

CAFII Regulator Visit Plan 2012

updated Sept, 2012

Jurisdiction	Regulator	Annual Courtesy Call	Purpose	Attendees	Org	Date/Venue	Status
British Columbia	Insurance Council of BC: Gerry Matier, Exec. Dir.	X	Update on Council priorities			TBD Toronto	
	Carolyn Rogers , Superintendent (interim CCIR chair) Doug Mclean, Deputy Superintendent		-meet when in BC, may also invite as CAFII speaker	Cathy Honor			To be set up
Alberta	Alberta Insurance Council : Joanne Abram, CEO, Tom Hampton, Chief Operating Officer Alberta Insurance Council :	X	Update on Council priorities Council Representation Licensing for 3 rd party providers			May 8 Montreal	complete
	Ministry of Finance: Mark Prefontaine, Superintendent Council: Joanne Abram		Present to CAFII AIC's Business number registration system Courtesy call to introduce New Chair			Jan 13 12:30 – 2pm Edmonton	complete
	New Minister of Finance		Council representation, other issues to be determined	Cathy Honor Maira Gill	RBC TD	Jan 13 10:30 AM Edmonton	complete
Saskatche wan	Sask. Insurance Council: Ron Fullan, Chair	X	Review Council priorities Council Representation	Cathy Honor Maira Gill	RBC TD	after the election	
	Consultant (ex Superintendent) Jim Hall		Insurance Act review, wants input by Oct 31	Maira Gill Sara Gelgor	TD Scotia	Friday July 6 8:30	complete
Manitoba	Ministry of Finance: Jim Scalena, Superintendent	X	Update on Insurance Act review. ISI regime	Maira Gill Sara Gelgor	TD Scotia	Conference call	On hold until review starts
						In Winnipeg August 8	complete

Jurisdiction	Regulator	Annual Courtesy Call	Purpose	Attendees	Org	Date/Venue	Status
	Manitoba Insurance Council: Erin Pearson, Exec Director;	X	Review Council priorities Restricted cert holder representation on council	Maira Gill Sara Gelgor	TD Scotia	In Winnipeg August 8	complete
	Ministry of Finance Minister Stan Struthers		Letter of introduction sent, include on a visit of Chair to Manitoba			(J Hines to confirm avail of chair)	
Ontario	FSCO: Phil Howell, CEO & Superintendent	X				Toronto	To be set up
	FSCO: Director, Market Conduct; Grant Swanson, Exec Dir Licensing & Market Conduct and new staff		FSCO has hiring staff, introduce CAFII, cover current files, Insurance act review			September 13	Meeting held, follow up letter to be sent
	Ministry of Finance : Paul Braithwaite		Update on trade negotiations/agreements (e.g. Canada-EU, ON-QB)			May 28	complete
Quebec	AMF: Mario Albert, CEO; Superintendents and key directors	X		Board		June 19, Quebec City Board lunch	complete
	AMF:		ECommerce consultation paper meeting			April 4	Part of CCIR meeting
	AMF: Patrick Dery, Superintendent; Eric Stephenson, Director, SROs and Distribution Practices		Meeting to discuss DWR distribution guide format , compensation disclosure	Maira Gill Andre Duval John Lewsen Greg Grant Rose Beckford Jennifer Hines	TD Des	May 10 Montreal, lunch at RBC place Ville Marie	complete

Jurisdiction	Regulator	Annual Courtesy Call	Purpose	Attendees	Org	Date/Venue	Status
	AMF: Superintendent, Solvency	X		Board		With M Albert June 19	complete
New Brunswick	Superintendent		Review priorities Discuss /educate on creditor's group insurance (CGI) and Avalon; Licensing issues, electronic licensing; Insurance Act Review Status ; David Weir (Deputy Super)- Atlantic Taskforce on ISI (chair)	Check board member travel plans		TBD Fredericton	
	Consumer Advocate		Review priorities, Discuss /educate on creditor's group insurance (CGI) and Avalon;	Check board member travel plans		TBD Fredericton	
Nova Scotia	Superintendent		Review priorities, Discuss /educate on creditor's group insurance (CGI) and Avalon; Atlantic Taskforce on ISI	Check board member travel plans		TBD Halifax	
PEI?	Superintendent		Courtesy- Low priority for 2012 (if member is in Charlottetown)	Check board member travel plans		Charlottetown	
Newfoundland and	Superintendent		Review priorities, Discuss /educate on creditor's group insurance (CGI) and Avalon; Atlantic Taskforce on ISI	Check board member travel plans		TBD St John's	
CCIR	Carol Shevlin, Policy Manager	X	Review CCIR Priorities CAFI webinar curriculum	Greg Grant Jennifer Hines John Lewsen Anne Riley		May 31	complete
	Ecommerce Committee		Review issues paper			April 4	complete
	CCIR members		Webinar presentation To be confirmed with CCIR, underserved market			Sept 14	complete

Jurisdiction	Regulator	Annual Courtesy Call	Purpose	Attendees	Org	Date/Venue	Status
Federal	Federal Finance		Educational – marketing of CGI				
	OSFI: Julie Dickson, Superintendent		Guest speaker at CAFII event				Offer extended
	OBSI: Doug Melville Ombudsman		Educational – marketing of CGI				
	Financial Consumer Agency of Canada (FCAC)		Financial Literacy re insurance	John Lewsen Maira Gill Maria Sanchez-Chung	BMO TD TD	January	complete
	FCAC compliance group		Financial Literacy re insurance (at FCAC request)	John Lewsen Maira Gill	BMO TD	April 4	complete

CAFII Regulator Meeting Report

Regulator: Manitoba Superintendent & Council

Date: August 8, 2012

Location: Winnipeg

Attendees: CAFII- (M. Gill, S. Gelgor);

Manitoba-Superintendent of Insurance (Jim Scalena); Deputy Superintendent (Scott Moore); Executive Director, Manitoba Insurance Councils (Erin Pearson)

Purpose: Discuss CAFII concerns on ISI and Insurance Act consultations

Discussion

Insurance Act Review

- Timing

The Superintendent hopes to have regulations (5 or 6 in total) out for comment this fall. 2013 is the target for implementation, with ISI regulations being developed first. The regulations are based on the Insurance Council recommendations to the Superintendent. The Superintendent would like to have everything ready to go for the end of the year, however implementation dates could be staggered to take into consideration the different topics covered.

- Implementation Period

Manitoba proposed to have a 6 month implementation period for that part of the Insurance Act which is similar to Alberta and BC. CAFII explained that this was really too tight. System changes need to be made, and this project would need to get in the existing queue for regulatory changes. Institutions cannot even set up, resource and properly plan for a project until final regulations are available. For those changes which are customer facing, proper time needs to be given for any client communication to be sent out in advance, and staff training and communication regarding the changes require time if an implementation is to be successful. The Superintendent was sympathetic to these arguments and noted that he had not understood all of the operational considerations. We advised that many CAFII members struggled to meet the deadline required to complete the project required to be compliant with AB and BC.

We also explained the difficulty we encountered in order to meet the deadline of the recent premium tax, which even led to some companies having to resort to an interim manual processes solution in order to meet the deadline. This carries a fair amount of compliance risk; however the worst consequence, from our perspective, is the inability to properly communicate to customers the changes before the deadline. We foresee an increase in cancellations due to delayed communication and increase in insurance cost, which is very worrying given that Manitobans are already underinsured. This wasn't something that the Superintendent was consulted on in advance, and he said he would articulate this to the government if the opportunity arose. We also noted that if people cancel due to the increased cost and notification after the

fact, the expected tax revenue numbers will not be met. The Superintendent shared that his wife had received a notice of the change from Manulife this week, which indicated to call Manulife for any information about the policy, but to call the government of Manitoba for any concerns about the increase due to the premium tax. We held this up as an example of why implementation timeframes are important.

- **E-commerce**

This Act contains a provision that allows the province to reference other legislation, thereby deeming the Act (or portions thereof) applicable to other statutes. Manitoba proposes to reference the Insurance Act in the Electronic Documents Act in order to facilitate ecommerce. They will have an exemption for terminations and beneficiary designations from the general statements allowing ecommerce. They don't want ecommerce to be open for these transactions yet because they don't want to get ahead of the ecommerce consultation timeline at CCIR. Manitoba does not want to be a leader in regulatory change.

ISI

- Roster or record

The Council understands CAFII's concern with this terminology and are not intending to have financial institutions send thousands of names via a print out nor to maintain a special data base. Should an issue come up, the Council needs to know that an individual is trained and authorized to sell. Erin sees a potential for exclusions from the requirement for large institutions. CAFII reiterated concerns from past conversations that information about individuals that would be relevant to this type of request is actually housed on a number of different data bases and does not exist in one spot as a single record. Erin indicated that she understands this concern.

- Disclosure

There is a strong appetite from the Council to go beyond the summary information at point of sale which is required in the other jurisdictions. In fact, Council proposed that the full policy, or complete limitations and exclusions, be provided at time of sale. Erin Pearson suggested that, if we want council to reconsider this, we should provide her with as much information as possible before the August 28 council meeting date.

We reiterated our argument that some of the specific information cannot be provided at point of sale because the information isn't known, or it is too much information to be absorbed in the context of an incidental sale. We also pointed out that since the products that would be covered under a restricted certificate often are purchased by the underserved market, an emphasis is placed on convenience, for example telephone or other alternate distribution channels. There is a limited value in providing a lot of specific information when an individual is purchasing insurance at the same time as a primary product. That is why we have a generous rescission period (in CAFII members case it is 30 days) during which the customers' money will be refunded if they decide they do not want the product. If we are going to be relying on this rescission period, then Erin wants to be assured that this is emphasized to the customer at point of sale.

- Suitability

CAFII reiterated our concerns with a suitability requirement, citing potential confusion with the requirements for suitability of life licensed agents. We don't screen employees specifically for suitability to sell ISI, and this very high level of diligence is not what is really intended by council. Erin agreed to review this issue further with Council.

- Annual Applications

CAFII had concerns that this would be a significant compliance document as opposed to the simple process that is found in Alberta. Erin Pearson indicated that it would be a technical document with a few minor compliance questions, particularly around complaints.

CAFII talked about CCIR complaints and our longstanding request that this information be rearranged in a meaningful way. We don't see reports from CCIR, and we would like to do so. It is important to use exactly the same definition of reportable complaints. Erin indicated that designated representatives should be aware of complaints.

CAFII discussed the difficult process of finalizing the Saskatchewan application and that part of the problem was it being developed from the perspective of an individual license, instead of a corporate one.

Erin Pearson indicated that she was familiar with the Saskatchewan application, however, we briefly walked through it and noted that as a result of considerable negotiation with Saskatchewan in the weeks leading up to the first applications due date, we indicate in the application that we do not answer questions 3 to 6 because we are federally regulated entities supervised by OSFI and in compliance with OSFI guidelines 13 and 17. CAFII also noted the exemption from E&O coverage in the application. Jim took particular note of the wording as he thought that it was a challenge to the province's jurisdiction to regulate. We explained that the wording in the cover letter was developed in conjunction with Council's Executive Director.

We discussed the possibility of having a different application for federally regulated financial institutions, and this is something that the council has been considering.

CAFII asked about electronic applications, and were told that this would not be possible for the first filing. However, they are moving to electronic licensing for individual license renewals, hopefully for the May 2013 renewal date. Individual license applicants will be required to complete an attestation that is similar to Alberta.

CAFII talked about the amount of work and manpower at the Council that would be required to process the restricted license in a timely manner, and the need to be able to quickly communicate to the financial institution that the license is in place to satisfy compliance concerns. We suggested that a file and use system (in place in Quebec and Saskatchewan) would be important because it will be difficult to process all the licenses in time and unfair to put the licensees operation in jeopardy due to any administrative delay.

They have increased the number of staff at the Council in order to deal with the ISI licensing. They also need to make system changes and are considering one annual filing date for restricted license applications, rather than having rolling dates.

- Representation on Council

During the meeting it became evident that recommendations for requirements under the restricted license that differed from what exists in other jurisdictions were coming from the Life Insurance Council, which is populated primarily by life insurance agents who are bringing a perspective that is different from that which may be held by those who would fall under a restricted certificate. This led us to a discussion about representation by restricted licensees on a Council or Committee, and we walked Erin Pearson, Jim Scalena and Scott Moore through the various options that CAFII has identified. We handed out the chart with the 3 proposed options and the pros and cons of each. We indicated that we had engaged a law firm to assist us and had viewed the full range of options possible including the two extremes of ad hoc meetings such as we are currently having, and having a seat on the existing council; neither of these extremes met our needs. We are also reviewing the same models with Alberta and Saskatchewan. We are open to the possibility that we may not come out with exactly the same final proposal in each jurisdiction due to the different regulatory structures.

Council had not been thinking about the options we proposed. Their focus was on adding a seat to the existing council. Jim Scalena mentioned that he understood the problems inherent in having a self regulatory regime supervised by competitors who all do not have a full understanding of our distribution system. One model that seemed to be of particular interest to the Superintendent was the establishment of a separate Council for restricted licenses, with the flexibility for meetings to be held as needed. It was suggested that one benefit of a separate Council over a committee under the Life Insurance Council is that the committee would have no standing and any recommendations coming from the committee would have to be approved by the Life Insurance Council, whereas Council decisions have weight. There was also the challenge of having a Committee fall under the Life Council when there would also be restricted licenses that would come under the General Insurance Council (for example for travel insurance).

We talked about the numbers and composition of the existing councils, and it was noted by the Council and the Superintendent that if we are setting up a new council for ISI that it can have a different structure.

We talked about the importance of reflecting the number of employees covered in the financial institution licenses vs licenses of same players in the council and that number of licenses of a type of licensee was not a fair way to reflect representation.

We talked about the importance of flexibility in who represents this license class and the residency requirements need to be avoided. The designated representative would not always be an appropriate choice. Appointees could come from industry associations such as CAFII, as company representatives to the Life Council are appointed by the CLHIA and agent representatives are appointed by Advocis.

Erin indicated that the council is very invested in the process and will likely recommend a model that gives them a continued connection to ISI, such as having a life and a general council representative on a proposed dedicated ISI council.

The Council would find it useful to get draft language from CAFII to be included in the regulation addressing the establishment of a new (restricted license) council. Note that, unlike Saskatchewan, there are no by-laws in place governing Manitoba's insurance councils.

The ability to have representation on a committee of the Council is in place now, but this gives us no formal standing or decision making authority.

The recommendation from CAFII could be to have both a committee and a council. Council would be convened only if there is a live issue and agenda items to bring forward, for example, the adjuster council only meets two or three times a year.

The Superintendent commented that there would not be much cost in setting up a dedicated council, so why not just proceed with that option. It would be unlikely to meet more than a few times a year. The main cost would be travel expenses, which are paid by the council. The infrequent meetings and ability to use teleconferencing would keep costs down.

We agreed to provide the Superintendent's office with draft wording for a separate Council that could be used as a starting point by the legislative drafters.

Next Steps & Follow-up Items

1. Letter to the superintendent focusing on the needs for a sufficient implementation timeline, and our willingness to work with them on the consultations on the regulations. Include a note on beneficiary designations, highlighting what has changed in Alberta and BC and why our customers need Manitoba to allow it to be done electronically.
2. Letter to council, cc superintendent discussing each of the 5 points where they are proposing to differ from Alberta/ Saskatchewan, and recapping the discussion we had on representation.
3. Letter to superintendent with proposed draft language for representation

CAFII Regulator Meeting Report

Regulator: Financial Services Commission of Ontario

Date: September 13, 2012

Location: FSCO offices
5160 Yonge Street

Attendees:

CAFII: Moira Gill, Sue Manson, Paul Yeung, John Lewsen, Anne Riley

FSCO: **Grant Swanson**, Executive Director, Licensing & Market Conduct

Letitia Miculescu, Manager, Market Intelligence & Analysis Unit, Market Regulation Branch, Licensing and Market Conduct Division

-Has experience in consulting, worked for Scotiabank in International Banking and a small insurance company

Louise Robichaud, Manager Licensing Approvals

-Has a CA and worked in the credit union sector

Shonna Neil – Senior Manager, Licensing

Jennifer Wong, Manager, Market Conduct Compliance

-Has experience with the CRA, criminal investigations

Reena Vohra, Manager, Market Conduct Compliance

- 10 years with KPMG in forensics, 2 years on risk consulting

Discussion:

CAFII provided information on the organization, its members, business lines and current files including Alternate distribution, Ecommerce, mobile and digital commerce and the Insurance Act review.

Ecommerce

There was a great deal of interest in new forms of delivery systems. Grant Swanson noted that FSCO is looking at Twitter and would like to gain an understanding of how businesses use social networking. He further noted that the delivery systems in use today such as mobile applications were not contemplated when laws were made. He wants to know how regulators can educate themselves on the current technology. CAFII made the following key points:

1) Electronic delivery systems allow us to put stronger controls in place than are possible in traditional distribution to ensure consumer education; disclosure and other compliance and supervisory requirements or standards are met.

2) The education component, lack of pressure, convenience and opportunities for easy comparison shopping means that there is increased consumer empowerment.

CAFII noted that the Ecommerce submission and other submissions is on the CAFII website. We offered to provide a copy to FSCO.

Complaints

FSCO asked how insurers know if there is a real issue based on monitoring chat and other public Internet space. Answer - Insurers have staff that monitor the Internet full time and reach out to the affected individual offline to have a conversation. In dealing with complaints publicly eg Marketplace, privacy is always a concern. It is not really possible to convey the insurer's position without violating customer privacy. Insurers have to push back on some claims or there would be no business. In all, there are very few complaints.

Customers and Products

CAFII highlighted the underserved market, products and CAFII's webinar on the topic. Grant noted that the regulator's perception can be coloured by only hearing from customers with complaints. He cited the Don Drummond report that decisions be based on fact, not anecdotes. Using a fact-based approach raises the bar for regulators in a good way. He would like to know the key facts on dimensions of the market. What research do we have to show that creditor is often the first time people get insurance? He wants information on the overall customer base (size and description), what proportion of the population have insurance, and in what amounts.

Grant Swanson noted that he toured 2 call centers several years back and that it was helpful to give a sense of the environment. He would like to get a sense of what customers see and what education they get when they buy authorized products. He noted he possibly could look at the Internet, but mentioned that getting "out and about" would be good. CAFII noted that we had a presentation prepared on creditor products, regulation and distribution. Grant said that while that could be beneficial, he hoped that there might be an opportunity for CAFII members to provide his staff with hands on experience in electronic delivery – walking all the way through a web based or customer contact centre purchase for example. We said that this would be an interesting addition to the other educational material that we could provide, and that we would discuss and get back to him about how we might be able to assist him.

Insurance Act Review

Changes were announced in the budget papers. Grant noted that there is no way that regulations would be ready for January 1, 2013 implementation but could be ready for July 1, 2013 in force. He thought industry wanted the in force date to be as soon as possible to enhance harmonization with BC and Alberta. CAFII advised that while harmonization is good, implementing the changes in Alberta and BC were big projects and that Ontario would also be a big project. CAFII requested a minimum on 18 months lead time ideally but no less than 1 year once the regulations were finalized.

Follow –up

- 1) Thank you note to Grant Swanson - mention Insurance Act review implementation timing of 18 months
- 2) Include new staff on reception invitations

- 3) Respond to Grant with a) key market facts and b) how we could provide an example of the customer experience for web-based and contact center purchases
- 4) Follow up to see if FSCO want to see the full presentation on creditor products.
- 5) Provide CCIR Ecommerce submission