DIVERSITY DISCLOSURE REQUIREMENTS

CLHIA and its members strongly support the principles of diversity, equity, and inclusion. The products and services provided by our industry touch the lives and well-being of all Canadians. Life and health insurers recognize the importance of diversity in financial services as it provides broader knowledge, experience, backgrounds, and skills.

Given the diversity of Canada, CLHIA members are supportive of efforts to encourage diversity on boards of directors and in the workforce, including encouraging representation of women, persons with disabilities, Indigenous Peoples, and members of visible minorities.

We believe that when identifying candidates for nomination to a board, it is critical to balance qualifications, including skills, expertise, competencies, and experience with the above-noted characteristics that contribute to board diversity. Insurance is a highly regulated industry that is fundamental to the Canadian economy. Accordingly, we believe that companies should have the flexibility to set their own diversity targets to be able to compete and succeed. In addition, companies should have the ability to set their own term limits with respect to diverse candidates rather than the Government prescribing term limits.

Any prescribed requirements in respect of diversity should be limited to distributing companies and distributing insurance holding companies, as already recognized under the *Insurance Companies Act* (ICA).

EXPANDING ELECTRONIC COMMUNICATIONS AND ENGAGEMENT WITH OWNERS

Notice-and-Access

CLHIA members are supportive of amending the corporate governance framework for FRFIs to permit the use of “notice and access” for distributing meeting materials and other governance documents, including financial statements and management’s discussion and analysis (MD&A). We believe this change would lead to greater efficiency in distributing meeting materials and governance documents and would align with the CBCA rules around notice and access. It would also allow for a significant reduction in paper and energy usage, as well as a reduction in print, handling, and postage costs for FRFIs. It would allow companies to communicate with shareholders in a more environmentally friendly way.



Further to this, we believe that the use of “notice and access” approach for distributing meeting materials and governance documents, including financial statements and MD&A, should further be expanded to also apply to policyholders in addition to shareholders for the reasons stated above.

Access Equals Delivery

Similar to above, CLHIA members are supportive of an access equals delivery model for the delivery of documents. Electronic access to documents provides a more cost-efficient, timely, and environmentally friendly manner of communicating information rather than physical delivery. We support extending this model to annual financial statements, interim financial reports and related MD&A.

Virtual Stakeholder Meetings

CLHIA members support amending the corporate governance framework for FRFIs to permit virtual shareholder and policyholder meetings in Canada. As noted in the consultation paper, some insurers obtained court orders permitting fully virtual shareholder meetings during the pandemic and it is now common for publicly traded companies of all types to hold virtual shareholders meetings.

Given the rapid advance of technology over the past few years, we believe that many of the restrictions preventing companies from holding virtual meetings in the past no longer exist. In our view, the existing requirements of the *Insurance Companies Act*, together with general corporate law, are sufficient to address the requirements associated with such meetings and further regulation is not required beyond the ability to hold entirely virtual meetings.

CONCLUSION

We would like to take this opportunity to thank you for your consideration of the views of the Canadian life and health insurance industry. Should you have questions regarding any of our comments, you may contact Susan Murray, Vice-President, Government Relations and Policy at smurray@clhia.ca.



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