

Regulatory Update - CAFII Executive Operations Committee, November 25, 2013

Prepared By Brendan Wycks, CAFII Executive Director

Federal/National

Financial Literacy Month

November is Financial Literacy Month (FLM) in Canada. FLM brings together the resources, information, products and services developed by organizations across the country that help Canadians strengthen their financial literacy. The calendar of activities is on the FCAC website.

FCAC Responds To CAFII Meeting Request

On November 25, FCAC responded to an outreach from CAFII EOC member Moira Gill, requesting a meeting on creditor insurance-related issues which also provide an opportunity for Executive Director Brendan Wycks to meet key FCAC officials. Moira has responded with several December dates on which she and Brendan would be available to meet with FCAC in Ottawa.

Alberta

Alberta Insurance Council To Give Demo Presentation On New Canadian Insurance Participant Registry (CIPR) For CAFII Members

On Wednesday, January 8, 2014, Tom Hampton and Robin Thompson, staff executives from the Alberta Insurance Council, will be in Toronto to give a demo presentation on its new *Canadian Insurance Participant Registry* (CIPR) to CAFII members.

The presentation will take place from 2 :00 to 3 :30 p.m. at TD Insurance, 120 Adelaide St. West in Toronto. A room that can accommodate up to 20 people has been reserved.

Through the CIPR, the AIC is planning to launch online licensing for first-time applicants next February. One of the purposes of the demo presentation is obtain comments and feedback from company representatives.

CIPR serves a number of purposes:

- 1. It provides a single, secure location where you can maintain and control your personal information;*
- 2. It requires you to specify an email address that will act as your login identification rather than your license number. You will use this and your choice of password to log into both CIPR and AIC systems; and*
- 3. It gives you a unique business identifier that you can use to identify yourself with other industry players such as insurers, LLQP providers and CE providers.*

The CIPR addresses a need that CAFII has been advocating for years. If set up properly and adopted by other Canadian provinces, it can become a first step toward a national registration system.

Saskatchewan

CAFII Concept Proposal For Restricted Insurance Agents Advisory Committee

CAFII's Licensing Efficiency Issues Committee has developed a "Concept Proposal For Insurance Councils of Saskatchewan Restricted Insurance Agents Advisory Committee," with counsel and drafting assistance from Stikeman Elliott. (The members of the LEIC are Moira Gill (Chair), Sara Gelgor, Greg Grant, John Poolman, and Brendan Wycks.) In addition, the thinking behind the Proposal has been tested, at several steps along the way, through sounding board discussions with Ron Fullan, Executive Director of the Insurance Councils of Saskatchewan.

Our proposal for a body to represent the interests of Restricted Insurance Agents in Saskatchewan is positioned as an Advisory Committee to the Executive Director, with flexibility built-in for the committee to take on a different form/status should its evolution dictate such.

The Proposal was reviewed, tweaked and finalized by the LEIC on October 2, and then forwarded to the EOC for review and approval. The Proposal was sent to Ron Fullan, Executive Director of the Saskatchewan Insurance Councils, with a cover letter on Thursday, October 10.

Manitoba

Online License Renewals

The Insurance Council of Manitoba has reported that its first experience with online renewal of insurance agent and adjuster licenses was very successful, with almost 98% of licenses renewed online. User response to ICM's online renewal process has been overwhelmingly positive, and online renewal will be mandatory for the next renewal period.

Raising ICM's Consumer Profile

A strategic priority identified in the 2013-15 ICM Strategic Plan was to increase consumer awareness of ICM. The ICM has therefore implemented a number of initiatives including newspaper and radio ads, consumer brochures, participation in the Financial Literacy Forum's "Money Matters" calendar, and bus board advertisements. The focus of these initiatives is to highlight ICM's consumer protection mandate, and to advise the public that the ICM can provide information about the professional standards, licensing status, and compliance of insurance agents and adjusters.

Ontario

FSCO's 6th Annual Symposium for Life and Health Insurance Sector: Friday, November 22, 2013

FSCO will hold its 6th Annual Symposium for the Life and Health Insurance sector on Friday, November 22, 2013 from 8 AM to 12 PM at hotel Novotel in North York.

Life Insurance Product Suitability Review

Adrienne Warner, Market Intelligence Consultant in the Market Intelligence & Analysis Unit of FSCO's Market Regulation Branch, provided the following update on the regulator's life insurance suitability review on November 25:

The 2013 life insurance agent questionnaire was sent to 1348 agents on October 15, 2013. As at November 19, FSCO had received 1032 valid responses, which includes 1,000 from selected agents and 32 voluntary. This equates to a 74% response rate from selected agents and 77% response overall. Our evaluation of the information gathered has commenced.

During the period Nov 5 - Nov 20, the project team also conducted one-on-one interviews with 11 life insurance agents, to discuss their life insurance sales practices.

In the week of November 25, 2013, a registered letter will be sent to each of the agents who did not respond to the questionnaire, requesting that a written explanation for the non-response be provided to FSCO by December 13, 2013. The Superintendent will consider the response in advance of proceeding with any regulatory action, where warranted.

Of the agents who completed the questionnaire, a random sample will be selected for assurance visits to verify the reliability of the questionnaire responses. The selected agents will be notified in the week of November 25. Assurance visits are scheduled to occur during the three week period from December 2, 2013 to December 20, 2013.

Thank you for your contribution and support.

Quebec

AMF CEO Louis Morisset Accepts CAFII Speaking Invitation

Louis Morisset, AMF CEO, has accepted an invitation to speak at a CAFII event -- whether for an exclusive Board/EOC audience or at a larger Regulator Reception – provided that the event is held on April 8, 2014 and that it is held in Montreal.

In June 2013, Louis Morisset, a lawyer by training, was appointed CEO of the AMF, succeeding Mario Albert. Morisset previously served as Superintendent of Securities Markets at the AMF, where he has worked since 2006. In that role, he was responsible for enforcing laws and regulations related to issuers of securities, including initial public offerings, continuous information that securities issuers must produce, their governance, mergers and acquisitions, and the creation and marketing of derivatives.

Morisset was also responsible for overseeing activities in Quebec securities markets and those of IIROC. He has been a member of the Quebec Bar since 1996.

The appointment of Mr. Morisset occurs after the departure of his predecessor Mario Albert to the leadership of Investissement Québec.

Two-Page Distribution Guide

Stephane Langlois, Senior Director, Distribution Practices at the AMF, advised Brendan Wycks on November 22 that the next iteration of the two-page Distribution Guide would not be ready for release for industry consultation until late in the first quarter of 2014 at the earliest.

On August 20, 2013, Louise Gauthier of the AMF had advised that "a new version of the Distribution Guide will be circulated this fall."

However, other priorities have intervened, Stephane advised, and work on the Distribution Guide had to be deferred.

New Brunswick

New Brunswick Launches Consultation on "Opportunities for Reforming the New Brunswick Licensing Framework for Other-than-Life Insurance Agents and Brokers"

CAFI's response to this New Brunswick consultation, prepared in consultation with the Licensing Efficiency Issues Committee, was submitted on November 5, 2013 as per an agreement with David Weir, Deputy Superintendent of Insurance.

On August 29, New Brunswick's Financial and Consumer Services Commission released this Discussion Paper, for consultation, titled "Opportunities for Reforming the New Brunswick Licensing Framework for Other-than-Life Insurance Agents and Brokers."

Even though this consultation, by title, relates to proposed modernizations and reforms to the province's regulatory framework for Other-than-Life agents and brokers, David Weir, Deputy, Director, Insurance, included CAFI in his distribution of the Discussion Paper.

And he says "although the main focus of the paper is the licensing regime for other-than-life agents and brokers, some of the items discussed also impact other insurance intermediaries. Therefore, we also welcome any feedback from these intermediaries."

Through a phone conversation with Mr. Weir, CAFI Executive Director Brendan Wycks learned that some of the items discussed in the paper also impact other insurance intermediaries is that New Brunswick may well introduce amendments that affect both Other-than-Life agents and brokers and Life agents and brokers simultaneously, particularly for matters where amendments to the Insurance Act will be required, and where it makes sense to do so based upon the feedback they receive from stakeholders.

Atlantic Canada Insurance Regulators

In mid-October, Brendan Wycks sent a canvassing e-mail to the four Atlantic Canada insurance regulators as a group, seeking their views on the optimal timing of a CAFI "Joint Meeting" with them -- either Fall 2013 or Spring 2014 -- and the best city location for such a meeting.

Thus far, a response has been received only from Angela Mazerolle-Stephens, New Brunswick's Superintendent of Insurance, indicating that Spring 2014 would be the much preferred timing and that Moncton would be an acceptable meeting location, as CAFI had suggested.

Given that Ms. Mazerolle-Stephens' views confirm those articulated to Moira Gill by the Nova Scotia Superintendent's Office, CAFII will now work on arranging the Joint Meeting with the Atlantic Canada Regulators for April or May 2014.

At CAFII's Industry Stakeholder Meeting with CCIR on October 30, Craig Whalen from Newfoundland and Doug Murphy from Nova Scotia advised that they would definitely be participating in this joint meeting next Spring. They advised that Halifax should be considered as an equally attractive regional location for the meeting.

Canadian Council of Insurance Regulators

Release of Final *Electronic Commerce in Insurance Products* Position Paper

On November 15, 2013, CCIR release the final version of its *Electronic Commerce in Insurance Products* Position Paper.

In describing the purpose of this final iteration of the paper, CCIR's Electronic Commerce Committee said that its objective was to communicate back to stakeholders what it had learned from the consultation and to set out its recommendations to CCIR members regarding the issues discussed.

The position paper was first released for comment in May 2013. The ECC was pleased to note the general agreement among respondents to the recommendations. While some submissions noted additional points for the ECC to consider, given industry's overall positive response to the Position Paper, the ECC decided to present the position paper to CCIR for adoption with only minor amendments.

The final Position Paper is in harmony with CAFII's July 2013 response submission on the earlier draft -- on all of Consumer Protection Outcomes discussed therein, with one small exception:

With respect to the "Consumers Know They Are Dealing With A Regulated Entity" Consumer Protection Outcome, the following recommendation component with respect to information that should be made easily, directly, and permanently accessible on the websites of all online insurance providers has remained unaltered: "Contact information and information on how consumers can file a complaint, including a link to the regulator's website."

In our CAFII submission, we had indicated on this point that *"the standard industry practice is that the first point of contact for a consumer complaint is the insurer. Escalation protocols are listed but -- given that most insurance products are distributed on a national basis -- do not normally include a link to provincial regulator websites. However, consumers are provided with provincial regulators' contact information upon request. It is our belief that including links to provincial regulators' websites would undermine this process and cause unnecessary confusion for consumers."*

However, in this connection, during CAFII's "Industry Stakeholder Meeting" with CCIR on October 30, 2013, during an exchange about next steps related to the Electronic Commerce Position Paper, Carol Shevlin had indicated that an insurer's including a link on its site to the CCIR web site – where links to all provincial regulators can be found – would satisfy the Position Paper's directive on this point.

CCIR "Industry Outreach Meeting" With CAFII: Wednesday, October 30, 2013

A CAFII Board and EOC delegation had a very productive 90-minute discussion and exchange with the CCIR Executive in an "Industry Stakeholder Meeting" in Toronto on October 30.

The highlights of that discussion are reported in a separate Regulator Visit Report.

At the conclusion of the meeting, Carolyn Rogers, CCIR Chair, thanked and congratulated CAFII for coming to the meeting well-prepared with a full agenda of topics to discuss, well suited to the time available in the meeting.

Canadian Insurance Services Regulatory Organizations (CISRO)

LLQP Modernization

Ron Fullan, Chair of CISRO's LLQP Committee, held a Stakeholder Information Session in Toronto on October 30, 2013. The Powerpoint presentation from that session has been provided as a separate update document.