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Regulatory Update – CAFII Executive Operations Committee, January 6, 2015

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Federal/National

Canadian Council of Insurance Regulators (CCIR)

CCIR Working Group On Travel Insurance To Undertake Industry Survey In Q2 2015

In an update provided to Brendan Wycks on January 6, Harry James, Chair of CCIR's new Working Group On Travel Insurance, advised that one of its first steps will be to undertake a survey to better understand the Canadian travel health insurance landscape, including who is involved, statistical information, and the perspectives of stakeholders. The working group intends to wait until after the end of March (year-end filing time for insurers) before releasing the survey.

Harry anticipates that the working group's terms of reference will be approved during CCIR's winter teleconference meeting on January 22. Thus far, the working group has CCIR representation from Nova Scotia, Quebec, Ontario, Manitoba, Alberta, BC, and the Yukon. It also has CISRO representation from BC, Alberta, Saskatchewan and Manitoba.

CCIR Forms Several Working Groups To Implement 2014-17 Strategic Plan

Part-and-parcel with approving its new 2014-17 Strategic Plan at its October 2014 Fall Meeting, CCIR established working groups in the following areas to implement the Plan: travel insurance, segregated funds, property insurance, and electronic commerce.

CCIR's ICPIC Making Progress On Co-operative Market Conduct Supervisory Framework

At CCIR's October 2014 Fall Meeting, the Council's IAIS Insurance Core Principles Implementation Committee (ICPIC) presented a workplan for a new Co-operative Market Conduct Supervisory Framework. The purpose of the framework is to assist CCIR member jurisdictions in improving their compliance with the International Association of Insurance Supervisors' (IAIS) Insurance Core Principles (ICPs).

ICPIC was also charged with operationalizing CCIR's "Keeping Regulators Informed" initiative -- part of the market intelligence gathering work that will be necessary to support the new framework.

CCIR 2015 Meetings Scheduled

In addition to its Winter teleconference meeting on January 22, CCIR will hold the following meetings this year:

- Stakeholder Meetings on January 28 and 29 in Toronto;
- Spring Meeting on March 26 and 27 in Toronto; and
- Fall Meeting on October 1 and 2 in Newfoundland.

Financial Consumer Agency of Canada

FCAC Receives Submissions On Phase 2 Of National Financial Literacy Strategy Development

FCAC received submissions from both the Canadian Bankers Association and the Canadian Life and Health Insurance Association, among many stakeholders, in response to its consultation paper "*Toward a National Strategy for Financial Literacy, Phase 2: Priority Groups.*" The CBA and CLHIA submissions are published on the organizations' respective web sites.

Canadian Life and Health Insurance Association

CLHIA Makes Advisory Committee Terms of Reference Submission to Saskatchewan

On December 19/14, CLHIA made a Terms of Reference-related submission to Ron Fullan, Executive Director of the Insurance Councils of Saskatchewan (ICS), with respect to establishing a Restricted Insurance Agency Licensee (RIAL) Advisory Committee to him. The submission was positioned as supplementary to CLHIA's original June 2013 proposal for an Advisory Committee.

The new submission addresses Mandate; Reporting Structure; Membership; and several other dimensions that are off-shoots of Membership.

CLHIA indicates that it understands that ICS is considering an Advisory Committee membership of two consumer representatives; two RIAL representatives; and one insurer representative, and it offers direct feedback on each of the membership categories under consideration.

The CLHIA submission is published on its web site.

British Columbia

Financial Institutions Commission (FICOM) Expects To Issue Directive Letter On CGI By End Of February

In an update provided to Brendan Wycks on January 6, Harry James, Director, Policy Initiatives with BC's FICOM, advised that he is currently working on a draft communique on the "effecting of creditor's group insurance" issue in concert with counterpart regulators from the other three Western Canada provinces. He expects that the letter – which will ultimately be issued by FICOM, with or without the endorsement of the other three jurisdictions -- will be sent out sometime before the end of February.

Harry advised that the letter will clarify FICOM's position on "effecting"; expectations about ensuring appropriate controls and oversight are in place over CGI; and about the structure of CGI contracts.

He reiterated that as part of its work on this issue, FICOM has learned that some payment protection insurance products are being structured as group insurance contracts rather than as CGI contracts. This is being done when the lender has not been involved in effecting the contract. Those who are taking this approach believe that so long as the lender does not "effect" the contract, then it is not a CGI product and therefore it can instead be offered as group insurance.

When asked for a confirmation that FICOM views this practice as being in contravention of existing insurance legislation, Harry replied *"this is a practice that is occurring in the market and it's one on which our position -- whether we believe it is or is not within the scope of the legislation -- needs to be made clear. In reaching that decision, we are seeking the input of our Western Canada regulatory partners. What we are striving to achieve is to harmonize our thoughts as much as possible and hopefully achieve as close to a common position as possible on the issues."*

Consultation Paper On 10-Year Review Of BC FIs Act To Be Released Shortly

On January 6, Harry James advised Brendan Wycks that drafting work is underway on a consultation paper related to the 10-Year Review of BC's Financial Institutions Act; and it should be released near the end of January or beginning of February. This follows the November 21/14 pre-consultation roundtable discussion for industry stakeholders with Finance Minister Michael De Jong, where EOC Chair Greg Grant represented CAFII.

Saskatchewan

Financial Consumer Affairs Authority Releases Draft Bill For Consultation On Modernizing Insurance Act

On December 8/14, *Bill 177, The Insurance Act* was posted on the Saskatchewan legislature's web site, after undergoing second reading. The Bill will now serve as a consultation document with the industry, with February 16/15 being the deadline for input before the legislation is brought back to the House for third reading.

When passed and proclaimed, Bill 177 will replace the current Saskatchewan Insurance Act. New regulations will also replace the existing regulations, but work on them has not yet begun.

Jim Hall, the province's former Superintendent of Insurance who is currently serving in a semi-retired capacity as Senior Crown Counsel, Legislative Services with the Ministry of Justice and Attorney General, is the point person for the consultation with industry on Bill 177, along with Janette Seibel, Lawyer, with the Financial Consumer Affairs Authority (FCAA).

Brendan Wycks reached out to Jim Hall to ensure that CAFII was on his list of key industry stakeholders. Jim subsequently included CAFII in his e-mail distribution of an official communique about the Bill 177 consultation.

Manitoba

Insurance Council Establishes Incidental Sellers of Insurance Sub-Committee

In a Notice published on its web site in December 2014, the Insurance Council of Manitoba announced that it has established an ISI Sub-Committee, comprised of five Council members, to oversee regulatory matters relating to ISI.

The Committee is inviting representatives from those organizations that market incidental insurance products to participate and provide input to the Committee on an "as needed" basis. Participation would be voluntary, and any applicable travel expenses would be the responsibility of the incidental seller of insurance or related organization. Interested parties should forward their name and qualifications to the attention of Erin Pearson, Executive Director of the Insurance Council of Manitoba at epearson@icm.mb.ca by February 13, 2015.

In an earlier e-mail exchange with Brendan Wycks, Erin Pearson indicated that "when the formal notification goes out this month, ICM will be referencing a non-statutory advisory committee, and asking for applications from interested parties. These will then be considered by the ISI committee."

Insurance Council Spells Out Licensing Process For Restricted Insurance Agents

In a Notice published on its web site in December 2014, which was communicated to CAFII directly on December 23, the Insurance Council of Manitoba spells out in specific detail the licensing process for the province's new ISI regime.

The Notice can be found at

http://www.icm.mb.ca/files/Licensing%20Info/ISI/ISI_LicensingNotificationReqs_2014.pdf#page=3&zoom=auto,-265,318.

The Council will begin accepting applications for RIA licenses effective February 1, 2015. Applications must be received by April 30, 2015 to ensure processing prior to the May 31, 2015 deadline.

Ontario

Law Professor Appointed Expert Adviser To Review of Credit Unions and Caisses Populaires Act

Minister of Finance Charles Sousa has appointed Osgoode Hall Law School Professor Poonam Puri as the expert adviser to assist with the review of the Credit Unions and Caisses Populaires Act, 1994.

The Ministry announced in October 2014 that the review, which takes place every five years, will include consultations across the province to seek input from the public on ways to strengthen the regulatory framework, protect consumers and enable credit unions and caisses populaires to continue to meet the needs of their members. Parliamentary Assistant Laura Albanese has been appointed to lead the review and submit final recommendations by the fall of 2015.

Puri, who is director of the Business Law LLM program at Osgoode Professional Development, is an expert in corporate governance, corporate law, securities law and financial regulation.

Government Passes FSCO-Championed Legislation Modernizing Disciplinary Process For Insurance Agents

With the Ontario Government's passage of Bill 115 on November 20/14, FSCO's efforts to modernize disciplinary hearings for insurance agents and adjusters – in which CAFII was extensively consulted and involved throughout 2014 – came to fruition. FSCO disseminated a notice about the disciplinary process changes to all insurance agents on January 2/15.

The changes streamline the disciplinary process and improve consumer protection by ensuring that agents who contravene the Insurance Act will be dealt with in an expeditious manner. They also reinforce the positive image and professionalism of insurance agents. The changes came into force on January 1, 2015.

Nova Scotia

CAFII Responds To Consultation On Regulations Supporting Direct Sellers' Regulation Act (DSRA), Bill 43

After consulting with EOC members and receiving input that included feedback from internal legal counsel at a member FI, Brendan Wycks was able to respond to Service Nova Scotia on CAFII's behalf in December 2014 to indicate that

- CAFII had reviewed its consultation document/survey on proposed Regulatory Amendments to the Direct Sellers Regulation Act, but focused our review exclusively on proposed exemption Regulation #1, which addresses direct sales of insurance;
- our Association is satisfied that the proposed Regulation addresses our members' concerns. The wording of the proposed Regulation provides an adequate exemption for the types of insurance products that CAFII members offer through direct channels in Nova Scotia. We do not have any wording enhancements – additions, deletions, or changes – to recommend; and
- we appreciate the opportunity to participate in this consultation and comment on the proposed Regulatory Amendments.