



The Canadian Association of  
Financial Institutions in Insurance

# FSRA Board of Directors Stakeholder Advisory Committee - Life and Health Insurance – 28 November, 2019, FSRA Executive Offices

*CAFII's Comment on FSRA's  
Draft Fiscal Year 2020-21  
Priorities and Budget*

**Making Insurance Simple and Accessible for Canadians  
Rendre l'assurance simple et accessible pour les Canadiens**

# ABOUT CAFII: Who We Are

Non-profit industry Association dedicated to development of an open and flexible insurance marketplace.

Established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels.

# ABOUT CAFII: Who We Are

CAFII members offer credit protection insurance; travel insurance; other types of life and health insurance; and, in some cases, property & casualty insurance across Canada. Credit protection insurance and travel insurance are product lines of primary focus for CAFII as members' common ground.

CAFII members offer insurance through financial institution branches; client contact centres; the internet and other digital channels; direct mail; and, in some cases, agents and brokers (including travel agents for travel insurance).

# CAFII's Membership is Comprised of Seven Financial Institutions (Bank and Credit Union Distributors) and Five Insurers / Underwriters of Credit Protection Insurance

## Financial Institutions



## Insurers



# CAFII Congratulates FSRA on a Successful Launch

- CAFII congratulates FSRA's management team and Board on a relatively seamless and successful launch as Ontario's new financial services regulator, and on already achieving a number of the key milestones related to 2019-20 Priorities.
- A highly competent and experienced FSRA executive team has been appointed and is tackling the operational and strategic challenges of a start-up regulator with an ambitious transformation mandate.

# CAFII Supports Burden Reduction

- CAFII strongly agrees that a regulatory framework that imposes unnecessary costs (e.g. by not being risk based and evidence-based), or has unclear or unnecessary guidance and requirements, can negatively impact Ontario's economy, regulated businesses, and individual Ontarians.

# Priority 1.1 Review Inherited Guidance

- We agree that a well-designed, consistent and unambiguous guidance framework with relevant guidance documentation for regulated entities contributes to operational efficiency and reduced burden.
- We are also pleased that the Agency has set up a consultation opportunity around the New FSRA Guidance Framework and we intend to provide comments to you on it by the January 31, 2020 deadline.

## Priority 1.2 Establish Meaningful Service Standards

- We support this FSRA priority which calls for the Agency to work with stakeholders to develop and implement service standards that will measure its effectiveness in meeting objectives, including responsive processing of regulatory matters in a timeframe that supports the cost-effective delivery of financial services to consumers.



## Priority 2.1 Protecting the Public Interest

- Our Association is very encouraged by FSRA's clear recognition that consumers' expectations for choices and services are high and continuing to elevate, which is driving new technologies, business models, products, and services; and we are also pleased with the Agency's commitment to embracing consumer perspectives to support innovation, investment and growth, and ensure competition and continued new product availability.

## Priority 2.1 Protecting the Public Interest

- With respect to the Refreshed Milestone of “Develop and publish consumer profiles on sector-specific issues,” we strongly encourage FSRA to consult with the relevant industry stakeholders – and to use them as feedback/vetting sounding boards, for accuracy and context -- whenever such about-to-be-posted consumer profiles focus on a particular product or service being offered in the marketplace (e.g. term life insurance, universal life insurance, whole life insurance, credit protection insurance, travel medical insurance).

## Priority 2.2 Enable Innovation

- CAFII strongly agrees with FSRA's observations that older, inflexible regulatory frameworks hold back innovators and limit consumer choice and the economic benefits of industry competition and innovation. CAFII's members are indeed concerned about future disruption and falling behind in a rapidly changing business environment, and about the extent of available support for technological advances that enable new business models and products.
- Therefore, we are pleased to see that the three articulated objectives for FSRA's Innovation Office relate to imbuing FSRA with an "open for business" approach and supporting opportunities to foster innovation and business transformation.

## Priority 2.2 Enable Innovation

- CAFII is strongly of the view that FSRA should indeed have a concrete and specific mechanism in place which gives innovators and disruptors an initial “lighter regulatory touch” to allow them to test their new product/service offering or business model and confirm its viability before launching to market. Similarly, lighter touch regulatory relief for the new products, services, distribution channels, etc. of established industry players would also promote innovation and be beneficial to consumers.

## Priority 2.3 Modernize Systems and Processes

- Our Association strongly encourages FSRA to take advantage of this priority and the resources that will be dedicated to it in order to “leapfrog” to the achievement of a grander vision which will deliver greater benefits to the industry and consumers. One example of the bigger picture thinking we advocate for FSRA is in the area of licensing. While we applaud the related Life & Health Insurance Sector specific priority of “improve licensing effectiveness and efficiency” we also believe that that is something that can be most effectively accomplished at an interjurisdictional, national level.

## Priority 2.3 Modernize Systems and Processes

- Nearly all CAFII members' products and services are offered nationally, even if they are regulated provincially/territorially, and the same is true of the vast majority of the life and health insurance industry. A national insurance licensing system would be a tremendous efficiency boost for the industry. In our view, FSRA's current opportunity to invest in new IM/IT systems – now that it has left the Ontario government's shared services model and is investing in its own technology infrastructure, software, and processes – is the ideal moment to push for such a national licensing system.

## Priority 3.1 Transition to Principles-Based Regulation (PBR)

- CAFII strongly agrees that to be more efficient and effective, FSRA must transition to a principles-based regulatory approach to facilitate innovation and modernize its processes and systems. We congratulate FSRA on the commitment to a PBR approach which it has consistently articulated and demonstrated in the Agency's first year of operations.
- We also strongly concur with FSRA's view that meaningful consultation is central to any PBR approach. In that connection, CAFII looks forward to participating in the Agency's planned Consultation with Stakeholders around *Proposed PBR Principles* in 2020-21 (Milestone B).

## Priority 2.7 Improve Information-Sharing with Regulators

- CAFII supports this FSRA priority, particularly as we believe that addressing existing impediments and roadblocks in this area will enable FSRA, as the financial services regulator in Canada's most populous province and the economic engine of the country, to play a strong national leadership role at CCIR and CISRO. In that connection, we were encouraged to see that Huston Loke, FSRA's Executive Vice-President, Market Conduct, has become a Vice-Chair of CCIR; and we strongly advocate continued senior-level FSRA engagement in the two national co-ordinating bodies of insurance regulators in the future.



## Priority 2.7 Improve Information-Sharing with Regulators

- Similarly, we encourage FSRA to pursue, as a near-term priority, senior leadership participation on the international stage, through bodies such as the International Association of Insurance Supervisors (IAIS).

# Priority 6.1 Enhanced Market Conduct Oversight to Protect Consumers

- CAFII agrees with and supports this FSRA priority, including the initial predominant focus on the MGA distribution channel and working closely with the industry-regulatory G4 task force to consider issues and solutions in that channel.
- We are pleased by FSRA's commitment to lead in the exploration and potential implementation, at the CISRO table, of a nationally harmonized industry *Code of Conduct For Intermediaries*, recognizing that there will be meaningful stakeholder consultation on the possible Code of Conduct under FSRA's leadership at CISRO.

# Priority 6.1 Enhanced Market Conduct Oversight to Protect Consumers

- We also encourage FSRA to maintain ongoing engagement with the industry around the implementation/application of *CCIR/CISRO's Guidance: Conduct of Insurance Business and Fair Treatment of Customers*. As FSRA already appreciates, the industry strongly supports Fair Treatment of Customers, in principle and in practice, but FTC precepts are focused largely on aspects of “business culture” which are difficult to measure and demonstrate.

## 6.2 Improve Licensing Effectiveness and Efficiency

- CAFII strongly supports this FSRA priority and, in particular, we acknowledge the critical nature of developing a common process for capturing and consolidating licensing statistics and of ensuring that effective licensing processes are in place and framed around market conduct risk.
- However, we again stress that having to participate in and comply with 13 different licensing processes at the provincial/territorial level for insurance products and services that are offered to a national consumer marketplace is inherently inefficient. As a start-up regulator with enhanced powers and resources, FSRA is ideally positioned to provide national leadership towards a Canada-wide insurance licensing system.

## 6.2 Improve Licensing Effectiveness and Efficiency

- Our Association has also long-advocated the position that, if all provincial/territorial licensing bodies agree, a licensee who meets the requirements and standards to be licensed in one Canadian jurisdiction should be able to become automatically licensed in all other Canadian jurisdictions, without further cost or requirements, through a system of mutual, reciprocal recognition.
- As a contingency consideration in this area, if mechanisms cannot be put in place in the near future to allow for a harmonized, national insurance licensing system, CAFII strongly encourages FSRA to build its licensing portal with that bigger picture goal in mind, by making it scalable and capable of supporting a harmonized, national licensing system in the future.

# 2019-20 Priority 5.3 Harmonize Treating Consumers Fairly Guidance

- CAFII was very encouraged by, and fully supports, the recent indication by FSRA CEO Mark White that FSRA will shortly issue an official communication to advise that the *CCIR/CISRO Guidance: Conduct of Insurance Business and Fair Treatment of Customers* will become FSRA's own and official Guidance for the life and health insurance sector, thereby eliminating the duplication and confusion caused by having FSCO's Guideline also at play in this sector.

# 2019-20 Priority 5.3 Harmonize Treating Consumers Fairly Guidance

- This move on FSRA's part will allow the industry to focus on meeting CCIR/CISRO/FSRA's FTC expectations rather than having to devote considerable time to "exception management," driven by competing Guidance documents. We believe that this is another example of FSRA's leadership "walking the talk" and we applaud the Agency for making this reasonable and prudent decision.

# Fiscal Year 2020-21 FSRA Budget

- With respect to FSRA's proposed 2020-21 budget, CAFII members are comforted by the fact that the year-over-year overall percentage increase is a reasonable 2%. We recognize that for the Life & Health Insurance sector, the year-over-year percentage increase is somewhat above 5%, as a one-time provision to fund the hiring of additional market conduct staff expertise.
- In our view, the proposed budget demonstrates prudent and responsible fiscal management and suggests that FSRA has reasonable cost controls in place and has its fiscal house in order.



# Concluding Comments

- In conclusion, we note that while FSRA has certain rule-making authority, the extent of that authority in the life and health insurance sector is limited. CAFII believes that FSRA's securing of greater rule-making authority for life and health insurance will give the Authority the nimbleness and flexibility required to respond to industry developments more quickly. We therefore encourage FSRA to work on obtaining additional rule-making authority for life and health insurance through the appropriate government channels.

# Thank You for the Opportunity to Comment on FSRA's Priorities and Budget

*THANK YOU*