

Monthly Survey

FEDERAL

FINANCIAL LITERACY MONTH

November is Financial Literacy Month (FLM) in Canada. FLM brings together the resources, information, products and services developed by organizations across the country that help Canadians strengthen their financial literacy. The calendar of activities was on the Financial Consumer Agency of Canada website.

ALBERTA

LICENSE RENEWAL TO BE JULY 1ST EACH YEAR FOR ALL CLASSES

The *Certificate Expiry, Penalties and Fees Regulation* has been amended to require licenses to run from July 1st to June 30th for all classes (Life, General and Adjusters). The changes will be phased in beginning with the Life and Accident and Sickness agents in December of 2012, with holders receiving a certificate that will expire on June 30, 2014. In April 2013, Adjusters will be issued a certificate that will expire on June 30, 2014. Fees will be prorated accordingly and Continuing Education requirements remain at the current 15 hour requirement. In September 2013, General Insurance Agents will receive a certificate that will expire on June 30, 2014, resulting in a license term that is reduced by approximately four months. The fee for this group of certificates will be reduced on a prorated basis. Continuing Education requirements for general insurance agents are reduced to 10 credit hours during the transitional period and will return to 15 credit hours following the transition. Complete details of the changes, a table of prorated fees and links to the regulation can be viewed on the Alberta Insurance Council website at www.abcouncil.ab.ca

NEW PROBATIONARY LICENSE AND OTHER CHANGES TO GENERAL AGENT LICENSING

The *Insurance Agents and Adjusters Regulation* has been amended and was effective November 7, 2012. Changes include:

1. A new Probationary Certificate to allow prospective new general insurance agents to try out the job prior to qualification. It is available on a 1 time basis only, is valid for 90 days and is subject to supervision.
2. Removal of the requirement to move to level 2 from level 1 within 3 years. Level 1 agents whose certificates were cancelled for failing to advance to Level 2 may be entitled to re-apply for the Level 1 certificate. Level 1 agents are subject to ongoing supervision.
3. Level 2 applicants will have to pass a single examination that covers both personal and commercial insurance.
4. A new level 3 certificate will be issued to the Designated Representative of an agency. All Level 2 certificate holders who are currently the Designated Representative of an agency will be issued a Level 3 certificate. Those wishing to become a Designated Representative must successfully pass a Management Examination in addition to meeting other requirements.

AUTOMOBILE INSURANCE REVIEW UPDATE

The province reports that reviews are still underway on the *Automobile Insurance Premiums Regulation*, *Accident Benefits in the Automobile Accident Insurance Benefits Regulation*, the *Minor Injury Regulation* and the *Diagnostic and Treatment Protocols Regulation*. No decisions have been made at this time.

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SASKATCHEWAN

FINANCIAL AND CONSUMER AFFAIRS AUTHORITY CREATED

What was previously the Saskatchewan Financial Services Commission is now The Financial and Consumer Affairs Authority (FCAA). David Wild is Superintendent of Insurance and Ian McIntosh is Deputy Superintendent. The name change occurred on October 1, 2012.

MANITOBA

INSURANCE REGULATOR MERGED WITH SECURITIES COMMISSION

The Financial Institutions Regulation Branch which oversees insurance companies, the Insurance Council, credit unions and co-operatives has merged with the Manitoba Securities Commission which has responsibility for securities regulation, real estate agents and mortgage brokers. The Financial Institutions Regulation branch which had reported as a branch of the Ministry of Finance becomes part of a “special operating agency” reporting through the Ministry of Finance. The Insurance group expects to move to the securities commission building. The effective date of merged operations was October 1, 2012.

ONTARIO

PROPOSED ADMINISTRATIVE MONETARY PENALTIES (AMP) REGULATIONS

Budget Bill 55 amended the *Automobile Insurance Rate Stabilization Act, 2003*, *Compulsory Automobile Insurance Act*, and *Insurance Act* to provide the Superintendent of Financial Services with the authority to impose administrative penalties and provide the Lieutenant Governor in Council the power to make regulations under these Acts. The Ministry of Finance has posted to the Ontario Regulatory Registry a summary of three regulations under the above noted Acts. Amendments under the Acts would be proclaimed in force at the same time as the regulations.

According to the registry posting, the three sets of proposed AMP regulations may:

- Prescribe provisions of the Act or the regulations for the purposes of general or summary administrative penalties;
- Prescribe criteria the Superintendent is required or permitted to consider when imposing a general or summary administrative penalty;
- Prescribe the amount of a penalty, or the method for calculating the amount of a penalty, and prescribe different penalties or ranges of penalties for different types of contraventions or failures to comply and for different classes of persons;
- Authorize the Superintendent to determine the amount of a penalty, if the amount of the penalty or the method for calculating the amount of the penalty is not prescribed, and prescribe criteria the Superintendent is required or permitted to consider when determining this;
- Authorize a penalty to be imposed for each day or part of a day on which a contravention or failure to comply continues;
- Authorize higher penalties for a second or subsequent contravention or failure to comply by a person;
- Govern the manner of paying the penalties;
- Require that a penalty be paid before a specified deadline or before a deadline specified by the Superintendent;
- Authorize the imposition of late payment fees respecting penalties that are not paid before the deadline, including graduated late payment fees; and
- Prescribe lesser maximum administrative penalties and the requirements established under the Act to which the lesser maximum penalties apply.

Comments on the AMP regulations are due by **December 15, 2012**

LIFE INSURANCE PRODUCT SUITABILITY REVIEWS TO COMMENCE

FSCO's 2012 Statement of Priorities set out as a priority to “undertake a market conduct review to determine how the life insurance industry is ensuring that consumers get appropriate information to make informed decisions when purchasing life insurance products. The focus of the review will be to understand and assess the processes life insurance agents use in making recommendations to consumers and the processes in place at life insurance companies when developing and distributing products.” FSCO advises that this review will start as an information gathering process in 2013.

QUEBEC

AMF APPOINTMENTS

In November, the Autorité des marchés financiers (AMF) appointed Eric Stevenson to the position of Superintendent, Client Services and Distribution Oversight, which includes Distribution Policies and Compensation and Distribution Practices. Mr. Stevenson will also oversee the AMF's systems modernization and integration project (MISA, Modernisation et intégration des systèmes d'affaires), which will enhance its effectiveness and efficiency by delivering integrated, high performance information systems. Philippe Lebel was appointed to the position of Executive Director, Legal Affairs.

NEW CONSUMER INSURANCE GUIDE

The AMF has produced a new practical insurance guide to answer consumer questions and to help consumers understand insurance. It focuses on two broad insurance classes: damage insurance, which includes automobile and home insurance, and insurance of persons, which includes life insurance. It is currently available at newsstands, in bookstores and on-line at www.protegez-vous.ca/boutique.

CANADIAN COUNCIL OF INSURANCE REGULATORS

FINAL MGA PAPER RELEASED

At its Fall meeting, CCIR adopted the final version of the position paper on the MGA distribution channel in the life insurance industry with a new title to distinguish it from the consultation paper: *Strengthening the Life MGA Distribution Channel*. The paper is the same as was released in March 2012. The paper does not apply to distribution of group products; it applies to MGA distribution of life, accident and sickness insurance and annuities. The paper contained four recommendations as follows:

- Insurer Relationship with MGAs - Insurers must have in place effective systems and controls whenever they use the services of an MGA
- Agent Supervision - Insurers should incorporate the principles in CLHIA Guideline G8 - *Screening Agents for Suitability and Reporting Unsuitable Agents* into all of their business across Canada, including any contracts involving the outsourcing of these functions to an MGA.
- Product Suitability- Regular market conduct reviews should be undertaken by regulators to determine if insurers and their agents are providing consumers with adequate information to

make informed decisions and suitable product recommendations.

- Information needs of regulators- Regulators will develop options and an action plan to make sure that adequate information on life agents and MGAs is obtained in a timely manner.

The paper also contained *Best Practices for Insurer-MGA Relationships* (core principles). Strategies for achieving each principle are included. The Principles are as follow:

- Principle One – A Clear Strategy
An insurer has a clear strategy for selecting, appointing and managing MGA arrangements as part of its overall distribution plan.
- Principle Two – Thorough Due Diligence
An insurer carries out thorough due diligence of each MGA prior entering into the arrangement to provide services.
- Principle Three – Well Defined Roles and Responsibilities
An insurer has a written agreement in place with each MGA which clearly defines the conditions, scope and limits of contracted services.
- Principle Four – Active Oversight
An insurer proactively manages MGA contracts once in place to ensure compliance with contract conditions.

THIRD PARTY ADMINISTRATOR (TPA) REGULATION

The Agencies Regulation Committee (ARC) will commence a review of TPA regulation for group life, accident and sickness, creditor's group insurance, and travel insurance to determine potential risks to consumers.

REVIEW OF CANADA'S ADHERENCE TO INSURANCE CORE PRINCIPLES

According to the CCIR fall meeting highlights, "The International Monetary Fund will be conducting a financial stability assessment of Canada in 2013 under the Financial Sector Assessment Program (FSAP). The FSAP will assess Canada's adherence with international standards and insurance core principles (ICPs) in the areas of insurance, banking, securities, payment/settlement systems and fiscal transparency. Federal and provincial regulators, including CCIR, are working together to assemble the necessary documentation for the review team."

CREDIT SCORE PROJECT COMPLETED

At the fall meeting, CCIR approved the release of the Credit Scoring Working Group Findings Report – *Use of Credit Scores by Insurers* which summarizes the summer 2011 consultation which compiled research and facts surrounding credit-based insurance scores and how they are used. The report notes that the input was largely from 2 camps -brokers who are against the use of credit information and insurers who support continued use. It was felt that both groups produced little in the way of supporting evidence for their opinion. The CCIR will not be making recommendations or issuing a Position paper. The report can be found on the CCIR website.

ELECTRONIC COMMERCE

The CCIR fall highlights report that the Electronic Commerce Committee (ECC) presented preliminary recommendations arising from its consultation earlier this year on Electronic Commerce in Insurance Products.

Topics for recommendations include:

- Consumer access to additional information/advice from a licensed intermediary when using electronic channels
- The role and regulation of comparison shopping sites
- Designating Beneficiaries through electronic means, and
- Termination of insurance by the insurer through electronic means.

The ECC will now proceed to prepare a Position Paper for consultation in 2013.

CCIR TO BECOME INVOLVED WITH DISPUTE RESOLUTION

The CCIR fall highlights notes that “the Joint Forum of Financial Market Regulators (JF) has asked CCIR to play a greater role in working with the two insurance Ombudservices - OmbudService for Life and Health Insurance (OLHI) and the General Insurance OmbudService (GIO) - in the interests of Canadian consumers. CCIR recognizes the importance of dispute resolution mechanisms for consumers and the role of regulators in providing some oversight. CCIR intends to engage representatives of OLHI and GIO as well as other members of the JF Dispute Resolution Committee to consider next steps.”

UPCOMING CCIR MEETINGS

CCIR will hold a winter conference call meeting on January 24, 2013. The CCIR Spring meeting will be held April 11 and 12, 2013 in Toronto.

CANADIAN INSURANCE SERVICES REGULATORY ORGANIZATIONS (CISRO)

NEW CISRO WEBSITE LAUNCHED

Stakeholders can be kept up to date on CISRO activities by visiting its website at <http://www.cisro-ocra.com/>

LIFE LICENSE QUALIFICATION PROGRAM (LLQP) REDESIGN

As announced in July 2012, a new national life training program is being developed. The CISRO project is being coordinated by the AMF. The program is to be ready by September 2015. Currently the LLQP does not include BC and Quebec but both provinces will be included in the new program.

That's a Wrap, Folks!

As mentioned in last month's Newsletter, this is the final edition. For almost 14 years we have been privileged to provide a consistent source of information on Canada's insurance regulatory scene to regulatory agencies, industry associations, insurance companies, consulting firms, legal firms and other enterprises. As well, many foreign government agencies also receive the Newsletter. When working on insurance supervisory projects in the far corners of the world, we have been approached by government officials who have advised how developments in Canada, as reported in the Newsletter, have inspired them to explore similar approaches in their own countries. While some readers may say "Oh my gosh, those poor people!", in our heart of hearts we surely all realize that Canada has a stellar reputation for insurance and financial regulation around the world.

So a final tip of the hat to Canada's insurance regulators who have not only made the Newsletter possible over the years, but who have also applied their common sense and good judgement to earn that well-deserved reputation.

Best wishes – and if it's not too early to say – Happy Holidays and a wonderful New Year to all.

Lawrie Savage

The LS&A Team

Mark Fowler: Mark is a professional actuary with many years of senior experience at OSFI, including Director General of Pensions and Chief of Financial Analysis in the Life Insurance Division.

Catherine MacLellan: 13 years experience at OSFI, including as Director of Special Services, Senior Financial Analyst in Property/ Casualty and Senior Bank Inspector, Catherine has operated her own insurance consulting business since 1987.

Mark McKenzie: With over 15 years of supervisory and supervisory consulting experience in emerging market countries, Mark is a leading financial sector technical expert in the field of regulatory governance and compliance. He is a specialist in developing regulatory policies and procedures, carrying out compliance audits, providing supervisory and compliance training, assessing compliance with international core principles in banking and insurance and advising on AML/CFT.

Anne Riley: Formerly Director, Financial Institutions at the Canadian Bankers Association, Anne has many years of experience with government policy in the financial sector.

Bernard Rodrigues: Bernard was Superintendent of Insurance for the Province of Alberta for 14 years. He was Resident Manager of our Trinidad and Tobago project and assists with LS&A projects in Canada and internationally.

Lawrie Savage: Lawrie is a former Superintendent of Insurance for Ontario and also had a 19 year career with OSFI, including head of the Property/Casualty area for eight years. He has also held senior positions in the industry and with one of the largest professional consulting firms.

Gordon Smith: Gordon has 27 years of experience with OSFI and has been consulting with Lawrie Savage & Associates since the fall of 1997. At OSFI Gordon was in charge of the Life Insurance examination area as well as serving on many OSFI/industry committees.

Andre Swanepoel: Based in South Africa, Andre was for 13 years the Deputy Executive, Insurance and Pensions, for the Financial Services Board of South Africa. He was also a member of the executive committee of the International Association of Insurance Supervisors and chaired its Emerging Markets and Educational sub-committee for several years. He is a Fellow of the Institute of Actuaries of the UK.

On international assignments: we are also represented by **Fred Gorbet** and **Colin McNairn**, both of whom are well known as a result of their senior experience in the Canadian financial services sector.

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from legislators and regulators.

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