

**Regulatory Update – CAFII Executive Operations Committee, June 16, 2015**

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**Introduction**

**Federal/National**

- **CCIR:**
  - CCIR Expects To Disseminate Travel Insurance Survey In Late June Or Early July **(page 2)**
  - Four Provinces Are Early Signatories To CCIR's Memorandum Of Understanding **(page 2)**
- **FCAC:**
  - FCAC Launches National Financial Literacy Strategy **(page 2)**

**Provincial**

- **British Columbia:**
  - Public Consultation Paper Launches BC's Review Of Financial Institutions Act **(page 3)**
  - FICOM's Release Date For "Effecting Of CGI" Bulletin Pushed Back To Late June **(page 3)**
- **Saskatchewan:**
  - FCAA To Publish Bill 177 Draft Regulations In Fall 2015 **(page 4)**
- **Ontario:**
  - Roundtable Meetings On FSCO Mandate Review To Be Held In Late July **(page 4)**
- **Quebec**
  - Ministry Of Finance Announces Review Of Distribution Act **(page 5)**

## **Federal/National**

### **Canadian Council of Insurance Regulators (CCIR)**

#### CCIR Expects To Disseminate Travel Insurance Survey In Late June Or Early July

On June 12/15, Carol Shevlin, CCIR Policy Manager, sent Brendan Wycks an advance copy of the final version of the Travel Insurance Working Group's (TIWG) survey of travel health insurers. She also provided permission for a limited, confidential distribution to CAFII members so that they would be aware of the nature and scope of the questions posed in the survey.

Carol advised that the survey would be presented to the CCIR for approval on June 26, with the expectation that it will be disseminated shortly thereafter to travel health insurers that underwrite out-of- province/Canada coverage for Canadian travelers.

She also noted that the TIWG "appreciates all of the comments you and your members provided to us, helping to inform the final version. The comments and insights have assisted us in shortening the survey and reducing the amount of information we will be collecting."

Carol also advised that the survey is just one of the sources of information that the TIWG intends use. It will be approaching the various industry Ombudservices for information on complaints they receive. TIWG has also obtained information regarding a consumer survey undertaken in the United Kingdom by the Financial Conduct Authority and is still collecting input from the public.

#### Four Provinces Are Early Signatories To CCIR's Memorandum of Understanding

CCIR recently announced that BC, Alberta, Ontario and Quebec were the first provinces to sign onto its new Memorandum of Understanding (MOU) that sets out the terms for co-operation and information exchange among provincial and territorial insurance regulators.

In a press release, Patrick Déry, CCIR Chair and Superintendent of Solvency at the AMF, said the MOU "creates an environment in which we can work together and put our information and resources together." The information to be shared under the MOU will relate mainly to insurance entities that carry on business in more than one province or territory, with the objective of allowing more consistent handling of consumer complaints, more effective risk surveillance, and greater collaboration on market conduct issues.

The MOU also sets out specific protocols for ensuring the protection of confidential information and is part of the CCIR's broader Supervisory College initiative to create a harmonized framework for market conduct regulation and supervision to replace the current fragmented system.

CCIR expects the remaining provincial/territorial insurance regulators to sign on to the new MOU in future.

### **Financial Consumer Agency of Canada**

#### FCAC Launches National Financial Literacy Strategy

On June 9/15, Minister of State (Finance) Kevin Sorenson and National Financial Literacy Leader Jane Rooney launched the *National Strategy for Financial Literacy—Count me in, Canada*.

The Strategy is a call to action for Canadians to gain the knowledge, skills and confidence they need to make good financial decisions. It is focused on three goals: helping Canadians manage money and debt wisely; helping them plan and save for the future; and helping prevent and protect them against fraud.

Financial Literacy Leader Rooney will implement the strategy by coordinating the efforts of federal departments, collaborating with organizations across the country, and guiding the evaluation of financial literacy initiatives. Members of the National Steering Committee on Financial Literacy – including CLHIA’s Leslie Byrnes, Vice-President, Distribution and Pensions -- will champion the strategy by helping to create and implement activities within their networks.

## **Provincial**

### **British Columbia**

#### Public Consultation Paper Launches BC’s Review Of Financial Institutions Act

On June 2/15, the BC Ministry of Finance released a consultation paper and formally launched the 10-year review of the province’s Financial Institutions Act.

The Financial Institutions Act provides the regulatory framework for credit unions, insurance companies and intermediaries, and trust companies, and the related Credit Union Incorporation Act provides the framework for incorporation and corporate governance of credit unions. The goal of the regulatory framework is to maintain stability and confidence in the financial services sector by reducing the risk of failures and providing consumer protection.

A number of sections of the consultation paper – which does not present conclusions or propose specific policy changes – are particularly germane to CAFII members. These were outlined in a June 3/15 e-mail alert to EOC members.

The deadline for response submissions is September 15/15. Ministry of Finance staff will be available to discuss the contents of written submissions with stakeholders, and may follow up with them for further information. Minister of Finance Michael de Jong has also asked Penticton MLA Dan Ashton, the Parliamentary Secretary for Finance, to participate in the public consultation process. Mr. Ashton will also be available to meet with stakeholders, on behalf of the Minister, to discuss their views about the issues raised in the consultation paper.

A public report on the input received will be prepared and released after the consultation period has ended, and further public consultation will also be undertaken in a later phase of the review.

#### FICOM’s Release Date For “Effecting Of CGI” Bulletin Pushed Back To Late June

On June 4/15, Kristine Mactaggart Wright, Executive Director, Conduct Supervision at FICOM, advised Brendan Wycks that the expected timing for release of an Information Bulletin on the ‘effecting’ of creditor’s group insurance in BC issue had been pushed back to late June.

Earlier, on April 30/15, Carolyn Rogers, CEO of BC’s Financial Institutions Commission, advised CAFII that an Information Bulletin would be disseminated to the industry on this issue by June 1, 2015, after a courtesy vetting with other CCIR members.

## Saskatchewan

### FCAA To Publish Bill 177 Draft Regulations In Fall 2015

On June 15/15, Jan Seibel, Lawyer with Saskatchewan's Financial and Consumer Affairs Authority (FCAA), called Brendan Wycks to provide an update on the Regulations in support of *Bill 177, The Insurance Act* and the process that will unfold prior to the law's being proclaimed into force.

Jan advised that drafting of the Regulations is well underway and – while the FCAA can't give or be held to precise dates -- the following timeline, previously communicated by Jim Hall, is seen as providing reasonable approximate target dates:

-May 6, 2015	Bill 177 and House Amendments Passed
-Spring/Summer/Early Fall 2015	Regulations Drafted By Saskatchewan FCAA
-Fall 2015	Draft Regulations Published
-Late Fall 2015 and Winter 2016	Consultation With Industry On Draft Regulations
-Spring/Summer 2016	Regulations Finalized and Approved
-Latter Half of 2016	Industry Transition Period
-Late 2016 or Early 2017	Revised Act and Regulations Proclaimed Into Force

Jan clarified that once the Regulations are finalized, following a thorough consultation period with the industry, they only need to be approved and accepted by the Cabinet of the government and will not require review and approval by the legislature.

The FCAA will be in touch with CAFII about the industry consultation once the draft Regulations are ready.

## Ontario

### Roundtable Meetings On FSCO Mandate Review To Be Held In Late July

On June 8/15, CAFII received a confirmation message from the Ministry of Finance acknowledging receipt of the Association's submission to the Expert Panel advising on FSCO's mandate review. The Ministry also advised that all submissions received in response to the public consultation paper will be posted online before the end of June; and that follow-up roundtable meetings for stakeholders with the Expert Panel will be scheduled for late July.

In CAFII's May 21/15 preliminary, informal meeting with the Expert Panel, David McLean, Policy Advisor with the Ministry of Finance and Secretary to the Panel, provided the following timetable and work plan:

- June 5/15: Deadline for response submissions to the consultation paper
- Summer 2015: Panel holds Stakeholder roundtable meetings with respondent groups
- Early Fall 2015: Panel drafts and releases for comment "trial balloon report" based on written submissions and roundtable meetings
- Late Fall 2015: Panel assimilates stakeholder input on trial balloon recommendations; and drafts final report
- Winter 2016: Panel delivers final report to Minister of Finance.

## Quebec

### Ministry of Finance Announces Review Of Distribution Act

On June 12/15, the Quebec Ministry of Finance published a *Report on the Application of the Act respecting the distribution of financial products and services* (ARDFPS). The purpose of the Report is summarized as follows: “the ARDFPS has responded well to the industry’s and the public’s needs. In particular, it has helped to sustain consumer confidence in the industry despite the fraud cases that have occurred over the past decade. The industry is efficient and competitive. On the other hand, the current system is beginning to show signs of losing impetus and no longer adequately satisfies the needs engendered principally by the new technologies. If nothing is done, the regulatory framework risks becoming inadequate and outmoded. Both the industry and the public could suffer as a result. The time has, therefore, come to review it.”

The 46-page Report contains five recommendations.

1. **Draw on the recommendations of the CCIR to put in place a flexible legal framework that will enable insurers to offer their products online.** With respect to this recommendation, the Report states that “it is in the insurers’ interests to properly select the products that they offer online to ensure that they are adapted to this distribution channel. They would have to assume the cost of a poorly adapted distribution method. Furthermore, the representative’s advice would always be indicated for certain products and for consumers who prefer to rely on a professional. Insurers should be in a position to determine the method of distribution best suited to the different products that they offer. The regulations must, therefore, grant them sufficient flexibility.”
2. **Establish a legislative framework for distribution without a representative that applies directly to insurers, which must ensure that the mandataries (now called distributors) abide by the rules.** This section, which speaks about inherent weaknesses in distribution without representation, asserts that “this measure would make the insurer aware of its responsibilities and would make it possible to apply the regulations to the insurer instead of the distributor. Against this background, it would undoubtedly be possible to review overall oversight of distribution without a representative. The rules might resemble those governing online distribution.”
3. **Examine all approaches to ease the regulatory and financial burden of registrants, while maintaining adequate oversight of the distribution of financial products and services.** The Report questions the value of the two-fold oversight structure made up of the AMF and two chambers: the Chambre de la sécurité financière and the Chambre de l’assurance de dommages (self-regulatory organizations for life insurance advisors and general insurance brokers respectively).
4. **Make provision for a consumer to be compensated when he is the victim of a fraud perpetrated by a certified representative even if the claim concerns the sale of products that the representative was not authorized to offer.**
5. **Involve industry representatives in the decision-making process of the Fonds d’indemnisation des services financiers (financial services indemnity fund).** The Ministry plans to review management of the compensation fund. However, the Minister wants to retain the one-stop model currently in place, but would like the industry to be more involved in managing the fund. One way to achieve that, the Report suggests, would be to form a compensation committee made up of three members appointed by the Minister.

The Report encourages the industry and anyone interested to comment on the recommendations made and questions raised by September 10/15.