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Regulatory Update – CAFII Executive Operations Committee, June 18, 2014

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Executive Summary of this Issue

- **Manitoba’s ISI Regulation Proceeding Through Ministerial Review. Page 2:** Scott Moore, Deputy Superintendent of Insurance, advises that Manitoba’s ISI Regulation is on track to be brought forward for Cabinet approval in July, or August at the latest.
- **September 30 Deadline For AMF Questionnaire On Compliance With Sound Commercial Practices Guideline. Page 4:** Insurers and DTIs doing business in Quebec have until September 30, 2014 to complete and submit a self-evaluation Questionnaire on Compliance with the Sound Commercial Practices Guideline using the AMF’s online file transfer services.
- **FCAC Launches Consultation on Financial Literacy Strategy. Page 4:** The first phase of the Government’s consultation on a national financial literacy strategy will focus on seniors.
- **New Superintendent of Financial Institutions Appointed. Page 5.** Jeremy Rudin, currently Assistant Deputy Minister of the Financial Sector Policy Branch of the federal Department of Finance, has been appointed Superintendent of Financial Institutions, succeeding Julie Dickson, effectively June 29, 2014.
- **CLHIA Expresses Muted Support For LLQP Modernization. Page 5.** In its submission on FSCO’s 2014 Statement of Priorities, CLHIA asks that the basic objectives of LLQP modernization be achieved without “unintended consequences.”

British Columbia

Financial Institutions Commission (FICOM)

FICOM Awaiting Stragglers' Responses to Open Letter and Two Question Survey On "Creditor's Group Insurance Issue"

Brendan Wycks called Harry James on June 18 for an update on BC FICOM's "Creditor's Group Insurance" issue. Harry's voicemail indicated that he was away from the office and wouldn't be able to access messages until his return on June 25.

In late May, Brendan Wycks spoke to Harry, FICOM's Director, Policy Initiatives, to find out if there was any news he could share based on responses to the Commission's open letter send in early April to all entities licensed to offer creditor's group insurance in the province. The deadline for responses was May 9.

Harry advised that it was premature for him to respond, as there were still a number of straggler respondents who had yet to submit a response to the letter. He expected to be in a position to communicate FICOM's findings and next steps by mid-June.

The open letter includes a questionnaire consisting of two high level filter questions intended to ascertain the prevalence in the market of CGI products which may contravene BC insurance legislation with respect to the "structuring and effecting" of creditor's group insurance.

Earlier, on March 12, Harry James had contacted Brendan Wycks to provide heads-up information about an issue related to creditor's group insurance which had led the Commission to impose a Consent Order and fines totaling \$150,000 on Manulife Financial and its subsidiary company Benesure Canada.

Manitoba

Regulation Establishing A Restricted Licence Holder/ISI Regime

On June 18, Brendan Wycks called Scott Moore, Deputy Superintendent of Insurance, for an update on the timelines for the Manitoba government's approval of the Regulation that will establish a Restricted Licence Holder regime in the province.

Scott advised that things are proceeding slowly but as per the previously communicated timelines, 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 in August at the latest. 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.

On April 29, Moira Gill, Paul Yeung, and Brendan Wycks met in Winnipeg with Finance Minister Howard, Deputy Minister Jim Hrichishen, Superintendent of Insurance Jim Scalena, and Deputy Superintendent Scott Moore.

Immediately prior to that meeting, the CAFII delegation had a pre-meeting with Jim Scalena, Scott Moore, and Erin Pearson, Executive Director of the Insurance Council of Manitoba.

In addition to face-to-face relationship-building, the meetings provided an opportunity for CAFII to communicate its support for Manitoba's ISI Regulation, given that its current form reflects a high degree of harmonization with the existing ISI regimes in Alberta and Saskatchewan. The delegation stressed the importance of providing – whenever such new Regulations are introduced – sufficient lead time to enable our member Financial Institutions to implement the required changes in an efficient, effective and consumer-friendly manner. We noted that significant regulatory changes inevitably become major projects within member organizations and it takes considerable time to ensure that necessary IT systems changes are made, forms revised, staff re-trained, and consumers notified of how the changes affect them.

Ontario

FSCO to Launch Arbitration eCalendar on July 2, 2014

FSCO's Dispute Resolution Services Branch opened registration for access by all law firms and insurance companies to its new Dispute Resolution Services Portal in May 2014. The portal includes both an enhanced Dispute Resolution Case Directory (DRCD-2) and a new Arbitration E-Calendar.

Now, registration MUST be completed on or before July 2, 2014 for employees of insurance companies and law firms, lawyers, and licensed paralegals to access to all of the Portal's enhanced functionality, so that they can continue to:

- Book arbitration pre-hearings and settlement discussions
- Report arbitration withdrawals and settlements on consent
- See more information about their files, such as file status, next scheduled events, and notices of proceedings
- Self-administer a Firm's access to the Portal (including the Arbitration E-Calendar)
- Download, search and sort file information in real time

After July 2, all law firms and insurance companies will be required to use FSCO's DRS Portal to perform these functions. FSCO staff will no longer call represented parties to schedule meetings.

Life Agent Denied Licence For Expired E&O Insurance

FSCO has denied a life insurance agent a licence after being advised that her errors and omissions insurance had expired, and she didn't respond to the regulator's requests for an explanation.

FSCO issued a decision in early June denying a license to Lei Chen. It alleges that Chen failed to comply with the statutory requirement to maintain E&O insurance; that she failed to co-operate in an investigation into whether she was in compliance with the E&O requirement and that, as a result, she is not suitable to hold a life agent licence.

"Errors and omissions insurance is necessary to protect consumers from negligence by insurance agents," the decision notes. And "agents must be governable and amenable to being regulated."

Quebec

Compliance Questionnaire on Sound Commercial Practices Guideline

In May, the AMF followed through on its promise to issue a self-evaluation Questionnaire on Compliance with its Sound Commercial Practices Guideline, which came into force in June 2013. The Guideline was inspired by best practices and ICP 19 in the IAIS' Insurance Core Principles, is outcomes-based, and is effectively the AMF's policy manual and bible on Fair Treatment of Customers.

The questionnaire has been sent to all financial institutions operating in Quebec, both insurers and deposit-taking institutions. It is designed to give the AMF a "big picture assessment" of the current level of compliance, which will permit it to measure the degree of progress towards compliance with the Guideline. Insurers and DTIs doing business in Quebec have until September 30, 2014 to complete and submit the Questionnaire on Compliance with the Sound Commercial Practices Guideline using the AMF's online file transfer services.

The questionnaire is divided into the same eight sections as are found in the Guideline' and each of these sections includes examples of sound practices for which FIs are required to perform a self-evaluation. FIs are required to indicate whether or not these practices apply to their situation, based on their nature, size, and complexity of activities as well as their risk profile.

In its transmittal letter sent with the questionnaire, the AMF says its objective is to allow FIs to identify areas to be improved upon in their processes for applying the standards set out in the Guideline; and to facilitate the correction of any weaknesses identified. The AMF also says the survey will make it possible for it, as the provincial regulator, to determine the extent to which FIs can achieve the results expected in the Guideline and give it a better understanding of financial sector practices.

Federal/National

Financial Consumer Agency of Canada

Consultation On National Financial Literacy Strategy Launched

On June 17, Minister of State (Finance) Kevin Sorenson and Minister of State (Seniors) Alice Wong joined forces with the FCAC's Financial Literacy Leader Jane Rooney to launch public consultations on a proposed strategy to help improve the financial literacy of Canadians. Recognizing the unique and often significant challenges faced by near and current seniors, the first phase of consultations will focus on seniors. Additional phases will follow with an emphasis on low-income Canadians, Aboriginal peoples, newcomers to Canada, and children, youth and adults.

The proposed blueprint, *Toward a National Strategy for Financial Literacy – Phase 1: Strengthening Seniors' Financial Literacy*, is intended to encourage discussion and invites comments from all Canadians on ways to bolster the financial literacy of seniors and those approaching this phase of their lives. Stakeholders from the public, private and non-profit sector will take part in in-person sessions across the country. All Canadians are encouraged to submit comments on the blueprint by mail or email by July 15, 2014.

Office of the Superintendent of Financial Institutions (OSFI)

New Superintendent of Financial Institutions Appointed

On June 13, Finance Minister Joe Oliver announced the appointment of Jeremy Rudin as the new Superintendent of Financial Institutions for a term of seven years, effective June 29, 2014. Mr. Rudin will replace Julie Dickson, who led the Office of the Superintendent of Financial Institutions (OSFI) for eight years and helped guide Canada through the 2008–2009 global financial crisis.

Jeremy Rudin is currently the Assistant Deputy Minister of the Financial Sector Policy Branch of the Department of Finance. Rudin first joined the Department of Finance in 1993, and held a number of positions in the department since then. Previously, he taught economics at UBC and at Queen's University.

Canadian Life and Health Insurance Association (CLHIA)

Donald Guloien Elected CLHIA Chairman

The members of the Canadian Life and Health Insurance Inc. have elected Donald Guloien, President and Chief Executive Officer of Manulife Financial Corporation, as Chairman.

Before being appointed to his current role at Manulife in 2009, Guloien served as Chief Investment Officer responsible for its worldwide investment operations. A 33-year company veteran, he is also a member of the Board of Directors and Chair of the Company's Executive Committee.

Mr. Guloien was named International Business Executive of the Year in 2012 by the Canadian Chamber of Commerce and is a recipient of the Arbor Award for his contributions to the University of Toronto. He is also a member of the Mayor of Shanghai's International Business Leaders' Advisory Council, the Canadian Council of Chief Executives, and the World Presidents' Organization.

CLHIA Expresses Muted Support For LLQP Modernization

In its submission on FSCO's 2014 Statement of Priorities, CLHIA makes the following comment with respect to FSCO's participation in the current LLQP modernization effort:

"With respect to active coordination with CCIR and CISRO to develop a harmonized national life agent licence qualification standard, we urge FSCO to ensure that the basic objectives of this program are met without undue unintended consequences."

International

International Association of Insurance Supervisors (IAIS)

AMF Hosts Successful IAIS Global Seminar in Quebec City

On June 17, the IAIS wrapped up its 7th Annual Global Seminar, which was hosted by the AMF in Quebec City.

The following is an excerpt from the communique issued at the Seminar's conclusion:

“We all share the objectives of the IAIS mission, which is to promote effective and globally consistent supervision of the insurance industry,” said Louis Morisset, President and CEO of the Autorite des Marches Financiers. “We also all have the objective of developing and maintaining fair, safe and stable insurance markets for the benefit and protection of policyholders.”

During the Seminar, presentations were given and questions taken on the following topics:

- **Autorité des Marchés Financiers (AMF).** Mr Morisset discussed the importance of supervisory cooperation and collaboration and the ways in which the AMF has participated in, and benefited from, the development of IAIS supervisory and supporting material.
- **Capital Standards and ComFrame.** Panellists discussed the IAIS’ development of the Basic Capital Requirements (BCR) and first-ever global insurance capital standard (ICS) and provided an update on progress in ComFrame field testing. Questions focused on the timelines for these activities, valuation issues and the links between the different capital standards.
- **Market Conduct.** This panel discussed recent IAIS publications on approaches to conduct of business supervision and market conduct, distribution and consumer protection in inclusive insurance, as well as a Self-Assessment and Peer Review (SAPR) on intermediaries and conduct of business. A representative from Peru’s insurance supervisor also provided an overview of market conduct issues within the Peruvian insurance market and how Peru is implementing IAIS market conduct principles.
- **Implementing IAIS Standards.** During this presentation, Members discussed the important work being carried on to implement IAIS standards. Topics included the IAIS’ Coordinated Implementation Framework, recent and upcoming SAPRs and capacity-building. Also discussed were new initiatives such as development of a revised Core Curriculum and an online library of supervisory material.
- **Enhancing Supervisory Cooperation through Colleges and the IAIS Multilateral Memorandum of Understanding (MMoU).** Panellists discussed the conditions and benefits of joining the MMoU, whose signatories now represent nearly 55% of worldwide premium volume, activities of the IAIS Supervisory Forum and the role and uses of supervisory colleges. Representatives from Japan and Texas’ insurance supervisors also discussed supervisory college and supervisory cooperation issues within their respective jurisdictions.