

# Licensing Committee Report

## Restricted License holder Representation / Participation on Insurance Councils

### Agenda:

1. Current situation
2. Opportunity: *Manitoba , Alberta and Saskatchewan*
3. What are the characteristics of an ideal approach to representation?
4. Key differences in opportunities for representation in western provinces
5. Range of options under consideration
6. Preferred options and strategy to engage

### Attachments:

- May 17th summary chart of a range of options/approaches
- April 17<sup>th</sup> memo on possible actions to achieve greater representation for restricted licenseholders
- Dec 17<sup>th</sup> summary of the applicable council compositions, election requirements

# Current Situation

- Restricted Certificate required in Albert and Saskatchewan
- Restricted Certificate imminent in Manitoba
- No representation for restricted certificate holders on the Insurance Councils in these 3 provinces
  - ✓ Councils responsible for complaint handling, education, licensing and fines.
  - ✓ By default deal with issues related to licensees.
  - ✓ Commitment by all 3 provinces to consider representation
- Manitoba passing new legislation provides an ideal opportunity to influence
- No urgency in Alberta or Saskatchewan due to a low number of ISI complaints

# Current Situation

## Key Risks

- Council in charge of complaints. Possible risk of bias and lack of understanding leading to inappropriate complaint decisions. Negative complaint decisions create reputation risk for companies.
- Council can decide to create additional requirements for the restricted licensee in the areas of education, supervision and market conduct, which may restrict operations and/or increase compliance cost.
- Regulator perception that there is a need for additional supervision or regulation of auto dealers could unnecessarily impact other types of license holders including financial institutions

## Constraints

- Unable to move ahead with proactive agenda (eg. CAFII request to AB to follow SK example in allowing telemarketing was turned down)

# Current Opportunity

## Manitoba: Immediate

- Restricted licensing provision in legislation currently tabled
- Committed that they would set up representation for restricted license holders. They are open to our suggestions on form of representation
- Working on drafting regulations to affect restricted regime this summer

## Saskatchewan: Short-Term

- Open invitation to design whatever representation we prefer
- Commitment to representation when regime was approved. Not yet established due to the effort required in the first year to get the licensing regime set up, and low number of complaints for this licensing category

# Current Opportunity

## Alberta

- Currently reviewing options for representation for restricted licenses
- Tremendous increase in number of licenses in this category, largely due to auto dealers
- Concern that FI's complaints may be reviewed by auto dealers, who would lack the required expertise. A central issue for the AIC is how to weigh representation among licensees type.

# Characteristics of an Ideal Approach to Representation

## 1. One harmonized model

- Ideal but differences in regulation and operation makes it difficult
- Get the best we can in each province
- Operational (market conduct) harmonize of rules, but not so much a concern in representation issues

## 2. Voice in complaints and policy making for our class of license. Input (veto) on any change of policy related to our class

## 3. Representation within our class of license should reflect the large number of individuals under each financial group license

## 4. Flexibility on residency

## 5. Flexibility in terms of administration - low frequency of meetings

# Structural Differences in Councils May Drive Different Solutions by Province

## Results achievable within the existing council structures

- Saskatchewan has greater flexibility than other councils to either use a superintendent appointment to create representation, or to use by-laws to create council committees

## Results which would require changes in regulations

- *Expand the composition of the councils or add non-voting members to councils (AB/Man)*
- *Form sub-councils for restricted license holders*
- *Form separate, co-equal restricted license holders councils*

## Greatest acceptance of addressing representation in regulations

- *Highest in Manitoba where they are preparing to launch Insurance Act regulation consolidations.*
- *Lowest acceptance likely to be in Alberta where this exercise has recently been completed.*

Regulator preferences, council structures, and current timing in the cycle of regulation review create a situation where we may want to proceed with different options for each jurisdiction.

# Range of Options under Consideration

- Licensing Committee and the EOC reviewed the spectrum of approaches detailed in the attached chart and assessed the effectiveness of each approach in meeting our goals.

Three acceptable approaches identified:

- Establish non-binding “Advisory Committees” of restricted license holders, which liaise/coordinate with the main councils (No changes required to Acts, Regulations or Bylaws - Saskatchewan Regime expressly contemplating it)
- Establish dedicated positions on applicable councils for restricted license holders (Requires some structural changes)
- Establish subcouncils having jurisdiction over certain restricted license holder matters and which report to and liaise/coordinate with the main councils (Requires changes except in Saskatchewan)



# The licensing committee requests the Board for agreement to proceed as follows:

**Engage with the Manitoba regulators to discuss options for implementing either of Concepts 3, 4 or 5, as outlined in the Overview of Possible Approaches document**

Request a face to face meeting early in the summer (leverage existing long standing EOC relationships)

Utilize law firm as required to assist in refining the possible models

Communicate back to EOC and the Board as options become more concrete, and engage the Board in any additional discussion or approval as required.

**Preliminary discussions with Alberta and Saskatchewan on the same concepts (leveraging the information and experience from our discussions with Manitoba)**