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Regulatory Update – CAFII Executive Operations Committee, 18 January, 2022

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Federal/National

Canadian Insurance Services Regulatory Organizations (CISRO)

CISRO Announces that Ron Fullan is Stepping Down as its Chair, and will be Replaced by the AMF's Eric Jacob

In a 16 December, 2021 release, Canadian Insurance Services Regulatory Organizations (CISRO) announced that Ron Fullan was stepping down as Chair, and would be replaced by the AMF's Eric Jacob:

The Canadian Insurance Services Regulatory Organizations (CISRO) is pleased to announce the appointment of Eric Jacob as CISRO Chair.

Mr. Jacob is the Superintendent, Client Services and Distribution at the Autorité des marchés financiers (AMF) and brings to the role over 20 years of leadership in the financial services industry spanning insurance, banking and securities sectors.

CISRO members also acknowledge the exemplary leadership, contributions and longstanding commitment of Ron Fullan, the outgoing Chair. Under Mr. Fullan's leadership, CISRO implemented a harmonized Life Licence Qualification Program across Canada. Mr. Fullan also played a key role in strengthening the collaboration amongst CISRO members and between CISRO and the Canadian Council of Insurance Regulators (CCIR) and oversaw the implementation of the joint CISRO/CCIR Canadian Insurance Regulators Disciplinary Actions (CIRDA) database and the joint CISRO/CCIR guidance on the fair treatment of customers.

"I would like to thank Ron Fullan for his outstanding leadership and for driving the organization to its current state of maturity. CISRO members remain committed to supporting a consistent approach to consumer protection through the regulation of insurance intermediaries. I am honoured to be elected CISRO Chair and grateful for the confidence placed in me. I look forward to continuing to work with CISRO members and industry to ensure the fair treatment of customers," said Eric Jacob.

CISRO Announces New Online System for LLQP Exams

In a 13 December, 2021 email notification CISRO notes that "In response to the Covid pandemic, CISRO made arrangements in the summer of 2019 to launch an online version of the LLQP exams, supported by Durham College." The announcement goes on to state:

In early 2021 Durham began an RFP process to select a new online proctoring company. The RFP was issued in March 2021, and an extensive review of the 6 submissions was completed from May to September. The review examined a variety of key criteria in the areas of Testing Environment, Administration and Registration as well as Implementation and Data Security. The process resulted in the contracting of a new online proctoring company – Examity – who will begin proctoring our online LLQP exams in January 2022.

Canadian Health and Life Insurance Association of Canada (CLHIA)

CLHIA Changes May 2022 Compliance and Consumer Complaints Annual Conference to an Online Format due to COVID-19

The CLHIA announced on 14 January, 2022 that its 2022 Compliance and Consumer Complaints Annual Conference will no longer be held in-person in Montreal, and instead would be virtual. CLHIA states that:

*Given concerns about the Omicron variant and the health of our guests, the CLHIA has decided our **2022 Compliance and Consumer Complaints Annual Conference**, previously to be held in Montreal in early May, will be held **virtually again this year**.*

The virtual conference will be held 4-5 May, 2022. Participants can sign up [here](#) if you'd like to be updated when registration opens.

Canadian Bankers Association

Canadian Bankers Association Announces that Angelina Mason is Interim CEO and General Counsel, Replacing Departed CEO Neil Parmenter

The Canadian Bankers Association (CBA) announced on 24 December, 2021 that Angelina Mason has been named as Interim CEO and General Counsel. The release went on to say:

As Interim CEO she communicates the perspectives of the industry to all levels of government, regulators, stakeholders, media and the public. Angelina is also the lead legal advisor to the Association. Angelina has responsibility for the in-house legal team, holding carriage of the Consumer Affairs, Anti-Money Laundering, and cyber security portfolios, and having oversight of the Financial Crimes team. She is also responsible for the CBA's corporate governance and regulatory compliance programs.

Angelina has three decades of professional experience in the financial services industry, having played lead legal and compliance roles in the Canadian operations of two major worldwide payment companies, Visa and American Express, acted as enterprise-wide privacy and bank regulatory counsel for CIBC, and progressed as counsel through the retail banking arm of Bank of Montreal. Angelina began her career in private practice at Blake, Cassels & Graydon.

A member of the Ontario Bar, Angelina holds a Bachelor of Arts degree and an LL.B. from the University of Toronto.

Canadian Association of Financial Institutions in Insurance (CAFII)

CAFII Faces Unprecedented Number of Regulatory Submissions

CAFII is managing an unprecedented number of regulatory submissions, which is placing strain

Table One: CAFII Multiple Regulatory Written Submissions Work-Back Schedule, October 21, 2021 – February 18, 2022

CAFII Multiple Regulatory Written Submissions Work-Back Schedule, Oct. 21/21 – Feb 18/22

	October		November				December					January				February		
Name of Submission	21-27	28-3	4-10	11-17	18-24	25-1	2-8	9-15	16-22	23-29	30-5	6-12	13-19	20-26	27-2	3-9	10-16	17-23
AMF Complaints Handling Draft Regulation																		
FCAC Complaints Handling Proposed Guideline																		
FCAC Appropriate Products & Services Guideline																		
AMF Revised Sound Commercial Practices Guideline																		
FCNB Proposed Rule INS-001 (Insurance Intermediaries)																		
FSRA Information Guidance on Complaints Resolution																		
AMF Incentive Management Guideline																		
FCNB Proposed Rule INS-002 (Insurance Fees)																		

Legend

- Phase 1: Start Date
- Phase 2: Committee Review/Input
- Phase 3: Preparation of Draft 1 (Whether from Ctte Input or Available Content)
- Phase 4: CAFII Representative Review/Feedback on Draft 1 (EOC, Ctte, WG)
- Phase 5: Preparation of Penultimate/Draft 2 (Reflecting CAFII Representative Input)
- Phase 6: Consultation with CLHIA for Submission Alignment
- Phase 7: Translation into French
- Phase 8: Finalize and Obtain Approval from EOC Chair for Submission
- Phase 9: Submission to Regulator

Regulatory Submissions Timeline Start/End Dates

- AMF Complaints Handling Draft Regulation: Oct. 21/21 – Dec. 8/21
- FCAC Complaints Handling Proposed Guideline: Nov. 24/21 – Dec. 11/21
- FCAC Appropriate Products & Services Guideline: Nov. 22/21 – Jan. 6/22
- AMF Revised Sound Commercial Practices Guideline: Nov. 30/21 – Jan. 28/22
- FCNB Proposed Rule INS-001 (Insurance Intermediaries): Jan. 6/22 – Feb. 7/22
- FSRA Information Guidance on Complaints Resolution: Jan. 13/22 – Feb. 15/22
- AMF Incentive Management Guideline: Jan. 6/22 – Feb. 18/22
- FCNB Proposed Rule INS-002 (Insurance Fees): Jan. 13/22 – Feb. 18/22

on CAFII's volunteer leadership. Regulatory submissions have been or are being prepared for the AMF, FSRA, the New Brunswick Financial and Consumer Services Commission (FCNB), and the FCAC. A summary of the regulatory submissions in the pipeline can be found in the two documents in this section.

Table Two: Recently Completed and Imminent/Pending CAFII Regulatory Submissions As At January 13, 2022

Recently Completed and Imminent/Pending CAFII Regulatory Submissions As At January 13, 2022

<u>Regulatory Authority</u>	<u>Topic</u>	<u>Deadline</u>	<u>Comments</u>
CISRO	Survey of Industry Associations on "Understanding the Consumer Awareness Strategies Currently Undertaken By Industry"	November 30, 2021	Completed by B. Wycks on CISRO's Survey Monkey site.
AMF	Draft Regulation on Complaints Handling and Dispute Resolution in the Financial Sector	December 8, 2021	CAFII submission sent on December 8/21.
FCAC	Proposed Guideline On Complaint Handling Procedures For Banks and Authorized Foreign Banks	December 11, 2021	CAFII submission sent on December 11/21.
FCAC	Proposed Guideline on Appropriate Products and Services For Banks and Authorized Foreign Banks	January 6, 2022	CAFII submission sent on January 6/22. Follow-up virtual Stakeholder Session, requested by FCAC, to occur on Friday, January 15/22.
AMF	Revised/Updated Sound Commercial Practices Guideline	January 28, 2022	AMF extended deadline from the initial December 17/21, largely at CLHIA's behest.
FCAC	Proposed Guideline on Whistleblowing Policies and Procedures for Banks and Authorized Foreign Banks	January 29, 2022	CAFII Co-Executive Directors are of the view that this consultation is "out of scope" for our Association, and is best left for the Canadian Bankers Association (CBA) to respond to/address. This is the third in a series of consultations on guidelines that FCAC has developed to help Banks comply with their obligations in the Bank Act and the new Financial Consumer Protection Framework Regulations , which will come into force on June 30, 2022. A first consultation on a proposed Guideline on Complaints Handling Procedures ended on December 11, 2021. A second consultation on a proposed Guideline on Appropriate Products and Services is in progress until January 6, 2022.

FCNB	"Proposed Rule INS-001: Insurance Intermediaries Licensing and Obligations"	February 7, 2022	Among various matters, outlines specifics of FCNB's plan to introduce a Restricted Insurance Agent (RIA) licensing regime in New Brunswick, which will be the first in Atlantic Canada.
OSFI	Draft Guideline B-13: Technology and Cyber Risk Management	February 9, 2022	Insights gained from a November 30/21 OSFI Information Session webinar enabled CAFII to determine that this OSFI consultation is "out of scope" for our Association, as it is exclusively prudential regulation/"going concern"-focused and not inclusive of consumer-oriented, market conduct regulatory issues.
FSRA	Information Guidance on Complaints Resolution	February 15, 2022	<p>FSRA's vision is for consumers, members, and pension plan beneficiaries to have their complaints resolved in an accessible, fair, timely, transparent, and effective manner. As a step towards its vision, FSRA is releasing Information Guidance on complaints resolution. The Guidance has two principal aims:</p> <ol style="list-style-type: none"> 1. To present FSRA's Guiding Policy Framework on Complaints Resolution, which is a principles-based, cross-sectoral framework designed to guide FSRA's policy work on complaints resolution 2. To showcase select best practices that FSRA has identified through jurisdictional research, which led to and shaped the development of the Policy Framework <p>The Policy Framework does not introduce new complaint-handling standards or requirements for the regulated sectors.</p>
AMF	Incentive Management Guideline	February 18, 2022	AMF extended deadline from the initial January 28/22, largely at CLHIA's behest.
FCNB	Proposed Rule INS-002: Insurance Fees"	February 18, 2022	Release on December 17/21 for a 60 days public consultation. CAFII has responded to FCNB consultations of this nature/type in the past.

CAFII Presents Key Features of its Submission on the Appropriateness Guideline to the FCAC in a One-Hour Virtual Meeting

On 14 January, 2022 CAFII presented to the FCAC its major concerns around the Appropriateness Guideline in a one-hour virtual meeting. Among the key points made by CAFII were:

- The unique features of credit protection insurance, including that they are offered by non-licensed individuals who cannot make recommendations or offer advice;
- That these products are also regulated by provincial and territorial regulators, and that some of the expectations of the FCAC Appropriateness Guideline could push CAFII members offside of provincial regulatory requirements;
- That the timelines for implementation are far too tight;

- A suggestion that the FCAC formally join as an observer the Canadian Council of Insurance Regulators (CCIR).

About 15 CAFII members attended the session. In attendance from FCAC were:

- *Rana Abunaameh, Director of Regulatory Guidance and Coordination;*
- *Teresa Frick, Director, Supervision;*
- *Bradley Schnarr, Manager, Regulatory Guidance and Supervisory Coordination;*
- *Stephen Wild, Senior Research and Policy Officer;*
- *Sara Desjardins, Research and Policy Support Officer;*
- *Robert Marseilles, FCAC.*

CAFII Management Meets with Eric Jacob, Superintendent Client Services and Distribution, and Louise Gauthier, Principal Director, Distribution Policy Framework

CAFII held a virtual liaison meeting with the AMF in October 2021 at which the AMF asked some questions that were challenging for CAFII members to answer for confidentiality reasons. CAFII held an informal, constructive meeting with the AMF on 20 December, 2022 to explain the situation and to find ways of more effectively ensuring that the AMF's questions are answered, for example by asking them prior to the meeting so that CAFII can confidentially solicit answers and share them with the AMF in an aggregated, anonymous fashion. The conversation with Eric Jacob and Louise Gauthier was engaged, informal, friendly, and constructive, with Mr. Jacob saying on several occasions that he found the discussion very helpful and useful.

CAFII Meets with FSRA Executives on CAFII's Submission to FSRA on its Statement of Priorities

CAFII met with FSRA executives on 6 December, 2021 to discuss CAFII's submission to the FSRA on its Statement of Priorities (SOP). CAFII's Co-Executive Directors and EOC Chair Rob Dobbins participated in the meeting with Erica Hiemstra, Head, Market Conduct—Insurance Conduct; and Swati Agrawal, Senior Manager, Market Conduct – Licensing and Market Conduct Division.

The cordial and constructive meeting allowed FSRA to ask for some clarifications of some of the points in our submission. FSRA wanted confirmation that we supported their investigative work around MGAs (we said we did); had some questions around the concerns we expressed over the fee increase they were proposing; and had some questions around our concerns around the use of the term "suitability" which when explained helped them understand our position. Erica Hiemstra also went out of her way to state that credit protection insurance products "are important."

CAFII Holds Webinar with Marlena Labieniec, FSRA's Director of Innovation, About the Authority's Proposed Innovation Process

On November 29, 2021 CAFII held a webinar with Marlena Labieniec, FSRA's Director of Innovation, about FSRA's new innovation process and its Innovation Office. Prior to the discussion with Ms. Labieniec, introductory remarks were made by *Glen Padassery, FSRA's Executive Vice-President, Policy and Chief Consumer Officer, about FSRA's vision for its role and approach in fostering innovation in Ontario's financial services sector. Among the topics covered by Ms. Labieniec were:*

- *the Innovation Office as FSRA's "Innovation Orchestrator";*
- *facilitating both 'inside-out' and 'outside-in' points of entry;*
- *FSRA's five-step Innovation Process;*
- *the role of an Intake Form in standardizing starting point input to FSRA*
- *the importance of "Innovator Readiness";*
- *FSRA's five-step Risk Assessment Process in working with Innovators on proposed Innovations;*
- *the importance of strong, testable mitigation plans for any significant risks identified;*
- *the role of regulatory sandbox-like Test and Learn Environments (TLEs) in resolving uncertainty through experimentation and in ameliorating or clarifying identified risks sufficiently, for Innovations which initially generate a low or medium level of FSRA confidence;*
- *how TLEs will work;*
- *the TLE fee structure;*
- *the "go" or "no go" decision;*
- *some hypothetical Use Cases/examples; and*
- *FSRA's balancing of incumbents and new market entrants in fostering innovation.*

The session included good representation from regulators across the country, with the following regulators registered for the session:

- *Quebec's Autorite des marches financiers, or the AMF;*
- *the Ministry of Finance, Government of Quebec;*
- *the Alberta Auto Insurance Rate Board;*
- *the Government of Alberta;*
- *the Alberta Insurance Council;*
- *Alberta Treasury Board and Finance, Government of Alberta;*
- *several of Marlena's colleagues from the Financial Services Regulatory Authority of Ontario, or FSRA;*
- *the Financial and Consumers Services Commission of New Brunswick, or FCNB;*
- *the Insurance Councils of Saskatchewan;*
- *the Financial and Consumer Affairs Authority, Government of Saskatchewan, or FCAA;*
- *the Insurance Council of British Columbia;*
- *the British Columbia Financial Services Authority, or BCFSA;*

- *the Financial Consumer Agency of Canada, or FCAC; and*
- *the Office of the Superintendent of Financial Institutions, or OSFI.*

The webinar included some live polls that demonstrated strong support for the efforts around innovation by FSRA. The session was recorded and can be found here:

<https://www.cafii.com/research/>

CAFII Holds Webinar with Provincial Regulators on Regulatory Priorities as Canada Emerges from COVID-19

On October 25, 2021 CAFII held a webinar on Provincial Insurance Policy and Regulatory Priorities and Emerging Issues As Canada Emerges From COVID-19. The panelists were:

- *Chris Carter, Vice-President, Financial Institutions and Mortgage Brokers Market Conduct, BC Financial Services Authority;*
- *Mark Brisson, Assistant Deputy Minister and Superintendent of Insurance, Alberta Treasury Board and Finance;*
- *Janette Seibel, Deputy Superintendent of Insurance, Financial and Consumer Affairs Authority of Saskatchewan.*

The session covered a wide range of topics and the panelists were engaged in the discussion. The session included good representation from regulators across the country, with the following policy-makers and regulators registered for the webinar:

- *The Government of Alberta;*
- *The Alberta Insurance Council;*
- *BC Financial Services Authority;*
- *The Insurance Council of BC;*
- *The Canadian Council of Insurance Regulators, or CCIR;*
- *The Canadian Insurance Services Regulatory Organizations, or CISRO;*
- *Consumer and Financial Services Commission of New Brunswick;*
- *The Insurance Council of Manitoba;*
- *The Insurance Councils of Saskatchewan;*
- *The Office of the Alberta Superintendent of Insurance;*
- *The Office of the Superintendent of Financial Institutions, or OSFI; and*
- *The Government of Yukon.*

All the panelist emphasized the continuing importance of the fair treatment of customers. Chris Carter said that in British Columbia there was a heightened interest in the emerging climate change challenges. Cyber risk was also raised by panelists as an increasingly important issue. The issue was raised of the potential affect of COVID on the affordability of life insurance going forward. It was also noted that there were important industry achievements around offering insurance digitally during the pandemic.

In terms of trends, panelists felt that industry had been very flexible and innovative in responding to the pandemic. However, the panelists also felt that they needed to monitor carefully whether there were any changes in claims payout in the context of the pandemic. It was also felt that the adoption of online insurance options would continue after the pandemic. It was noted however that there is a digital divide in many provinces, where some consumers' internet connections are not as good, especially for those in rural areas, and that could be important as digitization became more prevalent.

Mark Brisson said that regulators appreciated the efforts industry had made during the pandemic including the offering of deferrals, rebates, and other measures to help consumers. Jan Seibel said that industry had communicated emerging issues with regulators well during the pandemic, and this helped ensure a coordinated approach between industry and regulators. She also felt that industry handled the move to an at-home requirement effectively. Chris Carter said that industry was extraordinarily flexible and responsive during the pandemic.

The panelists also discussed fair treatment of customers and how to measure it or demonstrate it. The CCIR, which the three panelists all sit on, was also discussed around harmonization and how it could advance this objective.

The session was recorded and can be found here:

<https://www.cafii.com/research/>

CAFII Holds Annual Members and Associates Virtual Luncheon on 9 November, 2021 with Three Prominent Lawyers: Jill McCutcheon, Torys; Stuart Carruthers, Stikeman Elliott; and Marc Duquette, Norton Rose Fulbright.

CAFII's Annual Members and Associates Virtual Luncheon was held on 9 November, 2021 with a panel of three leading Canadian insurance lawyers: Jill McCutcheon, Torys; Stuart Carruthers, Stikeman Elliott; and Marc Duquette, Norton Rose Fulbright. While their comments were "off the record," they have agreed to releasing for CAFII members and associates only the high-level synopsis, without specific attribution, that is contained below.

The Regulatory Environment is Getting more Onerous, and This will Likely Continue Going Forward

While Fair Treatment of Customers' (FTC) guidelines are meant to be principled-based, regulators are increasingly looking to add teeth to their expectations and are moving down the road of more prescriptive measures. The CCIR release of a critical "observations" document around compliance with FTC expectations is an example of how regulators will expect more than just broad indications of compliance. The AMF is increasingly prescriptive, and is engaged in multiple initiatives (complaints handling, sound commercial practices) that will give it additional powers; the FCAC is increasing its enforcement powers, and is quite willing to impose penalties; BC FSA and FSRA both now have rule-making capabilities. New Brunswick is enhancing its regulatory powers. Enforcement activity is on the upswing, encouraging first time offenders to self-report infractions. Recently FTC expectations and other regulatory expectations have occurred from CCIR (observations report); FSRA FTC expectations; CISRO Draft Principles for Intermediaries; FSRA UDAP Rule; AMF Sound Commercial Practices update; Quebec draft complaints regulation; and FCAC Appropriateness Guideline. It was noted that while FSRA has an excellent staff complement at the top level, it is under-resourced at the general staff level resulting in delays for routine matters like issuing licenses.

Regulators are Increasingly Moving Away from Harmonization in Practice

While in principle regulators are all committed to harmonization, in practice the CCIR has no legislative or legal powers and no enforcement mechanisms, while the provincial regulators who do have these powers are increasingly moving towards their own preferred approach. The AMF is taking its own unique approach with little or no regard for inter-provincial harmonization. The Financial and Consumer Services Commission of New Brunswick has just released a consultation around its rules for restricted licenses in which it has numerous unique features that are different from other provinces with licensing regimes. Rule making powers in Quebec, Ontario, and BC are proving to be at odds with harmonization.

Quebec will Continue to be A Challenging Regulatory Environment

The AMF is appearing to double-down on its enforcement-focused regulatory approach. The AMF often acts as a "tester" of new regulatory tools among regulators in other parts of the country, which will introduce them too if they prove to be effective in Quebec. Other Quebec initiatives like the new language bill will also add to the complexity and cost of doing business in Quebec. The AMF is adding to its oversight, investigation, and compliance budgets and as the AMF garners more resources, it will use them. The new Sound Commercial Practices regulation enhances the focus on business culture, accountability, and supervision of intermediaries, and captures handling of conflicts of interest, product design, suitability, and monitoring. Insurers and distributors will now need to devote even more time and effort to show that they are addressing each of the enhanced standards that they now have to meet. An example of this is

the AMF complaints regime expectation that insurers will have to provide drafting assistance for consumers who make a complaint.

FCAC's an Increasingly Active Regulator

While Bill C-86 no longer treats credit protection insurance as an “optional product,” it is still a product that is “offered” and as such Section 627.06/07 of Bill C-86 (“appropriateness guideline”) likely still applies to travel insurance and credit protection insurance. This seems to imply the requirement for some type of needs analysis. While CAFII has argued that provincial regulation prohibits the offering of advice including a needs analysis, this position was challenged legally, but not practically; regardless of the legal niceties, non-licensed branch or call centre staff are in no position to provide customers with a needs analysis nor is it something that should be required for a credit protection insurance or travel insurance product. FCAC is increasingly engaging in reviews of its regulated entities, and not necessarily as a result of a complaint. Self-reporting discovered infractions no longer ensures leniency, and infractions increasingly result in “naming and shaming” and the levying of fines.

Provincial/Territorial

British Columbia

British Columbia Financial Services Authority (BCFSA)

Saskia Tolsma, Vice President, Stakeholder Engagement, BC Financial Services Authority, Reaches out to CAFII

In an email to CAFII's Co-Executive Directors on 23 December, 2021 Saskia Tolsma, Vice President, Stakeholder Engagement, reached out requesting a meeting:

Allow me to introduce myself – I am the VP of Stakeholder Engagement at the BC Financial Services Authority (BCFSA). I am returning from maternity leave and don't believe we've crossed paths before. Hope this email finds you both well, and preparing for the holidays. I'm reaching out to flag two items that are early on BCFSA's 2022 agenda, which may be of interest to CAFII and your members.

For your awareness, we have two consultations targeted for the early part of 2022 that impact BC-authorized insurance companies. The first is related to information security – to be published in mid-January - regarding a proposed rule that would require all BC-authorized financial institutions to report material information security incidents to BCFSA within a specified time period. Secondly, I'd also like to flag for you the work on the BC Insurer Code of Conduct, which we will begin with the sector in the upcoming quarter. As you may recall, pending section 94.3 of the BC Financial Institutions Act being brought into force by the B.C. Government, all BC-authorized insurance companies will be required

to adopt a Code that is established by BCFSa (the expectation is that the code follows the principles outlined in the Canadian Council of Insurance Regulators' Fair Treatment of Customers guidance).

I'm happy to discuss any of these items in further detail. Hope you have a restful holiday ahead, with friends and family (to the extent that we can!). Take care and best wishes for 2022,

CAFII is setting up a virtual Get Acquainted and Dialogue Meeting with Ms. Tolsma for the week of January 24 to 28, 2022.

Saskatchewan

Insurance Councils of Saskatchewan

Insurance Councils of Saskatchewan Actively Recruiting for a New Executive Director

With Ron Fullan, Executive Director of the Insurance Councils of Saskatchewan, set to retire as of 30 June, 2022, the Councils is now actively recruiting for a new Executive Director. In its search document, the recruitment agency says:

Their current vision is to have ICS recognized as a credible and influential thought leader in insurance regulation within Canada. Within the last few years, ICS has fully operationalized the new Insurance Act, which was proclaimed January 1, 2022, and enhanced public protection with a more proactive and strategic approach in an evolving industry. Through national collaborative initiatives, understanding of industry trends, and the calculated adoption of best practices, ICS have expanded their mandate for more effective regulation in Saskatchewan.

April Stadnek, Director of Compliance and Enforcement at the ICS, has always been viewed by CAFII as a likely candidate to succeed Ron Fullan as Executive Director.

Manitoba

Insurance Council of Manitoba

Barbara Palace has left as the Executive Director of the Insurance Council of Manitoba, and has been replaced by Stacey Aubrey

Barbara Palace has informed CAFII's Co-Executive Directors that she would be leaving the Insurance Council of Manitoba as of 31 December, 2021, to be closer to her family in Ontario. She will begin a new position on 10 January, 2022 as CEO of the United Way of Chatham-Kent. Ms. Palace said in her note to CAFII that "I've enjoyed the open and candid communications we've had over the years I've been at ICM, and I know that ICM will continue to appreciate CAFII's input as an industry stakeholder."

The new Executive Director of the Insurance Council of Manitoba will be Stacey Aubrey. The press release announcing her appointment stated that:

Stacey Aubrey began her 20-year career with ICM in 1999. Other than a 3-year stint in Alberta where she worked in human resources at Lakeland College and U. of A., she has occupied and mastered many roles within ICM. She has moved through a number of administrative and licensing positions including most recently the Director of Licensing.

She holds a Chartered Insurance Professional (CIP) Designation, has completed her Human Resources Certificate from the University of Alberta and her Management Certificate from the University of Winnipeg. She also has her Justice and Public Safety Certificate completed with Red River College and her Certificate in Leadership Development (CLD) through QNET.

She is a certified Fitness Leader, an assistant hockey coach and sits on many boards in her community. This exemplifies her motivation, organization, leadership, and the fact she is a team player.

In her recent role as Director of Licensing, the councils benefited from her pragmatic approach, and organizational skills. She has a deep understanding of the rules and regulations that govern our organization, and how we operate. We are looking forward to benefiting from those skills both in day-to-day operations, and in forging the ICM of the future.

Ontario

Financial Services Regulatory Authority of Ontario (FSRA)

FSRA releases Information Guidance on Complaints Resolution

FSRA states that its "...vision is for consumers, members, and pension plan beneficiaries to have their complaints resolved in an accessible, fair, timely, transparent, and effective manner." As a step towards its vision, FSRA has released an [Information Guidance on complaints resolution](#).

The Guidance has two principal aims:

- to present FSRA's Guiding Policy Framework on Complaints Resolution, which is a principles-based, cross-sectoral framework designed to guide FSRA's policy work on complaints resolution;
- to showcase select best practices that FSRA has identified through jurisdictional research, which led to and shaped the development of the Policy Framework.

The Policy Framework does not introduce new complaint-handling standards or requirements for the regulated sectors.

FSRA notes that its upcoming work in FY2022-23 will build on the development of the Policy Framework. As articulated in its Proposed 2022-2023 Statement of Priorities, FSRA plans to strengthen its baseline understanding of the current complaints resolution system, including consumer experiences. FSRA will use the Policy Framework to assess the strengths and weaknesses of the current complaints resolution ecosystem.

FSRA welcomes comments from stakeholders on this Information Guidance by February 15, 2022. CAFII will be making a submission on this consultation.

In its Q2 Service Standard Scorecard FSRA Exceeds Service Standards in the Majority of its Regulatory Activities

The Financial Services Regulatory Authority of Ontario (FSRA) has released its [Service Standards Scorecard for Q2 2021-2022](#). The 22 service standards and reporting process measures FSRA's performance of key regulatory activities. This quarter, FSRA reports that it exceeded service targets for 76% of its standards. Highlights of FSRA's performance include:

- processing 100% of all credit union regulatory applications within 30 days;
- reviewing 100% of defined benefit pension plan wind-up applications and decided on within 120 business days'
- acknowledging 91.7% of complaints for all sectors in writing within 3 business days of receipt, where reply information was available.

FSRA fell below target in some service standards for non-private passenger auto minor filings, complaints, and licence applications processing. This is due to extended reviews of filings and complaints, and a significantly higher volume of applications received since quarter four of the fiscal year 2020-2021.

In response, FSRA is increasing resources and evaluating processes, and expects performance scores in these areas to improve.

While CAFII members have generally reported being pleased with FSRA's executive direction and with the quality of its leadership, there have been considerable concerns expressed about processing times for issuing insurance licenses.

FSRA has Submitted its Proposed Unfair or Deceptive Acts or Practices (UDAP) Rule to the Minister for Approval

The Financial Services Regulatory Authority of Ontario (FSRA) has submitted its proposed UDAP Rule to the Minister of Finance for approval. FSRA states that if approved, the Unfair or Deceptive Acts or Practices (UDAP) rule will strengthen the supervision of insurance industry conduct by clearly defining the outcomes that are unfair or otherwise harmful to consumers.

On December 20, 2021, FSRA submitted its UDAP rule to the Minister of Finance for final approval. The rule will replace the UDAP Regulation under the Insurance Act and will take effect once consequential amendments made by the government are proclaimed into force.

The following documents are available for review:

- Publication of Board Approved Rule;
- Unfair or Deceptive Acts or Practices (“UDAP”) Rule 2021.

The summary of stakeholder feedback received during the second public consultation and FSRA’s responses are also available at Unfair or Deceptive Acts or Practices (“UDAP”) Rule Consultation Summary Report.

FSRA Appoints Mehrdad Rastan to EVP of Credit Union and Insurance Prudential

FSRA has announced that, after a comprehensive recruitment process, that Mehrdad Rastan has been appointed the EVP of Credit Union and Insurance Prudential, effective January 4, 2022.

FSRA states that “Mehrdad is a passionate leader with over 25 years’ experience executing strategic initiatives, establishing strong partnerships, building high performing teams and championing transformational organizational culture.”

Mehrdad has spent the last ten years as a regulator at the Financial Services Regulatory Authority of Ontario (FSRA) and the British Columbia Financial Services Authority (BCFSA) in executive positions building regulatory and supervisory teams and implementing modern systems and frameworks to promote operational resilience and financial stability.

During his time at FSRA, building on his success as a senior credit union regulator at the BCFSA, Mehrdad has overseen the re-build of FSRA’s recovery framework and the enhancement of the resolution regime, and helped to implement integrated market conduct and prudential supervisory processes. He has also led the development of a principles-based, outcomes-focused, integrated Risk Based Supervisory Framework, and supported the enhancement of the credit union financial stability structures and the ongoing administration of PACE Credit Union.

Prior to his regulatory roles he held strategic and risk management positions in investment, hedge, and pension funds and founded and developed start-ups in construction, entertainment and technology. Mehrdad taught physics, finance and risk management at Simon Fraser University for over 15 years, has earned degrees in physics and finance and holds the professional Financial Risk Manager (FRM) and Chartered Financial Analyst (CFA) designations.

“Mehrdad brings not only a wealth of experience and knowledge about credit unions and financial services regulation, he has a proven track record of leading transformational change, building strong teams and relationships and successfully identifying and managing risks” said Mark White, CEO of FSRA. “I would also like to thank Guy Hubert for his many contributions to FSRA, DICO and the credit union sector, including strong leadership during the transition from DICO and launch of FSRA.”

“I am excited and highly motivated by this opportunity to focus my efforts on FSRA’s critical mandate to protect consumers and regulate Ontario’s diverse financial services sector with a modern, world class regulatory regime and organization”, said Mr. Rastan. “My first priority will be to reach out and engage the sector, my FSRA colleagues and other key stakeholders.”

FSRA Announces its Inaugural “Exchange” Event to be Held 27 January, 2022

FSRA has announced that it will hold an inaugural cross-sectoral event that will be the first of an FSRA’s annual flagship event. The line-up of speakers includes:

- The Honourable Peter Bethlenfalvy, Minister of Finance;
- FSRA’s Board Chair, Joanne De Laurentiis;
- FSRA CEO, Mark White;
- An Expert Panel Discussion on Principles-Based Regulation;
- Innovation Guest Speakers.
-

The virtual event is free for consumers and \$25 for industry registrants. For more details about this event, please visit the [event page](#).

Quebec

Autorité des marchés financiers (AMF)

AMF 2021 Rendez-Vous Held on 22 November, 2021

The AMF held its annual Rendez-Vous electronically on 22 November, 2021 from 1pm to 4.30pm. Some of the highlights from the session follow.

Louis Morisset, President and CEO, AMF: Digital Transformation: Impacts and Challenges for the Financial Sector

Nathalie Hamel, Director General of Public Affairs at the AMF, opened the event, which had over 950 attendees. Louis Morisset spoke about the challenges that digital transformation was posing for the financial sector. The topic of digital transformation is not new, but it is clear that this trend has accelerated in the past two years. Individuals using digital means for managing their lives and shopping are providing tremendous data points to technology companies. The pandemic has also radically transformed remote work. These developments have resulted in significant transformations in our lives, but it also increases risks. Digitization is transforming the financial sector, and is also producing unique risks for this sector.

This is producing regulatory challenges as new entrants like cyber currencies, and new fintechs, are entering into the financial sector. The AMF has developed a lab internally to better understand cyber security and artificial intelligence developments. The AMF has also commissioned a study on digital trends in Quebec with Deloitte, which is available on the AMF website. The AMF will keep a close eye on all these digital developments.

The broad regulatory principles applying to financial services company, like sound commercial practices expectations, will continue to be relevant. Mr. Morisset then gave some examples of area the AMF is paying attention to, including the explosion in online security accounts. Some young people are approaching important investment choices as they would a video game (“gamification of trading”) with significant risks.

Crypto currencies continue to make headway and are becoming accessible to ordinary investors. 72% of people in Quebec said they were aware of cyber currencies in a recent survey. Many investors rely on social media to get information about investments, despite the risk of fraud or misinformation on these platforms. Financial education needs to evolve to take into account these new realities.

Mr. Morisset then focused on developments in the auto sector in Quebec, including self-driving cars. He noted the challenges this produced in the regulatory and insurance sectors. He then noted that the mathematical and data driven nature of the financial sector made it a leader in

the use of artificial intelligence. A new report on the responsible use of artificial intelligence in the financial sector is to be released in conjunction with this meeting, on 22 November, 2021. This connects with initiatives around ESG and around privacy.

Digital transformation is also changing the AMF. It is a strategic goal of the AMF to use this tool to make it a better regulator. The AMF will continue to invest in the digital competencies of its employees.

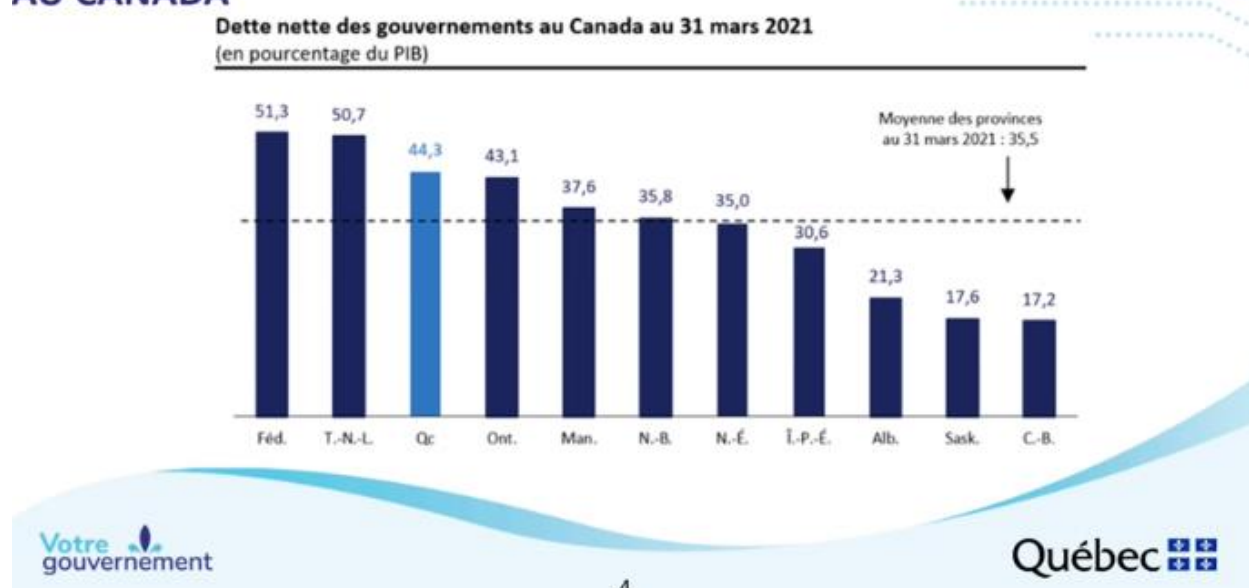
In conclusion, Mr. Morisset said that digitization would continue to transform every element of life. The AMF would continue to monitor these developments carefully, and would balance the importance of innovation with the need to protect consumers.

Eric Girard : Minister of Finance, Government of Quebec

There will be a budget update in Quebec in October 2021. Mr. Girard spoke about Bill 3, which is modifying legislation affecting certain Quebec financial rules. This includes a revision to the governance of the AMF, with the AMF now having a full board as opposed to a consultative committee. Mr. Girard noted that the net debt as a percentage of gross domestic product in Quebec is higher than in most provinces.

Table Three: Comparison of Net Debt of Governments in Canada (Federal and Provincial)

COMPARAISON DE LA DETTE NETTE DES GOUVERNEMENTS AU CANADA

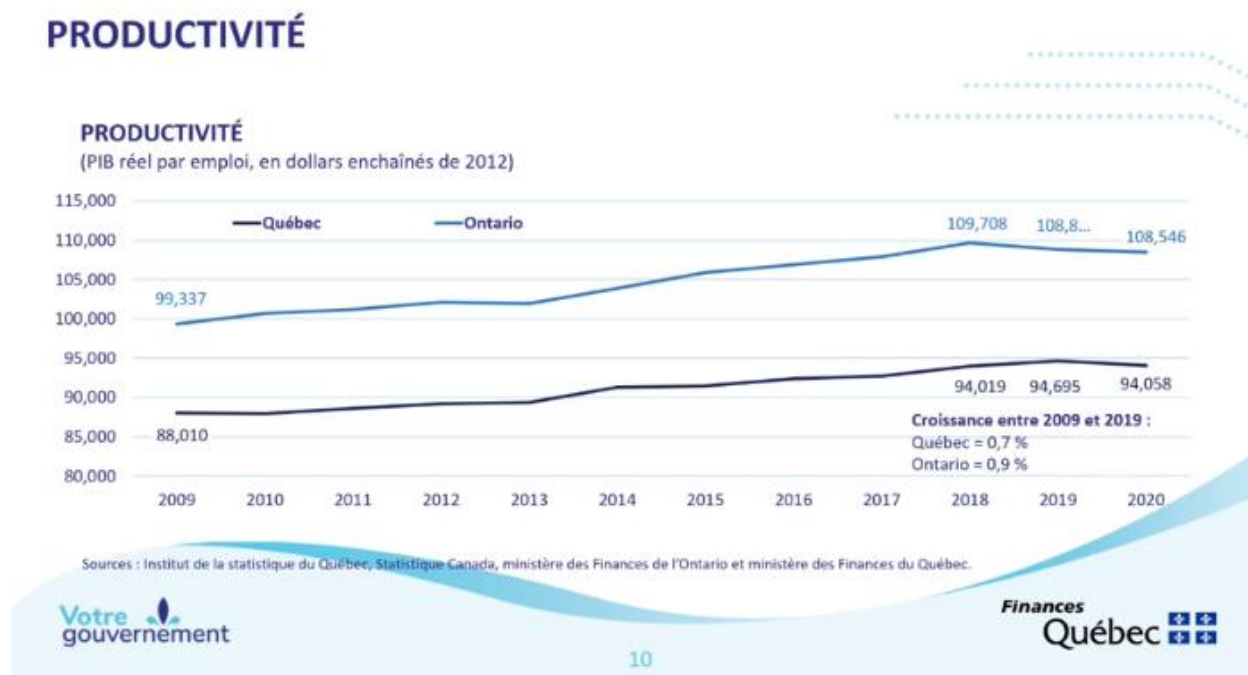


Mr. Girard also noted that there was a decrease in Quebecers level of debt relative to assets, although some of this is due to house inflation. He also noted that inflation was above 5% in Quebec recently, but that the Bank of Canada was confident that the inflation rate would stabilize and return to around 2% in 2022. Mr. Girard noted that economies throughout the world were rebounding as the pandemic recedes, and that this would continue to create inflationary pressures.

The Minister said that Quebec was committed to responsible environmental management as part of its commitment to ESG (environment, social, governance) improvements. Turning to cyber-security, Mr. Girard said that legislative changes (Bill 53) have been made to give the AMF powers to protect privacy of consumers. He said that the financial sector needed to be a leader in this area. He also noted that Quebec, like other sectors, was facing labour shortages; there are 200,000 vacant job postings in Quebec. On productivity, from 2009-2020 Quebec workers were less productive than Ontario, and this is a major concern.

Mr. Girard, in answering questions, said that the biggest challenges to the financial sector right now included reputational risks and that these institutions needed to up their game in this area.

Table Four: Quebec Productivity, 2009-2020



Session on How Technological Innovation is Transforming Industry : Moderator: Patrick Déry, Superintendent, Solvency; Panelists Lyne Duhaime, President, Canadian Association of Life and Health Insurance (Quebec) and Senior Vice President, Policy and Market Regulation; Chantal Lamoureux, President and CEO, Quebec Institute for Financial Planning ; Michel Magnan, Professor, Concordia University

Mr. Dery said that “digital transformation” referred to the impact that technology was having in how companies and societies functioned. This transformation was irreversible and continuing. The panel begin with Michel Magnan, who said he was speaking as a researcher. The financial sector has undergone a major transformation since the financial crisis of 2007-2009, with financial pressures combined with the emergence of new technologies that are changing the way they interact with financial institutions. Many touchpoints that were decentralized (as in branches) are now centralized (like through smart-phones). Quebec in recent years has seen a reduction of its “part of the pie” in the Canadian financial sector, for reasons that are not entirely clear.

Ms. Duhaime said that digital transformation impacts different sectors differently. The level of insurance that a policy provides without para-medical tests has increased through artificial intelligence in recent years. Over a few months early during the pandemic over \$100 million was paid out to Quebecers for travel insurance claims. Telemedicine has taken off as well during the pandemic and this will be an enduring change. Due to the pandemic there has been a 25% increase in claims for mental health issues, despite the lack of in-person visits.

Chantal Lamoureux spoke about advisors who now need to connect with consumers digitally. She said that advisors have to embrace new technologies and applications. There are still however many advisors that are still resisting this reality and are not adopting new technologies. Ms. Lamoureux said that there are risks with the use of technology including not personalizing recommendations to customers. Another risk is too much of a siloed approach to the application of technology, and there is a need to have a more holistic, integrated approach. Another risk is consumers not using advisors due to technology solutions, even though they may not have the financial literacy to make these decisions without help.

On the subject of talent and the workforce, Ms. Lamoureux suggested that advisors and regulators needed to think more deeply about how best to serve customers. Ms. Duhaime said that new talent pools like scientifically-trained individuals would increasingly be required in financial services, but that these individuals had many choices about where they could work. Mr. Magnan felt that siloed approaches to university training was a problem and there was a need for cross-sectoral training.

Session on How Consumer Habits in Quebec are Evolving : Moderator, Eric Jacob, Superintendent, Client Services and Distribution, AMF ; Panelists Ariane Charbonneau, Board Member, Quebec Office of Consumer Protection ; Nathalie de Marcellis-Warrin, Professor and Researcher ; Marie-Eve Fournier, Columnist at La Presse

Eric Jacob introduced the panelists for the workshop. He noted that the pandemic had accelerated certain tendencies in Quebec, especially the adoption by consumers of digital means.

Ms. Fournier said that the financial services sector was not immune to digitization changes that were occurring in society. Consumers are expecting the same level of digital competency in financial services as they are getting currently in other industries. Ms. Charbonneau agreed that behavioural changes caused by the pandemic would cause changes in consumers' habits including in financial services. Ms. de Marcellis-Warrin said that young people, who tend to use their phones for all transactions more than older people, provide a glimpse into the future reality for transactions for people in general. Eric Jacob said that the AMF was very engaged in these realities and ensuring that as a regulator it evolved to take these emerging realities into account.

Carolyn Wilkins, Former Deputy Governor, Bank of Canada, External Member of the Bank of England's Financial Policy Committee, and Board Member, Intact Financial Corporation

Ms. Wilkins spoke about crypto-currencies. These currencies have grown exponentially in recent years. Ms. Wilkins specifically focused on three characteristics of crypto-currencies. The first is to protect consumers and the sanctity of the financial sector. An important distinction must be made between crypto-currencies linked to assets and those that are not. It is also important to examine those that are largely decentralized differently. Finally, the regulatory environment needs to be nimble with respect to these products.

Bitcoin is an example of a currency without a link to assets. It has no intrinsic value and its share price is also extremely volatile and speculative. Up to 95% of these currencies have no link to underlying assets. Regulators are now looking at these products very carefully. Intelligent contracts however are a real value add and may have an enduring value. Open source code is also an advantage.

International Developments, Research, and Thought Leadership

Globe and Mail

Rob Carrick, Frequent Critic of Credit Protection Insurance, Cites His View of Six Terrible Bank Products—None of Which includes CPI

In a 2 November, 2021 article in relation to Financial Literacy Month, Rob Carrick states:

The problem with Financial Literacy Month is that it allows the conversation about smart money habits to be co-opted by the very companies that effectively force us to raise our financial literacy game. Mostly, the big banks. This month, you'll see them pumping out polls, interviews, videos and other content designed to have their brands and their people associated with empowering Canadians to make smarter money decisions.

He goes on to say:

We should not rule out the possibility of people in banking selling and advising in a way that puts customers first. But the top priority of a bank is to continually increase revenues, profits and dividends paid to shareholders. A proven way to gloss over this reality is to build an image of banks as cheerful helpers.

Mr. Carrick then lists his view of the six worse bank products:

*Savings products (due to low interest rates);
Mortgage breakage penalties;
Offering more mortgage debt than consumers can afford;
Using the term "advisor" in branches for branch sales forces;
Pushing home equity lines of credit that keep people in debt indefinitely;
Pushing a "junk product" called market-linked GICs.*

What is notable is that Mr. Carrick, despite his previous hostility to credit protection insurance, did not include it in his list of bank products he does not approve of.

The full article can be found at:

<https://www.theglobeandmail.com/investing/personal-finance/household-finances/article-six-things-a-brutally-honest-banker-would-tell-you-about-mortgages/>

Insurance Business Canada

Report Finds That Canadians Will not Scrimp on Buying Life Insurance in 2022

In a 13 December, 2021 report Insurance Business Canada cites a report by Policy Advisor that while Canadians are concerned about their economic situation, inflation, interest rates, and job security, and as a result were looking to pare down expenses, life and health insurance was considered the “least expendable” expense:

Certain findings of the survey suggest that there may be an opportunity for insurers to better sell their life and health products. The report found that some 52% of Canadians feel uncertain that they have enough financial protection for themselves or their loved ones should they be afflicted with a COVID-related illness or death. Another 45% who have not purchased life insurance said that they mainly worry about the cost of buying coverage; while vaccination status does not have an impact on insurance availability or pricing, many hope that there are discounts for those who are inoculated.

The article also notes that

In September, another survey by Sun Life found that over half of Canadians lack a proper financial plan. Of note was that the 55-years-old-and-up group had the largest percentage of individuals that said they lacked insurance – 44% of those in the age group indicated they did not include insurance cover in their financial plans. When asked why they did not have coverage, 29% of respondents said that they “do not need it.”