



EOC Members:

FYI, see the three PDF documents attached re a just-announced BC FICOM Consultation on *Life Insurer's Use of MGAs*.

This move by BC's FICOM -- predicated on its belief that CCIR's November 2012 working paper on MGAs does not provide sufficient guidance on what should be considered best practices, and does not offer guidance for an insurer's strategy, internal processes or controls -- is perhaps not surprising, especially since

- the Insurance Council of BC "got out in front of" CCIR on this issue by issuing a six page guidance document on MGAs in January 2012 (see Word article attached); and
- during a CAFII delegation's recent liaison meeting with Gerry Matier, Executive Director of the Insurance Council of BC, it was obvious that Use/Monitoring/Control of MGAs was a dominant issue on his mind. He stressed the Council's belief that insurers must be held responsible for reporting any agent misconduct or unsuitable agents to the appropriate regulatory authority, even if the relationship with agents is managed for the insurer by an MGA.

In this same vein, **it is likely that this MGA Consultation offers some precursor insights for CAFII about CCIR's imminent "Review of Third Party Administrators" initiative**, given that

- responses to this BC MGA Consultation are to be sent to Harry James, Director, Policy Initiatives at FICOM; and Harry is the Chair of CCIR's Agencies Regulation Committee for the TPA Review; and
- the attached MGA Guideline Impact Analysis Statement says "Insurers are expected to have adequate controls and oversight of their business functions to ensure that undue risk or harm to the public does not occur. This includes prudent and effective controls over any business function outsourced to, or provided by, a third party."

Please note that this MGA Consultation

- is addressed to the CEOs of all life insurers authorized in BC;
- invites comments from authorized life insurers, MGAs, and other industry stakeholders; and
- has a deadline of July 26, 2013 for responses (45 days).

Given that the majority of CAFII members are not themselves "life insurers," but rather are akin to being TPAs for other companies that underwrite the life-related products that CAFII members market, I will look to the EOC for guidance as to whether it makes sense for CAFII to respond to this FICOM Consultation on MGAs, as an industry stakeholder.

If it is indeed deemed to be a good fit for CAFII to respond, I'd recommend that the Distribution & Market Conduct Committee take on the "drafting pen" assignment of preparing a response for the EOC's review.

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