

**Summary of Meeting between CAFII and Board Members of the Financial Services Regulatory Authority (FSRA) of Ontario, 11am-12pm, Tuesday, 6 March, 2018**

A CAFII delegation met with the three founding members of the Board of the Financial Services Regulatory Authority (FSRA) of Ontario, from 11am-12pm on Tuesday, 6 March, 2018. The meeting was held at the temporary offices of FSRA at 130 Adelaide Street West, Toronto, Ontario.

**Attending From CAFII were:**

Pete Thorn, TD Insurance and EOC Chair  
John Lewsen, BMO Insurance  
Sue Manson, CIBC Insurance  
Huma Pubani, TD Insurance  
Brendan Wycks, Co-Executive-Director, CAFII  
Keith Martin, Co-Executive-Director, CAFII

**Attending From FSRA were:**

Bryan Davies, Chair, Board of Directors, FSRA  
Judith Robertson, Board Member, FSRA  
Kathryn Bouey, Board Member, FSRA

The meeting was notable for the open and vibrant dialogue. The FSRA board members, led by Mr. Davies, said they wanted to listen and hear from CAFII on our priorities. They asked questions, were engaged, took notes, and were very open and forthcoming in their responses.

They emphasized that consultation was critical for FSRA to succeed, both prior to its formal launch as well as when it is up-and-running as Ontario's new financial services regulator.

CAFII mentioned that it is expanding its membership, will focus more on research in future, and has launched a new website that is consumer-focused. Mr. Davies said that CAFII's research outputs would be valuable to FSRA. He also said he was interested in our new website, took down the URL address, and said he would visit it.

CAFII emphasized its efforts to engage with insurance regulators and policy-makers in all the provinces regularly, and Mr. Davies supported that. Judith Robertson said that financial and insurance industry regulations should not be hastily developed in response to a crisis, but should be the result of careful deliberations. She said regulators often feel at a disadvantage in terms of knowledge relative to those who work in the industry, and that successful regulation requires speaking to, consulting with, and listening to the expertise and knowledge of those in the industry.

CAFII emphasized that the insurance sector has unique characteristics, especially life and health insurance, and that a top priority for our Association was for the FSRA Board (of up to 11 Directors, under the enabling legislation) to include at least one Director with a strong background and/or expertise in the health and life insurance industry, who could share his/her expertise in Board deliberations. There was head-nodding and agreement from the three FSRA Board members on this recommendation.

Mr. Davies said that while the Ontario government appoints FSRA's Board members, recommendations for new Director appointees are made to the government by the existing Board members.

Furthermore, Mr. Davies advised, in a departure for the Ontario government from its usual practice up to this point in time, the founding CEO of FSRA, a position which is currently being recruited for, will be appointed directly and solely by the FSRA Board. Mr. Davies added that with the appointment of three additional FSRA Directors that very morning, there were now six members of the FSRA Board; and with the enabling legislation allowing for up to 11 Directors; there will be further appointments. *(One additional FSRA Director, Lawrence Ritchie, was announced on March 20/18, bringing the current total to seven (7).)*

Mr. Davies indicated that FSRA Director appointments are for two years, twice renewable (up to 6 years tenure, in total). The Ontario government will probably start to stagger the appointments for the remaining Director appointees. Mr. Davies will ask for his appointment to be extended by at least one year, so he can provide continuity in working with the founding CEO. The FSRA Board very much wants a CEO to be in place as soon as possible—and hopefully no later than the summer of 2018—so that they as Board members can move from being “managing directors” who are “running the place” to a more appropriate role as governance authorities overseeing management, without having operational involvement in the day-to-day running of the organization. *(See Appendix A for a list of the four recently appointed FSRA Board members, including recent CAFII Annual Members Luncheon speaker Richard Nesbitt.)*

In commenting on the recently posted recruitment advertisement for the founding FSRA CEO, Mr. Davies noted that they were looking for someone “who can walk on water.” He added that “it takes two to dance” and that perhaps they will love someone who does not love them back—or who does not love government salaries, noting that while FSRA has some leeway to operate outside of strict government pay bands, the salary for the role cannot match what comparable CEO positions in the private sector typically pay, i.e. “what your industry pays.” These comments and the tone in which they were delivered reinforced an impression that FSRA is looking for a leader with a strong private sector background. *(See Appendix B for the FSRA CEO job description.)*

Mr. Davies made a pointed comment in response to a CAFII comment that while we supported FSRA having rule-making authority, it was critically important that FSRA continue FSCO's model of using a principles-based approach in its regulation of the insurance industry. Mr. Davies said that the bedrock beneath any rules-making authority had to be a principles-based regulatory philosophy, and that not only does he not see any conflict or dichotomy between the two, he firmly believes that rules-making authority requires the foundation of a principles-based approach to regulation beneath it, if it is to be successful.

On the matter of consultations with the industry, it was mentioned that CAFII participates in a recently created Life Insurance Industry Working Group at FSCO, and that we encouraged that kind of consultation process as it did not seek our views just prior to the launch of a regulatory initiative, but rather began the conversation earlier and allowed for dialogue and exploration of emerging issues. Mr. Davies and his fellow FSRA Board members indicated their support of that type of approach.

It was noted by Ms. Robertson that there had been a dramatic under-investment in technology at FSCO, and that reversing this and investing in new technologies would be a key priority for the FSRA Board and its CEO and management team. Mr. Davies noted that this included investing in programs and technologies that made it easier for the regulator to know proactively and early on where there were behaviours inconsistent with the regulations.

Mr. Davies confessed to having a knowledge gap about whether provincially regulated insurance companies whose parents are federally-regulated banks were themselves subject to federal regulations; and, in that connection, he queried whether the FCAC's investigation of the alleged aggressive sales tactics of banks had touched CAFII members and their insurance operations. It was explained that banks' sales of insurance was not the principal focus of the FCAC investigation, but it would be relevant to the insurance arms of banks if any inappropriate sales practices touched on CGI or other products that CAFII members distribute.

CAFII's representatives emphasized how important it was for the provincial insurance regulators to take a nationally harmonized approach to their work. CAFII urged FSRA to play a leadership role in this, and in promoting CCIR's efforts to have a nationally coordinated approach, where possible, to regulation.

Mr. Davies mentioned that he had thought, dating back to conversations five years ago or so, that CCIR was not particularly effective; and in response to our suggesting that currently it was a very effective and important player in the regulatory space, he said he was pleased to hear that and would encourage further efforts on harmonization.

It was mentioned that CCIR and FSCO were simultaneously developing guidelines on treating consumers fairly, and that this was an example of nearly identical but yet separate and seemingly unharmonized initiatives that might be better developed in a co-ordinated fashion. The FSRA Board members listened attentively to this example and took notes about it.

CAFII mentioned that there were dramatic changes taking place in the industry, with new technologies, and the emergence of potentially disruptive new entrants. Consumers were increasingly open to securing insurance coverage through new channels including the internet and digital devices; and giving consumers a high degree of choice in how they can access insurance products and services was a primary policy of our Association.

Mr. Davies agreed that there was dramatic change taking place and said that a successful FSRA had not just to be relevant today, but needed to be structured so that it could adjust to the world in five years. He stressed that FSRA's mandate to be a more responsive and decisive regulator, with more authority to respond to new developments independent of government oversight, was in response to that requirement. He said that given the pace of change in the industry, it was more important than ever for Ontario's new financial services regulator to be in close touch with industry.

It was noted that Quebec's AMF, among Canada's provincial/territorial insurance regulators, has traditionally been the most engaged with international bodies such as the International Association of Insurance Supervisors (IAIS) -- partly because there was a desire in Quebec to be represented on such international bodies, but importantly because the AMF was so well-supported and had more resources and deeper budgets than other provincial regulators. With FSRA gaining additional authority and becoming a potentially better resourced organization than FSCO has been, it was suggested that FSRA might play a larger role in the international space, as would be befitting for the province with Canada's largest populace and economy. All three FSRA Board members seemed interested and positive about that idea, and Ms. Robertson said that this was definitely one of the areas FSRA should explore.

In conclusion, Mr. Davies that there was no need to "blow up FSCO" and that there was expertise and historical knowledge in that organization that made it worthwhile to migrate much of the talent from FSCO to FSRA. In addition, there were collective agreements in place with FSCO staff that would need to be respected; FSRA would not be building its new mandate from a blank slate.

In response to CAFII's directly extended invitation, Mr. Davies indicated that he was interested in our invitation to be the guest speaker -- on FSRA's progress, plans, and priorities -- at one of the Association's two upcoming Receptions events in Toronto, on either Tuesday, April 17/18 or Tuesday, June 5/18. He said that if FSRA's founding CEO was appointed and had started in the job by then, he would try to have him or her come with him and the two of them could jointly speak at the CAFII event, in a tag-team approach.

*For further details, see Appendix A for the announcement of three new FSRA Directors; and Appendix B for the FSRA job recruitment advertisement.*

## **Appendix A**

<http://www.fsrao.ca/en/news-and-updates/announcement>

### **Announcement**

#### **March 6, 2018: FSRA Announces New Board of Directors Appointments**

Bryan Davies, Chair, is pleased to announce the following appointments to the Financial Services Regulatory Authority (FSRA) Board of Directors:

- Blair Cowper-Smith is a former Partner at McCarthy Tetrault where he held leadership roles including board membership and the leadership of professional teams including private equity. In addition, he is former Executive Vice-President and Chief Corporate Affairs Officer at OMERS. Mr. Cowper-Smith's community involvement includes being Director of the Face the Future Foundation, former Director of the Heart and Stroke Foundation, and former Director and Co-Founder of the Canadian Coalition for Public Private Partnerships. Mr. Cowper-Smith holds a Bachelor and Master of Laws degree from Osgoode Hall Law School.

- Brigid Murphy has held a number of senior positions at Travelers Canada, including Vice-Chair, and President and CEO. In addition, she is former Director of General Insurance Ombudservice and former Director of the Insurance Bureau of Canada. Ms. Murphy's community involvement has included being Chair of the Board and of the Executive and Fundraising Committees of the George Hull Centre for Children and Families, and volunteering with the United Way.
- Richard Nesbitt is CEO of Global Risk Institute in Financial Services, which is building a globally recognized research organization in management of emerging risks. He is also a Visiting Professor at the London School of Economics, United Kingdom, an Adjunct Professor at the Rotman School of Management, University of Toronto, and Chair of the Advisory Board of the Mind Brain Behaviour Hive at the University of Toronto. At Rotman, Mr. Nesbitt created and teaches a course entitled "How Banks Work: Management in a New Regulatory Age". An active public speaker, he presents on the topics of risk management and securities market structure. Mr. Nesbitt co-published (with Barbara Annis) "Results at the Top," a book on the issue of men's responsibility for gender diversity to improve their organizations (Wiley 2017).

The new members join three founding board members appointed when FSRA was established in June 2017 - Bryan Davies, Kathy Bouey and Judith Robertson.

"We are pleased to welcome Blair, Brigid and Richard to the FSRA Board of Directors. Their unique financial services, governance and regulatory knowledge and expertise will help FSRA deliver on its mandate as a modernized, adaptive financial services regulator. Strong strategic leadership, oversight and sector experience is essential to building the regulator of the future," said Board Chair Bryan Davies. Biographical information on all Directors is available on the Governance section of the FSRA website at [www.fsrao.ca/en/governance](http://www.fsrao.ca/en/governance).

March 20, 2018: Bryan Davies, Chair, is pleased to announce that Lawrence E. Ritchie has been appointed to the Financial Services Regulatory Authority (FSRA) Board of Directors. Mr. Ritchie is a partner at the law firm of Osler, Hoskin and Harcourt LLP. He chairs Osler's cross-disciplinary Risk Management and Crisis Response national practice and co-chairs its Securities Regulatory Enforcement and Broker-Dealer litigation practice. One of the leading securities litigators in Canada, his practice involves dispute avoidance and resolution across a range of capital markets, the financial sector, and other regulated industries and activities, as well as advising clients on class actions, capital markets enforcement and regulatory investigations and related matters.

He has served in a number of positions at the Ontario Securities Commission, including Vice-Chair and member of the Commission, member of the board of directors and executive management and adjudicative committees, and a secondment to the Canadian Securities Transition Office as its Executive Vice-President and Senior Policy Advisor. He represented the OSC at national and international bodies and organizations and, in particular, on the Joint Forum of Canada's Financial Regulators, the North American Securities Administrators Association, and at the International Organization of Securities Commissions. Mr. Ritchie was a member of the Expert Panel Review of the Mandates of the Financial Services Commission of Ontario, Financial Services Tribunal and the Deposit Insurance Corporation of Ontario.

The other FSRA board members are Bryan Davies (Chair), Kathy Bouey, Blair Cowper-Smith, Brigid Murphy, Richard Nesbitt and Judith Robertson. Detailed biographical information is available on the Governance section of the FSRA website at [www.fsrao.ca/en/governance](http://www.fsrao.ca/en/governance).

“We are pleased to welcome Larry to the FSRA Board of Directors. His extensive financial services, governance and regulatory knowledge and expertise will help FSRA establish and deliver on its mandate as a modernized, adaptive financial services regulator,” said Davies.

### **About FSRA**

FSRA is a new, independent regulatory agency created to improve consumer and pension plan beneficiary protections in Ontario. It was established on the recommendation of an independent expert advisory panel that reviewed the mandates of the Financial Services Commission of Ontario (FSCO), the Financial Services Tribunal (FST) and the Deposit Insurance Corporation of Ontario (DICO).

When operational, FSRA will be an innovative, flexible, self-funded regulator capable of responding to the dynamic pace of change in marketplace, industry and consumer expectations. It will regulate many sectors that are important to Ontario consumers and pension plan beneficiaries: property and casualty insurance; life and health insurance; credit unions and caisses populaires; loan and trust companies; mortgage brokers; health service providers (related to auto insurance), and pension plan administrators. At this time FSRA is establishing its organization and developing a transition plan to assume regulatory functions currently under the auspices of other agencies.

For more information, visit [www.fsrao.ca](http://www.fsrao.ca) or contact [inquiries@fsrao.ca](mailto:inquiries@fsrao.ca).

### **Appendix B**

<https://www.odgersberndtson.com/en-ca/opportunities>

(under Tab 4 of at least 6 current position tabs at the bottom)

#### **Chief Executive Officer – Financial Services Regulatory Authority of Ontario, Toronto ON**

In early 2015, Ontario’s Minister of Finance appointed an expert Advisory Panel to review the mandate of three agencies important to the financial well-being of Ontarians: the Financial Services Commission of Ontario (FSCO), the Financial Services Tribunal (FST), and the Deposit Insurance Corporation of Ontario (DICO). The Final Report recommended significant reforms to the regulatory landscape, including the establishment of a new, independent and flexible regulator.

Based on the Panel’s recommendations, legislation in the 2016 Ontario Economic Outlook and Fiscal Review establishes the initial parameters for the Financial Services Regulatory Authority of Ontario (FSRA), governed by an independent Board of Directors. For more information, visit [www.fsrao.ca](http://www.fsrao.ca).

The FSRA Board's immediate priority is the appointment of a Chief Executive Officer (CEO) to lead the formation and development of an institution that will establish a world-class regulatory system within Ontario's financial services and pension sectors. This is an extraordinary opportunity to play an integral part in shaping a regulatory framework that will enable market participants to respond more effectively to the dynamic changes occurring in the marketplace, and to develop and implement structures and processes to enhance financial services regulation and consumer protection.

Success in this groundbreaking role will require a decisive leadership style in both strategy and execution. The CEO will have superior communications skills and the drive/energy to move multiple projects forward in a fast moving, fluid and evolving environment. This is a complex undertaking, calling for a sophisticated executive with an understanding of regulatory environments and financial services, strategic and operational skills, and proven experience in creating a new organization or facilitating the merger of existing entities.

For more information, please contact: michael.henry@odgersberndtson.com. If you wish to be considered for this position, please submit your cover letter and resume in confidence online below.