

CAFII Regulator Visit Report
Confidential: Not For Distribution

Regulator: AMF
Date: June 7, 2013
Location: Restaurant Michelangelo
Quebec City

Attendees:

AMF: Mario Albert, President and CEO; Eric Stevenson, Superintendent, Client Services and Distribution Oversight; Julien Reid, Senior Director, Standards and Deposit Insurance; and Louise Gauthier, Director, Distribution Practices and Self-Regulatory Organizations

CAFII: Richard Hébert, National Bank Insurance; Isabelle Choquette, Desjardins Financial Security; Moira Gill, TD Insurance; Rose Beckford, ScotiaLife Financial; and Brendan Wycks, Executive Director, CAFII.

CCIR's Electronic Commerce Position Paper

The AMF will not release a separate paper from the CCIR on this topic. Since they (ie. Eric Stevenson being the prime drafter) held the pen on the CCIR paper, they are in agreement with the direction expressed. There are no e-commerce issues that the AMF feels are unique to Quebec.

That said, Quebec may need to make changes to the province's Distribution Act to facilitate e-commerce and to clarify the role of the intermediary/representative in the evolving insurance marketplace. This will be folded into the review of the Insurance and Distribution Acts now underway at the National Assembly. The review of the Distribution Act (currently with the Minister of Finance) is likely to be completed by the end of 2013, but any legislative changes will probably not see the light of day until 2014, or even later if there is another election.

The AMF has no intention of recommending to the Minister that an agent must be involved in an e-commerce transaction. However, it is possible, but not certain, that they would require us to provide access to an agent.

In response to a question from CAFII, the AMF representatives said that they in no way feel that they have a responsibility to safeguard the livelihoods of intermediaries/representatives/agents as the insurance marketplace evolves, nor to cushion or facilitate their adaptation to marketplace realities.

We discussed CAFII's agreement with and general support for the direction of the CCIR paper, the only exceptions being two or three points about which CAFII will respond with its feedback and, possibly, counter-proposals.

We talked a lot about the difference between providing “advice” and providing “information.” The CCIR paper stresses the importance of “advice” in several places.

It was clear from our discussion with the AMF representatives, particularly Eric Stevenson, that some of those references should really have been to “information.” This is an important distinction because providing advice comes with many obligations and would usually require a licensed agent. Hence, it will be very important for CAFII to drive that point home in its response on the relevant Consumer Protection Objective in CCIR’s E-Commerce Position Paper.

Update on AMF’s Commercial Practices Guideline

After a long hiatus, the AMF expects to be in a position to issue its Commercial Practices Guideline very shortly, perhaps as early as the week of June 10-14. It is currently with the Minister of Finance but nearing finalization.

The Guideline will be “outcomes-based” and it will focus largely on the IAIS’ Insurance Core Principle #19 on “Treat the Customer Fairly.” It will have a strong emphasis on “governance” and place an onus on insurers and related organizations to implement a culture of treating the customer fairly.

There will also be some focus on “reputational risk” related to insurers and their business partners.

Update on AMF’s two-page Distribution Guide

Given the significant allocation of AMF staff resources to preparation for the IMF’s assessment visit around the IAIS’ ICPs, there has been only modest progress made on the two-page Distribution Guide in recent months and the next iteration is not yet ready for release.

However, Louise Gauthier -- who now has direct responsibility for this file along with recent hire Stephane Langlois, Senior Director (as delegated by Eric Stevenson) – reported that the next iteration of the DG should be ready for release within the next four to six weeks, and there will definitely be a formal consultation process on it.

When the AMF met with CLHIA on the DG in February 2013, CLHIA made many of the same points that CAFII made in its written submission to Eric Stevenson in December 2012.

The AMF is open to incorporating some of the content that CAFII and other life and health insurance stakeholders had originally proposed for the DG, but it needs to maintain an encompassing, overarching approach because the DG will apply to p&c distributors as well.

The idea of implementing the DG on a “voluntary basis” is still on the table with the AMF, but that may or may not be the ultimate outcome.

Right now, the AMF feels that it is working its way through an informal consultation process, towards fine-tuning a DG that stakeholders will be comfortable with. But there will definitely be a formal consultation process before the DG is ever finalized and released for implementation.

IMF's Visit to AMF for Assessment of Québec Regulations in the context of IAIS' Insurance Core Principles

The IMF assessors will be visiting the AMF starting next week, and their review will take several days. They will also be spending significant time with OSFI and with FSCO in the month of June.

It has been a mammoth and herculean task to prepare for this visit, given the number and depth of assessment questionnaires that had to be completed.

Given that Desjardins is such a dominant insurer in the province, the IMF asked the AMF to focus predominantly on how it monitors and regulates Desjardins.

The AMF representatives thanked Desjardins for their co-operation in helping it prepare for the assessment visit. The IMF officials will be visiting Desjardins' offices during their time in Quebec.

Overhaul of the Québec Insurance Act recently announced in the National Assembly

The 52 proposed changes to the Act are pretty well all related to corporate structure matters and to a major housekeeping clean-up of a piece of legislation that has had numerous piecemeal changes made to it since the 1970s.

So everything here is related to prudential/solvency regulation, including the AMF's seeking new powers to be able to compel the hand-over of documents, and not much related to market conduct regulation.

CCIR's "Review of Third Party Administrators" initiative: any particular issues in Québec?

Eric Stevenson advised that there are no particular/unique TPA issues in Quebec.

He advised that CCIR's Agencies Regulation Committee, under the Chairmanship of Harry James from FICOM in BC, is approaching this issue with a "blank slate" and looking for CAFII and other industry stakeholders to educate it about the prevalence and use of TPAs in the industry, and to help it shape the scope of its review. This corroborates what Carol Shevlin of CCIR and Gerry Matier of the Insurance Council of BC have previously advised CAFII in liaison discussions.

Eric Stevenson sits as AMF's representative on CCIR's ARC. He said that the most important thing to keep in mind – what the ARC members will be looking for – is that there are solid Agreements between insurers and TPAs in which roles and responsibilities are well-established; and accountability is not blurry.

Licensing Harmonization: CISRO's LLQP initiative and improvements to Québec's electronic system

Everyone agreed that this is a critically important initiative for the industry, particularly in terms of national harmonization.

Quebec has signed the Service Agreement, so is « in » with both feet.

Eric Stevenson advised that he will be attending a meeting of an LLQP-related Working Group (possibly around the Curriculum Design Document or the Competency Profile) in Toronto on July 8. However, the date of the next quarterly LLQP Stakeholder Information Session is still to be determined.

(The July 8 Working Group meeting in Toronto may present an opportunity for CAFII to meet with Ron Fullan, Eric Stevenson, or other provincial regulator(s) who will be in town.)

On a related matter, the AMF recently launched a web-based certificate renewal system. This is an online portal with real-time transaction capability. Use of this system speeds up certificate renewals tremendously. Its use is currently not mandatory, but the AMF has the power to make it mandatory.

The second step with the new online portal will be the electronic filing of financial compliance documents by insurers.

AMF's Consumer Financial Literacy Initiative

This is a key Strategic Initiative for the AMF, and Mario Albert and other members of the executive team are extensively involved in it, including doing speaking engagements.

The Financial Literacy Index – which is derived from research with 1,500 Quebecers who are the financial decision-makers in their households – is now well-developed and will allow for tracking change over time.

The Index reveals that currently only about 50% of the populace has even « a clue » about the things they need to be considering about retirement planning; about developing a credible, trust relationship with a financial advisor; and about avoiding becoming the victim of financial fraud, the three things that the Financial Literacy is focusing on. The findings were similar in a near parallel study in the U.S.

The objective of the Financial Literacy campaign is to increase Quebecers' adoption of « 40 wise financial behaviours » by 3% over a five year period, which seems modest but realistic for such campaigns.

The AMF is investing significantly in this Financial Literacy campaign, spending about \$4 million annually in recent years on TV advertising, web, and social media components, along with funding some project proposals from external parties.

The AMF has come to realization that if it is to elevate the reach and impact of its Financial Literacy efforts, it is going to have to partner with financial institutions as they have the greatest breadth, depth and frequency of relationship with financial consumers. In floating an initial trial balloon with some Quebec Fis, the AMF found the response to be lukewarm at best. The AMF is therefore going back to the drawing board, and may approach CAFII with a proposal in about a year's time.

The Financial Literacy initiative is funded entirely by the AMF's Education and Good Governance Fund, which is in turn funded entirely by Administrative Monetary Penalties imposed upon industry players for regulatory transgressions.

Travel Insurance Survey Re Solvency

In response to this matter raised by CAFII, Eric Stevenson advised that he presented the preliminary findings of the AMF's recent Travel Insurance Solvency Survey at the Travel and Health Insurance Association's annual conference in Hollywood.

He ended up being the keynote speaker on the final morning of the conference, whereas he had originally assumed he was going to be part of a panel presentation. Audience members seemed to be intently interested in the survey's findings, and seemed to find them surprising.

Travel insurance premiums in Quebec represent approximately 1% of total industry premiums (both life and p&c) in the province.

Eric agreed to forward his presentation from the THIA Conference to Brendan Wycks, for dissemination to CAFII members.