



Agenda Item 7(b)(iii)

May 28, 2013 EOC Meeting

Overhaul of the Quebec Insurance Act: "Report on the Application of the Act Respecting Insurance; and the Act Respecting Trust Companies and Savings Companies"

EOC Members:

See below for some important breaking news out of La Belle Province.

The first item is a News Release from the Quebec Ministry of Finance's web site.

The second item – "Overhaul of the Quebec Insurance Act" – is my translation of an item that appeared today in *Finance Et Investissement* (French version of Investment Executive). Thanks to Andre Duval for bringing this news and that article to my attention.

Here is a link to the English version of the Report that was tabled in Quebec's National Assembly yesterday (PDF version attached):

http://www.finances.gouv.qc.ca/documents/autres/en/AUTEN_loiassusoc.pdf

While I haven't yet had a chance to read the 100-page Report, it would seem pretty certain that CAFII will want to respond to the 52 recommendations made therein, by making an industry stakeholder submission during the consultation period.

Note also the commentary on the coming five-year review of Quebec's Distribution Act, found in the second half of the translated article below.

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QUÉBEC, April 30, 2013 /CNW Telbec/ - The Minister of Finance and the Economy, Nicolas Marceau, today tabled the *Rapport sur l'application de la Loi sur les assurances et de la Loi sur les sociétés de fiducie et les sociétés d'épargne* in the National Assembly.

These two statutes stipulate that the Minister must report to the National Assembly on their application and make recommendations on the advisability of maintaining their provisions or amending them. Accordingly, the report tabled today proposes a variety of improvements that could be made to these two statutes to modernize them and adapt them to the realities facing the financial sector.

"We worked on this report with industry representatives. It contains 52 proposals designed to make the legislative framework more consistent and simpler by giving the industry the leeway it needs to continue growing, while ensuring that Quebecers remain well served and protected," the Minister said.

He indicated that these proposals will be submitted to industry stakeholders for comment. The proposals and comments received will form the basis for a complete revision of the two statutes. "We continue to work with the industry to propose promising legislative amendments for this major sector of our economy," the Minister concluded.

Overhaul of the Quebec Insurance Act

http://www.finances.gouv.qc.ca/documents/autres/en/AUTEN_loiassusoc.pdf

Since its last major revision in 1974, the Insurance Act has undergone more than 200 legislative changes.

That's why "it would be appropriate as part of the five-year review to review the structure of the Insurance Act in order to make it more orderly," said Finance Minister Nicolas Marceau in the "Report on the Application of the Insurance Act," which was introduced Tuesday (today) at the National Assembly. The Report, which also focuses on the how the Act applies to trust companies and savings companies, makes 52 recommendations for legislative reforms to the law's application to those two sectors.

With respect to the Insurance Act, the Ministry of Finance is proposing to reorganize its content under two specific themes: (i) Corporate Processes (mergers, conversions, administration, etc.); and (ii) Supervision (business practices, solvency, and powers of AMF).

A whole chapter of the Report focuses on increasing the monitoring and supervisory powers of the AMF, which "must be able to require insurers, trust companies and savings companies to produce documents or information on their subsidiaries or on the company that controls them, in order to be able to assure itself that the laws are being respected.

In addition, the AMF should be able to investigate when it has reason to believe that violations of the law have been committed," says the Report.

"This Report results from an analysis of the sector over the past decade, and from the fact that the AMF has asked that its powers be expanded," said Sylvain Thériault, spokesman for the regulator (AMF).

Notably, the Report proposes to harmonize the different powers that the AMF currently has with respect to insurers, their subsidiaries and their parent companies.

With respect to insurers, the Report proposes several changes related to the composition of their boards of directors, the role of auditors, topics to be discussed at annual meetings of shareholders, business reorganizations, and the required retention period for financial documents.

In addition, several recommendations are addressed to directors of insurers, particularly concerning their legal obligations and duties, as well as the range of powers that may be delegated by the directors.

André Chapleau, spokesman for Mouvement Desjardins, said "this is a welcome initiative, expected by the (insurance) industry." Having just learned of the report, the Mouvement can't comment yet, but he provided assurance that it will participate in the work that is sure to be launched by the Ministry of Finance to monitor implementation of the Report's recommendations.

Alongside Finance Minister Marceau, Mélanie Malenfant, Deputy Director of the Cabinet, said "it's necessary to give the industry time to familiarize itself with the Report; hence a period for submissions was planned."

The timelines for the necessary consultation among industry players, regulators and legislators to implement the Ministry's recommendations are not yet known.

Five-Year Review of the Distribution Act and Redesign of the FISF (Fonds D'Indemnisation des Services Financiers) Expected "Soon"

More than a decade has passed since the last legislatively required five-year review of financial sector laws in Quebec.

Six of the laws governing Quebec's financial industry obligate the Minister of Finance to report every five years on their implementation and effectiveness. The last five-year review on the province's Insurance Act was carried out in 2001, Finance and Investment revealed last year.

The day after his election, Nicolas Marceau committed to "catch up on the delay which was occurred with these reports." Based on the findings that the five-year reviews on these laws bring forth, he foresaw "a Review of the various laws governing the financial sector" to improve them.

On April 25, Minister Marceau also wrote to Stéphane Bédard, parliamentary leader of the Parti Québécois, to inform him of the imminent filing of a Report, under the Act, respecting the distribution of financial products and services, and the enhancement of the province's Compensation Fund related to financial services.

In that letter, Finance Minister Marceau said "the AMF will soon publish a report on compensation for victims of fraud. In addition, we are currently preparing a Report under the Act respecting the distribution of financial products and services that addresses this issue. This Report will provide an opportunity for the government to propose improvements to the current compensation regime."