

## Regulatory Update - CAFII Executive Operations Committee, March 25, 2014

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### Executive Summary of this Issue

- **BC's FICOM Identifies Creditor's Group Insurance Issue. Page 2:** In the near future, FICOM will issue an open letter to all insurers authorized to offer creditor's group insurance in BC, which will pose two or three high level filter questions in an effort to ascertain the prevalence of products in the market which may contravene BC insurance legislation with respect to the "structuring and effecting" of creditor's group insurance.
- **Travel Insurance Issues A Growing Concern For Alberta Insurance Council. Page 2:** In an open and transparent discussion with CAFII representatives on March 17/14, AIC leaders Joanne Abram and Ron Gilbertson identified consumer understanding and protection issues related to travel insurance as a growing concern for them.
- **Bill Introduced To Modernize Discipline Process For Insurance Agents And Adjusters. Page 3:** On March 5, Bill 171, which will amend Ontario's Insurance Act, was introduced at Queen's Park. The Bill captures all of the desired changes highlighted in FSCO's 2013 consultation on the need to modernize the process.
- **AMF Fines Industrial Alliance. Page 3:** On February 7, the AMF announced that it had reached an agreement with Industrial Alliance under which the insurer will pay a fine of \$165,000 with respect to commercial practice violations.
- **New Brunswick FCNB Publishes Creditor's Insurance Web Content. Page 4:** The Financial and Consumer Services Commission (FCNB) recently published new consumer advisory content on insurance on its web site, including a section on "Insurance on Your Debts" which will be reviewed by CAFII's Distribution and Market Conduct Committee.
- **FCAC Appoints New Deputy Commissioner. Page 5:** FCAC Commissioner Lucie Tedesco has appointed Brigitte Goulard as Deputy Commissioner, effective immediately.
- **Public Interest Advocacy Centre (PIAC) Supports Federal Financial Consumer Code. Page 6:** PIAC responded to the federal government's consultation around a proposed new financial consumer code with a strong vote in favour. PIAC's Executive Summary contains 12 recommendations, the most interesting of which for CAFII comments on insurance.

## **British Columbia**

### Financial Institutions Commission Identifies “Creditor’s Group Insurance Issue”

On March 12, 2014, Harry James, Director, Policy Initiatives with BC’s FICOM 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.

In the near future, FICOM will issue an open letter to all insurers authorized to offer creditor’s group insurance in BC, which will pose two or three high level filter questions in an effort to ascertain the prevalence of products in the market which may also contravene BC insurance legislation with respect to the “structuring and effecting” of creditor’s group insurance.

A full summary of the matter, including additional information that was obtained from Harry James on March 19, is found in a separate Report.

## **Alberta**

### Travel Insurance Issues A Growing Concern For Alberta Insurance Council

On March 17, 2014, CAFII representatives Moira Gill, John Lewsen, and Brendan Wycks met with Joanne Abram, CEO, and Ron Gilbertson, Chair of the Alberta Insurance Council.

In an open and transparent discussion, the AIC leaders identified consumer understanding and protection issues related to travel insurance as a growing concern for them. A full summary of the issues discussed at this meeting is found in a separate Regulatory Visit Report.

## **Manitoba**

### Minister of Finance Offers Meeting Date Options To CAFII

In late February 2014, Scott Moore, Deputy Superintendent of Insurance, contacted Brendan Wycks to advise that Manitoba’s Draft ISI Regulation would be amended to address nearly all of the concerns expressed by CAFII and other industry stakeholders. He followed that verbal message up with a written confirmation.

On March 21/14, Minister of Finance Jennifer Howard’s Executive Assistant e-mailed Mr. Wycks to offer two April date/time options for a CAFII meeting with the Minister: Thursday, April 10 and Tuesday, April 15. Moira Gill’s advice is that because both meeting dates offered fall within a very busy period for CAFII and since a meeting with the Minister of Finance is no longer urgent, it would be preferable to push it back by a few weeks. Doing so would also give us a better chance of co-ordinating meetings with other stakeholders in Winnipeg on the same day.

## Ontario

### Bill Introduces Desired Modernization Changes For Insurance Agent and Adjuster Disciplinary Hearings

On March 5, 2014, Jim Fox, Senior Policy Advisor in the Financial Services Commission of Ontario (FSCO)'s Licensing & Market Conduct Division and leader of its "Modernizing Disciplinary Hearings For Insurance Agents and Adjusters" initiative, e-mailed Brendan Wycks to advise that the desired changes had introduced the previous day at Queen's Park in Bill 171, which will amend Ontario's Insurance Act.

Bill 171 can be found here:

[http://www.ontla.on.ca/web/bills/bills\\_detail.do?locale=en&Intranet=&BillID=2952](http://www.ontla.on.ca/web/bills/bills_detail.do?locale=en&Intranet=&BillID=2952).

CAFII participated in the 2013 consultation process on the proposed changes led by Jim Fox, through both in-person meetings and a written submission.

Jim has advised that

- the modernizations to disciplinary hearings for insurance agents and adjusters are set out fairly succinctly in Section 22 of the amending legislation, which states that "Section 407.1 of the Act is repealed and the following is substituted . . ."
- once the Bill is passed and there is a proclamation date, FSCO will send out a bulletin to the industry and send an e-mail blast to all agents and adjusters.
- the timing of passage and proclamation of the Bill are somewhat uncertain, being dependent upon whether the opposition parties support the Bill and if it goes to committee for clause-by-clause review after second reading. (The Bill went to second reading on March 5).
- there are no new Regulations coming into force with the amending legislation, but Section 17 of the Bill does contain three of the provisions that were in FSCO's consultation paper around increasing the Superintendent's authority:
  - provides the Superintendent with authority to revoke or suspend an agent's licence for failure to pay a fee or admin penalty - 392.5 (4);
  - empowers the Superintendent to issue an Interim order - 392.5 (6); and
  - provides the Superintendent with specific powers with respect to a Request for Licence Surrender – 392.7 (1).

## Quebec

### AMF Fines Industrial Alliance

On February 7, 2014, the AMF announced that it had reached an agreement with Industrial Alliance under which Industrial Alliance will pay a fine of \$165,000 with respect to commercial practice violations.

The AMF alleged that Industrial Alliance committed various violations related in particular to Industrial Alliance Pacific Insurance and Financial Services Inc., of which it owns the rights and assumed the obligations further to the merger of June 30, 2012, namely, selling student medical insurance policies over some 10 years through persons who were not registered with the AMF, selling Freedom Medical Plan policies through distributors without previously submitting the related distribution guide to the AMF, offering a product ("*Partenaire Élite*") through distributors without previously submitting the related distribution guide to the AMF and without notifying the AMF of an additional distributor, and distributing insurance policies that stated they were administered by Travel Underwriters, a "licensed insurance broker," although the latter is not authorized to operate as such in Québec.

Industrial Alliance also undertook to stop distributing the Student Medical Insurance policy through unregistered persons and generally to set up appropriate measures to ensure that the distribution of its policies complies with the law.

Industrial Alliance Auto and Home Insurance Inc. also agreed to pay the \$25,000 penalty imposed by the AMF for entering into referral agreements with automobile dealers and violating *An Act respecting the distribution of financial products and services* regarding the sharing of commissions with non-registrants.

## **New Brunswick**

### Consumer Advisory Content On Insurance Posted To New Web Site

The Financial and Consumer Services Commission (FCNB) recently published new consumer advisory content on insurance on its web site, including a section on “Insurance on Your Debts.” That content can be found here: <http://www.fcnb.ca/insurance-on-your-debts.html>. The sub-tabs are “Overview”; “Life Insurance on the Debt”; “Critical Illness or Disability”; and “Credit Card Insurance.”

CAFII’s DMC should review this content for accuracy and provide feedback to David Weir, Deputy Superintendent of Insurance, as appropriate.

## **Federal/National**

### **Canadian Council of Insurance Regulators**

#### Stakeholder Meetings A Success: To Be Continued

In the highlights of its January 23, 2014 conference call meeting, CCIR reports that its one-on-one Stakeholder Meetings approach to engagement is working well and will be continued in 2014. On October 29-30, 2013, CCIR met with 13 groups from across the industry, including CAFII.

With two years of success with this approach under its belt, CCIR now plans to make Stakeholder meetings an annual event each Fall in Toronto. The 2014 dates will be announced once they confirmed.

#### Disciplinary Information Implementation Working Group (DIIWG) Disbanded

With its mandate completed ahead of time and under budget through the December 2, 2013 launch of the Canadian Insurance Regulators Disciplinary Actions (CIRDA) database, CCIR’s DIIWG has now been disbanded.

#### CCIR Strategic Plan, 2014-17

As the term of CCIR’s current strategic plan is coming to an end, the Council has begun work on its next three-year plan. CCIR issued a formal call for stakeholder input, and CAFII made a submission in February 2014. CCIR reports that a Strategic Planning Committee has now been struck and is reviewing the industry input received.

### **Canadian Insurance Services Regulatory Organizations (CISRO)**

#### LLQP Modernization

On March 18, Ron Fullan, Chair of CISRO and its LLQP Committee, e-mailed Brendan Wycks to provide the following updates:

- at the one-on-one stakeholder meetings held February 10, the Committee received requests for copies of the Detailed Planning documents for each of the study modules. The Committee has therefore posted a “Request for Access to Detailed Planning” document on the CISRO website. Stakeholders need to complete and submit that document to get access to the Detailed Planning documents (B. Wycks is taking care of this registration for access process);
- the Committee has also posted the revised Curriculum document, along with the Curriculum Survey Results; and
- the Committee has scheduled its next stakeholder meetings for May 28, 2014 in Toronto. Exact details will follow, one-on-one sessions will likely be the approach again, and the focus will be on the criteria to be approved as a Course Provider.

CAFII has requested a stakeholder meeting slot on May 28, and Ron Fullan has confirmed that we will have one.

### **Financial Consumer Agency of Canada**

#### FCAC Appoints New Deputy Commissioner

On March 17, 2014, FCAC Commissioner Lucie Tedesco announced the appointment of a new Deputy Commissioner.

Brigitte Goulard has been appointed Deputy Commissioner of the Financial Consumer Agency of Canada, effective immediately.

The Deputy Commissioner plays a fundamental role for the FCAC. Ms. Goulard brings experience and expertise from within the financial sector that will strengthen FCAC’s capacity to maintain productive relationships and effective oversight, Ms. Tedesco said.

The Deputy Commissioner serves as the Executive Director of the Agency and the senior policy advisor to the Commissioner. Ms. Goulard will be responsible for all aspects of the administration of the Agency and will perform a role similar to that of a Chief Operations, Financial and Administrative Officer of the organization.

Before joining the Financial Consumer Agency of Canada, Ms. Goulard was the Vice-President, Policy and Government Relations, for Credit Union Central of Canada.

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#### Proposed Federal Financial Consumer Code

CAFII responded to the Government of Canada’s consultation around a proposed financial consumer code with a succinct submission on February 28, 2014. Following an auto-generated reply acknowledging the submission, the Government also sent a subsequent e-mail advising that all submissions received have been posted on the Department of Finance’s web site. Thirty five submissions in total were received.

## Public Interest Advocacy Centre (PIAC)

### PIAC Strongly Supports Proposed Federal Financial Consumer Code

PIAC responded to the federal government's consultation around a proposed new financial consumer code with a submission that is 72 pages in length, along with an additional 15 pages in two appendices.

PIAC's Executive Summary contains 12 recommendations, the most interesting of which for CAFII is the following:

*ES11: The financial consumer code should have as broad a coverage of financial services as possible. Unfortunately, it cannot encompass investment services due to constitutional limitations. **Likewise, insurance regulation may be too difficult to work into the scope of the code in its first iteration.** However, PIAC is strongly of the view that Canadians consider payments systems to be a part of banking and therefore recommend development of code rules for payments. Should payments matters be dealt with elsewhere, this fact should be revealed publicly and a commitment made to make the payments regime complementary to the financial consumer code.*

## International/Global

### Global Federation of Insurance Associations (GFIA)

#### GFIA delegation to G-20 stresses insurers' social and economic role

In a series of meetings held during the week of March 17-21, 2014 with the Australian G-20 Presidency, the Global Federation of Insurance Associations (GFIA) called on the G-20 to ensure that all international regulatory reform initiatives allow the insurance sector to continue to support the ambitious economic growth targets agreed upon last month by G-20 finance ministers.

"The GFIA welcomes the Australian G-20 Presidency's focus on long-term growth and its ambitious targets," said Frank Swedlove, chair of the GFIA.

"Sustainable long-term growth requires not only the financial security that insurers offer through efficient risk-transfer mechanisms but also the industry's long-term investments."