

Canadian Association of Mutual Insurance Companies (CAMIC)

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

Mutual insurance companies and co-operatives in general, including financial co-operatives, have proven over the last 1½ century to be very resilient organizations. These organizations need proper legislative and regulatory environment to continue to exist and prosper. These measures would not have any impact on the federal restraint exercise and would help assure a sustained economic recovery. The federal government is currently putting in place demutualization rules for federally supervised credit unions and is expected to put in place demutualization rules for federally supervised property & casualty mutual insurance companies shortly thereafter - most likely at the end of summer 2012. CAMIC believes strongly that a mutual insurer's surplus or a co-operative surplus should be indivisible. Should the federal government allow demutualizing mutual insurance companies and demutualizing financial co-operatives to take the surplus built over many generations and distribute it to the current list of members, it will create an encouragement to demutualize federally supervised property & casualty mutual insurers as well as federally supervised credit unions. Further, if such demutualization rules were to be put in place, these rules would constitute an encouragement to move the incorporation of the mutual insurance company to the federal government. The federal demutualization rules may not only affect federally supervised mutual insurers and credit unions, but also currently provincially supervised mutual insurers and credit unions. We therefore recommend to the federal government to adopt demutualization rules that maintain within the mutual system and within the credit union system the surplus built by a demutualizing institution.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

The mutual and cooperative system has proven time and again to be a creator of jobs in geographic areas and in economic sectors where the profit maximizing companies do not succeed. For instance, a large number of mutual insurance companies were set up at a time when large private owned insurers were not interested in serving rural Canada or were not interested in serving rural Canada at a fair price. Therefore, where profit maximizing private sector insurers were not able to generate the return on investments they needed, mutual insurers, for whom profit is incidental to offering insurance, have been able to set up companies and keep them operating for the last 7-8 generations. The federal government should put in place a legislative and regulatory environment that will allow mutual insurers and co-operatives to flourish. Recommendation: Putting in place demutualization rules that do not encourage federally supervised companies to demutualize is the first measure that the government should implement. To that effect, CAMIC has produced a set of demutualization regulations which would create an environment that is not conducive to demutualizations and, consequently, would

encourage the long term membership in mutual insurance companies. Mutual insurance companies have a higher number of employees per million dollars of premium than stock insurance companies. Further, mutual insurers are flatter organizations in the sense that the difference between the compensation afforded to management is less different than the difference found in private sector companies.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

The government should encourage the employment of retired employees on a part time basis, without affecting the pension given to retired individuals, and should encourage the employment of people with disabilities.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

Again, productivity will be increase if we make use of retired individuals and if we hire persons with disabilities.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

Statistics support the view that the most significant challenges are being faced by rural and remote communities. The mutual and cooperative model of business is the model that stands the highest probability of success in the short and long term.