

DRAFT CCIR Strategic Plan 2020-23

Mandate

The CCIR is a forum for Canadian insurance regulators to collaborate in order to enhance insurance supervision and regulation, serve the public interest and foster increased cooperative and supervision information sharing among regulatory authorities with the objective of strengthening oversight of the Canadian insurance industry.

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

CAFII comment/observation: we note the addition of the new words “while anticipating transformation in the Canadian insurance marketplace” in CCIR’s new Vision Statement as compared to its parallel in the previous 2017-2020 CCIR Strategic Plan. That is an important update, as “transformation” is indeed what is already underway in the Canadian life and health insurance industry. (See Appendix B in this CAFII-annotated version of CCIR Draft 2020-2023 Strategic Plan.)

Mission We work collaboratively to find solutions to common regulatory issues, increase cooperative supervision, consider international standards and promote harmonization in conjunction with financial services regulators, policy makers and stakeholders.

Values Organizations are driven by the shared values of their members. We have a shared commitment to:

- Cooperation
- Accountability
- Leadership
- Responsiveness
- Respect
- Integrity
- Accessibility
- Accessibility
- Creativity
- Creativity
- Innovation
- Innovation

Structure The CCIR functions through a secretariat, standing committees and working groups, operating under the direction of the CCIR Executive Committee:

Chair Mr. Patrick Déry Superintendent of Solvency, Autorité des marchés financiers –

Québec

Vice-Chairs Mr. Robert Bradley Superintendent of Insurance, Department of Justice

and Public Safety - Prince Edward Island

Mr. Frank Chong Superintendent, Financial Institutions (A), Financial Institutions

Commission - British Columbia

Mr. Huston Loke Executive Vice President, Market Conduct, Financial Services

Regulatory Authority - Ontario

Mr. J. Scott Moore Superintendent of Financial Institutions, Financial Institutions

Regulation Branch - Manitoba

The CCIR Secretariat is responsible for coordinating, monitoring and reporting on all projects and policy initiatives as well as administering CCIR activities, including strategic planning and budgeting. It also provides project management support to strategic CCIR initiatives.

Approach

- We coordinate our regulatory activities and share information.
- We conduct ongoing market intelligence and research to stay informed and keep abreast of emerging consumer and market issues.

CAFI Questions (related to this element of CCIR's "Approach"):

-how well is the Annual Statement on Market Conduct (ASMC) working for CCIR in the aggregate; and for its individual members, now that it is about to launch its Year 4?

-are the data and insights generated by the ASMC informing individual CCIR member supervisory investigations/initiatives?; and/or collective/co-operative supervisory investigations/initiatives that are co-ordinated regionally or nationally through CCIR?

-is the ASMC and the data and insights it provides allowing CCIR members to become better/stronger principles/risk-based regulators?

- We actively engage with our stakeholders to understand key issues facing the industry, as we develop and recommend policies to our members.

Strategic Themes

To enhance the regulatory framework and regulatory practices in Canada, CCIR intends to remain focused on the advancement of consumer protection and interests, enhancing collaboration and cooperation among regulators and fostering effective relationships with industry stakeholders. In setting our overall direction and strategic priorities for the next three years, CCIR considered the following key strategic themes in the insurance sector:

Technological Innovation The pace of innovation continues to accelerate, and as new technologies are rapidly becoming mainstream, the need persists for adapting appropriate supervision of processes, products and insurers in an evolving marketplace that maintain financial stability, consumer protection and confidence. As insurance products and their delivery evolve in a digital world, and consumers putting pressure on industry to deliver innovation without compromising security and protection of privacy are risks supervisory authorities around the world are responding **to** by trying to align cyber risk with broader risk management strategies. A recognition that the consumer demographic consists of those that are tech savvy along with those that prefer to interact with insurers more traditionally should be maintained. Advancements in other markets, such as the automobile industry in the development of autonomous vehicles, may alter that traditional insurance product.

Comment/Observation: CAFII agrees with CCIR's comment/assessment in the underlined sentence in the Technological Innovation Strategic Theme; however, we also believe wholeheartedly that regulators must make it a strategic priority and "go out of their way" to foster and CAFII facilitate industry innovation, while finding the "right balance" that maintains consumer protection. (See Appendix B.)

Climate Change and Natural Catastrophes The large-scale and long-term nature of this issue poses significant financial challenges as well as opportunities. Federal, provincial and territorial governments have made progress in implementing the the 'Pan-Canadian Framework on Clean Growth and Climate Change'. Insurers, investment managers and asset owners have an important role to play in providing better climate-related financial disclosures.

CAFII Comment/Observation: For CCIR's information -- CAFII is investigating and monitoring thought leadership around "the potential impact of climate change upon the life and health insurance industry."

Conduct and Culture As the financial landscape is changing, so is the industry's engagement model with the consumer as well as the regulator. Both industry and regulators are taking a new look at risk and compliance activities. 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 regulatory effectiveness.

CAFII Comment/Observation: CAFII agrees completely with CCIR's comment and assessment in the underlined sentence in the "Conduct and Culture" Strategic Theme. However, we believe that it is precisely because regulators are constantly required to be making trade-off decisions, constantly performing a balancing act, and always having to find "the right balance" that a principles/risk-based market conduct regulatory framework is so critically important to regulatory effectiveness.

Strategic Priorities CCIR is committed to three strategic priorities, each of which is focused on consumers, regulators, and industry:

- Build upon cooperative supervision in aligning with best international practices to enhance consumer protection.

CAFII Questions Related to this Strategic Priority:

-are all CCIR members/participants in the Council’s deliberations, including OSFI, now signatories to the CCIR Memorandum of Understanding which makes possible the Co-operative Market Conduct Supervisory Framework?

-is the International Association of Insurance Supervisors (IAIS) CCIR’s sole source/reference point for international best practices?; or do you look to other thought leaders/sources of inspiration as well for best practices insights and paragon examples?

- Work collaboratively with regulatory partners to grow and leverage national regulatory capacity.

CAFII Question Related to this Strategic Priority:

-what does the Council have in mind in terms of growing and leveraging national regulatory capacity?

- Partner with industry stakeholders to identify opportunities to increase regulatory and supervisory harmonization where practicable and appropriate.

CAFII Question Related To This Strategic Priority:

-what are some of the obstacles to harmonized regulatory and supervisory approaches across the country, which have caused CCIR to insert the caveat/qualifying words “where practicable and appropriate” in this Strategic Priority?

Strategic Priority Initiatives

1. Build upon cooperative supervision in aligning with best international practices to enhance consumer protection

1.1 Fair Treatment of Customers

1.1.1 Measure the fair treatment of other financial services sectors, and evaluating their impact on and appropriateness for the insurance framework and industry implementation of the guidance principles.

customers through the principles outlined in the *Conduct of Insurance Business and Fair Treatment of Customers* (FTC Guidance).

1.1.2 Continue monitoring of regulatory developments, internationally and in

Strategic Priority Initiatives

1.1.3 Research current industry incentive programs and their alignment with the FTC Guidance and assess whether other specific guidance(s) are required.

1.2 Segregated Funds

1.2.1 Facilitate a harmonized implementation of the Position Paper recommendations, address challenges with “legacy” systems, and follow up on alignment of requirements with mutual funds.

1.3 Consumer Awareness and Understanding of Risks and Coverages Related to Natural Catastrophes

1.3.1 Assess consumer awareness and increase consumer understanding of the risks related to natural catastrophes, preparedness and opportunities to mitigate these risks, insurance options and coverages as well as the features of disaster relief programs.

2. Work collaboratively with regulatory partners to grow and leverage national regulatory capacity

2.1 Cooperative Approach to Financial Services and Insurance Technology

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

CAFII Comment/Observation Related To This Strategic Initiative (2.1.1): A national industry advisory committee to CCIR might be a significant value-adding vehicle under this Strategic Initiative as, with the right senior people from the industry sitting on it, it would give regulators direct and immediate access to industry thought leaders and change agents in insurtech who are working daily to transform businesses to better meet consumers' expectations for seamless digital experiences.

2.1.2 Develop an electronic commerce framework to share information,

coordinate research, propose approaches to the regulation of emerging technologies and security of private information in a digital environment.

Strategic Priority Initiatives Continue to implement electronic proof of automobile insurance

3. Partner with industry stakeholders to identify opportunities to increase regulatory and supervisory harmonization where practicable and appropriate

3.1 Harmonization Opportunities

3.1.1 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 Comment/Observation Related To This Strategic Initiative (3.1.1):

-A preliminary perspective from our Association on this critically important Strategic Initiative is that a Joint Regulator/Industry Task Force or Working Group could be quite effective in gaining traction and making substantive progress on this; and our Association would be pleased to nominate one or two well-qualified/backgrounded individuals to serve on such a group.

3.1.2 Partner with industry to develop, finalize and monitor progress when

implementing of initiatives such as the fair treatment of customers guidance, annual statement on market conduct, Fintech and travel insurance.

Standing Committees

In addition to the above initiatives, CCIR will continue to partner with various stakeholders, through the work of the following Committees:

- **Cooperative Supervision Oversight Committee (CSOC)**

The CSOC ensures CCIR the effective operations, maintenance and stewardship of the core elements of the cooperative supervisory framework guided by the Insurance Core Principles (ICPs) as developed by the International Association of Insurance Supervisors (IAIS). The CSOC is responsible for overseeing the operations of the Annual Statement on Market Conduct and maintaining the Memorandum of Understanding agreement among CCIR members. The committee also leads activities under the Cooperative Supervision component where emerging issues are examined on a thematic and or insurer basis.

CAFII Question Related To This Standing Committee (CSOC):

-are there any emerging issues that you can share with CAFII at this time, ie.

issues which you expect to see unfold within the term of the 2020-2023

Strategic Plan?

• **OmbudServices Oversight Standing Committee (OOSC)**

Through the OOSC, CCIR provides regulatory oversight for third party dispute resolution systems in the insurance sector, including the General Insurance OmbudService (GIO) and the OmbudService for Life and Health Insurance (OLHI). The ombudservices fulfill the public interest objectives of complaint resolution, serving as an important component of a well-functioning consumer protection policy framework.

• **Assuris/Property and Casualty Insurance Compensation Corporation (PACICC) Committee** Through the Assuris/PACICC Committee, CCIR will be taking a more proactive approach by participating in industry policy initiatives at an early stage in order to better understand the rationale and intended outcomes. The Committee continues to review and analyze proposed bylaw changes of the compensation corporations for life and general insurers and provide recommendations to its members for each jurisdiction to make appropriate decisions. Assuris and PACICC are industry non- profit organizations that protect Canadian insurance policyholders in the event that an insurer should fail, serving as another important component of the consumer protection framework.

- **Facility Association Standing Committee**

Our Facility Association Standing Committee has been established to streamline the communications between the Facility Association, the provider of automobile insurance to drivers who are unable to obtain automobile insurance through the voluntary insurance market.

- **Forms Committee**

The Forms Committee, ensures the supervisory return forms and instructions for both P&C and Life required from every insurer registered in Canada.

- **Capital Requirements Information Committee**

The Capital Requirements Information Committee ensures the sharing of information regarding changes to the regulatory capital requirements.

CCIR Secretariat

- **Powers of Attorney and Undertakings (PAUs) Repository**

The CCIR Secretariat maintains and provides access to the repository of PAUs filed by insurance companies all over North America. This function means that insurers filing PAUs with respect to private automobile insurance do not have to file that document in each province or territory the policyholder might visit.

Appendix A

Additional CAFII High-Level Questions About CCIR's Draft 2020-2023 Strategic Plan

1. What impact/influence, if any, did the IMF's 2019 Financial Sector Assessment Program (FSAP) Report on Canada have upon your development of a new CCIR Strategic Plan for the next three years?
2. Now that there is a new Commissioner at the helm of the Financial Consumer Agency of Canada (FCAC) -- Judith Robertson who most recently was a Director serving on the Board of CCIR member the Financial Services Regulatory Authority of Ontario (FSRA) – what are the prospects for a new level of engagement and/or co-operation between the CCIR and the FCAC?; and for the FCAC to have a seat at the CCIR table, just as OSFI (another federal regulator) does?
3. What are the chances that CCIR might create a national regulatory sandbox for insurance, perhaps housed/operated in one province which has “regulatory forbearance” powers, but with all CCIR member jurisdictions participating in it and monitoring its work?

Appendix B

CAFII Submission Content For 2017-2020 CCIR Strategic Plan:

Update Regulatory Framework to Foster Innovation and Support Consumer Choice in a Digital World

Consumer habits are evolving rapidly, and more and more clients expect insurance offerings to cater to their specific needs. Even though *insurtech* (digital innovation in the insurance industry) is currently at an embryonic stage as compared to its more advanced *fintech* sibling, new innovative business models within the industry have emerged, such as micro-insurance and pay-as-you-go insurance.

The unique value proposition of *insurtech* innovation lies in the shift from complexity and long-termism to real-time, easy-to-use, configurable, customized and cost-friendly products and services, all offered with the utmost consumer convenience through digital devices.¹ The biggest winners from *insurtech* innovation will be the end customers, who will benefit from better user experience, more personalized insurance solutions, and possibly improved pricing through lower premiums.²

^{1.} *Opportunities await: How Insurtech is reshaping insurance. Pwc Global Fintech Survey, June 2016.*

^{2.} *Insurtech: Disruptions and opportunities in the Insurance Industry, Pinebridge Investments, October 2016.*

CAFII believes that the regulatory structure should foster an open marketplace where consumers are able to choose how and where to purchase coverage. Our members distribute authorized insurance products and other types of life and health insurance products by direct mail, contact centres, and through the internet; and regulators' objective of ensuring that consumers are protected while purchasing products through their channel of choice. It's our view that the future of life and health insurance will be marked by continued and accelerating innovation; and that regulation should embrace the role of all insurance channels in meeting the insurance needs of consumers. In particular, consumers continue to demand greater access to insurance information, purchasing opportunities, servicing, and claims fulfillment through digital means; and we believe that the digital space will play an ever more important role in meeting the insurance needs of Canadians.

We recommend that CCIR play a leadership role by pursuing a specific strategic priority to create an updated, nationally co-ordinated structure which fosters innovation and supports consumer choice in a digital world. One possible CCIR leadership initiative in this area would be the development of a national "regulatory sandbox."

A number of financial services regulators – including the Financial Conduct Authority (FCA) in the UK; its counterparts in Australia and Singapore; and the Ontario Securities Commission (OSC LaunchPad) here at home – have recently established regulatory sandboxes, as projects designed to help companies test innovation with a limited number of users, without having to comply with existing regulatory rules, for a limited time.

With respect to its regulatory sandbox, the FCA has said

- technology has the potential to improve not only how products and services are designed, but also how they are distributed;
- it wants more firms to embrace innovation and it wants to work with innovators to build in consumer protection from the outset; and
- the sandbox has been designed to reduce the time and potential costs of getting innovative ideas to market; and it will accelerate the testing and introduction of genuinely novel products and distribution channels which will benefit consumers.

CCIR leadership in this area should also include reviewing and updating regulatory requirements which were designed for traditional paper-based and personal interaction sales practices, to ensure that they do not create obstacles for meeting consumers' needs in the digital space. The regulatory framework should focus on the quality of consumer outcomes regardless of the mode of interaction or the delivery channel.

We advocate a principles-based regulatory framework that is flexible to the changing landscape and can be more easily harmonized across jurisdictions.