

13 May 2015

Josée Turcotte  
Secretary  
Ontario Securities Commission  
20 Queen Street West Suite 1900,  
Toronto, Ontario  
M5H 3S8

Me Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
800, square Victoria, 22e étage  
C.P. 246, tour de la Bourse  
Montréal, Québec  
H4Z 1G3

**Re: Proposed National Instrument 94-101 Mandatory Central Counterparty Clearing of Derivatives**

Dear Ms. Turcotte and Me. Beaudoin:

On behalf of Insurance Bureau of Canada's (IBC) Financial Affairs Committee (FAC), I am writing to provide industry comments on the Canadian Securities Administrators' proposed *National Instrument 94-101 Mandatory Central Counterparty Clearing of Derivatives*.

IBC is an industry association representing the private property and casualty (P&C) insurance companies of Canada. The P&C insurance industry, which employs over 118,000 people across Canada, has over \$152 billion in total assets of which \$106.6 billion is in invested assets. In 2013 alone the industry contributed over \$6.7 billion in taxes and levies to federal and provincial governments.

We would like to raise some concerns regarding the CSA's proposed rule that "a local counterparty to a transaction in a mandatory clearable derivative must submit that transaction for clearing to a regulated clearing agency". This rule would apply to all financial entities, including P&C insurers, with the only two exemptions being non-financial entities hedging a commercial risk and intragroup transactions. The proposed rule introduces adverse implications for P&C insurers.

Our main concern with mandating central counterparty clearing on P&C insurers is that it will make the use of mandatory clearable derivatives much more expensive, both in terms of the actual fees paid and by increasing the compliance burden. It is likely that these implications will discourage the use of derivatives within the context of companies' risk management strategies which we view as highly problematic.

The use of derivative instruments by Canadian P&C insurers is limited and primarily associated with risk-mitigating, hedging activities. P&C insurers typically use standard, non-complex derivatives that hedge against common market risks such as interest rate risk and foreign exchange risk. Thus, it is important to understand that the business goal served by P&C insurers' derivatives activity is non-speculative in nature, but rather serves the objective of sound risk management. Given this relationship, we see multiple benefits in extending the end-user exemption to mandatory central counterparty clearing to P&C insurers using derivatives to implement risk hedging strategies.

We also believe there are additional issues with the proposal as it relates to the existing market infrastructure and the fact that central counterparty clearing is currently not widely available or easily accessible by P&C insurers.

IBC appreciates the opportunity to comment on the Clearing Rule and we look forward to participating in further discussions.

Please contact my colleague Nadja Dreff, Director, Economics and Assistant Chief Economist ([ndreff@ibc.ca](mailto:ndreff@ibc.ca) or at 416-362-2031) or myself if you wish to discuss further any of the matters raised in this letter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gregor Robinson', written over a light blue horizontal line.

Gregor Robinson  
SVP Policy & Chief Economist

cc: Jonathan Turner, CFO, Canada & SVP, Finance Reinsurance, Swiss Reinsurance Company  
Canada, IBC Financial Affairs Committee Chair  
Joanne Marsden, Senior Analyst, Capital Banking, OSFI