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Regulatory Update – CAFII Executive Operations Committee, July 17, 2014

Prepared By Brendan Wycks, CAFII Executive Director

Executive Summary of this Issue

- **BC FICOM Requests Consultation Meeting With CAFII Around “Creditor’s Group Insurance Issue”.** **Page 2:** Harry James of BC’s FICOM wants to consult with CAFII members about the role of lending institutions in ‘effecting’ the creditor’s group insurance products they offer.
- **Manitoba Restricted Licence/ISI Regulation.** **Page 2:** The timeline for proclamation of Manitoba’s Restricted Licence Holder/ISI Regime Regulation has been pushed back to August/September 2014.
- **New Phase Added To FSCO’s Life Insurance Product Suitability Review:** A new phase involving a mini-survey of insurers on their practices with respect to life insurance sales has been added to this project.
- **AMF Targeting Late Summer/Fall Release of New Distribution Guide Model.** **Page 3.**
- **CCIR To Publish New 2014-17 Strategic Plan In Summer 2014.** **Page 4.**
- **CISRO Publishes Detailed Frequently Asked Questions Documents On LLQP Modernization.** **Page 5.**

British Columbia

Financial Institutions Commission (FICOM)

Creditor's Group Insurance Issue

On June 26, Harry James, Director, Policy Initiatives with BC's FICOM, called Brendan Wycks to arrange a teleconference meeting with CAFII members (banks that offer creditor's group insurance products in BC) in the latter half of July.

(That teleconference meeting has been confirmed for Monday, July 28 from 2:00 to 3:30 p.m. Eastern, with Laurie Balfour, Alberta's Acting Deputy Superintendent of Insurance, and Ian McIntosh, Saskatchewan's Deputy Superintendent of Insurance, also participating.)

Harry advised that he wanted to talk to a group of relevant CAFII member representatives about "what they believe the role of lending institutions should be in 'effecting' the creditor's group insurance products they offer" and "what they see as realistic expectations around the BC legislative requirement that a creditor's group insurance contract be 'effected' by the lender."

This consultation meeting request is in follow-up to the March 2014 enforcement action against an insurer for contravening BC legislation and as an outgrowth of FICOM's subsequent open letter and two question survey of entities that offer CGI products in the province.

Based on where this issue currently stands with FICOM, Harry said "we want to ensure that we're taking prudent and realistic action. We intend to work with the industry, and we don't want to impose unrealistic expectations or an undue burden. But we do need to drive things forward, and not let things languish over the summer until September."

Manitoba

Regulation Establishing A Restricted Licence Holder/ISI Regime

On July 11, Brendan Wycks received an update from Scott Moore, Manitoba's Deputy Superintendent of Insurance, advising that while there had not been any significant developments since mid-June, the Superintendent's Office was continuing to work towards a proclamation date of sometime over the summer (August/September) for its Regulation establishing a Restricted Licence Holder/Incidental Sellers of Insurance regime.

On June 18, Scott had advised that Minister of Finance Jennifer Howard should be bringing the Regulation forward to her Cabinet colleagues for approval, via an Order in Council, in July or August. The Superintendent's Office is having several briefing meetings with the Minister, to achieve her goal of having a full understanding and complete command of the Regulation before she brings it to Cabinet.

Ontario

Life Insurance Product Suitability Review

On June 30, Brendan Wycks received an update call from Anatol Monid, Director of FSCO's Market Regulation Branch and leader of its Life Insurance Product Suitability Review, along with Reena Vora, Manager, Market Conduct Compliance and a member of the Suitability Review project team.

They advised that the next phase in the Review would be a mini-survey of a sample of insurers on practices with respect to life insurance sales in both “new business” and “renewal business” settings.

Having completed a detailed review of the sales practices followed by life agents in face-to-face sales situations (based on data from the 2013 online survey of life agents on practices at point-of-sale), the Product Suitability Review team decided that they needed to broaden/extend the focus of the Review a bit by doing a mini-survey of insurers is to gather information about company roles and processes with respect to the sale of individual life insurance, via some questions about companies’ experiences with products in the marketplace.

While the random sample of 1,000-plus life agents selected for the 2013 online survey was focused solely on the face-to-face sales setting, and thereby excluded salaried contact centre sales personnel employed by most CAFII members, this follow-up mini-survey of insurers will take a broader focus.

Anatol noted that while only a small group of companies will be chosen to complete the mini-survey, it was likely that two or three CAFII member-related insurers would be among the sample. A notice about the mandatory mini-survey of insurers, which will constitute a requirement to complete it, was to be sent by July 4 to those companies chosen to participate.

On July 17, Brendan Wycks received an update from Adrienne Warner, a Market Intelligence Consultant at FSCO and member of the Product Suitability Review project team, who advised that the final report from the Review was currently in the final stages of approval for release this summer.

Modernizing Disciplinary Hearings For Insurance Agents and Adjusters

On July 16, Brendan Wycks received an update from Jim Fox, Senior Policy Advisor, Insurance & Deposit Institutions Policy, in FSCO’s Licensing and Market Conduct Division, advising that the legislative amendments necessary to effect changes to the province’s disciplinary process for insurance agents and adjusters was re-introduced on July 15 as part of Bill 15 (previously Bill 171) in *Schedule 3, Fighting Fraud and Reducing Automobile Insurance Rates Act, 2014*:

http://www.ontla.on.ca/web/bills/bills_detail.do?locale=en&BillID=3007&detailPage=bills_detail_the_bill

These legislative amendments stem from a FSCO consultation with the industry in 2013, in which CAFII participated via two meetings and a written submission.

Quebec

Distribution Guide

On June 19, Brendan Wycks received an update from Eric Stevenson, Superintendent, Client Services and Distribution Oversight at the AMF, advising that “the work on the Distribution Guide and on proposed amendments to the Regulation is well under way and we should be able to get back to you on the upcoming steps during the summer.”

In a related recent meeting with a CAFII member, Louise Gauthier, Director, Distribution Practices and Self-Regulatory Organizations at the AMF, advised that a model for a four-page distribution guide would be put forward to the Minister of Finance in the Fall of 2014.

She emphasized the AMF's view that any more than four pages of content is thought to be too complicated, such that products requiring a distribution guide longer than four pages should only be sold by a licensed agent. She committed that a draft of the proposed guide would be provided to CAFII and CLHIA for comment. The model distribution guide is intended to be prescriptive in terms of content and the AMF intends to work within the existing legal framework.

Overhaul of Insurance Act and Distribution Act

Eric Stevenson advised on June 19 that the AMF has not yet received any indication from the new Quebec government on its timeline for proceeding with an overhaul of the Insurance Act and the Distribution Act that was announced by the previous government in April 2013.

New Brunswick

Changes To Insurance Act

On June 3, Invest New Brunswick issued a two-part invitation to CAFII: (i) to submit a letter by September 30 on changes required to the province's Insurance Act to make the conduct of business more efficient and effective; and (ii) to participate in a post-provincial election (October 2014) task force on this matter. The Licensing Efficiency Issues Committee will be addressing this opportunity.

Federal/National

Canadian Council of Insurance Regulators (CCIR)

The following are published highlights of CCIR's Summer 2014 Meeting:

2014-17 Strategic Plan

CCIR approved a new 2014-17 Strategic Plan, which it expects to publish mid-summer.

IAIS Insurance Core Principles Implementation Committee (ICPic)

ICPic presented a paper detailing issues and options to consider and a continuum of options for a new Market Conduct Supervisory Framework to assist member jurisdictions in improving their compliance with the International Association of Insurance Supervisors' Insurance Core Principles (ICPs).

CCIR approved the Supervisory College direction outlined in the options paper and directed ICPic to continue work on a Supervisory Framework and outlining the steps necessary to implement it, with a report back at the Fall 2014 meeting.

Third Annual Stakeholder Meetings: November 5-6, 2014 in Toronto

CCIR has confirmed November 5-6, 2014 as the dates for its third annual Stakeholder Meetings in Toronto. The Council will be sending invitations in the early Fall to industry Associations to meet to discuss industry issues and concerns, as well as respective work plans for the coming year.

CCIR's 100th Anniversary

CCIR can trace its ancestry back to 1914. The Council has therefore formed a working group to consider ways to mark the milestone.

Canadian Insurance Services Regulatory Organizations (CISRO)

LLQP Modernization

In June 2014, CISRO published two detailed Frequently Asked Questions (FAQs) documents on its web site about LLQP modernization. The FAQs seem, at least in part, a response to the anti-LLQP modernization lobbying and disinformation campaign launched by Primerica and Oliver's (www.communitylifeinsurance.ca), as many of the claims and arguments being made by those opposed parties are addressed in the new CISRO documents.

The first FAQ document titled "Overview of LLQP Harmonization Project" addresses 18 questions, over 13 pages, in three broad areas: (i) Contextualization of the LLQP Harmonization Project; (ii) Scope of the LLQP Harmonization Project; and (iii) Characteristics of the Harmonized LLQP.

The second FAQs document addresses 21 more high level questions, over five pages, under the general title of "Life Licence Qualification Program (LLQP)."

There have been no new posts to the www.communitylifeinsurance.ca site since mid-May 2014.