



## **2020 Pre-Budget Consultations**

House of Commons

Standing Committee on Finance

August 2, 2019

## Recommendations

- **Recommendation 1: *that the federal government work with its provincial counterparts to create a national flood plan.***
- **Recommendation 2: *that the federal government work with life and health insurers to help Canadians get better and more affordable access to the drugs they need.***
- **Recommendation 3: *that the government consider the unique features of financial co-operatives and adapt its legislative framework accordingly so they can contribute to and participate fully in the financial system.***

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## INTRODUCTION

Desjardins Group is the largest co-operative financial group in Canada and the sixth-largest in the world. Its unique position in the financial sector and its role as a major socio-economic player give Desjardins Group the ability to provide a distinct and comprehensive point of view on the regulation of the financial sector.

That is why we wish to submit comments to the House of Commons Standing Committee on Finance for the 2020 pre-budget consultations. We also want to mention that Desjardins Group is a member of the Canadian Life and Health Insurance Association and the Insurance Bureau of Canada. We support the recommendations made by both organizations in their respective briefs.

## COMMENTS

### Climate risk and the financial sector

The Bank of Canada's 2019 financial system review recognizes climate risk as a vulnerability of the country's financial system and economy. In recent years, the Autorité des marchés financiers and the Office of the Superintendent of Financial Institutions have also incorporated environmental factors into their prudential risk analyses.

Financial institutions are sensitive to climate risk and are involved in various coordination initiatives. Internationally, the most significant step taken is certainly the creation of the Task Force on Climate-related Financial Disclosures (TCFD) by the Financial Stability Board. The TCFD was established to help companies, including financial institutions, voluntarily disclose climate-related risks and opportunities. Desjardins Group supports this initiative and participated in a United Nations Environment Programme pilot project on implementing the TCFD's recommendations.<sup>1</sup>

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<sup>1</sup> Committee members are welcome to read our latest report on social and co-operative responsibility:  
<https://www.desjardins.com/ca/about-us/social-responsibility-cooperation/reports/index.jsp>



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## Concrete action

Desjardins Group is not only progressively adopting climate-based risk disclosure, but it is also adapting its products and services to help its members and clients contribute to the energy transition with new, sustainable products such as eco-friendly car loans, green home insurance and Canada's first array of exchange traded funds that feature responsible investment solutions, available since 2018.

This approach is also reflected through our role as a socio-economic stakeholder. For example, the Desjardins Group Pension Plan has holdings of over \$1.1 billion in large-scale renewable infrastructure projects. In addition, our partnership with Écotech Québec demonstrates our firm commitment to developing clean technology. In March 2018, we partnered with Hydro-Québec and AddÉnergie to install 200 charging stations by 2021 in our network of caisses populaires and points of service in Quebec and Ontario. We are also providing input to stakeholders working on the issue, as we did with the Expert Panel on Sustainable Finance, which was mandated by the federal finance minister to identify ways to make finance more sustainable.

These measures reflect Desjardins Group's co-operative values. The socio-economic well-being of individuals and communities and the fulfillment of our members' and clients' needs and aspirations are central to what we do. Over the years, this ongoing concern has driven us to diversify, particularly in the Canadian insurance sector, where Desjardins Group is now a key player. As Canada's third-largest property and casualty insurance provider and its fifth-largest life and health insurer, we play a significant role in the industry.

## Property and casualty insurance

The property and casualty insurance sector is well positioned to assess the devastating impacts of climate change. In spring 2019, more than 2,000 houses in Ontario, 6,800 in New Brunswick and 9,800 in Quebec were flooded, causing \$208 million in insured damage. The federal government should work with the provinces to create a national flood plan in order to increase public awareness, better protect residences in at-risk areas and limit construction in flood-prone areas.



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## **Pharmacare**

Although pharmacare is outside the scope of the Committee's study, we believe it needs to be addressed. The life and health insurance industry plays a vital role in the lives of Canadians and fully supports the Government of Canada's desire to ensure that all Canadians have access to the drugs they need, no matter where they live or what their income is.

Public and private insurers can work together to make the system less costly by negotiating lower drug prices, which would allow the government to achieve its objective of providing affordable drugs to those who cannot access them, and to fill existing gaps. Furthermore, this approach would lessen the potential costs of adopting a strategy not based on co-operation between the public and private sectors, which would in turn ensure that the well-being of all Canadians, 70% of whom are already covered by group insurance plans, is taken into account.

## **Regulation of the financial sector**

In recent years, the Canadian government has significantly modernized and strengthened its financial legislation in an effort to make the sector more stable, competitive and practical.

Desjardins Group has been actively participating in this process and pledges its continued support to ensure that the government recognizes the financial co-operative sector's point of view, especially that of Desjardins Group due to its unique structure. This structure is both a strength and a challenge; it requires special attention and sometimes adjustments to the traditional legislative framework, without however compromising on prudential regulations.

It is vitally important that the government understand and recognize this different financial model, because it encourages stakeholder diversity and promotes equal market access for all prudentially regulated financial institutions in Canada, which allows organizations such as co-operatives to ensure that the Canadian economy fully benefits from their long-term vision and concern for individual and community well-being.



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We encourage the government to continue to recognize the contribution of financial co-operatives to the pursuit of its objectives: financial sector stability, economic development and the fight against climate change. To do so, Desjardins Group must have the same degree of access to business opportunities as federally regulated financial institutions. This would undeniably contribute to healthier competition, which is good for the public and the stability of the financial system. Moreover, cyber security is an essential component of the regulation of the financial sector; federal authorities have partnered with the industry to strengthen the sector's resilience to operational risks, including cyber risks.

We believe that, as the government continues to modernize its operations, close ties with the provinces must be built before changes are made, including in terms of cyber security. This approach will provide financial co-operatives with a legal and regulatory framework that recognizes their situation and will allow them to continue their contribution to the diversity and stability of Canada's financial system.

We would be pleased to further discuss the topics in this brief with the members of the Standing Committee on Finance, and we will continue to participate in consultations that affect sectors of interest to Desjardins Group and its seven million members and clients.

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