EDC MANDATE REVIEW

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EULER HERMES

THEME 1

EDC COMPLEMENTARY ROLE WITH THE DOMESTIC PRIVATE SECTOR

EDC has been very good at providing support to financial institutions, in Canada. This support has been provided in a complementary way to Canadian banks. This is particularly evident with EDC's EGP product suite. However, this is not the case in the short term credit insurance sector.

EDC has been able to deliver their financing services without competing head on with the domestic private banking sector to the benefit of Canadian businesses. However, they have not done so in the short term credit insurance sector. In fact, EDC competes vigorously with the private sector. EDC's short term credit insurance portfolio has grown from $97 million to $107 million from 2008 to 2017. Market share information is provided in the two tables below (Source: Receivables Insurance Association of Canada).

2008	TOTAL		EXPORT		DOMESTIC	
Organization	Direct Premiums ($M)	Market Share (Total)	Direct Premiums Attributed to Exports ($M)	Market Share (Export Credit Insurance)	Direct Premiums Attributed to Domestic Activities ($M)	Market Share (Domestic Credit Insurance)
EDC	$ 97.0	52%	$ 97.0	73%	$ 0	0%
Euler Hermes	$ 41.0	22%	$ 17.2	13%	$ 23.8	44.3%
Coface	$ 30.0	16.1%	$ 8.4	6.3%	$ 21.6	40.2%
Chartis	$ 6.0	3.2%	$ 3.5	2.6%	$ 2.5	4.7%
Atradius	$ 9.5	5.1%	$ 5.6	4.2%	$ 3.9	7.3%
Exec. Risk	$ 1.3	0.7%	$ 0.9	0.6%	$ 0.4	0.7%
GCNA	$ 1.8	1%	$ 0.3	0.2%	$ 1.5	2.8%
	$ 186.6	**100%**	**$132.9**	**100%**	**$ 53.7**	**100%**

Amounts in CAD $ million. OSFI provides figures for Total Direct Premiums except EDC who provides figures themselves. Direct Premiums Attributed to Exports are provided by each insurer. Note: R & Q Risk Services Canada was still in its set-up phase and had not written any business in 2011.

2017		TOTAL		CLAIMS	EXPORT*		DOMESTIC	
Organization	# of Policies	Direct Premiums ($M)	Market Share (Total)	Gross Percentage According to OSFI (except EDC and Allied World)	Direct Premiums Attributed to Exports ($M)	Market Share (Export Credit Insurance)	Direct Premiums Attributed to Domestic Activities ($M)	Market Share (Domestic Credit Insurance)
EDC	3510	$ 106,723	43.5%	155.30%	$ 105,723	67.5%	$ 0	0%
Euler Hermes	925	$ 48,841	20%	28.18%	$ 19,439	12.3%	$ 29,402	35.7%
Coface	1559	$ 30,630	12.5%	44.55%	$ 8,883	5.6%	$ 21,747	25.4%
AIG	112	$ 22,970	9.4%	119.5%	$ 11,485	7.3%	$ 11,485	14%
Atradius	199	$ 14,601	5%	59.35%	$ 4,975	3.1%	$ 9,625	11.7%
Red Rock***	79	$ 5,500	2.25%	55%	$ 3,025	1.9%	$ 2,475	3%
GCNA	130	$ 5,597	2.3%	24.42%	$ 2,453	1.5%	$ 3,134	3.8%
Zurich	0	$ 0	0%	0%	$ 0	0%	$ 0	0%
Allied World**	5	$ 993	0.4%	0%	$ 556	0.4%	$ 337	0.4%
Great American Insurance	5	$ 138	0.1%	0%	?	?	?	?
XL Speciality (XL Caitlin****)	12	$ 4,600	1.9%	58.75%	$ 500	0.3%	$4,100	5%
Other (Starr Insurance, other Lloyd's syndicates	?	$ 4,109	1.7%					?
	6736	**$ 244,702**	**100%**		**$158,149*******		**$ 82,306*******	

Note for all years: Premium is strongly affected by the risk environment (the more benign the economic circumstances, the lower the premium) and by the foreign exchange rate of the Canadian dollar vs. the US dollar (a policy issue in US dollars will result in more premium appearing in this report, for which all policies are converted to Canadian dollars, for that policy if the Canadian dollar is lower than par)

Direct Premiums do not include reinsurance of Credit Insurance. For example, Everest, Hanover and Munich all reinsure Credit Insurance. Great American Insurance and Starr Insurance are not RIAC members.

* For all private sector carriers, premium attributed to Exports is based on estimates or proxies (such as the division of Canadian Credit Limits vs. Foreign Credit Limits as being the proxy for the estimates of export vs. domestic premiums) because the private sector does not, as a rule, break out premium according to exports.

** Allied World has adjusted the Claims figure to reflect the actual 2017 performance.

*** Red Rock has provided amended information for the Direct Premiums, # of Policies and Claims. 'Other' includes other Lloyd's syndicates and Starr Insurance. Please note that the total number of policies does not align to OSFI numbers because of the adjustments listed herewith.

**** XL Specialty OSFI figures include business that is not comparable to the Receivables Insurance market as reported by the other participants. Accordingly, they have been restated above to facilitate direct comparison.

***** Export plus domestic premium does not add up to the Total Direct Premiums because the export and direct premium breakdown is not provided by non-RIAC companies.

THEME 1

EDC COMPLEMENTARY ROLE WITH THE DOMESTIC PRIVATE SECTOR

MARKET SHARE	
LOB: Export Credit Insurance	
EDC	68%
Euler Hermes	12%
AIG	7%
LOB: Export & Domestic Credit Insurance	
EDC + Coface	57%
Euler Hermes	20%
AIG	9%
LOB: Aircraft	
Lloyd's Underwriters	33%
Allianz Global Risks	17%
AIG Insurance	11%
LOB: Hail	
Co-op Hail	47%
Aviva Canada	31%
Continental Casualty	12%
LOB: Fidelity	
Chubb Group	19%
Guarantee Company	13%
Lloyd's Underwriters	10%
LOB: Liability	
Lloyd's Underwriters	23%
Intact Financial	9%
Aviva	6%
LOB: Surety	
Intact Financial	19%
Aviva	16%
Guarantee Company	13%
LOB: Legal	
DAS Legal	35%
Omega General	19%
Intact Financial	12%
LOB: Broiler & Machinery	
FM Global	17%
RSA Canada	11%
Intact Financial	10%
LOB: Equipment Warranty	
Millenium Insurance	66%
Trisura Guarantee	21%
Motors Insurance	10%
LOB: Title	
FCT Insurance	48%
Stewart Title	38%
Chicago Title	12%
LOB: Accident & Sickness	
American Bankers	20%
Cooperators Group	17%
RBC Insurance	12%

Since 2008, EDC's disproportionate share of the Export portion of the short term credit insurance market continues to hover in the 70% range (2008=73%, 2017=68%). The next largest insurance carrier has less than 13% of the export market. EDC is not necessarily a monopoly in its actions. However, its market dominance certainly demonstrates a crowding out of the private sector carriers. As a percentage of total market share (both domestic and export short term credit insurance), EDC's presence is still significant at 44% (2017) vs 52% (2008). EDC's total market share is more than double the next largest carrier, which is Euler Hermes at 20%. EDC has formed a formal partnership with Compagnie francaise d'assurance pour le commerce exterieur (Coface) to service the domestic requirements of EDC's customers. Combined these two carriers dominate the short term credit insurance market, in Canada, with a 57% market share.

A normal functioning insurance market is beneficial to all businesses across Canada. Given the Government of Canada's emphasis on exports, as demonstrated by the recent trade agreement focus (NAFTA 2.0, CETA, CPTPP) and the appointment of a new trio of Ministers responsible for exports (International Trade Diversification Minister Jim Carr, Foreign Affairs Minister Chrystia Freeland, and Mary Ng Minister of Small Business and Export Promotion), it is understandable that the Government would want a competitively functioning short term credit insurance market to support exporters. Ensuring a competitive short term credit insurance market would be beneficial to all businesses across Canada. Promoting a monopolistic or uncompetitive market has no economic advantages to Canadian businesses.

What is a competitive functioning insurance market? Short term credit insurance is considered a specialty insurance product. Globally, the top three carriers each have approximately 35% (Euler Hermes) 18% Coface, 24% Atradius market share. From a standard economic analysis, this could be considered to be normal or competitive. In Canada, as noted in Canadian Underwriter's July 2018 Statistical Issue pages 64 and 65 which are replicated herewith, all the major lines of insurance in this country could be considered normal and competitive. It is noted that only one other Line of Business (LOB) has a dominant carrier like EDC (Millennium Insurance in the LOB called Equipment Warranty).

THEME 1

EDC COMPLEMENTARY ROLE WITH THE DOMESTIC PRIVATE SECTOR

KEY POINTS:*

- EDC acts in a competitive not complementary manner. This is not beneficial to Canadian businesses.
- EDC crowds out the private carriers, as demonstrated by their dominant market position.
- EDC uses it Crown Corporation status to unfairly compete against the private sector and is not accountable to the same standards.
- EDC's role as a Crown Corporation, to fulfill a public need, is doubtful given the presence of other private carriers that can fulfill the need.
- EDC acts in a complementary fashion with Canadian Banks which benefits Canadian businesses. This type of approach could also succeed in the short term credit insurance marketplace.

*remarks pertain only to short term credit insurance

Therefore, the short term credit insurance market is not as economically competitive as other commercial lines of business in this country due to EDC's presence both in the export and domestic receivables insuarnce space.

It is notable that Canadian Crown Corporations will typically deliver services that are necessary to the public, but are not necessarily financially viable in the private sector. This is not the case with EDC's short term credit insurance operations, as other carriers are available to fulfill the same role as EDC. However, the other carriers do not have the same economic advantages afforded to a Crown Corporation.

The unnecessary short term credit insurance competitive advantages afforded to EDC include:

1. EDC is not a tax paying entity. However, EDC competes directly with tax paying corporations.
2. EDC takes advantage of its Crown Corporation status to obtain operating funds cheaply and dominate the market, not necessarily on pricing, but on its capacity to underwrite commercially unsustainable weak credits. In a sense, this is could be construed as an indirect subsidy to Canadian exporters as it is an advantage not afforded to exporters in other OECD countries that operate Export Credit Agencies such as EDC.
3. EDC is not regulated, as are other carriers, by OSFI, which adds administrative costs.
4. EDC does not have to license its sales force, as do private sector carriers. This too adds costs and regulatory burden for other carriers in the distribution of the product.
5. EDC is not regulated in the same manner as other financial institutions. EDC's financial competitors are obligated to operate their lending and insurance operations at arms-length. This avoids the potential of corrosive tied-selling practices. No such restrictions are made on EDC.

It has been previously demonstrated, in other EDC Mandate reviews, that OECD countries that have Export Credit Agencies, do not operate their agencies in a manner that competes with the private sector. As a result, particularly in Western Europe, market penetration of the product is substantially higher thereby permitting European companies to compete forcefully on a global scale. Western Europe's vibrant short term credit insurance market could be a contributing factor to fact that Europeans are taking more advantage of CETA ,than Canadians, after one year.

"…comparing overall Canadian export growth, under the CETA treaty to the same ten months from the year previous, it is less than one percent. However, the growth in imports from the European Union, on the other hand, has been strong: over 12 percent over the same time period."

(Janyce McGregor · CBC News · Posted: Sep 16, 2018).

"It comes down to the Canadian mentality," said Jason Langrish, the executive director of the Canada Europe Roundtable for Business, an organization that has pushed for this deal from the beginning. Canada talks a lot about diversification, but only a small number of Canadian businesses are truly global operators. By contrast, the Europeans are "hunters" when it comes to finding new markets. "They look for it," he said. "We remain a fairly parochial place in the business world," he said. "Policy makers have been wringing their hands for years."

(Janyce McGregor · CBC News · Posted: Sep 16, 2018)

In short, Canadian businesses have benefited from EDC's complementary approach in the banking sector. It would be desirable to see EDC provide private short term insurance carriers with the same type of support as it provides to the Canadian banking sector. Complementary support would benefit Canadian businesses rather than the competitive approach which is detrimental to Canadian businesses.

THEME 2

EDC'S PLACE WITHIN GOVERNMENT

KEY POINTS:*

EDC is not successful in its role, within Government, based on the three aforementioned standards.

*remarks pertain only to short term credit insurance

Is EDC's place within government to:
1. Generate dividends to the Government,
2. Promote exports, or
3. Deliver services that are necessary to the public but are not necessarily financially viable in the private sector in its role as a Crown Corporation?

1. GENERATE DIVIDENDS TO THE GOVERNMENT:

EDC has the ability to generate profit for the Government. This is demonstrated by EDC's recent dividend payment of $969 million to the Government of Canada. However, it is not clear, because of EDC's lack of transparency, as to how these profits are generated. For instance, while EDC does provide some information about its short term credit insurance operations, it does not provide a complete picture. It is unknown as to whether these operations actually provide profit to the Corporation. The bigger question is whether such a dividend is desirable? Are businesses in Canada being indirectly taxed as a result of EDC's profitability?

2. PROMOTE EXPORTS:

EDC's role exits to support and develop Canada's export trade (Source: EDC website). EDC's recent losses in the insurance sector, demonstrate that they have been taking a disproportionate amount of risk. Are the beneficiaries of this enhanced risk-taking widespread within the Canadian business community? It would be noteworthy to determine whether the top insurance losses are benefiting only a few exporters or whether the support that EDC is providing is widespread across many businesses and sectors of the Canadian economy from a claims perspective. If EDC is taking enhanced risk in the form of short term credit insurance losses, shouldn't this indirect subsidy to Canadian businesses be widespread? Lastly, it is unclear as to whether EDC's short term credit insurance operations are efficiently promoting exports, as there is a lack of transparency about the financial viability of these operations. In short, it cannot be demonstrated that EDC's enhanced risk appetite is supporting exporters across a broad spectrum or whether it is concentrated on only a few exporters. Furthermore, the efficient delivery of its short term credit insurance operations is unknown due to a lack of transparency. Is this the best vehicle to support Canadian exporter needs when other carriers are able to efficiently carry out the role of promoting exports to Canadian businesses?

3. ROLE AS A CROWN CORPORATION:

As previously mentioned, as a Crown Corporation, EDC should be filling a gap that the private sector is unable to fill. This is not the case with EDC as they crowd out the rest of the short term credit insurance carriers by competing rather than complementing the market. Other insurance carriers are able to fulfill the short term credit insurance requirements of Canadian businesses in a financially sustainable manner. EDC could provide complementary support to these carriers in the same manner as it supports Canadian banks to the benefit of businesses across Canada.

THEME 3

MEETING CANADA'S EVOLVING BUSINESS NEEDS

KEY POINTS:*

Is EDC meeting the evolving needs of Canadian businesses?

- EDC's dominate market position means that Canadian businesses are at a disadvantage in leveraging their receivables to access additional working capital. Therefore, the answer to the question is "no".
- EDC's dominance does not help businesses grow domestically nor on an export basis to the fullest extent possible. As reported by Deloitte "...only 3.6 percent of Canadian companies export" (Deloitte: The infinite organization: Realizing lasting success, Sept 18, 2018). Therefore, the answer to the question is "no"

*remarks pertain only to short term credit insurance

Small businesses require working capital. An efficient way for them to generate additional working capital is to insure their receivables, whether domestic or export based receivables. The majority of small companies start their businesses domestically and then move into exports. Lenders will lend more to companies, i.e. make more working capital available, if receivables (either export or domestic) are insured. EDC's dominant role in the short term credit insurance market means that financial institutions, i.e. Canadian banks, do not promote the product to small business for domestic purposes. In fact, within the banking sphere the product, because of EDC's dominance, is commonly referred to as "EDC Insurance" rather than the globally accepted generic "short term credit insurance" or "receivables insurance" terminology. The "EDC Insurance" context necessarily invokes a connotation of exporting. Hence, Canadian small businesses, and their financial partners, are less aware of the product and its advantages to help them grow (accessing more working capital by leveraging their receivables) than companies in other countries.

Evolving Canadian business needs should necessarily involve exporting to more countries than simply relying on the NAFTA markets. In fact, the Canadian Government's CPTPP, CETA and other trade initiatives demonstrate a desire by the Government to move beyond NAFTA. However, Canadian businesses are not pursuing these agreements to the greatest extent possible. The other global insurers in the Canadian marketplace, e.g. Euler Hermes, have extensive databases of information that can help Canadian companies export their products and services securely. However due to the fact that EDC operates as an arm of the Government, the Government's official agencies only promote EDC as an export partner. Using the CETA-zone or Europe as an example, Euler Hermes alone has information available on approximately 2.3 million companies that Canadian companies could export to (**www.eulerhermes.ca/en/ceta-knowledgecentre**). EDC's comparable global (i.e. not just the CETA-zone) data base of companies is only 100,000 (estimated). Due to EDC's competing stance in the short term credit insurance market place, which is actively supported by the Government of Canada and its agencies, Canadian businesses are at a disadvantage in being able to leverage the knowledge that could help them grow their exports beyond the NAFTA-zone. If the Canadian Government continues to do the same thing over and over, mandate review after mandate review, how can it expect to meet the evolving business needs of Canadian businesses?

THEME 4

ROLE OF EDC IN THE CHANGING GLOBAL CONTEXT

KEY POINTS:*

With EDC's role as the dominant player, it is difficult to substantiate investments in Canada. This is despite the fact that the Insurtech/Fintech space is quite robust in Canada. Therefore, in a highly charged and disruptive global context, Canadian exporters are at a disadvantage.

*remarks pertain only to short term credit insurance

EDC's short term credit insurance operations are unique in an OECD context, as EDC vigorously competes with the private sector stifling competition and investment. As global trade becomes more competitive, it would be helpful for Canadian exporters to have better tools available to them in order to take advantage of treaties such as NAFTA 2.0, CPTPP, or CETA. Unfortunately, EDC crowds out the Canadian market. As such, Canadian companies are not able to avail themselves of the product innovations that are available in other countries with a more robust private short term credit insurance market.

This can be demonstrated by companies such as Euler Hermes which is investing in the Insurtech/Fintech space in other countries that are similar to Canada (Nordic countries). However given the crowding out effect of EDC, it is more challenging to do the same in Canada. The investments that Euler Hermes has done in the Insurtech/Fintech space have been done to expand our product offerings to support micro and small businesses. If we generalize this to include other global insurance companies, then it stands to reason that Canadian companies, especially small businesses, are at a disadvantage. It is noted that it is generally harder and more expensive to service the micro and small business sector efficiently with short term credit insurance. However investments are being made in countries outside of Canada, given that they have vibrant short term credit insurance markets.

THEME 5

CORPORATE SOCIAL RESPONSIBILITY AND HUMAN RIGHTS

We have chosen not to comment in this section.

THEME 6

COMPARISON OF THE CAPACITY OF THE CANADIAN TRADE FINANCING SYSTEM TO THAT OF OECD AND NON-OECD COUNTRIES

KEY POINTS:*

If EDC were acting in a complementary manner to the private sector, and not crowding out the sector, more innovation and products would be directly available in a financial hub such as Toronto. This would benefit financial institutions and Canadian businesses in general. They would have access to better tools to help them compete globally.

*remarks pertain only to short term/ medium term credit insurance

Canadian financial institutions have become complacent when using short term or medium term credit insurance to support the trade financing system. They often rely on EDC's limited product suite to transfer risk. This is partially due to the fact that transferring this risk to a AAA-sovereign entity has many financial advantages to the banks. However their unwillingness to use other private sector insurance carriers means that they, and their customers (Canadian businesses), are at a disadvantage. In other financially developed countries, a robust and innovative credit insurance market exists to support the trade finance system. In Canada, when financial institutions are seeking innovation, they will go to London or New York to meet their needs.

THEME 7

DOMESTIC POWERS REGULATIONS REVIEW

KEY POINTS:*

- EDC's existing domestic powers are in conflict with its stated role as Canada's Export Credit Agency.
- EDC has demonstrated that while acting as Agent for Coface in the domestic market, that they can control 57% of the total market which stifles innovation and competition.

*remarks pertain only to short term/ medium term credit insurance

EDC has demonstrated, in the export short term credit insurance space, that owing to its competitive advantages as a Crown Corporation that it can dominate a market. These advantages include:

1. EDC is not a tax paying entity. However, EDC competes directly with tax paying corporations.
2. EDC takes advantage of its Crown Corporation status to obtain operating funds cheaply and dominate the market, not necessarily on pricing, but on its capacity to underwrite commercially unsustainable weak credits. In a sense, this is could be construed as an indirect subsidy to Canadian exporters as it is an advantage not afforded to other OECD countries that operate Export Credit Agencies.
3. EDC is not regulated, as are other carriers, by OSFI, which adds administrative costs.
4. EDC does not have to license its sales force, as do private sector carriers. This too adds costs and regulatory burden for other carriers in the distribution of the product.
5. EDC is not regulated in the same manner as other financial institutions. EDC's financial competitors are obligated to operate their lending and insurance operations at arms-length. This avoids the potential of corrosive tied-selling practices. No such restrictions are made on EDC.

These same advantages are available to EDC in the domestic space, too. Therefore, with time, it is likely that EDC will dominate this market space. EDC already provides domestic short term credit insurance while acting as an agent for Coface. Combining the total market share of Coface and EDC reveals that these two companies control 57% of the total short term credit insurance market (i.e. both domestic and export). No advantages would be incurred to Canadian businesses by stifling more competition in Canada.

Expanding EDC's domestic powers will only result in less innovation and investment in the short term credit insurance market, as has already been demonstrated for the export portion of the market (see answers to Questions 4 & 6 of this Mandate review submission). In fact, EDC's domestic powers are not necessary and they conflict with their own stated role to support and develop Canada's export trade. *(Source: EDC website)*

THEME 8

GOVERNANCE OF THE CANADA ACCOUNT

KEY POINTS:*

The necessity of EDC administrating the Canada Account is unclear and should be further reviewed, as private market insurance companies handle similar accounts in other countries.

*remarks pertain only to short term/ medium term credit insurance

It is noted that in other countries, such as Germany, private market short term credit insurance carriers administer similar country accounts on behalf of the Government. Given that the private sector is capable of administrating Canada Account equivalents in other countries, EDC's involvement in this aspect of the short term credit insurance market is questionable. Due to a lack of transparency into the management of the Canada account, it is unknown whether EDC administers this aspect of their business in an efficient manner on behalf of Canadians. Improving such transparency and comparing to other countries could be a step forward in ensuring that Canadians are truly benefiting from the existing Canada Account arrangement with EDC.

THEME 9

DEVELOPMENT FINANCE INSTITUTION

KEY POINTS:*

Consideration should be given to separating EDC's short term credit insurance operations from its financing operations in a similar manner to the FinDev arrangement. With such an arrangement it would be easier to ensure that EDC would operate its finance and insurance operations at arms-length thus avoiding potential tied-selling conflicts.

*remarks pertain only to short term/ medium term credit insurance

The establishment of FinDev demonstrates that EDC is willing to create a wholly owned subsidiary thereby separating this operation from its Finance and Insurance operating units. This type of subsidiary arrangement paves the way for EDC to examine the necessity of embedding its short term credit insurance and finance operations into one operating entity.

Given that:

- EDC's short term credit insurance operations form only a small part of the total revenue stream of EDC,
- the short term credit insurance market has viable competitors,
- EDC lacks true transparency into its short term credit insurance operations, and
- FinDev demonstrates EDC's ability to form separate operating units,

then consideration should be given to separating EDC's short term credit insurance operations from the parent company in a similar manner to FinDev to provide for better transparency.

QUESTIONS

1 WHAT ARE YOUR PERSPECTIVES ON EDC'S PERFORMANCE AND EVOLUTION OVER THE PAST DECADE?

EDC continues to be a dominant player in the export credit insurance field. This is not an efficient way to handle this business. As previously indicated EDC is crowding out private sector investment in this area to the detriment of Canadian small businesses. Since the last mandate review, EDC has been more proactive in supporting more private sector initiatives. However the actions carried out by EDC, have not materially changed the landscape in the Canadian short term credit insurance market. Therefore, the perspective is that more needs to be done in order to increase transparency of EDC's operations and ability to support private insurance carriers in a manner that is complementary and not competitive.

2 WHAT ARE YOUR VIEWS ON THE NINE REVIEW THEMES, AND IN PARTICULAR HOW EDC IS PERFORMING IN MEETING THE NEEDS OF CANADIAN EXPORTERS AND THE BUSINESS COMMUNITY?

The nine review themes are generic in nature and do not necessarily allow for providing alternative suggestions to the current EDC structure, particularly as it relates to short term credit insurance, in fulfilling its mandate. It has been indicated as part of this questionnaire that EDC's approach to short term credit insurance has crowded out innovation, resulted in Canadian businesses not having the same access to working capital as companies in other OECD countries, limited investment into the Fintech/Insurtech space, and, assuming that EDC is acting to help promote exports, resulted in Canadian business remaining dependent upon the NAFTA-zone.

3 WHAT ARE THE SPECIFIC TRADE, EXPORT OR INVESTMENT FINANCE INTERESTS OF THE MEMBERS / CLIENTS OF YOUR ORGANIZATION? HOW HAVE THOSE INTERESTS BEEN SERVED BY EDC?

The interests of my clients are similar to the interests of the clients of EDC that purchase short term credit insurance. They want to grow their businesses, access more working capital, avoid bad debts both domestically and on their exports, and they want information to help them sell securely. EDC does not service my clients, although some of my clients have been able to access EDC's reinsurance capacity, through my firm, on an as needed basis. This is an approach that has been helpful. My clients benefit from better pricing, greater customer service and flexibility, and customized modernized policies that are of a world standard. At times, complementing my services with EDC's reinsurance appetite can be of assistance.

4 ARE THERE OTHER AREAS OF SERVICE YOU WOULD LIKE TO SEE FROM EDC?

Yes. The provision of reinsurance capacity to short term credit insurance carriers would be helpful. This could be done by EDC acting as a reinsurer rather than a primary insurer for export transactions.

CONCLUSION:

It is understood that the Canadian Government is taking steps to change its approach to exports. The Government's new emphasis on building a trio of departments now focused on exports including International Trade Diversification Minister Jim Carr, Foreign Affairs Minister Chrystia Freeland, and Mary Ng Minister of Small Business and Export Promotion demonstrates the commitment of the Government to change how it supports Canada's exporting community. EDC is an instrument of the Government that is crowding out private sector innovation and investment in the short term credit insurance industry. This mandate review provides the Government with an opportunity to further demonstrate how it can support the insurance industry and Canadian exporters, by restructuring EDC's operations so that they complement the private sector and are more transparent.

Opportunities exist to:

- Separate EDC's short term credit insurance operations from the finance operations. Such a separation would allow for transparency and avoid the potential for tied selling between EDC's finance and insurance operations. This would be similar to other financial institutions operating in Canada.

- Modify EDC's domestic short term credit insurance agency arrangement with Coface. Allowing the market to determine the best insurer of domestic receivables, rather than an EDC anointed carrier, would give Canadian companies more choice. This would also open up the opportunity for the brokerage community to become more involved in providing Canadians with these choices.

- Focus EDC's efforts in supporting exporters to expand beyond the NAFTA-zone, by complementing rather than competing with private sector short term credit insurance carriers.