

CAFII Regulator Meeting Report

Regulator: CCIR

Date: May 31, 2012

Location: Baton Rouge, Toronto

Attendees: **CCIR:** Carol Shevlin, Policy Advisor

CAFII: Greg Grant (CIBC), Jennifer Hines (RBC), Anne Riley

Discussion

Vacancy of Chair

The departure of D Boulet from AMF has left a vacancy in the Chair position of CCIR. There is some challenge to replacing her. The Vice Chairs are Doug Murphy, Superintendent of Insurance, Nova Scotia; Carolyn Rogers, Superintendent of Pensions, British Columbia; and Philip Howell CEO of FSCO.

IAIS

CCIR is concerned about upcoming reviews by the Financial Stability Board with respect to meeting new Insurance Core Principles (ICPs) across jurisdictions. Carol was planning to direct them to D Boulet particularly as it relates to the 2 market conduct principles.

New Policy Group in FICOM BC

Carol advised that FICOM has a new policy group. (Further enquiries have yielded that FICOM has implemented a new structure effective June 1. They have established a risk surveillance and analytics unit whose role is to identify upstream risks. They have also established a policy group of three staff who will be preparing and issuing guidance documents. The Ministry of Finance will retain their policy group (Jill Sinkwich and Brian Dillon) who will focus on policy related to legislative and regulatory changes.)

ISI

Ontario will do a review of ISI but not CCIR. FSCO wants to reassure itself that ISI regulation is not required. Carol stated that she has seen no benefit from ISI licensing and felt that the reason for ISI regimes originally were at the request of brokers.

Ecommerce

They received 25 submissions. CAFII expressed appreciation for the extended deadline. Carol noted that most major submitters had been granted an extension. CCIR is hiring a person to review the submissions. It does not help to have the industry association plus a number of companies saying the same points. Submissions are summarized by stakeholder group. The extra submissions came from a number of agencies/MGAs who want to be able to do their operations online. She appreciates having electronic submissions that she can search and cut and paste from, as this is how they do their summaries. (ie do not submit a locked type pdf).

Regulators are most concerned about consumer protection. To date, she does not see anything to be concerned about in Ecommerce. Brokers are taking the opportunity to say there must always be a broker involved. She does not share the view, as brokers are aging, consumers can get good life insurance online, and some people prefer not to talk to a broker. She feels that there is not much money to be made in commissions and stated that she did not see it as the mandate of regulators to protect the jobs of brokers.

Credit Score

CCIR will issue a findings paper over the summer. Brokers are concerned about credit score because it is “unexplainable”, particularly if a customer has a premium increase due to credit rating. If a market is vibrant, with many competitors, regulators do not worry so much, but when consumers have less choice, regulators get concerned. Because it is unexplainable, regulators are concerned that it is double counting some other variable eg where you live.

Webinar series

Carol will send out our list of webinars (see attachment) to CCIR members and get feedback from them about what courses they would like and when. She sees them using the material to educate their staff members. CAFII will email the webinar list to her (done). She would also be interested in reinsurance information. We noted that this is not a CAFII topic but if she requires a resource, some member companies may be able to refer her to external subject matter experts who could assist in this area.

Mid August would be good timing for the first webinar. Carol recommends that the webinar will be more effective if materials are not distributed in advance.

Outsourcing of claims handling

The MGA issues paper noted that claims handling is not outsourced to MGAs. It was not intended to mean that it could not be outsourced. As long as the insurer is accountable and that consumers are treated fairly then regulators will accept it. They would be concerned to hear if a TPA was incented to keep claims payments lower. She believes banks would not put their reputation at risk for a \$1000 payout. Outsourcing of claims is done now and is part of insurance legislation. As a practical matter, it would be very difficult to make the legislative changes to stop the practice.

Group Insurance

Carol raised a concern of regulators regarding group insurance. Traditional Group products are fine but they are concerned about ‘pseudo-group’ products being sold which fall completely outside the regulatory framework. When companies pool risk and self-insure, is this insurance? What if they want to self-insure and someone develops a catastrophic need eg for prescription drugs? Consumers are at risk because there is no oversight of market conduct or solvency. Also, the LLQP has no module on group.

Consultations

CAFII asked if CCIR gets submissions on consultations from the political side. Carol advised that CCIR always provides briefing notes and templates about any issue to the political areas before a consultation takes place so no Ministry is caught off guard or would disapprove.

Proposed CAFII Webinar Series

Proposed Curriculum:

The Underinsured / Underserved Insurance Market:

- Outline the demographics and needs of the uninsured/ underserved market
- Outline products and channels best suited for this market

Creditor's group insurance Overview:

- Provide an overview of the fundamentals of Creditor's Group Insurance,
- how it fills consumer needs, common industry practices, & regulatory regime.
- *Creditors Mortgage Life:*
- Present "Assessing the Value Proposition of Creditors Group Mortgage Life Insurance" study.
- Evaluate & analyze product benefits & premium relative to Individual Life.
- *Social Media & other channels,*
- Provide information & education on growing alternative channels, digital social media & ecommerce.
- Discuss current & future trends, implications, & impact to the insurance industry.