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Regulatory Update – CAFII Executive Operations Committee, October 21, 2014

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Federal/National

Canadian Council of Insurance Regulators (CCIR)

Stakeholder Meetings Postponed To 2015

On October 15/14, CAFII received notification from Carol Shevlin, CCIR Policy Manager, that due to a number of unavoidable conflicts in scheduling, CCIR was postponing the stakeholder meetings which were to be held on November 5-6/14 in Toronto and will attempt to secure dates in early 2015

2014-17 Strategic Plan Published

CCIR's new 2014-17 Strategic Plan, published October 2/14, features three strategic initiatives that are of particular relevance to CAFII members:

- complete a review of the travel insurance industry, to address regulatory concerns related to consumer protection;
- develop and implement a market conduct supervisory framework, to align supervision with international best practices and enhance consumer protection; and
- partner with industry stakeholders to identify opportunities for harmonization and a reduction in inter-jurisdictional barriers.

Agencies Regulation Committee (ARC) Dissolved; White Labeling Of Travel Insurance To Be Reviewed By New Travel Insurance Working Group

On October 21, Harry James of BC's FICOM advised Brendan Wycks that CCIR's ARC had been dissolved and that ARC's work on travel insurance and white labelled products will now be done by a CCIR working group on travel insurance. The working group will be chaired by Harry and have representatives from both CICSRO and CCIR. Its terms of reference won't be approved until CCIR's winter 2015 meeting; but in the meantime, Harry will try to hold preliminary consultations with key stakeholders and will be in touch with Karen Voin, Chair of the pan-industry group on travel insurance, to set up a November meeting.

Laurie Balfour Appointed Chair of CCIR's New IAIS Core Principles Implementation Committee

Laurie Balfour, Alberta's Director, Financial Compliance, Insurance Regulation and Market Conduct Branch, has been appointed Chair of CCIR's new "Implementation of the IAIS Core Principles Committee" emanating from its new 2014-17 Strategic Plan.

Canadian Insurance Services Regulatory Organisations (CISRO)

Primerica Files LLQP-Related Lawsuits Against Ontario And Saskatchewan

Primerica Canada has filed lawsuits against Ontario and Saskatchewan over their involvement in CISRO's current Life License Qualification Program (LLQP) modernization effort.

In addition, at a recent CLHIA committee meeting, Ron Fullan, Chair of CISRO and its LLQP Committee, stated that CISRO had decided the LLQP itself would bear the costs of defending against the Primerica lawsuits. As a result, the cost of registering for the modernized LLQP will be driven higher.

Letters of LLQP Support From Individual Companies Requested

The CISRO LLQP Committee has indicated that it would like to receive letters of support for LLQP modernization from individual companies in addition to industry Associations.

LLQP Committee Not Planning Stakeholder Information Session Or One-on-One Meetings In Fall 2014

On October 21, Ron Fullan informed CAFII that there are no plans to hold a Stakeholder Information Session or one-one stakeholder group meetings in conjunction its Governance Subcommittee meeting in Toronto on November 24/14. That said, CLHIA has indicated to the LLQP Committee that it may take advantage of the Governance Subcommittee's presence in Toronto to present some suggestions on its draft transition plan for the modernized LLQP.

CISRO To Develop New Strategic Plan

CISRO will be developing a new Strategic Plan in the near future and they make seek input on it from industry Associations.

Financial Consumer Agency of Canada

Program For National Financial Literacy Conference Released

The program for the FCAC's National Financial Literacy Conference, scheduled to take place in Vancouver on November 6-7, was recently released. In announcing the program, the FCAC said that momentum to increase financial literacy in Canada and around the world is stronger than ever and an expanding array of creative approaches are sprouting from grassroots groups, dedicated government and NGO leaders, and respected corporate partners.

"The 2014 National Conference on Financial Literacy will showcase these inspiring stories, the latest research, and next and best practices. With our theme of 'Strengthening Financial Literacy Through Collaboration,' this approach will permeate our event, including delegate roundtable discussions to support a national strategy on financial literacy," the Agency stated.

Conference topics include

- exploring ways to move the dial on financial literacy indicators;
- preliminary results from the 2nd Canadian Financial Capability Survey;
- examples of successful collaboration;
- best practices in program evaluation;
- the launch of a national financial literacy resource; and
- case studies in changing financial behaviour.

There is no registration fee for this conference; however, it is an "invitation only" event capped at 200 attendees.

British Columbia

Financial Institutions Commission (FICOM)

New Issue Comes To Light Related To “Effecting” Creditor’s Group Insurance Contracts

Harry James, Director Policy Initiatives with BC’s FICOM, informed Brendan Wycks on October 21 that since they last spoke on the Creditor’s Group Issue on September 18, it has come to his attention that some insurers are offering coverage intended to pay off loan balances (in whole or in part) through regular group insurance as opposed to through Creditor’s Group Insurance. This new development has slowed progress on FICOM’s plan to issue a directive letter to insurers and lenders offering CGI in the province.

Harry advised that BC continues to hold discussions with the other Western Provinces on related issues, i.e. 1) the role of the lender in effecting the coverage; 2) the need for better controls and oversight of CGI distribution; and 3) the new issue around using Group Insurance instead of CGI.

BC hopes to have one or more draft communiqués prepared by the end of October to circulate for review to Harry’s counterparts in Alberta, Saskatchewan and Manitoba.

CAFII Encouraged To Consider Submission Input In Anticipation Of 10-Year Review of Financial Institutions Act

Harry James advised CAFII on October 21 that FICOM is waiting to hear from the Minister’s office on when the mandated 10-year review of the province’s Financial Institutions Act (FIA) will be announced but, in any case, is starting to prepare for the two pre-consultation roundtable meetings it has proposed.

Typically, after such a legislative review is announced, a consultation paper is released to outline the broader issues. And while FICOM will welcome feedback on the broad issues it has identified, it will also be seeking input on issues not raised in the consultation paper. Harry encouraged CAFII to start considering what issues are important to its members in anticipation of this.

The licensure exemption that CGI currently has in BC is found in the FIA Act; and both that exemption and the structure and powers of the Insurance Council of BC are among the issues that the 10-year review could open up for discussion.

When CAFII representatives met with Gerry Matier, Executive Director of the Insurance Council of BC on May 28/14, he indicated that to create more flexibility, the Insurance Council would be trying to get a number of things moved out of the FIA and into Rules and Regulations. As part of this review, the Council is also looking at changing its structure, and moving from Government-appointed Voting Members to elected Voting Members. Gerry agreed with the suggestion that if this change occurs, it will be all the more important to have all relevant perspectives represented at the Insurance Council table, including the banks-in-insurance perspective.

Alberta

David Sorenson Appointed Deputy Superintendent Of Insurance

David Sorenson was appointed Deputy Superintendent of Insurance, effective September 15/14. Previously, he was Director, Regional Claims West at Unifund Assurance, and also served as Claims Manager at Thompson General Insurance. He has 23 years of experience in the insurance industry, 13 of which were spent in claims.

After serving as Acting Deputy Superintendent of Insurance for over a year, Laurie Balfour has returned to her Director, Financial Compliance position.

Brad Geddes, former Deputy Superintendent of Insurance, has taken on a new and permanent job in Emergency Management for the province, after being seconded to a position in that area in the aftermath of the Calgary flooding crisis in summer 2013.

Robin Campbell Appointed Minister Of Finance

On September 15/14, Alberta Premier Jim Prentice appointed, a second term MLA from West Yellowhead, as Minister of Finance, and President of Treasury Board. Mr. Campbell also serves as Vice-Chair of the Government's Agenda and Priorities Committee and as a member of the Operations Committee. Prior to entering politics, he was the president of the local United Mine Workers of America and worked as an appeals commissioner with the Workers' Compensation Board. He was also a member of the Alberta Labour Relations Board and the Environmental Protection Advisory Committee.

Alberta Superintendent Has No Current Or On-The-Horizon Policy Issues Related To Life Or Accident & Sickness Insurance.

Manitoba

Jim Scalena To Retire As Superintendent Of Insurance At End of 2014

ISI Regime Implementation Details Shared With CAFII

In a September 30/14 liaison meeting with Erin Pearson, Executive Director of the Insurance Council, CAFII representatives gained the following insights about Manitoba's implementation plans for its new ISI regime:

- Manitoba expects to have just under 500 Restricted Insurance Agent (RIA) licensees when the new ISI regime is up and running on June 1/15.
- for the initial license, the Council is asking applicants to file voluntarily starting in January 2015 to avoid a bottleneck leading up to the June 1/15 effective date. The Council will be sending out a more detailed timeline around the first week of December 2014 re the initial RIA application process.
- the initial RIA license application must be submitted in hard copy, paper form; thereafter, license renewals will be done electronically.
- applicants only have to fill out one RIA application for all types of insurance under the ISI regime; not a separate form for each type of insurance.

- the Council is not asking for policies and procedures to accompany a license application; but as per the Regulation, licensees may be asked to produce those documents in the future.
- the Council already has plans in the works for an “ISI Committee” that the Insurance Council can call upon for advice. Erin Pearson agreed to consult with CAFII on the Terms of Reference for the ISI Committee.

Ms. Pearson subsequently shared a copy of the draft RIA Application Form with CAFII, for informal, high level feedback to her. Brendan Wycks will consolidate member feedback, via the EOC, and provide CAFII’s input.

Ontario

Financial Services Commission of Ontario (FSCO)

Brian Mills Appointed Interim CEO And Superintendent Of Financial Services

On October 17/14, Phil Howell, FSCO’s CEO and Superintendent of Financial Services, circulated a note reminding industry stakeholders that he would be retiring as of that date. He advised that the Ontario government had announced that effective October 18/14, Brian Mills, currently Deputy Superintendent of Pensions, would become interim CEO of FSCO and Superintendent of Financial Services while a recruitment process for a permanent CEO is completed.

Brian Mills was appointed Deputy Superintendent, Pensions, on September 16/13. Prior to that, he served as Director, Pension Plans Branch, for four years at FSCO. His earlier career includes 14 years as Managing Principal with Towers Perrin in Toronto and Bristol, England; and experience as Director, Canada Client Management, with EDS/HP/ExcellerateHRO; as Vice-President, Pension Plan Administration with the Ontario Pension Board; and as Senior Policy Advisor with the Ontario government.

Phil Howell’s note indicated that “Brian brings a wealth of experience to the job, in both the public and private sectors. As a key member of my executive team for the past two years, he is also aware of issues and challenges in sectors other than pensions.”

FSCO Life Insurance Product Suitability Report Highlights Need For More On-Site Compliance Reviews

The final report from FSCO’s life insurance product suitability review was released on September 30/14.

Through an online survey of over 1,000 life agents and a number of follow-up qualitative interviews, the review provided an understanding of the point-of-sale process used by life insurance agents in making suitable product recommendations to prospective policyholders.

The main findings of the review are:

- best practices are largely being followed i.e. the actual practices do reflect the needs-based sales practices described in “The Approach: Servicing the Client Through Needs-Based Sales Practices”.
- about 50 per cent of the agents indicated that a compliance review of their sales files had never been conducted, or at least had not been done to their knowledge.
- many of the sales activities are still largely done verbally, with no written records.

- 90 per cent of agents always disclose conflicts of interest, but only 50 per cent do so in writing as required by law.
- a majority of agents believe they have a role to play in supporting financial literacy

As a result of this review, FSCO will:

- publish a series of educational bulletins on requirements necessary to comply with the law;
- conduct follow-up life insurance agent questionnaires;
- conduct more on-site compliance reviews with life insurance agents to assess their compliance with the law; and
- conduct more on-site compliance reviews with life insurance companies to assess if they are meeting their oversight obligations under [section 12 of O. Reg. 347/04](#).

FSCO/AMF Arrange Presentation For CAFII and CLHIA On Results of Complaint Reporting System Joint Review
The AMF and FSCO conducted a joint Complaint Reporting System review in the summer of 2014 to evaluate usage of data by the other participating regulators and the adequacy of the system. The report of the joint review and its recommendations were presented to the CCIR at its fall meeting in Fredericton.

The two regulators have arranged a meeting to present the results of the review to CAFII and CLHIA. That meeting will take place on Thursday, November 13 from 2:00 to 3:30 p.m. at FSCO's office in North York and via webex/teleconference.

Quebec

AMF

Annual Report On Financial Institutions Highlights 2013 Recovery Of Life And Health Insurers In Québec
On October 1/14, the AMF released its 2013 annual report on financial institutions (in French only). The report covers the AMF's oversight and supervision of financial institutions in Québec, aimed at maintaining market efficiency and ensuring the fair treatment of consumers.

The report consolidates four annual reports and is intended to provide a better understanding the AMF's role and its vision as an integrated regulator.

The AMF found that financial institutions generally had satisfactory financial positions and were in compliance with existing capitalization expectations and standards. Of particular note, the report indicates that 2013 saw the gradual financial recovery of life and health insurers. This development included particularly strong performance by Québec chartered insurers, which posted an average solvency ratio of 240%, and a significant growth in direct written premiums in Québec, which totalled \$13.7 billion in 2013.

Atlantic Canada

Travel Insurance Highlighted As “Hot Button” Issue At CAFII Joint Meeting With Atlantic Canada Insurance Regulators

In an October 1/14 liaison meeting, Atlantic Canada insurance regulators told CAFII representatives that travel insurance is definitely a “hot button” topic.

“There are inherent problems in the sales process. A lot of people don’t realize the implications of what they’re selling; they don’t understand that travel insurance is a licensed regime product.. We have concerns about distribution, transparency, and disclosure,” the regulators stated.

Nova Scotia

Possible Review Of Life And Accident & Sickness Provisions In Insurance Act In 2015

Doug Murphy, Superintendent of Insurance, has advised that Nova Scotia could be moving forward with a review of the life and accident & sickness sections of the Insurance Act in 2015. He indicated that there are no other issues related to CAFII’s lines of business on his regulatory radar.

New Brunswick

Position Paper To Be Released On Reforms In Other-than-Life Agents And Brokers Licensing

New Brunswick will be releasing a position paper on “Opportunities for Reforming Other-than-Life Agents and Brokers Licensing Regime” sometime this fall.

Prince Edward Island

Life And Accident & Sickness Insurance Provisions In Insurance Act To Be Reviewed In 2015

Robert Bradley, Superintendent of Insurance, has advised that, beginning in early 2015, PEI will be reviewing the provisions in its Insurance Act related to life and accident & sickness insurance. He also advised that PEI may decide to follow Alberta’s lead and allow electronic beneficiary designation changes, he noted.

Newfoundland

No Issues Related To CAFII Lines Of Business At This Time

Craig Whalen, Acting Superintendent of Insurance, has advised that in his province, there are no current or looming issues or initiatives re life and accident & sickness insurance at this time.