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Regulatory Update – CAFII Executive Operations Committee, November 14, 2014

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Federal/National

Canadian Council of Insurance Regulators (CCIR)

Stakeholder Meetings Rescheduled For January 28-29/15

On November 15/14, CAFII received notification from Carol Shevlin, CCIR Policy Manager, that the Council had rescheduled its stakeholder meetings, recently postponed from November 5-6/14, for Wednesday, January 28 and Thursday, January 29, 2015 at St. James Cathedral Centre in Toronto.

CAFII is currently determining which one-hour slot on those two days is most convenient for a delegation from the Association to meet with CCIR.

The Travel Insurance Pan-Industry Project Group (TIPIP), on which CAFII is one of three participating Associations, has also been invited to meet with CCIR during the rescheduled stakeholder meetings. It will be doing so to discuss regulatory concerns about travel insurance and TIPIP's recently submitted Briefing Document on the Canadian travel health insurance industry.

Speaking Notes For Chair's Remarks At CAFII Reception Published On CCIR Web Site

CCIR has published on the home page of its web site the speaking notes used by Chair Carolyn Rogers for her remarks to CAFII's Reception event on October 7/14.

National Complaint Reporting System (CRS)

Highlights of November 13/14 Presentation To CAFII And CLHIA

On November 13/14, CAFII and CLHIA representatives attended an AMF/FSCO presentation on a 2014 joint review of the national Complaint Reporting System (CRS) that those two regulators own and operate.

The key outcomes highlights of the presentation are

- participating regulators (all jurisdictions except BC, NWT, and Nunavut) are using the data on an ad hoc basis, almost exclusively for "own jurisdiction" analysis only;
- individual company analysis is usually done only when there is a scheduled examination/inspection upcoming;
- while the system has national aggregation and analysis capabilities, that's not currently being done as the participating regulators haven't yet come together to decide how to do this;
- in order to achieve more strategic use of nation-wide data that would benefit all participants, a more collaborative and co-ordinated approach is needed. Operationally, the AMF and FSCO, owners and operators of the CRS, will support such an approach through more ongoing communication and training of participating regulators in order to facilitate the sharing of best practices;
- in keeping with its new Strategic Plan, the CCIR is developing a Market Conduct Supervisory Framework (a "Supervisory College"); and more effective, nationally co-ordinated use of the CRS can support that framework.

Following the presentation, Isabel Scovino and Letitia Miculescu of FSCO, the primary presenters, expressed receptivity to the following proposal from industry representatives in attendance:

- a joint regulator/industry working group should be formed, similar to the group that did the formative work, over several years, that led to the launch of the CRS in 2005;
- that working group, which should include complaints/compliance practitioners from the industry, should initially meet intensively to address the current shortcomings of the CRS; and then once or twice per year after those problems are fixed;
- the working group should look at

-what is the end goal of the CRS;

-what are the “data points” that are being collected? Are they the relevant ones?

-how are the data and trends being reported and shared with the industry? (more than just an annual reporting at FSCO’s Life & Health Insurance Symposium is needed).

It was noted that such a joint regulator/industry working group could be used to help the AMF and FSCO to prioritize possible improvements and enhancements to the CRS without adding significant new costs, as the regulators noted that limited financial resources was a constraint.

Financial Consumer Agency of Canada

CAFII Completes Stakeholder Survey On Satisfaction With FCAC

In late October, CAFII completed an online survey related to invited stakeholders’ perceptions of and satisfaction with the FCAC.

Conducted by Harris-Decima and focused mainly on the financial literacy and consumer education component of FCAC’s mandate, the survey had four main purposes:

- understand stakeholder knowledge and perceptions of FCAC;
- obtain feedback from stakeholders about various aspects of the organization’s activities in order to improve various elements of its programs and activities;
- obtain feedback to help improve its dealings with stakeholders; and
- gauge key stakeholders’ perceptions about potential actions that they believe would be important for FCAC to consider during its business planning cycle.

Government Unveils New Financial Literacy Resources At FCAC Conference

Representatives from grass-roots groups, government and non-profit organization leaders, private-sector stakeholders and academics attended the FCAC’s National Financial Literacy Conference in Vancouver on November 6-7 which had “strengthening financial literacy through collaboration” as its theme.

During the conference, the Government of Canada unveiled the following tools which are now available on the FCAC’s web site:

- a new Canadian Financial Literacy Database which provides Canadians with comprehensive information on the financial literacy resources, events and tools available from various financial education providers, including the public, private and non-profit sectors across the country; and

- a self-assessment quiz which allows Canadians to assess their financial literacy skills and knowledge and see how they compare to other Canadians on five domains of financial capability.

In roundtable discussions, participants voiced their ideas about how best to reach and engage Canadians. This input will be used by Jane Rooney, Financial Literacy Leader, in shaping the development of a national strategy for financial literacy, which will be announced in 2015.

Canadian Life and Health Insurance Association

Regulators To Participate On Panel At CLHIA Symposium

CLHIA's 2014 Consumer Complaints Section Fall Seminar on November 20 will feature a 90 minute panel on "Regulators' perspectives on complaints" with the following provincial insurance regulators participating:

- Joanne Abram, Chief Executive Officer, Alberta Insurance Council
- Gerry Matier, Executive Director, Insurance Council of British Columbia
- Anatol Monid, Interim Executive Director, Licensing & Market Conduct Division, Financial Services Commission of Ontario
- Erin Pearson, Executive Director, Insurance Council of Manitoba; and
- Danielle Vinet, Chef du Service du traitement des plaintes et de l'assistance, AMF.

In addition, several of these regulators are expected to attend a pay-your-own networking dinner being organized by CLHIA for the evening of November 20.

CLHIA Releases Compliance Guide For MGAs

CLHIA recently published a reference document titled "MGA Compliance: A Risk-based Approach for Compliance Programs in the MGA Channel."

Based on the premise that insurance advisors will be the focus of more compliance audits and a higher level of oversight of their day-to-day sales activities by their managing general agencies (MGAs) as the industry adopts a set of standardized compliance practices for the MGA distribution channel, the document is intended to serve as a guide for MGAs in developing compliance policies regarding advisor screening and monitoring, as well as other compliance responsibilities.

OmbudService For Life and Health Insurance

Highlights Of Recently Published 2013-14 Annual Report

OLHI's recently published 2013-14 Annual Report features the following highlights relevant to CAFII members:

- OLHI received 2,480 complaints over the course of the year, up 5.5% over the prior year and up by 24.7% from 2009-10. OLHI believes that this growth is indicative of an increase in consumer awareness as Canadians become better apprised of their options for third party review of life and health insurance complaints;

- the top three product complaint categories remain Disability; Life; and Extended Health Care & Dental. Together, these three categories account for 81.5% of all complaints. For the third consecutive year, disability insurance-related complaints (36%) were below historic levels but they continue to represent the highest proportion of complaints. Life-related complaints (28%) and EHC & Dental complaints (17.5%) remained at levels comparable to the prior year.
- the distribution of complaints among the Group, Individual, and Creditor categories remained unchanged from the prior year. Each of Group and Individual account for approximately 45% of all complaints received, while Creditor complaints make up the remaining 10%.

British Columbia

Financial Institutions Commission (FICOM)

CAFII To Participate In Pre-Consultation Roundtable Discussion On 10-Year Review of Financial Institutions Act

On October 24/14, Executive Director Brendan Wycks received an invitation letter from Michael De Jong, BC Minister of Finance, inviting him to represent CAFII in a roundtable discussion about that province's financial institutions legislation on Friday, November 21 in Vancouver.

The timing of the roundtable discussion conflicts with Brendan's prior commitment to participate on a panel at FSCO's Life & Health Insurance Symposium in Toronto on Nov 21, 2014. Therefore, he arranged with Minister de Jong's office (which was looking for industry Association CEO or Board-level participants) for CAFII's invitation to be transferred to Greg Grant, as Chair of CAFII's Executive Operations Committee and Secretary to the Association's Board of Directors.

The invitation letter recognizes CAFII as a leading stakeholder in the insurance industry, as follows:

"... I am requesting your assistance, as a recognized leader in the insurance sector who will contribute a broad range of perspectives and views, in further developing proposed objectives and identifying key issues that should be considered as part of the upcoming government review of key legislation that applies to the financial services sector.

... To ensure that the regulatory framework for financial institutions and intermediaries continues to be modern and both efficient and effective, the FIA contains a requirement that it be reviewed every 10 years. As it is now time for the required review to be initiated, I would like to invite you to participate in a roundtable discussion about British Columbia's financial institutions legislation. The roundtable discussion is intended, in particular, to help inform the development of an initial consultation paper that will be shared with all stakeholders in the financial services sector for their feedback and input."

Ontario

Financial Services Commission of Ontario (FSCO)

Anatol Monid Appointed Interim Executive Director Of Licensing and Market Conduct Division

On October 28/14, FSCO announced that Anatol Monid had been appointed Interim Executive Director of the Licensing and Market Conduct Division. He assumes that role from Grant Swanson who retired on October 23/14 after a distinguished career in the Ontario public service.

In 2004, Anatol joined FSCO as Director of the Market Regulation Branch, within the Licensing and Market Conduct Division. In this role, he was responsible for oversight of prudential and market conduct examinations, and consumer complaint handling across FSCO's regulated sectors.

Anatol brings to his new position experience in both the private and public sectors. He was with the supervision group of the Office of the Superintendent of Financial Institutions and worked for a number of general and multi-line insurers in various capacities. He also served with the Canadian Armed Forces.

Anatol occasionally serves as a program leader supporting the work of the Toronto Leadership Centre which is working to build the capacity of financial sector regulators and supervisors in emerging markets and low income countries. He is also a member of Sheridan College Faculty of Continuing & Professional Study and teaches insurance courses.

Isabel Scovino Appointed Director, Market Regulation Branch In Licensing and Market Conduct Division

On November 13/14, CAFII learned that Isabel Scovino had recently been appointed Director of the Market Regulation Branch in FSCO's Licensing and Market Conduct Division, succeeding Anatol Monid in that role.

Given that this is a "permanent" rather than "interim" appointment for Isabel, it implies that Anatol's appointment as Interim Executive Director of the Licensing and Market Conduct Division will soon be made permanent.

Isabel previously worked in the Licensing and Market Conduct Division for many years – recently having liaison with CAFII around FSCO's "Modernizing Disciplinary Hearings For Insurance Agents and Adjusters" consultation in early 2013 – but her most recent role was Senior Manager of the Motor Vehicle Accident Claims Fund in the Auto Insurance Division.

Quebec

AMF

AMF To Announce New Round Of Consultation On E-Commerce In Insurance Sector

CAFII has learned that the AMF plans to undertake a new round of consultation on electronic commerce in the insurance sector. A consultation paper will likely be released imminently, either before the end of 2014 or in early 2015.

The source for this news is Eric Stevenson, the AMF's Superintendant, Client Services and Distribution Oversight. The apparent rationale for this further consultation on e-commerce in insurance is (i) products and technology in the marketplace have changed so much in recent years that it may no longer hold true that the e-commerce distribution channel should operate under the exact same regulations as any other distribution channel; and (ii) the AMF's data is showing that consumer purchases of insurance via e-commerce are growing significantly.

Claude Di Stasio, CLHIA's Vice-President, Quebec Affairs, attended the AMF's annual Rendez-vous conference in Montreal on November 10/14. In conversation there with Eric Stevenson, she picked up this news which she subsequently shared with CLHIA colleague Erica Hiemstra, who in turn shared it with Brendan Wycks.

AMF Response To Industry On Distribution Guide Consultation Submissions Likely To Be Delayed

At the AMF's recent Rendez-vous event, Claude Di Stasio of CLHIA picked up the following insights from Eric Stevenson with respect to the industry's recent submissions on the AMF's Distribution Guide (DG) template:

- the AMF has reviewed all of the submissions from industry stakeholders. It understands the feedback received, and acknowledges the merits of many of the points made about shortcomings in the DG template;
- the AMF recognizes that some of the shortcomings with the DG are rooted in the fact that it was designed with a face-to-face sales situation in mind, which creates problems for its applicability to alternate distribution channels; and
- in light of AMF plans to launch a new round of consultation on e-commerce in insurance, the outcomes of which will likely have implications for the DG, it probably does not make sense for the AMF to pursue the DG initiative further until the new e-commerce consultation is completed.

Therefore, it may be mid- to late 2015, at the earliest, before the AMF takes any further action on its DG overhaul initiative.

AMF Enlists TV Personalities To Launch Financial Literacy Campaign

The Autorité des marchés financiers (AMF) has launched its new awareness campaign with the help of two well-known Quebec personalities and their popular TV shows: Julie Snyder of “Le Banquier” (an adaptation of Deal or No Deal), and France Beaudoin of “En direct de l’univers.” The messages focus on the importance of asking questions and doing your own checks of financial products and services. They also encourage Quebecers to visit the AMF’s website.

This campaign addresses some of the shortcomings noted in the findings of the AMF Index, an ongoing tracking survey aimed at getting a better understanding of Quebecers’ financial behaviours. “Through this campaign, we hope to raise awareness among consumers about the simple things we can all do to keep a closer eye on our personal finances,” explained Louis Morisset, President and CEO of the AMF. “The innovative and unusual approach adopted for this campaign will help us achieve some of our financial education objectives.”

Launched at the beginning of October, the campaign will run until the end of December 2014.