

CAFII Regulator Visit Report
Confidential: Not For Distribution

Regulator: FSCO
Date: July 5, 2013
Location: Trio Restaurant, Novotel, North York Centre, Toronto
Purpose: *Get Acquainted Lunch, which Phil Howell invited Brendan Wycks to arrange during informal discussion at CAFII's 15th Anniversary event on April 10, 2013*

Attendees:

FSCO: Phil Howell, Superintendent

CAFII: Brendan Wycks, Executive Director

CAFII Relationship-Building With Policy-Makers, In Addition To Regulators

As per the advice that Phil Howell and Carolyn Rogers shared with CAFII Board Vice-Chair Rino D'Onofrio in a recent meeting, the regulator members of CCIR appreciate and value their long-established relationship with CAFII; are well familiar with the Association and its members' businesses; and pay close attention to its regulatory submissions and listen to its advice.

However, regulators do not have policy-making authority in any jurisdiction in Canada; and they do not have a direct pipeline to the final decision-makers (Ministers and Cabinet) with respect to legislative and regulatory policy. They have to work through policy staff in Ministerial offices.

Part of the job of regulators is to bring forward to policy-makers recommendations for sound prudential and market conduct regulation. But policy-makers also pay attention to direct communication from industry stakeholders and other interest groups; and sometimes political considerations outweigh policy recommendations from a regulator.

(Witness IBAC's success in the 2000-2001 timeframe, in deploying a grassroots, full court press campaign of lobbying visits by p&c brokers to their individual Members of Parliament across the country, which resulted in the Paul Martin Liberal government backing down from its proposal to allow banks to sell insurance from their branches.)

Hence, it would make eminent good sense for CAFII to devote some of its communications and advocacy resources to building relationships with key influencers and decision-makers at the policy level.

In Ontario, the key policy group for CAFII to focus on building a stronger relationship with is the Office of Economic Policy in the Ministry of Finance. This Office reports into Pat(rick) Deutscher, Assistant Deputy Minister, who is also Chief Economist for the province.

The head of the Office of Economic Policy is Alvaro Del Castillo; and he has policy responsibility for insurance and all financial services. Paul Braithwaite works in the Office of Economic Policy (B. Wycks had a valuable *Get Acquainted* chat with Paul at CAFII's Regulator Reception on June 11, 2013. Paul followed up with a phone call to B. Wycks to invite him to participate in the September 2013 charity fundraising golf tournament for the Herbert H. Carnegie Future Aces Foundation. Paul serves on the Board of this Foundation, and B. Wycks had expressed interest in its work, given his awareness of Herb Carnegie as a pioneering black ice hockey player in the 1950s and 60s.)

Catherine McFarlane is Manager of a related group within the Ministry of Finance that deals with insurance issues. However, she is retiring in a few months, so it doesn't make any sense to spend time building a relationship with her. Better to wait until her successor is appointed.

CAFII's Evolution and Presence With Regulators

Towards the end of our discussion over lunch, Phil offered up the following unprompted observations:

- It was a wise move for CAFII to hire an Executive Director, given the point it had reached in its evolution/history. It's very hard for an Association that is entirely volunteer-led and driven to have a strong, sustained presence with regulators, legislators, and other key audiences and stakeholders.
- He knows, based on conversations with Grant and Anatol from his FSCO team and with several of his counterpart provincial regulators, that I have established a presence as the "face" of CAFII and as the go-to person at the Association, which is the way things should be.
- Key to long-term, sustained success as Executive Director of an Association such as CAFII will be face-to-face relationship-building with the heads and other key senior people at the provincial regulators, OSFI, FCAC, and a few other key bodies. He recommended that, in addition to availing of opportunities to meet with regulators when they are in Toronto, CAFII should also invest in and make a point of having me visit the regulators in their offices periodically, ideally at least once a year, whether alone or with representatives from member financial institutions. Regulators appreciate it when Association representatives go out of their way to visit them on their home turf, even if it's just for a courtesy call and a general update discussion. "If you're not given the resources and the mandate to make those visits and to nurture the critically important face-to-face relationships, then you're fighting an uphill battle."

CAFII Joint Visit With Atlantic Canada Regulators

When I mentioned to Phil that CAFII was looking into the possibility of a joint liaison visit with the four Atlantic Canada regulators in the near future, he said that was an excellent idea.

Based partly upon some direct information from Phil but also upon a "reading between the lines" of a few indirect things he said on this topic, I came away with the following perceptions/observations:

- the Atlantic Canada regulators would very much appreciate a joint meeting with a CAFII delegation, as they feel somewhat neglected/ignored by CAFII and other industry stakeholders;
- given that the Atlantic regulators are all small shops/offices without the same degree of specialized knowledge/expertise that the larger provincial regulators have thanks to their greater resources, there is an opportunity for CAFII to sow some seeds and reap some dividends by investing in relationship-building with these smaller regulators through periodic educational, face-to-face liaison meetings. While they represent provinces with small populations, they still have an influential voice and an equal vote at the CCIR table.
- Craig Whalen is taking on a lot of responsibility for insurance regulation in Newfoundland, although Doug Connolly is still in charge from a titular viewpoint.
- There was a key announcement out of New Brunswick just this week, about the creation of a new Financial and Consumer Services Commission (FCSC) – as a one-stop shop for consumer information and industry regulation -- which includes responsibility for insurance regulation. Angela Mazerolle-Stephens remains Acting Superintendent of Insurance for the time being, but creation of the FCSC may cause that to change in the near future.
- David Weir, Deputy Superintendent of Insurance in New Brunswick, is one of the longest-serving in a provincial insurance regulatory role. He's a great guy and very professional. Definitely makes good sense for CAFII to channel its efforts to arrange a joint meeting in Atlantic Canada through him. "If I was CAFII, I'd definitely push hard to have that meeting this year and start building a relationship with the Atlantic Canada regulators." There's a real opportunity to educate and inform them, and increase their knowledge, understanding and appreciation of creditor's group insurance and ISI.

FSCO Initiative To Modernize Disciplinary Procedures For Insurance Agents and Adjusters

The reason why this project has been stalled since March is that there has been a "revolving door" of Policy Advisors in Minister of Finance Charles Sousa's office since his recent appointment (a parade of three different advisors with responsibility for insurance matters, in just a few months).

The most recent Policy Advisor was briefed by Phil and other FSCO senior executives a few weeks ago. Assuming a reasonable period of longevity by that Advisor in her role, the necessary briefing of and approval by the Minister should occur by no later than September, and this project should be back on the rails in the early Fall.

If delays beyond the early Fall are encountered/expected, Phil asked if CAFII might be willing to submit an official letter to FSCO stating that our Association is in support of the modernization proposals and is not averse to seeing the changes implemented forthwith, without a further consultation period. Other industry stakeholders would be asked to submit a similar letter.

I said that CAFII would be willing to consider FSCO's request for such a letter, if it became necessary, to help move this initiative forward into implementation.

IMF Visit To FSCO Re Compliance With IAIS' Insurance Core Principles

The IMF assessors completed their visit to FSCO a couple of weeks ago. Preparation and document submissions prior to the visit was extensive and exhaustive work. Phil said that it's nice to have it behind us now, so that we can reallocate some resources to other items in our 2013 Statement of Priorities.

Phil Howell Suggestion/Request Re Industry Complaint Statistics

Phil clarified that the complaint statistics request/suggestion he made at the October 25, 2012 liaison meeting in Toronto between CAFII Board representatives and CCIR members was exclusively related to travel insurance.

He said that CAFII could play an important leadership role by compiling travel insurance statistics and sharing them with regulators. There is a need to equip regulators with credible, big picture data that would put them in a position to respond authoritatively to the government attention that inevitably stems from media reports on travel insurance situations (typically stories reporting on one-off cases re denial of claim, "post-claims underwriting," etc.)

Senior Leadership Change At the AMF

Louis Morisset is a very bright and accomplished guy, who is well known and highly regarded in Quebec and on the national and international stages as well. So he should be an excellent President and CEO as successor to Mario Albert. Louis is collegial and should be a pleasure to work with, just as Mario was and just as Patrick Dery is now as Superintendent of Solvency.

Julien Reid, Senior Director, Standards and Deposit Insurance, who was one of the four executives who met with a CAFII delegation on June 7, is another very bright and accomplished member of the AMF team.

Financial Consumer Agency of Canada (FCAC)

Phil hasn't heard any news about who might be appointed to succeed Ursula Menke as Commissioner of FCAC.

If Jim Flaherty does not remain as Minister of Finance following the Prime Minister's imminent Cabinet shuffle, then the initiative to appoint a "Financial Literacy Leader" at FCAC could well languish and wither on the vine. The Financial Literacy Leader initiative is very much a "pet project" of Minister Flaherty's, just as the National Securities Commission initiative is a pet project of his, dating from the time that he was Ontario's Minister of Finance.

Office of the Superintendent of Financial Institutions (OSFI)

Phil hasn't heard anything about who might be on the roster as potential successor to Julie Dickson. She has done a very good job in a challenging, demanding role.

Appointment of her successor may be several months away, as she'll be completing her term which runs until some point in 2014.

Insurance Brokers Association of Canada (IBAC)

Phil went out of his way to mention how much he enjoys his periodic meetings and encounters with Dan Danyluk, current CEO of IBAC. Phil likes Dan's zany, often self-deprecating (in spades!) sense of humour and the fact that he takes pains to frame and shape all IBAC communications from a consumer protection perspective.

Personal

Phil will not be taking much summer vacation, but will be going to the Mexican Riviera for a week to attend his nephew's wedding. Phil's son is Best Man. The nephew is marrying an Australian woman and, given that family members will be going from distant/disparate parts of the world, they decided to have their wedding on the beach in Mexico.

For their next vacation, outside of the family duty trip to Mexico, Phil and his wife are looking forward to a cruise with another couple in November: two weeks in the waters and ports of Antarctica.