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Regulatory Update – CAFII Board of Directors and Executive Operations Committee, 23 March, 2018
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Federal / National

Financial Consumers Agency of Canada (FCAC)

FCAC to Expand its Probe Sales Practices to Smaller Banks and Federally-regulated Credit Unions
The Financial Consumers Agency of Canada (FCAC) plans to extend its probe into the sales practices of Canada's largest banks to smaller and medium-sized banks, federally-regulated credit unions, and federal trust companies. The Agency's Commissioner Lucie Tedesco said that FCAC has found grievances about sales practices at these other institutions as well, adding that "There are issues with the medium or smaller banks… Our review may not be as intensive, we will have to see what measures they have put in place once we get there."

Canadian Foundation for the Advancement of Investor Rights (FAIR)

The Canadian Foundation for the Advancement of Investor Rights (FAIR) Calls for Reform to Protect Bank Consumers
The Canadian Foundation for the Advancement of Investor Rights and the Public Interest Advocacy Centre, said the government should work towards having one national statutory ombudservice for financial services complaints that can issue binding decisions.

Marian Passmore, director of policy at FAIR Canada, said existing rules fall short. "There is inadequate protection for Canadians at banks and reform is needed. FAIR Canada calls for a best interest standard so Canadians get the advice they expect and deserve," Passmore said in a statement.

Federal Government

Federal Government Budget Includes Intention to Strengthen the FCAC
The federal government has signalled its intention to enhance consumer banking protection in its February 2018 budget. Ottawa said it proposes to introduce legislation that "would strengthen the Financial Consumer Agency of Canada's tools and mandate and continue to advance consumers' rights and interests when dealing with their banks."

The announcement represents the government's latest pledge to ramp up consumer protection in the federally-regulated financial services sector. Previous efforts have floundered amid issues of jurisdiction, particularly possible conflicts between federal and provincial consumer protection legislation, and in the face of criticism about weak standards and oversight along with an inadequate dispute-resolution system. Nevertheless, the government declares in the budget that it takes financial consumer protection "very seriously and intends to ensure that all Canadians benefit from strong consumer protection standards."

Canadian Life and Health Insurance Association (CLHIA)

Travel Medical Insurance Industry Faces Challenges Repatriating Ontarions Due to Lack of Beds

CBC News reported on 7 March, 2018 that Ontarians who've fallen ill while travelling outside the country have found it difficult to get hospital beds. The province said insurance companies may not be doing enough to find beds, but industry rep Joan Weir says companies have nothing to gain by keeping clients in hospitals abroad.

Premier Kathleen Wynne said earlier this week there has been an inexplicable disconnect between the insurance industry and the health system, and that the problem must be solved.

Joan Weir, the director of Health and Disability Policy for the Canadian Life and Health Insurance Association, told CBC's *London Morning* program Wednesday that bed shortages happen from time to time in many Canadian cities, but recent research reveals that "London is a particular problem." "We're not quite sure as insurers whether we're not being able to access available beds, or if there just aren't available beds. So there's a little bit of a communication breakdown there," said Weir.

In the legislature Tuesday, Health Minister Helena Jaczek said when Ontarians purchase travel insurance they are relying on the insurer to work with the provincial health-care system. "And our staff at the ministry are willing to go the extra mile to ensure the highest quality of care for Ontarians … I certainly am very committed to ensuring that coordination, communication mechanism Is strengthened," said Jaczek.

Weir said the insurance industry shares that commitment. She said not being able to obtain a bed for a client is a frustrating process. "And there's nothing in it for insurers to delay the process. We definitely work very hard to find somebody a bed to come home to." She noted it can cost up to $20,000 a day to keep a patient in intensive care in a U.S. hospital. Weir said there needs to be more dialogue between the Ministry of Health and the insurance industry to determine where the problems and bottlenecks can occur.

Currently insurers have to place direct calls to individual hospitals in the region where the patient lives. But Weir said "there must be a better way of doing things than using resources to try and determine which bed is available, where." She suggested a database or other form of centralized system to streamline the process. She thinks the insurance industry has a role as a stakeholder to contribute ideas. "It probably is the Ministry of Health's role to figure it out, but we definitely can provide assistance and support."

<u>CLHIA releases Program for its 2-4 May, 2018 Annual Compliance and Consumer Complaints Conference, in Calgary, Alberta</u>

The CLIHA has released its program for its 2018 Annual Compliance and Consumer Complaints Conference. Peter McCarthy, President and Chief Executive Officer, BMO Life Assurance Company, will talk about fostering a Fair Treatment of Customer Tone from the Top by embracing a customer centric focus across all decisions and practices from product design, to distribution, sales, service and claims. There are several speakers from new CAFII Member Manulife, including Jane Birnie, AVP Compliance Shared Services, Canadian Division, who will speak about anti-fraud measures; Jean Lamy, Ombudsman, Manulife will speak about “the Evolving Complainant”; and Kim Hayes, Director, Market Conduct Compliance, Manulife, will speak on a panel about the CCIR’s Annual Statement on Market Conduct.

Richard Hogeveen, VP, Chief Compliance Officer Canada at Manulife and John Lewsen, Chief Compliance Officer, BMO Life Assurance Company will be on a panel on “Risk Culture, Risk Appetite, and the Risk Based Approach to Regulation.”

Among the regulators who will be speaking at the conference are: **David Sorensen**, Deputy Superintendent of Insurance Regulation and Market Conduct, Treasury Board and Finance, Government of Alberta; **Anatol Monid**, Executive Director, Licensing and Market Conduct Division, Financial Services Commission of Ontario; **Frederic Pérodeau**, Superintendent, Client Services and Distribution Oversight, Authorité des marches financiers, Quebec; **Connie Dewar**, Managing Director, Office of the Superintendent of Financial Institutions Canada; J**oanne Abram**, Chief Executive Officer, Alberta Insurance Counsel; **Ron Fullan**, Executive Director, Insurance Councils of Saskatchewan; **Barbara Palace Churchill**, Executive Director, Insurance Council of Manitoba; **Janet Sinclair**, Executive Director, Insurance Council of British Columbia.

CAFII is in the process of organizing small liaison sessions with many of these regulators and CAFII members in attendance at the conference.

<u>Millenials Want Targeted, Individualized Information from their Insurer: CLHIA</u>
Younger people want more targeted insurance information than their older counterparts, according to Suzie Pellerin, Assistant Vice President of Public and Government Affairs at the Canadian Life and Health Insurance Association, Quebec Division (ACCAP-Quebec), who drew on data collected by Sun Life Financial in 2016 to come to this conclusion. Ms. Pellerin notes that more millennials agree to receive targeted information from insurers about their health than other age groups: "There is customization and targeting that is possible through technology. People are used to it. Inevitably, when it comes to group insurance, they expect the same approach, " she says.

Travel and Health Insurance Association (THiA)

<u>THiA Issues Bulletin on Quebec Bill 141</u>
The Travel and Health Insurance Association (THiA) issued a bulletin on Quebec's Bill 141, in which it notes that Jill McCutcheon, THiA's legal counsel, has indicated that "the Bill should be considered good news as it clarifies and codifies what was generally understood by the industry, but which was not previously made clear in the acts and regulations." THiA highlights that the sale of insurance products online (i.e. without an intermediary) is now permitted, and that while the Distribution Guide in its current format has been removed, the distributor will still be required to deliver some documentation, the form and timing of which will be prescribed in the regulations.

Ombudsman for Banking Services and Investments (OBSI)

<u>OBSI Report Says that Complaints from Bank Customers Hit Five-Year High in 2017</u>
The Globe and Mail reports that Banking-related complaints handled by an industry ombudsman rose 28 per cent in 2017, reaching the highest level in five years as disputes over credit cards nearly doubled. The Ombudsman for Banking Services and Investments (OBSI) opened 370 banking-related cases last year, mostly related to credit cards, mortgages and personal accounts, compared with 290 a year earlier.

All told, the 721 cases OBSI opened marked a 13-per-cent increase from 2016, which the organization attributed partly to "increased consumer awareness" in its annual report. OBSI is an industry-funded body that resolves disputes between customers and their banks and investment firms. The largest share of complaints about credit cards in 2017 was over chargebacks – reversed charges on customer accounts – followed by fraud and unauthorized transactions.

Mortgages were also a common source of complaints, with consumers disputing penalties and incomplete or incorrect information. Customers who won banking related cases with OBSI received an average of $2,089 in compensation, for a total of more than $165,000 for the year.

OBSI Names Jim Emmerton as New Chairman

The Ombudsman for Banking Services and Investments (OBSI) announced on 27 February, 2018 the appointment of its new chairman, Jim Emmerton. Emmerton has been a long-serving community director and a member of the Finance and Audit Committee of the OBSI board. Previously, he served as the executive director of the British Columbia Law Institute and the Canadian Centre for Elder Law. He has also served as a member of the National Seniors Council and as a member of OBSI's Consumer and Investor Advisory Council before joining the board.

"I am looking forward to my new leadership role on the board and to continue working with OBSI stakeholders and staff towards shared goals for the future," says Emmerton, in a statement. Emmerton succeeds Fernand Bélisle as chairman.

CUMIS Group Ltd.

Co-operators Acquires Full Ownership Stake in CUMIS

The Co-operators Group Ltd. is acquiring full ownership of The CUMIS Group Ltd., a provider of insurance products to the Canadian credit union system, from CUMIS co-owner Central 1 Credit Union, the credit union central for British Columbia and Ontario. Since 2009, Guelph, Ont-based Co-operators and Vancouver-based Central 1 have been joint owners of the insurance firm. When the deal closes, CUMIS General Insurance Co. and CUMIS Life Insurance Co. will become fully owned subsidiaries of Co-operators.

In a news release, both Co-operators and Central 1 indicate that the deal was made to strengthen each firm's respective core business. "This change simplifies our structure and operations," says Rob Wesseling, president and CEO of Co-operators. "We continue to enjoy a strong relationship with Central 1 through our shared interest in Aviso Wealth, and mutual commitment to credit unions."

Co-operators says that it will retain the CUMIS brand in the credit union marketplace after the deal closes, which is expected to occur by March 31, subject to approval from regulators. "The Co-operators has recognized the strength and significance of the CUMIS brand for many years; it was part of the reason we sought to acquire CUMIS almost a decade ago," Wesseling says, in a statement. "We remain deeply invested in the success of credit unions, and our products and services will continue to evolve to meet their needs."

For Central 1, the divestiture of its ownership stake in CUMIS will allow it to better concentrate its efforts on the delivery of core products and services. "This shift allows us to focus our attention and resources on banking and payments solutions that provide the greatest value to our clients and their customers," says Mark Blucher, CEO of Central 1, who took over the reins of the credit union central in January. Central 1 has recently articulated a strategic plan to become "the national partner of choice for financial, digital banking and payment solutions" for its credit union partners and their members.

Manulife Financial

Manulife Trims down Canadian Workforce

An industry publication notes that Manulife Financial, citing a shift towards a more "digital" strategy, has revealed that it has cut jobs across Canada. Approximately 80 people in total were impacted by the decision – 35 of which were based in the Kitchener-Waterloo area. "Our commitment to become a digital, customer-centric leader requires us to think and work differently," Manulife vice-president of global external communications Marija Mandić wrote in an email to CBC News. "As a result, we eliminated some roles and positions."

Provincial/Territorial

Manitoba

Insurance Council of Manitoba (ICM)

ICM Fines Travel Insurance Firm for not Adhering to RIA Regime

CAA Manitoba, also licensed as MML Club Services Ltd. and CAA Manitoba Travel, has been fined $3,000 by the province's insurance regulator after two agents sold an annual travel accident and sickness policy to a commercial trucker who was excluded from coverage under the policy he purchased. Neither of the agents held the proper license to sell that type of standalone policy coverage to the consumer.

CAA Manitoba changed over to the regulator's new licensing regime, which included a new license for a Restricted Insurance Agent (RIA), in June 2015. The RIA license allows only for the incidental sale of insurance products. In other words, the insurance had to be incidental to the sale of some other travel product. But in this case, council noted, the complainant did not purchase his personal travel insurance in conjunction with any other type of travel product. And the second agent who sold him the standalone travel policy was not authorized to do so under the RIA license.

"On Sept. 4, 2015, the complainant should have been directed to an agent qualified and licensed to sell the product required by the complainant," council noted in its decision, "It did recognize that this was not an area of expertise for which the [two] employees of the [CAA Manitoba] were licensed, as the complainant was not travelling as a vacationer." Council's decision also noted that the supervisor should have caught this, because they were or ought to have been aware of the RIA license restriction against selling standalone policies.

Ontario

Travel Insurance and Premature Birth

Ontario Couple Informed Travel Insurance Covers Woman, but not her Prematurely Born Baby

According to a media article, an Ontario woman travelling with her husband to the Philippines was informed she could travel, despite being pregnant, because she was under 31 weeks pregnant. However, when she went into labour prematurely and gave birth 4 months early, she was informed that the travel insurance she had purchased covered her, but not her baby.

The Philippine hospital where her baby is being treated will not release the baby for travel to Canada until it is more mature, and to date her bills for the baby have totaled over $60,000.

Quebec

Quebec Sections of the Canadian Life and Health Insurance Association (CLHIA/ACCAP), Canadian Association of Direct Relationship Insurers (CADRI/CADD), Insurance Bureau of Canada (IBC/BAC)

Quebec Based Divisions of Three Insurance Associations Meet le *Journal de l'assurance* To Dispute Claims Made about Bill 141

Lyne Duhaime, President of l'Association canadienne des compagnies d'assurances de personnes (ACCAP-Quebec); Johanne Lamanque**,** Quebec Vice President for le Bureau d'assurance du Canada (BAC) ; and Denis Côté, Executive Direcotor**,** la Corporation des assureurs directs de dommages du Québec (CADD) met individually with *le Journal de l'assurance* to dispute claims made about Bill 141. The representatives of the Associations stated that the bill would continue to protect consumers, and that the Internet provisions brought Quebec legislation in line with current realities. Ultimately, they argued, it was up to the consumer to decide how they wanted to purchase insurance products.

Thought Leadership / Research / International Developments

KPMG

KPMG's Releases its 5th Annual Canadian Insurance Industry Opportunities & Risks Report, with 50% of Canadian Insurance Professionals Citing "Regulatory and Compliance Burden" as a Top 2018 Risk

With input from insurance professionals across the country, KPMG has released a report that looks at what Canadian insurance professionals feel are the top opportunities and risks in 2018.

The report finds that the top risks are as follows:

- 50% of survey respondents highlighted the regulatory and compliance burden as a top risk for organizations over the next year.
- 54% expect major disruption in the insurance sector in the coming 3 years as a result of technological innovation.
- Failure to adopt new technologies successfully poses as one of the top risks for organizations (44%) and Canadian insurers (50%) alike over the next 3 – 5 years.

The report finds that the top opportunities are as follows:

- Survey respondents reveal that data analytics to enhance product design, marketing and pricing is the top opportunity for their organization in the short-term (63%) and long-term (63%).
- Changing customer needs and expectations is the top opportunity within the insurance industry in the short-term (65%) and long-term (71%).
- Enhanced operational processes and use of technology is one of the top opportunities for organizations (54%) and for Canadian insurers (58%) over the next year.

Toronto Financial Services Alliance (TFSA)

TFSA Commissions a Study on Ontario Students' Perceptions of Financial Services Careers
To provide insight into Ontario post-secondary students' perceptions of the Financial Services sector as a career destination, Toronto Financial Services Alliance (TFSA) commissioned data from Univerum, a leading researcher of student viewpoints TFSA, to report on Ontario postsecondary students' perceptions of the Financial Services sector as a career destination.

The report found that while 1,373 students identified at least one Financial Services firm on their list of 5 ideal employers, a larger number, 2,387, were aware of at least one Financial Services firm, but did not identify ANY FS firms on the list for which they would consider working upon graduation—a group that the report identifies as "lost talent."

TFSA Report says Toronto's Financial Services Sector Report Will be Key Player in Global Public-Private Partnerships to Address Infrastructure Gap
Toronto's financial sector is uniquely positioned to help governments across the globe leverage public-private partnerships (P3) to address the growing infrastructure gap in Canada, finds a new report from the Toronto Financial Services Alliance (TFSA) in collaboration with KPMG in Canada. The report, *Knowing When to Partner*, ranks Toronto's financial services sector only behind New York and London in its strength and ability to provide the expertise and funding to deliver on these large-scale capital projects.

LIMRA / LOMA

LIMRA / LOMA Announce Annual Conference to be Held on 7 June, 2018
Insurance research leaders LIMRA / LOMA have announced that their annual Canadian conference will be held on 7 June, 2018 at the downtown Toronto Manulife Centre. They indicate that "This year's conference features indie thinkers and trailblazers on the forefront of trends who will dissect key consumer, technology and regulatory changes and their impact on your business." Among the speakers is.Dr. Bruce Empringham, Vice President and Medical Director, Great-West Life, London Life and Canada Life, who gave a presentation at the CLHIA Annual Compliance and Consumer Complaints Conference in London, Ontario in May, 2017.

Mastercard and Dream Payments Corp.

MasterCard Taps Toronto Startup's Technology to Accelerate Insurance-Claim Payments
Dream Payments Corp. is teaming up with MasterCard International Inc. to speed up the long wait for insurance-claim cheques and clearances faced by people making claims. The partnership will use Dream's technology to send disbursements to claimants' accounts within an hour of the payments being approved, MasterCard said, beginning in Canada with a subsidiary of Fairfax Financial Holdings Ltd. Dream, whose secure-payment cloud platform helps merchants quickly process debit and credit transactions in person and online, has linked with the MasterCard Send money-transfer service to create the Dream Payments Hub, which lets companies push funds directly into a customer's debit-card account. The companies will announce on Tuesday that Fairfax-owned Northbridge Financial Corp. will be the first insurance company to use the Hub to pay policyholders, with the option rolling out to its customers in phases over several months.

The program will circumvent some of the lengthy steps associated with insurance disbursement. Among them, the sometimes weeks-long wait for disbursement cheques to arrive in the mail and subsequent bank-account holds on funds once cheques are deposited. Canada, through Northbridge, will be the first market for the partners' platform, followed by the United States, as it expands through other Fairfax insurance properties – then, potentially, other markets worldwide.

"It puts Dream, a Toronto-based tech company, at the centre of revolutionizing insurance reimbursements globally," said Janet Bannister, a Dream board member and general partner at Real Ventures, which invested in Dream's Series A round of financing. While Dream has had a historic focus on retail, Ms. Bannister said its expansion into insurance "demonstrates the capacity and flexibility of the Dream Payments platform."

Insurance-Canada.ca Technology Conference (ICTC)

Speakers at Conference Discuss Relevance of Insurtech

Although Canada has at least 50 companies that could be described as "insurtech," the term itself is just a buzzword, some speakers suggested at the 26 February, 2018 Insurance-canada.ca Technology Conference. "I think the biggest thing of insurtech is the buzzword that is insurtech," Adam Mitchell, president of Whitby, Ont.-based Mitchell & Whale Insurance Brokers Ltd., said during a panel discussion at ICTC, held at the Canadian National Exhibition grounds in Toronto. Mitchell added, "there is no such thing as insurtech." Mitchell compared insurtech to cloud computing, another tech buzzword.

The panel discussion, entitled *CX: Today's Reality and the Path Ahead for Insurance*, was moderated by Mark Breading, partner with Boston-based research firm Strategy Meets Action. Breading said the "insurtech startup phenomenon has in some ways rocked the industry," adding SMA is "tracking about 1,200 startups globally and around 50 of those are in Canada." Insurtech, he added, has "really has been a catalyst for many insurers to start to rethink how they do business and to rethink who they partner with."

One company that sees itself as an insurtech is Kanetix Ltd., said Janine White, vice president of marketplaces for the quoting firm, who was also on the ICTC panel Tuesday. She sees the number of insurtechs growing "exponentially." "We are in an industry that needs technology help," White said. "We are slowed down by regulations. We are slowed down by a complicated product."

Allianz Global Assistance

43 % of Canadian Millenials Forgo Travel Insurance

A study by Alliance Global Assistance found that 43% of travellers aged 18-34 are not getting travel insurance. "When we look at our claims experience, the reality is that medical emergencies can happen to anybody at any time, regardless of age, how long they're travelling for, or where they're travelling to," Dan Keon, vice president of market management at Allianz, told *Insurance Business*. Yet young people don't see this insurance as necessary because they're in good health or haven't had to go to the doctor at home for a while. In the meantime, other travellers – not just the young ones – may not think the risk is significant enough to warrant the extra cost, especially if they're going on a shorter trip, said Keon.

“The situations that can result in the highest claims are just those unexpected emergencies, things like appendicitis or a slip and fall that results in concussion,” said the VP, who’s seen exorbitant bills from travellers during the claims process. “Clearly, there is a need to increase awareness of the importance of travel insurance among young travellers,” said Keon, especially as medical policies often also include a benefit where travellers in remote areas with medical emergencies will have arrangements made for them by their insurance to cover the cost of getting them to a hospital with the right equipment and expertise.

“We have a wide range of products available through different distributors, through travel agents and brokers as well as some banking partners, but all of those products will include a medical component if it’s a travel medical policy,” said Keon. In fact, this type of policy is something the government recommends all Canadians have when travelling.

“One of the key ways that insurers can communicate the importance of insurance is simply presenting ‘what if’ scenarios,” said Keon, “so asking the individual, what if you were to experience a medical emergency while travelling? Would you know how to find treatment, would you have funds available to pay for care, and what would you do if the hospital you were at wouldn’t accept you as a patient if you couldn’t provide payment upfront or didn’t have insurance?”

Showing clients the cost comparison of a one-night hospital stay in the US, which averages US$10,000, versus the cost of getting travel insurance for one week is another helpful approach. “Medical coverage can cost as low as $25 to $30, so it is a very small price to pay when you consider the risk,” said Keon, “and it’s much better to be travelling and have it when you need it than to find yourself in a situation where you need it and don’t have it.”

Mintel Market Research

<u>Market Research from Mintel Finds Bank Branches Retain their Appeal Among Canadians</u>
New research from global market research firm Mintel reveals that more than eight in 10 (86%) Canadian bank consumers have visited a branch in the past year, with one quarter (25%) saying they visit their local branch more than once a month on average.

The country’s oldest and youngest consumers are more likely than Canadians overall to be frequent visitors to their local branch as three in 10 (29%). Younger millennials (aged 24-31) and baby boomers (aged 54-72) say they visit their local branch more than once a month on average. While Canadians young and old are frequenting their neighbourhood bank branch, their reasons for doing so are quite different. Older bank consumers aged 55+ are the most likely age group to visit their branch for financial planning advice (20% vs 16% of Canadians overall) and to buy investment products (16% vs 11% overall). Meanwhile, younger bank consumers aged 18-24 are most likely to visit their bank branch for money transfers (33% vs 21% overall), to open an account (26% vs 13% overall) and to apply for a credit card (20% vs 9% overall).

Younger Canadians represent a prime target for bank branches as they are the most likely consumers to be increasing their visits. In fact, more than one quarter (28%) of bank consumers aged 18-24 say that they find themselves visiting their local branch more as they get older, compared to just 13% of consumers overall.

"The branch network can play a critical role in building relationships, enhancing trust, providing financial advice and easing the transition to digital channels," says Sanjay Sharma, senior financial services analyst at Mintel, in a statement. "We see that younger consumers are increasing the frequency of their visits to banks likely because they are relatively inexperienced in financial matters and have weaker credit histories, resulting in a desire to learn about their finances in-person. However, brands should avoid marginalizing older customers through mass reduction of human personnel as baby boomers are some of the most likely visitors of their bank branch as they are typically more affluent and seeking financial planning and investment advice," he continues.

While more than half (54%) of bank consumers say they prefer to look online for answers about their financial accounts rather than visit a branch, many consumers agree that some things are better handled in person. In fact, nearly three quarters (72%) of bank consumers agree that they would prefer to buy more complex products at a branch rather than online, and 68% say they would be more likely to buy new financial products/services at their local branch than through call centre sales.

European Commission

European Commission to Focus Efforts on Fintech (Page 11)
The European Commission launched an action plan on Thursday aimed at turning Europe into a centre for fintech innovation. The European Commission says its action plan is designed to enable the financial services sector to capitalize on innovations such as blockchain technology, advances in artificial intelligence (AI) and cloud computing.

To start, it is proposing new rules to encourage the growth of crowdfunding platforms, allowing them to operate throughout the European Union (EU). Along with the new crowdfunding rules, the plan details 23 measures designed to enable companies that are launching innovative business models to scale up; supports the adoption of new technologies; and aims to increase cybersecurity and the integrity of the financial system. The European Commission will also host a fintech lab to connect regulators and the fintech industry.

In addition, the European Commission it is working on "a comprehensive strategy" for adopting distributed-ledger (blockchain) technology in various sectors and it plans to consult on digitizing public company disclosure to give investors better access to information.

Finally, the European Commission says that it's developing a blueprint on best practices to use in "regulatory sandboxes," which various regulators around the world (including Canada) have launched to help both fintech and established firms test innovative financial products and services in a controlled environment.

United Kingdom--Financial Conduct Authority (FCA)

FCA Publishes Paper on Transforming Culture in Financial Services

A discussion paper published on 12 March, 2018 by the U.K. Financial Conduct Authority (FCA) is intended to stoke debate about ways to improve the financial sector's culture. The paper aims to stimulate efforts to transform the industry's culture, with a set of essays that discusses what constitutes a "good culture," the role of regulation in shaping culture, how financial firms could go beyond incentives at driving behaviour, and how to improve industry conduct.

“Culture in financial services is widely accepted as a key root cause of the major conduct failings that have occurred within the industry in recent history, causing harm to both consumers and markets,” the paper says. “To increase confidence, firms need to demonstrate they are working in the interests of consumers and the market.”

The industry’s culture is a priority for the FCA given its impact, and the role that it must play in re-building trust in financial services. “We expect firms to foster cultures which support the spirit of regulation in preventing harm to consumers and markets,” the discussion paper says. However, it also acknowledges that changing culture is easier said than done. “Some still see changing culture as a ‘soft’ discipline; and clarifying how to define, measure, and manage it in practical terms is difficult. Its intangible nature has left business leaders pondering how to influence and transform culture,” it says.

Although there’s no single culture that firms should try and build, there are characteristics of healthy cultures that can reduce the risk of harm, the paper says. The role for regulators, it says, includes holding individuals accountable, as well as firms. To that end, the FCA’s ‘accountability regime’ for senior managers, “aims to hold firms’ leadership to account for their own behaviour and for taking reasonable steps to manage the behaviour of those in their areas of responsibility,” the paper says.
“We as a regulator have long gone beyond having the mindset that simply complying with rules is enough,” says Jonathan Davidson, executive director of supervision, at the FCA, in a statement. “However we don’t believe a one size fits all culture is the right way to go. So we want to promote a discussion and consensus on the essential features of a healthy culture and how firms, regulators, employees and customers can help deliver that culture.”

Appendix A
CAFII Alerts February 26 – March 23 2018

Date of Email Alert	**Topic of CAFII Alert**
March 22	Article in Journal de l'assurance Highlights Creditor Group Issues Raised in FCAC Report
March 20	Lawrence Ritchie Appointed to FSRA Board of Directors
March 16	Quebec Proposes Amendment to New Law Allowing Sale of Insurance Online
March 6	FSRA Announces New Board of Directors Appointments / L'ORSF annonce de nouvelles nominations à son conseil d'administration
February 26	Saskatchewan Government Reverses Imposition of Provincial Sales Tax (PST) On Life and Health Insurance & Agriculture Insurance Premiums