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10th annual Life and Health Insurance Market Conduct Symposium

November 6, 2017

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Regulating in the changing landscape

Market Regulation Branch update

Izabel Scovino
Director, Market Regulation Branch

AGENDA

- FSCO's monitoring and compliance activities: overview
- 2017/2018 planned activities

MONITORING AND COMPLIANCE ACTIVITIES

- Provide risk-based monitoring and compliance services that ensure the fair treatment of consumers; compliance with the law and market stability
 - Complaint handling and compliance reviews
 - Onsite examinations
 - Desk reviews
 - Theme-specific questionnaires

5

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BUSINESSES, INDIVIDUALS AND PLANS REGULATED BY FSCO

As of September 30, 2017	■ 51 loan and trust corporations
■ 316 insurance companies	■ 1,224 mortgage brokerages
■ 5,902 corporate insurance agencies	■ 2,807 mortgage brokers
■ 54,344 insurance agents	■ 12,697 mortgage agents
■ 1,439 insurance adjusters	■ 190 mortgage administrators
■ 6,993 pension plans	■ 4,692 accident benefit service providers
■ 1,754 co-operative corporations	■ 96 credit unions and caisses populaires

6

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2017/2018 ACTIVITIES

- Life Insurer Company – Agent Oversight Examinations
- Life Insurance Fair Treatment of Consumers Examinations
- Life Insurance Agent Examinations and Desk Reviews
- Incidental Selling of Insurance Questionnaire and Attestation

7

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SCOPE OF INSURER EXAMINATIONS: AGENT OVERSIGHT

AGENT OVERSIGHT

Insurer Distribution Model

- **Assess** distribution model employed by the insurer (independent, MGA, etc.).
- If MGA model is used, then assess outsourcing factors, contracts, etc.

Agent Screening, Selection and Training

- **Evaluate** policies and procedures, advisor suitability factors as well as nature, timing and extent of training conducted.

Remuneration Structure

- **Review** policies and procedures, agent compensation structure, incentives, key performance indicators and performance measures.

Oversight/Supervision of Agents

- **Verify** policies and procedures, insurer reviews of regulatory database, random checks of agents per CLHIA Guideline, operational audits of agent files, reporting of agent misconduct, etc.

8

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SCOPE OF INSURER EXAMINATIONS: FAIR TREATMENT OF CONSUMERS (FTC)

FAIR TREATMENT OF CONSUMERS

Corporate Governance	<ul style="list-style-type: none"> Assess organizational structure to ensure that reporting relationships between management and senior officers allow for effective oversight. Confirm that there is a reflection of FTC within the insurer's culture and values.
Agent Training and Outsourcing Arrangements	<ul style="list-style-type: none"> Evaluate policies and procedures, advisor suitability factors as well as nature, timing and extent of training conducted.
Incentives and Remuneration	<ul style="list-style-type: none"> Review policies and procedures, agent compensation structure, and incentives. Confirm that the insurer assesses risks periodically to ensure appropriate products are sold to consumers
Product Marketing and Advertising	<ul style="list-style-type: none"> Confirm the insurer provides sufficient product information to allow a customer to make an appropriate decision.
Information Provided to Customers	<ul style="list-style-type: none"> Confirm the insurer has a formal process for informing customers before, at the moment, and after sales, that takes into account FTC.
Claims Handling	<ul style="list-style-type: none"> Confirm the insurer has a claims handling policy which incorporates FTC elements, as well as standard processing times that appropriately reflect FTC.
Complaint Handling and Dispute Settlement	<ul style="list-style-type: none"> Confirm the insurer informs its customers of the existence of its complaints processing service and of its response timelines

9

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LIFE INSURANCE AGENT EXAMINATION PROGRAM

Year 1 (2015/2016)

- On-site examinations began
- Agent selection based on prior complaints and reports of non-compliance
- 214 on-site examinations completed

Year 2 (2016/2017)

- New, proactive risk factors applied to the selection process for life agents
- On-site examinations continued
- 200 on-site examinations completed
- 22 follow-up desk reviews completed

Year 3 (2017/2018)

- Continued to select agents based on risk profiling assessments
- On-site examinations continue
- New desk review approach begins Fall 2017
- Results of desk reviews will identify agents for further on-site examinations as required

10

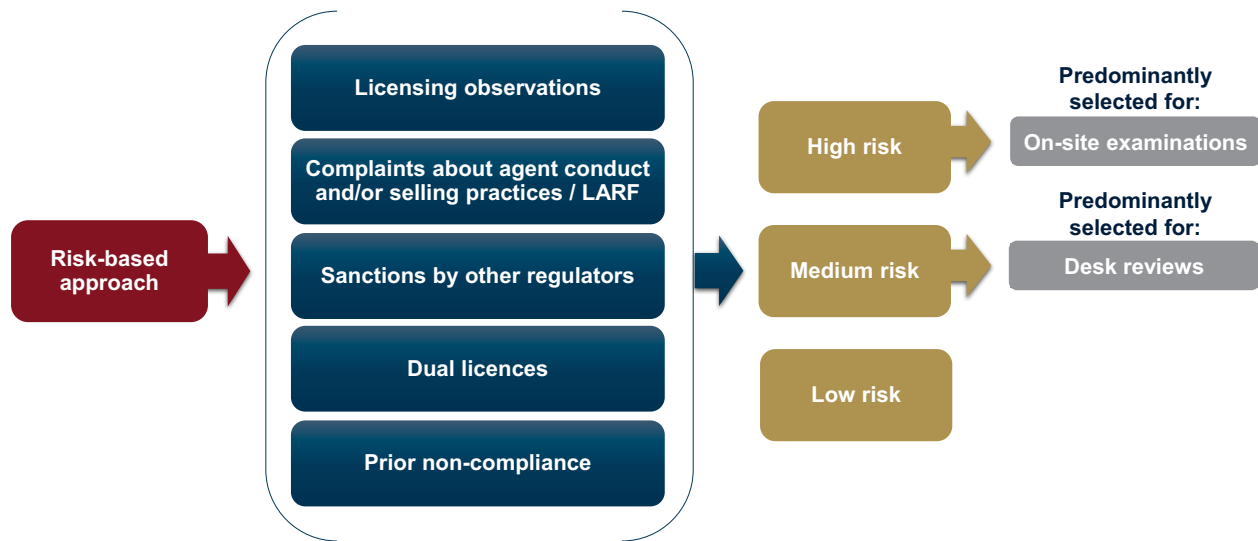
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LIFE INSURANCE AGENT EXAMINATION PROGRAM



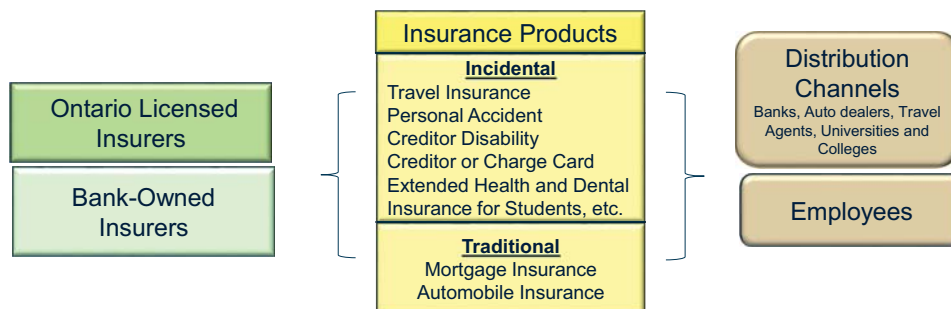
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INCIDENTAL INSURANCE MARKET CONDUCT QUESTIONNAIRE AND ATTESTATION

OVERVIEW

There have been reports that bank employees were being pressured to sell consumers supplementary insurance products they did not need, and FSCO would like to assess through a Questionnaire whether some of the alleged sales policies and practices within the banking industry are also present in the insurance industry.



12

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13

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Annual Statement on Market Conduct

Adrienne Warner

Market Intelligence Consultant, Financial Services Regulatory Policy

NEW FILING REQUIREMENT

Background

- The Annual Statement on Market Conduct (Annual Statement):
 - Developed by Canadian Council of Insurance Regulators (CCIR) members
 - Introduced in spring 2017
 - Information from insurers on governance, practices and policies related to fair treatment of consumers
 - Reduces the need for multiple requests from regulators

Purpose

- Obtain consistent market conduct data from insurers in order to assess risks, trends and issues of individual insurers and the industry as a whole
- Fulfil market conduct regulatory oversight roles and responsibilities
- Ensure alignment with international supervisory standards

15

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YEAR ONE IMPLEMENTATION

- Three reporting tiers
- Full vs **Partial** Information Return
- Best efforts approach
- Deadline – May 1, 2017

Governance

Policies

Products – Individual

Products – Group

Products – Variable Insurance Contracts

Premiums, Commissions and Claims

Distributors

Sales and Incentives Management

Claims

Complaint Reporting

Protection of Personal Information

16

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PRELIMINARY ANALYSIS OF DATA - GOVERNANCE

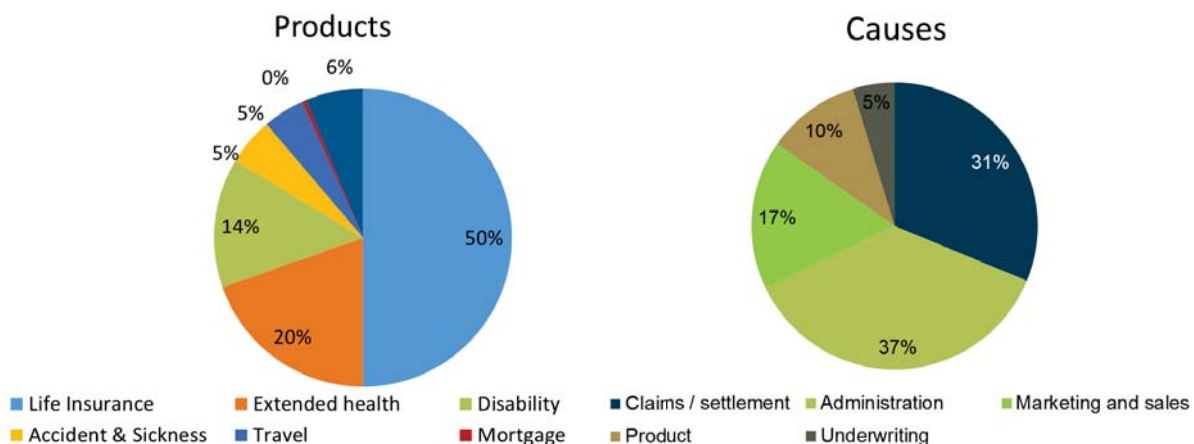
Question	Percent that responded "YES"	Percent that responded "NO"	Percent that DID NOT RESPOND
Code or policy in place to address fair treatment of consumers	72%	25%	3%
Fair treatment of consumers is a priority in product life cycle and operations	89%	5%	6%
Processes/mechanisms in place to ensure information is provided at the point of sale	80%	5%	15%
Conduct customer satisfaction surveys	51%	42%	7%

- The information is still pending verification

17

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PRELIMINARY ANALYSIS – L&H INSURANCE COMPLAINTS

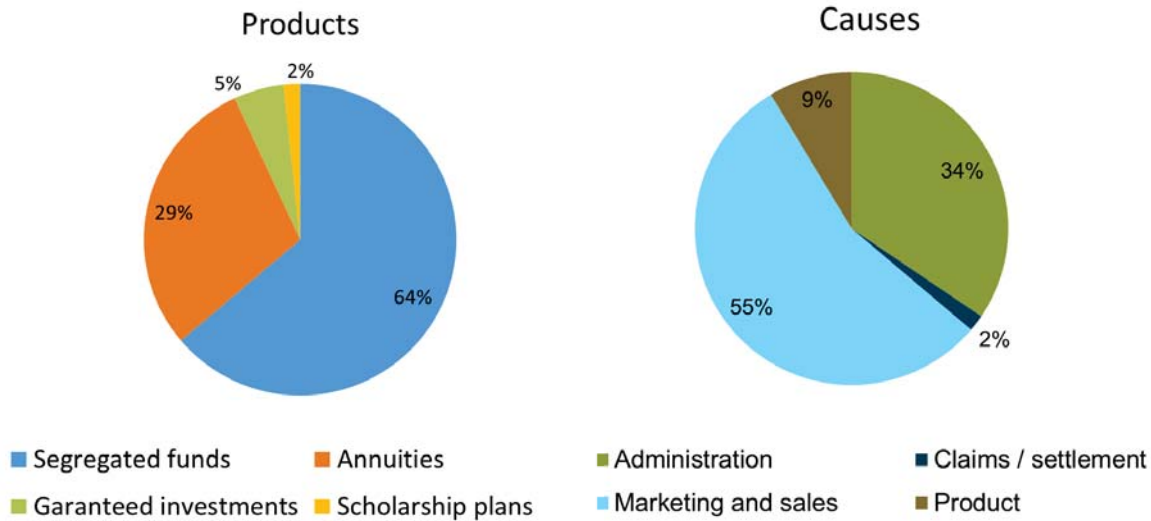


- In 2016, 81 L&H companies were required to file ASMC / 46 reported complaints (37 reported complaints in Ontario) 2 specified they had 0 complaints, 33 provided no answer
- Complaints section is not a new reporting requirement. It captures information previously reported through CRS

18

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PRELIMINARY ANALYSIS – INSURANCE INVESTMENT COMPLAINTS



19

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YEAR TWO REPORTING

Content

- Questions will remain substantially the same
- Changes will be limited to increasing clarity and improving instructions and wording

Filing requirement

- Insurers that completed full return in year 1 → Full Information Return
- Insurers that completed partial return in year 1 → Full Information Return
- Insurers whose business is limited to one province or territory → Determined by the provincial/territorial regulator

Filing process

- Insurers being surveyed to identify areas for improvement
- Proposed technical changes include: bilingual forms; separate general instructions and definitions from the form; add specific instructions to the beginning of each tab; remove attestation from Excel

20

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TIMELINE / NEXT STEPS

Fall/Winter
2017

- Analysis of data
- Minor revisions to the Annual Statement
- Information session with industry associations

Winter
2017 - 2018

- Year 1 results to the industry
- Consultation with industry on changes to the data being collected
- Year 2 Annual Statement made available to industry

May 1, 2018

- Deadline to file year 2 Annual Statement – 2017 data

21

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Licensing and Enforcement update

Heather Driver
Director, Licensing Branch

LICENSING OVERVIEW FOR LIFE AND HEALTH INSURANCE COMPANIES

FSCO essentially acts as a *gate keeper* through licensing and enforcement efforts ensuring that only suitable, qualified entities obtain and maintain a licence.

In the insurance sector, FSCO is also a market conduct regulator supervising the business conduct of insurance companies and agents, adjusters and service providers.

As of October 1, 2017, there are:

- 80 life insurance companies licensed in Ontario (including fraternal, excluding reinsurers)
- 44,502 life insurance agents
- 2016 total direct life insurance premium written in Ontario - \$23.49 billion

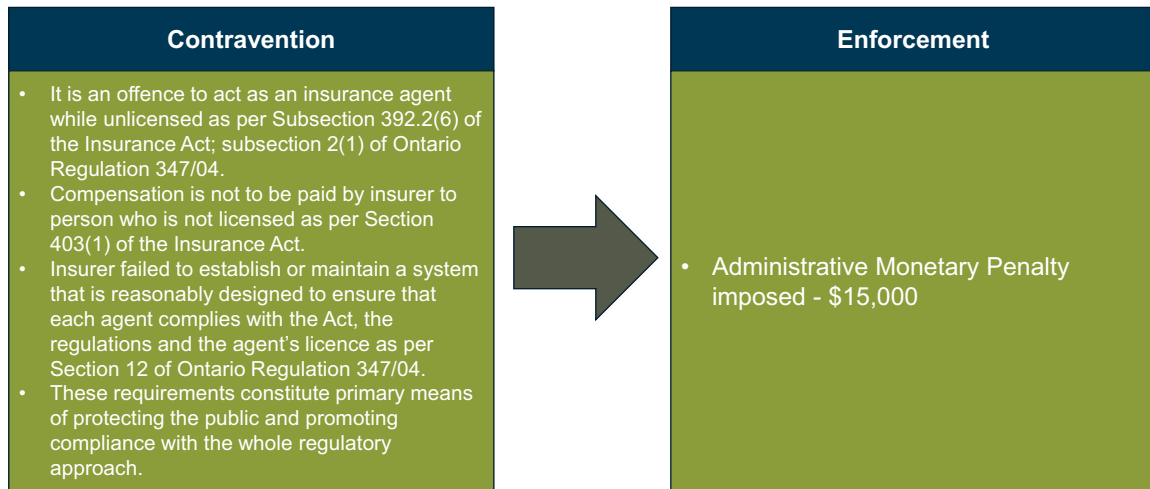
KEY ENFORCEMENT TOOLS

- FSCO has several tools at its disposal to address issues of non-compliance, including:
 - issuing a Letter of Caution, advising that regulatory action may be taken in the event of another violation
 - issuing Minutes of Settlement where an agreement is reached about the appropriate resolution of the non-compliance
 - applying administrative monetary penalties (AMPs)
 - suspending or revoking a licence
 - failing to issue or renew a licence
- FSCO's progressive approach to enforcement begins with education and moral suasion to change behaviour in the regulated sectors.
- When there is evidence of non-compliance FSCO will take enforcement action. Any action taken is commensurate with the size and complexity of the regulated entity, as well as the impact to consumer protection.

KEY ISSUES

- Unlicensed activity
- False information on application forms
- Continuing education
- Errors and omissions insurance
- Failure to disclose conflicts of interest – NEW ISSUE

UNLICENSED ACTIVITY: EXAMPLE



27

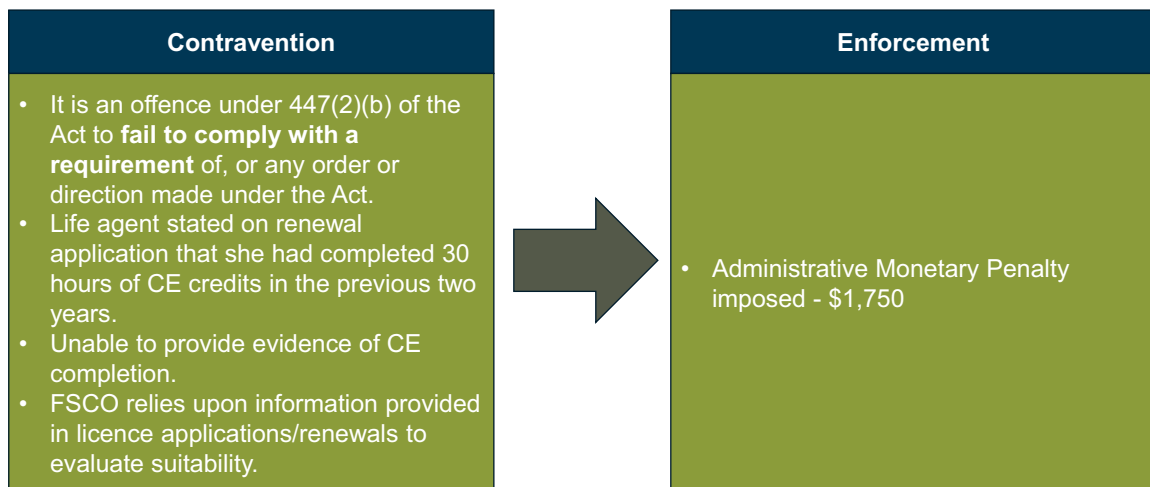
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FALSE INFORMATION ON APPLICATION FORMS: EXAMPLE



28

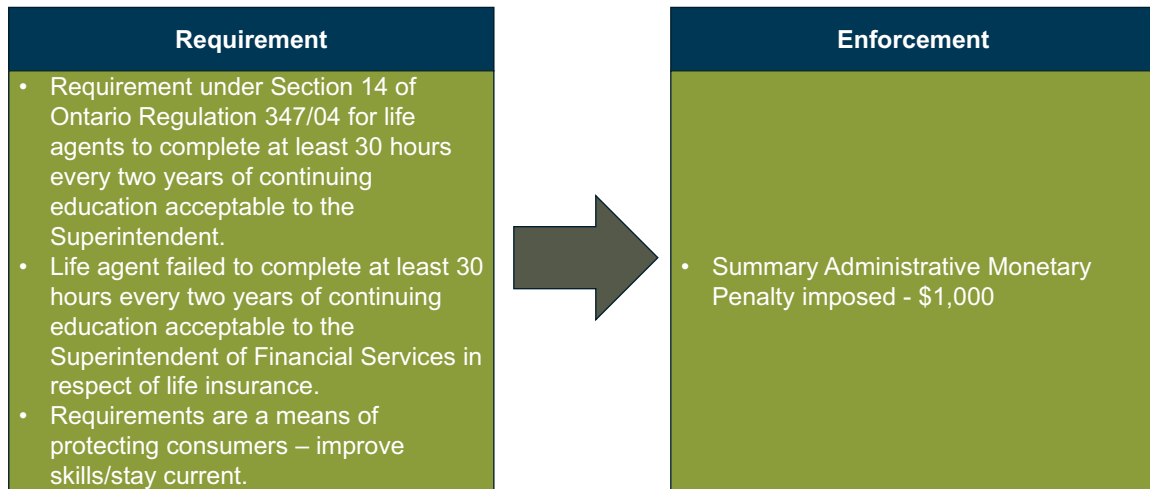
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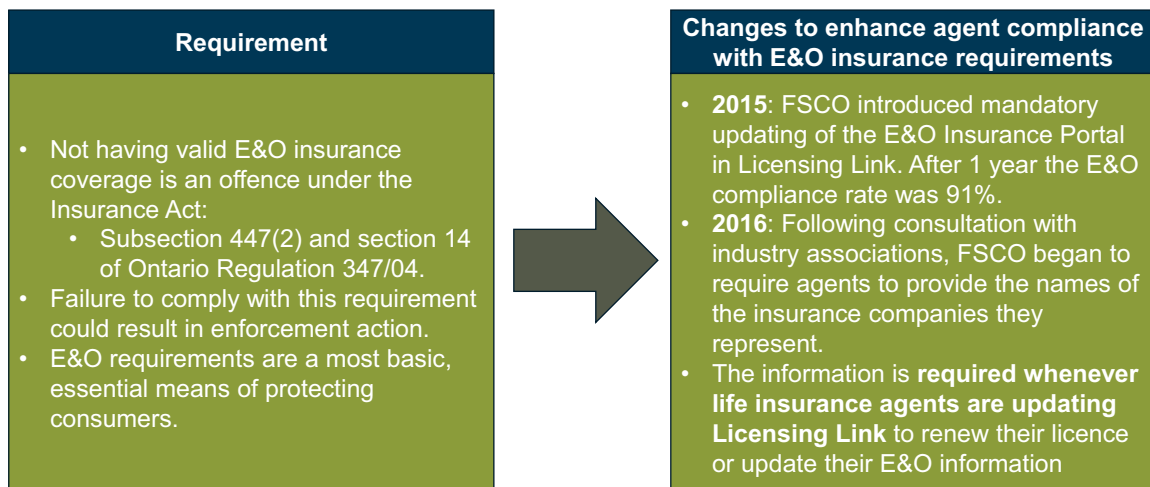
CONTINUING EDUCATION CREDITS: EXAMPLE



29

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ERRORS & OMISSIONS (E&O) INSURANCE



30

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MONITORING E&O

- Insurers have responsibility for oversight.
- The Licensing Link changes mean insurers can obtain relevant E&O information from FSCO.
 - Life insurance companies can download the list of life insurance agents that have indicated they represent them.
 - Includes FSCO's record of the E&O expiry date for each life agent.

Note: Companies are only able to see the names of life insurance agents who have contracts with them. They are not able to see the names of the other companies life insurance agents represent.

31

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OUTCOME TO DATE

Errors and omissions compliance rate has increased from 91% to 94.5%.

- ✓ Increased insurer compliance with legislative requirements
- ✓ Increased life insurance agent compliance with legislative requirements (E&O)
- ✓ As the rate improves, FSCO will be able to focus regulatory efforts on other key areas

32

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FAILURE TO DISCLOSE CONFLICTS OF INTEREST- NEW ISSUE

Insurance Act Ontario Regulation 347/04 – Agents s. 16. Conflicts of interest

An agent who holds a life insurance licence shall disclose in writing to a client or prospective client any conflict of interest or potential conflict of interest of the agent that is associated with a transaction or recommendation.

- During recent FSCO examinations it was revealed that some agents are either unaware and/or do not comply with this requirement.
- Potential AMP of \$3,000 for agents.
- Insurers also have oversight responsibility under section 12 of Ontario Regulation 347/04 to ensure agents make required disclosures.

33

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INSURANCE SECTOR ENFORCEMENT ACTIONS

- FSCO takes appropriate regulatory action when there is non-compliance with legislation.

Administrative Monetary Penalties against insurance companies in 2016

- 13, a total of over \$301,354

Enforcement actions against insurance agents in 2016

- 27 Administrative Monetary Penalties,
- Total of over \$58,322
- 11 refusals
- 7 revocations
- 4 suspensions
- 1 Cease & Desist Orders

Enforcement actions against insurance agents in 2017 (up to June 30, 2017)

- 9 Administrative Monetary Penalties, a total of over \$29,200
- 8 refusals
- 4 revocations
- 3 suspensions
- 2 Cease & Desist Orders

34

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Be/stay compliant!

Thank you

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Investigations Unit update

Graham George
Investigator, FSCO Investigations Unit

ENFORCEMENT ACTIVITY

The Investigations Unit

- Assist in determining suitability of new applicants for licensing
- Investigate allegations of breaches of all Acts regarding individuals and/or companies

37

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INVESTIGATIONS ACTIVITIES

How does the work get to us?

MRAU / LU



IU

38

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ENFORCEMENT ACTIVITY

Investigation files

- All of 2016
 - 117 Investigations
 - 48 insurance related (41%)
- Jan 1 to Oct 12, 2017
 - 152 investigations
 - 63 insurance related (41%)

39

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ENFORCEMENT ACTIVITY

Working with other regulators

FSCO has established written agreements for information sharing and mutual assistance with investigations.

- Mutual Fund Dealers Association of Canada
- Investment Industry Regulatory Organization of Canada
- Real Estate Council of Ontario
- Looking to establish others where appropriate

40

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ENFORCEMENT ACTIVITY

Internal cooperation

- Compliance officers
 - Assist when required for complaints under review
- Senior compliance officers
 - Division of responsibilities as compliance issues become investigations
- Legal Services Branch
 - Preparation of reports, service of documents and Orders, follow up investigations as required

41

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ENFORCEMENT ACTIVITY

Major file case management

- Complaints that require immediate action are triaged by Market Regulation Branch, Licensing Branch, Investigations Unit and Legal Services Branch
 - Directing of adequate resources, distribution of responsibilities combined with legal advice

42

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INVESTIGATIONS ACTIVITIES

What we require

- LARF with accompanying documents to support
- If interviews are conducted, digital file or transcribed statement
- Identification of who would be insurer's witness in proceedings
- Witness statements

43

ENFORCEMENT ACTIVITY

How have Administrative Monetary Penalties (AMPs) affected the investigation role?

- Provincial Offences Act charges
 - Person is entitled to protection under the Charter of Rights and Freedom
- AMPs
 - Regulatory requirement to cooperate with investigation as a condition of licensing

44

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45

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Q&A

Regulating in the changing landscape

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2017 Financial Literacy Month Campaign

Life and Health Insurance

OBJECTIVES

- In November 2017 increase awareness and understanding of 25-34 year olds regarding:
 - the principles of life and health insurance
 - how to assess and select the options that suit their needs and life stages, and
 - the rules that govern the sale of life and health insurance in Ontario.
- In November 2017 enable FSCO's insurance sector to share FSCO materials with consumers.

TARGET AUDIENCE

- Mature millennials (25-34) experiencing life's milestones
- Professions
- Other stakeholders

49

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STRATEGY

- Integrated marketing communications plan – digital first
- Disrupt social lives
- Educate, not sell
 - If you're thinking of buying, here's information
- Apply behavioural economics insights
 - Need education + self-awareness tools to help them act in a way that improves their financial wellbeing

50

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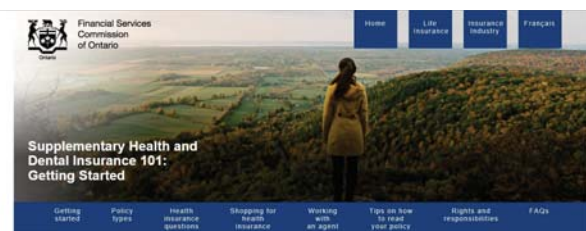
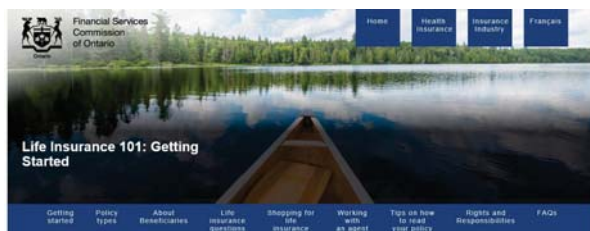
SHORT OMNIBUS SURVEY - NEWS RELEASE

- 47 per cent of respondents have life insurance, while 61.4 per cent have supplementary health insurance
- Only 41.7 per cent of millennials with a supplementary health insurance plan agreed they fully understood their policy.
- Only 48.6 per cent of millennials with a life insurance plan agreed they fully understood their policy.
- Of those who did not have life insurance, cost (37.8 per cent), “unnecessary” (13.5 per cent), and “have never looked into it” (10.2 per cent) were the top reasons for not having a life insurance policy; and
- Of those who did not have supplementary health insurance, cost (34.3 per cent) and “employer does not offer it” (16.6 per cent) were the top reasons for not having a supplementary health insurance policy.
- News release distributed on wire on November 1, available on FSCO website

51

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WEBSITE



52

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RISK ASSESSMENT QUESTIONNAIRE



SOCIAL MEDIA ENGAGEMENT



+ 2 #FinLitChats

VIDEOS



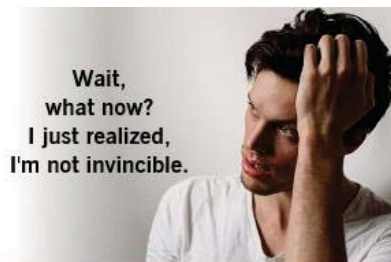
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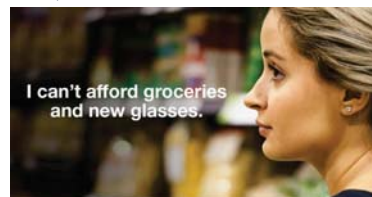
ADVERTISING – WAIT, WHAT NOW?



Considering life, health or
dental insurance?
What you need to understand.



Wait, what now?



Considering supplementary health insurance?
What you need to understand.
www.fSCO.gov.on.ca/health

Wait, what now?



Considering life insurance? What you need to
understand. www.fSCO.gov.on.ca/life



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56

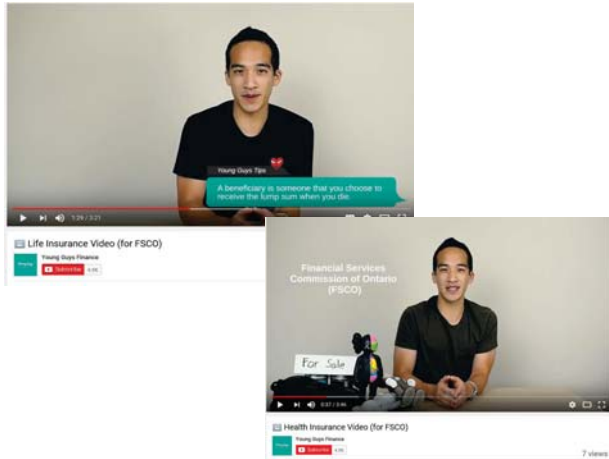
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YOUTUBER INFLUENCER VIDEOS

Young Guys Finance



Shawna Howson (Nanalew) 723,000 followers



57

57

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#FSCOASKTHE EXPERTS

LMCD +



58

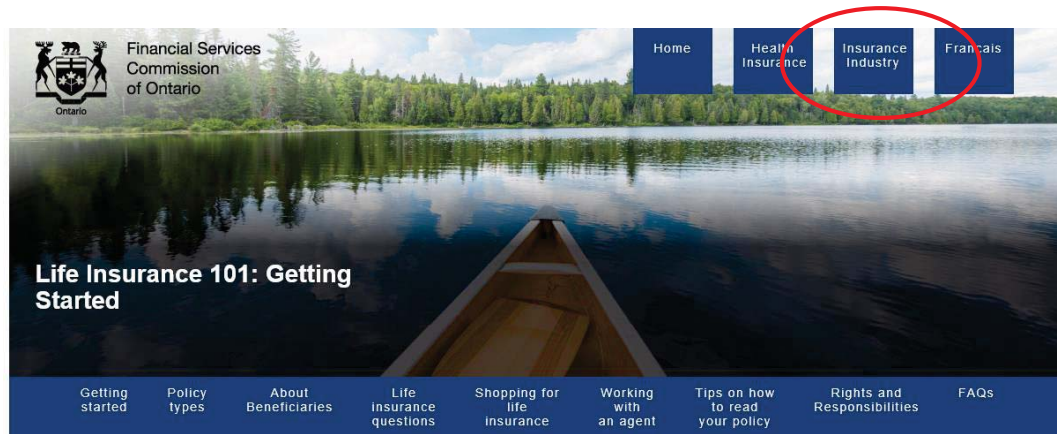
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INDUSTRY RESOURCES



59

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Questions?

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Market Conduct Symposium Life and Health Insurance

FSCO new initiatives

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FSCO Fintech action plan

Eric Tsui
Senior Licensing Approvals Officer

HERE TO HELP YOU

- Do you support or fund a company that is developing a financial services platform (fintech)?
- Are you a fintech developing a financial service platform?

You may need to comply with the legislation in Ontario that governs financial services. FSCO regulates insurance, mortgage brokering, loans and trust and credit union sectors in Ontario.

Contact FSCO to understand the legislation and how FSCO regulates these sectors.

We are here to help you.

63

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FSCO FINTECH ACTION PLAN



FSCO's Fintech Action Plan:

- Supports FSCO strategic outcome "Be proactive with respect to industry transformation and new technologies"
- Aligns with FSCO Statement of Priorities theme on emerging financial technology (fintech)
- Builds collaboration between program areas and policy to foster transformation in regulated industries and better regulation
- Provides a central point of access to information on fintech innovation for the regulated sectors, including collaboration with other regulators
- Facilitates transformation and innovation in FSCO's culture

64

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FSCO'S FINTECH ACTION PLAN APPROACH

FSCO's Fintech Action Plan approach:

- Fintech Engagement Framework will help build the platform for FSCO's Fintech Action Plan
- FSCO will not compromise the underlying principles of regulation of financial products and services.
- FSCO will continue to prioritize measures that:
 - protect the public interest; and
 - enhance confidence in its regulated sectors
- Action Plan will guide FSCO to support fintech-enabled businesses to bring digital financial services and products to Ontario consumers.



ELEMENTS OF THE FINTECH ACTION PLAN

Vision: guided by our focus on consumer protection, FSCO will support Fintech-enabled businesses to bring digital financial services and products to Ontario consumers.

Outreach	Engage	Innovate	Supervise	Learn
<ul style="list-style-type: none"> • Support the government's innovation vision • Inform what activities trigger a licensing / registration filing requirement • Inform on expectations for fair treatment of consumers (FTC) • Create an on-line presence to serve as a focal point of outreach 	<ul style="list-style-type: none"> • Connect through channels chosen by fintechs • Understand business activities and discuss regulatory touch points • Develop relationships by tapping into Ontario fintech innovation ecosystems 	<ul style="list-style-type: none"> • Identify and evaluate case-specific regulatory obstacles • Provide collaboration tools, research and best practices between FSCO and fintechs to assess business activities and compliance key issues 	<ul style="list-style-type: none"> • Innovate / adapt to find licensing / registration or regulatory compliance solution that is in best public interest • Support fintechs throughout licensing/registration process • Intervene progressively in cases of non-compliance 	<ul style="list-style-type: none"> • Opportunity for regulatory thought leadership • Assess and evaluate regulatory obstacles for policy solutions • Make recommendations for legislative or regulatory change • Revise policies and procedures to reflect lessons learned • Update the fintech framework

Thank you

67

THE INSURANCE LANDSCAPE IS CHANGING RAPIDLY. LET'S EXPAND THE CONVERSATION.



Treating consumers fairly

Mercedes Aldana
Senior Policy & Technical Lead, Financial Services Regulatory Policy

EVOLUTION OF CONDUCT OF BUSINESS REGULATION

- Discussions around financial services regulation have shifted from a predominant focus on prudential protections, towards greater scrutiny of the conduct of business of both firms and individuals.
- The protection of consumers against unfair or unscrupulous providers or tactics has always been at the heart of conduct of business regulation.
- What is “new” is the evolution in conduct of business regulation from exclusively focusing on “what is required” (compliance with statutory and regulatory rules), towards emphasis on “culture” and “doing the right thing”.

WHAT IS TREATING CONSUMERS FAIRLY?

- It is about putting the interest of the consumer first.
- It is not a one-time effort, but a continuous process that must guide each of your actions when doing business.
- It is not about having “satisfied customers” but rather about building a business culture that is consumer-centric.

INTRODUCING TREATING CONSUMERS FAIRLY GUIDELINE

- In its 2017 Statement of Priorities, FSCO made a commitment to focus on the fair treatment of consumers.
- Following up on this commitment, FSCO is planning to consult on, and introduce a Guideline to communicate its expectations to licensees regarding the fair treatment of consumers.
- Most treating consumers fairly outcomes are already contained in existing legislation or are part of accepted industry best practices.
- However, treating consumers fairly is not just about the law; it is about an ethical way of doing business, and a culture that places consumers at the centre of all business decisions.

WHY A GUIDELINE?

- Ensure there is a common understanding of what treating consumers fairly means.
- Alignment with regulatory best practices: provide guidance to help you conduct business in a way that meets FSCO's expectations.
- Alignment with international principles that have been established to enhance financial consumer protection: IAIS Insurance Core Principle 19 (conduct of business) and G20 High Level Principles on Financial Consumer Protection.

WHAT TO EXPECT?

- Treating consumers fairly is not a “one-size-fits-all” concept. How it is implemented will depend on a range of factors, including the size, ownership structure, risk profile, nature and complexity of your operations.
- Guideline will highlight key areas to help you consider the fair treatment of customers at all stages of the product life-cycle: design, marketing, advice, point-of-sale and after-sale.
- Provide you with examples of best practices that will help you demonstrate to FSCO that you are consistently treating consumers fairly particularly at those stages of the product life cycle that you contribute to.

73

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CONSULTATION DETAILS

- FSCO is planning to consult on a draft Treating Consumers Fairly Guideline in winter 2017-2018
- **Your views are important. We encourage you to provide feedback.**

74

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Thank you

75

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Q&A

New initiatives

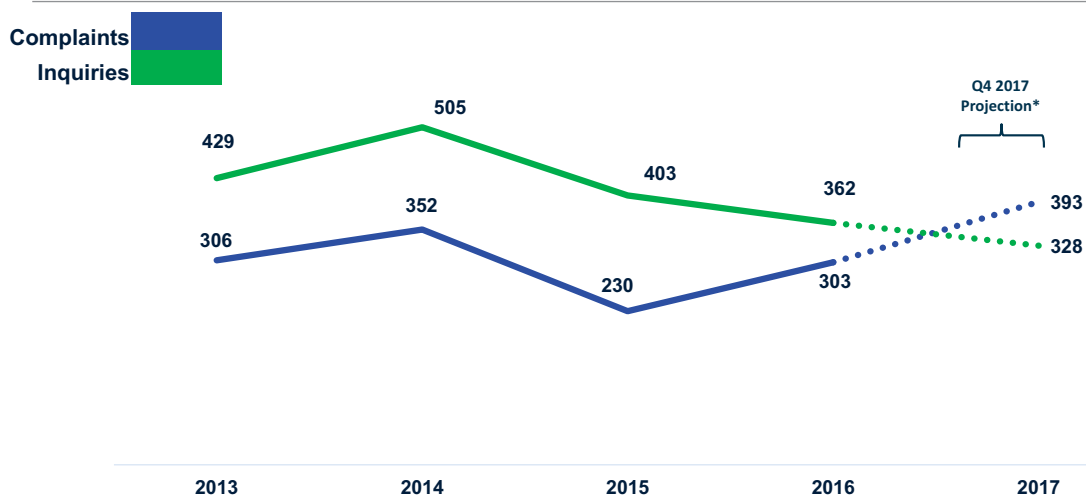
76

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Complaint statistics

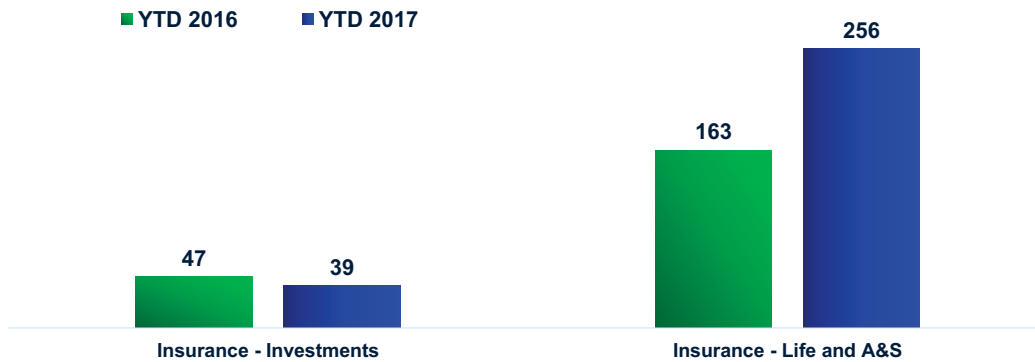
Wendy Horrobin
Senior Manager, Market Risk Assessment

L&H AND INSURANCE INVESTMENT TOTAL COMPLAINTS AND INQUIRIES: 5-YEAR TREND



*Months of October, November and December 2017 are projected.

L&H AND INSURANCE INVESTMENT COMPLAINTS: VOLUME ANALYSIS

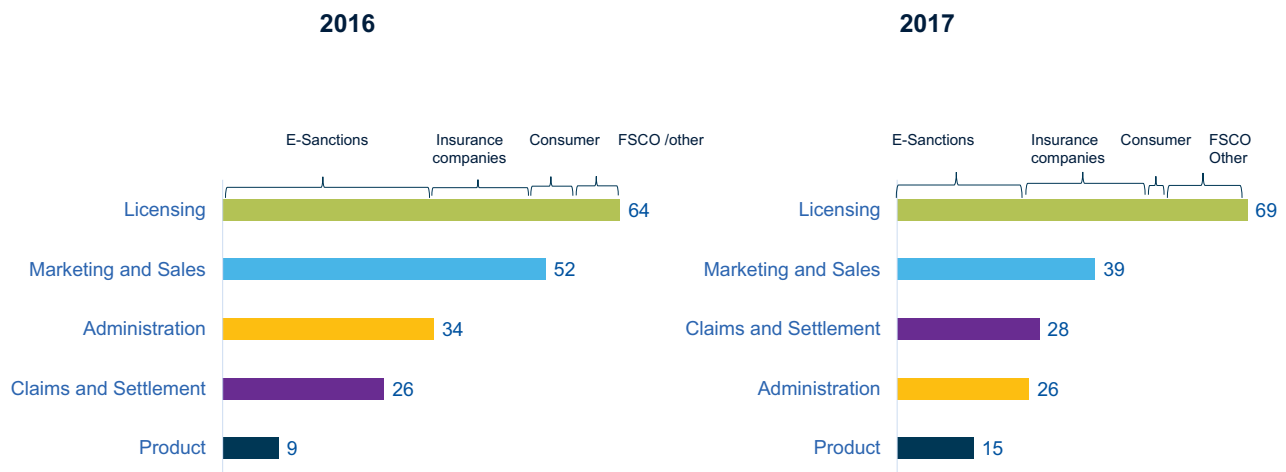


Data from January 1 to September 30, 2016 and 2017

79

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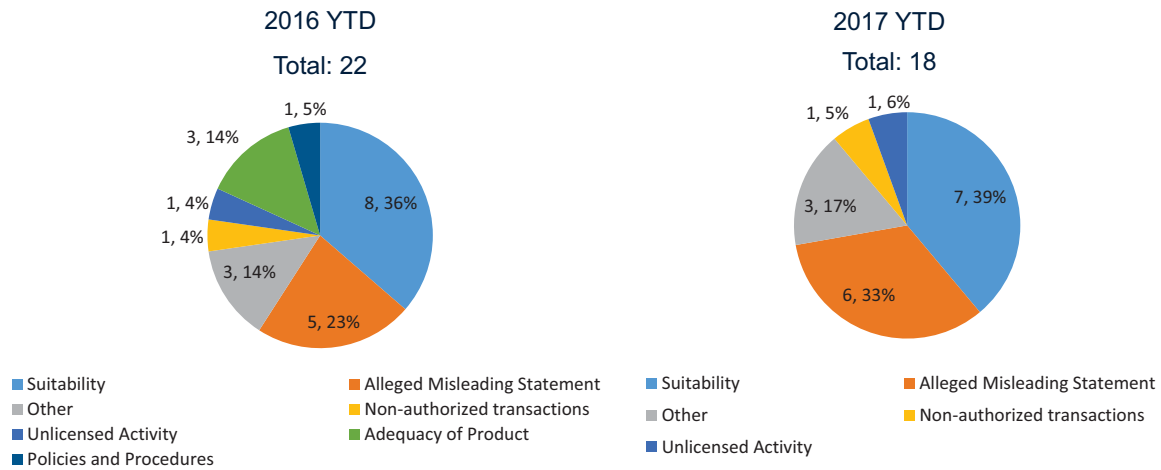
L&H AND INSURANCE INVESTMENT COMPLAINTS: YEAR-OVER-YEAR CAUSES OF COMPLAINT



80

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LARF COMPLAINTS

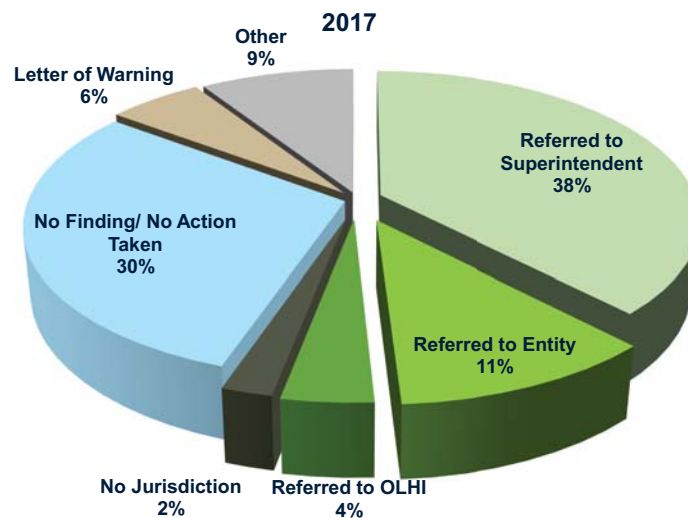


- Data from January 1 to September 30, 2016 and 2017.

81

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L&H AND INSURANCE INVESTMENT COMPLAINTS: OUTCOMES (CLOSED FILES ONLY)



82

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FSCO ACHIEVES ALL QUALITY STANDARDS ACROSS THE SECTORS

Complaints quality standards	Fiscal 2016/17	Fiscal 2017/18 (YTD)	
80% closed with 75 Days (consumer)	86%	80%	✓
90% closed within 150 days	94%	92%	✓
99% Closed within 365 days	99%	N/A	✓

Inquiries quality standards	Fiscal 2016/17	Fiscal 2017/18 (YTD)	
100 % closed with 15 Days	100%	100%	✓

83

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THANK YOU / CONTACT INFORMATION

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84

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Round table discussion

Tim Barradas

Team Lead, Market Risk Assessment Unit

EXPECTATIONS

Treating your customers fairly, from before a contract is entered into, through to the point at which all obligations under a contract have been satisfied.

CASE SUMMARY

Purchase

- When purchasing life insurance, Ms. X decided on a more expensive “whole life” policy to get added features such as the cash surrender benefit. This allows the policy to be surrendered for cash value as a potential option to supplement retirement income, if the death benefit is no longer needed.

Surrender

- After 30 years of paying premiums, Ms. X requested a surrender of the policy, as she was now of retirement age.
- The cash surrender value (CSV) amount was paid as per the product illustrations and annual statements ~ \$60k.
- In the process of arranging for surrender, Ms. X learned that the *entire* amount of the cash surrender value would be *fully* taxable as income.
- The insurer’s letter accompanying the cheque outlined the tax status of the benefit.
- In addition to the large tax hit, Ms. X’s Old Age Security benefits were clawed back to \$0 due to inflated income from the CSV benefit.

Complaint allegations

- Consumer believes information provided by the insurer was insufficient to make a prudent decision as to the best time to exercise the cash surrender.
- The tax implications were unclear.
- Not sure if there was enough information at the point of sale to render this the best choice

DISCLOSURE DETAILS

- **Annual Policy Statement** provided to the policyholder by the insurer:
 - The cash surrender value amount is clearly stated and prominently placed on page 1.
 - Tax implications are less prominent and more broadly stated.
On page 5, under “Terms used in this statement”
Cash value
 - The value that we would pay to you if you cancelled your policy. This amount is reduced by any premiums due or any policy loans. There may be tax implications to cancelling your policy or withdrawing money from it.
- **Policy Surrender Form** includes a “Warning” at the top:
 - Upon surrender ... of your policy, a portion of the cash value ... may be taxed as income, which may increase your taxable income for the year. We strongly encourage you to review your situation and examine the provisions contained in your policy before you surrender this policy.”

CONSUMER COMMENTS

“How can we make an informed decision with no information”

“I am a...tax professional...How could the average person understand that they have been mistreated.”

“This was done intentionally in the best interest of the insurance company and not the client.”

89

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PRELIMINARY FINDINGS BASED ON INFORMATION PROVIDED

- Company materials do include disclosure that there ‘may’ be a tax impact on CSV.
- The formula to determine taxation is complex. In consumer’s assessment of needs and options, may not realize that the taxable portion begins to grow after about 15 years.
- Disclosure of cash surrender value is more clear and prominent than taxation information.
- If aware at an earlier time consumer would have had the option to surrender earlier or to change plans to avoid relying on the cash surrender funds.

90

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QUESTION FOR ROUND TABLE DISCUSSION

What would/do you do to ensure that you do not receive complaints such as this, taking into consideration that “treating customers fairly” means from before a contract is entered into, through to the point at which all obligations under a contract have been satisfied?

FSCO'S EXPECTATIONS THROUGH THE LIFE OF THE POLICY

Up to the point of sale

- Sales materials, illustration, advice
 - Provide customers with information that is accurate, clear, and not misleading
 - Minimize the risk of sales which are not appropriate to customers' needs
 - Ensure that any advice given is of a high quality
 - Long term predictors or illustrations of performance must be clear and not tucked away in small print
- Demonstrate that the product was suitable to the needs of the customer
 - Document the basis for which the recommendation was made
 - There is an enhanced need for clear and simple disclosure for more complex products, particularly regarding the costs, risks involved, and performance.
 - Emphasis must be made with respect to the long term nature of the product and numerous market conditions that vary over time

FSCO'S EXPECTATIONS

During the life of the policy

- Provide the customer with clear and accurate information
 - Annual statement with prominent disclosure about tax implications
 - Contact information for agent/customer service
 - Advise the customer of their obligation to monitor coverage – including a statement, where relevant, that the customer may need to review and update the cover periodically to ensure it remains adequate
- Customer had access to quality advice
 - Insurer to provide continuous training programs to intermediaries and customer service representatives
 - Regular touchpoints to discuss current portfolios are set between insureds and intermediaries/agents

FSCO'S EXPECTATIONS

At time of policy surrender

- Clear information provided
 - Surrender form prominently displays tax implications and/or other necessary information
 - Encourage understanding of implications before surrender
- Quality advice available
 - Customer service continually provided updated training/scripting
 - Advisor continually provided updated training/scripting

FSCO'S EXPECTATIONS

Complaint stage

- Complaints are handled in a fair and timely manner.
- Insurers and intermediaries should analyze the complaints they receive to identify trends and recurring risks. Analysis of what leads to individual complaints can help them to identify, and enable them to correct, common root causes.
- Lessons learned through policy servicing and complaint handling can be used to enhance products and sales materials, as well as training, to correct problems noted.

FSCO'S EXPECTATIONS

Put the interests of the consumer first – consider what you would expect or need if you were the consumer.

Treating your customers fairly, from before a contract is entered into, through to the point at which all obligations under a contract have been satisfied.

Questions?