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Regulatory Update – CAFII Executive Operations Committee, September 16, 2022

Prepared By Brendan Wycks, CAFII Co-Executive Director

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Federal/National

Canadian Council of Insurance Regulators (CCIR)

Harry James Succeeds Chris Carter As BC Representative On CCIR

A Summer 2022 update to the CCIR website indicates that BCFSa staff executive Harry James has succeeded Chris Carter as the BC Financial Services Authority (BCFSa)'s representative on the national Council, on an acting/interim basis.

Mr. James' current title at BCFSa is Director, Regulation Advisory Services, Brokers Policy & Stakeholder Engagement.

Chris Carter, former Superintendent of Real Estate at BCFSa, departed from the Authority's employ in the spring of 2022 to take on a new position in Australia.

CCIR Adjusts Plans For Stakeholder Feedback On 2023-25 Strategic Plan

On September 16/22, CAFII received the following message from Peter Burston, Director, National Regulatory Coordination at the Financial Services Regulatory Authority of Ontario (FSRA):

Brendan and Keith,

As outlined in the email below, CCIR had expected to be able to hold an in-person Stakeholder Dialogue on October 20th. Due to unforeseen circumstances, CCIR will shifting to a virtual engagement in early November. We currently have some times on hold with CCIR Members on November 4th. Raseema Alam, CCIR Policy Manager, will be in touch to schedule time with CAFII.

Our intent is to share a confidential copy of the draft plan in advance of the meeting. To ensure stakeholders have an appropriate opportunity to provide feedback, CCIR will be inviting stakeholders to provide written comments after the virtual engagement with CCIR.

Recognizing our efforts to coordinate our in-person meeting schedule with CAFII, I want to assure you that CCIR Members will still be attending meetings in Toronto in October according to our previously communicated schedule.

If you have any questions or concerns, please do not hesitate to reach out to me directly.

Thanks,

Peter

Peter Burston

*Director, National Regulatory Coordination
Financial Services Regulatory Authority (FSRA)*

From: Tony Toy <Tony.Toy@fsrao.ca>
Sent: Tuesday, August 9, 2022 4:08 PM
To: 'Keith Martin' <Keith.Martin@cafii.com>; 'Brendan Wycks' <brendan.wycks@cafii.com>
Cc: 'Robert Bradley' <rbradley@gov.pe.ca>
Subject: CCIR Stakeholder Dialogue 2022

Hi Brendan and Keith,

The Canadian Council of Insurance Regulators (CCIR) is inviting the Canadian Association of Financial Institutions in Insurance (CAFII) to this year's in-person Stakeholder Dialogue. Please hold the morning of October 20.

CCIR's current strategic plan will end on March 31, 2023. As a key stakeholder, CAFII is invited to provide feedback on the initial draft of the 2023-26 Strategic Plan. It is anticipated that CCIR will share a confidential advance copy closer to the meeting date. Additional details to be provided.

If there are any questions, please do not hesitate to contact me directly.

Thank you.

Tony Toy
Policy Manager
Canadian Council of Insurance Regulators
National Regulatory Coordination Branch
Financial Services Regulatory Authority (FSRA)

Canadian Life and Health Insurance Association (CLHIA)

CLHIA's Annual Statistics Show Record Amount Of Benefits Paid Out In 2021

On September 15/22, Investment Executive published the following article on CLHIA's *Canadian Life and Health Insurance Facts, 2022 Edition* which was published on the Association's website on that same day.

[Insurers pay record amount of benefits in 2021 | Investment Executive](#)

Reflecting the second year of the COVID-19 pandemic, Canada's life and health insurers paid more benefits to more people than ever before in 2021.

Specifically, insurers paid over \$113 billion in life and health benefits last year, up 17% from 2020 and nearly \$10 billion above pre-pandemic levels, the Canadian Life and Health Insurance Association (CLHIA) said in its [annual statistics report](#) published on Thursday, September 15.

In the report, CLHIA CEO Stephen Frank described 2021 as "a year of recovery."

“Insurers have been proud partners in this, helping employers and their employees get back on their feet by providing workplace benefits that are flexible and relevant to attract and keep top talent and help people plan for retirement,” Frank said in the report.

Over half (\$58 billion) of the benefits paid represented annuity claims. The record amount compared to about \$46 billion in [the previous year](#), an increase of 26%.

Health insurance benefits totalled nearly \$41 billion — also a record and up by about \$4 billion from the previous year.

Life insurance benefits were similar to the previous year, at \$14 billion. That figure included \$580 million in claims related to mental health — up by 75% since 2019 and up by 45% since 2020, the report said.

Total premiums collected by insurers in 2021 rose to \$139 billion, up from \$123 billion or 13% compared to the previous year.

The increase was led by premiums for annuities and segregated funds, up about 21%, the report said.

Provincial/Territorial

British Columbia BC Ministry of Finance

BC Launches Public Consultation On Restricted Insurance Agent Licensing Regime

In late June 2022, the BC Ministry of Finance published the following announcement on its website:

The Ministry of Finance is now giving consideration to bringing into force sections of Bill 37, the Financial Institutions Amendment Act, 2019, that will implement the framework for a restricted insurance agent licence in B.C. Restricted insurance agent licences are corporate-level licences, in that they will authorize a corporate licensee (e.g., businesses that are sole proprietors, corporations, partnerships, etc.), through its employees and agents in B.C., to sell insurance. They will generally authorize the sale of insurance where it is sold incidentally to the licensee’s ordinary business.

The Ministry of Finance is seeking feedback from the insurance industry and other interested parties regarding the introduction of a restricted insurance agent licence in B.C. The [consultation paper](#) contains more details about the proposed restricted insurance agent licence and the public consultation.

The scope of this consultation is limited to the regulations required to introduce a restricted insurance agent licence in B.C. Changes to the Financial Institutions Act or other legislation are out of scope and will not be considered at this time. Some of the topics raised in this consultation may be included in Insurance Council rules or in both regulations and rules. The Insurance Council will seek feedback regarding proposed rules separately.

Any submissions provided in response to this consultation may be shared with the Insurance Council and the BC Financial Services Authority (BCFSA). If certain comments should not be shared with other parties, please clearly indicate that in the submission or covering letter. Please note that all submissions received are subject to the Freedom of Information and Protection of Privacy Act and, even where confidentiality is requested, this legislation may require the Ministry to make information available to those requesting such access.

Written submissions will be accepted by email to fiareview@gov.bc.ca on or before October 3, 2022. Submissions received after this date may not be considered.

Ministry staff will be reviewing the submissions and may follow up with stakeholders for further information or details as needed. In addition, should you wish to meet with Ministry of Finance staff to discuss the contents of your written comments or submission, please indicate that when submitting your written comments and provide the appropriate contact information.

And, on August 29/22, law firm Stikeman Elliott published the following analysis of the above-noted BC Ministry of Finance development:

British Columbia Conducts Consultation on Restricted Licence Regime for Incidental Sellers of Insurance
By Stuart S. Carruthers and Andrew S. Cunningham, Stikeman Elliott
<https://www.stikeman.com/en-ca/kh/insurance-law/british-columbia-conducts-consultation-on-restricted-licence-regime>

British Columbia's Ministry of Finance is conducting a consultation on the adoption of its proposed restricted insurance agent licensing regime for incidental sellers of insurance. The proposal is similar to what is already in place in the other three western provinces (and, soon, in New Brunswick) but B.C. is signalling that it may consider including additional industries and additional flexibility in its regime. B.C. businesses that see opportunities in this area should therefore consider submitting comments, which are due on October 3, 2022.

*The licensing of restricted insurance agents is provided for in s. 174.1 of B.C.'s **Financial Institutions Amendment Act, 2019**, which will be proclaimed in force once details of the restricted licence regime have been finalized. As described in the **consultation paper**, the B.C. consultation is focused on the regulations and rules that will accompany the legislation, and particularly on the following issues:*

- *The **classes of restricted licensees** (i.e. the types of business that will be eligible for restricted licenses);*
- *The **classes of insurance** that can be sold under a restricted licence; and*
- *How this new regime **will affect existing exemptions** under the Insurance Licensing Exemptions Regulation.*

Some of the topics raised in the consultation may be included in rules of the Insurance Council of BC or in both regulations and rules. The Insurance Council will be separately consulting regarding proposed rules.

Classes of Restricted Licensees

*The B.C. Ministry of Finance is proposing a “restricted licence” regime under which certain **classes of business** may be granted insurance agent licences that are restricted to classes of insurance that are “incidental to the licensee’s ordinary business.”*

Under the similar regimes in place in Alberta, Saskatchewan, and Manitoba (and planned for New Brunswick), the classes of business for which restricted insurance licences can be issued include:

- *Deposit-taking institutions – credit protection, travel and life insurance;*
- *Transportation companies – travel and cargo insurance;*
- *Travel agencies – travel insurance;*
- *Auto, RV, watercraft and other vehicular and equipment dealerships – credit protection, equipment warranty, and guaranteed asset protection insurance;*
- *Sales finance companies and mortgage brokers – credit protection insurance;*
- *Customs brokers and freight forwarders – cargo insurance;*
- *Funeral services businesses – funeral insurance;*
- *Car (and other vehicle) rental agencies – rented vehicle insurance; and*
- *Portable electronics sellers – portable electronics insurance.*

While recognizing the importance of consistency among the provinces, the Ministry of Finance is not ruling out the possibility of excluding some of the above, or potentially of adding some or all of the following:

- *Storage companies – personal property policies;*
- *Event companies and ticket sellers – event cancellation policies;*
- *Leasing companies (personal property and office furniture) – damage protection and product warranty policies;*
- *Leasing companies (equipment, vehicles, heavy machinery) – vehicle or product warranty policies;*
- *Educational institutions – travel medical policies for out-of-province students; and*
- *Tour operators and public carriers (airlines, bus companies, ferry companies) – trip interruption or cancellation policies.*

*The B.C. regime could end up differing from those of the other provinces in another important respect: the Ministry of Finance has stated that it is willing to consider the possibility of granting restricted licences to B.C. licensees to sell classes of insurance that are **not incidental** to their businesses. For this to happen, the Ministry would need to be convinced of the benefit to consumers.*

Future of Existing ILER Exemptions

*The Ministry of Finance is proposing that some existing exemptions under the **Insurance Licensing Exemptions Regulation** (“ILER”) be partially or wholly repealed. If this occurs, companies that have had ILER exemptions for any of the following might need to obtain one of the new restricted licences:*

- *Product warranty insurance;*
- *Credit insurance (sold by credit institutions, mortgage brokers and others);*
- *Vehicle warranty insurance (sold by motor vehicle dealers);*
- *Travel insurance (sold by travel agents or transportation companies); and*
- *Funeral services insurance (sold by funeral directors).*

*An example scenario for a **partial repeal** would be keeping an exemption for products under a certain value but requiring a restricted licence for coverage above that threshold.*

Classes of Insurance

*The Ministry of Finance is proposing to prescribe (permit) certain **classes of insurance** under the restricted licensing regime (in addition to the **classes of licensee** discussed above).*

In so doing, they would be following the lead of the other provinces, but the Ministry of Finance is clear that it may not prescribe exactly the same classes of insurance. Moreover, some classes that are currently exempt under ILER could potentially be permitted under the restricted licence regime.

In addition to the above, the Ministry is considering including the following insurance classes in the restricted licensing regime:

- *Personal effects property insurance (storage companies);*
- *Purchase protection insurance (retailers, credit card companies);*
- *Marine craft rental insurance (marine craft rental companies);*
- *Damage protection insurance (personal property and office furniture leasing companies); and*
- *Event cancellation insurance (event and ticket sales companies).*

Consultation Questions

The Ministry of Finance is looking for input from interested parties, including (but not restricted to) industry views on questions such as the following:

- *Which businesses should and should not be prescribed as potential licensees?*
- *Which classes of insurance should and should not be prescribed?*
- *Which ILER exemptions, if any, should be repealed in favour of offering one of the new restricted insurance agent licences (and should the repeal be full or partial)?*
- *When (if ever) should exceptions be made to the general expectation that restricted licensees will be restricted to classes of insurance that are incidental to their ordinary business?*
- *Should there be any licence exemptions for low-value products?*
- *Should there be a maximum value for insurance policies (or of certain types of insurance policy) sold by restricted insurance agent licensees?*
- *Would a deferred sales model be advisable for any class of restricted agent (i.e., a model in which insurance could not be offered until a certain number of days after the primary purchase)?; and*

- Which rules should apply to the conduct of a restricted licensee's insurance business (e.g. with respect to disclosure, cooling off periods, commissions and fees, etc.)?

Please see the **consultation paper** for the complete list of questions on which comment is sought.

Next Steps

As noted above, the public consultation is ongoing, with **comments due on or before October 3, 2022**. The open and flexible approach of the Ministry of Finance indicates that industry submissions could have a significant impact on the eventual shape of the restricted licensing regime.

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Insurance Council of BC

Insurance Council Provides Update Re Insurance Licences Limited To Specific Products

On July 14/22, the Insurance Council of BC published the following notice on its website:

Dear Insurance Council of BC partners and stakeholders:

The following update provides information regarding BC insurance licences limited to the sale or adjusting of one or more specific products.

Background

In March 2021, the Insurance Council of BC ceased issuing individual and agency/firm insurance licences limited to the sale or adjusting of specific products following a legal review of the licensing process involved. Licence holders were advised at that time and information was made available to stakeholders.

What's New

The BC Ministry of Finance is proposing to introduce a new restricted licence framework that would allow corporate entities to apply for a restricted licence that permits employees to sell specific insurance products under the corporate licence. The Insurance Council is working with government to develop a licensing process that would support its implementation.

The ministry is holding public consultation on the regulations that would govern the proposed restricted licence until October 3, 2022.

Once government regulations and a process for the restricted licence are in place, the Insurance Council will accept applications for this licence. Until then, no new individual or corporate insurance licences limited to the sale or adjusting of specific products are being issued.

Current limited licence holders can still continue to carry out activities within the scope of their licence. However, additions or changes will not be made to these existing licences, nor will they be reinstated if cancelled. Continuation of existing limited licences will be discussed as part of the development of the proposed restricted licence.

Insurance licensure continues to be available through our regular process of licensing. Those wishing to conduct general insurance, life and/or accident & sickness insurance, or insurance adjusting will need to apply for the corresponding licence and meet standard qualification requirements.

Updates will be provided on our website as more information about the new restricted licence becomes available.

For more information about insurance licensure, contact our Licensing Team at licensing@insurancecouncilofbc.com or 604-695-2007.

Ontario

Financial Services Regulatory Authority of Ontario (FSRA)

FSRA Says That It Continues To Improve And Is Meeting Or Exceeding Service Standards

On June 20/22, FSRA issued the following announcement on its website:

Fourth-quarter performance results are in and FSRA has improved its service standards, overall, by over 10% and exceeded service targets for most of its key standards. Highlights of the recent progress include:

- **100%** of public inquiries received response within 24 hours
- **90.9%** of Pension wind-up applications for Defined Benefit Plan reviewed and a decision was made within 120 days
- **100%** of Credit Union regulatory applications processed within 30 days
- **90.3%** of Insurance Agent licences issued within 10 days from receipt of a complete application

FSRA uses the performance data to evaluate the efficiency and effectiveness of its resourcing, business processes and public service year-round. This holistic, data-oriented approach helps to ensure constant improvement of its public service.

The service standards measure operational and regulatory activities that FSRA provides to industry and consumer stakeholders, such as licence renewals, regulatory applications, complaints resolution and annual information returns. FSRA continues to monitor the standards and targets on a regular basis and will propose changes based on its regulatory activities in the current market, resources and stakeholder needs.

The final Q4 Service Standards Scorecard is now available on the FSRA website.

Québec

Autorité des marchés financiers (AMF)

AMF Publishes New Consumer Advisory Information On Car Dealerships And Insurance

During the summer of 2022, the AMF published on its website a detailed new section of consumer advisory information on car dealerships and insurance (<https://lautorite.qc.ca/grand-public/assurance/assurance-auto/concessionnaires-dautomobiles-et-assurance-ce-quil-faut-savoir>), including the following excerpts:

You cannot be required to purchase life and disability insurance covering your loan or replacement insurance. However, the financing company may require, because of your credit history, that your loan be insured so that it can be repaid in the event of death or disability. Even then, it is up to you to choose your insurance product and your insurer.

If you are offered life and disability insurance to cover your loan, check to see if you are already covered by similar insurance, for example at work. This way you will avoid paying twice for insurance.

Check to see if your condition could prevent you from benefiting from coverage. For example, are you over the eligible age? Do you have a history of illness? Does your employment status meet the terms of the contract?

Take the time to read the explanatory document that must be given to you to find out if the cover can be useful to you.

A call to the AMF's information center can help you fully understand your rights and responsibilities and those of the dealer with respect to the insurance product offer.

You'll probably get a better price if you shop around. The cost of insurance is on average higher with a car dealership than with a broker or insurer.

If you choose to include the cost of insurance in your loan, you will pay interest on the cost of insurance, in addition to the interest on your car loan.

So take the time to read the explanatory document that describes the insurance product and that the dealer must give you and compare it to the coverage and prices offered elsewhere.

If you're borrowing money to buy your car, the car dealership or lending institution may offer life, health, and job loss insurance as part of your loan. This insurance will repay part or all of your loan:

- *If you die;*
- *If you have a disability that prevents you from working;*
- *If you lose your job.*

As a general rule, this insurance is not compulsory.

Sometimes the company that lends you the money to buy your vehicle requires you to have such insurance. If so, you are not obligated to accept the insurance offered to you. You have several options to choose from! Here they are :

Option 1: Demonstrate that you already have insurance

You may already be covered by insurance, for example the group insurance of your job. Check if this insurance is sufficient.

Option 2: Purchase insurance from the insurer of your choice

Before buying your vehicle, you can ask a financial security advisor about the cost of insurance equivalent to that required by the lender.

Option 3: Accept the offer from the company lending you the money

An employee of a car dealership or a lending institution can sell life, health and job loss insurance on a loan without holding a certificate from the Autorité des marchés financiers. However, he is obliged to:

- *Provide you with an explanatory document;*
- *Inform you of the guarantees offered;*
- *Specify the exclusions (what is not covered by the insurance);*
- *Tell you what commission he receives if it exceeds 30% of the cost of insurance;*
- *Advise you on how to file a claim;*
- *Explain your recourse if the insurer denies your claim.*

AMF Publishes New Consumer Advisory Information On Travel Insurance

During the summer of 2022, the AMF published on its website a detailed new section of consumer advisory information on travel insurance (<https://lautorite.gc.ca/grand-public/assurance/assurance-voyage>) titled "Travel Insurance: Practical Guide," including the following excerpts:

The media occasionally tell the horror stories of people who have experienced problems while traveling... without having travel insurance. Sometimes it is even necessary that their families and friends come to help them, for example by paying the cost of medical care or for the return plane ticket.

This can happen even on a few hours excursion in the United States! Traveling without travel insurance can have serious financial consequences.

What Is Covered

The risks covered by travel insurance vary from one insurance to another. Here are the main protections offered:

- *Emergency medical care insurance;*
- *Trip cancellation and interruption insurance;*
- *Accidental death or dismemberment insurance;*
- *Baggage insurance.*

Find out about the protections offered by your insurance.

Some essential information about travel insurance

- *Find out about travel insurance as soon as you plan to travel outside Quebec.*
- *Sometimes your group insurance at work or your credit card insurance already offers certain travel insurance protections. Ask about this so you don't buy the same coverage twice.*
- *You can buy travel insurance from an insurance representative, an insurer, travel agencies and some **financial institutions**.*
- *Take the time to read your contract. Ask your insurer questions to fully understand it.*
- *Also remember to take out insurance for the rental car if you rent one while traveling outside Quebec. For a rental in Canada or the United States, this insurance may already be included in an endorsement to your automobile insurance policy.*

- You **must** contact your insurer **before leaving** on your trip if you have any health problems. You must also contact your insurer as soon as you change your medication.

New Brunswick

Financial and Consumer Services Commission of New Brunswick (FCNB)

FCNB Adopts CISRO's Principles Of Conduct For Insurance Intermediaries

On June 16/22, FCNB published the following announcement on its website:

*On 6 April 2022, the Canadian Insurance Services Regulatory Organizations (CISRO) published the Principles of Conduct for Insurance Intermediaries (the Principles). The full document can be found at **Canadian Insurance Services Regulatory Organizations (CISRO) Principles of Conduct for Insurance Intermediaries (cisro-ocra.com)** together with a Questions and Answers document: **2472 (cisro-ocra.com)**. The Insurance Division of the Financial and Consumer Services Commission (FCNB) actively participated in the development of the Principles.*

*The Principles complement and supplement the Guidance: **Conduct of Insurance Business and Fair Treatment of Customers (cisro-ocra.com)** jointly published by CISRO and the Canadian Council of Insurance Regulators (CCIR). The Principles reflect minimum regulatory conduct standards that are common across Canada regarding the fair treatment of customers. They also reflect requirements found in the Insurance Act or related regulations, or are reflective of accepted industry practices.*

Intermediaries should conduct their business, following the relevant Principles that apply in the circumstances, while ensuring compliance with all applicable laws, regulations, rules, or regulatory codes within all jurisdictions where they carry on business. Any more stringent requirements, rules or standards of conduct take priority over the Principles. The Principles will also be a resource for customers to better understand the behaviour that they should expect when dealing with an insurance intermediary. Intermediaries should share the Principles with their customers.

It is the expectation of the Insurance Division of FCNB that insurance intermediaries will adopt the Principles and ensure that measures are in place to abide by them. These expectations involve the licensee's conduct at all stages of the lifecycle of the product (from design, to sales, to claims process, to the end of the lifetime of the policy). The Insurance Division of FCNB will consider compliance with the Principles in determining suitability to hold a licence and in all future market conduct reviews.

CISRO is a forum of Canadian regulatory authorities that are dedicated to consistent qualifications and conduct of business standards for insurance intermediaries.

*For any questions on the Principles, contact the Insurance Division of FCNB at 866-933- 2222 or by email at **info@fcnb.ca**.*