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**Regulatory Update – CAFII Executive Operations Committee, 25 October, 2022**

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## Federal/National

### Canadian Council of Insurance Regulators (CCIR)

#### *CCIR Begins Consultation on its 2023-2026 Strategic Plan*

In an October 11, 2022 email to CAFII, Peter Burston, Director, CCIR Secretariat invited CAFII to participate in a 4 November, 2022 virtual feedback session on the plan, and to provide written comments by 30 November, 2022. CAFII will distribute the embargoed draft plan to interested CAFII members, and will engage in this important consultation.

The email to CAFII was as follows:

*Dear Brendan, Keith,*

*As a key stakeholder of the Canadian Council of Insurance Regulators (CCIR) you are being provided the attached draft CCIR Strategic Plan for 2023-2026 ("draft Strategic Plan"). The draft Strategic Plan should be considered embargoed until the publication of the CCIR Strategic Plan in April 2023. The draft Strategic Plan may only be shared with key representatives of your organization for the purpose of supporting a response to this CCIR stakeholder consultation.*

*The draft Strategic Plan sets out:*

- *CCIR's national regulatory coordination framework;*
- *proposed strategic priorities;*
- *CCIR standing committees;*
- *key issues and emerging trends; and*
- *CCIR's proposed operational plan for 2023-2024.*

*Stakeholders are invited to provide feedback to CCIR concerning all aspects of the draft Strategic Plan, **no later than November 30<sup>th</sup>**. Submissions should be directed to the CCIR Secretariat at [ccir-ccrra@fsrao.ca](mailto:ccir-ccrra@fsrao.ca)*

*We also look forward to the opportunity to receive your preliminary feedback during our virtual consultation on **November 4<sup>th</sup>**.*

*Thanks and Best Regards,*

*Peter*

**Peter Burston**

*Director, CCIR Secretariat*

*CCIR Releases Submissions on the Consultation on Incentive Management Guidance*

On September 22, 2022 CCIR posted on its website the submissions to CCIR on its consultation on the Incentive Management Guidance. The CCIR conducted a public consultation on the Incentive Management Guidance for a 45 day period from February to April 2022. Recurring industry themes were the importance of a principles-based approach, a balanced approach, flexibility, and harmonization.

The submissions, including CAFII's, can be found on the CCIR website:

<https://www.ccir-ccra.org/Documents/View/3730>.

**Travel Health Insurance Association of Canada**

*THIA Holds its Annual Innovation Summit In Person for the First Time in Three Years*

CAFII's Co-Executive Directors attended the THIA Innovation Summit, held on 19 October, 2022.

The keynote speaker was Erin Bury, an entrepreneur who is CEO of Willful, an online innovator that provides Canadians with online wills. She emphasized the unrelenting nature of technology trends, and the importance of not restricting oneself to technologies that one is comfortable with. New social media trends are constantly developing, and even relatively young people can miss out on important developments if they do not embrace new ways of doing things.

Neal Jardine spoke about the cyber-security threat landscape and the emergence of ever-more sophisticated threat actors. Threat actors are interested in making money, not in your data; the data they seek is merely a means to an end. There has been a 60% increase in cyber incidents, and this will continue because this is a very profitable area for threat actors. A common threat is to encrypt a company's online assets, and then demand a ransom for unencrypting the data.

For the company, there is a cost-benefit equation to consider—what is the cheapest way to avoid disastrous customer outcomes and expensive rebuilding of its databases? In many cases, paying the ransom is the cheaper outcome—but even better would be investing in a secure system to avoid the threats at all. Something as simple as multi-factor authentication can greatly reduce the risk of being hacked.

Daniel Zhan, Senior Policy and Technical Lead at FSRA, spoke about FSRA's test and learn environment. He said that this was a multi-year journey and that FSRA's role was not to develop innovation, but rather to provide an environment for industry to be able to provide innovation while ensuring consumers are still protected. The analogy he used is that FSRA is part of an orchestra that promotes innovation, with the musicians being industry.

## **Financial Consumer Agency of Canada (FCAC)**

*FCAC Releases an Update to the Reporting Guide for Insurance Companies*

In a 23 September, 2022 email Frank Lofranco shared that there was an updated version of the regulatory reporting guide for trust and loan companies, insurance companies and retail associations available for federally regulated financial institutions (FRFIs). This includes new reporting requirements around complaints.

The updated guide can be found here:

[Regulatory reporting guide for trust and loan companies, insurance companies and retail associations - Canada.ca](#)

## **Canadian Association of Financial Institutions in Insurance (CAFII)**

*CAFII Held a 25<sup>th</sup> Anniversary Celebration at Which There Was Excellent Regulator and Policy-Maker Attendance.*

CAFII held a very successful 25<sup>th</sup> Anniversary Celebration on 19 October, 2022 hosted by BMO Insurance at the bank's 68<sup>th</sup> floor Corporate Event Venue in First Canadian Place. Over 85 people were in attendance, including over a dozen regulators and policy-makers who were in Toronto as part of "regulators week" (the date of the celebration was chosen to be in the middle of that week, to facilitate regulatory and policy-maker attendance). In well-received comments, CAFII Board Chair Peter Thompson said

*When I pause to reflect on what has transpired in our world during the 25 years that CAFII has been in existence, I can confidently say that among the most cataclysmic events that we've seen in the financial services milieu was the global financial crisis of 2007 and 2008, and the fallout it caused for businesses around the world.*

*Comparing Canada's performance in the aftermath of that financial crisis to that of the United States – and we should make that comparison, with pride -- I believe we can identify some important differences.*

*Our Association represents the insurance arms of Canadian financial institutions and I am proud of our record of prudent and responsible financial practices— practices often quite different from those of our counterpart FIs in our neighbour to the south.*

*And I recognize as well that our regulatory framework here in Canada --- more stringent, more effective, more competent – made a real difference in the aftermath of the global financial crisis as compared to what unfolded in the U.S.*

*Together, those two realities of industry practices and the regulatory environment produced entirely different outcomes in Canada as compared to what occurred in the U.S. — and we should be proud of those differences, and celebrate and recognize the achievements of our different model and the benefits it produced for the Canadian economy and our citizens.*

*With that as context, I think it's important to commend our regulators and policy-makers in Canada for responding forcefully but yet not over-reacting to the financial crisis; for staying the course; and finding a reasonable balance between rules-based, prescriptive regulation and principles-based regulation in our financial services and insurance industries.*

*The Canadian regulatory framework has served our society well during times of stability and during times of crisis.*

*We commend our Canadian regulators and policy-makers for their willingness engage with CAFII and other industry Associations, to listen to different perspectives, and to seek alternative options and solutions.*

Towards the end of his speech, in which he spoke to the importance of relationships, Mr. Thompson added the following comments:

*And certainly a key relationship that can't be overlooked – because it is at the very heart and raison d'être of our Association – is the relationship that CAFII has built with the insurance regulator and policy-maker community.*

*Thank you, regulators and policy-makers who are with us this evening, for your open communication, consultation, and responsiveness, throughout the interactions you've had with CAFII over the years.*

*Ours is an important reciprocal relationship, so let's keep making it a priority; and let's make it of even stronger mutual benefit as we go forward.*

*Ladies and gentlemen, we have very many representatives of the insurance regulator and policy-maker community from across Canada with us this evening.*

*We have more than 20 of those VIP guests in attendance from CCIR, CISRO, and OSFI as national organizations; from nearly all provincial and territorial insurance regulators; and, as well, we have policy-maker representatives present from many of the jurisdictions across the country.*

*Please join me in a round of applause to welcome our guests from the regulator and policy-maker community; and to thank them for their co-operation, collaboration, and communication.*

There was strong interest in the event from the regulator and policy-maker community, and the list of registrants (including those who attended and those who did not) is below.

**Regulatory and Policy-Maker Attendees: Registered and Attended**

Eric Jacob, Superintendent, Autorité des marchés financiers;  
Nathalie Sirois, Autorité des marchés financiers;  
Harry James, BCFSA;  
Forrest Joy, BCFSA;  
Tony Toy, CCIR/FSA Ontario;  
David Weir, FCNB;  
Erica Hiemstra, FSRA;  
Fern Karsh, FSRA;  
April Stadnek, Executive Director, Insurance Councils of Saskatchewan;  
Ron Fullan, Insurance Councils of Saskatchewan (retired);  
Scott Moore, Manitoba FIRB;  
Robert Bradley, PEI Superintendent of Insurance and CCIR Chair;  
Jennifer Calder, Nova Scotia Deputy Superintendent of Insurance;  
Michael Weisman, Ontario Ministry of Finance.

**Regulatory and Policy-Maker Attendees: Registered and Did Not Attend**

Laurie Balfour, Alberta Automobile Insurance Rate Board  
Brent Rathgeber, Alberta Insurance Council  
Raseema Alam, FSRA/CCIR;  
Allan Amos, FSRA;  
Hussein Lalani, FSRA;  
Peter Burston, FSRA  
Stuart Wilkinson, FSRA  
Marina Makhnach, BCFSA;  
Darrell Leadbetter, OSFI.



*CAFII Holds a Webinar with Pollara Senior Vice President Lesli Martin on Consumer Preferences and Product Development Trends*

CAFII held a 5 October, 2022 webinar with Lesli Martin on *Consumer Preferences and Product Development Insights--Emerging From Recent Research In Financial Services and Relevant Comparator Industries*. Ms. Martin, a Senior Vice President at Pollster Pollara Strategic Insights, presented a deck on “Consumers in the Post-Pandemic World.” Her presentation noted that out of the pandemic, there were heightened mental health struggles for many Canadians, including higher than usual levels of anxiety and depression. The worries that people struggle with ran the gamut from health concerns, economic worries, and learning how to do things differently. Ontario has the highest level of mental health issues in Canada; Quebec has the lowest, but it is higher than usual everywhere in the Canadian.

Canadians are also learning new ways of doing things, including increased digital sales, with Canadians conducting more e-commerce sales than ever before. Work had changed as well, with many Canadians working from home. As the pandemic appears to recede, new issues are now confronting Canadians, including high inflation, high interest rates, and international instability. Two-thirds of Canadians expect inflation to rise in the coming months, and remain high for at least one year. Canadians also do not believe that their wages will keep up with inflation.

Pollara has also started a “rage index” which measures Canadians anger around six issues: the federal government, the provincial government, the Canadian economy, their own personal financial situation, the types of changes happening in Canada, and the latest stories in the news. An average of 49% of Canadians are annoyed or angry about these six topics, and 14% are very angry about the six topics. On the other hand, while 25% of Canadians feel exhausted and burnt out, almost two-thirds are hopeful about the future.

Pollara has also noticed that Canadians are changing their behaviours due to inflation, with 73% buying cheaper brands of groceries, 68% spending less money on vacations this year, 72% eating out less at restaurants, and 67% delaying major purchases. These trends are being observed in all parts of the country, and the impact is the same in urban and rural Canada. But the impact is being felt most by lower income Canadians.

One of the impacts that Pollara has tracked is that both credit protection insurance and travel insurance are more likely now to be purchased online as opposed to before the pandemic. However, consumers still want the ability to talk to someone, even if making an online transaction. In general, the pandemic caused Canadians to be more comfortable with online banking than ever before.



Post-pandemic, many Canadians want to continue to be able to work from home at least part-time, especially women. Almost half of women say they are likely to quit their jobs if asked to return to the office full-time. Most Canadians say that they will return to pre-COVID patterns of in person arrangements for loans and buying insurance. Getting the interaction right with customers around financial transactions is important, as over half of Canadians report feeling stress when interacting with the financial services sector.

A poll of participants asked: “Have you cut back on important purchases due to inflation?” Of respondents, 20% said they had significantly cut down due to inflation, and 44% said they had cut back moderately; 37% said that they had not cut back at all. Ms. Martin said that this was very aligned Pollara’s own research.

Another poll of participants asked: “Tell us where you are in terms of a return to working from the office: just like before the pandemic?; still only working from home?; or hybrid, working from the office sometimes, but not every day.” From respondents, 95% said they are only working from home or working in a hybrid model.

There was excellent regulator and policy-making participation in the webinar, with the following organizations registered:

- the Financial and Consumer Services Commission of New Brunswick, or FCNB;
- the Nova Scotia Department of Finance;
- Quebec’s Autorité des marchés financiers, or the AMF;
- the Financial Services Regulatory Authority of Ontario, or FSRA;
- the Ontario Ministry of Finance;
- the Government of Alberta; and
- the British Columbia Financial Services Authority, or BCFSa.

A recording of the webinar, and a copy of the presentation, can be found on the CAFII website at the following link:

[Research | CAFII](#)

## British Columbia

### BC Financial Services Authority (BCFSA)

*BCFSA Requests Clarification on Some Issues related to CAFII's Submission to its Consultation on the Insurer Code of Conduct ("BCFSA Code")*

On 14 October, 2022 CAFII received the following email communication from Marina Makhnach, Director, Market Conduct Financial Institutions, BC Financial Services Authority:

*Dear Keith*

*Thank you for taking the time to provide a response to the BCFSA consultation on the Insurer Code of Conduct ("BCFSA Code").*

*When developing the BCFSA Code, our intention for the Code was for it to be principles-based. This is why we distilled the outcomes and expectations from the CCIR/CISRO's FTC guidance into a set of principles that insurers will be required to adhere to.*

*During the consultation on the BCFSA Code and supplemental guideline, industry advised BCFSA to adopt the CCIR/CISRO's FTC guidance as its Code citing concerns over harmonization and different approaches to FTC.*

*Currently we are trying to better understand the inconsistencies between principles included in the BCFSA Code and the CCIR/CISRO FTC Guidance. We would be grateful if CAFII could help us with this by answering the following two questions:*

- 1. Please provide specific examples of differences between the principles in BCFSA Code and CCIR/CISRO's FTC guidance that create potential compliance challenges for you.*
- 2. BCFSA and CCIR periodically release guidance to insurers on discreet FTC issues that build on the CCIR/CISRO's FTC principles. Please explain if insurers embed the expectations from additional guidance released by regulators into their compliance regimes? If so, how (process, frequency etc.)?*

*To facilitate a response to the first questions, I included a cross reference document that maps out the BCFSa Code to the CCIR/CISRO FTC Guidance. For reference, I also included the BCFSa Code that we were consulting on with the industry.*

*If you are willing to participate and provide a response, I am hoping to receive a feedback to the two questions by November 15, 2022, if possible.*

*As always, we are happy to connect and provide clarification or answer any questions you might have.*

CAFII has responded to Ms. Makhnach to let her know that CAFII will be responding to her questions by the deadline requested.

#### *BCFSa Publishes Information Security Guideline for Provincially Regulated Financial Institutions*

On 27 September, 2022 BCFSa released its Guideline on Information Security, which it had consulted on in Q4 2021 and Q1 2022. CAFII met with BCFSa executives on the proposed Guideline and made a substantive written submission, which questioned the need to develop a new Rule, and which asked BCFSa to avoid developing a unique form and instead consider adopting the form already used for information security breaches by OSFI. BCFSa made the following comments in relation to its report:

*With increased adoption of digital technology in the financial services sector, both residents and the economy in B.C. are increasingly exposed to the risk of information security incidents that could compromise critical services or sensitive information.*

*In October 2021, B.C. Financial Services Authority (“BCFSa”) published an Information Security (“IS”) Guideline that included expectations for provincially regulated financial institutions (“PRFIs”) to report material information security incidents. BCFSa subsequently published a discussion document in January 2022 proposing the establishment of a rule that would require all financial institutions authorized to conduct business in B.C. to report material IS incidents to the regulator. By proposing to require reporting through a rule, BCFSa was signalling to all authorized financial institutions the importance of reporting material incidents in a timely manner.*

*During the public engagement, BCFSA heard from financial institutions that a rule is not needed to ensure material incidents would be reported in a timely manner and that financial institutions should be allowed time to implement the IS Guideline, which comes into force on September 30, 2022. In addition, industry indicated its desire to see BCFSA align its reporting expectations and definitions with other regulators that have or intend to publish guidance on incident reporting, including the Office of the Superintendent of Financial Institutions and the Autorité des Marchés Financiers.*

*Based on the feedback received during the consultation period, BCFSA has amended its approach as follows:*

*BCFSA will update and clarify its existing IS Guideline applicable to PRFIs. BCFSA will publish and consult on a separate IS Incident Reporting Guideline for extraprovincially or federally regulated financial institutions that are authorized to conduct business in B.C. BCFSA will align its expectations to the extent possible with other Canadian regulators.*

A summary of the consultation process and the responses that BCFSA received can be found here:

[BCFSA Consultation Report](#)

## **Insurance Council of British Columbia**

### *Insurance Council of British Columbia Releases its Annual Report*

On 29 September, 2022 the Insurance Council of British Columbia released its Annual Report, which covers the period from June 1, 2021 to May 31, 2022. In her message, CEO Janet Sinclair says that

*Another significant initiative that is underway is the development of a restricted licence regime. When these licences are eventually issued, they will authorize licensed businesses to sell insurance incidental to the sale of their primary noninsurance product or service. Determining the types of products and businesses, and the regulatory processes for this new licence type is a complex and challenging undertaking.*

The report provides an update on the progress of the Council in the implementation of its three year strategic plan, which includes “modernizing our regulatory framework,” “aligning regulatory practices to international standards,” “engaging stakeholders to improve practice and services,” and “cybersecurity.” The report also notes that the Council oversees nearly 50,000 licensees.

The full report can be found here:

[2021-2022-Insurance-Council-Annual-Report.pdf \(insurancecouncilofbc.com\)](https://insurancecouncilofbc.com/2021-2022-Insurance-Council-Annual-Report.pdf)

## Alberta

### Alberta Insurance Council

*CAFII Meets on 19 September, 2022 with Berlin Communications to Provide Confidential and Anonymous Feedback on the Alberta Insurance Council*

CAFII met on 19 September, 2022 with an agency (Berlin Communications) that was seeking feedback from stakeholders on the Alberta Insurance Council. From this session CAFII learned that the Government of Alberta is once again examining the possibility of bringing the Alberta Insurance Council into government, as opposed to it remaining a quasi-independent, arms length insurance licensure regulator.

## Saskatchewan

### Insurance Councils of Saskatchewan

*The Restricted Insurance Agents Advisory Council (RIACC) of the Insurance Councils of Saskatchewan Meets in-person in Toronto on 19 October, 2022*

CAFII and CLHIA attended an in-person meeting in Toronto of the Saskatchewan RIACC (Restricted Insurance Agent Advisory Committee) on 19 October, 2022, which was chaired by Moira Gill with April Stadnek, Executive Director of the Insurance Councils of Saskatchewan, in attendance. CAFII's Co-Executive Directors were at the meeting in-person, as was CAFII EOC member and RIACC Vice-Chair Charles MacLean.

## Ontario

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

*FSRA Releases Report on a Joint Cooperative Review of Three Life and Health MGAs*

The Financial Services Regulatory Authority of Ontario (FSRA) released a report on three life and health MGAs on 28 September, 2022.

Huston Loke, Executive Vice President, Market Conduct, stated in an email to members of the FSRA Sectoral Advisory Committee (SAC) on Life and Health Insurance that “The review was led by FSRA for the Canadian Council of Insurance Regulators (CCIR) and was the first review of its kind to identify potential market conduct and consumer risks, which we highlighted to you in our most recent meeting.”

The *CCIR Cooperative MGA-Focused Thematic Review—Consolidated Observations Report* states that:

*The Canadian Council of Insurance Regulators (CCIR) continues to work on behalf of all stakeholders, including consumers, to ensure financial safety, fairness, and choice for everyone. Between December 2021 and June 2022, the Financial Services Regulatory Authority of Ontario (FSRA) led and coordinated the joint CCIR cooperative review of individual Life and Health (L&H) insurance business of three Managing General Agencies (MGAs) that appeared to have a similar business model.*

*These MGAs use a tiered-recruitment business model (may also be referred to as a multi-level-marketing, network-marketing, recruitment-focused, or tiered-level model). They focus on recruitment and actively encourage their agents to recruit new individuals. The agents are paid not only for their own insurance sales, but also for those made by people that agents recruit, and so on. This results in MGAs paying multiple layers of agents for one insurance sale.*

*This tiered-recruitment business model does not appear to be standard practice in L&H MGAs. Generally, agents are paid based on their own insurance sales. Under this model, “upline agents” may be paid without having a direct connection to the consumer.*

*The 2021-2022 MGA-Focused Thematic Review (the review) was to determine whether mechanisms were put in place by these MGAs to ensure consumers are treated fairly. Through the review of these MGAs, involvement of insurers and potential practices of their contracted agents were also considered. The review identified potential market conduct and consumer risks.*

In a press release about the report, FSRA said that it would take the following actions in relation to the findings in the report:

- *conduct a thematic review of life insurance agents licensed in Ontario and contracted with the three reviewed MGAs, which is expected to be completed by end of 2022*



- *develop an expanded supervisory plan and initiate a review of selected insurers contracted with these reviewed MGAs in the fall of 2022*
- *release draft interpretation Guidance for public consultation in the fall of 2022*
- *draft a proposed Rule to enhance the MGA regulatory framework, planned for public consultation in 2023*
- *consider appropriate regulatory action*

Further information can be found at the following links:

[CCIR cooperative MGA-focused thematic review - Consolidated observations report | Financial Services Regulatory Authority of Ontario \(fsrao.ca\)](#)

[FSRA Takes Action to Ensure Those in the Life and Health Insurance Sector Treat Customers Fairly \(newswire.ca\)](#)

[Strengthening consumer protection around managing general agencies | Financial Services Regulatory Authority of Ontario \(fsrao.ca\)](#)

*FSRA Holds Session with Sectoral Advisory Committee (SAC) on Life and Health Insurance on 3 October, 2022*

On 3 October, 2022 FSRA held a virtual meeting with the members of the Sectoral Advisory Committee (SAC) on Life and Health Insurance, which CAFII Co-Executive-Director Keith Martin sits on as CAFII's representative. It was noted that FSRA is about to launch its consultation on its 2023-2024 Priorities and Budget. The key strategic priority for the life & health insurance pillar is to "enhance market conduct oversight to protect consumers." FSRA reported that in terms of its environmental scan,

- *Inflation and affordability loom large over all of FSRA's regulated sectors.*
- *The Ontario economy has entered a period of prolonged economic uncertainty.*
- *The pandemic has altered how technology is used in Ontario's financial services and pensions sectors.*
- *Consumer use of digital services is increasing, either out of choice or necessity.*
- *Regulated entities and individuals use technological developments to increase efficiency, reduce costs and minimize consumer harm.*
- *Ontario's most vulnerable consumers are increasingly facing more pressures. The current economic climate may result in more affordability and suitability issues, which can lead to issues relating to fraud and misconduct.*
- *Consumers need advice in connection with increasingly complex financial services products.*



- *Climate change and cyber/technology risks continue to be closely monitored by FSRA.*

FSRA has a 2023-2024 proposed fiscal year budget of \$119.2million, of which \$14.4million is for the life and health insurance pillar. While a fee increase for individual agents is being proposed, the overall fees for life & health insurance companies will not be changed, and direct written premiums will continue to be the driver for the assessment. FSRA's overall priorities for the 2023-2024 period are intended to be the following:

1. Strengthen the consumer focus.
2. Modernize systems and processes.
3. Enable innovation.
4. Enhance FSRA's talent management framework and strategy.

Among the FSRA staff executives who participated in this meeting were:

- Mark White, CEO;
- Huston Loke, Executive Vice President, Market Conduct;
- Robert Prior, Senior Manager, Market Conduct – Life & Health Insurance Agents;
- Tim Mifflin, Senior Manager, Policy;
- Erica Hiemstra, Head Market Conduct;
- Swati Agrawal, Director, Market Conduct - Life & Health Insurance.

*FSRA Launches Consultation on Its 2023-24 Statement of Priorities and Budget, with a Deadline for Submissions of 11 November, 2022*

On 13 September, 2022 FSRA announced that it was launching a public consultation on its 2023-24 Statement of Priorities and budget. FSRA's announcement states that:

*FSRA's proposed priorities continue to focus on fostering principles-based regulation, while delivering on outcomes that ensure consumer protection, support innovation and effectively address emerging risks and supervision in the sectors it regulates.*

*The Statement of Priorities and budget will form the core of FSRA's Annual Business Plan. FSRA will then submit to the Minister of Finance for approval.*

*Consultation is an essential part of FSRA's commitment to transparency and accountability. This ensures that FSRA's plans for the upcoming fiscal year reflects stakeholder feedback.*

The consultation will close on 11 November, 2022. CAFII will be making a submission on this consultation. Further information on the statement of priorities can be found here:

[Consultation on FSRA's proposed 2023-2024 statement of priorities](#)

*FSRA Issues a Call for New Members to Join its Consumer Advisory Panel*

On October 14, 2022 FSRA issued a call for new members to join its Consumer Advisory Panel for a two-year term. FSRA noted that

*The Consumer Advisory Panel (the "Panel") is made up of a diverse group of consumers and consumer representatives with experience in regulated sectors. The Panel members offer consumer, member and beneficiary perspectives and voices to help inform FSRA's direction and decisions. As part of FSRA's stakeholder engagement process, the Panel serves as an advisory body through FSRA's Consumer Office, which manages and provides Secretariat services and support to the Panel.*

Those interested in applying should submit the following two documents to [ConsumerOffice@fsrao.ca](mailto:ConsumerOffice@fsrao.ca) by **Friday, November 18, 2022**.

- A current resume
- A cover letter that addresses the following:
  - Why the applicant is interested in serving on the Panel;
  - How the applicant's skills and experiences match the purpose, mandate, and responsibilities of the Panel; and
  - The types of insights that the applicant would bring to the Panel (e.g., consumer advocacy experience, technical expertise in a particular sector, general policy expertise, etc.).

Further information about the Consumer Advisory Panel can be found here:

[Consumer Advisory Panel | Financial Services Regulatory Authority of Ontario \(fsrao.ca\)](#)

*CAFII Holds Fireside Chat with Mark White, CEO of FSRA, at its Annual Members and Associates Luncheon*

On 13 September, 2022 CAFII held its Annual Members and Associates Luncheon, at which CAFII Co-Executive-Director Keith Martin had a fireside chat with Mark White. The 40 minute discussion, which included audience questions, covered a wide range of topics including regulatory trends, FSRA priorities, the MGA channel, international developments, and harmonization in insurance.

Mr. White was very cordial and said he appreciated the engagement with CAFII. A half-dozen FSRA executives were in the audience, including Erica Hiemstra, Head, Market Conduct; and Swati Agrawal, Director, Market Conduct—Life & Health Insurance.

## Quebec

### Autorité des marchés financiers (AMF)

*CAFII and AMF Hold Annual Liaison Lunch and Industry Issues Dialogue on 11 October, 2022 in Montreal, Quebec*

CAFII and the AMF held its annual liaison lunch and industry issues dialogue in Montreal on 11 October, 2022. This is the first time in three years that the meeting has been held in-person. At the meeting from the AMF were:

Éric Jacob, Superintendent, Client Services and Distribution Oversight (in-person);  
Louise Gauthier, Senior Director of Distribution Framework Policies (in-person);  
Christian Beaulieu, Senior Director, Operations and Distribution (in-person);  
Mario Beaudoin, Director of Alternative Distribution Practices in Insurance (in-person);  
Patrick Déry, Superintendent, Solvency (virtual attendance);  
Nathalie Sirois, Senior Director of Insurer Supervision (virtual attendance);  
Julien Reid, Senior Director, Supervision of Financial Institutions and Deposit Insurance (virtual attendance);  
Christine Vachon, Director, Legal Affairs (virtual attendance).

CAFII had 22 member representatives attend in-person, and another 13 attend virtually, including the following Board members and Officers of the Association who were at the session in-person:

Peter Thompson, National Bank Insurance and CAFII Board Chair;  
Chris Lobbezoo, Royal Bank Insurance and Board member;  
Peter McCarthy, BMO Insurance and Board member;  
Louie Georgakis, Canada Life Insurance and Board member;  
Kelly Tryon, CUMIS and Board member;  
Simon Lacroix-Hubert; Desjardins Insurance and Board member;  
Rob Dobbins, Assurant, and EOC Chair and Board Secretary;  
Karyn Kasperski, Royal Bank Insurance and EOC Vice-Chair and Vice-Board Secretary.

The session was held at the offices of Desjardins Insurance at the Complexe Desjardins in downtown Montreal. Mario Beaudoin made the presentation on behalf of the AMF, and presented slides on the analysis of data by the AMF around CAFII member statistics and industry statistics around claim denial rates, and rates of the return of premiums to customers.

Mr. Beaudoin said that where products had numbers that were below industry averages, members would be asked to comment on why and to provide an action plan on what they planned to do to address this situation.

Keith Martin presented the CAFII deck which began by thanking the AMF for its burden reduction effort where members no longer need to send a list of all distribution locations, including all branches, for new products in the Distribution Without a Representative regime, but instead will now only need to send the head office location.

The chronology of meetings and discussions around the Fact Sheet and Notice of Rescission with respect to credit card-embedded insurance benefits was the shared with the AMF. It was noted that AMF Superintendent Eric Jacob told CAFII on September 10, 2021 that its members did not need to distribute the Fact Sheet and Notice of Rescission for credit card-embedded insurance benefits, to give CAFII and the AMF an opportunity to try and resolve this issue. CAFII submitted its proposed wording modifications with respect to these documents on 17 January, 2022 and did not hear back from the AMF until a meeting was held on 15 September, 2022, at which the AMF did not comment on CAFII's proposed wording, but instead suggested saying in the Fact Sheet that customers could cancel the embedded insurance.

CAFII then spent the remainder of the presentation explaining some of the features of credit cards including their embedded insurance benefits, and why cancelling such insurance was not possible. There was also a section of the presentation on why a reasonable amount of time is required for industry to implement new regulatory requirements.

As he was departing from the meeting, Superintendent Eric Jacob asked Board Chair Peter Thompson to meet with him privately, one-on-one, in the near future to discuss further the issue of the applicability of the Fact Sheet and Notice of Rescission to credit card-embedded insurance benefits; and to try to resolve it.

## **International Developments, Research, and Thought Leadership**

### **Canadian Underwriter**

*Canadian Lawyers Question Value of OSFI Initiative around Canadian Insurance Culture and Governance*

An October 4, 2022 article in Canadian Underwriter shares comments from leading Canadian lawyers on OSFI's proposed guidance on culture and guidance, including on six prudential outcomes it wants businesses to achieve around leadership, compensation, accountability, risk mindsets, group dynamics and resilience.

The article states that lawyers are calling this initiative a “solution in search of a problem,” as Canada’s solvency regulator is seeking input from the Canadian property and casualty insurance industry on how to regulate business culture.

*“I feel like this culture conversation in Canada is a bit of a solution in search of a problem,” Stuart Carruthers, a partner at Stikeman Elliott LLP, observed at a recent NIC Conference panel discussion on emerging issues and regulatory hot topics facing Canada’s P&C insurance industry.*

*“I think, generally Canadian FIs [financial institutions] get it right compared to institutions in other countries,” he explained. “In other countries, usually Canadian FIs are viewed as having the best culture and governance in the world. So, I don’t [see culture] as a pressing problem, but we’ll see what the Australian guideline looks like.”*

OSFI’s move is in step with regulatory activity in Australia, where a Royal Commission into Misconduct in the Banking, Superannuation and Financial Services sectors issued recommendations in February 2019 to improve oversight of the business culture at FIs.

That commission “directed that financial services entities are to take proper steps to assess the entities’ culture and governance, identify any problems, deal with those problems and thereafter determine whether the changes made have been effective.”

OSFI is currently in a consultation phase on the topic, before formulating its guidance. Insurance Bureau of Canada has made submissions to OSFI on the matter, said Carruthers, “and are quite opposed to more culture regulation; see it as redundant, unnecessary, and hard to measure. A lot of the OSFI guidance is very vague.

“The thing is, how do you measure culture? What’s good in a culture? What’s bad in a culture? Is risk-taking better? Or is being more risk-averse better? It’s very, very hard to measure.

“I jokingly say I think it’s like trying to ask if classical music is better than jazz music, or is it better than folk music?”

Jill McCutcheon, partner at Torys, didn’t think OSFI’s desire to provide guidance on business culture was completely “off the mark,” although she agreed it seemed like a solution looking for a problem. She saw its utility in ensuring organizations are taking diversity seriously.

OSFI’s concern is about growth and change at federally regulated financial institutions, as McCutcheon said.

“If you only have the same people, the network of people is the same – everybody stays the same if you don’t shake up your board, you don’t shake up your management,” she commented. “We know that if boards and senior management are more diverse, probably the risk of groupthink gets lower. So, I don’t think the whole thing is off the mark.”

“But I certainly agree with the submissions that...this is just something that we are aware of in the industry, and work on a daily basis. I’m not sure that we need this guidance.”

Koker Christensen, a partner at Fasken, said OSFI’s regulatory initiative around culture is part of a broader effort by global financial regulators to recognize more intangible influences on an organization’s financial results.

“This is a train that’s going down the tracks, right?” Christensen said. “The focus on non-financial risks is kind of a mega-trend in insurance regulation. I mean, it’s in Canada...but it’s starting at the global level. The Financial Stability Board [which monitors the global financial system] and other organizations write about this, and it trickles down.”

That said, Christensen agreed, culture is a large, diffuse entity, and may not be a perfect candidate for prescriptive regulations.

“I don’t think it’s easy to sort of design a set of principles or processes that are going to lead to a good culture. I think it’s really challenging how to implement this correctly,” he said.