

May 31, 2016

Mr. Brian Mills
Chief Executive Officer and Superintendent of Financial Services
Financial Services Commission of Ontario
5160 Yonge Street, Box 85
Toronto, ON M2N 6L9

Subject: FSCO's Draft 2016 Statement of Priorities

Dear Mr. Mills:

I am writing on behalf of the Canadian Association of Financial Institutions in Insurance (CAFII) with respect to the four priorities on which feedback was requested in FSCO's Draft 2016 Statement of Priorities:

1) Influence the development of provincial, national, and international regulatory policy

CAFII recommends that FSCO's regulatory framework should continue to be principles/risk-based and foster an open marketplace where consumers are able to choose how and where to purchase insurance coverage, whether that be through traditional or alternate sales channels.

We encourage FSCO to continue to participate and, where appropriate, lead within national co-ordinating bodies such as the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organizations (CISRO), particularly around major harmonization projects such as the Framework for Co-operative Market Conduct Supervision in Canada and its sub-initiatives. Another example where FSCO's support and leadership would be valuable is in the development of a national electronic licensing system. Achieving a seamless integration between the Canadian Insurance Participant Registry (CIPR) and the private sector APEXA database, which will launch this summer, would provide both regulators and the industry with a powerful, cost-effective tool for licensing and monitoring agents.

2) Enhance the collection, use, and sharing of market intelligence

We recommend that FSCO continue to be a full participant in CCIR's Annual Statement on Market Conduct, so that it truly becomes a harmonized information return for use across all member jurisdictions, allowing insurers to complete a single data request rather than one for each jurisdiction in which they are active.

However, much of the data being requested in the Annual Statement and other regulator surveys is proprietary in nature and its public release could be harmful to insurers and result in anti-competitive activities; therefore, we recommend that Ontario adopt self-evaluative privilege for all information that FSCO requests of industry participants, just as Alberta, Manitoba and Saskatchewan have done in recent years.

Whenever FSCO collects market intelligence data from the industry, the aggregated results should be shared with CAFII and other industry stakeholders. Being able to see aggregate-level results is very valuable for individual companies as it allows them to compare their own results to the overall industry and to take action where they find shortcomings. Sharing aggregate-level data is also a tangible way for FSCO to improve transparency and would allow the industry to see how FSCO “connects the dots” in its regulatory activities.

We also recommend that FSCO continue to consult with stakeholders whenever it is contemplating undertaking research on the industry. This creates a win-win situation for FSCO and the industry. For example, looking back on our involvement as a stakeholder in FSCO’s 2013-14 life insurance product suitability review, we appreciated the project team’s April 9, 2014 meeting with CAFII for the purpose of giving us an opportunity to provide feedback on the Interim Report. We believe the project team found the feedback that we were able to provide on the interpretation of the research results to be useful.

3) Raise awareness of FSCO’s actions in the financial services marketplace

CAFII believes that FSCO does a good job of informing industry stakeholders and consumers about its policy decisions and actions and we are pleased that the Commission makes a point of proactively meeting with stakeholders to consult on regulatory issues. Similarly, we value the bulletins and news releases that FSCO issues to keep stakeholders informed, such as the Insurance Agents e-Newsletter.

We have taken note of the fact that FSCO has recently made a foray into Twitter chats for the public on topics such as insurance fraud; and we suggest that you also consider offering webinars for key industry stakeholder groups whenever there is substantive and important information to convey.

4) Provide adequate disclosure of information to enable informed decisions by consumers and pension plan members

With respect to FSCO’s giving consideration to expanding the information it provides to the public about its enforcement actions, e.g. on the FSCO website, through social media or media outlets, CAFII believes that, in order to encourage disclosure, FSCO should exercise discretion when taking such action and should only do so for egregious breaches where management has failed to address your concerns; and only after due process has run its course, including the appeal process.

CAFII also supports FSCO’s goal of enhancing consumer financial literacy. However, we believe that consumer financial literacy is well-supported under existing federal and provincial legislation and, if there are to be new consumer financial literacy obligations for the life and health insurance sector, we would like to see a nationally co-ordinated approach, one which builds upon the work being led by the FCAC’s National Financial Literacy Leader.

For our part, CAFII members have been focused on consumer financial literacy for many years through the use of plain language and clear communication in their insurance products. Our members adhere to the FCAC's *Commissioner's Guidance on Clear Language (CG-3)* and the CLHIA's reference document *A Model Demonstrating Clear Communication Principles and Techniques Using Examples From Insurance Policies*. CAFII member client service representatives are also required to undergo comprehensive and recurring product training to ensure that they provide consumers with accurate and reliable information. That training ensures that representatives offering insurance have the knowledge and skills to do their jobs and serve clients well. It also ensures that they act in accordance with the Canadian Bankers Association's Code of Conduct for Authorized Insurance Activities; the federal Bank Act; federal and provincial privacy legislation; and CLHIA Guidelines, including G7 Creditor's Group Insurance, G9 Direct Marketing, and G5 Travel Insurance.

Conclusion

CAFII appreciates the opportunity to comment on FSCO's 2016 Draft Statement of Priorities and we look forward to continued communication and input on policy matters. We applaud the Commission for the open and transparent approach it takes in communicating with the industry, and for its steadfast commitment to stakeholder consultation on key policy and regulatory matters.

Should you require further information from CAFII or wish to meet with representatives of our Association at any time, please contact Brendan Wycks, our Executive Director, at brendan.wycks@cafii.com or 647-218-8243.

Sincerely,



Greg Grant, MBA, FLMI, ACS
Board Secretary and Chair, Executive Operations Committee
Canadian Association of Financial Institutions in Insurance

ABOUT CAFII

The Canadian Association of Financial Institutions in Insurance (CAFII) is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. CAFII was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels, i.e. client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the internet. CAFII members offer travel, life, health, property and casualty, and creditor's group insurance across Canada. CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services.

CAFII's full members are the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Financial Security; National Bank Insurance; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players American Express, Assurant Solutions, Canadian Premier Life Insurance Company, and The CUMIS Group Ltd.