

**Agenda Item 3.4**  
**November 28/17 Board Meeting**

**Report on CAFII Stakeholder Meeting With Canadian Council of Insurance Regulators**

**Date:** Wednesday, October 25, 2017  
**Time:** 9:15 to 9:55 a.m.  
**Location:** Haliburton Room, Intercontinental Toronto Centre Hotel, 225 Front St. West, Toronto

**CCIR Attendees:**

Patrick Dery, AMF; and CCIR Chair  
Brian Mills, Superintendent of Insurance, FSCO; and CCIR Vice-Chair  
Robert Bradley, Superintendent of Insurance, PEI; and CCIR Vice-Chair  
Scott Moore, Deputy Superintendent of Insurance, Manitoba; and CCIR Vice-Chair  
Frank Chong, Superintendent of Insurance, BC FICOM; and Chair CCIR Natural Catastrophes and Consumer Awareness Working Group  
Harry James, BC FICOM; and Chair, CCIR Travel Insurance Working Group  
David Sorensen, Deputy Superintendent of Insurance, Alberta Treasury Board & Finance (by phone)  
Laurie Balfour, Alberta Treasury Board & Finance; Chair, CCIR Insurance Core Principles Implementation Cttee (by phone)  
Ron Fullan, Executive Director, Insurance Councils of Saskatchewan; and Chair, CISRO  
April Stadnek, Director of Compliance, Insurance Councils of Saskatchewan  
Anatol Monid, FSCO; and Chair, CCIR Harmonization Working Group and Segregated Funds Working Group  
Andrea Chow, FSCO;  
Peter Burston, FSCO;  
Louise Gauthier, AMF; and Chair, CCIR Fair Treatment of Consumers Working Group  
Nathalie Sirois, AMF; and Chair, CCIR ICPic Market Intelligence Working Group  
David Weir, Deputy Superintendent of Insurance, Financial Consumer Services Commission of New Brunswick  
Jennifer Calder, Deputy Superintendent of Insurance, Nova Scotia (by phone)  
John O'Brien, Superintendent of Insurance, Newfoundland (by phone)  
Martin Boyle, CCIR Policy Manager  
Tony Toy, CCIR Policy Manager

**CAFII Attendees:**

Peter McCarthy, CAFII Board Chair and President & CEO, BMO Life Assurance Company and BMO Life Insurance Company;  
Sue Manson, CAFII EOC Member and Planning Director, Strategy & Planning, CIBC Insurance;  
Andrea Stuska, CAFII EOC Member and Government and Industry Relations, TD Insurance;  
John Lewsen, CAFII EOC Member and Chief Compliance Officer, BMO Insurance;  
Keith Martin; CAFII Co-Executive Director;  
Brendan Wycks, CAFII Co-Executive Director

**Purpose of meeting:** In 2012, CCIR instituted these dedicated face-to-face meetings with industry stakeholder groups to take the place of presentations at its semi-annual meetings. This allows CCIR to focus on industry input, rather than trying to combine that input with the rest of the CCIR agenda. These meetings are informal from CCIR's perspective, and no formal presentations are expected.

In his 2017 Stakeholder Meeting invitation, CCIR Policy Manager Martin Boyle advised that these sessions provide industry representatives and other interested parties with an opportunity to discuss concerns and emerging issues in the country's insurance sector directly with the provincial and territorial regulatory authorities. CCIR members view the meetings as a valuable opportunity for stakeholders to provide input, insight, and context around emerging regulatory issues and priorities affecting Canada's insurance market.

#### **Meeting Dialogue and Information/Intelligence Shared By CCIR**

After each CAFII representative and each regulator member of CCIR present in-person or on the phone had introduced him/herself, CAFII Executive Director Brendan Wycks thanked CCIR for the opportunity to meet in-person. He then provided the following brief re-introduction to CAFII:

*As you may recall, CAFII is an industry Association dedicated to the development of an open and flexible insurance marketplace, in which consumers have maximum choice in accessing coverage. Central to our mandate is improving access for the vast under-served middle market of Canadians to simple, straightforward insurance products through a variety of distribution channels. We believe that consumers are best served when they have meaningful choice in the purchase of insurance products and services.*

*Our members offer travel, life, health, and creditor's group insurance across Canada. In particular, creditor's group insurance and travel insurance are the product lines of primary focus for our Association as our members' common ground. Our members are the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Financial Security; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players American Express Bank Canada, Assurant Solutions, Valeyo (formerly known as Canadian Premier Life Insurance Company), and The CUMIS Group Ltd.*

During dialogue on CAFII's topics of mutual interest, CCIR shared the following information.

*CCIR has completed its 2017-2020 Strategic Plan; and it is now working on a second Co-operative Supervisory Plan for the 2018 year which will include both thematic reviews and company-specific reviews.*

*CCIR recognizes the need to improve the Annual Statement including its instructions section; therefore CCIR will be offering webinars for the members of each stakeholder Association on the Year 2 tweaks being made to the Annual Statement.*

*A new area of interest for CCIR is home warranty insurance. Council members want to look at the industry's compliance with required home warranty insurance market conduct practices.*

*Brian Mills spoke about FSCO and its transformation over the next two years into part of Ontario's new Financial Services Regulatory Authority (FSRA), which will be an integrated financial services regulator excluding only securities. This is all about modernizing the regulator and the transformation will begin to happen in 2018. The Ministry of Finance will review and approve the FSRA implementation plan, once developed by its three member founding Board of Directors; and then there will be 18 months to implement it, which should mean completion and a formal launch of the new FSRA at some point in 2019.*

*Mr. Mills said that FSCO cannot engage in regulatory sandbox activity at this point in time because it does not have the necessary rule-making authority to approve regulatory "forebearance." In contrast, the Ontario Securities Commission does have rule-making authority already and therefore has launched its OSC Launchpad regulatory sandbox as a "forebearance" initiative. The OSC can propose a forbearance initiative under its regulatory authority and then Minister of Finance has 75 days to review it, and either approve or deny it. Approval turns the initiative immediately into law. FSRA will have the same powers from Day One, at the time of its establishment.*

Louise Gauthier of the AMF indicated that while it is still necessary at this time for insurance sales representatives to be licensed in each jurisdiction across the country, CCIR recognizes that the industry would find a system of mutual reciprocal recognition much easier to deal with. And CCIR's new Harmonization Working Group will be looking into possibilities in that area.

CCIR Policy Manager Martin Boyle agreed to send CAFII a list of the Working Groups and Committees of the CCIR and their Chairs; and that list is provided as Appendix E to this report.

## Appendix A

### Presentation/Dialogue on Stakeholder's Topics of Mutual Interest

#### CCIR's New 2017-2020 Strategic Plan

##### Peter McCarthy

CAFII congratulates CCIR on developing and adopting a well-focused, balanced, and achievable **Strategic Plan 2017-2020** earlier this year.

We recognize the wisdom and prudence of committing to three equally important strategic priorities, one focused on each of consumers, regulators, and the industry.

In the limited time that we have for our Stakeholder dialogue with you today, we'd like to focus our comments on issues that relate to two of your three chosen strategic priorities.

- First, your sub-priority of developing a co-operative approach to financial services and insurance technology which you've singled out under your broader priority of "Work collaboratively with regulatory partners to grow and leverage national regulatory capacity"; and
- Second, your priority of partnering with industry stakeholders to identify opportunities to increase regulatory and supervisory harmonization, where practicable and appropriate.

We have some introductory and context-setting comments to share on the first topic, which we're calling "Enabling Insurtech Innovation." And a few different members of our group will share some observations.

#### Enabling Insurtech Innovation

##### John Lewsen:

CAFII believes that the marketplace drives the creation of new and innovative products, services, and delivery models.

And while emerging insurtech developments provide new opportunities, they also bring new challenges for everyone involved.

We share regulators' objective of ensuring that consumers are well-protected while they also have the ability to purchase products through their channel of choice. In an insurance industry context, it is important to note that part of the overall objective of fair treatment of consumers is to ensure that the insurer can provide support and meet consumers' expectations throughout their entire user experience.

We also concur with the International Association of Insurance Supervisors' observations, as noted in the media release which accompanied its "FinTech Developments in the Insurance Industry" report earlier this year, that fintech may increase the insurance industry's focus on improving the customer experience; and that it has "the potential to change the way the insurance sector serves policyholders."

Insurance has traditionally been an industry marked by low consumer touch and slow adoption of new technologies. But today's insurance consumers, shaped by their experiences with other industries, expect on-demand, high touch, and rapidly innovating services. Major shifts in consumer demographics, behaviours, and expectations are underway which will have important implications for the insurance landscape.

**Andrea Stuska:**

This shift has been led by Millennials, individuals born roughly between 1980 and 2000. This generation will constitute half of the global workforce by the end of the current decade. In Canada in 2015, they equalled Baby Boomers in terms of the largest share of the overall population (27% each) and already comprised the largest share of the employed population—at 37% versus 31% for Gen Xers and 30% for Boomers (source: Statistics Canada).

Millennials, whose exposure to digital technology and innovative platforms from an early age has made them the first generation of “digital natives,” are beginning to move into their peak earning and spending years and they've become an influential segment of the population. Their high expectations for technology-based services, convenience, transparency, speed, regular engagement, and a personalized experience that reflects their needs are defining how products and services are delivered.

Their preferences and expectations are both a particular challenge for the insurance industry; and an opportunity to be seized

Therefore, CAFII believes that the future of the life and health insurance industry will be marked by continued innovation and an increase in consumer demand for electronic commerce and other alternate forms of distribution. Consumers continue to demand greater access to sales through digital channels; and we believe these channels will play an increasingly important role in meeting the needs of Canadians.

**Sue Manson:**

With life insurance ownership in Canada at a 30-year low, we believe that regulatory structures should foster a harmonized, flexible, and open marketplace where consumers are able to choose how and where to purchase coverage. Regulation should embrace the role of all insurance channels in meeting the insurance needs of consumers. In that connection, it is important that regulatory frameworks help to foster and support the ongoing growth and development of technology-enabled, alternate distribution channels.

Technology and consumer habits are evolving rapidly, and more and more clients expect insurance offerings to cater to their specific needs. Even though insurtech (or more accurately “digital innovation in the insurance industry”) is currently at an infancy stage as compared to its more advanced fintech sibling, new innovative business models within the insurance industry continue to emerge, such as micro-insurance and pay-as-you-go insurance.

The unique value proposition of insurtech innovation lies in the shift from complexity and long-termism to real-time, easy-to-use, configurable, customized and cost-friendly products and services, all offered with the utmost consumer convenience through digital devices.<sup>1</sup> The biggest winners from insurtech innovation will be the end customers, who will benefit from better user experience, more personalized insurance solutions, and possibly improved pricing through lower premiums.<sup>2</sup>

<sup>1</sup> *Opportunities await: How Insurtech is reshaping insurance. Pwc Global Fintech Survey, June 2016.*

<sup>2</sup> *Insurtech: Disruptions and opportunities in the Insurance Industry, Pinebridge Investments, October 2016.*

**Keith Martin:**

CAFII therefore strongly encourages CCIR to play a leadership role in this area, by pursuing a specific priority to create a nationally co-ordinated structure which fosters innovation and supports consumer choice in a digital world. One possible leadership initiative in this area would be the development of a national “regulatory sandbox.”

As you know, a number of financial services regulators – including the Financial Conduct Authority (FCA) in the UK; its counterparts in Australia and Singapore; and the Ontario Securities Commission here at home through its *OSC LaunchPad* – have recently established regulatory sandboxes, as projects designed to help companies test innovation with a limited number of users, without having to comply with existing regulatory rules, for a limited period of time.

With respect to its regulatory sandbox, the FCA in the UK has made the following observations:

- technology has the potential to improve not only how products and services are designed, but also how they are distributed;
- it wants more firms to embrace innovation and it wants to work with innovators to build in consumer protection from the outset; and
- the sandbox has been designed to reduce the time and potential costs of getting innovative ideas to market; and it will accelerate the testing and introduction of genuinely novel products and distribution enhancements that will benefit consumers.

CCIR leadership in this area should also include reviewing and updating regulatory requirements which were designed for traditional paper-based and personal interaction sales practices, to ensure that they do not create obstacles for meeting consumers’ needs in the digital space.

The regulatory framework should focus on the quality of consumer outcomes, regardless of the mode of interaction or the delivery channel.

Our Association advocates a principles-based regulatory framework that is flexible to the changing landscape and can be more easily harmonized across jurisdictions.

On a related point, we also encourage CCIR to become a strong advocate which implores all of its provincial and territorial members to make the legislative and/or regulatory changes necessary to permit electronic beneficiary designations – following BC’s lead in that regard – as well as electronic termination of insurance contracts, where both the insurer and the individual insured agree to those options.

**Dialogue**

**Brendan Wycks:**

At this point, we’d like to pause and have some dialogue about what we’ve just shared related ***to Enabling Insurtech Innovation***, perhaps starting with any questions you might have about our comments.

**New Topic**

**Partner With Industry Stakeholders To Identify Opportunities To Increase Regulatory And Supervisory Harmonization, Where Practicable And Appropriate**

**Peter McCarthy**

We’d now like to share with you what we view as some key opportunities for CCIR to increase regulatory and supervisory harmonization, in areas that are practical and appropriate. We have four opportunities to share with you; and Andrea Stuska will speak to the first one.

## **National, Mutual Recognition System For Individual Life Insurance Agent Licensing**

### **Andrea Stuska**

CAFII views a nationally harmonized regulatory model – one which recognizes the importance of the contact centre and internet distribution channels; and alleviates the unnecessary burden imposed by multi-jurisdictional licensing – as an imperative.

Ideally, if an agent is duly licensed in one jurisdiction, that license should be recognized by other Canadian jurisdictions under a system of mutual recognition, with no further local requirements imposed, other than registration and fee payments.

Canadian insurance providers are increasingly using direct channels such as the internet and client contact centres to sell coverage in all jurisdictions. Currently, for individual life insurance, contact centres employ LLQP-trained agents, each of whom must hold licenses from all jurisdictions serviced by the centre, typically 13 different licences.

It is administratively very costly and cumbersome to have to manage licensing for 13 separate jurisdictions (including separate background checks; monitoring expiry dates for each jurisdiction; completion of forms; compliance with multiple continuing education, errors and omissions insurance, and notification requirements).

The reality of client contact centre operations is that customers may contact a centre several times over the course of a transaction -- to ask questions, complete the transaction, or to change coverage. In each case, if the answering agent is not licensed for the jurisdiction of the caller, the call must be transferred and queued for the appropriate agent, even though the answering agent would be fully competent to handle the caller's needs. In these situations, the reality of multi-jurisdictional licensing and the lack of interprovincial harmonization or mutual recognition can create a poor customer experience.

It is also costly and time-consuming to handle compliance with the requirements of multiple jurisdictions. Businesses have not been able to achieve the growth in the telemarketing/client contact centre channel that customer demand warrants, for reasons directly related to multi-jurisdictional licensing challenges.

The current situation also poses risks to agents and companies in navigating the system, mainly through the possibility of errors and inadvertent non-compliance.

Making the change to a **National, Mutual Recognition System For Individual Life Insurance Agent Licensing** will also better align with the Agreement on Internal Trade, which stipulates that individuals with recognized skills and qualifications should be able to work in their field in any jurisdiction in Canada, without undue impediment.

**Peter McCarthy:** are there questions or items to discuss about that particular harmonization opportunity?

### **Maintain Focus On Policy-Maker and Stakeholder Engagement; And Strengthening CCIR's Influence**

#### **Sue Manson**

CAFII believes that it is very important for regulators to impress frequently upon their respective policy-makers the importance of inter-provincial harmonization of laws and regulations governing the insurance industry, and of the resulting benefits for consumers and for the businesses who meet their needs.

Recognizing that there is a similar onus upon industry Associations, such as CAFII, to communicate with policy-makers, we have built an enhanced focus on policy-makers into our new Communications Strategy and plan to meet with them with more regularly.



In that connection, CAFII would be pleased to co-operate and participate with CCIR members in direct presentations to policy-makers or, more indirectly, through presentations to Institutes or think tanks serving policy-makers -- particularly on topics such as case studies of industry compliance requirements and practices; and the impact of un-harmonized regulations on business practices.

And in this vein, CAFII encourages the CCIR to pursue greater engagement and co-ordination with its federal regulatory counterparts, beyond just OSFI. We believe that consumers and industry would be well-served if there was regular consultation between the CCIR and the federal Department of Finance and the Financial Consumer Agency of Canada.

**Brendan Wycks:** are there questions or items to discuss about that particular harmonization opportunity?

#### **Harmonized Implementation Of CCIR Positions**

##### **John Lewsen**

CAFII appreciates that projects undertaken by the CCIR serve to co-ordinate and harmonize supervisory research across jurisdictions. It is frequently noted by the CCIR, however, that provinces implement CCIR recommendations and positions independently.

Recognizing the role of CCIR in the development of co-ordinated research and policy positions, and the very separate role accorded to individual jurisdictions in implementing those policies, we strongly encourage regulator dialogue to explore ways to implement policy decisions consistently to achieve harmonized requirements across jurisdictions. CAFII would be pleased to work with the CCIR to offer more specific recommendations in this regard.

**Keith Martin:** are there questions or items to discuss about that particular harmonization opportunity?

#### **Communication And Dialogue With The Industry**

##### **Brendan Wycks:**

CAFII appreciates the good communication, meetings and consultations that CCIR has established and maintained with the industry over the past many years, including through vehicles such as these annual Stakeholder Meetings. We strongly encourage CCIR to maintain your practice of regular, open, and transparent communication and dialogue with the industry.

The CCIR has made it possible for the industry to meet with regulators on major issues. That is important to ensure that industry becomes aware on a timely basis of the issues on which regulators are working, thereby allowing industry to participate by sharing information and expertise.

For example, there are numerous examples where the involvement of industry associations such as CAFII was very helpful, at the earliest stages of issue identification, in discussing issues with regulators before any industry surveys or consultations were released. That way, we can provide timely background information, help to vet issues, and provide our perspective on any research being undertaken.

## **Appendix B**

#### **CCIR Re-Appoints Executive Committee Members; Adds Third Vice-Chair: See Appendix A**

At its April 6-7/17 Spring meeting, CCIR made the following Executive Committee re-appointments for a two-year term: Patrick Déry; Chair; Brian Mills, Vice-Chair; and Robert Bradley, Vice-Chair; and Scott Moore was added as a third Vice-Chair.

### CCIR's New Strategic Plan Puts Focus On Co-operative Supervision

The Canadian Council of Insurance Regulators (CCIR) published its new strategic plan for the years 2017 to 2020 on June 27/17. In its new Plan, CCIR says it will develop an annual cooperative supervisory plan to conduct thematic and insurer-specific reviews across provinces and territories.

In addition, when it comes to consumers, the CCIR says it will work to “ensure good outcomes from the interactions of insurers and intermediaries with their customers, focusing on disclosures and transparency, incentives management and client relationships.” The Plan also aims to increase consumer awareness of risks related to natural disasters, insurance options and coverages that are available as well as how disaster relief programs work across jurisdictions.

The CCIR says it will pursue a co-ordinated approach for regulators across sectors to stay informed, work together and leverage regulatory capacity. It will also make harmonization a priority and work with industry stakeholders to identify specific areas for greater consistency in approach across jurisdictions.

To determine its strategic priorities, the CCIR consulted stakeholders and took into account the current insurance environment. “The work the CCIR has done over the last three years has had a considerable impact on the evolution of insurance regulation in Canada,” says Patrick Déry, chair of the CCIR. “We have developed the foundation for greater collaboration, cooperation and information sharing among our members and introduced stronger supervisory partnerships. The 2017-2020 strategic plan will leverage these efforts and build upon that foundation moving forward.”

## Appendix D

### CCIR Releases Travel Health Insurance Products Position Paper

On May 31/17, CCIR released its Travel Health Insurance Products Position Paper, along with a related Media Release. The Position Paper sets out the Council's final recommendations with respect to the reforms it expects the industry to make to the travel health insurance market to achieve the goal of enhancing consumer protection and increasing confidence in travel health insurance products.

“While the CCIR believes Canada has a strong and competitive travel health insurance marketplace, it also believes there are opportunities for improvements to be made,” the CCIR Media Release stated.

The Position Paper recommends

- the development of common standardized definitions and terminology;
- improvements to the application, screening and claims process;
- simplifying and improving disclosure documents;
- ensuring adequate controls and oversight mechanisms are in place throughout the product lifecycle; and
- improved training and information for sales forces.

“We have heard the concerns of the public and the insurance brokerage community and with this clear, nationally agreed way forward, we are reinforcing the pre-eminent goal of consumer confidence in their insurance protection when they travel,” said CCIR chair Patrick Déry. “It is our belief that these measures will go a long way towards meeting consumer expectations wherever Canadians live in the country.”

CCIR says it will monitor the industry's implementation of the recommendations to ensure they are adopted in a timely manner. “CCIR members remain determined to see that the changes make a difference for all Canadians.”



As requested, the following is a list of active CCIR committees and working groups with the names of their Chairs:

Insurance Core Principles Implementation Committee/ICPic (Laurie Balfour – AB)

ICPic Market Intelligence Working Group (Nathalie Sirois – QC)

Segregated Funds Working Group (Anatol Monid – ON)

FinTech Working Group (Hélène Samson – QC)

Travel Insurance Working Group (Harry James – BC)

Fair Treatment of Customers Working Group (Louise Gautier – QC)

Natural Catastrophes and Consumer Awareness (Frank Chong – BC)

Harmonization Working Group (Anatol Monid – ON)

OmbudService Oversight Standing Committee (Chris Carter – BC)

Electronic Commerce Committee (Hélène Samson – QC)

Facility Association Committee (Tom Golfetto – ON)

Assuris-PACICC Committee (Brian Mills – ON)

Forms Committee (Ima Okonny – OSFI)

Capital Requirements Committee (Judith Roberge – OSFI)