

CONFIDENTIAL TO CAFII MEMBERS; NOT FOR WIDER DISTRIBUTION

**CAFII Annual Stakeholder Meeting with CCIR
5 November, 2019 in Toronto, Ontario**

Summary Notes of the 5 November, 2019 Stakeholder Meeting Between CAFII and CCIR..... 2

Appendix A—CCIR Attendees at Tuesday, 5 November, 2019 CAFII Annual Stakeholder Meeting with CCIR..... 8

 In-Person 8

 By Phone..... 8

Appendix B--CAFII Attendees at Tuesday, 5 November, 2019 CAFII Annual Stakeholder Meeting with CCIR..... 9

 In Person..... 9

 By Phone (Registered—Did Not Confirm Attendance) 9

Summary Notes of the 5 November, 2019 Stakeholder Meeting Between CAFII and CCIR

The in-person attendees at the meeting introduced themselves, and CCIR also identified who among the insurance regulator community was attending the meeting by teleconference. The structure for the meeting was to provide feedback to the CCIR on its draft 2020-2023 Strategic Plan.

Keith Martin thanked the CCIR representatives for the opportunity to meet with them at this Stakeholder Meeting.

The first issue raised was around the Vision for CCIR articulated in the draft of its new 2020-2023 Strategic Plan:

Effective regulation supports consumer protection, enhances confidence and stability while anticipating transformation in the Canadian insurance marketplace.

As an overarching point, it was suggested that the CCIR could try to move to more of a regulatory leadership role, where it would develop guidelines around the optimal regulatory environment. Currently, the CCIR produces much information-sharing and acts as a co-ordinator; but with the rapid pace of transformation, it could try to increase the resources available to it, including having a policy-making capability, that would allow it to produce an infrastructure that regulators provincially could draw upon in developing their regulatory regimes. This would bring be a more proactive approach to harmonization. Chris Lobbezoo added that such a commitment would allow the CCIR to go to a new level.

CCIR's overall response to this CAFII recommendation was non-committal, with an interest in exploring the idea, although CCIR Chair Patrick Déry suggested that it would turn the CCIR into an entirely different type of organization and that would be a major undertaking.

Moira Gill raised the language in the Vision around "anticipating transformation in the Canadian insurance marketplace," and suggested that "supporting transformation in the Canadian insurance marketplace" would be stronger and more appropriate wording for CCIR to use.

CAFII then asked a series of questions around the CCIR Annual Statement on Market Conduct (ASMC), including how well it was working, whether the data it provided was informing individual CCIR member's supervisory investigations, and whether it was allowing CCIR members to better execute their regulatory responsibilities.

The answer provided was that now that “best efforts” responses from certain categories of insurer respondents to the ASMC were no longer acceptable, and all respondents were now expected to provide accurate, fulsome answers, the data would be better and trends and analysis would be easier to develop. In general, though, it was suggested that the ASMC was meeting the expectations of the CCIR.

Laurie Balfour, Chair of CCIR’s Co-operative Supervision Oversight Committee (CSOC) which oversees the ASMC, added that the ASMC was helping CCIR and its members identify “thematic issues” which informed its supervisory framework. It was also helpful in identifying anomalies and trends that required further investigation.

With respect to the draft Strategic Plan’s Strategic Themes section, CAFII pointed out the section that contains the following passage:

A recognition that the consumer demographic consists of those who are tech savvy along with those that prefer to interact with insurers more traditionally should be maintained.

CAFII stated that while it recognizes that the marketplace includes consumers who have different preferences and that the choice of which channel they want to use must remain theirs to make, it was also clear that access to online and digital capabilities was increasingly desired by consumers. As such, without promoting one channel over another, it was recommended that the regulatory environment needed to promote and facilitate innovation and remove obstacles to introducing new consumer-friendly and desired ways of offering insurance products.

It was noted that some thought leaders have suggested that Canada is two to three years behind other jurisdictions in adopting new technologies, with the U.S., the U.K., and Singapore often cited as leaders, and that the domestic regulatory environment was part of the reason why. As such, having a regulatory environment that promotes innovation is actually a competitive requirement if Canada is going to be able to catch up in insurtech and fintech developments by facilitating the ability of companies operating in this country to innovate and compete in today’s transformative business environment.

CAFII next commented on the Strategic Plan passage which reads as follows:

While industry is looking for practical supervisory initiatives through reduced regulatory burden, regulators have to balance this with both prudential and market conduct frameworks that do not weaken effectiveness.

CAFII said that it was aligned with this comment, but wanted to emphasize that the challenge always facing regulators around reducing regulatory burden while promoting consumer protection was most effectively achieved through the use of a principles-based, risk-based market conduct regulatory framework.

In that connection, CAFII asked whether all CCIR members had now signed the CCIR Memorandum of Understanding; and the answer was yes, all provincial and territorial regulators had now signed the MOU. However, that did not include the federal Office of the Superintendent of Financial Institutions (OSFI), which has a seat at the CCIR table but has not signed the MOU and was not expected to do so.

In a similar vein, CAFII raised the issue of the FCAC's relationship with CCIR; and it was noted that many discussions about strengthening the relationship between the federal and provincial/territorial insurance market conduct regulatory bodies had taken place, and the dialogue about that would continue. It was possible that FCAC might start to participate with the CCIR and become an Observer Member, but more discussions were still needed before that could happen. In general, however, Patrick Déry suggested that recent discussions with the FCAC around co-operation had become more positive and fruitful, as compared to similar discussions with OSFI.

CAFII asked for clarification around CCIR's use of the term "regulatory partners" in the following Draft Strategic Plan comment: *"Work collaboratively with regulatory partners to grow and leverage national regulatory capacity."* Patrick Déry said that that was a reference to all the different regulatory bodies, agencies, and other organizations that could be useful supporters of and contributors to the work of the CCIR.

With respect to the Draft Strategic Plan comment *"Partner with industry stakeholders to identify opportunities to increase regulatory and supervisory harmonization where practicable and appropriate,"* CAFII asked why "practicable and appropriate" had been included as qualifiers. The answer was that "practicable" was meant to ensure that initiatives were useful and had a good likelihood of actually coming to fruition, and "appropriate" was used to ensure that initiatives would be consistent with the mandate and jurisdiction of the CCIR. Patrick Déry added that "appropriate" was also a reference to raising the bar—harmonization would not occur at the lowest common denominator, but at the highest level possible.

CAFII then turned to Section 2.1.1 of the Draft Strategic Plan and, in particular, its passage which reads as follows:

Work with regulatory authorities across sectors to develop a framework for co-ordinated research, information-sharing and the regulation of emerging technologies.

CAFII's observation on this point was that while we supported the thrust of this section, consideration had to be given to how the pace of change in the industry was accelerating. As such, annual reviews may not be sufficiently timely to permit regulators to respond as quickly as necessary to new developments. It was recommended that CCIR consider setting up an Insurtech Industry Advisory Group or an Insurtech Working Group, with industry representation, which could meet with the CCIR on a regular basis to provide input on regulatory issues related to the innovation and transformation currently taking place in the industry and gaining momentum.

This section was also the catalyst for reinforcing CAFII's earlier comments on how CCIR could play a more national role, and be a leader in the development of regulatory best practices. It was suggested that as more provinces were giving their regulators rule-making authority, this might be a catalyst for those without this power to obtain it, and this could help move the CCIR toward playing more of a leadership role as opposed to a co-ordinating one.

Moira Gill added that the traditional regulatory consultation model of, for example, issuing a Consultation Paper with an opportunity for response; which then led to the Paper being revised, and where the whole process could take two years, in some cases, from the beginning to the end of the consultation period, may not work as well in the increasingly fast environment that technological change is producing.

With respect to the creation of an Industry Advisory Group, Patrick Déry said that there was merit to that concept and he would discuss it with his colleagues. Huston Loke, a new representative at CCIR from the recently launched FSRA in Ontario (but who had also parachuted into a CCIR Vice-Chair role as successor to Brian Mills, CEO of the now defunct FSCO in Ontario), said that there were challenges in deepening the relationship between and among the regulatory authorities in the CCIR, as they each had different powers; were operating under different enabling legislation and regulatory frameworks; and, as such, each had unique characteristics. Having said that, he stated "we want to listen to this idea" and that it was worth further discussion within the CCIR.

CAFII also raised concerns around Section 2.1.2 of the Draft Strategic Plan, particularly with respect to the passage which reads as follows:

Develop an electronic commerce framework to share information, co-ordinate research, propose approaches to the regulation of emerging technologies and security of private information in a digital environment.

Why, CAFII asked, would CCIR take on the “security of private information in a digital environment” when there were ample federal and provincial privacy laws and regulations to cover this? In response, Patrick Déry noted that in Quebec, the AMF had recently dealt with serious breaches of security and confidential information, and this struck at the heart of the reputation of financial institutions. It was important for all involved regulatory players to share information, he said, and to ensure that all necessary actions were being taken. But Mr. Déry also added that this section was not intended to supersede or interfere with existing privacy legislation.

The next section that CAFII commented on was 3.1 and, in particular, the following passage:

Work with industry stakeholders to identify specific differences of importance within the regulatory framework and work toward greater consistency in approach and/or harmonization across jurisdictions.

CAFII agreed with and complimented the CCIR for carrying over this strategic initiative from the previous Strategic Plan; but we commented that here again there was an opportunity for an Advisory Group or a Working Group that would include industry representation, which could both serve as a sounding board and provide the CCIR with feedback on harmonization issues on a timely basis. It was the industry which would be dealing with the impact of a lack of harmonization, it was added, and as such it would be best placed to provide concrete examples of areas for action. In response, Patrick Déry noted that the AMF had a Consumer Advisory Committee and used it for a very similar purpose -- to hear consumers’ perspectives on regulatory matters directly; and he felt that that concept of an Industry Advisory Group was consistent with that type of approach.

CAFII asked about the impact of the IMF’s 2019 Financial Sector Assessment Program (FSAP) Report on the Draft CCIR 2020-2023 Strategic Plan. Patrick Déry replied that whereas five years ago, the IMF’s Report had identified multiple areas for improvement and reform in insurance regulation in Canada, in 2019 its follow-up Report was much more positive. Therefore, while the 2019 IMF report did not directly affect the content of the new Draft Strategic Plan, he said that it was encouraging that the Report was much more positive this time around.

CAFII asked about the possibility that the CCIR might create a regulatory sandbox, perhaps housed in a province with regulatory forbearance powers, which all CCIR members could participate in and monitor. This recommendation was received with some interest by CCIR, with Huston Loke saying it would require further thought but that he felt it was worthy of real examination and consideration. That said, Mr. Loke also noted that “there was a lot in the plan” and even as currently developed, it set out an ambitious agenda for the CCIR for the next three years.

Martin Boyle posed a question about whether and how, with more and more CCIR members getting rule-making authority, CCIR’s “ways of working” – with each other and with regulated entities – might be changing? Patrick Déry replied, somewhat narrowly, that CCIR was issuing more and more Guidelines, and more and more Issues Papers.

Keith Martin concluded the meeting by thanking the assembled CCIR members, both in-person and on the phone, for their time and attention in this meeting, and by noting how important it was to CAFII and its members to have such opportunities to engage in dialogue and discussion with key insurance regulators and policy-makers; and, as such, our Association very much appreciated this opportunity to engage with the CCIR on its new three-year Strategic Plan.

In general, the meeting was cordial with much engagement and interest expressed by the CCIR. After the formal part of the meeting, there was about ten minutes of informal discussion among CCIR and CAFII members. CCIR Policy Manager Tony Toy took Keith Martin aside to say that the interactive dialogue structure and approach to the meeting which CAFII had deployed was exactly what CCIR was looking for, and this meeting would serve as a template for how CCIR wanted these stakeholder sessions to unfold in the future.

Appendix A—CCIR Attendees at Tuesday, 5 November, 2019 CAFII Annual Stakeholder Meeting with CCIR

In-Person

Patrick Déry, Superintendent Solvency, AMF and Chair, CCIR
Huston Loke, Executive Vice President, Market Conduct, FSRA and Vice Chair, CCIR
Joel Gorlick, Director, Policy, Market Conduct, FSRA
Peter Burston, Director, National Regulatory Coordination, FSRA
Angela Mazerolle, Vice President, Regulatory Operations; Superintendent, Pensions and Insurance at Financial and Consumer Services Commission of New Brunswick (FCNB)
Ron Fullan, Executive Director, Insurance Councils of Saskatchewan, and Chair, CISRO
Louise Gauthier, Director, AMF
Tony Toy, CCIR Secretariat
Adrienne Warner, CISRO Secretariat

By Phone

Thera Medcof, FSRA
Jan Seibel, Director, Insurance and Real Estate Division, Saskatchewan Financial and Consumer Affairs Authority (FCAA)
Robert Bradley, Superintendent of Insurance, PEI
David Sorensen, Deputy Superintendent of Insurance, Government of Alberta
Jennifer Sutherland Green, Deputy Director of Pensions and Insurance and Senior Legal Counsel, FCNB
David Weir, Senior Technical Advisor, Insurance, FCNB
Paula Boyd, Superintendent of Insurance, Nova Scotia
Laurie Balfour, Executive Director, Automobile Insurance Rate Board at Alberta Treasury Board and Finance
Scott Moore, Superintendent of Financial Institutions, Manitoba

Appendix B--CAFII Attendees at Tuesday, 5 November, 2019 CAFII Annual Stakeholder Meeting with CCIR

In Person

Chris Lobbezoo, RBC Insurance (CAFII Board Vice-Chair)

Martin Boyle, BMO Insurance (CAFII EOC Chair)

John Lewsen, BMO Insurance

Brad Kuiper, ScotiaLife Financial

Moira Gill, TD Insurance

Charles MacLean, RBC Insurance

Keith Martin, CAFII Co-Executive Director

By Phone (Registered—Did Not Confirm Attendance)

Nicole Benson, Canadian Premier Life Insurance/Valeyo (CAFII Board Chair)

Zack Fuerstenberg, ScotiaLife Financial (CAFII Board Member)

Paul Cosgrove, Assurant Solutions (CAFII Board Member)

Wally Thompson, Manulife Financial (CAFII Board Member)

Monika Spudas, Manulife Financial

Mica Sweet, CIBC Insurance

Nina Desai, Manulife Financial

Andrea Stuska, TD Insurance

Michele Jenneau, National Bank Insurance

Isabelle Choquette, Desjardins Financial Security

Shawna Sykes, CUMIS Services Inc./The Co-operators

Michelle Costello, CUMIS Services Inc./The Co-operators

Dana Easthope, Canadian Premier Life Insurance/Valeyo

Sharon Apt, Canada Life Assurance

Greg Caers, BMO Insurance

Brendan Wycks, CAFII Co-Executive Director