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Regulatory Update – CAFII Board of Directors and Executive Operations Committee, 25 September, 2018

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**Federal / National****Canadian Council of Insurance Regulators (CCIR)****CCIR Launches New, Easier-to-Navigate Website**

In September 2018, CCIR launched a new, easier-to-navigate and visually pleasing website. The website lays out neatly the key information available to visitors, including easily-accessed regulatory consultation documents and a list of recent news releases. The site can be viewed at <https://www.ccir-ccrra.org/Home>.

**Advocis****Advocis Says It Wants Leader Role in Implementing CCIR/CISRO's *Guidance: Conduct of Insurance Business and Fair Treatment of Customers*; and That CLHIA Is Unfit For That Role**

In its 18 June, 2018 submission on CCIR/CISRO's *Guidance: Conduct of Insurance Business and Fair Treatment of Customers*, advisor association Advocis says that while it supports the principles in the draft Guidance, it is concerned with how the Guidance will be implemented, stating that "some entity must be charged with taking the lead on the interpretation, implementation and enforcement of the concepts therein." Advocis then suggests it should be that lead, and that the CLHIA should not:

*We urge the Regulator to ensure that stakeholders such as Advocis, which represents the financial advisors and planners who interact directly with the public, be granted a leadership role throughout this initiative. Advocis' position stands in stark contrast to entities such as the CLHIA which, despite first and foremost representing the interests of their member insurance companies, have previously been trusted by the Regulator to lead the advancement of regulatory and public policy.*

*The Regulator must be cognizant of the competing loyalties that could challenge the CLHIA's ability to give full effect to the Guidance. Consider for a moment that the senior executives of CLHIA's member companies have a fiduciary duty to their respective companies and shareholders. Also consider that these same executives direct the actions of the CLHIA, being the trade association for the insurance companies. Further, an insurance company's duty to the consumer/client is to treat them fairly, which is a far lower duty than the fiduciary duty their executives owe to the company. The potential challenge to fulfilling the spirit of the Guidance is clear.*

*At the other end of the spectrum is Advocis: members of our professional association voluntarily agree to adhere to a Code of Professional Conduct that features, as its primary tenet, the advisor's commitment to serving the best interest of the client. As such, Advocis and its member advisors do not face the competing loyalties that necessarily impair the ability of the CLHIA and its member companies to implement the Guidance. Therefore, it is clear that professional associations such as Advocis must be trusted with a leadership role if the Regulator and consumers are to fully realize the benefits of the Guidance.*

### Canadian Club of Toronto

#### Roy Gori, President and CEO of Manulife, Presents His Vision On “Out of the Dark Ages: Transforming the Insurance and Wealth Management Industry”

Roy Gori, President and CEO of Manulife, spoke to the Canadian Club on 13 September, 2018 in conversation with Terrie O'Leary, Executive Vice President, Business Strategy & Operations, Toronto Global. Responding to questions from Ms. O'Leary, Mr. Gori focused on what it takes to delight consumers, drive transformative change, and embrace technology. He said that the digital revolution will have a dramatic impact on the insurance and wealth management industry. Massive change is required by the industry, but it will be hard to execute and implement this change, he asserted.

Mr. Gori said that effective change management has three steps. The first step is to convince employees of the need to change. The second step is to convince employees that they themselves need to change, as people can be convinced that change is necessary, but they then think “everyone else has to change, I myself am doing fine.” The third step is to stay the course, because change is painful, and can initially produce results that are less efficient than what was achieved using traditional approaches, as people go down the road of learning new ways of doing something they already knew how to do well. Each of these steps is necessary but difficult, Mr. Gori said, but if the industry does not make this transformation and embrace technology, others will displace the traditional insurance and wealth management industry.

### Toronto Finance International (Formerly Toronto Financial Services Alliance)

#### Toronto Financial Services Alliance Changes its name to Toronto Finance International (TFI); Releases Report on Sustainable Finance

Newly named Toronto Finance International (TFI) states that as North America’s second largest financial centre, Toronto is well-positioned to develop and expand expertise and talent in sustainable finance and to capitalize on this economic opportunity, according to a new report released 17 September in collaboration with Ernst & Young LLP (EY Canada) and Corporate Knights. The report, *Capitalizing on Sustainable Finance: A growth opportunity for Toronto's financial sector*, which included interviews with over 70 stakeholders, explores the potential for Toronto, and Canada more broadly, to develop a leadership role in sustainable finance.

“There are many examples of sustainable finance leadership across Canada from both the public and private sectors, however, a broader, coordinated strategy will be required to drive a more active and robust sustainable finance market in Canada,” said Jennifer Reynolds, President & CEO of TFI. “This report examines the potential for the Toronto Financial Centre to develop a leading sustainable finance hub and the economic opportunity that could represent for the sector and the country.”

## Provincial

### British Columbia

#### Financial Institutions Commission of British Columbia (FICOM)

#### BC Appoints Gerry Matier And Michael Grist To Financial Institutions Commission (FICOM) Board

BC’s Financial Institutions Commission (FICOM) announced on 28 June 2018 that the Lieutenant Governor in Council had appointed Gerry Matier and Michael Grist to its governing Board for two-year terms.

Gerry Matier is the recently retired former Executive Director of the Insurance Council of British Columbia where he worked for 26 years. CAFII has had many years of positive and productive interactions with him while he was in that regulatory leadership role.

Michael Grist is a former Deputy Superintendent of Insurance and Pensions at FICOM, where he worked from 1998 until 2011. He was also Chair of CCIR from 2005 until 2008 and was a member of the Canadian Joint Forum of Financial Services Regulators during the same period. Most recently, he was a financial sector regulatory specialist with the World Bank in Washington, D.C. until December 2017. His work focussed on insurance regulation and his responsibilities included World Bank/IMF Financial Sector Assessments and associated technical assistance intended to build strong financial sectors in developing countries.

## **Ontario**

### **Financial Services Regulatory Authority of Ontario (FSRA)**

#### **FSRA Releases its Proposed Executive Structure**

FSRA has published on its website its expected Executive Structure, current as of August 15, 2018. Mark White, President and CEO of FSRA, told CAFII Co-Executive Directors Brendan Wycks and Keith Martin -- in private conversation after the 7 September, 2018 FSRA Fee Rule Industry Advisory Group – Life and Health Insurance meeting with the FSRA Board -- that he was currently in the process of hiring the most senior level executives for his FSRA founding management team.

The Executive Structure consists of 9 executive functions reporting into the CEO: Pensions; Auto/Insurance Products; Licensing and Market Conduct; Policy (which includes sub-groups in policy development; innovation; strategic planning; and regulatory and government coordination); Legal and Enforcement; Consumer Office (which includes sub-groups in consumer research and analytics; consumer outreach and public education; and liaison with internal functions such as policy); Public Affairs; and Corporate Services which is where shared services will be housed, such as IT, HR, and Finance.

## **Thought Leadership / Research / International Developments**

### **LIMRA/LOMA**

#### **Marianne Purushotham, Corporate Vice President at LIMRA, Speaks about Data Analytics in Insurance at the 7 June, 2018 Annual LIMRA/LOMA Conference in Toronto**

Insurance research Association LIMRA/LOMA held its annual Canadian conference on 7 June, 2018 where one of the speakers was Marianne Purushotham, Corporate Vice President at LIMRA. She spoke on data analytics in insurance, and said that the industry is ripe for a revolution in the use of data, especially in underwriting. She said the industry cannot insulate itself from the impact technology is having in business, noting that customer expectations are always increasing as customers expect instant service and an Amazon-type experience. New insurtech competitors are gaining traction, and the traditional financial sector is responding to these threats with ever-more complex products. The traditional approach in insurance—“I want you to find a bold and innovative way to do everything exactly the same way its been done for 25 years”—will no longer hold.

Ms. Purushotham said that her research suggested that data-driven automated underwriting had the potential to revolutionize the industry. In addition, insurance sales will increasingly be driven by analytics. Her own research finds that the most important predictors of a life insurance purchase are: total assets, total debt, household income, age, financial advisor, children, employment, marital status, recent life event, educational level, and decision-making power. She said that 50% of insurance companies have some form of automated underwriting, and 41% are in the planning stages or the use of automated underwriting, with one quarter viewing automated underwriting as especially powerful for the direct-to-consumer channel.

Alex Dudarev, Entrepreneur, Speaks about Market Disruption in Insurance at the 7 June, 2018 Annual LIMRA / LOMA Conference in Toronto

Alex Dudarev suggested that call centres will be completely revolutionized by machines, which will be increasingly able to answer calls more effectively. Google Duplex can already handle real world tasks on the phone, like booking appointments, without the other party realizing that he/she is dealing with a machine. It uses a very natural speech pattern that includes hesitations and affirmations like “er” and “mmm-hmm” that make it extremely difficult to distinguish from an actual human phone call. As these machines are imbedded with more sophisticated algorithms and learn from their interactions, they will be able to handle ever more complex tasks. Humans in a call centre may sooner than we think be a thing of the past.

Donner Prize For Best Public Policy Book In Canada Awarded To Authors Of Book On Canadian Banks And Innovation

Professor James Darroch of York University’s Schulich School of Business and co-author and former CIBC senior executive Patricia Meredith have been awarded the \$50,000 Donner Prize for their book *Stumbling Giants: Transforming Canada’s Banks for the Information Age*. The award is distributed annually to the best public policy book in Canada.

York University reports that in the book, the authors outline how Canada’s Big 6 banks survived the 2008 financial crisis by hewing to traditional and tested banking practices, making them a safe harbour at that time. However, as the modern global information economy continues to develop, the banks must confront their innovation crisis or they will become increasingly irrelevant. In *Stumbling Giants*, Darroch and Meredith present a new vision for the Canadian banking industry that is a call to action for all interested stakeholders to work together in moving the banking system into the 21st century.

In its deliberation, the jury noted the following:

*“In this timely and original book, Meredith and Darroch argue that Canadian banks are ignoring the dramatic and disruptive effects of info-tech changes that are threatening their very existence. The book is a policy manifesto, developing a compelling case for the need for fundamental change from the branch-focused business model of current Canadian banking, to a model that conforms to the habits of the mobile-app era. The authors offer a cohesive set of recommendations to put Canadian banks on track to deal with the challenges and opportunities offered by the fintech age. This book will be of interest to the general reader, given this sector’s significance, but it is essential reading for every financial sector manager, board member and policy-maker in Canada.”*

Keith Martin has worked in the past with James Darroch and knows him personally, and he will be invited to a future CAFII reception to meet CAFII members.

**CBC News****Life Insurance Companies No Longer Treating Marijuana As Being As High Risk As Tobacco**

A CBC News story on 2 July, 2018 notes that life insurance companies are increasingly no longer treating marijuana the same way as tobacco in terms of risks or premiums charged. The story states that "One by one, the big insurance companies have updated their underwriting protocols to move marijuana use out of a high-risk category of activities that includes things like smoking tobacco, and into a pool where premiums aren't significantly affected." It quotes insurance broker Lorne Marr as stating that "They saw the writing on the wall in terms of legislation, but the changes came about a little bit before."

In 2016, Sun Life was to stop considering marijuana use to be the same as tobacco use. Others have followed suit. Marr recently surveyed almost every life insurance provider in Canada, and the vast majority now have a similar policy. "A lot of the guidelines are still a little bit ambiguous," Marr says. "But it's a big change from five or 10 years ago because everybody was getting smoker rates, which is a huge difference in the premiums."

<http://www.cbc.ca/news/business/marijuana-life-insurance-1.4722763>

**Royal Bank of Canada****Royal Bank of Canada Launches Digital Wellness Program for Employees**

The Insurance and Investment Journal reports in a 17 July story that RBC Insurance has launched a new digital solution that aims to improve employee wellness by motivating them to create healthier habits through personalized experiences. The program is offered free for RBC Insurance Group Benefit Solutions clients with health coverage.

"We understand the importance of employee well-being and how an effective wellness program can shape the workplace culture and increase productivity," says Julie Gaudry, senior director of group insurance for RBC Insurance. "But there are real obstacles for employers to implement and run a wellness program. Our digital wellness program makes it easy for employers to support their employees' wellbeing by providing users with customized content they're interested in, challenging them, informing them and rewarding them for making healthier choices."

<https://mailchi.mp/insurance-journal/bulletin-973025?e=57d60e57a5>

**Industry Research by Cake & Arrow****Study Finds Insurance Industry Needs to Change Methods To Sell Insurance To Millennials**

Jason Contant of Canadian Underwriter, in a 20 August, 2018 article, says that a recent white paper from Cake & Arrow, a New York City-based agency that designs and builds digital products for the insurance industry, finds that if the insurance industry wishes to sell more products to millennials, the industry must adapt to what millennials want, and not the other way around.

For example, the industry might create modified travel insurance products that offer access to in-flight drinks and wi-fi, or change life insurance to offer components such as discounted gym memberships, health monitoring tools, and lower premiums or other incentives for healthy behaviours.

“As an industry that will increasingly rely on millennials to buy its products, it is on the industry to understand, empathize with, and find innovative ways to connect with millennials, not the other way around,” said the white paper, *Insurance & Millennials: A Coming of Age*, released in August. “If what the research shows is true, millennials are not lazy, and they definitely aren’t stupid. It’s the insurance industry that has become opaque, complicated and disconnected from the people it exists to serve.”

But the presence of millennials in the industry is no guarantee the fundamental processes of insurance will change. Even as “industry after industry have fundamentally transformed to accommodate and adapt to millennials and their changing mindsets, values, risks and behaviours, the insurance industry and its behemoth (and in many ways archaic) infrastructure has remained rigid,” the white paper states.



**Appendix A**  
**CAFII Alerts May 29-September 25 2018**

<b><u>Date of Email Alert</u></b>	<b><u>Topic of CAFII Alert</u></b>
September 17	BC To Transform Financial Institutions Commission (FICOM) Into An Independent Crown Agency
September 17	Canadian Premier Announces New Brand Identity
September 13	Time for Ottawa to discuss health insurance for tourists
September 12	Australia wants to ban life insurance cold calls as inquiry looms
September 5	Adoption of financial sector reform goes ahead in Québec, but government backtracks on certain proposed changes in the insurance sector (McMillan LLP Bulletin)
September 5	U.S. Digital Insurance Webinar On "Market Conduct Actions Highlight Information Struggles"
August 15	Free Webinars On "Transform Your Contact Center With Cognitive Intelligence" and "How eSignatures Enable Digital Insurance Transformation"
August 10	Online sales without broker intervention: Where Wawanesa stands
August 7	Request For CAFII Director Or EOC Member Interest In Serving On Short Term, Ad Hoc, Pre-Formal Consultation "FSRA Fee Rule Industry Advisory Group - Life and Health Insurance"
August 1	Lucie Tedesco's Term As Head Of the FCAC Extended For A Period Of Six Months
July 25	CCIR Publishes The 18 Submissions Received In Response To "Guidance: Conduct of Insurance Business and Fair Treatment of Customers" Consultation Document
July 25	Kitchener-based travel insurance company uses 'flying ICU' to bring home patients
July 19	Ontario Introduces Electronic Submission for Out-of-Country Claims and Supporting Documentation
July 18	IBAC commends separation of banking and insurance
July 13	AMF To Hold Consultation On Framework For Online Insurance Sales; Details About Consultation To Be Announced This Fall
July 11	Insurance sales via the Internet will be permitted in Quebec starting June 2019
June 29	Two Further Industry Trade Press Articles Resulting From CAFII Release on 2018 Pollara Travel Health Insurance Results
June 28	Further Media Coverage of CAFII Release on 2018 Pollara Travel Health Insurance Results
June 28	Stikeman Elliott Analysis on British Columbia's Review of Financial Institutions Legislation: Impact on the Insurance Sector
June 27	Media Coverage of CAFII Release on 2018 Pollara Travel Health Insurance Results
June 18	How brokers can win the "war" of distribution
June 14	Quebec's Bill 141 Is Adopted
June 6	Nicole Benson Elected Chair of CAFII
June 6	Carlos Leitao backtracks and reluctantly keeps both Quebec insurance SROs
June 1	CCIR Communique Spring 2018
June 1	Quebec broker association expresses support for Bill 141