

**Regulatory Update – CAFII Executive Operations Committee, September 15, 2015**

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## **Federal/National**

### **Canadian Council of Insurance Regulators (CCIR)**

#### Timeline For Travel Health Insurance Issues Paper Pushed Back To Early 2016

On August 25/15, Harry James, Chair of CCIR's Travel Insurance Working Group (TIWG), advised Brendan Wycks that the TIWG's timeline for release of an Issues Paper on travel health insurance had been pushed back to early 2016, possibly as late as April 2016.

Earlier, Harry had indicated that the Issues Paper would likely be released in November 2015, with a February 2016 deadline for response submissions.

The first phase of CCIR's review of travel insurance is the TIWG's survey of travel health insurers, which was disseminated in early July 2015 with an early September response deadline. The results of the survey will then inform the content for the Issues Paper.

#### Seven Provinces Now Signatories To CCIR's Memorandum of Understanding

Over the course of the summer, three additional provincial insurance regulators – Saskatchewan, Nova Scotia, and PEI – have signed on to CCIR's new Memorandum of Understanding, bringing the total to seven.

BC, Alberta, Ontario and Quebec were the first provinces to sign the MOU, which sets out the terms for co-operation and information exchange among provincial and territorial insurance regulators.

The information to be shared under the MOU relates mainly to insurance entities that carry on business in more than one province or territory, with the objective of allowing more consistent handling of consumer complaints, more effective risk surveillance, and greater collaboration on market conduct issues. The MOU also sets out specific protocols for ensuring the protection of confidential information and is part of the CCIR's broader Supervisory College initiative to create a harmonized framework for market conduct regulation and supervision to replace the current fragmented system.

#### Electronic Commerce Committee Reconstituted

During its June 26/15 conference call, CCIR approved terms of reference for a reconstituted Electronic Commerce Committee. Its first two priorities are to address electronic proof of automobile insurance cards; and a common regulatory approach to telematics/usage-based insurance.

#### Updated Ombuds Oversight Framework Approved

During its June 26/15 conference call, CCIR approved an updated *Insurance OmbudServices Cooperation and Oversight Framework*. This framework outlines principles for ongoing collaboration among the OmbudService for Life & Health Insurance (OLHI), the General Insurance Ombudservice (GIO), and the CCIR as their regulatory oversight body.

#### Policy Manager Retirement and Succession Unfolding

In keeping with CCIR's earlier indication that it would be expanding its Secretariat resources, CAFII has been advised that there will be two new Policy Managers succeeding Carol Shevlin in that role.

Sean Gamble joined CCIR as Policy Manager in July, having previously worked at the Insurance Bureau of Canada, Deloitte Canada, and Stikeman Elliott.

And towards the end of September, Martin Boyle, currently Policy Manager with the Mortgage Brokers Regulatory Council of Canada (administered by FSCO), will be moving over to CCIR and becoming its second Policy Manager.

Carol Shevlin will be facilitating training/orientation for Sean and Martin and introducing them to industry contacts over the next two to three months before she takes her retirement.

CCIR will be presenting a retirement/mementoes scrapbook to Carol during its Fall Meeting in St. John's on October 1 and 2. CAFII has been invited to provide a letter and/or signed card for inclusion in the scrapbook, and we have decided to provide both. The September 22/15 CAFII EOC meeting provides an opportunity for members to sign a retirement card for Carol for inclusion in the CCIR scrapbook.

While the end of November is currently the target date for Carol's retirement from CCIR, Sean Gamble indicated that that timing is still tentative and her last day may get carried over into December. Regardless of whether Carol is still at CCIR or not in early December, it will still be appropriate for CAFII to proceed with plans to invite her to attend our Holiday Season Reception on December 8/15, where we can recognize her and wish her well in her retirement.

### **Canadian Insurance Services Regulatory Organisations (CISRO)**

#### Initial Exam Fees For Nationally Harmonized Life Licence Qualification Program Set

Ron Fullan, Chair of CISRO and its LLQP Committee, has advised that registration fees to write the new, nationally harmonized LLQP will be the following for 2015-16:

- to write exam modules to obtain a full life licence: \$90
- to write exam modules to obtain an accident & sickness licence only: \$54 (60% of full licence)
- top-up from accident & sickness licence: \$36
- ethics module only: \$18 (20% of full licence)

In an update sent to agents in July, Ron stressed that the harmonized LLQP will remain an entry level program, and that both the pre-exam course and the modular examinations will have proficiency standards that are comparable in both their length and level of difficulty to the current LLQP.

### **Provincial**

#### **British Columbia**

#### FICOM Releases Information Bulletin On Creditor's Group Insurance

On September 14/15, FICOM distributed a long awaited Information Bulletin on Creditor's Group Insurance to life and accident & sickness insurers; CGI exempt sellers; and CGI creditors operating in the province, along with a transmittal letter from Carolyn Rogers, FICOM CEO and Superintendent of Insurance.

The Bulletin's purpose is to provide regulatory direction to the industry to address concerns related largely to the 'effecting' of CGI, which FICOM first identified in March 2014.

The four-page Bulletin contains sections on Background Information; Expectations of Insurers; Expectations of Exempt Sellers; and Creditor Involvement in Initiation of CGI.

The transmittal letter from Carolyn Rogers, FICOM CEO and Superintendent of Insurance, indicates that FICOM expects insurers, creditors, and exempt sellers to be compliant with the Bulletin by March 31, 2016. Both the letter and the Bulletin stress that failure to comply with the Bulletin's requirements could result in regulatory action.

On September 17/15, Harry James, FICOM's Director, Policy Initiatives advised Brendan Wycks that Kristine Mactaggart Wright, Executive Director, Conduct Supervision since March 2015, left FICOM's employ in August. Chris Carter has become Acting Head, Market Conduct Supervision and assumed leadership responsibility for the 'effecting of CGI' file. Mr. Carter's full-time role is as Deputy Superintendent, Real Estate and Deputy Registrar, Mortgage Brokers.

#### CAFII Makes Submission To BC's Review Of Financial Institutions Act

On September 9/15, CAFII made its submission in response to the BC Ministry of Finance's preliminary consultation paper on the 10-year review of the province's Financial Institutions Act. The following acknowledgement response was received from the Ministry's Policy & Legislation Division:

*Thank you for your submission to the Financial Institutions Act (FIA) and Credit Union Incorporation Act (CUIA) review. The review will consider the regulatory tools British Columbia has to oversee credit unions, insurers and intermediaries, and trust companies, and whether changes to the regulatory framework are needed.*

*Input from stakeholders in the financial services sector, and other interested parties and members of the public, is an important component of the FIA/CUIA review. Ministry of Finance staff will be reviewing submissions and comments received in response to the initial public consultation paper, and may follow up with stakeholders for further information.*

Now that the consultation period has ended, the Ministry will prepare and release a public report on the stakeholder input received, and further public consultation will occur in a later phase of the review.

#### Insurance Council Amends Criminal Record Check Requirements

In July, Gerry Matier, Executive Director of the Insurance Council of BC, advised CAFII that the Council had amended its policy for licence applicants who reside in another Canadian jurisdiction (non-resident licence applicants) and who are subject to criminal record check requirements in their home province or territory.

Going forward, non-resident licence applicants who hold an insurance licence that is in good standing in their home province or territory are no longer required to provide a criminal record check when they submit their licence application to the Insurance Council of BC.

This change is a positive development, one which CAFII has been advocating for with jurisdictions across the country for several years.

## **Saskatchewan**

### Drafting of Bill 177 Regulations Progressing Slowly; Consultation May Be Delayed

On September 16/15, Jan Seibel, Legal Counsel with Saskatchewan's Financial and Consumer Affairs Authority, advised Brendan Wycks that progress over the summer months on the drafting of Regulations for Bill 177 (Insurance Act) has been steady, but not as extensive or quick as had been hoped. That being the case, the timing of the promised thorough consultation period with the industry, following completion and publication of the draft Regulations, is now less certain. The consultation period could still begin in the late Fall of 2015 or it could be pushed back into the first quarter of 2016.

Jan promised to get back to CAFII once she has more certainty around timing for release of the draft Regulations and the ensuing industry consultation period.

In an earlier conversation, Jan clarified that once the Regulations are completely final, following a thorough consultation period, they only need to be approved and accepted by the Cabinet of the government and will not require review and approval by the legislature.

## **Manitoba**

### Launch Of Restricted Insurance Agent/ISI Regime Goes Smoothly

On September 15/15, Erin Pearson, Executive Director of the Insurance Council of Manitoba, advised Brendan Wycks that the launch of the province's new RIA/ISI regime had gone relatively smoothly, with few hiccups and the vast majority of applicant licences issued prior to the June 1/15 "in force" date.

Two issues that did have an initial impact on the application review process were (i) the requirement for applicants to having errors and omissions insurance coverage in place that met Manitoba requirements; and (ii) the registration of business names, where required.

To date, the new regime has resulted in the issuance of 427 restricted licenses, with most applicants being automobile dealerships, travel agencies, and deposit-taking institutions.

Following an Insurance Council ISI Committee meeting on September 17/15, Erin will provide CAFII with an update on the "ISI regime items for further review and development" matter that is on the committee's agenda.

### Ken Lofgren Appointed Acting Superintendent of Insurance

The Insurance Council of Manitoba's 2015 Annual Report, submitted by Executive Director Erin Pearson on May 31, indicates that Ken Lofgren has been appointed Acting Superintendent of Insurance for the province, succeeding Jim Scalena who retired at the end of 2014. Mr. Lofgren also continues to serve as Deputy Superintendent, Deposit-Taking, while Scott Moore remains Deputy Superintendent, Insurance.

## Ontario

### Expert Panel On FSCO Mandate Review To Release Preliminary Position Paper

On August 24/15, David McLean, Senior Policy Advisor with the Ontario Ministry of Finance and Secretary to the Expert Panel reviewing FSCO's mandate, advised Brendan Wycks that following completion of sectoral roundtable meetings with stakeholder groups in late July, the Expert Panel's next step will be to release a Preliminary Position Paper sometime this Fall. There is currently no firm release date for the paper (previously referred to as a "Trial Balloon Report").

On September 14, David confirmed that the release date for the Preliminary Position Paper had still not been set, but promised to alert CAFII once it was established.

David also indicated that the Panel would not be holding any additional meetings with stakeholder groups at this time.

In CAFII's May 21/15 preliminary, informal meeting with the Expert Panel, David provided the following timetable and work plan:

- June 5/15: Deadline for response submissions to the consultation paper
- Summer 2015: Panel holds stakeholder roundtable meetings with respondent groups
- Early Fall 2015: Panel drafts and releases for comment "trial balloon report" based on written submissions and roundtable meetings
- Late Fall 2015: Panel assimilates stakeholder input on trial balloon recommendations; and drafts final report
- Winter 2016: Panel delivers final report to Minister of Finance.

### FSCO Conducting On-Site Examinations Of Life Agents

Stemming from the findings of its 2014 Life Insurance Product Suitability Review, FSCO is now conducting on-site examinations of life agents to verify their compliance with the Insurance Act and related Ontario Regulation 347/04.

The examinations will look at how agents are assessing product suitability for consumers, as well as confirm that they have valid E&O insurance in place and have completed their required continuing education (CE) credits.

FSCO may apply various regulatory tools, depending on an agent's examination findings, to achieve a desired regulatory outcome. The type of regulatory action taken will be proportionate to the findings and may include Administrative Monetary Penalties and/or licence suspension or revocation.

### FSCO To Develop Life Insurer Compliance Examination Program

FSCO has indicated that it plans to develop a life insurer compliance examination program, as an outgrowth from its current on-site examinations of life agents. This will be facilitated by the fact that reviews of agent compliance with the Insurance Act and related Ontario Regulation 347/04 will include an examination of the level of oversight of agent activities by insurers.

### FSCO Updates Licensing Link for Agents' Errors & Omissions Insurance

To make it easier for insurance agents to advise FSCO of any changes to their errors and omissions insurance information, the regulator has added two new features to its *Licensing Link* portal. Agents can now update their E&O insurance information online, and they will also receive a reminder before their policies expire.

### FSCO's Annual Life and Health Sector Symposium: Friday, November 20/15

On August 17/15, FSCO's Symposium Organizing Committee advised Brendan Wycks that its 8<sup>th</sup> Annual Symposium for the Life and Health Insurance Sector will be held on Friday, November 20/15 from 8:00 a.m. to 12 Noon at Novotel Hotel, North York. Invitations and the symposium agenda will be sent to industry stakeholders closer to the date.

### Insurance Brokers Association of Ontario Appoints New CEO

In July, the IBAO announced that Jim Murphy had been appointed its new CEO. Murphy comes to IBAO from the Canadian Association of Accredited Mortgage Professionals (CAAMP), where he served 11,500 members as president and CEO since 2007.

Prior to leading CAAMP, he served as the senior director of government relations and communications for the Association. He also worked as the director of government relations for the Greater Toronto Home Builders Association (now BILD) from 1999-2005, where he coordinated all advocacy and research efforts.

## **Quebec**

### AMF Releases Results of Insurer Commercial Practices Self-Assessments

On July 16/15, the AMF released the results of its 2014 self-assessment questionnaire on insurer implementation of its 2013 Sound Commercial Practices Guideline. The results report is published on the AMF web site at <https://www.lautorite.qc.ca/en/press-releases-2015-autre.html> [2015 results-of-insurer-commercial-practices-self-assessment17-07-2015-00-0.html](https://www.lautorite.qc.ca/en/press-releases-2015-autre.html).

In May 2014, the AMF sent a self-assessment questionnaire on expectations set out in the Sound Commercial Practices Guideline to 219 insurers licensed to operate in Quebec.

The general findings of the results report indicate that self-assessment scores in the eight theme areas explored varied greatly from one insurer to another; and that implementation of the Sound Commercial Practices Guideline's fair treatment of consumers requirements is still a work-in-progress for many insurers. In the report's Conclusions, the AMF stresses that an insurer's commercial practices must take fair treatment of consumers into account at every phase of a product's life cycle.

The report's findings will help shape the AMF's future actions on sound commercial practices, particularly with respect to off-site and on-site supervisory activities carried out under its Supervisory Framework.

The AMF indicates that it will conduct industry consultations and undertake specific work in the coming months related to some of the areas discussed in the report that will require ongoing vigilance, such as Incentives Management; Design and Marketing of Products; and Disclosures to Consumers.

## **New Brunswick**

### FCNB Updates Plans For Online Insurance Licensing System

On August 7/15, the Insurance Division of New Brunswick's Financial and Consumer Services Commission issued an Insurance Stakeholder Notice which provided an update on the province's plans for introducing an online insurance licensing system.

Phase 1 of the new system, targeted for launch in the early Fall of 2015, will allow new applicants for an intermediary licence to complete their application online; and the status of previously submitted applications will also be viewable.

Phase 2, scheduled to be launched at some point in 2016, will include functionality to complete intermediary and insurer licence renewal processes and new insurer applications online.

Upon full implementation, the online system will enable insurance agents, brokers, adjusters, damage appraisers, and insurers to interact with FCNB online for the majority of their regulatory registration needs.

## **Nova Scotia**

### William Ngu Appointed Acting Superintendent of Insurance

In July, Jennifer Calder, Nova Scotia's Deputy Superintendent of Insurance, advised CAFII that William Ngu had been appointed Acting Superintendent of Insurance following Doug Murphy's retirement from that role on May 30/15. William also continues to serve as Deputy Superintendent, Financial Institutions.

When CAFII disseminated its letter encouraging the four Atlantic Canada provinces to move forward with the legislative and/or regulatory changes necessary to permit electronic beneficiary designations, William replied to Brendan Wycks as follows: "thank you for your email and letter outlining CAFII's position on electronic commerce and beneficiary designations. We will continue to work with the Atlantic Provinces to harmonize where appropriate."