

June 5, 2015

Expert Advisory Panel – FSCO/FSDT/DICO Mandate Reviews  
Ministry of Finance  
Financial Institutions Policy Branch & Income Security & Pension Policy Division  
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**Subject:** Consultation on Review of FSCO, FST and DICO Mandates

Dear Messrs. Cooke, Daw, and Ritchie:

Thank you for meeting with representatives of our Association on May 21, 2015. The informal discussion was appreciated and helped us better understand the objectives of your review of FSCO's mandate. CAFII is now pleased to provide its written input and looks forward to participating in future phases of the review.

As you may be aware, most CAFII members are also members of Canadian Life and Health Insurance Association (CLHIA) and, in general, the views of our respective Associations are well-aligned, i.e. CAFII supports the following CLHIA positions in respect of FSCO's mandate:

- Continued adherence to principles- and risk-based regulation.
- Amendment of FSCO's legislative mandate to refer explicitly to the goals of consumer protection and a strong financial services sector.
- Continued engagement with, and support for, national regulatory bodies such as the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organisations (CISRO), with the ultimate objective of promoting a harmonized model for insurance regulation across the country.
- Continued embrace of the International Association of Insurance Supervisors' (IAIS) Insurance Core Principles (our belief is that FSCO conducts itself in a manner consistent with those principles).
- Retention of ultimate responsibility for insurance regulation. While the Auditor General's 2014 report found some areas where FSCO has fallen short, the root cause has been a lack of resources rather than the Commission's regulatory mandate itself. However, CAFII believes that this issue can be addressed largely through better targeting of existing resources; and new resources should only be added if required.
- Urgent need for an integrated national database to facilitate seamless licensing and monitoring of insurance agents across all jurisdictions.

With respect to the proposal that a merger occur between FSCO and the Ontario Securities Commission, CAFII is not convinced that it would provide net benefits to FSCO's ability to protect consumers and promote efficient markets. We recommend that the implications of any such change be fully examined. Given the OSC's approach to securities regulation, we are concerned that the merged organization would not operate under the principles- and risk-based approach to insurance regulation that it is imperative to maintain.

CAFII is also opposed to Advocis' proposal to take over regulation of life insurance agents from FSCO. We believe that any structural model for insurance regulation should be "distribution channel neutral"; and it would be inappropriate for Advocis to be in a position of regulating competing channels.

The following additional comments relate to three areas of particular focus for CAFII members:

#### **Distribution of Authorized Insurance Products**

We believe that the current approach to regulation of these products is working well. Consumers are well-protected through CAFII members' compliance with the Canadian Bankers Association (CBA) Code of Conduct for Authorized Insurance Activities. This Code – part of the CBA's suite of Voluntary Commitments and Codes of Conduct – applies to all authorized insurance products promoted in Canada. The CBA's Voluntary Commitments and Codes of Conduct are non-legislated commitments that banks have made to their customers in a number of areas. The banks' federal consumer regulator, the Financial Consumer Agency of Canada, oversees the banks' compliance with them. It is worth noting that all CAFII members also follow relevant CLHIA Guidelines, including Guideline G7 Creditor's Group Insurance, G9 Direct Marketing, and G7 Travel Insurance.

#### **Alternate Distribution of Insurance**

With life insurance ownership in Canada at a 30-year low, CAFII strongly believes that the regulatory structure should foster an open marketplace where consumers are able to choose how and where to purchase coverage. In addition to the Authorized products mentioned above, CAFII members distribute life & health insurance products by direct mail, contact centres and through the internet. It's our view that the future of insurance distribution will be marked by continued innovation; and that regulation should embrace the role of all insurance channels in meeting the insurance needs of consumers. In particular, consumers continue to demand greater access to sales through the internet and on mobile devices; and we believe these channels will play an ever more important role in meeting the needs of Canadian consumers.

Therefore, we concur with CLHIA that regulatory requirements designed for traditional paper-based and personal interaction sales practices will need to be revisited to ensure that they do not create obstacles for online and mobile distribution of insurance.

#### **Creation of an Insurance Council(s) with Regulatory and Disciplinary Oversight**

Should a decision be made to create an Insurance Council(s) with regulatory and disciplinary oversight of licensed agents, we strongly recommend that any such Council be designed such that the interests of all distribution channels are well-served and the representatives of any particular channel are not in a position to make decisions which could negatively affect or disadvantage competing channels.

Thank you for the opportunity to share CAFII's comments and recommendations in this important review of FSCO's mandate. We look forward to participating in the summer stakeholder meetings and responding to the "trial balloon report" to be published in the fall.

Sincerely,



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

c.c. David McLean, Policy Advisor, Financial Institutions Policy Branch, Ontario Ministry of Finance

## 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. CAFII members provide insurance through client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the internet.

CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services.

CAFII is currently the only Canadian Association with members involved in all major lines of personal insurance. 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; Scotiabank Financial; and TD Insurance – along with major industry players American Express, Assurant Solutions, Canadian Premier Life Insurance Company, and The CUMIS Group Ltd.

In addition, CAFII has 10 Associates that support the role of financial institutions in insurance.

CAFII members offer travel, life, health, property and casualty, and creditor's group insurance across Canada. In particular, creditor's group insurance and travel insurance are the product lines of primary focus for CAFII as its members' common ground.

CAFII's diverse membership enables our Association to take a broad view of the regulatory regime governing the insurance marketplace. CAFII works with government and regulators (primarily provincial) to develop a legislative and regulatory framework for the insurance sector that helps ensure Canadian consumers get the insurance products that suit their needs. Our aim is to ensure appropriate standards are in place for the distribution and marketing of all insurance products and services.