
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