

Agenda Item 4(a)(ii)
April 25/23 EOC Meeting

Insurance Council of BC Outreach For Preliminary Consultation Meeting With CAFII Re Restricted Insurance Agency Licensing Regime To Be Launched In BC

From: Galen Aker <gaker@insurancecouncilofbc.com>
Sent: Wednesday, April 12, 2023 12:22 PM
To: Brendan Wycks <brendan.wycks@cafii.com>; Keith Martin <Keith.Martin@cafii.com>
Cc: Brett Thibault <bthibault@insurancecouncilofbc.com>
Subject: Restricted licence - Meeting request with your team

Good morning Brendan and Keith,

I hope this email finds you well! I'm reaching out to request your assistance to identify the appropriate person(s) within The Canadian Association of Financial Institutions in Insurance to discuss a new regulatory framework being introduced in British Columbia.

Insurance Council of BC staff would like to meet with your team to discuss the Restricted Insurance Agency licensing regime that will be introduced in BC, prompted by the introduction of regulations to be published by the Ministry of Finance. This licensing regime would require specific agencies/organizations who engage in the incidental sale of insurance products to obtain a licence to sell those products. The Insurance Council has the responsibility of developing and administering the new licence. (A link to more information about the restricted insurance agent licence is available on the Ministry of Finance's 2022 [consultation page](#).)

We would welcome the opportunity to meet with your team to introduce the concept of the restricted insurance licensing framework, discuss the proposed competency requirements, and hear any comments, concerns, or feedback you may have. This would be a one-hour meeting, and we would also provide an email with background information in advance of meeting.

Would you be able to let me know who in your organization would be best to connect with about our meeting request? I would be happy to reach out with the invitation and make arrangements.

Thank you,

Galen Aker (he, him) | Stakeholder Engagement Specialist | **Insurance Council of British Columbia**
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From: Brendan Wycks <brendan.wycks@cafii.com>
Sent: April 14, 2023 12:08 PM
To: Galen Aker <gaker@insurancecouncilofbc.com>; Keith Martin <Keith.Martin@cafii.com>
Cc: Brett Thibault <bthibault@insurancecouncilofbc.com>; 'Keith Martin' <kmartin@rogers.com>; Janet Sinclair <jsinclair@insurancecouncilofbc.com>; Jake Becker <jake.becker@cafii.com>
Subject: RE: Restricted licence - Meeting request with your team

Hello, Galen and thanks for this outreach to CAFII. It's a pleasure to make your acquaintance electronically.

The right persons to contact regarding setting up a meeting with CAFII representatives with respect to BC's imminent Restricted Insurance Agency licensing regime are Keith Martin and me, as the Association's Co-Executive Directors.

We will be participants in the requested meeting ourselves, and we will invite along several representatives from our CAFII member companies who have a significant degree of industry practitioner experience and in-the-trenches expertise around the design and operation of efficient and effective RIA regimes in Canada.

Pretty well all of our 15 CAFII member companies are involved – either as a financial institution distributor of incidentally-offered credit protection insurance (CPI), and therefore as an RIA licensee; or as an insurer/underwriter partner of RIA licensees – in the four predecessor RIA regimes that exist across the country.

CAFII was a key industry stakeholder and thereby played an instrumental advisor role in the design and implementation of each of the current RIA regimes: Alberta (established in 2000); Saskatchewan (established in 2010); Manitoba (established in 2015); and New Brunswick (established in 2023).

So the meeting you're reaching out to set up is certainly an eagerly-awaited meeting from CAFII's perspective.

(See attached for CAFII's three relevant submissions to the BC Ministry of Finance since 2015, each of which contains a section related to the contemplated RIA regime in the province.; see also the relevant excerpt I've pasted in below, beneath my signature block.)

In that connection, I do want to mention and bring to your direct attention the fact that – now that the COVID-19 pandemic seems to be largely behind us in Canada in 2023 – our Association will be returning this year to its pre-pandemic commitment and habit of carrying out an *In-Person Insurance Regulators and Policy-Makers Visits Tour* to each of Western Canada and Atlantic Canada, approximately once every 18 months.

(An in-person CAFII delegation has previously visited with Insurance Council of BC representatives at the Council's Vancouver office on such a CAFII tour in October 2017, and again in October 2019.)

To that end, we will be reaching out very shortly (next week) to Janet Sinclair and Brett Thibault to arrange a meeting with Insurance Council of BC staff executives – a meeting of approximately 75 to 90 minutes duration – for one of the following days: Wednesday, May 24/23; Thursday, May 25/23; or, if necessary, the morning of Friday, May 26/23. (Our plan is to visit with five different regulatory authorities in BC and Alberta over that span of 2.5 days, so there is a fair bit of co-ordination and scheduling to be looked after.)

That being the case and depending upon the Insurance Council's optimal timing for an initial meeting around plans for a Restricted Insurance Agency regime in BC, **I would like to suggest -- particularly given that we find in-person/hybrid meetings to be more effective than totally virtual meetings – that it may make sense to kill two birds with one stone, by building the RIA regime discussion into an in-person/hybrid meeting between Insurance Council of BC and CAFII representatives on May 24, May 25, or the morning of May 26, by possibly extending the duration of our usual information-sharing and relationship-building visit to 2 or 2.5 hours, rather than the typical 75 to 90 minutes.**

However, if the Insurance Council is keen to have an initial meeting with CAFII representatives around plans for a Restricted Insurance Agency regime in BC sooner than late May, our Association would be very willing to accommodate your preferred earlier timing, via a virtual-only meeting (unless Council representatives have plans to be in Toronto in-person prior to late May).

Another timing/location alternative for the desired meeting that comes to mind is this: Wednesday, May 3/23, Thursday, May 4/23, or the morning of Friday, May 5/23 in Montreal, if Janet, Brett, and/or Galen plan to attend the 2023 CLHIA Compliance and Consumer Complaints Conference taking place in that city. Keith Martin, myself, and a fair few CAFII member RIA regime experts will be in attendance at that conference in Montreal.

We look forward to hearing back from you at your earliest convenience, Galen, with a view to getting the desired meeting set up for a mutually convenient date/time and setting.

Regards,

Brendan Wycks, BA, MBA, CAE

Co-Executive Director

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Appendix A

Recommendation #44: Expand the restricted licensing regime currently applied to travel agencies to other incidental insurance sales, similar to the approach used in Alberta, Saskatchewan and Manitoba.

While CAFII believes that BC's current system of insurance retailing and licensing exemptions is working well, our members would be open to and supportive of the introduction of a Restricted Insurance Agent (RIA) regime in the province. We would encourage BC to harmonize with the existing RIA regimes in the other Western Canada provinces, to the maximum degree possible. A thorough consultation process with the industry will help ensure that such a new regime is structured in a way that will produce the results that the recommendation seeks.

If properly and fairly implemented, an RIA regime can be an effective tool for managing the sale of certain insurance products, including creditor's group insurance and travel insurance. We welcome proper oversight of the marketplace; our members place a strong emphasis on the fair treatment of consumers; and they dedicate significant resources to training staff and others acting on their behalf, and on controls and monitoring.

In that connection, we are pleased to highlight here, for your consideration, those features of an RIA licensing regime which our Association views as optimal.

Authorization for Contractors

Third parties contracted by a restricted licensee (such as a third party administrator) – where the licensee is a federally or provincially regulated financial institution – should be considered authorized under the financial institution's RIA licence.

It is critically important to include contractors of RIA licensees as parties authorized under the licence because most financial institutions now outsource certain business activities, functions, and processes to meet the challenges of technology innovation, increased specialization, cost control pressures, and heightened competition. The contractual arrangement between the financial institution and the contractor makes the financial institution liable for the actions of the contractor. Further, federally regulated entities are subject to OSFI's outsourcing Guideline B-10 which sets standards for monitoring and oversight of the contractor, and requires the financial institution to take ultimate responsibility for outsourced activities. Including contractors under the authority granted to financial institutions holding an RIA licence would recognize the application of OSFI's outsourcing guideline and be appropriate with respect to the continued distribution of incidentally-offered insurance products by national financial institutions in BC.

Adopting this optimal RIA regime feature – which is fully in place in Manitoba and largely facilitated in Saskatchewan (third party contractors can apply for their own RIA licence, based on an agency contract with an existing RIA licence holder); but is not yet in place in Alberta, the first province to introduce an RIA regime in 2000 – would also see BC's new RIA regime remain well-aligned with the principles of the province's own legislation – i.e. (2(1)(b.1)(ii) of the Insurance Licensing Exemptions Regulation under the Financial Institutions Act) -- which provides an exemption from licensing for a service provider under contract to a trust company, credit union, extra-provincial trust corporation, extra-provincial credit union, or bank in connection with incidental insurance.

Council Composition

Insurance Councils in Canada have been designed on the basis of “peer regulation and proportional representation,” principles which are intended to remove conflict of interest and ensure that Council representatives have appropriate knowledge and experience of the business they are regulating. Given the unique nature of incidentally-offered insurance products and of alternate distribution channels, successful oversight of these products requires different expertise and relies on the effective management of competitive sensitivities relative to the matters before a Council at any given point in time. Having a Council's membership be comprised of all categories of stakeholders on a proportional basis is an important consideration and an approach that would ensure that the Council represents the interests of all stakeholders and permits a fair and informed approach to the oversight of all regulated entities.

Based on these considerations, we recommend that -- in conjunction with designing and introducing an RIA regime in BC -- the Ministry of Finance initiate an overall review of the Insurance Council of BC's structure and membership to ensure that its composition is structured appropriately, given its new oversight responsibility for incidentally-offered insurance products and to ensure that RIA licensees are represented appropriately in accordance with the principles of administrative law.

To be more specific, CAFII believes that the Insurance Council of BC should be structured and operated in a “channel neutral” manner. That is, the Council should be designed and populated such that the interests of all distribution channels are well-served and the representatives of any particular channel are not in a position to make decisions which could negatively impact consumers' access to competing distribution channels.

This principle should, in our view, be incorporated into a Restricted Insurance Agent licensing regime in BC; and that will likely necessitate the creation, at a minimum, of an RIA Advisory Committee to the Insurance Council. CAFII is working with the Canadian Life and Health Insurance Association (CLHIA) on recommendations to the Insurance Councils of Saskatchewan on such an RIA Advisory Committee, and we would be pleased to provide additional information on our progress on this key initiative to the BC Ministry of Finance and/or the Insurance Council of BC.

Other Optimal Features of an RIA Regime

We would also highlight the following three features as being part-and-parcel of an optimal RIA regime, a regime which strikes the “right balance” between achieving consumer protection through appropriately detailed and rigorous licensing, while not burdening business with overly restrictive requirements or red tape:

- ensuring sufficient clarity as to which insurance products may be offered under each RIA licence category, including insurance products as group accident insurance and travel insurance; and
- implementing an online licensing/registration portal and digital platform, with timely electronic reminders and notifications to RIA licensees; and
- offering a “Head Office exemption,” ie. an exemption from licensing for head office employees of the RIA licensee, who perform solely administrative and support services related to the insurance products.

From: Brett Thibault <bthibault@insurancecouncilofbc.com>

Sent: Friday, April 14, 2023 5:03 PM

To: Brendan Wycks <brendan.wycks@cafii.com>

Cc: 'Keith Martin' <kmartin@rogers.com>; Janet Sinclair <jsinclair@insurancecouncilofbc.com>; Jake Becker <jake.becker@cafii.com>; Galen Aker <gaker@insurancecouncilofbc.com>; Keith Martin <Keith.Martin@cafii.com>

Subject: RE: Restricted licence - Meeting request with your team

Hi Brendan, thanks for getting back to us so promptly!

At this point we are just looking to share and get some initial feedback on the work we've been doing with respect to a competency framework for the RL regime. We will be happy to chat about other stuff as well, absolutely, but our focus will be getting CAFII's feedback re the competency piece. I think the hour or so long virtual meeting will work for what we have. If possible, we'd like to meet sometime this month?

Of course, we'll be happy to continue or expand on the RL discussion again in May, when you are out this way. FYI May 24 is looking good to connect here for the CAFII road trip.

Please let us know if you think April will work for the virtual session?

Thanks,
Brett Thibault

From: Brendan Wycks <brendan.wycks@cafii.com>
Sent: Tuesday, April 18, 2023 8:40 AM
To: Brett Thibault <bthibault@insurancecouncilofbc.com>; Galen Aker
<gaker@insurancecouncilofbc.com>
Cc: Janet Sinclair <jsinclair@insurancecouncilofbc.com>; Jake Becker <jake.becker@cafii.com>; Keith
Martin <Keith.Martin@cafii.com>
Subject: RE: Restricted licence - Meeting request with your team

Hi, Brett and Galen.

Would Thursday, April 27/23 from 4:30 to 5:30 p.m. EST (which is 1:30 to 2:30 p.m. PST) work for you and any other Insurance Council of BC colleagues whom you would like to have attend the desired one hour virtual meeting this month with CAFII representatives around your in-development competency framework for BC's coming RIA licensing regime?

Also, Brett, on a separate day at least 48 hours prior to the one hour virtual meeting that we will soon settle on, Keith and I alone would like to have a prep meeting for 15 to 30 minutes with you (and any other relevant Insurance Council colleagues), just to gain a clearer, up-front sense of what you mean by a "competency framework" for an RIA regime.

To us, "competency framework" implies and relates to "individual licensees," whereas all of the existing RIA regimes in Canada are premised and structured around the licensees being solely corporate entities and not individuals.

Having a preparatory/introductory short meeting with you about what you have in mind in terms of a competency framework will help Keith and me to ensure that the subsequent one hour virtual meeting with CAFII member representatives will be an efficient, effective, and mutually beneficial session.

We look forward to hearing back from you at your earliest convenience,

Brendan Wycks, BA, MBA, CAE

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From: Galen Aker <gaker@insurancecouncilofbc.com>
Sent: Tuesday, April 18, 2023 1:57 PM
To: Brendan Wycks <brendan.wycks@cafii.com>; Brett Thibault <bthibault@insurancecouncilofbc.com>
Cc: Janet Sinclair <jsinclair@insurancecouncilofbc.com>; Jake Becker <jake.becker@cafii.com>; Keith Martin <Keith.Martin@cafii.com>
Subject: RE: Restricted licence - Meeting request with your team

Good morning Brendan,

Thank you for providing a time for you and your team, unfortunately our team has a conflict with the last half hour of the time you've proposed (4:30pm-5:30pm EST / 1:30pm – 2:30pm PST), but we could meet starting at the top of that hour (4pm EST / 1pm PST). If that time is unavailable, the following times could work for our team:

- April 27 @ 3pm EST / 12pm PST
- April 28 @ 3pm or 4pm EST / 12pm or 1pm PST

We can certainly meet for a brief introduction call to help frame the discussion. In that prep call we can outline the next key steps in the development of the overall framework which might put into context what we are presenting, how it will inform other portions of the framework and why your feedback is appreciated at this stage.

Please let me know if any of the above times work for your team and we can look to book the prep discussion from there.

Thanks for your help coordinating,

Galen Aker (*he, him*) | Stakeholder Engagement Specialist | **Insurance Council of British Columbia**
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