

Regulatory Update - CAFII Board of Directors, October 8, 2013

Prepared By Brendan Wycks, CAFII Executive Director

Federal/National

New Life Insurance Industry Association

One of the 12 stakeholder submissions in response to CCIR's E-Commerce Position Paper came from The Life Insurance Direct Marketers Association of Canada (LIDMAC). LIDMAC was founded in 2013 by five Canadian life insurance brokers. Its mandate is threefold: Education, Advocacy, and Marketing and the fledgling life insurance ecommerce industry in Canada. LIDMAC indicates that its formation was partially driven by the need to define internet and non-face-to-face standards for life insurance brokers. While the organization is still in its infancy, LIDMAC says that it has recognized a need for more in-depth training for life insurance agents and brokers in Canada. LIDMAC is based in New Hamburg, Ontario and its President is Glenn Cooke.

New FCAC Commissioner Appointed

On September 4, the Honourable Jim Flaherty, Minister of Finance, today announced the appointment of Lucie Tedesco as Commissioner of the Financial Consumer Agency of Canada.

Ms. Tedesco's appointment coincides with a renewed focus on financial literacy for seniors announced in Economic Action Plan 2013 to be spearheaded by FCAC, under the leadership of the Financial Literacy Leader.

Ms. Tedesco has served as Deputy Commissioner of FCAC since 2008 and has been acting in the role of Commissioner since June 2013. Prior to joining FCAC, she served as Vice-President, Strategy & Planning – Insurance Group at Export Development Canada.

Financial Literacy Month

November is Financial Literacy Month (FLM) in Canada. FLM brings together the resources, information, products and services developed by organizations across the country that help Canadians strengthen their financial literacy. The calendar of activities is on the FCAC website. CLHIA has advised that it plans to engage with FCAC and become involved in Financial Literacy Month.

Alberta

New Deputy Superintendent of Insurance

As of June 27, 2013 Laurie Balfour began acting as, and will soon be appointed as, the Deputy Superintendent of Insurance - Alberta.

Brad Geddes has been seconded to the Government of Alberta's (ADM) Flood Recovery Task Force as the Director of Stakeholder Engagement. This is for an indefinite period of time, likely for at least six months.

Alberta Launches New Canadian Insurance Participant Registry (CIPR)

On August 8, 2013 the Alberta Insurance Council launched a new service called the **Canadian Insurance Participant Registry** or “**CIPR**” for short.

CIPR serves a number of purposes:

1. It provides a single, secure location where you can maintain and control your personal information;
2. It requires you to specify an email address that will act as your login identification rather than your license number. You will use this and your choice of password to log into both CIPR and AIC systems; and
3. It gives you a unique business identifier that you can use to identify yourself with other industry players such as insurers, LLQP providers and CE providers.

The CIPR addresses a need that CAFII has been advocating for years. If set up properly and adopted by other Canadian provinces, it can become a first step toward a national registration system.

Saskatchewan

CAFII Concept Proposal For Restricted Insurance Agents Advisory Committee

CAFII’s Licensing Efficiency Issues Committee has developed a “Concept Proposal For Insurance Councils of Saskatchewan Restricted Insurance Agents Advisory Committee,” with counsel and drafting assistance from Stikeman Elliott. (The members of the LEIC are Moira Gill (Chair), Sara Gelgor, Greg Grant, John Poolman, and Brendan Wycks.) In addition, the thinking behind the Proposal has been tested, at several steps along the way, through sounding board discussions with Ron Fullan, Executive Director of the Insurance Councils of Saskatchewan.

Our proposal for a body to represent the interests of Restricted Insurance Agents in Saskatchewan is positioned as an Advisory Committee to the Executive Director, with flexibility built-in for the committee to take on a different form/status should its evolution dictate such.

The Proposal was reviewed, tweaked and finalized by the LEIC on October 2, and then forwarded to the EOC for review and approval. After receiving EOC feedback and refining the proposal, if necessary, it will be sent with a cover letter to Ron Fullan on or before Friday, October 11.

Manitoba

Draft Incidental Sellers of Insurance (ISI) Regulation

Scott Moore, Manitoba’s Deputy Superintendent of Financial Institutions – Insurance, called Brendan Wycks on October 2 to provide an update on where things stand with his province’s Draft ISI Regulation.

Here is a summary of the information that Scott shared:

We're still plugging away on our review, analysis and concordance work on the stakeholder submissions, but it's coming along and we're progressing well. We're trying to harmonize with the other two ISI regime provinces as much as possible. The work is taking a bit longer than we originally thought, but we're on the case and none of the stakeholders or their submissions have been forgotten.

Issue: Travel Insurance and Personal Accident Insurance

We still have to decide how we're going to deal with these two types of insurance. There's a key distinction between us and Saskatchewan and Alberta with respect to travel and accident insurance.

Saskatchewan and Alberta never defined who is an Incidental Seller of Insurance; rather, they created legislation and regulations to set up "licensed entities." In contrast, we recently amended our Manitoba Insurance Act to define "Incidental Seller of Insurance."

Now because travel and personal accident insurance are not sold "incidental" to the sale of any other product, we have to decide if travel and accident can be fitted into our ISI regime in this province or not. We will not be looking at going back and amending the Act again.

So for your CAFII member FIs, it could end up being "status quo" for travel and accident insurance if we decide that they cannot be squared up with the ISI regime. If it turns out that status quo is our decision with respect to travel and accident insurance, that would make things easier for your members.

Issue: Rostering Requirement

We're not looking to make anyone's life burdensome or to impose onerous requirements under our ISI regime. But the regulatory issue here is Can the Insurance Council be in a position to confirm that someone has been properly trained? So we think that the solution is for us to provide clarification in the Regulation as to what we're expecting to fulfill this requirement. Our expectations will be reasonable and not unduly burdensome.

Issue: Qualified Entities

Would the Insurance Council be looking for a restricted licensee to provide a copy of its contract with a Qualified Entity (eg. a Call Centre)? The answer is No, we don't want to be imposing anything onerous or burdensome, and we certainly don't want the Council to have to get into make-work projects around records and archives. But the authority and the discretion has to be there for the Superintendent to be able to ask to see such a contract when a circumstance arises that warrants such a request. In other words, situations will sometimes come up where the regulator needs to say "Prove it. Show me the documentation." Of course, that authority will only be exercised in those exceptional circumstances. But that's what this provision in the Reg is all about and the solution again is for us to provide clarification.

Timelines:

We expect to have everything chewed up and pretty well complete within the next month or so. There are a few things to iron out with the portable electronics sellers with respect to the insurance that they sell; and while that's not germane to CAFII and the main sectors of the industry, we do want to try to move forward with one integrated ISI package.

That said, with our Bill from last year, there are other insurance-related Regs pending as well. So as we size up where we are on the ISI Regulation right now, we're contemplating moving forward in a two-phase approach:

- (i) moving ahead with the other insurance-related Regs first; and
- (ii) moving forward with the ISI Regulation in a second phase.

Our goal is to have both regulatory components completed and adopted by the end of 2013, and we believe that that's still possible to achieve.

If that turns out not to be possible, we foresee having the other insurance Regs adopted by the end of 2013; and then the ISI Reg adopted early in 2014, say by the end of the first quarter.

In any event, we definitely want to have our ISI Regime come into force in 2014. And given that there will be a period of time allowed for industry to become familiar with the Regime and to adapt to its requirements, it's just a question of whether the "in force" date will be July 1, 2014 or December 31, 2014. The operative date depends upon how things unfold from here on in.

Ontario

Insights and Advice From Phil Howell, Superintendent of FSCO

On July 5, 2013, CAFII Executive Director Brendan Wycks had a *Get Acquainted Lunch* with FSCO Superintendent Phil Howell, at Phil's invitation. The insights gained from this lunch discussion with Mr. Howell are set out in Appendix A to this Regulatory Update.

FSCO's 6th Annual Symposium for Life and Health Insurance Sector: Friday, November 22, 2013

FSCO will hold its 6th Annual Symposium for the Life and Health Insurance sector on Friday, November 22, 2013 from 8 AM to 12 PM at hotel Novotel in North York.

Quebec

New AMF CEO: Louis Morisset

In mid-June, Louis Morisset, a lawyer by training, was appointed CEO of the AMF, succeeding Mario Albert. Morisset previously served as Superintendent of Securities Markets at the AMF, where he has worked since 2006. In that role, he was responsible for enforcing laws and regulations related to issuers of securities, including initial public offerings, continuous information that securities issuers must produce, their governance, mergers and acquisitions, and the creation and marketing of derivatives.

Morisset was also responsible for overseeing activities in Quebec securities markets and those of IIROC. He has been a member of the Quebec Bar since 1996.

The appointment of Mr. Morisset occurs after the departure of his predecessor Mario Albert to the leadership of Investissement Québec (www.investquebec.com).

AMF Designates Desjardins Group As Domestically Systemically Important Financial Institution

On June 19, the AMF announced that it had designated Desjardins Group as a domestic systemically important financial institution ("D-SIFI"), in accordance with the criteria set out by the Basel Committee on Banking Supervision. This status will result in additional capitalization and disclosure requirements, as well as enhanced supervision.

The AMF is in regular communication with Desjardins Group to ensure it provides a framework consistent with international standards, particularly those pertaining to capital adequacy. The designation of Desjardins Group as a systemically important financial institution is part of this process.

As a D-SIFI, Desjardins Group will, effective January 1, 2016, be imposed an additional 1% Tier 1 capital requirement, which will be met primarily through reserves and capital shares.

Sound Commercial Practices Guideline

The AMF issued Quebec's Sound Commercial Practices Guideline on June 11, 2013, in accordance with An Act respecting insurance, R.S.Q., c. A-32, *An Act respecting financial services cooperatives*, R.S.Q., c. C-67.3 and *An Act respecting trust companies and savings companies*, R.S.Q., c. S-29.01.

The Guideline applies to insurers, portfolio management companies controlled by an insurer, financial services cooperatives, trust and savings companies effective June 13, 2013.

It is available on the AMF Website under the tabs "Insurance and financial planning" or "Deposit Institutions" in the section "Guidelines".

Two-Page Distribution Guide

On August 20, 2013, Louise Gauthier of the AMF advised Brendan Wycks that "A new version of the Distribution Guide will be circulated this fall. I do not have more precise information at this stage but will keep you informed."

New Brunswick

New One-Stop Shop For Consumer Information and Industry Regulation

New Brunswick's new Financial and Consumer Services Commission began operations on July 1, 2013.

The Financial and Consumer Services Commission (FCSC) brings together the regulatory authorities for securities, insurance, pensions, consumer affairs, co-operatives, credit unions, caisses populaires, and loan and trust companies.

"We live in a world with a rapidly changing financial and consumer services marketplace where increasingly complex products and services are being offered," said David Barry, Chair of the FCSC.

"Under this new model, the regulation of financial services in New Brunswick will be more effective with consistent and appropriate regulatory oversight allowing us to respond to evolving marketplace needs."

The FCSC will have offices in Saint John and in Fredericton. The FCSC is an arm's-length Crown Corporation self-funded by the fees and assessments paid by the regulated sectors.

The same Legislation that created the FCSC has also created a Tribunal to perform required adjudicative functions. The Tribunal will operate independently from the administration and policy-making functions of the FCSC. It will hear matters related to enforcement as well as appeals of a regulatory decision made by FCSC staff. The independent Tribunal will provide the regulated sectors with a transparent and consistent hearing process.

New Brunswick Launches Consultation on "Opportunities for Reforming the New Brunswick Licensing Framework for Other-than-Life Insurance Agents and Brokers"

On August 29, 2013, New Brunswick's Financial and Consumer Services Commission released a Discussion Paper, for consultation, titled "Opportunities for Reforming the New Brunswick Licensing Framework for Other-than-Life Insurance Agents and Brokers."

Even though this consultation, by title, relates to proposed modernizations and reforms to the province's regulatory framework for Other-than-Life agents and brokers, David Weir, Deputy, Director, Insurance, included CAFII in his distribution of the Discussion Paper.

And he says **"although the main focus of the paper is the licensing regime for other-than-life agents and brokers, some of the items discussed also impact other insurance intermediaries. Therefore, we also welcome any feedback from these intermediaries."**

Through a phone conversation with Mr. Weir, CAFII Executive Director Brendan Wycks learned that some of the items discussed in the paper also impact other insurance intermediaries is that New Brunswick may well introduce amendments that affect both Other-than-Life agents and brokers and Life agents and brokers simultaneously, particularly for matters where amendments to the Insurance Act will be required, and where it makes sense to do so based upon the feedback they receive from stakeholders.

The Licensing Efficiency Issues Committee will be working to submit a CAFII response to the paper by the October 31 deadline.

Canadian Council of Insurance Regulators

Responses to Electronic Commerce in Insurance Products Position Paper

CCIR's Electronic Commerce Committee (ECC) will be taking the comments received from 12 different stakeholder groups, including CAFII, into consideration in an effort to finalize the position paper for CCIR adoption.

The ECC's objective with this position paper is to communicate back to stakeholders what it has learned from the previous consultation and to set out recommendations to CCIR members regarding the issues discussed.

Open Letter to Canadian Insurers Leads to "Market Changes Working Group"

In July 2013, CCIR sent a letter to insurers in Canada asking them to apprise regulators when they are making major changes that affect the marketplace (products, distribution, etc.). In that connection, CCIR has now set up a working group, to be chaired by Grant Swanson of FSCO, to meet with industry associations to operationalize this request. The letter to insurers is reprinted as Appendix B to this Regulatory Report.

CCIR to Launch Disciplinary Information Implementation Working Group

A joint CCIR/CISRO Canada-wide disciplinary information system is expected to be launched within the current fiscal year.

Insurance Core Principles Implementation Committee

This committee will be reviewing the results of the recent Financial Stability Assessment Program for insurance regulation in Canada with a view toward making recommendations to CCIR on fully implementing the international Insurance Core Principles across Canada.

CCIR “Industry Outreach Meeting” With CAFII: Wednesday, October 30, 2013

Carol Shevlin, CCIR Policy Manager, has confirmed an Industry Outreach Meeting with CAFII for Wednesday, October 30 from 10:30 a.m. to 12 Noon in Toronto (location to be confirmed).

This 90 minute slot aligns with the preferred date/time option I’d given Carol after a canvas for our Directors’ availability, and should therefore allow the following Board members to attend:

- Mark Cummings, ScotiaLife Financial, Board Chair;
- Rino D’Onofrio, RBC Insurance, Board Vice-Chair;
- Dave Minor, TD Insurance;
- Rick Lancaster, CIBC Insurance;
- Julie Barker-Merz, BMO Insurance; and
- Richard Hebert, National Bank Insurance (by phone).

Now that the date and time of this meeting are known, other CAFII Directors might be able to fit it into their calendars and would be welcome to do so.

Canadian Insurance Services Regulatory Organizations (CISRO)

Next LLQP Stakeholder Information Session

Ron Fullan, Chair of CISRO’s Life License Qualification Program Committee, has advised that the next LLQP Stakeholder Information Session will be held in Toronto on Wednesday, October 30. Brendan Wycks has asked Ron to avoid a scheduling conflict with CAFII’s Industry Stakeholder Meeting with CCIR on the morning of October 30.

The new LLQP is to be ready by September 2015. Currently, the LLQP does not include BC and Quebec but both provinces will be included in the new program.

International

Joint Forum Seeks Comments on Point of Sale Disclosure

A group of global financial regulators is calling for improvements to point-of-sale disclosure in financial products. The Joint Forum, which brings together the global umbrella groups of banking, securities and insurance regulators, issued a report in mid-August that examines the state of point-of-sale (POS) disclosure in each of the sectors of the financial industry in various countries. It found a wide variation in the quality of upfront disclosure and makes a series of recommendations for improving POS disclosure, including that it should be delivered before a sale is made.

Point of Sale disclosure in the insurance, banking and securities sectors

(<http://www.bis.org/publ/joint32.htm>) calls for concise written, or electronic, POS disclosure that is provided before the time of purchase. It also recommends that key elements such disclosure should cover, including costs, risks and financial benefits and other features of the product; that the disclosure should be clear, written in plain language; and designed to facilitate comparison of competing products.

Additionally, the report recommends that the responsibility for preparing and delivering the disclosure should be clearly established, and that regulators should consider how to use their powers to implement these recommendations.

The report notes that existing POS disclosure doesn't facilitate the comparison of competing products, the quality of disclosure varies across products, and that securities regulators probably do the best job of requiring POS disclosure.

"It is critically important for consumers across all financial sectors to receive adequate product disclosure at the point of sale. The consultative document proposes basic guidance for policy-makers and supervisors to achieve this objective," said Thomas Schmitz-Lippert, chairman of the Joint Forum (which includes the Basel Committee on Banking Supervision, the International Association of Insurance Supervisors, and the International Organization of Securities Commissions) and executive director, international policy/affairs at the German Federal Financial Supervisory Authority, known as BaFin.

Comments on the report are due by October 18, 2013.

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 be in attendance at CAFII Regulator Reception on October 8, 2013)

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/disperate 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.

Appendix B

July 24, 2013

Dear Industry Members,

The members of CCIR have, for some time, been moving to take a more risk-based regulatory stance. This requires that we develop methods for pro-active market intelligence gathering. To be effective, regulators need to have a fulsome understanding of movement and change in the industry. This allows us to assess changing risks in the industry, thus facilitating our efforts to focus on higher risk areas. Regulators need to be aware of developments where the relationship between insurers and consumers may change including new products being developed, significant changes in underwriting criteria or claims adjudicating, changes in distribution methods, etc.

Recently CCIR members became aware of the introduction of some significant new products only after the products were already in the market, and then, not from the companies involved but from third parties. This lack of communication poses a risk to the companies if regulatory problems subsequently arise.

CCIR has debated how regulators can stay informed of changes in the industry. Unlike many countries, Canada has not in most cases embraced a regulatory regime requiring companies to obtain regulatory approval before introducing new products or making other significant changes to distribution models or other consumer interactions. CCIR members are not in favor of building such a regime, but this means that we must depend on industry to engage regulators voluntarily before new products or substantial changes are introduced.

Regulators consider that having in place a mechanism for companies to apprise regulators of significant changes before they are implemented would be a pro-active step and is aligned with the principle of being more risk-based regulators. Knowing beforehand what is about to take place would give regulators some time to consider the risks these changes may pose to insurers or consumers.

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CCIR members are looking for your suggestions on determining when changes are significant and need to be communicated to regulators and the best ways to make such communication as easy as possible. We are sensitive to companies' need to have assurance in any such process that their competitive secrets will be kept and that the process will not entail untoward delays.

We would expect that these significant changes may require additional research to be done by regulators for full understanding of inherent risks and may spark collective discussions at CCIR. One procedure for informing regulators could be to directly inform a CCIR Committee that would be set up for this purpose and would include a number of key regulators, (as well as advising the company's main regulator simultaneously). This procedure would eliminate the need to separately inform each of the jurisdictions where a company does business. Though CCIR is not a regulator, all the members are regulators and are all interested in this kind of collaboration.

We look forward to hearing other suggestions and working with industry associations and members to make this happen.

Sincerely,

Carolyn Rogers
Chair