

*Agenda item 4(a)*

*EOC Teleconference August 14/18 Meeting*

**From:** Brendan Wycks

**Sent:** Thursday, August 9, 2018 3:37 PM

**Subject:** Further Re Request For CAFII Director Or EOC Member Interest In Serving On Short Term, Ad Hoc, Pre-Formal Consultation "FSRA Fee Rule Industry Advisory Group - Life and Health Insurance"

**CAFII Board and EOC Members:**

By way of update, here are the outcomes of the conference call which Keith Martin and I had on this matter with Stephen Frank, CLHIA's President and CEO, and Lyne Duhaime, CLHIA's President-Quebec and Senior Vice-President, Distribution, yesterday afternoon:

- the size of the Industry Advisory Group (IAG) – Life and Health Insurance roster which CAFII and CLHIA will jointly propose to FSRA will be comprised of eight (8) industry representatives from the two Associations. This falls within FSRA's preferred "sweet spot" of having between six (6) and eight (8) representatives on an IAG;
- there will also be one staff executive from each of the two Associations listed on the proposed IAG roster, but we will secure FSRA's agreement that those two individuals will not "count" towards the target roster size of eight (8) representatives.

For CAFII, the named staff executive will be Brendan Wycks, Co-Executive Director (particularly since Keith Martin will be on vacation during the final two weeks of August and therefore unavailable to attend the IAG – Life and Health Insurance's meeting with FSRA management and its consultant between August 21 and 29).

For CLHIA, the named staff executive will be Lyne Duhaime, President-Quebec and Senior Vice-President, Distribution;

- Lyne Duhaime will serve as FSRA's primary contact person and industry quarterback for the IAG – Life and Health Insurance. She will send the proposed IAG Roster to CAFII for review and feedback, before submitting it to FSRA on Friday, August 10; and she will ensure that Brendan Wycks and Keith Martin are copied on all correspondence re the IAG – Life and Health Insurance and/or alerted to new information promptly;
- it was recognized that particularly since Manulife Financial and Canada Life (part of Great-West Lifeco Inc.) are now Members of both CLHIA and CAFII, it will be the case that certain representatives on the IAG – Life and Health Insurance will be able to wear "dual hats" and provide a pan-industry perspective during the IAG's two meetings with FSRA;
- CLHIA plans to reach out to its five or six largest Members and invite each of them to name a representative for inclusion on the proposed IAG – Life and Health Insurance Roster.

(According to Investopedia, the six largest life and health insurers in Canada (by 2014 written premium) are Manulife Financial; Great-West Lifeco Inc.; Sun Life Financial; IA Financial Group; RBC Insurance; and Empire Life);

- CAFII will seek to recruit two to three representatives from among our Association's Members to represent the views and concerns of insurers and distributors in the creditor's group insurance and alternate distribution space on the IAG – Life and Health Insurance Roster.

Given that Keith and I have not received, to this point in time, any expressions of interest from Board or EOC Members in serving on the IAG – Life and Health Insurance Roster, we will now reach out directly to particular Directors and EOC Members, with a specific request that they consider taking on this important representational role, if their availability on the dates in question and other considerations allow them to do so. A prompt response will be requested, as we are under the time constraint/pressure of trying to submit the CAFII/CLHIA jointly proposed IAG – Life and Health Insurance Roster to FSRA by end of day tomorrow, Friday, August 10, as requested.

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**From:** Brendan Wycks

**Sent:** Tuesday, August 07, 2018 12:48 PM

**Subject:** CAFII Alert: Request For CAFII Director Or EOC Member Interest In Serving On Short Term, Ad Hoc, Pre-Formal Consultation "FSRA Fee Rule Industry Advisory Group - Life and Health Insurance"

**CAFII Board and EOC Members:**

As both a heads-up alert and a request for CAFII Director (or long-serving, experienced EOC Member) participation consideration, please see the attached letter to CAFII and CLHIA, just-received from FSRA Board Chair Bryan Davies and FSRA CEO Mark White.

This FSRA letter came in after 4:00 p.m. last Friday, and it gives our two Associations one holiday-shortened week at to work together and respond to FSRA by Friday, August 10 with the names and contact information for between six (6) to ten (10) life and health insurance industry representatives who are willing to serve on a short-term, *ad hoc*, pre-formal consultation "FSRA Fee Rule Industry Advisory Group – Life and Health Insurance" and who can with certainty attend two meetings:

- an up to two hour meeting with FSRA Management and its consultants (Optimus/SBR) to be scheduled for a date between August 21 and 29; and
- a one hour to 1.5 hour meeting with the FSRA Board on either Wednesday, September 5 or Friday, September 7.

It is safe to assume that volunteering for this role would also involve at least one preparatory teleconference meeting among the CAFII's and CLHIA's appointed IAG members, prior to both the meeting with FSRA management and the meeting with the FSRA Board.

Following a FSRA Board meeting on Tuesday, August 14, FSRA will



- confirm the composition of the FSRA Fee Rule Industry Advisory Group – Life and Health Insurance;
- confirm the dates/times of the IAG's meetings with FSRA management and the FSRA Board; and
- circulate its proposed fee rule for the life and health insurance industry to the IAG, for review and comment in the pre-formal consultation meetings with FSRA management and with the FSRA Board.

Keith Martin and I have an initial teleconference meeting arranged with Stephen Frank, CLHIA's President and CEO, at 3:00 p.m. tomorrow, Wednesday, August 8, to discuss FSRA's request. Further information about this CAFII/CLHIA joint initiative which emerges from that discussion tomorrow will be shared with you promptly thereafter.

Particularly given the very tight timeframe associated with FSRA's request, **CAFII Directors (as well as long-serving, experienced EOC members) are asked to consider immediately whether you would be interested in and available (on the specific dates outlined above) to serve on the short-term, *ad hoc* FSRA Fee Rule Industry Advisory Group – Life and Health Insurance; and, if so, to communicate your interest in doing so to Keith and me by 12 Noon on Thursday, August 9.**

Some background/knowledge related to regulators' funding models and fee rule options would be a decided asset for serving on the IAG, but not an absolute necessity as Keith and I will secure and provide CAFII member views on the proposed fee rule which FSRA circulates after August 14, along with related analysis and perspectives.

While the FSRA letter and the appended "Terms of Reference: FSRA Fee Rule Industry Advisory Group" provide detailed information on the mandate, roles, responsibilities, etc. of the *FSRA Fee Rule IAG – Life and Health Insurance*, it is noteworthy that

- FSRA is setting up seven different fee rule-related Industry Advisory Groups for the sectors it will be regulating, including IAGs specifically for Life Insurance Agents and for Credit Unions. Given that Life Insurance Agents will have their own IAG (with a parallel letter presumably having been sent to Advocis and the Independent Financial Brokers of Canada), it is unclear who FSRA has in mind (in the fifth paragraph on page 3 of the letter) when it says "we request that any unrepresented (i.e. non-members of your Associations) industry participants that my contact you are consulted when you are forming the proposed IAG" (perhaps THIA?);
- each IAG is expected to use its best efforts to develop an industry consensus on the proposed fee rule and to express representative industry views to FSRA; and
- while the existence of FSRA's IAG pre-consultation process around proposed fee rules will be made public, FSRA will be treating IAG input as privately expressed views and does not intend to communicate publicly or attribute the views expressed to it by the IAG.

Our dialogue over the next few days with CLHIA will determine the size of the IAG which we jointly propose to FSRA by week's end, but it is reasonable to assume that

- if the proposed IAG is eight or nine members, we will push to have at least three nominees come from CAFII, to represent the particular views and interests of underwriters and distributors of creditor's group insurance through alternate distributions channels;
- if the proposed IAG is 10 members, we will push to have at least four nominees come from CAFII, to represent the particular views and interests of underwriters and distributors of creditor's group insurance through alternate distributions channels; and
- one of CAFII's nominees should be one of its Co-Executive Directors (Brendan Wycks to serve, as Keith Martin is away on vacation for the last two weeks of August).

**Please consider immediately whether you would be interested in and available (on the specific dates outlined above) to serve on the short-term, *ad hoc*, pre-formal consultation FSRA Fee Rule Industry Advisory Group – Life and Health Insurance; and, if so, please communicate your interest in doing so to Keith and me by 12 Noon on Thursday, August 9.**

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**From:** Carter, Elizabeth (FSRA) [<mailto:Elizabeth.Carter@fsrao.ca>] **On Behalf Of** White, Mark (FSRA)

**Sent:** Friday, August 03, 2018 4:01 PM

**To:** Brendan Wycks; [sfrank@clhia.ca](mailto:sfrank@clhia.ca)

**Subject:** FSRA Fee Rule Industry Advisory Group - Life and Health Insurance

Attached please find a communication from FSRA Board Chair Bryan Davies and CEO Mark White.

Thank you.

**Elizabeth Carter**

Executive Assistant

Financial Services Regulatory Authority (FSRA)

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August 3, 2018

To: Brendan Wycks, Canadian Association of Financial Institutions in Insurance (CAFI)  
Steven Frank, Canadian Life and Health Insurance Association (CLHIA)

**RE: FSRA Fee Rule Industry Advisory Group - Life and Health Insurance**

We are writing to request your assistance in the formation of an ad hoc, sector-specific, special purpose Fee Rule Industry Advisory Group (IAG) to provide views to the FSRA management and Board of Directors, in advance of pending formal 90-day public consultations on a proposed fee rule. The proposed Terms of Reference are attached for your information.

The Financial Services Regulatory Authority of Ontario (FSRA) is a new, independent regulatory agency established by the *Financial Services Regulatory Authority of Ontario Act, 2016* (FSRA Act) to regulate non-securities financial services and to improve consumer and pension plan beneficiary protections in Ontario and to enhance innovation and market integrity and stability.

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. When operational, FSRA will be a self-funded, well-resourced regulator capable of responding to the dynamic pace of change in marketplace, industry and consumer expectations.

FSRA is implementing a transition plan to assume regulatory functions currently under the auspices of the Financial Services Commission of Ontario (FSCO) and the Deposit Insurance Corporation of Ontario (DICO). FSRA is committed to an open, transparent and collaborative approach that involves stakeholders and ensures broad input and perspectives to inform its direction.

The legislative framework in the FSRA Act, when proclaimed, will provide FSRA with specific rule-making authorities under the regulated sector statutes and the FSRA Act, including the authority to make rules governing fees and other charges. FSRA is now working on a fee rule which will form the source of its funding. The FSRA Act, pending proclamation, provides for a 90-day formal public consultation process on proposed rules. Given that the fee rule will be its first rule-making activity and that FSRA wishes to obtain stakeholder input before the formal public consultation, FSRA would like each industry to provide feedback on the draft fee rule for its sector before the FSRA Board formally proposes a rule for consultation.

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As respected, established organizations with a strong knowledge of stakeholders in the life and health insurance sector, we believe you are well-placed to ensure appropriate outreach and representation that reflects a breadth of perspectives from your industry.

*We are requesting that CAFII and CLHIA work together to propose up to 10 (ideally 6-8) individuals for your IAG who will, pursuant to the Terms of Reference provided, be able to attend two meetings: one with FSRA management between August 21<sup>st</sup> – 29<sup>th</sup>, and one with the FSRA Board on either September 5<sup>th</sup> or 7<sup>th</sup>.*

These meetings are intended as part of stakeholder engagement on FSRA's funding model, prior to the pending formal 90-day public consultation period, with the goal of ensuring FSRA is well informed of industry views and concerns before proposing a fee rule for formal consultation. We appreciate your assistance in proposing representatives for the IAG.

Please note we are seeking to ensure broad representation from a wide range of stakeholders in your industry. We request that any unrepresented (i.e., non-members of your associations) industry participants that may contact you are consulted when you are forming the proposed IAG. We will be communicating this letter and the attached Terms of Reference to other industry participants, including posting on the FSRA website, and plan to direct industry participants to contact you if they wish to participate in or influence your IAG.

Please provide the names and contact information for the proposed IAG and its lead contact point to Cathy Mallove at [cathy.mallove@fsrao.ca](mailto:cathy.mallove@fsrao.ca) by August 10, 2018.

Following the FSRA Board's August 14 meeting, we will confirm the composition of the IAG and the dates proposed for meeting with FSRA management and the FSRA Board.

If you require any further information, please contact Cathy Mallove at [cathy.mallove@fsrao.ca](mailto:cathy.mallove@fsrao.ca) .

Thank you in advance for your assistance with this important consultation - we look forward to working with you and your industry on this and other matters as we build FSRA and strengthen our financial services sector.

Regards,



Bryan Davies,  
Chair, FSRA



Mark White  
Chief Executive Officer, FSRA

cc: Brian Mills, CEO and Superintendent of Financial Services, Financial Services  
Commission of Ontario

Guy Hubert, Chief Executive Office, Deposit Insurance Corporation of Ontario

David Wai, Assistant Deputy Minister, Financial Services Policy Division, Ontario  
Ministry of Finance

Cathy Mallove, Communications Lead, FSRA





Financial Services Regulatory  
Authority of Ontario

## Terms of Reference: FSRA Fee Rule Industry Advisory Group

**Name:** FSRA Fee Rule Industry Advisory Group

**Date:** August 2, 2018

### Mandate

The FSRA Fee Rule Industry Advisory Groups (IAG) are special purpose, ad hoc groups being established to provide regulated sector industry insight and views to the FSRA management and Board of Directors related to the development of funding model options for FSRA, prior to formal, statutorily required 90-day consultations on a new fee rule.

### Overview

The FSRA Fee Rule Industry Advisory Group (IAG) is formed based on the background set out in, and for the purpose articulated, in the August 3, 2018 letter from The Financial Services Regulatory Authority of Ontario (FSRA) attached hereto.

#### *Rule-making authority*

Formal public fee rule consultations, as stipulated in the *Financial Services Regulatory Authority of Ontario Act, 2016* (FSRA Act), are planned for Fall 2018, pending proclamation of the Act. After the 90-day formal public consultation, FSRA will review the comments received and incorporate changes as it determines is appropriate. Any material changes would require an additional 90-day consultation period. After the 90-day FSRA public consultation is complete, the Board may recommend the fee rule to the Minister for approval, with the Minister approving or rejecting the proposed rule within a 90-day Ministerial review period.

#### *Development of funding model options*

FSRA management, with support from Optimus | SBR, FSCO and DICO, has conducted research and information gathering, including a jurisdictional scan, current state analysis, and informal interviews with other regulators and a representative sample of regulated sector opinion leaders.

Prior to the formal 90-day public consultations on a proposed fee rule, the FSRA Board is seeking industry views to inform its final decision on the rule to be subject to the public consultation. These industry views will be provided in each sector by the IAG governed by these Terms of Reference for that sector.

While FSRA may, in part based on its learnings from this stakeholder engagement, develop other industry advisory committees and mechanisms to ensure stakeholder input and engagement, it is not expected that the Fee Rule IAGs will be used for other purposes.





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## Representation

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FSRA is seeking assistance from industry associations to ensure appropriate outreach and representation that reflects a breadth of perspectives from organizations in the sectors that FSRA will regulate. IAG representatives will be proposed by the industry associations noted in the attached letter.

IAGs will be asked to express representative industry views directly to FSRA management and the FSRA Board in meetings.

While the existence of the IAG process will be public, FSRA will be treating IAG input as privately expressed views and does not intend to publicly communicate or attribute the views expressed to it by the IAG. The IAG is permitted to communicate its views to its industry as it feels is most appropriate.

While FSRA is seeking to learn industry views prior to the formal 90-day public consultation period, FSRA will welcome all submissions during the 90-day consultation, and participation (or non-participation) in the IAG does not restrict the ability to comment during the 90-day consultation period.

Public description of submissions to FSRA on the proposed fee rule will occur as part of the formal 90-day public consultation process.

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## Composition

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Each IAG will have a maximum of 10 members to allow for dialogue and discussion. IAGs will be established for the following sectors:

- Credit Unions
- General/Property and Casualty Insurance
- Health Service Providers
- Life Insurance Agents
- Life and Health Insurance
- Mortgage Brokers and Agents
- Pension Plans

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## Vision and Principles

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FSRA would like industry views on the proposed guiding principles it is using to guide the development of a fee rule in each regulated sector. More detailed descriptions of the summary below will be provided to the IAGs to support meetings with FSRA's management and Board.

Vision	Principles
<b>Simplicity</b>	- Low administrative burden for regulated entities and FSRA
<b>Consistency</b>	- Predictability - Competitiveness and a level playing field
<b>Fairness</b>	- Direct costs are borne by sectors - Proportional and causation-based cost bearing - Reasonable allocation of common costs (e.g. by activity level, regulatory benefit and/or ability to pay)
<b>Transparency</b>	- Accessibility and disclosure - Comprehensibility
<b>Future Focus</b>	- Prospective - Flexible
<b>Support Regulatory Objectives</b>	- Support regulatory objectives

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## Proposed Fee Rule

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In mid-August FSRA management expects to communicate a proposed fee rule, and detailed Vision and Principles, to the IAG for industry review and comment. Each IAG will be asked to consult within its industry to provide representative views on the fee rule proposed by FSRA. The nature and content of such consultation by the IAG with its industry members is in its discretion and is intended to be assisted by relevant industry associations.

The goal is to ensure that FSRA is aware of any industry views which may affect the proposed fee rule before FSRA formally proposes a fee rule and engages in the 90-day statutorily-required public consultation, pending proclamation of the FSRA Act.

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## Frequency and Duration

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Each IAG will be invited to participate in two meetings to provide industry representative views on the fee rule:

- 1) August 21 – 29, 2018: an up to 2-hour meeting with FSRA management and its consultants. At this meeting FSRA will advise the IAG of the proposed fee rule for its sector and the reasons for such proposal. The purpose will be to inform FSRA of industry views and to permit the IAG to ask questions and prepare for the meeting with the FSRA Board.



- 2) September 5 or 7, 2018: a 1-to-1.5-hour meeting with the FSRA Board of Directors. This meeting will permit the IAG to present its views directly to the FSRA Board and for the Board and industry IAG to discuss issues related to the proposed fee rule.

It is anticipated that the IAG will conclude its work after the second meeting, but it may be asked for further input by FSRA management or Board of Directors.

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## **Core Responsibilities**

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Specific responsibilities of the Fee Rule Industry Advisory Group in providing advice and feedback to FSRA on the proposed fee rule include, but are not limited to:

- Determining its own internal governance (e.g., Chair; spokespersons) and industry liaison
- Reviewing background material in preparation for meetings with FSRA management and the Board
- Using its best efforts to develop an industry consensus on the proposed fee rule and to express representative industry views to FSRA
- Preparing for and attending meetings with FSRA Management and Board

