

Regulatory Update – CAFII Executive Operations Committee, March 22, 2016
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Federal/National

Canadian Council of Insurance Regulators (CCIR)

CAFII/CLHIA Joint Meeting With CCIR Travel Insurance Group Is Productive

List of attendees:

CLHIA: Frank Swedlove, CEO; Joan Weir, Director, Health and Dental Policy; Anthony Lin, Chair, Travel Insurance Committee

CAFII: Greg Grant, EOC Chair; Sue Manson, EOC member (by phone); Brendan Wycks, Executive Director

CCIR TIWG: Harry James, BC FICOM, TIWG Chair; Louise Gauthier, AMF; Mario Beaudouin, AMF; Ron Fullan, Saskatchewan; Jim Fox, FSCO; Sean Jacobs, CCIR Policy Manager; Scott Moore, Manitoba (by phone); Jennifer Calder, Nova Scotia (by phone); Laurie Balfour, Alberta (by phone); additional AMF staff (by phone)

The meeting agenda consisted of

- A. CLHIA presentation by Frank Swedlove of agreed-to reforms to travel insurance in Canada;
- B. CCIR TIWG presentation by Harry James of results of its survey of travel health insurers; and
- C. CAFII presentation by Greg Grant of results of Pollara survey on Canadian consumers' satisfaction with travel health insurance.

- A. CLHIA agreed-to reforms to travel insurance in Canada

Frank Swedlove began by individually reviewing the eight CLHIA agreed-to reforms, pausing after each reform to allow for questions. He indicated that the reforms are intended to apply to both individual and group coverage, and that the priority items were #8 and #3:

1. development of common standardised definitions and exclusions;
2. standardised questions on medical questionnaires;
3. standardised disclaimers and standardised presentation through a clear language cover page;
4. adoption of an industry best practices for internal reviews;
5. improved training and information;
6. improved disclosure;
7. work with CCIR to address concerns around distribution; and
8. review of limiting claim rejections due to unrelated application errors/omissions.

In discussion, the main questions, observations, and areas of concern raised by TIWG members were

- in working on standardised questions for medical questionnaires, will the industry's working group draw upon medical expertise?; and also test the questions with consumer focus groups for plain language understandability?
- the TIWG's survey of travel health insurers showed that not very many consumers are having to answer any health-related questions; most are auto-approved. So Reform #2 must be targeted at just that narrow segment that does have to answer health questions.
- does the working group have industry data that would help pinpoint the four or five key things that should be included on the clear language cover page?;
- is there a concern about having two levels of qualifications among individuals selling the product?, ie. those who have the voluntary certification (Reform #4) and those who don't;
- suggestion: there is a community college in the Montreal area that has developed a training/certification program for travel insurance sellers, which the industry could draw upon;

- the Reform on working with regulators to address concerns around distribution should apply not just to sellers but to claims adjusters as well. BC had a case of a firm doing some travel claims adjusting on a national basis, but using unlicensed people;
- from the perspective of the consumer, there is a widespread perception that post-claims underwriting is prevalent in travel insurance;
- do you have an automatic process whereby cases such as the Million Dollar Baby can go through an independent review, so that the industry can defend itself by making public disclosure of pertinent facts and details?;
- there seems to be a public education problem with respect to travel insurance. Have you thought about a general industry web site on purchasing travel insurance?, which could go a long way in addressing the public perception problem.

B. CCIR - Results of survey of travel health insurers

Harry James began his presentation of the results of the TIWG's survey of travel of health insurers by apologizing for not having prepared a written presentation. His first comment was about concern over the "integrity" of the data obtained from insurer respondents, i.e. lack of data on voided contracts and claims experience by distribution channel. The TIWG thought this data was being routinely collected by the industry and was surprised that it was not, which led the group to conclude that there was a "data integrity" problem with the survey and that quantitatively reliable insights could not be drawn from it.

Based on the insurer data that it did obtain, the TIWG was surprised that 90% of the face value of travel health insurance is being issued without underwriting and noted that embedded travel coverage (credit card) constitutes a much larger segment of the overall market than they had thought.

Harry also commented that the main concerns expressed in the consumer feedback received by CCIR (from 40 write-ins) were uncertainty around eligibility and that questions related to pre-existing conditions were too complex. He also mentioned stability periods but added that "this didn't come up too often."

In his closing remarks, Harry advised that no data from the insurer survey will be included in TIWG's upcoming Issues/Discussion Paper. He noted that the survey was meant to be used for qualitative and directional purposes only, in any event. But going forward, it will be important for the industry to have better data integrity. Regulators are going to expect that insurers will be capturing data in a manner that proves that they have embedded Fair Treatment of Customers into their corporate culture.

C. CAFII - Results of Pollara survey on Canadian consumers' satisfaction with travel health insurance

Greg Grant then presented highlights of Pollara's consumer research commissioned by CAFII on travel health insurance. The highlights on this online research with a nationally representative sample of 1,000 Canadian consumers focused on satisfaction with the travel medical insurance purchase experience; with travel medical emergency experiences; and with the claims submission process and the overall claims experience; on complaints related to the product; and on additional analysis related to confidence in the industry and satisfaction with the purchase process broken out by type of provider (egs. banks, insurance companies, airlines). Greg noted that, overall, consumer satisfaction with the travel medical insurance purchase experience is very high (94% satisfied: 49% very; 45% somewhat), regardless of the purchase channel used. As well, the further a consumer gets into the travel insurance process – from purchase, to having a medical emergency experience, to submitting a claim – the higher the level of satisfaction becomes.

Following Greg's presentation, Harry James indicated that the insights generated by the research had provided some very interesting information which the TIWG would be considering going forward.

Harry advised that the TIWG would be meeting again soon, with the objective of preparing a draft Issues/Discussion Paper to present to CCIR members at their Spring Meeting on April 7-8/16 in Montreal. Harry said the Paper will take the tone/approach that "we're working with the industry to improve the consumer's experience around the travel health insurance product." Then, depending upon how extensive CCIR member feedback is, the TIWG will send the Paper out to the industry in late April or early May for consultation. After the consultation period, the findings will be presented to the CCIR at its Fall meeting in October and a Final Position Paper will be produced, likely before the end of 2016.

In a March 22/16 follow-up e-mail to Brendan Wycks of CAFII and Joan Weir of CLHIA, Harry James indicated that he would arrange a call with each Association in the week of April 25/16 to advise of the results of CCIR's Spring meeting discussions and the TIWG's planned next steps.

CAFII Seeks Comment Opportunity On Later Draft Of Market Conduct Statement

On March 21/16, Martin Boyle, CCIR Policy Manager, advised CAFII that the Council's Market Intelligence, Data Gathering & Analytics Working Group had two recent meetings with the CLHIA working group (for the life and health sector of the industry) and the Insurance Bureau of Canada (for the property and casualty sector of the industry) to refine the draft Harmonized Annual Statement on Market Conduct.

Martin indicated that progress was made in these meetings on "smoothing out a lot of the sharp edges in the draft Statement in terms of the industry's ability to provide the information requested." The regulator and industry representatives were collaborating to achieve a balance between ease of compliance for the industry and the regulators' need to obtain a number of key data elements, including trending data, which they view as essential to be able to do their job as market conduct overseers. The CCIR plans to meet with the industry working groups again in April.

Brendan informed Martin that CAFII would appreciate a further opportunity to review and provide an independent perspective on a future iteration of the draft Annual Statement before it is finalized. Martin promised to bring CAFII's request to the attention of the CCIR and industry working groups and to get back to CAFII with a response.

In the Winter 2016 issue of Communique, CCIR's newsletter of recent meeting highlights, the Council reaffirms that it hopes to begin collecting data through the Annual Statement on Market Conduct as early as January 2017. CCIR describes the Annual Statement as a harmonized annual information return for use across CCIR member jurisdictions, which will mean that insurers will be asked to complete a single data request rather than one for each jurisdiction in which they are active.

Ten Provinces And Territories Now Signatories To CCIR Co-operation MOU

The Winter 2016 issue of CCIR's Communique newsletter reports that Nunavut has recently signed CCIR's *Memorandum of Understanding and Protocol on Cooperation and the Exchange of Information*, bringing the number of signatories and participating jurisdictions to 10. Only Newfoundland, Yukon, and the Northwest Territories have yet to sign the MOU.

The MOU is directly related to the CCIR Insurance Core Principles Implementation Committee (ICPic)'s recently published *Framework for Cooperative Market Conduct Supervision in Canada*, which outlines the commitment of CCIR members to increased information-sharing and supervisory collaboration.

Credit Unions Launch New National Association In Canada

On January 27/16, a new national credit union Association came into existence: the Canadian Credit Union Association (CCUA) replaced the former Credit Union Central of Canada. The CCUA represents 316 credit unions and caisses populaires (outside of Quebec) with more than \$185.7 billion in assets. Its mandate focuses on national advocacy, regulatory compliance, professional development and education, and building awareness about the "credit union difference." Martha Durdin is CCUA's founding CEO.

Provincial

British Columbia

Insurance Council Launches New Mandatory Continuing Education Course

On February 29/16, the Insurance Council of BC announced that, effective March 1/16, it was amending its continuing education (CE) requirements for new licensees by introducing a mandatory new course called the "Council Rules Course," which provides instruction on a licensee's responsibilities under Council Rules; provincial legislation; and regulations. The Council developed the course after finding that licensees were failing to make themselves aware of their regulatory responsibilities.

There are two versions of the Council Rules Course: one for life and accident and sickness insurance agents developed in partnership with Advocis; and the other for general insurance agents, salespersons, and adjusters developed in concert with the Insurance Brokers Association of BC.

Ontario

Expert Panel's Final Report On FSCO's Future Mandate Now Expected This Spring

Ontario's February 25/16 provincial budget states that the final report from the Expert Panel on the future mandates of FSCO, DICO, and the FST is expected in the Spring; and that the government will identify and pursue necessary legislative or regulatory changes "as early as possible." In the same section of the budget document, the government reaffirms its commitment to modernizing and strengthening the regulation of financial services and pensions, and to improving consumer, investor and pension beneficiary protection. Previously, the Expert Panel's final report was expected to be released by late Winter 2016.

FSCO To Require Non-Sponsored Life Agents To Identify A Primary Insurer

In an e-newsletter for life agents published March 11/16, FSCO indicates that beginning this Spring, renewal applications for non-sponsored life insurance agent will be required to indicate the primary insurance company with which the agent conducts, or expects to conduct, most of their business (primary insurer). This information will be used by FSCO for notification purposes, such as when an agent fails to maintain errors and omissions insurance, has not completed the requirements for continuing education, or has suitability issues identified on a renewal application.

In addition to having an agent compliance system in place, the role of the primary insurer is to assist FSCO in resolving any outstanding agent compliance issues and, where possible, avoid the need for disciplinary action. FSCO will provide insurers with the names of agents who have listed them as their primary insurer.

Quebec

Ministry Of Finance Will Support Online Distribution Without A Representative

On February 25/16, Brendan Wycks received a phone call from Yann Nachabé, Political Counsel (Policy Advisor) to Quebec Finance Minister Carlos Leitao. Yann provided reassurance that, in due course, the Ministry will definitely be moving ahead in support of online distribution of insurance without the necessity of having a licensed agent or advisor involved. "I'm a millennial and there's no way that I could recommend to the Minister what the brokers are asking for. There's no way that we want to turn back the hands of time by 20 years," he said.

Yann's call was in response to CAFII's request for a meeting with Richard Boivin, Assistant Deputy Minister, and Guillaume Caudron, the Finance Minister's Chief of Staff, to discuss online distribution of insurance. He advised that the Ministry received over 400 submissions last year in response to the consultation on modernizing the Distribution Act; has received many subsequent requests for follow-up meetings; and has had to refuse most of them. Following the phone conversation, however, Yann agreed that it made good sense for Ministry officials to meet with CAFII.

Confirmation of the meeting was deferred, as Ministry staff were focusing on delivering the provincial budget on March 17. Subsequently, on March 22, the Ministry contacted CAFII to offer a meeting in Montreal on Monday, April 4. However, in consultation with Board Chair Peter McCarthy, CAFII decided to withdraw the meeting request diplomatically, in light of the information communicated by Yann Nachabé.

Government Promises To Modernize Financial Sector Regulatory Framework Soon

The Quebec provincial budget released March 17/16 states "the dynamism of the economy depends in large measure on the quality of the legislative and regulatory framework governing the financial sector. The government will soon table a bill aimed at modernizing this framework and supporting the financial sector."

AMF Not Yet Ready To Reactivate Distribution Guide Template Initiative

In response to a query about the AMF's plans and timelines for reactivating and completing its Distribution Guide template initiative, on March 14/16, Louise Gauthier, the AMF's Senior Director, Distribution Policies and Compensation, advised that no update that can be provided at this time, but she promised to be back in touch with CAFII as soon as there is news to report.

International

New Accountability Regime For UK Bank And Insurer Executives Now In Force

New accountability standards for the UK bank and insurance industries came into force on March 7/16. In introducing the standards, Andrew Bailey, deputy governor at the Bank of England and CEO of the Prudential Regulatory Authority (PRA) said "at the heart of the new accountability regime, which comes into force today, is one very simple principle – you can delegate tasks but you cannot delegate responsibility. This means that senior managers at banks and insurers should know what they are responsible for and can be held accountable for failings in their area. This is a crucial milestone in our drive for greater accountability in financial services." The new accountability regime will be enforced by the PRA and the Financial Conduct Authority (FCA).