

CAFII Board of Directors Meeting

Tuesday, December 8, 2015

Location: National Club, 303 Bay St. [Howland Room], Toronto, ON

3:00 – 5:00 pm

Conference call dial-in information: 416.764.8662 or 1.888.884.4534

participant passcode: 8504948#, moderator passcode: 2551109#

Agenda

Item	Presenter	Document	Action
1. Call to Order and Welcome: 1.1. Approval of Agenda 1.2. Appointment of New Directors	J. Bourdeau	✓	Approval Approval
2. Consent Items 2.1. Draft Board Meeting Minutes, October 6, 2015 2.2. Summary of Board & EOC Action Items 2.3. Balanced Scorecard 2.4. Regulatory Update 2.5. Regulator and Policy-Maker Visit Plan	J. Bourdeau	✓ ✓ ✓ ✓ ✓	Receipt Receipt Receipt Receipt Receipt
3. 3.1 CAFII 2015 Highlights 3.2 Financial Statements as at October 31, 2015 3.3 Proposed 2016 CAFII Operating Budget	G. Grant B. Wycks G. Grant, B. Wycks	✓ ✓	Update Approval Approval
4. Regulatory Consultations/Submissions Timetable: 4.1. BC 10-Year Review of Financial Institutions Act 4.2. BC 'Effecting' of CGI Issue 4.3. Expert Panel Position Paper on FSCO Mandate 4.4. CCIR Annual Statement on Market Conduct 4.5. CCIR Review of Travel Health Insurance	B. Wycks	✓ ✓ ✓	Review Update Update Review Information Update
5. Committee Reports Addressing CAFII Priorities: 5.1. Research & Education 5.1.1 Pollara Travel Medical Insurance Consumer Survey 5.2. Media Advocacy 5.3. Market Conduct 5.4. Licensing Efficiency Issues 5.5. Networking & Event Hosting	S. Manson C. Blaquiere R. Beckford M. Gill M. Sanchez-Chung	✓	Update Presentation Update Update Update Update
6. Other Business 6.1. 2016 Calendar of Meetings	B. Wycks	✓	Update
7. In-Camera Session	J. Bourdeau		

Next Board Meeting: Tuesday, April 12, 2016 hosted by The CUMIS Group. Location TBA

CAFII Board Meeting Minutes
Tuesday, October 6, 2015
Location: Desjardins Financial Security
150, rue des Commandeurs, 15th floor, Lévis, Québec

DRAFT

Present:	Joane Bourdeau Linda Fiset Chris Knight Todd Lawrence Peter McCarthy Kelly Tryon Robert Zanussi	National Bank Insurance Co. <i>(for part)</i> Desjardins Financial Security TD Insurance <i>(by teleconference)</i> CIBC Insurance BMO Insurance <i>Chair</i> The CUMIS Group Assurant Solutions
EOC Present:	Carol Allen Rose Beckford Derek Blake Charles Blaquiére Isabelle Choquette Moira Gill John Lewsen Sue Manson Diane Quigley Maria Sanchez-Chung Jérôme Savard	Assurant Solutions <i>(by teleconference)</i> ScotiaLife Financial RBC Insurance <i>(by teleconference)</i> Canadian Premier Life Insurance Co. Desjardins Financial Security TD Insurance <i>(for part)</i> BMO Insurance <i>Secretary</i> CIBC Insurance <i>(by teleconference)</i> The CUMIS Group TD Insurance <i>(by teleconference)</i> Desjardins Financial Security
Also Present:	Leya Duigu Brendan Wycks	T•O Corporate Services <i>Recording Secretary</i> CAFII <i>Executive Director</i>
Regrets:	Darrell Bruce Rino D'Onofrio Greg Grant Raja Rajaram Jodi Skeates	ScotiaLife Financial RBC Insurance CIBC Insurance CIBC Insurance The CUMIS Group

1. Call to Order

The meeting was called to order at 3:00 p.m. P. McCarthy acted as Chair; J. Lewsen acted as Secretary; and L. Duigu acted as Recording Secretary.

1.1. Approval of Agenda

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The Meeting Agenda be approved as presented.

1.2. Appointment of New Director

In July, CAFII was advised that I. Sananes, the longest serving Director on the CAFII Board, was no longer with Canadian Premier Life Insurance and, as such, a successor would be nominated as CPL's representative on the Board. CAFII has delivered a gift of appreciation to Mr. Sananes, in recognition of his service to the organization.

C. Blaquiére informed members that Canadian Premier Life Insurance (CPL) was nominating Nicole Benson, *President, CRI Canada* and head of the Affinity Group who is also overseeing CPL, to succeed I. Sananes as its Director on the CAFII Board.

On motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

Nicole Benson be appointed as a Director representing Canadian Premier Life Insurance on the CAFII Board of Directors, effective October 6, 2015 until the next annual Meeting in 2016.

1.3. Appointment of Officers

I. Sananes was also Vice-Chair of the Board and therefore it is necessary to appoint a successor Vice-Chair of the Association. J. Bourdeau, Director from National Bank, has agreed to serve as CAFII Vice-Chair if so appointed by the Board.

On motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

Joane Bourdeau be appointed as Vice-Chair of the Association, effective October 6, 2015 until the next Annual Meeting in 2016.

2. Consent Items

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The following Consent Items be and are approved or received for the record, as indicated in the Action column beside each agenda item:

- Summary of Board & EOC Action Items
- Balanced Scorecard
- Regulatory Update
- Regulator and Policy-Maker Visit Plan

IT WAS FURTHER RSOLVED that:

The Minutes of the meeting of the Board held on June 9, 2015 be and are adopted in the form presented, and that a copy of these minutes be signed and placed in the Minute Book of the Corporation.

3. Financial Statements as at August 31, 2015

Treasurer Raja Rajaram was unable to attend today's meeting and therefore B. Wycks presented the financial statements on his behalf. CAFII currently has \$65K in net income year-to-date, an amount that will be offset by some large expenses that have recently come in, bringing us closer to our projected budget.

There are currently two members and one Associate with outstanding membership dues; however, all three have confirmed their continued participation in the Association and payment of the outstanding amounts is expected shortly.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The CAFII financial statements as at August 31, 2015 be and are approved in the form presented.

4. Regulatory Consultations/Submissions Timetable:

4.1. ON Review of FSCO Mandate

P. McCarthy attended the life and health insurance sector roundtable meeting with Greg Grant on July 30. There was a general consensus against forming an Insurance Council in Ontario and the Expert Panel hinted at a possible merger between FSCO and OSC but didn't address it directly. A member of the Expert Panel expressed negative views about CCIR, CISRO, and OSFI, going so far as to suggest implementing stricter guidelines for CCIR to produce something. Also discussed was the potential for introducing an industry-funded compensation fund for consumers, akin to what exists in Quebec; and some time was spent discussing segregated funds. CAFII will be submitting a follow-up letter to the Expert Panel expressing support for FSCO's participation in national co-ordinating bodies such as CCIR and CISRO, and reiterating our key messages. A position paper from the Expert Panel is expected in early November followed by a final report in March 2016.

4.2. CCIR Working Group on Travel Insurance

In the industry issues dialogue with AMF staff executives held immediately prior to this meeting, Patrick Dery, current Chair of CCIR, had confirmed that the work of CCIR's Travel Insurance Working Group had been delayed due to other CCIR priorities, such that a Discussion Paper would not be published until the first quarter or early second quarter of 2016. However, once the Paper is released, CCIR will allow for a 60 day consultation period.

4.3. Quebec Review of Distribution Act

CAFII submitted a response on September 30, which commented on those proposals in the Report on the Distribution Act that are relevant to our members. The work that produced the submission was performed by members of the Licensing and Market Conduct committees and we will continue to be proactive by reaching out to the Quebec Ministry of Finance on this.

4.4. BC FICOM 10-Year Review Of FIA

The submission to BC FICOM's 10-year review of FIA was submitted ahead of the deadline and addressed the points in the consultation paper that are relevant to CAFII.

Gerry Matier, Executive Director of the Insurance Council of BC, shared a copy of the Council's submission with B. Wycks last week. B. Wycks provided a high level summary of the Insurance Council's recommendations, highlighting pages 4 and 5 under Credit Insurance.

Members discussed strategies for countering the views of the Insurance Council, which would see credit insurance's existing exemption under the Insurance Licensing Exemptions Regulation significantly changed and limited. It was agreed that CAFII needs to raise awareness with the Ministry of Finance. In the Association's own submission, CAFII suggested a meeting with the Ministry and we are now in a position to request one. The visit to the Ministry in BC shall be made by a delegation of members including Directors.

Action: EOC to determine next steps and arrange a meeting with the BC Ministry of Finance. Board members to be part of the delegation, if available. *[Brendan; asap]*

4.5. BC "Effecting" of CGI Issue

A review of the recently released FICOM Information Bulletin on the effecting of creditor's group insurance in BC revealed that not all issues addressed therein apply to CAFII members. The CLHIA legal committee has formed a group to look at this, and CAFII members are participating on that CLHIA group. So perhaps there isn't a need for CAFII to delve into this issue further. However, D. Blake highlighted potential areas of concern regarding the active involvement of creditors and members agreed that the Market Conduct Committee and, subsequently, the EOC shall review this issue further to determine whether CAFII follow-up interaction with FICOM is warranted.

Action: *Market Conduct Committee and EOC to identify areas of concern in the CGI Information Bulletin and determine whether CAFII should arrange follow-up interaction with FICOM about it. [EOC; tba]*

4.6. SK Bill 177

Jan Seibel informed B. Wycks that progress has been steady but slower than expected. As a result, there is some uncertainty as to the timing of the release of Draft Regulations for industry consultation, which could be pushed to the first quarter of 2016. Additional information will be provided once it is available.

4.7. ON Insurance Act Parts V and VII

Regulations have now been published online and will come into force on July 1, 2016.

5. Committee Reports Addressing CAFII Priorities:

5.1. Research and Education Committee

5.1.1. Travel Insurance Project

Results highlights from the Travel Medical Insurance Survey were presented by S. Manson in today's industry issues dialogue with the AMF staff executives; and the travel insurance project group is considering next steps including the development of a code of conduct. A code has been drafted and the group is looking at developing common language such as the provision of exclusions and definitions in a common place, such that there is consistency from a consumer perspective.

Members agreed that it would be beneficial to collaborate with CLHIA and THiA on the travel insurance project. To that end, the Executive Summary from the Travel Medical Insurance Survey has been provided to F. Swedlove, CEO of CLHIA, and a meeting scheduled with him, with the goal of developing a plan to leverage the information.

Directors felt that this project has produced some very positive results and wished to ensure that CAFII is not working at cross-purposes with other industry organizations such as CHLIA. Members of the travel insurance working group were thanked for their work on this initiative to date.

5.2. Media Advocacy Committee

The Media Advocacy Committee was able to leverage a laundry list of FAQs developed by the former committee, to produce the Hot Button Issues document presented in the meeting materials. The document is a collaboration of information and discussion involving Media Advocacy and Research and Education Committee members. Taking into account the feedback received today, the committee will work towards making this information accessible to consumers, reporters and regulators. Measuring our success will also be incorporated into the plan.

Directors were pleased with the document and direction presented and wished to ensure the information was revised with consumer-friendly wording, a point which had also been noted in the committee's own discussions.

5.3. Market Conduct Committee

The Market Conduct Committee was integrally involved over the summer, along with the Licensing Committee, in the drafting of responses to the recent consultations in BC and Quebec. The committee is challenged to be in a constant state of readiness to review and craft responses to consultations as they are released. The Bank Act is also coming up for review soon and that issue has become a watch/monitor file for the committee.

5.4. Licensing Efficiency Issues Committee

B. Wycks provided an update because M. Gill had to leave early, noting the Licensing Committee's collaboration with the Market Conduct Committee over the summer in the drafting of CAFII submissions to the BC Financial Institutions Act and Quebec Distribution Act consultations.

New Brunswick has just launched a beta test version of an online licensing system and invitations to test the system have been disseminated to industry stakeholders.

5.5. Networking and Event Hosting Committee

The next CAFII reception event is scheduled for December 8, 2015 at the National Club in Toronto. The next speaker forum will be the Annual Members Luncheon in February or March 2016 and the EOC is currently considering a panel or a national market conduct speaker for that event. Should members have any suggestions for speakers, they are invited to submit them to B. Wycks or L. Duigu.

6. In Camera Discussion

The Board of Directors met *in camera* from 4:05 to 4:11 p.m. Following this, members of the EOC, B. Wycks and L. Duigu were invited back.

7. Termination

There being no further business to discuss, the meeting was terminated at 4:12 pm. The next CAFII Board of Directors meeting will be held on December 8, 2015, hosted by Canadian Premier Life Insurance at the National Club, 303 Bay St., in Toronto.

Date

Chair

Recording Secretary

Confidential Draft

2015 Summary of Meeting Action Items: BOARD & EOC					
	Source	Action Item	Responsible	Deadline	Status as of 24-Nov-15
BALANCED SCORECARD / PERFORMANCE MANAGEMENT					
		no action items			
FINANCIAL MANAGEMENT					
		no action items			
MEMBERSHIP					
		no action items			
GOVERNANCE AND ADMINISTRATION					
1	EOC Oct 27, 2015	• A licensing committee meeting to be scheduled.	Leya	Nov 30/15	Completed
2		• TOCS to ensure invoices are accurate before being issued in future.	Leya	Ongoing	In progress
REGULATOR / POLICY-MAKER RELATIONS AND ADVOCACY					
		Ontario Review of FSCO Mandate			
3	EOC Nov 17, 2015	Draft CAFII response to Position Paper (final response due Dec 14, 2015)	Brendan, Greg	Dec 4/15	Pending
4	EOC Oct 27, 2015	Depending on content of Expert Panel's Preliminary Position Paper on FSCO's mandate, decide whether to request follow-up meeting with Panel via David McClean	EOC	Nov 17/15	Completed (follow-up meeting requests discouraged in Position Paper; so CAFII will not pursue)
		CCIR			
5	EOC Nov 17, 2015	Draft CAFII submission on CCIR Annual Statement on Market Conduct (deadline extended to Dec 4/15)	Brendan, Greg	Nov 27/15	In progress
6		Consult with CLHIA on their Annual Statement submission	Brendan	Nov 26/15	In progress
7	EOC Oct 27, 2015	Request a copy of CCIR's Co-operative Market Conduct Framework document	Brendan	tba	Completed; to be published by CCIR in late Nov or early Dec 2015
8		Contact CLHIA regarding their seven recommendations and specific member concerns regarding their Travel Medical Insurance Review	Brendan	Nov 17/15	Completed
		Quebec Review of DWR			
		no action items			
		Eastern Canada: NB, NL, NS			
		no action items			
		Alberta Insurance Council and Superintendent of Insurance			

	Source	Action Item	Responsible	Deadline	Status as of 24-Nov-15
9	EOC Oct 27, 2015	• Confirm that CLHIA will be communicating to AIC that critical illness insurance is included under CGI for RIA licensing	Rose	Nov 17/15	Completed
10	EOC Aug 25, 2015	• Complete review of the Alberta Miscellaneous Provisions consultation to determine if a submission should be made.	Brendan	3-Sep-15	No submission made
		BC Ministry of Finance 10-Year Review of FIA			
11	EOC Nov 17, 2015	Draft thank you letters to Dan Ashton, Parliamentary Secretary for Finance, and Ministry officials re Nov 10, 2015 CAFII meetings	Brendan	Nov 30/15	Pending
12		Send information requested by BC Finance officials at Nov 10, 2015 meetings	Brendan, Greg	tba	Pending
13	Board Apr 7, 2015	• Develop an education campaign on creditor's group insurance and the underserved market for regulators and policy-makers in the BC ministry	EOC	tba	Awaiting Policy Paper in 2016 to determine if required. (Significant educational content communicated verbally in Nov. 10/15 meetings with BC Finance.)
14	Board Oct 6, 2015	• EOC to determine next steps and arrange a meeting with the BC Ministry of Finance. Board members to be part of the delegation, if available.	Brendan, EOC	Oct 30/15	Completed
15	EOC Mar 24, 2015	• Draft CAFII response to Insurance Council of BC's proposal – to be put forward during the 10-Year Review of the Financial Institutions Act -- that a dollar limit ceiling be imposed on the amount of coverage that can be sold under the province's licensure exemption for CGI; and determine how our position should be communicated and to whom.	Greg, Brendan	tba	Not started; see Item #13
		BC "Effecting" of CGI Issue			
16	EOC Nov 17, 2015	Draft thank you letter to Frank Chong, FICOM, regarding Nov 10 meeting and to request FICOM's position on key CAFII concerns with the CGI Information Bulletin	Brendan, Greg	Nov 30/15	In progress
17	Board Oct 6 & EOC Sep 22, 2015	• Identify areas of concern in the CGI Information Bulletin and determine whether CAFII should arrange follow-up interaction with FICOM about it.	EOC, Market Conduct Ctte	Oct 30/15	Completed
		Regulator and Policy-Maker Visit Plan			
18	EOC May 26, 2015	• Set up lunch meeting for CAFII representatives with Carol Shevlin (and her CCIR Policy Manager successors) in the Fall 2015. Brendan to provide briefing document.	Brendan	Fall 2015	Completed
INDUSTRY RESEARCH					
		<i>no action items</i>			
MEDIA AND COMMUNICATIONS					

	Source	Action Item	Responsible	Deadline	Status as of 24-Nov-15
		<i>no action items</i>			
EVENTS AND NETWORKING					
19	EOC Nov 17, 2015	• Consult with CCIR Policy Managers regarding whether CCIR regulators would be willing to be part of a panel on "Co-operative Market Conduct Framework" at CAFII's 2016 Annual Members Luncheon	Brendan	Nov 20/15	Completed
20	EOC Sep 22, 2015	• Members to be prompted for speaker suggestions for 2016 Annual Members' Luncheon	Leya	Nov 17/15	Completed

CAFII - 2015 Executive Director Balanced Scorecard - November 11, 2015					
	H = High Priority; M = Medium; L = Low				
Priority	Objectives	Measures	Timing	Status As At November 11/15	Outcome
	Regulatory and Advocacy (50% of ED and EOC focus/time)				
#1 H	Draft and deliver highly quality regulatory submissions and follow-up with regulators and policy-makers, as appropriate.	Regulatory submissions are well-written, comprehensive and produced on time; Board and EOC have sufficient time to review and provide input, which is given due and equitable consideration and included where appropriate; submissions reflect consultation with allied industry Associations where appropriate	Ongoing		
H		Bill 177, The Insurance Act (Saskatchewan)	Q1 2015 thru Q4 2016	CAFII submission sent on Feb. 23/15; follow-up teleconference on March 2/15 to address CAFII issues; CAFII follow-up letter sent May 13/15.	Bill passed May 6/15 but won't be "proclaimed in force" until Regulations drafted and a thorough consultation with industry has occurred. Some sections of Act of concern to CAFII to be amended or repaled via Regulations.
H		British Columbia Consultation on 10-Year Review of Financial Institutions Act (FIA)	Q2 2015 thru Q3 2017	CAFII submission on Initial Consultation Paper finalized and sent Sept 9/15. CAFII met with Ministry of Finance officials in Vancouver on November 10/15.	Final outcome expected to take two-plus years from time of Initial Consultation Paper (June 2015) to come to completion.
H		BC FICOM's 'effecting' of creditor's group insurance issue	Q1 thru Q4 2015	FICOM released Information Bulletin on CGI in BC on Sept. 14/15. CAFII met with FICOM officials in Vancouver on November 10/15.	CAFII received favourable/positive clarification from FICOM on key point of uncertainty in Information Bulletin.
H		AMF's final E-Commerce in Insurance position paper	Q2 thru Q4 2015	CAFII met with AMF executives on April 29/15 and received clarification on implementation plans for "Orientations" in paper.	Final E-Commerce Report released April 2/15.
H		AMF's Distribution Guide template initiative	Q2 thru Q4 2015	Pending	Draft Regulation on Distribution Guide to be circulated to industry for brief consultation, likely in Q4 2015, with goal being to finalize it by end of 2015.
		Ontario Ministry of Finance consultation on "Proposed Regulations Related to Parts V and VII of the Insurance Act"	Q2 2015	CAFII submission sent May 19/15.	Regulations passed in October 2015, with 'in force' date of July 1, 2016.
M		Ontario government review of FSCO mandate	Q2 2015 thru Q1 2016	Expert Panel's Preliminary Position Paper released on November 4/15, with December 14/15 deadline for submissions. CAFII participated in life & health sector roundtable meeting on July 30/15; had May 21/15 informal meeting with Expert Panel; and made written submission on June 5/15.	CAFII response submission to Preliminary Position Paper pending. B. Wycks had debrief meeting with P. McCarthy and G. Grant following July 30/15 life & health sector roundtable, and provided summary highlights at August 25/15 EOC meeting. Followed up with D. McLean for one-on-one meeting for CAFII, but was advised that Expert Panel not holding further meetings with any stakeholders at this time.
		Quebec Ministry of Finance consultation on "Report on the Application of the Act respecting the Distribution of Financial Products and Services" (Bill 188)	Q2 thru Q4 2015	CAFII submission sent September 30/15. Approach to meeting with Ministry officials to reinforce CAFII positions being determined.	
M		Quebec government review of "An Act Respecting the AMF" (empowering and governing the AMF)	Q2 thru Q4 2015	Intention to review Act announced as part of Quebec provincial budget on March 26/15, but no consultation launched yet.	
M		Letter to Opportunities New Brunswick re changes necessary to Insurance Act and regulatory processes to facilitate efficient business operations in the province.	Q1 thru Q4 2015	Letter sent April 16/15, with copy to Superintendent of Insurance. Possible follow-up meeting with Jay Reid of Opportunities New Brunswick to be considered.	FCNB holding webinar re online insurance licensing system on November 13/15; launched beta test version in early October 2015 and invited industry feedback.
M		New Brunswick Consultation on Rule INS-001 Fees, In Relation To The Insurance Act	Q2 thru Q4 2015	CAFII submission sent May 1/15. Had follow-up teleconference with David Weir, Deputy Superintendent, on June 9/15	FCNB launched new consultation on slightly revised/corrected Rule INS-001 in August 2015, with September 25/15 deadline for submissions, but did not directly notify industry stakeholders.
M		Conditions are amenable to smooth transition by CAFII members to Manitoba's new RIA Regime	Ongoing	CAFII monitoring re follow-up issues through liaison with Erin Pearson, Insurance Council of Manitoba	New RIA/ISI regime launched June 1/15.
M		Nova Scotia Direct Sellers' Regulation Act (DRSA)	Ongoing	CAFII made submission in Dec/14 in support of proposed insurance xemption language. Monitoring and liaising with Service Nova Scotia to ensure favorable exemption is enacted.	
L		Possible Nova Scotia review of life insurance sections of Insurance Act in 2015	Q1 thru Q4 2015	Monitoring	On April 22/15, Superintendent of Insurance advised that NS unlikely to initiate this review in 2015 (continuing to monitor).
L		Possible PEI review of life insurance sections of Insurance Act in 2015	Q1 thru Q4 2015	Monitoring	On April 23/15, Superintendent of Insurance advised that PEI may initiate this review in late 2015 (continuing to monitor).
#2 H	Develop and execute on Regulator and Policy-Maker Visit Plan in support of CAFII positions on legislative and regulatory issues	CAFII investments in regulator and policy-maker visits are appropriately scheduled; well-organized and executed, including briefing/preparation of CAFII participants. These meetings successfully support and advance CAFII's positions on legislative and regulatory issues	Ongoing	On Target	
#3 H	Maintain ongoing monitoring of and liaison/communications with regulators, policy-makers, allied Associations, and other industry stakeholders for relationship-building and intelligence gathering	EOC and Board members are kept well-informed of hot button, urgent, time-sensitive issues	Ongoing	On Target	
H		CAFII "Alerts" sent to EOC and Board members on hot button, urgent, time-sensitive issues	Ongoing	On Target	
#4 H	Monitor and report key developments in CCIR's review of travel insurance (including CCIR Working Group on Travel Insurance; CISRO; CLHIA high level committee on travel insurance; and THIA) ; and support related work of CAFII internal group on travel insurance (in conjunction with Research & Education Committee)	Intelligence gathered through monitoring and work of internal group on travel insurance put CAFII in a position of readiness and strength, to make a regulatory submission or otherwise make its views known, as distributors of travel insurance, should the need arise	Ongoing	Underway	

	H = High Priority; M = Medium; L = Low				
Priority	Objectives	Measures	Timing	Status As At November 11/15	Outcome
H		CAFII internal group on travel insurance completes review; addresses issues and concerns identified by CCIR project	Ongoing	CAFII internal group on travel insurance formed and work now well-advanced, including consumer survey on satisfaction with travel health insurance	
#5 M	Secure Representation for CAFII members as Restricted Insurance Agents in Saskatchewan, Alberta, and Manitoba	CAFII's proposed model for a Restricted Insurance Agent Advisory Committee to ICS Executive Director is adopted in Saskatchewan	Ongoing	Draft 2 of CAFII letter of support re proposed Terms of Reference for Advisory Committee, to augment submission made by CLHIA on December 19/14, is in development.	
M		CAFII's interests are advanced in shaping of a model for representation of Restricted Insurance Agents with Joanne Abram, CEO of the Alberta Insurance Council	Ongoing	Pending submission of Saskatchewan letter	
M		Insurance Council of Manitoba calls upon CAFII members, as appropriate, when requiring subject matter expert advice to its ISI Subcommittee	Ongoing	Monitoring	ICM has formed new ISI Subcommittee, comprised of five Council members but is forming a roster of subject matter experts who can be called upon on "as needed" basis
Media and Communications (20% of ED and EOC focus/time)					
#1 (H)	Move CAFII into a position of readiness and confidence to respond to media opportunities re Creditor's Group Insurance and Alternate Distribution	Successful execution of tactics within specified timelines	Q1 and Q2 2015	Drafts of three documents completed and currently under review by Media Communications Committee	
H	Monitor media coverage re CGI, travel insurance, and alternate distribution	Any hot button issues related to media coverage are identified and dealt with in a timely, appropriate manner	Ongoing	In process, in concert with Media Committee	
#2 H	Make CAFII web site more robust and audience-friendly for members; regulators and policy-makers; the media (pending Media Committee approval); and the public	Content and navigation of CAFII site are reviewed and overhauled; information updates are posted on a timely and consistent basis; and site becomes a "go to" resource for key audiences	Q1 thru Q4 2015	Underway	
#3 H	Monitor Consumer Interest Groups	Include intelligence on Consumer Interest Groups' issues and activities in Regulatory Updates for EOC and Board meetings	Ongoing	On Target	
#4 M	Consumer Financial Literacy (CFL): Move CAFII into a position of readiness and confidence to engage proactively with regulators, the public, and consumer interest groups in support of CFL (Medium/long term objective: CAFII and its members are seen as advocates for CFL; and a "go to" industry Association in that area)	Three-year plan developed and approved by Media Committee, EOC, and Board for CAFII to become incrementally engaged in CFL activities	Q1 thru Q4 2015	Not Started	
		CAFII web site content on CFL made more specific and compelling	Q2 2015	Not Started	
TBD		CAFII gets involved in Financial Literacy Month (November) in 2015 through an event or initiative; and has specific plans for continued participation in future years	Q1 thru Q4 2015	Not Started	
TBD		Plan developed and approved by Media Committee, EOC, and Board for CAFII to be involved in Fraud Prevention Month (March) in 2016, as directly related to CFL	Q1 thru Q4 2015	Pending	
Association Oversight and Management (30% of ED and EOC focus/time)					
#1 H	Produce an "industry intelligence" Regulatory Update monthly, for each EOC and Board meeting	Regulatory Update is produced for each EOC and Board meeting, containing outside-of-the-public-domain information on regulatory actions, pronouncements, trends and leading indicators	Ongoing	On Target	
#2 H	Efficient, effective CAFII meetings: with EOC Chair and standing committee Chairs, ensure agendas are focused and goal-oriented and meetings are well-managed	Agendas and meeting materials are distributed with appropriate lead time. Board and committee members are engaged in meeting discussions and feel meetings are productive and advance CAFII's objectives	Ongoing	In process	
#3 H	Ensure that CAFII prepares an annual operating budget that is well-grounded in approved strategic and operational plans; funds are spent according to plan; and financial control policies and procedures -- including monthly financial statements -- are adhered to	Play a leadership role in development, management, and tracking/monitoring of CAFII's annual operating budget, and committee and project budgets. Budget targets are met, except for explainable/approved variances	Ongoing	On Target	
#4 H	Provide strategic and operational support to the EOC Chair in management of CAFII priorities and activities; and accountability reporting thereon	Engaged strategic and operational support to EOC Chair; escalates appropriate matters to EOC Chair for review and decision-making	Ongoing	In process	

Regulatory Update – CAFII Board of Directors, November 25, 2015
(Updates to November 11, 2015 Regulatory Update for EOC highlighted in **bold**)
Prepared By Brendan Wycks, CAFII Executive Director

Introduction

Federal/National

- **CCIR:**
 - Travel Insurance Working Group To Meet With Stakeholders On Survey Results (**page 2**)
 - CCIR To Publish Market Conduct Supervision Framework Before Implementation (**page 2**)
 - CCIR Releases Draft Annual Statement On Market Conduct For Consultation (**page 2**)
 - Policy Manager Succession Plan Unfolding (**page 3**)

Provincial

- **British Columbia:**
 - Company Executive Is New Insurance Council Chair For 2015-16 (**page 4**)
 - Insurance Council To Introduce Electronic Licensing System In 2016 (**page 4**)
- **Ontario:**
 - Expert Panel Says Ontario Needs Integrated Financial Services Regulator (**page 4**)
 - FSCO Examinations Find 10% Of Life Agents Not Disclosing Conflicts In Writing (**page 6**)
- **Quebec:**
 - **AMF reaffirms position that “online transactions in the life insurance sector may be made without the involvement of a representative, and without advice.” Reserves Right To Intervene In Overly Complex Online Insurance Transactions (page 6)**
 - **AMF Says No To Robo-Advisors In Internet Sales Of Insurance (page 7)**
- **Newfoundland:**
 - New Superintendent Of Insurance Appointed (**page 7**)

Federal/National

Canadian Council of Insurance Regulators (CCIR)

Travel Insurance Working Group To Meet With Stakeholders On Survey Results

In its inaugural, Fall 2015 issue of *Communique* – a newsletter designed to replace its quarterly Meeting Highlights – CCIR reports that its Travel Insurance Working Group (TIWG) has nearly completed its analysis of the data received through its survey of travel health insurers. The data is helping the TIWG to gain a better understanding of issues related to travel health insurance, which will enable it to publish an Issues Paper on the product in 2016.

At a CAFII meeting with BC FICOM officials on November 10/15, Frank Chong, Deputy Superintendent, Regulation, reported on behalf of Harry James, Chair of CCIR's TIWG, that

- the TIWG will be setting up meetings with industry stakeholders within the next few weeks, to discuss key findings from the survey of travel health insurers;
- the Issues Paper will likely be released for industry consultation in the summer of 2016. Previously, Harry had indicated that the Issues Paper would be issued by early in the second quarter of 2016.

CCIR To Publish Market Conduct Supervision Framework Before Implementation

At its Fall 2015 meeting in St. John's, CCIR adopted a harmonized market conduct supervision framework, which is risk- and results-based and will govern how the provincial and territorial regulators will work together.

CCIR has advised that, before implementation, it will publish its *Framework for Co-operative Market Conduct Supervision* for the industry's information, noting that the document will provide clarity on the processes and practices that Council members will use to foster a more collaborative, co-operative and harmonized approach to market conduct supervisory activities.

The *Framework* – central to the supervisory college developmental work being carried out by CCIR's Insurance Core Principles Implementation Committee (ICPic) chaired by Laurie Balfour, Director of the Financial Compliance, Insurance Regulation and Market Conduct Branch in Alberta's Ministry of Finance – is intended to enhance information-sharing among regulators; enable more proactive regulatory action; provide consistent consumer protection across provinces; and ensure that international regulatory standards are being met.

CCIR Releases Draft Annual Statement On Market Conduct For Consultation

On October 28/15, CCIR released a draft Annual Statement On Market Conduct, for industry review and feedback by November 27/15. Patrick Dery, Chair of CCIR, had given CAFII early notice about this initiative during CAFII's industry issues dialogue with him and other AMF staff executives on October 6/15.

Patrick Dery's transmittal letter accompanying the draft Annual Statement indicates that the Annual Statement has been developed by CCIR to provide regulators across the country with basic information needed to proactively monitor market conduct practices and align oversight activities with international supervisory standards, particularly as they relate to the fair treatment of consumers. The single, consolidated Annual Statement will reduce duplication of effort and eliminate the need for insurers to provide often identical information to multiple regulators.

CCIR regards the draft Annual Statement as a key tool that will facilitate increased information-sharing and the collaborative approach to supervision that the Council's members have adopted. The data being collected is intended to measure outcomes that are outlined in the IAIS' Insurance Core Principles. It will enable CCIR members to be better informed about insurer activities and practices in the marketplace, and identify potential areas for review.

The impetus behind the proposed Annual Statement is a desire to be able to demonstrate that Canada's insurance regulators have a proactive market conduct supervisory framework in place, in order to satisfy the IMF, working on behalf of the IAIS, when it next comes to Canada for a Financial Sector Assessment Program review.

A preliminary review of the draft Annual Statement and an e-mail exchange with Martin Boyle, CCIR's Policy Manager responsible for this project, has provided the following additional information:

- only licensed insurance companies will be required to complete and submit the Annual Statement on Market Conduct.
- the timing of CCIR's implementation of the requirement to file this Annual Statement has not been determined, and CCIR would appreciate the industry's input on that question. CCIR is considering possible implementation dates and possible implications for the industry. We are also considering working with a limited number of insurers as a test prior to implementing the Annual Statement. Submission of 2016 data in the spring of 2017 would be the earliest that CCIR would require compliance.
- CCIR is considering whether insurers should all be required to submit the Annual Statement on the basis of a fiscal year that is the calendar year; or on the basis of their own fiscal/business year. The Council may implement based on the insurer's own fiscal year (allowing bank-owned insurers to report as of October 31, with the remainder of the industry reporting as of December 31), but would appreciate industry input on that question.
- CCIR is seeking industry input on the following matters in particular:
 - availability of the information to be reported by insurers;
 - method of collection: separate Excel-based request or built-into standardized regulatory filings; and
 - appropriateness of integrating all market conduct information (including consumer complaints) into one form.

Policy Manager Succession Plan Unfolding

CCIR has confirmed that Carol Shevlin, Policy Manager, will be retiring at the end of November 2015. Carol has served in that CCIR role for 11 years, guiding the national co-ordinating body through many initiatives and its 100th anniversary. CCIR members thanked her for her work and bid her farewell in-person at the Council's 2015 Fall Meeting in St. John's in early October, where she was presented with a scrapbook of mementoes that included a card and letter from CAFII.

Carol will be a guest of honour at CAFII's Year-End Reception on December 8/15.

A group of CAFII representatives will also have a relationship-transition lunch meeting with Carol and her two CCIR Policy Manager successors – Sean Jacobs and Martin Boyle – on November 20/15.

Provincial

British Columbia

Company Executive Is New Insurance Council Chair For 2015-16

The Insurance Council of BC's new Chair for 2015-16 -- who succeeded 2014-15 Chair Ruth Hoyte, a life insurance broker, in October – is Brett Thibault, Regional Branch Manager with ING Insurance Company of Canada. In previous positions with ING Canada, Brett was the Manager of Commercial Insurance and an underwriter of commercial insurance. He holds a BA from Simon Fraser University, and the Chartered Insurance Professional (CIP) designation from the Insurance Institute of Canada.

In his first "Message from the Chair," Thibault notes that he is coming into the role at a time when Council is facing a number of challenges and opportunities which will have a significant impact on its operations. He highlights the Council's recent submission to the province's Financial Institutions Act review, but mentions as a specific issue only the question of whether there should be a change to the way members are selected to serve on the Council. He does not highlight the submission's proposals related to imposing significant new limitations on the licensing exemption afforded to creditor insurance under the province's current Insurance Retailing and Licensing Exemptions.

Insurance Council To Introduce Electronic Licensing System In 2016

In his first *Message From The Chair*, Insurance Council Chair Brett Thibault announces that the Council is developing a new licence management system, which is targeted for launch in January 2016.

The new system will give Council the ability to implement an electronic licensing and application process, which will also allow for electronic submission of applications and filings. This will result in significant changes to Council's operations and will make its interactions with licensees and applicants more efficient and effective.

Ontario

Expert Panel Says Ontario Needs Integrated Financial Services Regulator

On November 4/15, the Expert Panel advising the Ontario government on the future mandates of the Financial Services Commission of Ontario (FSCO), the Deposit Insurance Corporation of Ontario (DICO), and the Financial Services Tribunal (FST) released its Preliminary Position Paper.

Asserting that Ontario's financial services regulatory regime is not as effective as it could or should be, the Paper calls for the establishment of a new Financial Services Regulatory Authority (FSRA), as a single integrated organization that would carry out the prudential and market conduct functions currently performed by FSCO and DICO.

FSRA would employ a modified “twin peaks” approach to regulation, dealing with prudential and market conduct functions in a co-ordinated but distinct fashion.

The three-member Panel – whose members are Larry Ritchie, former Vice-Chair of the Ontario Securities Commission; former personal finance journalist James Daw; and George Cooke, a former regulator and insurance company executive – also proposes that the FST be separated from and operate financially independent of the proposed FSRA.

FSRA would be self-funded; governed by an expert board of directors; arm’s length from government, with its own distinct corporate identity; authorized to make and enforce rules, as limited by its authorizing statute; guided by a clearly articulated mandate; as set out by its authorizing statute; and obliged to act transparently and in a principled manner, manage risk, and strive for a specified set of outcomes.

The Panel makes 37 recommendations in support of its FSRA vision, covering Mandate; Governance; Structure; Tools, Means, and Regulatory Approach. The following recommendations are of particular relevance to CAFII members:

- FSRA’s mandate should strike a balance between strong and effective consumer protection and the fostering of a strong, vibrant and competitive financial services sector.
- that mandate should be informed by the 10 principles in the OECD’s G20 High-Level Principles on Financial Consumer Protection.
- the mandate of the agency should include a commitment to encourage innovation and transparency within the regulated sectors.
- there should be common and consistently applied standards for all relevant intermediaries, ie. individuals or entities selling similar products (e.g., mutual and segregated fund dealers; insurance agents, insurance brokers, and applicable sales staff within financial institutions, such as banks).
- FSRA should operate outside of the Ontario public service in order to support operational independence and improve its ability to recruit professionals and industry expertise.
- FSRA should be required to provide a mechanism to ensure that the perspective of consumers is considered in all of its policy-making and actions. Specifically, this should include the creation of a separate ‘Office of the Consumer’ to perform this and related functions. It should not be organized as a silo, but rather with enterprise-wide responsibilities to ensure that consumer perspectives are considered in all regulatory endeavours pursued.
- FSRA’s role in national regulatory bodies should be incorporated into its mandate, with a requirement that the work done by these groups be reported back to FSRA’s board of directors.

The Panel members reviewed written submissions from 45 organizations and individuals, held seven specific sector roundtable discussions and engaged in open dialogue during more than 35 informal meetings with regulators, financial services stakeholders and investor advocates.

Their recommendations aim to address concerns heard during the consultations including that FSCO lacks the resources, governance, and accountability to effectively fulfill its current mandates; it lacks transparency; and its approach isn't consistent with other regulators.

The Panel is seeking feedback on its preliminary recommendations by December 14, 2015, and expects to deliver its final recommendations to the Minister of Finance by "early winter."

FSCO Examinations Find 10% Of Life Agents Not Disclosing Conflicts In Writing

Some life insurance agents are failing to comply with existing regulatory requirements related to managing conflicts of interest, which may necessitate changes to strengthen regulations, said Anatol Monid, Executive Director of FSCO's Licensing and Market Conduct Division when speaking the Independent Financial Brokers of Canada's recent Fall Summit.

He pointed out that the 79 on-site compliance examinations conducted thus far this year have revealed that 10% of life agents are not disclosing actual or potential conflicts of interest to their clients in writing, as required under Ontario Regulation 347/04.

FSCO's compliance review activity continues to show that there is a lack of statutory written conflict of interest disclosure, Anatol reported, and as such the Commission will have to consider a regulatory response to correct what is systemic contravention.

Quebec

AMF reaffirms position that "online transactions in the life insurance sector may be made without the involvement of a representative, and without advice." Reserves Right To Intervene In Overly Complex Online Insurance Transactions

Speaking at the AMF's 10th annual Rendez-vous event held in Montreal on November 16/15, Louis Morisset, President and CEO, reaffirmed the Quebec regulator's policy position that "online transactions in the life insurance sector may be made without the involvement of a representative, and without advice."

Referencing the "Internet Insurance Offerings in Quebec" report which the AMF published in April 2015, Morisset also stressed the importance of "providing consumers with adequate self-assessment tools" and ensuring that they have "access to advice from a licensed advisor when the need arises."

Morisset also indicated, however, that in situations where those conditions are not met, or if the products offered over the internet are deemed to be overly complex, the AMF wishes to "have the capacity to intervene."

The regulator intends to pay particular attention to the security of transactions, the protection of personal information, as well as to the types of insurance products that will be offered online, he indicated.

Morisset said the AMF's guidelines seek to achieve a good balance between the orderly development of the online market and consumer protection. He also suggested that new technological resources have "real potential for reducing the administrative burden that advisors carry." Now that insurance can be sold online, advisors can focus on activities that make better use of their skills, knowledge, and ability to give good advice to clients, in particular to meet more complex needs.

AMF Says No To Robo-Advisors In Internet Sales Of Insurance

Participating in a panel at the 18th annual *Insurance and Investment Convention* in Montreal on November 20/15, Eric Stevenson, the AMF's Superintendent, Client Services and Distribution Oversight, stressed that the AMF will not allow automated insurance advice to be provided by robo-advisors.

"When we drew up the guidelines for the Canadian Council of Insurance Regulators, we clearly specified that there is no question of allowing machines to offer advice over the internet. That is why we told product manufacturers to provide self-assessment tools to the consumer," Stevenson said.

As part of the same panel presentation, Louis Morisset, CEO of the AMF, said "at first glance, the products that insurers are contemplating are not particularly complex. I think simple products can be sold on the internet. The internet will not replace advice. So we will be targeting specific products where advice is not required."

Newfoundland

New Superintendent Of Insurance Appointed

Newfoundland and Labrador has recently appointed John O'Brien as Director of Service Newfoundland's Financial Services Regulation Division. As such, he is also Superintendent of Insurance, Real Estate, Mortgage Brokers, Securities, and Prepaid Funerals.

He succeeds Craig Whalen who had been serving as Acting Superintendent of Insurance.

CAFII Regulator and Policy-Maker Visit Plan 2015-16

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 25/15
British Columbia				
Gerry Matier, Executive Director, Insurance Council of BC	-Feb. 27/15 meeting in Toronto addressed review of BC FIA; representation for banks-in- insurance on Insurance Council; new CE requirements for new licensees; LLQP support; CCIR travel insurance initiative	When Gerry is Toronto for CISRO/related meetings	-10 yr. Review of BC Financial Institutions Act (if appropriate) -LLQP modernization -Update on Council priorities -Update on CCIR travel insurance review -Communicate CAFII issues -Maintain and strengthen relationship	Pending
Carolyn Rogers , CEO, FICOM & Superintendent of Insurance (CCIR Vice-Chair)	-Lunch meeting in Quebec City on April 30/15	When Carolyn is in Toronto for CCIR/related meetings	-FICOM Information Bulletin on CGI ('effecting' of CGI in BC issue) -10 yr. Review of BC Financial Institutions Act (if appropriate) -Communicate CAFII issues; maintain and strengthen relationship	Pending
Doug McLean, Deputy Superintendent of Insurance, FICOM	-No contact/meeting for at least past two years	When Doug is in Toronto for CCIR/related meetings	-See C. Rogers above	Pending
Chris Carter, Deputy Superintendent, Real Estate and Deputy Registrar, Mortgage Brokers	-Nov 10/15 in Vancouver re: FICOM Information Bulletin on "effecting" CGI contracts	If necessary, follow-up teleconference to obtain further clarification on CAFII questions/issues	- FICOM Information Bulletin on 'effecting' of CGI in BC issue (C. Carter has leadership responsibility for this issue)	Pending
Frank Chong, Deputy Superintendent, Regulation (named contact for questions on Information Bulletin)	-See C. Carter above	-See C. Carter above	-See C. Carter above	See C. Carter above
Harry James, Director, Policy Initiatives, FICOM (Chair of CCIR's Travel Insurance Working Group)	-Nov. 21/14: G. Grant chatted with H. James during FIA Review roundtable discussion	When Harry is in Toronto for CCIR/related meetings	-See C. Carter and C. Rogers above	Pending
Molly Burns, Analyst, Policy Initiatives	-Jul 28/14: call with CAFII reps re: "effecting" CGI			

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 25/15
Michael de Jong, Minister of Finance	-Nov. 21/14: G. Grant represented CAFII at FIA Review roundtable discussion hosted by Minister			
Dan Ashton, Parliamentary Secretary for Finance (elected MLA)	November 10/15 in Vancouver along with Elizabeth Cole; and separate mtng with Elizabeth Cole, Brian Dillon, and Kari Toovey	If necessary, follow-up teleconference in 2016 to obtain further clarification on CAFII questions/issues	-10-year Review of Financial Institutions Act: follow-up on CAFII issues/concerns including recommendations of other stakeholders	Pending
Elizabeth Cole, Executive Director, Strategic Projects & Policy (head of 10-Year Review of FIA)	November 10/15 in Vancouver along with Dan Ashton; and separate mtng along with Brian Dillon and Kari Toovey -Oct 16/15 phone discussion re Nov. 10/15 mtngs; publication of submissions to Initial Consultation Paper; next steps and timelines for completion of FIA Review	Possible follow-up meeting in Vancouver when Policy Paper is released in late 2016		Pending
Brian Dillon, Director, Financial Institutions				
Kari Toovey, Senior Policy Advisor				
Heather Wood, Assistant Deputy Minister				
Marcus Gill, Executive Director				

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 25/15
Saskatchewan				
Ron Fullan, Executive Director, Insurance Councils of Saskatchewan and CISRO Chair	-Oct. 27/15: R. Fullan gave dedicated CISRO LLQP Stakeholder Info presentation for CAFII members -Sept 22/15 CISRO LLQP Stakeholder Info Session in Toronto	When Ron is in Toronto for CISRO/CCIR/related meetings	-Restricted Insurance Agents Advisory Cttee. -Sask RIA regime and licensure issues -LLQP modernization - Update on ICS and CISRO priorities -Communicate CAFII issues -Maintain and strengthen relationship	Pending
April Stadnek, Director of Licensing	-Sept 22/15 CISRO LLQP Stakeholder Info Session in Toronto (B. Wycks) -Sep 30/14; Fredericton, NB (informal meeting) -November/13 in Toronto when April attended CLHIA CCOSS Seminar	When April is in Toronto for CISRO/CCIR/related meetings		Pending
Roger Sobotkiewicz, former Director of Financial Consumer Affairs Authority (FCAA)'s Legal Branch, became Interim Chairperson and Superintendent of Insurance, effective Feb. 1/15	-no previous contact; congratulatory letter on appointment sent March 4/15	Teleconference in Q1 or Q2 2016, if necessary; after initial phone call(s) to Jan Seibel re explanation, clarification of Draft Regulations published	-introduce CAFII and build relationship - Regulations being developed following passage of Bill 177, The Insurance Act (Saskatchewan) -ISI: Representation for Restricted Licence Holders -LLQP modernization - Update on Superintendent's priorities -Communicate CAFII issues	Pending
Ian McIntosh, Deputy Superintendent of Insurance	-Jul 28/14 call with CAFII reps re: "effecting CGI"	Same as above	See above	Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 25/15
Janette Seibel, Lawyer, FCAA, became lead on Bill 177 and Regulations file effective June 1/15	<p>-Oct. 16/15 e-mail exchange (B. Wycks)</p> <p>-teleconference meeting, along with Jim Hall, on CAFII submission on Bill 177, on March 2/15</p> <p>-(subsequent telephone discussion between J. Hall and B. Wycks on May 7/15 re passage of Bill 177; and plans for Regulations to effect changes to sections of Insurance Act via “not proclaimed in force.” J. Seibel did not participate in call but received report from J. Hall)</p>	Teleconference in Q1 or Q2 2016, if necessary; after initial phone call(s) re explanation/clarification of Draft Regulations published	-Regulations being developed following passage of <i>Bill 177, The Insurance Act (Saskatchewan)</i>	Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 25/15
Manitoba				
Ministry of Finance:				
Ken Lofgren, Acting Superintendent of Insurance	-Appointed Spring 2015; no previous CAFII contact		-Introduce CAFII and build/maintain relationship -Implementation of ISI regime -Representation for Restricted Licence Holders -Update on Insurance Act Review -LLQP modernization	
Scott Moore, Deputy Superintendent of Insurance	-April 15/15 teleconference with three CAFII reps re concern about amended Insurance Act's apparent residency requirement for employees of Restricted Insurance Agents	When Ken or Scott is in Toronto for CCIR/related meetings	-Update on Superintendent's and Council's priorities -Communicate CAFII issues	Pending
Greg Dewar, Minister of Finance	-April 29/14: Winnipeg, MB			
	No contact – appointed Nov/14	TBD	TBD until CAFII has "direct ask"	Pending
Erin Pearson, Executive Director, Insurance Council of Manitoba:	-Oct. 8/15 at CLHIA CCOS Fall Seminar (B. Wycks) -Sept. 30/14: dinner in Fredericton, NB re: ISI implementation	When Erin is in Toronto for CISRO/related meetings	Same as above; and Insurance Council's "ISI items for further review and development"	Pending
	-Apr 29/14; Winnipeg, MB			

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 25/15
Ontario				
FSCO: Brian Mills, appointed Interim CEO and Superintendent on October 18/14 Anatol Monid, Interim Executive Director, Licensing and Market Conduct Division Isabel Scovino, appointed Director, Market Conduct Regulation Branch in Nov/14	<p>-January 28/15 stakeholder meeting with CCIR</p> <p>-November 21/14 at FSCO Life and Health Insurance Symposium</p> <p>-June 9/15: B. Wycks had informal update conversation with A. Monid at CAFII Reception</p> <p>-January 28/15 stakeholder meeting with CCIR</p> <p>-November 21/14 at FSCO Life and Health Insurance Symposium</p> <p>-Oct. 8/15 at CLHIA CCOS Fall Seminar (B. Wycks)</p> <p>-Nov 21/14 at FSCO Life & Health Insurance Symposium</p> <p>-Nov 13/14 re: Report on Joint Review (FSCO and AMF) of National Complaint Reporting System (CRS)</p>	Awaiting clarification of appointment status, emerging from Ontario review of FSCO mandate	<p>(i)-Introduce CAFII and build/maintain relationship (ii) Ontario government review of FSCO's mandate (iii) next steps, if any, in Life Insurance Product Suitability Review (iv)-CCIR review of travel insurance (v) LLQP modernization (vi)-enhancing the national CRS (vii)-Update on Superintendent's priorities (viii)-communicate CAFII issues</p> <p>Same as above; and on-site examinations of life agents and life insurer compliance examination program</p> <p>Item (vi) above</p>	Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 25/15
Ministry of Finance Charles Sousa, Minister Three-member Expert Panel advising on Government's review of FSCO's mandate	-CAFII made submission to OMAF on "Proposed Regulations Related to Parts V and VII of the Insurance Act" on May 19/15 -May 21/15 informal meeting -July 30/15 life & health insurance sector roundtable meeting (P. McCarthy and G. Grant)		-	
Quebec				
AMF: Louis Morisset, CEO; Patrick Dery, Superintendent, Solvency (appointed CCIR Chair effective April 1/15)	-Apr 8/14: Montreal, QC -Liaison lunch and industry issues dialogue on October 6/15 in Levis, Quebec -April 29/15 meeting in Quebec City, along with AMF staff executives Eric Stevenson, Nathalie Sirois, and Louise Gauthier	-Oct. 4/16 in Montreal: CAFII annual liaison mtng with AMF When Patrick is in Toronto for CCIR/related meetings	-(i)AMF final paper on electronic commerce in insurance, setting out Orientations/expectations -(ii)Distribution Guide template and implementation timelines -LLQP modernization -enhancing the national CRS -Update on AMF priorities -Communicate CAFII issues -Maintain and strengthen relationship	Pending Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 25/15
Eric Stevenson, Superintendent, Client Services and Distribution Oversight	-Liaison lunch and industry issues dialogue on October 6/15 in Levis, Quebec -January 28/15 stakeholder meeting with CCIR -January 30/15 meeting in Toronto, along with L. Gauthier, re (i) and (ii)	When Eric is in Toronto for CCIR/related meetings	-See above	Pending
Ministry of Finance Carlos Leitao, Minister Richard Boivin, Assistant Deputy Minister, Financial Institution Policy and Corporate Law Guillaume Caudron, Chief of Staff	N/A	-Q4 2015 or Q1 2016 teleconference with Ministry officials -Q1 2016 in-person meeting with Ministry officials, likely in Quebec City, if necessary	-CAFI and other stakeholder submissions in response to Report on the Application of the Act respecting the distribution of financial products and services	Pending
Atlantic Canada				
Joint Forum of Insurance Regulators (four provinces)	Oct 1/14: Fredericton, NB	Spring or Fall 2016	TBD	Deferred to 2016
New Brunswick				
Angela Mazerolle, Superintendent of Insurance	Oct 1/14: Fredericton, NB	None planned for 2015	TBD	Deferred to 2016
David Weir, Deputy Superintendent of Insurance	-Sept. 22/15 CISRO LLQP Info Session in Toronto (B. Wycks) -June 9/15 teleconference re New Brunswick licensing issues -Oct 1/14: Fredericton, NB	When David is Toronto for CISRO/related meetings	-Development of online licensing system -legislative/regulatory change to support electronic beneficiary designations -other New Brunswick licensing issues	Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 25/15
Jay Reid, Investment Attraction Officer, Opportunities New Brunswick	-Jun 3/14: Toronto, with Adam Mitton of predecessor organization Invest New Brunswick	When Jay is in Toronto; or alternatively via teleconference, as necessary	- CAFII submission re: Insurance Act and regulatory process changes necessary to support business efficiency and further inbound investment and additional jobs in New Brunswick	Pending
Ronald Godin, Consumer Advocate for Insurance	No contact		-Introduce CAFII and build relationship -Position CAFII as an information resource	Pending
Nova Scotia				
William Ngu, Acting Superintendent of Insurance	-Appointed June 2015; no previous CAFII contact	When William is in Toronto for CCIR/related meetings	-Review of life and accident & sickness provisions of Insurance Act (D. Murphy confirmed on April 22/15 that this is unlikely to occur in 2015) -legislative/regulatory change to support electronic beneficiary designations -Update on Superintendent's priorities -Communicate CAFII issues -Build and strengthen relationship	Pending
PEI				
Superintendent Robert Bradley	-Oct 1/14: Fredericton, NB	Q4 2015 or Q1 2016 in PEI or Toronto, if necessary	-Review of life and accident & sickness provisions of Insurance Act (on April 23/15, R. Bradley advised that this may get underway in late 2015) -legislative/regulatory change to support electronic beneficiary designations -Update on Superintendent's priorities -Communicate CAFII issues -Maintain and strengthen relationship	Pending
Newfoundland				
John O'Neill, Superintendent of Insurance	-N/A; appointed in October 2015	When John is in Toronto for CCIR/related meetings	-legislative/regulatory change to support electronic beneficiary designations -Update on Superintendent's priorities -Communicate CAFII issues -Maintain and strengthen relationship	Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 25/15
FEDERAL/NATIONAL				
Carol Shevlin, Policy Manager, CCIR *Retiring at end of 2015	- Nov. 20/15 relationship transition lunch meeting with three CCIR Policy Managers (C. Shevlin, S. Jacobs and M. Boyle) -Oct. 8/15 at CLHIA CCOS Fall Seminar (B. Wycks) -Liaison lunch with B. Wycks on Feb. 23/15 -January 28/15 stakeholder meeting with CCIR	- December 8/15 CAFII Holiday Season Reception	-CCIR review of travel health insurance -Annual Statement on Market Conduct -Possible CCIR speakers/panelists at 2016 CAFII Annual Members Luncheon -Update on CCIR 2014-17 Strategic Plan and related priorities -Communicate CAFII issues; and maintain and strengthen relationship -possible CAFII webinar(s) for CCIR audience	Completed Confirmed
Sean Jacobs, Policy Manager, appointed July 2015 Martin Boyle, Policy Manager, appointed September 2015	- Nov. 20/15 relationship transition lunch meeting with three CCIR Policy Managers (C. Shevlin, S. Jacobs and M. Boyle) -Oct. 8/15 at CLHIA CCOS Fall Seminar (B. Wycks) -Oct. 8/15 at CLHIA CCOS Fall Seminar (B. Wycks)	- December 8/15 CAFII Holiday Season Reception	-Recognition and tribute to Carol, upon her imminent retirement at end of 2015 (confirmed as agreeable to her)	Confirmed

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 25/15
Patrick Dery, Chair, CCIR (Superintendent, Solvency, AMF)	-Liaison lunch and industry issues dialogue on October 6/15 in Levis, Quebec -April 29/15 meeting in Quebec City, along with CCIR Vice-Chair Carolyn Rogers	When Patrick is in Toronto for CCIR/related meetings	-CCIR review of travel health insurance -Update on CCIR 2014-17 Strategic Plan and related priorities -Communicate CAFII issues; and maintain and strengthen relationship See above	Pending
Carolyn Rogers, CCIR Past-Chair and current Vice-Chair (CEO, FICOM & Superintendent of Insurance)	-April 29/15 in Quebec City, along with CCIR Chair Patrick Dery -January 28/15 stakeholder meeting with CCIR -Oct 7/14: Toronto, ON at CAFII Regulator Reception	When Carolyn is in Toronto for CCIR/related meetings		
Harry James, Chair, CCIR Travel Insurance Working Group (TIWG) (Director, Policy Initiatives, BC FICOM)	-March 24/15 meeting with CAFII EOC re draft industry survey of travel insurance underwriters -January 30/15 and December 10/14, CAFII participated in TIPIP meetings with CCIR Working Group on Travel Insurance	Q1 2016 meeting when Harry is in Toronto for CCIR/related meetings	-highlights/findings of CCIR survey of travel health insurers -CAFII survey on consumer satisfaction with travel health insurance -issues/positions to be included in Issues Paper for industry consultation in 2016	Pending
Ron Fullan Chair (SK); G. Matier (BC); J. Abram (AB), W. Martinson (AB); D. Weir (NB) CISRO	-Oct. 27/15: R. Fullan gave dedicated CISRO LLQP Stakeholder Info presentation for CAFII members -September 22/15 CISRO LLQP Stakeholder Info Session	When Ron is in Toronto for CISRO/related meetings	-LLQP modernization -possible CISRO Strategic Plan	Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 25/15
Jeremy Rudin, Superintendent, Office of the Superintendent of Financial Institutions (OSFI)	No contact – appointed June/14	None	-introduce/educate about CAFII, CGI and alternate distribution -build relationship -invite to be speaker at a CAFII Reception event TBD	Watch/ monitor
Sarah Bradley, Ombudsman, OBSI (appointed Sept. 14/15)	None	None		Watch/ monitor
Financial Consumer Agency of Canada (FCAC):				
Lucie Tedesco, Commissioner	-May 1/15: B. Wycks made self- introduction and chatted with L. Tedesco, following her speech at CLHIA Conference			
Brigitte Goulard, Deputy Commissioner	-Jun 10/14			
Jane Rooney, Financial Literacy Leader	-Feb 10/15 (presentation at CAFII Annual Luncheon)			
Jeremie Ryan, Director, Financial Literacy and Consumer Education	-Feb. 10/15	Q4 2015 (either in-person in Ottawa or Toronto; or via teleconference)	-CAFII proposed enhancements to FAQs and other content on FCAC web site re creditor insurance -CAFII involvement in consumer financial literacy initiatives, including Financial Literacy Month	Pending
Karen Morgan, Marketing Officer	-Jan 9/14			

CAFI

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Balance Sheet As at October 31, 2015

ASSETS	Current 2015
Current Assets	
Bank Balance	\$364,342
Investments ^A	\$53,808
Accounts Receivable	\$16,550
Interest Receivable	\$102
Prepaid Expenses	\$3,056
Computer/Office Equipment	\$2,334
Accumulated Depreciation -Comp/Equip	(\$1,361)
Intangible Assets-Trademarks	\$0
Accumulated Amortization-Trademark	\$0
Total Current Assets	\$438,830
TOTAL ASSETS	\$438,830
LIABILITIES	
Current Liabilities	
Account Payable ^B	\$2,743
Deferred Revenue	\$70,670
Total Current liabilities	\$73,413
TOTAL LIABILITIES	\$73,413
UNRESTRICTED NET ASSETS	
Unrestricted Net Assets, beginning of year	\$307,036
Excess of revenue over expenses	\$58,381
Total Unrestricted Net Assets	\$365,417
Total Unrestricted Net Assets	\$365,417
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$438,830

Financial Reserves Targets:

Minimum 3 months (25%) of Annual Operating Expenses =	\$ 112,139
Maximum 6 months (50%) of Annual Operating Expenses =	\$ 224,279
Current Level of Financial Reserves:	\$365,417
Current Level of Financials Reserve (%):	81%

C A F I I
 21 St Clair Ave east, Suite 802
 Toronto, ON, M4T 1L9
Balance Sheet Items
As at October 31, 2015

Item A

Investment Portfolio

Investment Type	Issue Date	Principal	Rate	Deemed Interest	Maturity Date
Cashable GIC #0087-8019718-13	Wednesday, June 17, 2015	\$53,807.97	0.50%	\$269.04	Thursday, June 16, 2016
Total		\$53,807.97		\$269.04	

Item B

Accounts Payable

	Total
	73.5
	183.75
	2,486.00
Total outstanding:	<u>2,706.51</u>

CAFII

21 St Clair Ave East, Suite 802
Toronto, ON M4T 1L9

Statement of Operations As at October 31, 2015

	Current Month	Current YTD	Budget 2015	% Used
Revenue				
Membership Fees	35,333	353,330	424,000	83%
Interest Revenue	23	294	500	59%
TOTAL REVENUE	35,356	353,624	424,500	83%
Expenses				
Management Fees	20,938	213,939	249,264	86%
CAFII Legal Fees/Corporate Governan	0	249	5,000	5%
Audit Fees	0	0	14,000	0%
Insurance	437	4,343	5,368	81%
Website (incl translation)	0	7,815	6,260	125%
Telephone/Fax/Internet	694	3,505	8,000	44%
Postage/Courier	103	319	500	64%
Office Expenses	683	2,223	3,000	74%
Bank Charges	-0	25	60	42%
Miscellaneous Expenses	0	0	0	
Amortization Expense	0	0	300	0%
Depreciation Computer/Office Equipm	39	389	0	
Board/EOC/AGM	595	595		
Annual Members Lunch	0	9,755	7,000	139%
Board Hosting (External)	0	2,597	9,000	29%
Board/EOC/Meeting Expenses	-532	1,707	10,000	17%
Industry Events	0	0	805	0%
EOC Annual Lunch	1196	1,196	2,000	60%
Sub Total Board/EOC/AGM	1,259	15,851	28,805	
Provincial Regulatory Visits	0	2,007	10,000	20%
Research/Studies	988	43,350	90,000	48%
Regulatory Model(s)	0	1,230	12,000	10%
Federal Financial Reform	0	0	2,000	0%
Media Outreach	0	0	8,500	0%
Marketing Collateral	0	0	1,500	0%
Networking Events	0	0		
Speaker fees & travel	0	0	3,000	0%
Gifts	0	0	1,000	0%
Sub Total Networking & Events	0	0	4,000	
15th Anniversary Event	0	0	0	
TOTAL EXPENSE	25,139	295,243	448,557	66%
NET INCOME	10,217	58,381	-24,057	-243%

Explanatory Notes:

- 1 - Amortization of office equipment based on 4 year straight line depreciation
- 2 - Management fees includes TO Corp and Executive Director
- 3- Website includes hosting cafii.com, Vimeo(videos) subscription and website improvements

CAFII

21 St Clair Ave East, Suite 802
Toronto, ON M4V 2Y7

Membership Fees

As At October 31, 2015

	<u>Jan-15</u>		<u>Jul-15</u>	
	<u>Billed</u>	<u>Received</u>	<u>Billed</u>	<u>Received</u>
BMO Bank of Montreal	\$ 23,500.00	April 24, 2015	\$ 23,500.00	29-Oct-15
CIBC Insurance	\$ 23,500.00	Mar13,2015	\$ 23,500.00	12-Aug-15
RBC Insurance	\$ 23,500.00	Mar26,2015	\$ 23,500.00	13-Aug-15
ScotiaLife Financial	\$ 23,500.00	Mar6,2015	\$ 23,500.00	1-Sep-15
TD Insurance	\$ 23,500.00	Mar13,2015	\$ 23,500.00	12-Aug-15
AMEX Bank of Canada	\$ 11,750.00	October 23, 2015	\$ 11,750.00	
Assurant Solutions	\$ 11,750.00	Mar6,2015	\$ 11,750.00	12-Aug-15
Canadian Premier Life Insurance Company	\$ 11,750.00	Mar13,2015	\$ 11,750.00	12-Aug-15
Desjardins Financial Security Life Assurance Company	\$ 11,750.00	April 24, 2015	\$ 11,750.00	1-Sep-15
National Bank Insurance Company	\$ 11,750.00	Mar13,2015	\$ 11,750.00	12-Aug-15
Cumis Group Ltd	\$ 11,750.00	April 8, 2015	\$ 11,750.00	12-Aug-15
Aimia	\$ 4,800.00	April 8, 2015		
Avalon Actuarial	\$ 4,800.00	Mar13,2015		
Collins Barrow Toronto Actuarial Services	\$ 4,800.00	June 24, 2015		
CSI Brokers Inc.	\$ 4,800.00	April 8, 2015		
KPMG	\$ 4,800.00			
Laurentian Bank of Canada	\$ 4,800.00	April 24, 2015		
Munich Re	\$ 4,800.00	June 24, 2015		
Optima Communications	\$ 4,800.00	Feb27,2015		
RGA Life Reinsurance Company of Canada	\$ 4,800.00	April 8, 2015		
The Canada Life Assurance Company	\$ 4,800.00	Mar13,2015		
January Invoices	\$236,000		\$188,000	
July Invoices	\$188,000			
Total Membership Fees	\$424,000			
Total amount to realocate monthly Jan-Dec	\$35,333			

2016 Budget Development Template - Canadian Association of Financial Institutions in Insurance
Version: November 12, 2015

	2014 Actual	2015 Forecast ¹	2015 Budget	2015 Forecast to Budget Variance	2016 Budget Recommendation	Change 2014-2015	Change 2015-2016
Revenue							
Membership Fees	\$ 400,500	\$424,000	\$424,000	0.0%	\$435,750	5.9%	2.8%
Interest	\$ 420	\$337	\$500	-32.6%	\$500	-19.8%	0.0%
TOTAL REVENUE	\$ 400,920	\$ 424,337	\$ 424,500		\$ 436,250	5.8%	2.8%
EXPENSE							
Management Fees ²	\$229,529	\$255,815	\$249,264	2.6%	\$256,742	11.5%	3.0%
CAFII Legal Fees/Corporate Governance	\$20,812	\$1,237	\$5,000	-75.3%	\$5,000	-94.1%	0.0%
Audit Fees	\$13,560	\$14,000	\$14,000	0.0%	\$14,000	3.2%	0.0%
Insurance	\$5,217	\$5,368	\$5,368	-2.8%	\$5,374	0.0%	0.1%
Website ³	\$1,480	\$8,120	\$6,260	29.7%	\$30,000	448.7%	379.2%
Telephone/Fax/Internet	\$5,331	\$3,283	\$8,000	-59.0%	\$8,000	-38.4%	0.0%
Postage/Courier	\$463	\$350	\$500	-30.1%	\$500	-24.5%	0.0%
Office Expenses	\$2,387	\$1,677	\$3,000	-44.1%	\$3,000	-29.8%	0.0%
Bank Charges	\$13	\$30	\$60	-50.0%	\$50	140.0%	-16.7%
Amortization Expense	\$0					0.0%	
Depreciation Computer/Office Equipm ⁴	\$350	\$467	\$300	55.7%	\$468		56.0%
Board/EOC/AGM							
Annual members Lunch		\$9,755	\$7,000	39.4%	\$15,000		114.3%
Board Hosting (External)		\$10,097	\$9,000	12.2%	\$15,000		66.7%
Board/EOC Meeting Expenses		\$2,209	\$10,000	-77.9%	\$5,000		-50.0%
Industry Events		\$0	\$805	-100.0%	\$1,500		86.3%
EOC Annual Dinner		\$1,196	\$2,000	-40.2%	\$2,000		0.0%
Total Board/EOC/AGM	\$28,578	\$23,256	\$28,805	-19.3%	\$38,500	-18.6%	33.7%
Provincial Regulatory Review	\$9,273	\$5,607	\$10,000	-43.9%	\$10,000	-39.5%	0.0%
Research/Studies ⁵	\$50,201	\$98,211	\$90,000	9.1%	\$50,000	95.6%	-44.4%
Regulatory Model(s) ⁶	\$7,478	\$1,230	\$12,000	-89.8%	\$12,000	-83.6%	0.0%
Federal Financial Reform	\$101	\$0	\$2,000	-100.0%	\$10,000	-100.0%	400.0%
Media Outreach	\$3,821	\$0	\$8,500	-100.0%	\$50,000	-100.0%	488.2%
Marketing Collateral	\$1,695	\$0	\$1,500	-100.0%	\$5,000	-100.0%	233.3%
Networking Events							
Speaker fees & travel		\$0	\$3,000	-100.0%	\$8,000		
Gifts		\$0	\$1,000	-100.0%	\$1,000		
Total Networking Events	\$1,115	\$0	\$4,000		\$9,000	-100.0%	125.0%
TOTAL EXPENSE	\$ 381,403	\$ 418,499	\$ 448,557	-6.7%	\$ 507,166	9.7%	13.1%
Excess of Revenue over Expenses	\$ 19,517	\$ 5,838	-\$ 24,057	-124.3%	-\$ 70,916	-70.1%	194.8%
Unrestricted Net Assets (beginning of year)	\$ 288,136	\$307,036	\$317,635		\$ 312,874		
Unrestricted Net Assets (end of year)	\$ 307,036	\$312,874	\$293,578		\$ 241,958	1.9%	-17.6%

Explanatory Notes:

- (1) 2015 Forecast combines January to September actuals and a forecast for 4th quarter
- (2) Management fees includes TO Corp (\$106,285.09) and Executive Director (\$142,979.20)
- (3) Website includes hosting cafi.com, email and website updates
- (4) Amortization of office equipment based on 4 year straight line depreciation
- (5) Research/Studies 2015 included: 2 Towers Watson Presentations \$10K; IAIS Core Principles resource \$10K; LIMRA membership \$5K; Travel Insurance Survey \$65K
- (6) Regulatory Model(s) 2015 included: SK (\$2K) and AB (\$5K) Council Representation; MB RIA Council (\$5K)

Forecasted Financial Reserves Targets	2014 Actual	2015 forecast	2016 Budget
Minimum 3 months (25%) of Annual Operating Expenses =	\$95,351	\$104,625	\$126,791
Maximum 6 months (50%) of Annual Operating Expenses =	\$190,702	\$209,250	\$253,583
Forecasted Level of Financial Reserves :	\$307,036	\$312,874	\$241,958
Forecasted Level of Financial Reserves %:	81%	75%	48%

CAFII Consultations/Submissions Timetable 2015-16

Regulatory Issue	Deliverable	Deadline	Accountable
BC FICOM 10-Year Review of FIA (consultation paper released June 2, 2015)	<ul style="list-style-type: none"> Response to Initial Consultation Paper <i>Meetings with Ministry of Finance officials</i> Public Report on submissions on Initial Consultation Paper Policy Paper on proposals for change Response to Policy Paper <i>Meeting with Ministry of Finance official, if necessary</i> Amendments to Act and drafting of Regulations 	<ul style="list-style-type: none"> Sep 15, 2015 Nov 10, 2015 Early 2016 Late 2016 Late 2016 Nov/Dec 2016 Early 2017 	<ul style="list-style-type: none"> Joint Market Conduct/Licensing Committee
BC "Effecting" of CGI Issue	<ul style="list-style-type: none"> FICOM Information Bulletin on CGI <i>Meeting with FICOM officials re Bulletin's directives</i> 	<ul style="list-style-type: none"> Issued Sep 14, 2015 Nov 10, 2015 	<ul style="list-style-type: none"> EOC, ED to monitor
QC Review of Distribution Act	<ul style="list-style-type: none"> Consultation report released June 12, 2015 Response to Report <i>Meeting with Ministry of Finance officials re CAFII submission</i> 	<ul style="list-style-type: none"> Sep 30, 2015 Dec 2015 or Jan 2016 	<ul style="list-style-type: none"> Joint Market Conduct/Licensing Committee
<u>CCIR Draft Annual Statement on Market Conduct</u>	<ul style="list-style-type: none"> <u>Response to Draft Annual Statement (released Oct 28/15)</u> 	<ul style="list-style-type: none"> <u>Dec 4, 2015</u> 	<ul style="list-style-type: none"> EOC, ED to monitor
ON Review of FSCO Mandate (consultation paper released April 21, 2015)	<ul style="list-style-type: none"> <i>Life & health sector stakeholder roundtable meeting</i> Expert Panel releases Preliminary Position Paper Response to Preliminary Position Paper Panel delivers final report to Minister 	<ul style="list-style-type: none"> July 30/15 Nov 4, 2015 Dec 14, 2015 Jan/Feb 2016 	<ul style="list-style-type: none"> EOC, ED to monitor
<u>"Modernizing the New Brunswick Insurance Licensing Framework"</u>	<ul style="list-style-type: none"> <u>Response to Position Paper (partially relevant to life agents)</u> 	<ul style="list-style-type: none"> <u>Jan 22, 2016</u> 	<ul style="list-style-type: none"> Licensing Committee
CCIR Review of Travel Health Insurance	<ul style="list-style-type: none"> CCIR TIWG releases Discussion Paper <i>Meeting with TIWG re insurer survey results</i> <u>Response to Discussion Paper</u> <i>Meeting with TIWG and/or CCIR</i> CCIR releases Position Paper 	<ul style="list-style-type: none"> <u>June/July 2016</u> <u>Q1 2016</u> <u>Aug/Sept 2016</u> <i>June or Sep 2016</i> Late Fall 2016 	<ul style="list-style-type: none"> EOC, ED to monitor
SK Bill 177	<ul style="list-style-type: none"> FCAA publishes Draft Regulations Response to Draft Regulations <i>Meeting with FCAA officials re CAFII submission</i> 	<ul style="list-style-type: none"> Early 2016 March/April 2016 <i>April/May 2016</i> 	<ul style="list-style-type: none"> Market Conduct Committee, ED to monitor
Ontario Insurance Act Parts V and VII	<ul style="list-style-type: none"> CAFII Comments submitted Regulations approved Regulations come into force 	<ul style="list-style-type: none"> May 19, 2015 Oct 2015 July 1, 2016 	<ul style="list-style-type: none"> ED to monitor

Boldface = CAFII response submission pending

Italics = CAFII meeting with regulators/policy-makers

Underline = new/updated item since previous publication

**Review of the Mandates of the
Financial Services Commission of Ontario,
Financial Services Tribunal, and the
Deposit Insurance Corporation of Ontario**

Preliminary Position Paper

November 4, 2015

Panel Members:

George Cooke

James Daw

Lawrence Ritchie

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I. Introductory Comments

We were asked to examine the mandates of three key financial regulatory organizations: The Financial Services Commission of Ontario (FSCO¹), the Financial Services Tribunal (FST), and the Deposit Insurance Corporation of Ontario (DICO). We have tried to answer four specific questions posed to us with a forward-looking proposal that reflects a vision of a modern agency with appropriate mandates, governance, accountability, regulatory outlook, and approach to most effectively regulate Ontario's robust financial sector. In short, we think Ontario needs a restructured regulator to protect the integrity of its financial services marketplace amid rapid changes to industry structure, technology, market demands, and consumer expectations. This new regulator should have an expert Board of Directors, a new executive structure, an identifiable consumer protection orientation, adequate resources, greater agility and accountability.

Purpose of This Preliminary Position Paper

The observations and recommendations reflected in this paper are preliminary in nature. We express them in this form to facilitate a continuing dialogue. We appreciate all of the excellent contributions to date, but we must hear from you again. We are eager to hear your feedback on our preliminary thoughts.

Perspective and Our Background

We started our work in January 2015, each of us bringing different perspectives to this project. Lawrence Ritchie is a lawyer, a former Vice-Chair of the Ontario Securities Commission, and he was a key participant in efforts leading to the cooperative capital markets regulatory initiative. James Daw is a former personal finance columnist and consumer advocate, one of few to have qualified as a certified financial planner. George Cooke is a former regulator and insurance company executive, who is now the Chairman of the Board for a major pension plan.

While our initial perspectives varied, we shared a resolve to make practical but meaningful recommendations to modernize and improve the current regulatory framework if necessary. We also agreed that industry and consumer input would be absolutely vital.

Our Process

The Minister of Finance asked that our review be guided by a process set out by the Treasury Board Secretariat (TBS), which asks us to determine:

¹ The Financial Services Commission of Ontario is described in legislation as a commission composed of five persons: the Chair and two Vice-Chairs of the Commission, the Director of Arbitrations (appointed under the Insurance Act) and the Superintendent of Financial Services. Responsibility for regulating the financial services and intermediaries is assigned to the Superintendent of Financial Services. For simplicity sake, we refer to 'FSCO' throughout this Preliminary Position Paper as the regulator of the sectors rather than specifying the Superintendent. See Appendix D for further information.

1. Whether, and to what extent, each agency's mandate continues to be relevant to Ontario's goals and priorities?
2. Whether the agency is carrying out the activities and operations as required in its mandate?
3. Whether all or part of the functions of the agency are best performed by the agency, or whether they might be better performed by a ministry, another agency or entity?
4. Whether changes to the current governance structure/associated accountability mechanisms are necessary to improve mandate alignment and/or accountability?

In light of the size, scope, and functions of the three agencies, and to facilitate consultation, we posed 11 supplemental questions in our [April 2015 Consultation Paper](#), plus further sector-specific questions before we held a series of roundtable discussions with stakeholders.

We have reviewed written submissions from 45 organizations and individuals, held seven specific sector roundtable discussions, and engaged in open dialogue during more than 35 informal meetings with regulators, financial services stakeholders, and investor advocates. Appendix A provides an overview of the groups and individuals from whom we heard, and to whom we thank for their time and assistance.

Appendix B summarizes recent and concurrent reviews. Specifically, we have taken note of the 2008 report of the Expert Commission on Pensions, the International Monetary Fund's 2014 Financial Sector Assessment Program Report, and the 2014 annual report of the Auditor General of Ontario, whose office outlined several concerns and recommendations after conducting a value-for-money audit. We have also been in contact with those leading the Five-Year Review of the *Credit Unions and Caisses Populaires Act, 1994* and the review of Financial Advisory and Financial Planning Policy Alternatives.

It will be vital to ensure that the agencies under review are properly equipped with the most effective means to address the complex issues facing the financial marketplace and its consumers, both today and years from now. The Ministry of Finance engaged the services of a consulting firm and we asked other experts to comment on emerging trends in technology, the marketplace and the regulation of financial services.

With the benefit of our broad consultation, we noted and considered a number of trends, including:

- Emerging competition from non-traditional providers of financial services and emerging multi-product distributors
- Technological innovations that could benefit consumers, yet pose new risks (e.g., usage-based insurance and autonomous vehicles, increasingly sophisticated data analytics, the rise of electronic commerce and social media)

- Ongoing consolidation among major market players
- New entrants and services outpacing existing regulations
- Integration and coordination of regulatory activities both nationally and globally
- Centralization of prudential oversight to better monitor systemic risk
- Global competition and economic upheaval that pose a threat to traditional pension plans and the viability of Ontario's Pension Benefits Guarantee Fund
- Rising public expectations amid inconsistent rules regarding fee disclosure and the duty of care expected of sales intermediaries
- An international trend away from regulating the price of automobile insurance while consumers seek more personalized coverage options

Appendix C provides additional detail on these trends.

What We Have Heard

Throughout our consultation process we heard similar messages. Many feel that there are material shortcomings in the mandates, regulatory approach, operational resources, tools and capacity. We would like to emphasize that most comments were directed at the regulatory framework, approaches and limitations of the agencies, and not agency personnel.

The agencies under review collectively have regulatory oversight of certain aspects of the following industry sectors:

- Insurance companies, intermediaries and services
- Pension plans
- Loan and trust companies
- Credit unions and caisses populaires
- Mortgage brokering
- Co-operative corporations
- Service providers who invoice auto insurers for listed expenses in relation to statutory accident benefits

** Refer to Appendix D for an overview of the agencies.*

This list has changed somewhat since the mid-1990s and legislation governing the sectors has been updated from time to time. In addition, the Superintendent has been given certain registration authority and other powers and oversight responsibilities over certain activities granted it by statute. Whereas individual sectors, such as mortgage brokers, have been reviewed and relevant legislation updated, there has not been a comprehensive, forward-looking, assessment of the overall regulatory approach. Given the significant changes in the

financial services sector in Ontario, Canada and the world since then, a comprehensive review of the mandate and governance structure of the financial regulatory regimes is long overdue.

What We Were Told

The following summarizes messages and themes that we heard consistently throughout our consultations. To clarify, these are observations made by others, and we do not express any view reflecting their accuracy. However, it emphasizes perceptions that we address in our recommendations.

About DICO

- The current mandates are unclear and outdated, and there is a perceived ambiguity between the roles of FSCO and DICO
- As both a prudential regulator and an insurer, DICO has an inherent conflict of interest

About FSCO

- FSCO is limited by the constraints of the Ontario Public Service, and lacks the appropriate resources, governance structure and accountability to effectively fulfill its current mandates
- Its regulatory approach is inflexible and insufficient to address both the complex and ever-changing financial marketplace and the challenges to consumer protection
- The regulatory approach taken to some financial products, services and intermediaries is neither coordinated nor consistent with that of other regulators
- Its policy and decision-making process lacks transparency and, in turn, the agency does not require or foster appropriate transparency within the sectors it regulates
- The credibility of the regulatory regime is undermined by the perception that FSCO is unable or unwilling to undertake effective enforcement
- Certain responsibilities are simply inconsistent with FSCO's primary mandates

About the FST

- The FST lacks sufficient independence and resources and in some instances authority.

Appendix E provides a more thorough overview of what we heard during the consultations, organized by the four main mandate review questions.

What We Have Learned

We observe the perception that the Ontario regulatory regime is not as effective as it could or should be. Our financial services sector is a major component of the economy within the province and across Canada. Our agencies should be as nimble and flexible as possible to cope within a rapidly changing environment. These agencies should have the mandate and authority to work closely with the financial services sector and with "sister" agencies in other provinces to encourage the development of a vibrant and safe financial sector and to better ensure that consumers have a consistently high level of service and protection, without burdening market participants with undue regulatory costs or complexity.

We also believe that innovation within financial services is inevitable and necessary. Innovation drives competition and vice-versa. Through this process, the changing demands of today's consumers and investors will be met. However, innovation requires an innovative regulatory environment. So the regulator must be flexible and adaptable. As it stands, we do not believe that Ontario's regulatory framework is sufficiently flexible or adaptable.

II. Our Preliminary Recommendations

As we pursued this task, we quickly determined that to simply answer the four questions asked of the Treasury Board would be of limited assistance to the Government. We answer the questions, but have gone further, to put those answers into context, with more emphasis on specific recommendations.

To address the specific questions we would say:

1. Each agency's mandate continues to be relevant to Ontario's goals and priorities as they pertain to the financial services (as set out in the Minister of Finance's 2014 Mandate Letter²). However, we feel Ontario's goals and priorities should be made more explicit in the legislation and otherwise, as should the agencies' mandates and the way they are empowered and directed to pursue the government's priorities.
2. While each agency is carrying out activities and operations as required by its mandate, the lack of clarity and transparency in how each is to carry out its activities and operations makes it more difficult to engender satisfactory trust and confidence. These deficits should be repaired.
3. Many of the agencies' functions could continue to be performed by the agencies. However, we feel that the governance, structure and operations ought to be revised and rationalized. Meanwhile, other functions could be performed by others.

² <https://www.ontario.ca/page/2014-mandate-letter-finance>

4. Significant changes in governance, structure and associated accountability mechanisms are necessary to improve mandate alignment and/or accountability.

In short, we are of the view that many of the functions that are performed by both FSCO and DICO could be performed better by a single integrated organization. We propose that a new Financial Services Regulatory Authority (FSRA) should be established, and it should exercise both prudential and market conduct functions in a coordinated but distinct fashion. We also recommend that FSRA should have a Superintendent of Pensions to oversee the Pension division, in a manner that is interconnected with, but distinct from, the other FSRA functions. We recommend that this agency, with its modified “twin peaks” approach to regulation, should have its own corporate identity operationally distinct from the Government, its officials and staff that would be:

- a. Self-funded;
- b. Properly governed by an expert board of directors;
- c. Arm's-length from government;
- d. Authorized to make and enforce rules, as limited by the statute;
- e. Guided by a clearly articulated mandate, as set out by its authorizing statute; and
- f. Obligated to act transparently in a principled manner, manage risk and strive for a specified set of positive outcomes.

We also propose that the Financial Services Tribunal should be separated from, and operationally and financially independent of, the proposed FSRA.

Outlined below are our preliminary thoughts on how these issues should be addressed. In discussing the issues with each of the regulated sectors, we believe these recommendations would be equally beneficial across the board. It is important to stress, however, that these preliminary recommendations should be viewed holistically and they are presented with this caveat: Governance, accountability and structural recommendations should be adopted first, with the rest of the changes to follow. In other words, our preliminary focus is on mandate, governance and accountability and therefore we do not envision or support the implementation of some of our recommendations within the current-day agencies.

We make 37 specific recommendations that support our vision of what ought to be done.

Specific Recommendations

Mandate

1. A new regulatory agency should be created, and we suggest it be called the Financial Services Regulatory Authority (FSRA).
2. FSRA should operate as an integrated regulator of financial services with distinct market conduct, pensions, and prudential regulatory functions; operating independently of each other, but in a coordinated and consistent manner.
3. The regulator's structure and governance should be flexible enough that the Legislature could add or remove financial sectors to its list of responsibilities, so long as they coherently fit within the mandate of the authority.
4. The constituting statute should ensure clarity and flexibility, giving comprehensible authority and accountability for all matters within its jurisdiction. This would include incorporating a specific statement of principles, a specific statement of purpose, and the express statutory authorities required to enforce its regulatory mandate:
 - a. That mandate should strike a balance between strong and effective consumer protection and the fostering of a strong, vibrant and competitive financial services sector.
 - b. That mandate should require the agency to utilize its statutory powers to adequately, firmly and consistently enforce provisions and, in particular, prohibitions against fraudulent activities or behaviours that harm consumers.
 - c. That mandate should be informed by the 10 principles in the OECD's G20 High-Level Principles on Financial Consumer Protection³.
 - d. That mandate should require the development and regular publication of statements of approach developed internally, as outlined in recommendation 19(c).
5. The structure of the statute should be explicitly informed by three key themes:
 - a. Mandate and Purpose.
 - b. Principles and Objectives.
 - c. Tools and Means.
6. In order to remain relevant and flexible, the mandate of the agency should include a commitment to encourage innovation and transparency within the regulated sectors. This would be coupled with the need to stay abreast of those issues that could either compromise consumer protection, or lead to improvements that would benefit consumers.

³ The full text of the OECD's G20 High-Level Principles on Financial Consumer Protection appear in Appendix G, and are available at the following link <http://www.oecd.org/daf/fin/financial-markets/48892010.pdf>

7. FSRA's mandate should include the obligation to work and cooperate with other regulators (including self-regulatory organizations) that oversee the providers, sellers and intermediaries of financial products and coordinate regulatory actions to avoid regulatory overlap and arbitrage and to ensure that consumers can be confident in their dealings with these entities or individuals. This would include:
 - a. A similar and familiar regulatory framework and approach to overseeing individuals or entities selling similar products within its jurisdictional oversight (e.g., mutual and segregated fund dealers, insurance agents, insurance brokers, and applicable sales staff within financial institutions, such as banks).
 - b. Common and consistently applied standards for all relevant intermediaries, including agents and brokers selling like products.
 - c. Enhanced sharing of pertinent information and communication among regulators to ensure disciplinary and enforcement consistency so that regulatory activity by one regulator is appropriately applied by another.
 - d. Those powers and tools necessary to ensure the application of what is set out above.
8. The statutory mandate of the agency(s) should include an obligation to operate as transparently, efficiently and effectively as possible, and to pursue initiatives that promote confidence in the regulatory regime and the financial sector in which it operates.
9. FSRA should be given authority over, and responsibility for, the oversight of any self-regulatory body operating within the financial services sector in Ontario (not otherwise overseen by another statutory body).
10. The Government should give serious consideration to transferring responsibility for oversight of all relevant participants in the Ontario financial sector, such as payday lenders and loan brokers, consumer credit reporting agencies, debt and credit counsellors, and guarantee and warranty insurers to FSRA from the Ministry of Government and Consumer Services (MGCS).
11. Regulatory oversight of the Cooperatives sector should be transferred from FSCO to an agency or entity other than the FSRA.
 - a. The government should explore the possibility of transferring the administration of the Co-operative Corporations Act and incorporation functions to MGCS.
 - b. FSRA could continue to review offering statements of cooperatives, or the government could explore whether to transfer that function to the Ontario Securities Commission (OSC).
12. The administration and funding of the Motor Vehicle Accident Claims Fund should be transferred from FSCO to the industry operated Facility Association.

Governance

13. FSRA should operate outside of the Ontario Public Service in order to support operational independence and improve its ability to recruit professionals and industry expertise.
 - a. FSRA should be a self-funded corporation.
 - b. FSRA should be accountable to the Legislature through the Minister of Finance.
14. FSRA's governance structure should be comprised of an independent expert Board of Directors to oversee the operations of the FSRA and a Chief Executive Officer (CEO) position should be established that reports to the Board.
 - a. The CEO or other executives should not sit on the Board.
 - b. The Board Chair should report to the Minister of Finance, with specific requirements set out in statute and through a Memorandum of Understanding.
 - c. The Board of Directors should be responsible for monitoring the activities of FSRA, including compliance with its mandate, the setting of regulatory policy, and the setting of strategic priorities.
 - d. The process for selecting appointees to the Board should be skills-based, consistent with a skills matrix identifying competency and needed expertise on the recommendation of a nominating committee of the Board and in accordance with best corporate governance practices.
 - e. The Board should meet regularly with the sectors overseen by FSRA, and not less often than once per year.
 - f. The Board of Directors should be appointed by Order-in-Council but selected as described below.
15. FSRA's Board should be given rule-making authority and have the scope of that authority clearly delineated in the statute.
 - a. Rules should be drafted with significant public input and dialogue, and be subject to a rule making process set out in the statute.
 - b. Rules should be subject to timely review by the Minister of Finance, but they would come into force unless explicitly rejected.
16. FSRA should be provided authority to retain funds from penalties for specific, articulated purposes, such as a fraud compensation fund and/or increased consumer outreach and education.

Structure

17. FSRA should be divided to provide a market conduct oversight division, a pensions oversight division, and a prudential oversight division, each with its own Superintendent. The market conduct and prudential divisions should include units for applicable financial services sectors or operational functions.
 - a. DICO's prudential regulation functions and expertise should be transferred to FSRA.
 - b. The prudential oversight activities should be fully insulated from market conduct oversight activities, much like Quebec's Autorité des marchés financiers (AMF) model.
 - c. FSRA should only act as a prudential regulator for a limited and defined class of entities (for example, those that operate solely in Ontario), and efforts should be made to transfer the oversight of others to the federal Office of Superintendent of Financial Institutions (OSFI).
18. Each division should be led by a Superintendent, and those Superintendents, as well as any other executives, such as a Chief Administrative Officer, Chief Legal and/or Enforcement Officer, should report directly to the CEO.
19. As mentioned above, due to the unique and specialized nature of pension supervision and regulation, a separate Superintendent of Pensions should be established, operationally accountable to the CEO, responsible for matters organized within the Pensions Regulation Division.
20. To facilitate its mandate, FSRA should be organized, within the divisions, into distinct business units, like the bays in a vehicle service garage, with each unit responsible for specific operations and/or sectors, all operating and pursuing a consistent, coherent regulatory approach.
 - a. Each unit within FSRA should be led by a senior executive with expertise in the respective financial sector. This individual would ensure that the activities of his or her area were conducted in a transparent manner, and would be responsible for reporting to the appropriate Superintendent, and ultimately to Chief Executive Officer.
 - b. There should be communication and collaboration among the units where appropriate, but each should be insulated from the resource demands of the others.
 - c. Each unit should develop a statement of approach for how it will achieve FSRA's overall mandate. The units should consult with affected stakeholders to develop the statement of approach, and publish the statement of approach, ultimately to the Board for review and prior approval.
 - d. Underlying corporate infrastructure and support should be shared among each business unit (e.g. communications, legal services, information technology, finance) to maximize efficiencies.

21. FSRA should be required to provide a mechanism to ensure that the perspective of consumers is considered in all of its policy-making and actions. Specifically, this should include the creation of a separate 'Office of the Consumer' to perform this and related functions. It should not be organized as a silo, but rather with enterprise-wide responsibilities to ensure that consumer perspectives are considered in all regulatory endeavours pursued.
22. Ontario's deposit insurance scheme; and the Pension Benefits Guarantee Fund (PBGF) should both be administered and overseen by an entity that is separate from, but accountable to, the regulator.
 - a. DICO, as a separate body, could continue to exist to carry out these activities.
 - b. DICO's name should change to reflect its new responsibilities.
 - c. The separate entity should report to the same expert board as the regulator to ensure coordination of activities and policy direction.
23. Consideration should be given to an expanded mandate for FSRA to include the establishment and oversight of a fraud compensation fund.
 - a. The fund could indemnify those individuals who become victims of fraud due to the activities of a licensed individual or entity. This would place an onus on consumers to determine whether the intermediary is licensed.
 - b. The fund could be a payer of last resort only after determining that either no applicable errors-and-omissions insurance or fidelity bond coverage existed, that the coverage would be insufficient, or that the coverage would exclude all but a narrowly defined type of fraud.
 - c. The fund could be paid for by premiums applied to licensing fees, by penalties levied by FSRA for non-compliance, and by court-awarded damages that FSRA could seek on behalf of the victims of fraud.
 - d. The fund should exist outside of FSRA, with a requirement that it be monitored by and held accountable to FSRA.

Tools, Means and Regulatory Approach

24. FSRA's role in national regulatory bodies should be incorporated into its mandate, with a requirement that the work done by these groups be reported back to FSRA's governing body.
25. FSRA's mandate should include a requirement that it undertake its activities in a proactive manner.
26. FSRA and the FST should be empowered to recruit professional resources with experience in the regulated sectors.

27. FSRA's authority should be sufficient to require transparency within the regulated sectors, including the disclosure of all costs of products and services, as a means of consumer protection.
28. FSRA should be required by statute to take a risk-based and outcomes-based approach to regulation, through which the policy objectives and likely outcomes are considered and explicitly articulated.
29. FSRA should be given authority through appropriate legislation to levy Administrative Monetary Penalties in the pension sector, and in any other sector it regulates, to provide consistent enforcement tools within its jurisdiction.
30. FSRA should be provided revised powers and tools to enable it to ensure effective, consistent and timely enforcement, which includes, among others, a mechanism that would protect the confidentiality of those who "blow the whistle" on improper activity.
31. FSRA should enhance its public engagement and communications to ensure market participants and consumers are aware of its activities (e.g., to ensure transparency, FSRA could implement an email service that would send subscribers daily notices of publications, enforcement actions and consultation documents).
32. Professional and/or accredited FSRA staff should be required to meet all applicable standards of practice in carrying out their activities (e.g., actuaries should meet all standards of practice as set by the Canadian Institute of Actuaries).

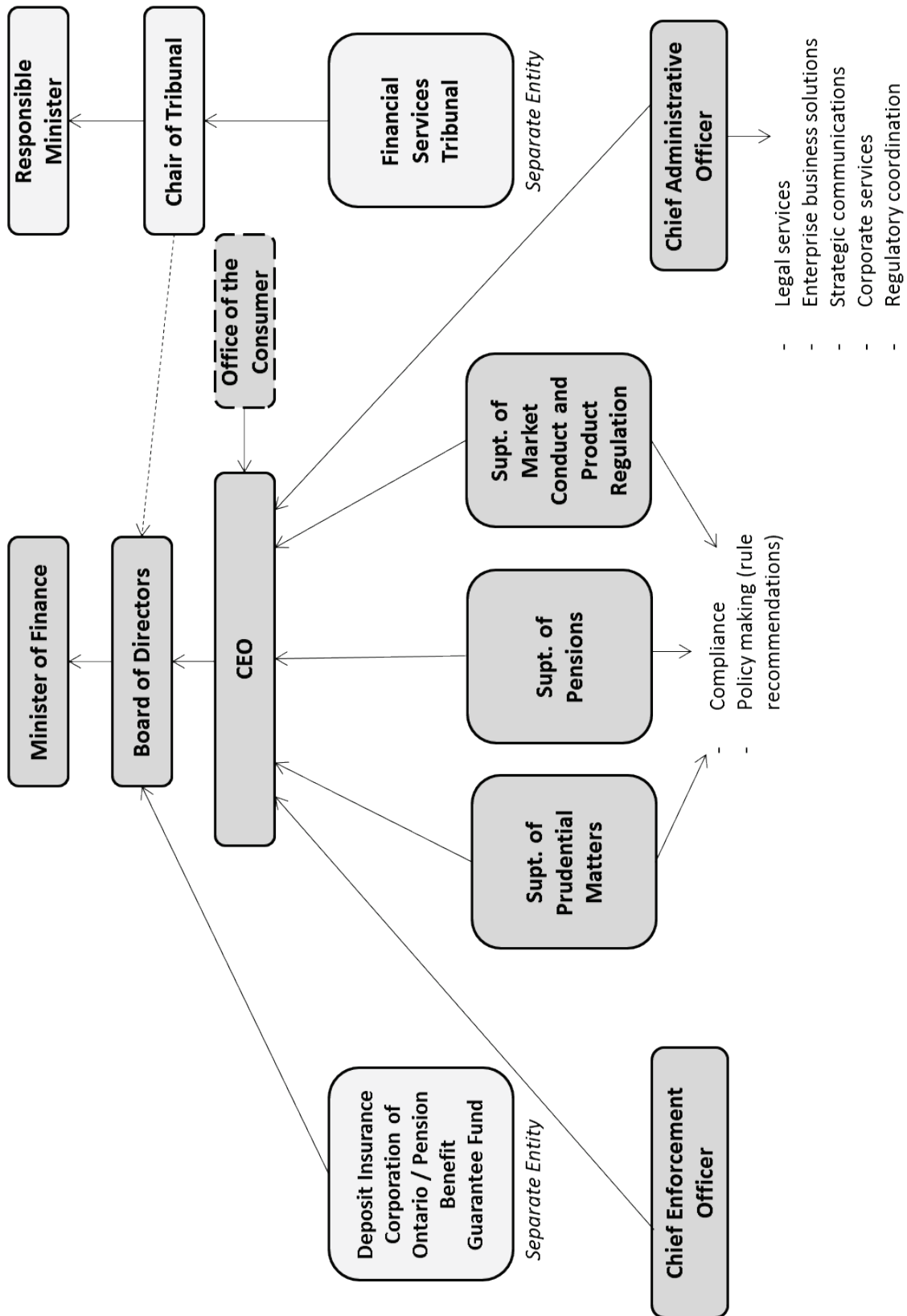
The FST

33. The FST should operate separately from FSRA, with its own budget, subject to normal government process.
34. The FST should be led by a permanent Chair and upwards of two Vice-Chairs, and otherwise be supported by a roster of part-time adjudicators with appropriate expertise, appointed by Order-in-Council.
 - a. A third-party advisory committee should be established to assess candidates for quality and expertise, and to thereafter make recommendations on their suitability.
 - b. The appointment process should be transparent and informed by consultation between the responsible Minister and Chair of the Tribunal, preferably with concurrence of the Chair.
 - c. The number of appointees and part-time appointees required by the FST should be determined based on needs in consultation with Chair.
35. The FST should have clearly articulated authority to adjudicate matters reflective of the jurisdiction of the FSRA including appeals from certain statutory decisions made by the FSRA. Consideration should be given to whether the FST could also serve an adjudicative function for any relevant and appropriate regulatory matters impacting the broader financial services sector, if desirable.

36. A mechanism and/or process should be established to appropriately permit, encourage and facilitate policy-level discourse between the FST and FSRA's Board of Directors.
37. As appropriate through legislation or otherwise, the Legislature should strive to ensure that the courts defer to the FST on policy or other matters that are within its subject-matter expertise.

We make no recommendation at this time with respect to the prior approval of auto insurance rates by FSCO or its proposed successor. We have been made aware that most other jurisdictions have moved away from the rate setting approach currently used in Ontario. If this approach was to continue within FSRA, we would be concerned that this activity would unnecessarily dominate the agenda of FSRA to the detriment of other sectors. At least three options were presented to us during the consultations: continue rate approval within FSRA as practiced today; remove this function from FSRA and transfer it to a formal rate-setting board, or; give FSRA authority/responsibility for rate regulation, the approach to which to be determined through its rule-making authority. We continue to seek input from affected parties on this issue.

III. Proposed New Regulatory Structure



IV. Providing Feedback

Written comments should be provided in electronic format (preferably Word or PDF) by email to:

FIPBmandatereview@ontario.ca

We kindly ask that all submissions be submitted by December 14, 2015.

While we anticipate some groups will want to meet with us again, we cannot guarantee that we will be able to accommodate this given our timelines. Please ensure that you capture any concerns as thoroughly as possible in your written submission.

Following the comment period, we are to prepare our final recommendations and deliver them to the Minister of Finance by early winter.

APPENDIX A - Consultation Participants

Written submissions were received from the following entities:

- Advocis
- Alliance of Concerned Life Agents of Ontario
- Allstate
- Association of Canadian Pension Management
- Association of Credit Unions of Ontario
- Association of Mortgage Investment Professionals
- Canadian Association of Accredited Mortgage Professionals
- Canadian Association of Direct Relationship Insurers
- Canadian Association of Financial Institutions in Insurance
- Canadian Association of Insurance Reciprocity
- Canadian Federation of Pensioners
- Canadian Foundation for Advancement of Investment Rights (FAIR)
- Canadian Institute of Actuaries
- Canadian Life and Health Insurance Association
- Central 1 Credit Union
- CGI Information Systems and Management Consultants
- Colleges of Applied Arts and Technology Pension
- Deposit Insurance Corporation of Ontario
- Desjardins
- Ethidex
- Facility Association
- Financial Services Commission of Ontario
- Financial Services Tribunal
- Greengrass Group
- Healthcare of Ontario Pension Plan
- Independent Financial Brokers of Canada
- Intact
- Insurance Brokers Association of Ontario
- Insurance Bureau of Canada
- Investment Funds Institute of Canada
- Law Society of Upper Canada
- LawPRO
- Life Insurance Settlement Association of Canada
- Mortgage and Title Insurers
- Mortgage and Title Insurance Industry Association of Canada
- Ontario Association of Architects
- Ontario Bar Association
- Ontario Cooperative Association
- Ontario Municipal Employees Retirement System
- Ontario Mutual Insurance Association
- Ontario Pension Board
- Osler Hoskin and Harcourt LLP
- Primerica
- Sun Life Financial
- TD Insurance
- Toronto Financial Services Alliance

**All written submissions are publicly available upon request. Please email FIPBmandatereview@ontario.ca to receive electronic copies.*

Sector roundtable participants included:

Cooperative Sector:

- Chartered Professional Accountants
- L'Alliance des Caisses Populaires de l'Ontario
- Lerner LLP
- Ontario Cooperative Association
- Prentice Yates Clark

Mortgage Brokers Sector:

- Association of Mortgage Investment Professionals
- Canadian Association of Accredited Mortgage Professionals
- Commercial Real Estate Lenders Association of Ontario
- Independent Mortgage Brokers Association of Ontario
- Real Estate and Mortgage Institute of Canada Inc.

Credit Unions and Caisses Populaires Sector:

- Alliance of Large Credit Unions of Ontario's
- Alterna Savings/Alterna Bank
- Association of Credit Unions of Ontario
- Central 1 Credit Union
- L'Alliance des caisses populaires de l'Ontario limitée
- la Fédération des caisses populaires de l'Ontario
- Meridian

Pension Sector:

- Association of Canadian Pension Management
- Canadian Federation of Pensioners
- Canadian Institute of Actuaries
- Colleges of Applied Arts and Technology Pension
- Ontario Bar Association
- Ontario Municipal Employees Retirement System
- Ontario Pension Board
- OpTrust
- Pension Investment Association of Canada

Insurance Sector (Property & Casualty):

- Allstate
- Canadian Association of Direct Relationship Insurers
- Canadian Institute of Actuaries
- Desjardins General Insurance Group
- Facility Association
- Insurance Brokers Association of Ontario
- Insurance Bureau of Canada
- Law Society of Upper Canada
- LawPRO
- Ontario Association of Architects
- ProDemnity
- TD Insurance
- Title Insurance Industry Association of Canada

Insurance Sector (Life & Health):

- Advocis
- Canadian Association of Financial Institutions in Insurance
- Canadian Life and Health Insurance Association
- Independent Financial Brokers of Canada
- Life Insurance Settlement Association of Canada
- Sun Life Financial

Health Service Providers Sector:

- Association of Independent Assessment Centres
- Coalition of Health Professional Associations in Ontario Automobile Insurance Services
- Ontario Rehab Alliance

Informal discussions were held with the following groups and individuals:

- Alliance of Large Ontario Credit Unions
- Autorité des marchés financiers
- Alberta Treasury Board and Finance
- Bryan Davies (Chair of the Board of the Canadian Deposit Insurance Corporation & former Superintendent/CEO of the Financial Services Commission of Ontario)

- Canadian Association of Accredited Mortgage Professionals
- Canadian Association of Direct Relationship Insurers
- Canadian Association of Financial Institutions in Insurance
- Canadian Foundation for Advancement of Investment Rights (FAIR)
- Canadian Life and Health Insurance Association
- David Brown (former Chair of the Ontario Securities Commission)
- Deposit Insurance Corporation of Ontario
- Financial Services Commission of Ontario
- Financial Services Tribunal
- Holly Bakke (former Commissioner of the New Jersey Department of Banking and Insurance)
- Insurance Brokers Association of Ontario
- Insurance Bureau of Canada
- Investment Funds Institute of Canada
- Investment Industry Regulatory Organization of Canada
- Mutual Fund Dealers Association
- Ontario Bar Association (Pensions and Benefits Section)
- Ontario Co-operative Association
- Ontario Mutual Insurance Association
- Ontario Securities Commission
- Ontario Securities Commission's Investor Advisory Committee
- Phil Howell (former Superintendent/CEO of the Financial Services Commission of Ontario)
- Registered Insurance Brokers of Ontario
- Sun Life Financial

APPENDIX B - Concurrent and Recent Reviews

Credit Unions and Caisses Populaires Act, 1994 – Five-Year Review⁴

In late 2014, the Parliamentary Assistant (PA) to the Minister of Finance, Laura Albanese, launched the statutory five-year review of the *Credit Unions and Caisses Populaires Act, 1994*. The Minister of Finance appointed Osgoode Hall Law School Professor Poonam Puri as an Expert Advisor to assist Ms. Albanese in the review.

The objective of the PA's review is to make recommendations on ways to improve the legislative framework so that credit unions and caisses populaires can continue to contribute to Ontario's economy and serve their members. As part of the review, the PA set out to review the roles of both FSCO and DICO. A consultation paper released in October 2014 sought comment on the following questions:

- 1. Is the allocation of regulatory responsibilities between FSCO and DICO clear and appropriate?*
- 2. Are any changes to the mandate or governance structure for FSCO or DICO necessary to improve regulatory oversight of the credit union sector?*

We have met with the PA throughout our review and will remain in contact with her and her staff.

Financial Advisory and Financial Planning Policy Alternatives⁵

Ontario has no general legal framework and no regulatory body assigned to licence and oversee the activities of individuals who offer financial planning advice and services. There are private organizations that compete to offer proficiency courses and accreditation, but membership is not mandatory. There are no government-mandated standards regarding proficiency or quality and no mandatory rules regarding potential conflicts of interest.

To better understand the potential gap in consumer protection, the Ontario government committed in 2013 to investigate the merits of regulating those engaged in financial planning and the provision of financial advice. Two consultations were held in 2014 with stakeholders involved in the financial planning and advising sectors.

Subsequently, the Ontario government announced that it would appoint an expert committee with a mandate to provide key recommendations and submit its final report to the government for review in 2016.

⁴ <http://www.fin.gov.on.ca/en/consultations/cu-cp/>

⁵ <http://www.fin.gov.on.ca/en/consultations/rfp.html>

We have met with the Expert Committee to discuss the potential linkages between their review and ours, and we will continue to keep them apprised of our progress and the direction of our preliminary recommendations. We are aware that the introduction of financial advisory and financial planning regulation could potentially impact FSCO and we will continue to confer with the Expert Committee.

Office of the Auditor General of Ontario – 2014 Annual Report

Each year, the Auditor General (AG) issues an Annual Report that includes, among other things, various value-for-money audits. According to the AG, “value-for-money (VFM) audits are intended to examine how well government ministries, organizations in the broader public sector, agencies of the Crown and Crown-controlled corporations manage their programs and activities”. Section 3.03 of the AG’s 2014 Annual Report included an evaluation of FSCO.

The AG set out to examine FSCO’s regulation of pension plans, cooperative corporations and financial service providers, specifically insurers and their sales agents, mortgage brokers, credit unions and caisses populaires, and loan and trust companies. The intent was to assess whether FSCO’s systems and procedures for regulating these sectors are effective. The audit focused on FSCO’s activities in fiscal years 2011/12, 2012/13 and 2013/14.

In respect to pensions, the AG noted a concern with the growing number of defined-benefit pension plans that are not fully funded and the risk they pose for the Pension Benefits Guarantee Fund (PBGF). The AG also found that the Superintendent of Financial Services has limited powers under the *Pension Benefits Act* (PBA) to deal with administrators of severely underfunded plans, particularly when compared with the powers and authorities of the Office of the Superintendent of Financial Institutions at the federal level.

The AG recommended that FSCO make better use of the powers it does have under the PBA and improve its monitoring of the under-funded plans. According to the AG, FSCO only conducted on-site examinations of 11 per cent of under-funded plans over a three-year period. During these examinations, the AG asserted that FSCO did not adequately cover significant issues such as whether investments complied with federal law, and noted that FSCO’s efforts to monitor investments by administrators were weak.

To review FSCO’s oversight of the regulated financial services sectors, the AG focused attention on FSCO’s Licensing and Market Conduct Division (LMCD). The AG highlighted the following key findings at the time of review:

- FSCO provided minimal oversight of cooperative corporations, despite their ability to raise significant amounts of money from the public. Additionally, FSCO did not recover all of its costs related to cooperatives.
- Monitoring, including investigations of life insurance agents, was insufficient. FSCO did not verify whether agents had valid errors and omissions insurance, and renewed

licences of those who had been disciplined by other regulators, had declared bankruptcy, or had criminal records.

- Complaints were delayed and enforcement action was weak. Complaints about such criminal offences as fraud and forgery were seriously delayed and the resulting investigations led to weak enforcement action. In some cases, investigations took years to complete.
- FSCO's LMCD only conducted proactive examinations in the mortgage brokerage sector, all other investigations were reactive in response to complaints.
- FSCO lacks information-sharing mechanisms with other regulators to ensure it is notified when an agent is disciplined by another entity.
- FSCO should explore opportunities to transfer oversight responsibilities to SROs.

The full text of Section 3.03 of the AG's report can be found here:

http://www.auditor.on.ca/en/reports_en/en14/303en14.pdf

International Monetary Fund's 2014 Financial Sector Assessment Program

The International Monetary Fund observed, in its 2014 Financial Sector Assessment Program Report, that Quebec's AMF operates in line with international best practice and has adequate resources to conduct effective risk-based market conduct regulation. By contrast, the IMF said FSCO is constrained by limited resources and that it has adopted both a reactive and industry-wide risk-based approach to supervision of federally incorporated insurers and the large number of insurance intermediaries it regulates. With respect to regulation of intermediaries, the IMF said FSCO's approach "is more reactive, mainly in response to self-declarations of non-compliance or complaints/information received." In the case of property and casualty insurance intermediaries, the IMF said that the lack of resources has constrained the ability of FSCO and the Registered Insurance Brokers of Ontario to consistently monitor the timing, delivery and content of point of sale material.

The Report stated that "It is essential that FSCO be equipped with adequate resources and financial capacity to deal with the size and diversity of the Ontario marketplace." The IMF recommended the government remove FSCO from its fiscal controls and administrative guidance to strengthen its autonomy.

The full text of the 2014 Financial Sector Assessment Program can be found here:

<http://www.imf.org/external/pubs/ft/scr/2014/cr1472.pdf>

A Fine Balance: Safe Pensions, Affordable Plans, Fair Rules – The Report of the Expert Commission on Pensions

The Expert Commission on Pensions was established in November 2006 in response to the increasing challenges facing pension plans and the need to reform Ontario's pension legislation.

The government has been implementing regulatory reforms reflecting the Expert Commission's recommendations in stages since the passage of key legislation in 2010, however, to date many of the recommendations related to the regulator have not yet been put in place by the Province.

The report recommended the creation of a separate independent pension regulator with budgetary, staffing and other powers of self-management comparable to those of the Ontario Securities Commission. It would assist in the development of pension policy by collecting data and contributing its experienced-based insights into the operation of the regulatory system.

The report recommended that the powers of the Superintendent be enhanced in a number of ways, which included specifying required actuarial assumptions, reviewing the effects of a plan split, merger or asset transfer, and establishing benchmarks to identify plans at risk of failure.

The report also recommended the creation of a new Pension Tribunal of Ontario that would have exclusive, final and binding jurisdiction over all PBA-related matters, and be comprised of a Chair who is a jurist of stature, two members with a background in law and two members with a background in actuarial science. It was recommended that the tribunal have all powers necessary to dispose of matters before it.

For greater detail, please refer to the full text of the Report of the Expert Commission on Pensions, available here: <http://www.fin.gov.on.ca/en/consultations/pension/report/>

APPENDIX C - Trends in the Regulated Sectors

To assist with our review of the FSCO, FST and DICO mandates, the Ministry of Finance engaged a consulting firm to provide an analysis of financial services sectors and regulation, as well as more specific sectoral trends. In addition, we heard from a number of groups and individuals that provided extremely helpful insight into where the future of financial services, and their regulation, are heading.

- **Emerging competition from non-traditional providers of financial services and emerging multi-product distributors**
 - Advances in technology are providing new entrants with fast access to the market.
 - New participants (e.g., Google, Wal-Mart, Home Depot and Samsung) may attempt to sell new financial services products and services to existing clients and thereby could change and disrupt traditional distribution channels. The regulator and market participants must be prepared to respond in a way that protects and empowers consumers.
- **Technological innovations that could benefit consumers, yet pose new risks**
 - Many see technology as the catalyst for consumer-focused changes emerging within the financial services sector. Those consumers will expect regulators to be flexible and supportive of this changing environment. They will expect the sort of oversight that does not stifle innovation. Recent changes include usage-based auto insurance and autonomous vehicles, increasingly sophisticated data analytics, the rise of electronic commerce and social media.
 - A topical example of this desire for regulators to be adaptable to consumer demands is the popularity of the sharing-economy with apps such as Uber, Rover, and Airbnb.
 - The advancement of automotive technology (e.g., telematics) may lead to disruptive changes in the way automobile insurance is underwritten, priced, and distributed. For example, consumers may purchase insurance from the vehicle's manufacturer or dealer.
- **Consolidation among major market players**
 - There has been a steady trend towards consolidation within the credit union sector in Ontario and Canada. In many cases, this is in response to sustainability issues facing the sector. This trend has led to larger deposit-taking and lending institutions.
 - Health service providers, the newest group of service providers to be regulated in their dealings with auto insurers, have been consolidating in response to higher

regulatory costs. Small practitioner-owned clinics will increasingly compete with much larger corporate entities.

- **New entrants and services outpacing existing regulations**
 - There has been an observable increase in non-standard services, such as syndicated mortgage promoters and non-bank lenders. These services are encompassed by existing legislation but there are those who feel the regulator has not applied adequate scrutiny. Regulators will have to become increasingly nimble and responsive to emerging gaps in monitoring and enforcement.
- **Integration and coordination of regulatory activities both nationally and globally**
 - Canada and other jurisdictions have been moving toward a more coordinated approach to financial services regulation and regulatory communication. This includes the development and adoption of international regulatory and market supervision standards; increased participation in national or international regulatory and supervisory bodies; and agreements (e.g., memorandum of understanding) between regulators.
- **Centralization of prudential oversight to better monitor systemic risk**
 - There has been an international trend towards a twin-peaks approach to financial services regulation, whereby responsibility for market conduct and prudential regulation is assigned to separate entities. The United States, United Kingdom and Australia have all adopted this approach.
 - This trend has been driven by the financial crisis in 2007-08, which resulted in a need for more focused and dedicated regulation and supervision of solvency concerns to mitigate systemic risk.
- **Global competition, and the threat it poses for traditional pension plans and the viability of Ontario's Pension Benefits Guarantee Fund**
 - Changes in economic conditions, new free-trade agreements, and the decline in North America of the manufacturing, resource, media and unionized retail sectors is creating unstable conditions for certain major employers and the funding levels of their Canadian pension plans. Historically low interest rates have further compromised the funding status of pension plans, leaving Ontario's Pension Benefits Guarantee Fund exposed to the potential for more costly claims than it could possibly handle.
- **Rising expectations amid inconsistent rules regarding fee disclosure and the duty of care expected of sales intermediaries**
 - Consumers and certain market participants are increasingly aware of the difference in disclosure and transparency requirements placed upon

intermediaries in Ontario's financial services marketplace and the higher standards required in other nations. Consumers, investors and their advocates will continue to demand common standards across these similar industries.

- **An international trend away from regulation of the pricing of automobile insurance while consumers seek more personalized coverage options**
 - Many jurisdictions, particularly throughout the United States and Europe, have moved away from the prior approval system that is used to regulate auto insurance rates in Ontario. We heard from one US jurisdiction that it experienced auto insurance rate reductions for nearly 80 per cent of drivers following the introduction of a more flexible system.
 - It has been predicted that jurisdictions will continue to move away from this approach, which has been described as inflexible and unnecessarily costly. A large body of academic research has revealed that rate regulation actually leads to higher costs than consumers would pay in a competitive marketplace.
 - Increasing consumer demands for personalized services, products and price will continue to drive market innovation and require regulators and governments to reconsider existing policies and regulation (e.g., usage-based insurance will continue the trend towards personalized rates and will require regulatory flexibility).

APPENDIX D - Overview of the Agencies

Financial Services Commission of Ontario & Financial Services Tribunal – Structure and Mandate

The *Financial Services Commission of Ontario Act, 1997* establishes the Financial Services Commission of Ontario as a commission composed of five persons: the Chair and two Vice-Chairs of the Commission, the Director of Arbitrations (appointed under the *Insurance Act*) and the Superintendent of Financial Services. The Chair and two Vice-Chairs of the Commission are, by virtue of their office, also the Chair and Vice-Chairs of the FST.

The Superintendent of Financial Services is appointed under Part III of the *Public Service of Ontario Act, 2006*. The FST Chair and Vice-Chairs and Director of Arbitrations are appointed by the Lieutenant Governor in Council.

The *FSCO Act* provides that the purposes of the Commission are to:

- (a) provide regulatory services that protect the public interest and enhance public confidence in the regulated sectors
- (b) make recommendations to the Minister on matters affecting the regulated sectors
- (c) provide the resources necessary for the proper functioning of the FST.

1. *Automobile Insurance Rate Stabilization Act, 2003*
2. *Co-operative Corporations Act*
3. *Compulsory Automobile Insurance Act*
4. *Credit Unions and Caisses Populaires Act, 1994*
5. *Financial Services Commission of Ontario Act, 1997*
6. *Insurance Act*
7. *Loan and Trust Corporations Act*
8. *Mortgage Brokerages, Lenders and Administrators Act, 2006*
9. *Motor Vehicle Accident Claims Act*
10. *Prepaid Hospital and Medical Services Act*
11. *Registered Insurance Brokers Act*
12. *Pension Benefits Act*

The Superintendent is responsible for granting various licences and approvals as set out in the FSCO-related acts. As part of that, the Superintendent has extensive powers and duties in each act, including: issue guidelines, conduct inquiries, examinations and inspections, require production of records and information, compel evidence and attendance of witnesses, search and seize records, issue, revoke or suspend licences and impose associated conditions, conduct prosecutions, impose administrative penalties and issue various orders.

The FST is empowered to hear certain appeals and review decisions of the Superintendent and DICO as set out in the FSCO-related acts. The FST has exclusive jurisdiction to exercise the

powers conferred on it and determine all questions of law and fact in any proceeding before it. The FST may make its own rules of practice and procedure to be observed, determine what constitutes adequate public notice, conduct any necessary inquiry or inspection and compel evidence and attendance of witnesses.

The Director of Arbitrations is empowered to appoint mediators and arbitrators under the *Insurance Act* to deal with disputes concerning entitlement to or quantum of statutory accident benefits. The Director may hear appeals of arbitral decisions and has exclusive jurisdiction to determine all questions of fact and law and issue various orders.

Deposit Insurance Corporation of Ontario – Structure and Mandate

The Deposit Insurance Corporation of Ontario is governed by the *Credit Unions and Caisses Populaires Act, 1994*. Originally established in 1977 as the Ontario Share and Deposit Insurance Corporation, it is a corporation without share capital. The Corporation is governed by a Board of Directors, comprised of not more than nine persons appointed by the Lieutenant Governor in Council.

The duties of the board are to manage or supervise the management of the affairs of the Corporation and to perform such additional duties as may be imposed by the *Credit Unions and Caisses Populaires Act, 1994*, prescribed by the regulations or imposed by its by-laws.

The board has administratively delegated some of its duties to the Chief Executive Officer, a staff position within the Corporation that has no recognition in the legislation. The Chief Executive Officer is not a member of the Board.

The objects of the corporation are to:

- (a) provide insurance against the loss of part or all of deposits with credit unions;
- (b) promote and otherwise contribute to the stability of the credit union sector in Ontario with due regard to the need to allow credit unions to compete effectively while taking reasonable risks;
- (c) pursue the objects set out in clauses (a) and (b) for the benefit of persons having deposits with credit unions and in such manner as will minimize the exposure of the Corporation to loss;
- (d) collect, accumulate and publish such statistics and other information related to credit unions as may be appropriate;
- (e) perform the duties provided under this Act or the regulations or do anything the Corporation is required or authorized to do under this Act or the regulations; and
- (f) carry out such other objects as the Minister may specify in writing or as may be prescribed.

In addition, the Corporation has ancillary powers to do all things necessary or incidental to its objects which are enumerated in legislation.

The Corporation may, with the approval of the Minister, establish and acquire subsidiaries.

Subject to the approval of the Lieutenant Governor in Council, the Corporation may make by-laws on specific matters, including prescribing standards of sound business and financial practices for credit unions, defining the expression “deposit” for the purposes of deposit insurance, and governing the declaration and payment of premium rebates.

The Corporation is required to maintain a Deposit Insurance Reserve Fund to pay for deposit insurance claims, the costs associated with the continuance or orderly winding up of credit unions in financial difficulty, financial assistance provided to credit unions under administration or being wound up, and the costs of the Corporation.

Deposit insurance premiums as set out in the regulations, are collected by the Corporation and deposited in the Deposit Insurance Reserve Fund.

The Corporation may order a credit union subject to supervision or administration based on corresponding criteria found in the legislation. As administrator, the Corporation has the power to conduct the operations of a credit union or require the credit union to amalgamate, dispose of assets and liabilities, or to be wound up. The Corporation can also be appointed as liquidator.

Since 2009, the Corporation has also been given the power to issue orders related to solvency matters such as investments, liquidity, and capital adequacy. It can also levy administrative monetary penalties. It approves material purchase and sale transactions and the acquisition of subsidiaries by credit unions. The Corporation has examination powers and also has the power to issue a capital adequacy guideline which has the force of law.

APPENDIX E - Consultation Feedback

As stated elsewhere, we have heard from many constituents and stakeholders. We summarize some of the comments below. We emphasize that, in summarizing these comments, we are not expressing any view regarding their truth or accuracy. We feel it will be helpful to set out all of the themes we have heard, even where there may be disagreement over statements made. It is important to recognize public and industry perceptions that could diminish the credibility of the current regime and its regulatory approach.

<i>Question 1 – Is the agency’s mandate still relevant to Ontario’s goals and priorities, and to what extent?</i>
--

Of the written submissions that directly addressed this question, the answer appeared to be unequivocal – the mandates of the agencies continue to be relevant to Ontario’s goals and priorities. However, most acknowledged that the mandates must be modernized. We were strongly encouraged to review work put out by the Organization for Economic Co-operation and Development (OECD), specifically their corporate governance criteria for regulatory agencies and their *G20 High-Level Principles on Financial Consumer Protection*.

We heard from certain groups that their sector would benefit from greater clarity in the mandates. For example, the credit unions and caisses populaires noted that clarity between the mandates of FSCO and DICO is needed. Some pension and insurance stakeholders argued for specific purpose statements within FSCO’s mandate to enhance transparency and accountability of their regulatory activities. The majority of groups supported the incorporation of explicit consumer protection requirements in the mandates of the agencies.

There was also a general interest in expanding the mandates of FSCO and DICO to explicitly include a requirement to support and foster innovation within the sectors. The current absence of this requirement has resulted in a rigid approach to new products, technologies and reasonable risk.

Common in most of the feedback was the notion that Ontario’s consumers, retirees, and financial services sector would benefit from a principled approach focused on risk, outcomes and flexibility

Question 2 - Is the agency carrying out the activities and operations as required in its mandate?

The broad nature of this question combined with the diverse responsibilities of each agency elicited significant feedback touching upon general and specific matters. In conducting our broad consultations, we have heard several common themes around whether the agencies are carrying out their activities and operations as required by their mandates:

- **Perceived delays.** Many interactions with FSCO are seen to take too long. These complaints include auto insurance rate approval, enforcement action, and delays in issuing guidelines, leaving the sectors unsure of how to interpret new or revised regulations. This can lead to non-compliance or delays in provision of their own services.
- **Perceived lack of sector-specific contacts.** Some have the impression that FSCO has not appointed contacts or experts for each sector to ensure that issues are handled in a timely and appropriate manner or to serve as a contact point for stakeholders and consumers.
- **Perceived Disproportionate Focus.** Some say FSCO's operations are regularly overburdened with auto insurance issues, particularly rate regulation, leaving other sectors with a lack of adequate regulation and oversight. Many of the non-auto insurance groups believe this is preventing FSCO from effectively carrying out its other regulatory responsibilities.
- **Perceived inconsistent oversight requirements and enforcement.** Many complain that intermediaries and the products they sell are not subject to the same oversight and requirements as in other sectors selling similar products. This leaves FSCO constrained and consumers without adequate protection in some cases. For example, new requirements for fee disclosure by sellers of mutual funds will come into force next year with no parallel requirement for segregated funds even when sold by the same person. Further, an intermediary banned from selling mutual funds would not necessarily be prohibited from selling segregated funds or other products dependent on a FSCO licence.
 - o Among the sectors that are within FSCO's jurisdiction, we heard from some that FSCO's regulatory enforcement activities are limited by its current authorities. For example, FSCO cannot impose Administrative Monetary Penalties in the pensions sector, unlike in other sectors. As well, some expressed concerns similar to those cited by the Auditor General, particularly that FSCO has limited powers to deal with administrators of underfunded pension plans.

- **Perceived lack of clear authority.** Some observed FSCO lacks formal authority, transparency and accountability when it deals with national regulatory coordination groups, such as the Canadian Council of Insurance Regulators (CCIR) and the Canadian Association of Pension Supervisory Authorities (CAPSA).
- **Perceived lack of specialized expertise.** Some observers expressed concern that both FSCO and the FST lack sufficient expertise commensurate with the breadth of subject matter, jurisdiction, and evolving trends and challenges in the market.
- **Lack of adaptability and flexibility to innovation.** Insurers point out that Ontario's tight control of auto insurance rates has fallen out of step with trends in most other nations and it runs counter to a large body of academic research. Indeed, various academic studies suggest that strict rate controls could limit competition and consumer choice, and lead to higher costs.⁶ There is the added risk that undue interference in the marketplace impedes innovative uses of new technology to monitor driver behaviour and thus postpones improvements to public safety.

Question 3 – Are all or part of the functions of the agency best performed by the agency, or might they be better performed by a ministry, another agency or entity?

The question of what should or should not be performed by the agencies prompted varying responses among the sectors and the agencies themselves. The general themes we observed during our consultations included:

- **Integrated market conduct regulation benefits the market and consumers.** Integration of market conduct within financial services regulation benefits consumers and the financial services sector. Yet some felt that thought should be given to a separate pension regulator.
- **Prudential regulation of provincial entities should be conducted by an Ontario regulator(s).** Ontario-based credit unions, caisses populaires and pensions should continue to receive prudential oversight at the provincial level. The few remaining Ontario incorporated insurers should be grandfathered into Ontario's prudential scheme or moved to the federal Office of the Superintendent of Financial Institutions (OSFI).
- **The ambiguity between FSCO and DICO should be addressed.** The separation of regulatory duties is unclear. There is also concern related to the potential conflict between DICO's role as prudential regulator and its role as deposit insurer.

⁶ See "The Relationship Between Auto Insurance Rate Regulation and Insured Loss Costs: An Empirical Analysis" by Laureen Regan, Sharon Tennyson and Mary Weiss:
<http://dspace.library.cornell.edu/bitstream/1813/15118/2/Tennyson%2009%20pub%2005.pdf>

- **Oversight of cooperatives should be moved out of FSCO.** Cooperatives operate in a variety of business sectors with differing regulations. In most cases, they do not offer financial services.
- **The Motor Vehicle Accident Claims Fund (MVACF) should be administered by industry.** FSCO's administration of MVACF is an anomaly and should be handed over to an industry group.
- **Oversight of insurance intermediaries could move to an SRO.** FSCO does not have the resources and expertise to adequately oversee insurance intermediaries.

<p>Question 4 – Are changes to the current governance structure/associated accountability mechanisms necessary to improve mandate alignment and/or accountability?</p>

There was a broad acknowledgment that changes are required to the governance structures and the accountability mechanisms of the agencies. The common themes we heard were:

- **FSCO should decouple from the Ontario Public Service (OPS).** FSCO is overly constrained by OPS hiring restrictions and its uncompetitive compensation scheme.
- **FSCO requires a proper Board of Directors.** The current Commission structure lacks transparency and accountability.
- **FSCO should be given rule-making authority.** Rule-making authority would allow FSCO to be a more transparent, nimble, and flexible regulator. It would also improve its independence from government, allow it to respond sooner to changes in the marketplace and technology, and co-ordinate more effectively with its counterparts in other provinces.
- **The FST should be fully independent.** The FST should be a separate body removed from FSCO and report to a separate board.

APPENDIX F - OECD G20 High-Level Principles on Financial Consumer Protection

<http://www.oecd.org/daf/fin/financial-markets/48892010.pdf>

1. Legal, Regulatory and Supervisory Framework

Financial consumer protection should be an integral part of the legal, regulatory and supervisory framework, and should reflect the diversity of national circumstances and global market and regulatory developments within the financial sector.

Regulation should reflect and be proportionate to the characteristics, type, and variety of the financial products and consumers, their rights and responsibilities and be responsive to new products, designs, technologies and delivery mechanisms¹. Strong and effective legal and judicial or supervisory mechanisms should exist to protect consumers from and sanction against financial frauds, abuses and errors.

Financial services providers and authorised agents² should be appropriately regulated and/or supervised, with account taken of relevant service and sector specific approaches.

Relevant non-governmental stakeholders – including industry and consumer organisations, professional bodies and research communities – should be consulted when policies related to financial consumer protection and education are developed. Access of relevant stakeholders and in particular consumer organisations to such processes should be facilitated and enhanced.

2. Role of Oversight Bodies

There should be oversight bodies (dedicated or not) explicitly responsible for financial consumer protection, with the necessary authority to fulfil their mandates. They require clear and objectively defined responsibilities and appropriate governance; operational independence; accountability for their activities; adequate powers; resources and capabilities; defined and transparent enforcement framework and clear and consistent regulatory processes. Oversight bodies should observe high professional standards, including appropriate standards of confidentiality of consumer and proprietary information and the avoidance of conflicts of interest.

Co-operation with other financial services oversight authorities and between authorities or departments in charge of sectoral issues should be promoted. A level playing field across financial services should be encouraged as appropriate. International co-operation between oversight bodies should also be encouraged, while specific attention should be considered for consumer protection issues arising from international transactions and cross-border marketing and sales.

¹ Where relevant, appropriate mechanisms should be developed to address new delivery channels for financial services, including through mobile, electronic and branchless distribution of financial services, while preserving their potential benefits for consumers.

² Authorised agents are understood to mean third parties acting for the financial services provider or in an independent capacity. They include any agents (tied and independent agents) brokers, advisors and intermediaries, etc.

3. Equitable and Fair Treatment of Consumers

All financial consumers should be treated equitably, honestly and fairly at all stages of their relationship with financial service providers. Treating consumers fairly should be an integral part of the good governance and corporate culture of all financial services providers and authorised agents. Special attention should be dedicated to the needs of vulnerable groups.

4. Disclosure and Transparency

Financial services providers and authorised agents should provide consumers with key information that informs the consumer of the fundamental benefits, risks and terms of the product. They should also provide information on conflicts of interest associated with the authorised agent through which the product is sold³.

In particular, information should be provided on material aspects of the financial product. Appropriate information should be provided at all stages of the relationship with the customer. All financial promotional material should be accurate, honest, understandable and not misleading. Standardised pre-contractual disclosure practices (e.g. forms) should be adopted where applicable and possible to allow comparisons between products and services of the same nature. Specific disclosure mechanisms, including possible warnings, should be developed to provide information commensurate with complex and risky products and services. Where possible consumer research should be conducted to help determine and improve the effectiveness of disclosure requirements.

The provision of advice should be as objective as possible and should in general be based on the consumer's profile considering the complexity of the product, the risks associated with it as well as the customer's financial objectives, knowledge, capabilities and experience.

Consumers should be made aware of the importance of providing financial services providers with relevant, accurate and available information.

5. Financial Education and Awareness

Financial education and awareness should be promoted by all relevant stakeholders and clear information on consumer protection, rights and responsibilities should be easily accessible by consumers. Appropriate mechanisms should be developed to help existing and future consumers develop the knowledge, skills and confidence to appropriately understand risks, including financial risks and opportunities, make informed choices, know where to go for assistance, and take effective action to improve their own financial well-being.

³ Financial services providers and authorised agents should provide clear, concise, accurate, reliable, comparable, easily accessible, and timely written and oral information on the financial products and services being offered, particularly on key features of the products and (where relevant) on possible alternative services or products, including simpler ones, they provide. In principle, information should include prices, costs, penalties, surrender charges, risks and termination modalities.

The provision of broad based financial education and information to deepen consumer financial knowledge and capability should be promoted, especially for vulnerable groups.

Taking into account national circumstances, financial education and awareness should be encouraged as part of a wider financial consumer protection and education strategy, be delivered through diverse and appropriate channels, and should begin at an early age and be accessible for all life stages. Specific programmes and approaches related to financial education should be targeted for vulnerable groups of financial consumers.

All relevant stakeholders should be encouraged to implement the international principles and guidelines on financial education developed by the OECD International Network on Financial Education (INFE). Further national and international comparable information on financial education and awareness should be compiled by national institutions and relevant international organisations in order to assess and enhance the effectiveness of approaches to financial education.

6. Responsible Business Conduct of Financial Services Providers and Authorised Agents

Financial services providers and authorised agents should have as an objective, to work in the best interest of their customers and be responsible for upholding financial consumer protection. Financial services providers should also be responsible and accountable for the actions of their authorised agents.

Depending on the nature of the transaction and based on information primarily provided by customers financial services providers should assess the related financial capabilities, situation and needs of their customers before agreeing to provide them with a product, advice or service. Staff (especially those who interact directly with customers) should be properly trained and qualified. Where the potential for conflicts of interest arise, financial services providers and authorised agents should endeavour to avoid such conflicts. When such conflicts cannot be avoided, financial services providers and authorised agents should ensure proper disclosure, have in place internal mechanisms to manage such conflicts, or decline to provide the product, advice or service.

The remuneration structure for staff of both financial services providers and authorised agents should be designed to encourage responsible business conduct, fair treatment of consumers and to avoid conflicts of interest. The remuneration structure should be disclosed to customers where appropriate, such as when potential conflicts of interest cannot be managed or avoided.

7. Protection of Consumer Assets against Fraud and Misuse

Relevant information, control and protection mechanisms should appropriately and with a high degree of certainty protect consumers' deposits, savings, and other similar financial assets, including against fraud, misappropriation or other misuses.

8. Protection of Consumer Data and Privacy

Consumers' financial and personal information should be protected through appropriate control and protection mechanisms. These mechanisms should define the purposes for which the data may be collected, processed, held, used and disclosed (especially to third parties). The mechanisms should also acknowledge the rights of consumers to be informed about data-sharing, to access data and to obtain the prompt correction and/or deletion of inaccurate, or unlawfully collected or processed data.

9. Complaints Handling and Redress

Jurisdictions should ensure that consumers have access to adequate complaints handling and redress mechanisms that are accessible, affordable, independent, fair, accountable, timely and efficient. Such mechanisms should not impose unreasonable cost, delays or burdens on consumers. In accordance with the above, financial services providers and authorised agents should have in place mechanisms for complaint handling and redress. Recourse to an independent redress process should be available to address complaints that are not efficiently resolved via the financial services providers and authorised agents internal dispute resolution mechanisms. At a minimum, aggregate information with respect to complaints and their resolutions should be made public.

10. Competition

Nationally and internationally competitive markets should be promoted in order to provide consumers with greater choice among financial services and create competitive pressure on providers to offer competitive products, enhance innovation and maintain high service quality. Consumers should be able to search, compare and, where appropriate, switch between products and providers easily and at reasonable and disclosed costs.

December xx, 2015

Expert Advisory Panel – FSCO/FST/DICO Mandate Reviews
Ministry of Finance
Financial Institutions Policy Branch & Income Security & Pension Policy Division
Frost Building North, Room 424
95 Grosvenor Street, 4th Floor
Toronto, ON M7A 1Z1
Email: fipbmandatereview@ontario.ca

Subject: Review of FSCO, FST and DICO Mandates – Preliminary Position Paper

Dear Messrs. Cooke, Daw, and Ritchie:

CAFII is pleased to provide feedback on the recommendations made in your Preliminary Position Paper.

Overall, we would support the establishment of a Financial Services Regulatory Authority (FSRA) as outlined in the Paper but we are of the view that many of the recommendations would be valuable whether or not the government implements the structural model you outline in section *II.4 Our Preliminary Recommendations*. In addition, we agree with the underlying goal of creating a nimble, flexible and innovative regulator which ensures that consumers have a consistently high level of service and protection, without burdening market participants with undue regulatory costs or complexity.

With respect to the specific recommendations on the proposed new regulatory agency, we agree in particular with the proposals that

- its mandate should incorporate, within the agency's constituting statute, a specific statement of principles; a specific statement of purpose; and express statutory authorities for enforcement;
- the mandate should strike a balance between strong and effective consumer protection and fostering a strong, vibrant and competitive financial services sector;
- the mandate should include a commitment to encourage innovation and transparency within the regulated sectors;
- it should be required by statute to take a risk-based and outcomes-based approach to regulation, through which the policy objectives and likely outcomes are considered and explicitly articulated;
- if the FSRA's Board is granted rule-making authority, rules should be drafted with significant stakeholder/public input and dialogue and be subject to a rule-making process set out in the statute and to timely review by the Minister of Finance;
- it should only act as a prudential regulator for a limited and defined class of entities (for example, those that operate solely in Ontario), and efforts should be made to transfer the oversight of others to the federal Office of the Superintendent of Financial Institutions (OSFI); and
- its role in national regulatory bodies should be incorporated within its mandate, with a requirement that the work done by these groups be reported back to its governing body.

With respect to Recommendation 4(c), we do not oppose adherence to the OECD's G20 High-Level Principles on Financial Consumer Protection being referenced. However, we strongly urge that, with respect to insurance regulation, the mandate should be informed by the the International Association of Insurance Supervisors' (IAIS) Insurance Core Principles.

If the FSRA is given authority over, and responsibility for, the oversight of self-regulatory bodies (Recommendation #9), we would like to restate our position that should any such bodies be created by the FSRA (e.g. an Insurance Council), they should be "channel neutral". That is, any such SRO or Council should be designed such that the interests of all distribution channels are well-served and the representatives of any particular channel are not in a position to make decisions which could negatively affect or disadvantage competing channels.

Thank you for the opportunity to share CAFII's comments in response to the recommendations put forward in your Preliminary Position Paper. We applaud the Panel for doing such a thorough job and for reflecting the views of many diverse stakeholders. We recognize that this is a first step in the process and look forward to providing additional input as the journey towards mandate renewal for FSCO, FST, and DICO continues.

Should you require more information or clarification from CAFII or wish to meet with our Association as you prepare your final recommendations for the Minister of Finance, please contact Brendan Wycks, our Executive Director, at brendan.wycks@cafii.com or 647-218-8243.

Sincerely,

Greg Grant, MBA, FLMI, ACS
Board Secretary and Chair, Executive Operations Committee
Canadian Association of Financial Institutions in Insurance

c.c. David McLean, Policy Advisor, Financial Institutions Policy Branch, Ontario Ministry of Finance

ABOUT CAFII

The Canadian Association of Financial Institutions in Insurance (CAFII) is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. CAFII was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels, i.e. client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the internet. CAFII members offer travel, life, health, property and casualty, and creditor's group insurance across Canada.

CAFII's full members are the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Financial Security; National Bank Insurance; RBC Insurance; Scotiabank Financial; and TD Insurance – along with major industry players American Express, Assurant Solutions, Canadian Premier Life Insurance Company, and The CUMIS Group Ltd.

CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services.



October 26, 2015

Insurance Industry Stakeholders

Re: Harmonized Annual Statement on Market Conduct

Dear (Stakeholder CEO/President):

Please find enclosed an initial draft of a proposed harmonized annual statement on market conduct ("Annual Statement"). The Annual Statement has been developed by CCIR to provide regulators with basic information needed to proactively monitor market conduct practices and to align oversight activities with international supervisory standards, particularly as they relate to the fair treatment of consumers. The harmonized form will reduce duplication and eliminate the need for insurers to provide similar and often identical information to multiple regulatory authorities.

The Annual Statement is considered to be a key aspect of the increased information sharing and collaborative approach to supervision that has been adopted by CCIR members. The data proposed to be collected is intended to measure outcomes that are outlined in the Insurance Core Principles (ICP) of the International Association of Insurance Supervisors (IAIS). The information collected in the Annual Statement will assist CCIR members in being better informed about insurer activities and practices in the market place as well as in identifying potential areas for review and developing cooperative supervisory plans.

CCIR would appreciate input from industry stakeholders on this initial draft as we proceed with the development of an information request that is suitable for all provinces and territories. In particular, industry input is being sought on the following:

- The availability of proposed information to be reported by insurers;
- The method of collection – separate excel based request or incorporation into standardized regulatory filings;
- The appropriateness of integrating all market conduct information (including consumer complaints) in one form; and

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- Consistency of the terminology contained in the proposed Annual Statement with that of the industry.

It should be noted that, as it is intended for national usage, the proposed Annual Statement includes information that CCIR members intend to obtain. In addition, CCIR members expect that insurers are currently collecting the information requested in the proposed Annual Statement.

Industry consultation is a valuable part of our process to develop a harmonized information request. As such, CCIR would appreciate it if you could provide comments and input to Martin Boyle, CCIR Policy Manager, at martin.boyle@fSCO.gov.on.ca by Friday, November 27. If you believe that a conference call to discuss particular items is necessary, please include a request together with your written comments.

Regards,



Patrick Déry
Chair
Canadian Council of Insurance Regulators

1. General Instructions

1. The data provided must cover the calendar year ended in 2015 (General)

- a) All amounts reported should be in thousands of dollars (\$000s).
- b) Some fields will only accept a numeric response.
- c) The information requested is required to establish trends and evaluate the means implemented by the industry regarding fair treatment of consumers.
- d) You must provide a response to all questions. If the response options do not apply or relate to your company, please select "Other" and provide details in the appropriate space

f) In the chart, use a different line each time the response in the first column may be divided. **See the example: (The name in the first column should not be repeated).**

Name of client	Type of products	Activities being outsourced by you
ABC inc.	Short term disability insurance	Claims management
	Long term disability insurance	Complaints management
	Health spending account	
DEF inc.	Dental care benefit	Premium management
		Complaints management
		Other, specify in the appropriate cell below
GHI inc.	Short term disability insurance	Claims management
	Dental care benefit	

- g) At the end of each section, a general comments section has been provided for any additional comments you may wish to provide.

2. General Information and Governance (2)

- a) Select the box for each jurisdiction you hold a license. For each jurisdiction selected, please enter your license type and classes of insurance.
- b) Employees means any regular salaried employee, including executives and representatives.
- c) The actions performed with employees for fair treatment of consumers relate to activity affecting governance, code of ethics, conflicts of interest, incentives management, disclosure to customers, claims, complaints and the protection of personal information.

3. Product changes (4, 5 and 6)

- a) List all the products you have sold during the last fiscal year, even if there were no changes in the products.
- b) In the business line column, please indicate the main guarantee only.

4. Premiums and Claims by Distribution Channel (7 and 7.1)

- a) Broker includes general agent and master general agent.
- b) For mutual benefit association, enter "member agent" in "Other" and specify in the space below.

5. List of distribution channels (8)

- a) For each distribution channel, indicate the classes of insurance. Then, list your 10 largest distributors (determined by amount of direct written premium). Do not repeat the distribution channel and the classes of insurance on each line.

6. Sales and incentives management (9)

a) Sales team means brokers, agents, exempt sellers and without a representative (Quebec only).

b) Management team means, for example, directors, supervisors, etc.

c) List variable remuneration (eg cash prizes, training, bonus) and the methods used to calculate it.

7. Claims Examination and Complaints (11)

a) Active court cases means all the cases open at the beginning of the year plus the cases opened during the year, regardless of what moment they were closed. Please enter only the court cases involving a dispute between the insurer and an insured.

2. General Information and Governance												
1. W hich provincial jurisdictions are you licensed in?												
Province		Licensed	Classes of insurance Please enter all your classes of insurance.									
<input type="checkbox"/>	Newfoundland & Labrador											
<input type="checkbox"/>	Prince Edward Island											
<input type="checkbox"/>	Nova Scotia											
<input type="checkbox"/>	New Brunswick											
<input type="checkbox"/>	Quebec											
<input type="checkbox"/>	Ontario											
<input type="checkbox"/>	Manitoba											
<input type="checkbox"/>	Saskatchewan											
<input type="checkbox"/>	Alberta											
<input type="checkbox"/>	British Columbia											
<input type="checkbox"/>	Yukon											
<input type="checkbox"/>	Northwest Territories											
<input type="checkbox"/>	Nunavut											
<input type="checkbox"/>	Out of Canada											
If "Other", please provide details.												

2. General Information and Governance

[illegible]

2. In the past year, have you filed an application with another regulator in Canada to add a class of insurance?

[illegible]

2. General Information and Governance	
	If "Other", please provide details.
	3

2. General Information and Governance		
3. Name of the senior officer in charge of ensuring the development, implementation and enforcement of fair treatment of customers related operational policies and practices at December 31:		
a) Name of the senior officer:		
b) Position:		
c) Address:		
d) Telephone number:		
e) Email address:		
4. Total number of employees at December 31:		
5. Have you adopted a code regarding the fair treatment of consumers?		
If yes, please complete questions below:		
a) What year did you adopt the code?		
b) Has your board endorsed this code?		
c) Is the code published on your website?		
d) Have you communicated this code to all of your staff?		
e) Have you implemented operational policies and practices to embed this code into your corporate culture?		
6. Nature and frequency of actions performed with employees for fair treatment of consumers:		
a) Training	<input type="text"/>	hrs
b) Written communications	<input type="text"/>	times
c) Oral communications	<input type="text"/>	times
d) Other: specify in the space below	<input type="text"/>	times
7. During the past year, have you been subjected to any regulatory action by a regulator outside of Canada?		
If yes, please provide details (which regulator, product concerned, outcome, etc.):		

2. General Information and Governance		
4		
8. Did you have to manage situations involving a conflict of interest?		
If yes, how many?		
a) Board and senior management		
b) Employees		
Please provide details:		
9. How many internal audits, reviews or assessments of your business conduct controls have been made over the past year?		
a) How many have focused on the fair treatment of consumers?		
b) Have all deficiencies and potential deficiencies in the controls identified during these audits, reviews and assessments been corrected?		
10. General comments:		
5		

3. Design and Marketing of Products

1. Have you made changes to your target market for your products? As example, small business vs fortune 500 commercial, middle class vs upper-class income.

2. In the past year, did you introduce or offer a new insurance product (business line, operational sector, etc.) in a provincial jurisdiction under a new insurance policy, an endorsement or a change to an insurance policy or endorsement?

3. If you answered yes to question 2, did the coverage offered correspond to the features of a class of insurance set out under the Insurance Companies Act or a provincial Act respecting insurance, but which is not mentioned on your licence?

If you answered yes, please provide details of the coverage offered in the case below:

4. Have you conducted surveys on customer satisfaction?

5. If you answered yes, please fill the table below: *(Please use a different line for each survey)*

[illegible]

3. Design and Marketing of Products			
Other type of survey:			
Other type of subject:			
6. General comments:			

3. Design and Marketing of Products

1. Have you made changes to your target market for your products? As example, small business vs fortune 500 commercial, middle class vs upper-class income.

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[illegible]

3. Design and Marketing of Products			
Other type of survey:			
Other type of subject:			
6. General comments:			

4. Product - Individual

1. Product

	Product name	Business lines	Changes in the offer or in the product	Date of change (YYYY/MM/DD)	Type of change, if applicable	Comments or any additional information you wish to provide
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						

4. Product - Individual					
1. Product					
Product name	Business lines	Changes in the offer or in the product	Date of change (YYYY/MM/DD)	Type of change, if applicable	Comments or any additional information you wish to provide
20					
7					

4. Product - Individual

1. Product

	Product name	Business lines	Changes in the offer or in the product	Date of change (YYYY/MM/DD)	Type of change, if applicable	Comments or any additional information you wish to provide
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						

4. Product - Individual					
1. Product					
Product name	Business lines	Changes in the offer or in the product	Date of change (YYYY/MM/DD)	Type of change, if applicable	Comments or any additional information you wish to provide
40					
8					

4. Product - Individual

1. Product

	Product name	Business lines	Changes in the offer or in the product	Date of change (YYYY/MM/DD)	Type of change, if applicable	Comments or any additional information you wish to provide
41						
42						
43						
44						
45						
46						
47						
48						
49						
50						

If "Other", please provide details.

5. Product - Group

1. Product

	Product name	Business lines	Changes in the offer or in the product	Date of change (YYYY/MM/DD)	Type of change, if applicable	Comments or any additional information you wish to provide
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						

5. Product - Group					
1. Product					
Product name	Business lines	Changes in the offer or in the product	Date of change (YYYY/MM/DD)	Type of change, if applicable	Comments or any additional information you wish to provide
20					
10					

5. Product - Group

1. Product

	Product name	Business lines	Changes in the offer or in the product	Date of change (YYYY/MM/DD)	Type of change, if applicable	Comments or any additional information you wish to provide
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						

5. Product - Group					
1. Product					
Product name	Business lines	Changes in the offer or in the product	Date of change (YYYY/MM/DD)	Type of change, if applicable	Comments or any additional information you wish to provide
40					
11					

5. Product - Group

1. Product

	Product name	Business lines	Changes in the offer or in the product	Date of change (YYYY/MM/DD)	Type of change, if applicable	Comments or any additional information you wish to provide
41						
42						
43						
44						
45						
46						
47						
48						
49						
50						

If "Other", please provide details.

6. Product - Segregated Funds

1. Product

	Product name	Changes in the offer or in the product	Date of change (YYYY/MM/DD)	Type of change, if applicable	Comments or any additional information you wish to provide
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					

6. Product - Segregated Funds				
1. Product				
Product name	Changes in the offer or in the product	Date of change (YYYY/MM/DD)	Type of change, if applicable	Comments or any additional information you wish to provide
15				
13				

6. Product - Segregated Funds

1. Product

Product name	Changes in the offer or in the product	Date of change (YYYY/MM/DD)	Type of change, if applicable	Comments or any additional information you wish to provide
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				

6. Product - Segregated Funds				
1. Product				
Product name	Changes in the offer or in the product	Date of change (YYYY/MM/DD)	Type of change, if applicable	Comments or any additional information you wish to provide
30				
14				

6. Product - Segregated Funds

1. Product

Product name	Changes in the offer or in the product	Date of change (YYYY/MM/DD)	Type of change, if applicable	Comments or any additional information you wish to provide
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				

6. Product - Segregated Funds				
1. Product				
Product name	Changes in the offer or in the product	Date of change (YYYY/MM/DD)	Type of change, if applicable	Comments or any additional information you wish to provide
45				
15				

6. Product - Segregated Funds

1. Product

Product name	Changes in the offer or in the product	Date of change (YYYY/MM/DD)	Type of change, if applicable	Comments or any additional information you wish to provide
46				
47				
48				
49				
50				

If "Other", please provide details.

7. Premiums and Claims by Distribution Channel - P&C												
(\$000)												
1. Premium and claims by distribution channel - Consolidated												
Class of Insurance	Gross Premiums Earned						Claims Incurred					
	Agency or Direct	Brokers	Without a Repr. (Quebec) or Exempt Sellers	Restricted Agent (AB, SK, MB)	Other, please specify	Total	Agency or Direct	Brokers	Without a Repr. (Quebec) or Exempt Sellers	Restricted Agent (AB, SK, MB)	Other, please specify	Total
Property												
1 Personal excluding Home and Product Warranty						0						0
2 Home Warranty						0						0
3 Product Warranty						0						0
4 Subtotal - Personal	0	0	0	0	0	0	0	0	0	0	0	0
5 Commercial						0						0
6 Property - Total	0	0	0	0	0	0	0	0	0	0	0	0
7 Aircraft						0						0
8 Automobile												
Private Passenger												
9 Liability	1					1						0
10 Personal Accident	1					1						0
11 Other	1					1						0
12 Subtotal - Private Passenger	3	0	0	0	0	3	0	0	0	0	0	0
Other than Private Passenger												
13 Liability	1					1						0
14 Personal Accident	1					1						0
15 Other	1					1						0
16 Subtotal - Other than Private Passenger	3	0	0	0	0	3	0	0	0	0	0	0
Facility Assoc. Residual Market												
17 Liability	1					1						0
18 Personal Accident	1					1						0
19 Other	1					1						0
20 Subtotal - Facility Assoc. Residual Market	3	0	0	0	0	3	0	0	0	0	0	0
Automobile - Subtotal												
21 Liability	3	0	0	0		3	0	0	0	0		0
22 Personal Accident	3	0	0	0		3	0	0	0	0		0
23 Other	3	0	0	0		3	0	0	0	0		0
24 Automobile - Total	9	0	0	0	0	9	0	0	0	0	0	0
Boiler and Machinery												
26 Excluding Equipment Warranty						0						0
27 Equipment Warranty						0						0
28 Boiler and Machinery - Total	0	0	0	0	0	0	0	0	0	0	0	0
<div>17</div>												
29 Credit						0						0

7. Premiums and Claims by Distribution Channel - P&C												
(\$000)												
1. Premium and claims by distribution channel <i>Consolidated</i>												
Class of Insurance	Gross Premiums Earned						Claims Incurred					
	Agency or Direct	Brokers	Without a Repr. (Quebec) or Exempt Sellers	Restricted Agent (AB, SK, MB)	Other, please specify	Total	Agency or Direct	Brokers	Without a Repr. (Quebec) or Exempt Sellers	Restricted Agent (AB, SK, MB)	Other, please specify	Total
30 Credit Protection						0						0
31 Fidelity						0						0
32 Hail						0						0
33 Legal Expense						0						0
Liability												
34 Comprehensive General Liability (with products)						0						0
35 Comprehensive General Liability (without products)						0						0
36 Cyber Liability						0						0
37 Directors and Officers Liability						0						0
38 Excess Liability						0						0
39 Professional Liability						0						0
40 Umbrella Liability						0						0
41 Pollution Liability						0						0
42 All other						0						0
43 Liability - Total	0	0	0	0	0	0	0	0	0	0	0	0
44 Mortgage						0						0
45 Other Approved Products						0						0
Surety												
46 Contract Surety						0						0
47 All Other Surety						0						0
48 Surety - Total	0	0	0	0	0	0	0	0	0	0	0	0
49 Title						0						0
50 Marine						0						0
51 Accident and Sickness						0						0
TOTAL	9	0	0	0	0	9	0	0	0	0	0	0
If "Other", please provide details.												
2. General comments:												

7.1. Premiums and Claims by Distribution Channel - LIFE

1. Premium and claims by distribution channel	<i>Consolidated</i>
---	---------------------

[illegible]

If "Other", please provide details.

2. General comments:	
----------------------	--

8. List of Distribution Channels

1. List

[illegible]

8. List of Distribution Channels

[illegible]

8. List of Distribution Channels

2. Other type of advantage:

3. General comments:

9. Sales and Incentives Management

1. Do you ensure that your remuneration or evaluation is not in conflict with the customer's interest:

a) Regarding the sales staff (broker, agency or direct, restricted agent, without a representative)?		
b) Regarding the claims personnel?		

2. Excluding personnel whose remuneration is fully variable, the variable proportion of the remuneration of staff in relation to customer can reach :

a) Not applicable	<input type="checkbox"/>	
b) Less than 10% of base salary	<input type="checkbox"/>	
c) 10% to 29% of base salary	<input type="checkbox"/>	
d) 30% to 60% of base salary	<input type="checkbox"/>	
e) 61% to 99% of base salary	<input type="checkbox"/>	
f) 100% and more of base salary	<input type="checkbox"/>	

3. List of compensation methods other than fixed commission and base salary (Please, check all that apply to you):

a) Sales team:	b) Management team:	Type of variable remuneration:
<input type="checkbox"/>	<input type="checkbox"/>	Cash prizes or other gifts
<input type="checkbox"/>	<input type="checkbox"/>	Training (eg convention)
<input type="checkbox"/>	<input type="checkbox"/>	Training in other country (eg convention)
<input type="checkbox"/>	<input type="checkbox"/>	Money loan
<input type="checkbox"/>	<input type="checkbox"/>	Profit sharing
<input type="checkbox"/>	<input type="checkbox"/>	Bonus
<input type="checkbox"/>	<input type="checkbox"/>	Other, please specify in the space below:

4. Other type of variable remuneration (Please, check all that apply to you):

a) Sales team:	b) Management team:	Bases of variable remuneration:
<input type="checkbox"/>	<input type="checkbox"/>	Sales volume
<input type="checkbox"/>	<input type="checkbox"/>	Sales of designated products
<input type="checkbox"/>	<input type="checkbox"/>	New sales
<input type="checkbox"/>	<input type="checkbox"/>	Renewal
<input type="checkbox"/>	<input type="checkbox"/>	Retention
<input type="checkbox"/>	<input type="checkbox"/>	Transfer of volume
<input type="checkbox"/>	<input type="checkbox"/>	Contingency
<input type="checkbox"/>	<input type="checkbox"/>	Benefit-ratio gap
<input type="checkbox"/>	<input type="checkbox"/>	Claims ratio
<input type="checkbox"/>	<input type="checkbox"/>	Sales contests on designated products
<input type="checkbox"/>	<input type="checkbox"/>	Sales contests on sales volumes
<input type="checkbox"/>	<input type="checkbox"/>	Customer satisfaction or recommendation
<input type="checkbox"/>	<input type="checkbox"/>	Other, please specify in this space below:

5. Other specific comments on incentives:

9. Sales and Incentives Management

9. Sales and Incentives Management

6. List of Administrative Services Only (ASO) Plans administrated (LIFE ONLY): (Please, write the name of client and use a different line for each distribution method and activities outsourced. Do not repeat the name of the client on each line).

	Name of client	Type of products	Activities being outsourced by you	
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				

7. Other types of products:

--

8. Other activities outsourced:

--

9. Sales and Incentives Management

9. Sales of product:

	Classes of insurance	Numbers of applications	Number of applications automatically accepted	Number of applications accepted further to selection	Number of quotes declined
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					

10. Please, check the 3 main reasons for application refusals and add the proportion (%):

Proportion for the 3 main reasons		
	Life	P & C
<input type="checkbox"/> Pre-existing conditions	<input type="text"/>	<input type="text"/>
<input type="checkbox"/> Age	<input type="text"/>	<input type="text"/>
<input type="checkbox"/> Genetic profile	<input type="text"/>	<input type="text"/>
<input type="checkbox"/> Smoking	<input type="text"/>	<input type="text"/>
<input type="checkbox"/> Claims history	<input type="text"/>	<input type="text"/>
<input type="checkbox"/> Medical conditions, sickness	<input type="text"/>	<input type="text"/>
<input type="checkbox"/> Property features	<input type="text"/>	<input type="text"/>
<input type="checkbox"/> Type of automobile (features, age, etc)	<input type="text"/>	<input type="text"/>
<input type="checkbox"/> Geographic location, excluding mapping	<input type="text"/>	<input type="text"/>
<input type="checkbox"/> Mapping (concentration)	<input type="text"/>	<input type="text"/>
<input type="checkbox"/> Credit score	<input type="text"/>	<input type="text"/>
<input type="checkbox"/> Guarantee asked not offered	<input type="text"/>	<input type="text"/>
<input type="checkbox"/> Risk value too high	<input type="text"/>	<input type="text"/>
<input type="checkbox"/> Sale of products, customer service before or during the purchase	<input type="text"/>	<input type="text"/>
<input type="checkbox"/> Other, please specify in the case below.	<input type="text"/>	<input type="text"/>

11. Other main reasons for refusals

9. Sales and Incentives Management

12. General comments:

10. Advertising

1. Number of advertising campaigns:

2. Types of media used (Please, check all that apply to you):

- ☐ Newspapers
- ☐ Magazines
- ☐ Email
- ☐ Letters
- ☐ Television
- ☐ Radio
- ☐ Internet
- ☐ Advertising signs
- ☐ Other, please specify in the case below.

3. Other media used:

4. General comments:

11. Claims Examination and Complaints

1. Claims

Classes of insurance	Total number of claims presented	Amount paid in benefits	Number of claims denied	Original amount claimed relating to denied claims	Number of active court cases
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

2. Please, check the 3 main reasons for claims denial and add the proportion (%)

Proportion for the 3 main reasons

	Life	P & C	
<input type="checkbox"/> Exclusions and limitations	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/> Cancellation	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/> Delay	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/> Not covered, except for exclusions and limitations	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/> Fraud	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/> Misrepresentation or concealment of material facts	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/> Other, please specify in the case below.	<input type="text"/>	<input type="text"/>	

3. Other main reasons for claims denial:

11. Claims Examination and Complaints

26

4. Complaints:

Classes of insurance	Number of complaints received	Number of complaints OmbudService was involved in (including AMF - Quebec only)	
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
5. Internal OmbudService?		If yes, please specify	
6. External OmbudService?		If yes, please specify	
7. Please, check the 3 main reasons for complaints and add the proportion (%)			
Proportion for the 3 main reasons			

11. Claims Examination and Complaints

	Life	P & C	
<input type="checkbox"/> Exclusions and limitations	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/> Cancellation	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/> Delay	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/> Not covered, except for exclusions and limitations	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/> Interpretation of policy	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/> Claim denied	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/> Customer service after the purchase	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/> Features of products	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/> Sale of products, customer service before or during the purchase	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/> Other, please specify in the space below.	<input type="checkbox"/>	<input type="checkbox"/>	
8. Other main reasons for complaints			
9. General comments:			

12. Protection of Personal Information

1. Breaches of confidentiality

Breach date		Number of insured affected (potential)	Type of breach	Duration of breach before detection (in days)	Disclosure to insured affected?
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

2. Other type of breach:

3. If applicable, actions taken and deadlines for their implementation for each breach. Please indicate the number of breaches.

[illegible]

12. Protection of Personal Information

28

4. Request for access to personal information :

Class of insurance	Number of requests for access to personal information received	Number of requests for personal information refused, including partial refusals*	Number of requests for rectifications to personal information	
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

* Disregard refusals based on Professional secrecy or privilege

5. General comments:

29

December 4, 2015

Patrick Déry
Chair, Canadian Council of Insurance Regulators
c/o CCIR Secretariat
5160 Yonge St. Box 85
Toronto, ON M2N 6LN

Re: Harmonized Annual Statement on Market Conduct

Dear Monsieur Déry:

This is in response to your October 26, 2015 letter to Insurance Industry Stakeholders regarding the CCIR's proposed Harmonized Annual Statement on Market Conduct. On behalf of the Canadian Association of Financial Institutions in Insurance (CAFII), I thank you for the opportunity to respond.

CAFII is pleased to see the CCIR take a nationally harmonized approach to collection of information from insurers. As our members reviewed the consultation paper, two main concerns became apparent, namely, the volume and usefulness of the data in achieving the aim of Fair Treatment of Customers (FTC) and the need for confidentiality of some of the information requested.

Volume of data / Usefulness in achieving FTC

The CCIR is no doubt aware that a large volume of data has been requested. Where that data currently exists, it may reside in different systems, across different business lines and will need to be retrieved, verified for accuracy, and collated/formatted for use. In addition, some of the information requested may not currently reside on our systems and will need to be created and/or calculated from scratch. This will take a significant amount of time for insurers, especially the first time through, and we would ask for 18 – 24 months lead time. On an ongoing basis, and assuming no changes to the data are requested, we would require 2-3 months to produce the required reports. (If new or revised data is requested, we would require 12 – 18 months lead time.) It is also worth noting that most of our members have a fiscal year-end of October 31 and it would be useful for the data pull to coincide with that cycle. Of course, it will be costly to provide this data and those costs will ultimately be borne by consumers.

Perhaps more importantly, CAFII's view is that a more effective and useful demonstration of FTC would be the provision to CCIR of information that details existing market conduct practices such as codes of conduct, employee training programs, or complaint handling procedures. This type of information is similar to what is currently provided to other government bodies which also have a consumer protection mandate, e.g. the Financial Consumer Agency of Canada (FCAC). In this regard, CAFII was pleased to read in CCIR's November 2015 "Framework for Cooperative Market Conduct Supervision in Canada" that the National Complaint Reporting System (CRS) will also be used to provide additional data and information regarding consumer complaints.

Confidentiality/Self-evaluative Privilege

Much of the data requested is proprietary in nature and its public release could be harmful to insurers and result in anti-competitive activities. Naturally, this is an area of significant concern for our members. As you are aware, only a minority of provinces have adopted a self-evaluative privilege provision similar to the model endorsed by the CCIR in its May 2008 “Final Report on Privilege Model and Whistle Blower Protection.” We strongly encourage that all jurisdictions adopt a substantially similar self-evaluative privilege protection prior to, or coincident with, the implementation of this initiative.

In line with our concern around confidentiality, CAFII would request that the data be submitted on a secure online platform rather than through submission of files by email.

CAFII applauds the CCIR for taking a nationally harmonized approach to addressing the issue of Fair Treatment of Customers but as described above, we think that there may be more effective ways to address that issue. However, if CCIR decides to continue with a data-driven approach then sufficient time needs to be provided to insurers to produce the information and the data should be subject to enforceable self-evaluative privilege.

Thank you once again for the opportunity to provide comments on this important initiative. Should you require more information from CAFII or wish to meet with our Association at any time, please contact our Executive Director, Brendan Wycks, at brendan.wycks@cafii.com or 647-218-8243.

Sincerely,



Greg Grant, MBA, FLMI, ACS
Board Secretary and Chair, Executive Operations Committee
Canadian Association of Financial Institutions in Insurance

ABOUT CAFII

The Canadian Association of Financial Institutions in Insurance (CAFII) is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. CAFII was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels. CAFII members provide insurance through client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the internet.

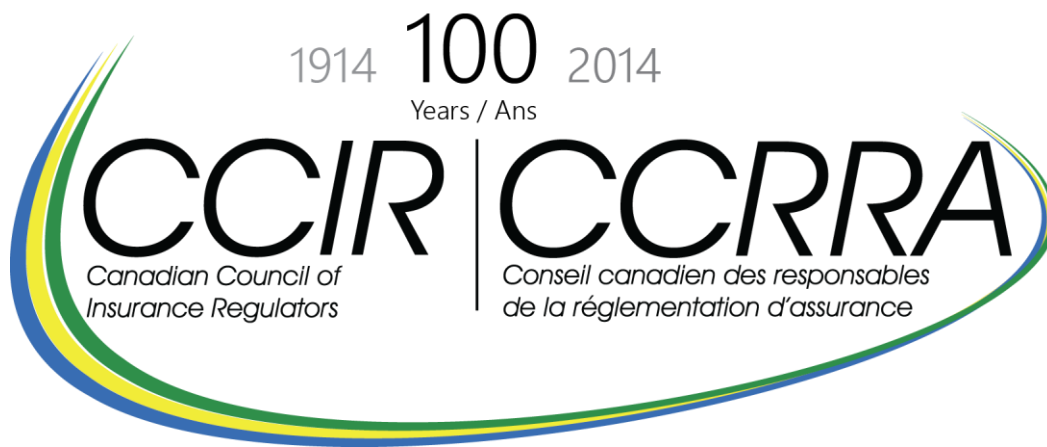
CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services.

CAFII is currently the only Canadian Association with members involved in all major lines of personal insurance. CAFII's full members are the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Financial Security; National Bank Insurance; RBC Insurance; Scotiabank Financial; and TD Insurance – along with major industry players American Express, Assurant Solutions, Canadian Premier Life Insurance Company, and The CUMIS Group Ltd.

In addition, CAFII has 10 Associates that support the role of financial institutions in insurance.

CAFII members offer travel, life, health, property and casualty, and creditor's group insurance across Canada. In particular, creditor's group insurance and travel insurance are the product lines of primary focus for the Association as our members' common ground. In addition, we advocate on behalf of alternate distribution of insurance – through channels such as direct mail, contact centres, and the internet including mobile devices -- and in support of regulatory structures that foster an open marketplace where consumers can freely choose how and where to purchase coverage.

CAFII's diverse membership enables our Association to take a broad view of the regulatory regime governing the insurance marketplace. CAFII works with government and regulators (primarily provincial) to develop a legislative and regulatory framework for the insurance sector that helps ensure Canadian consumers get the insurance products that suit their needs. Our aim is to ensure appropriate standards are in place for the distribution and marketing of all insurance products and services.



Framework for Cooperative Market Conduct Supervision in Canada

November 2015

1 Purpose

The Framework for Cooperative Market Conduct Supervision in Canada (“Cooperative Framework”) is intended to provide further clarity regarding the Canadian Council of Insurance Regulators (“CCIR”) members’ commitment to greater collaboration and information sharing in the oversight of market conduct risk in the insurance industry. As such, it identifies the basis and purpose of that commitment and provides a high-level overview of processes and practices intended to support and implement more collaborative and cooperative supervisory activities pertaining to market conduct. It identifies the key components that are being developed and implemented and consolidates CCIR’s policies and materials related to the increased collaboration and information sharing.

Each supervisory authority is expected to adopt the Cooperative Framework in a manner that is appropriate for their jurisdiction and market. This may include enhancing the existing regulatory framework within a jurisdiction to ensure alignment with the principles and regulatory objectives of the Cooperative Framework.

The Cooperative Framework is not intended to impact or alter existing obligations and requirements affecting regulated entities.

2 Introduction

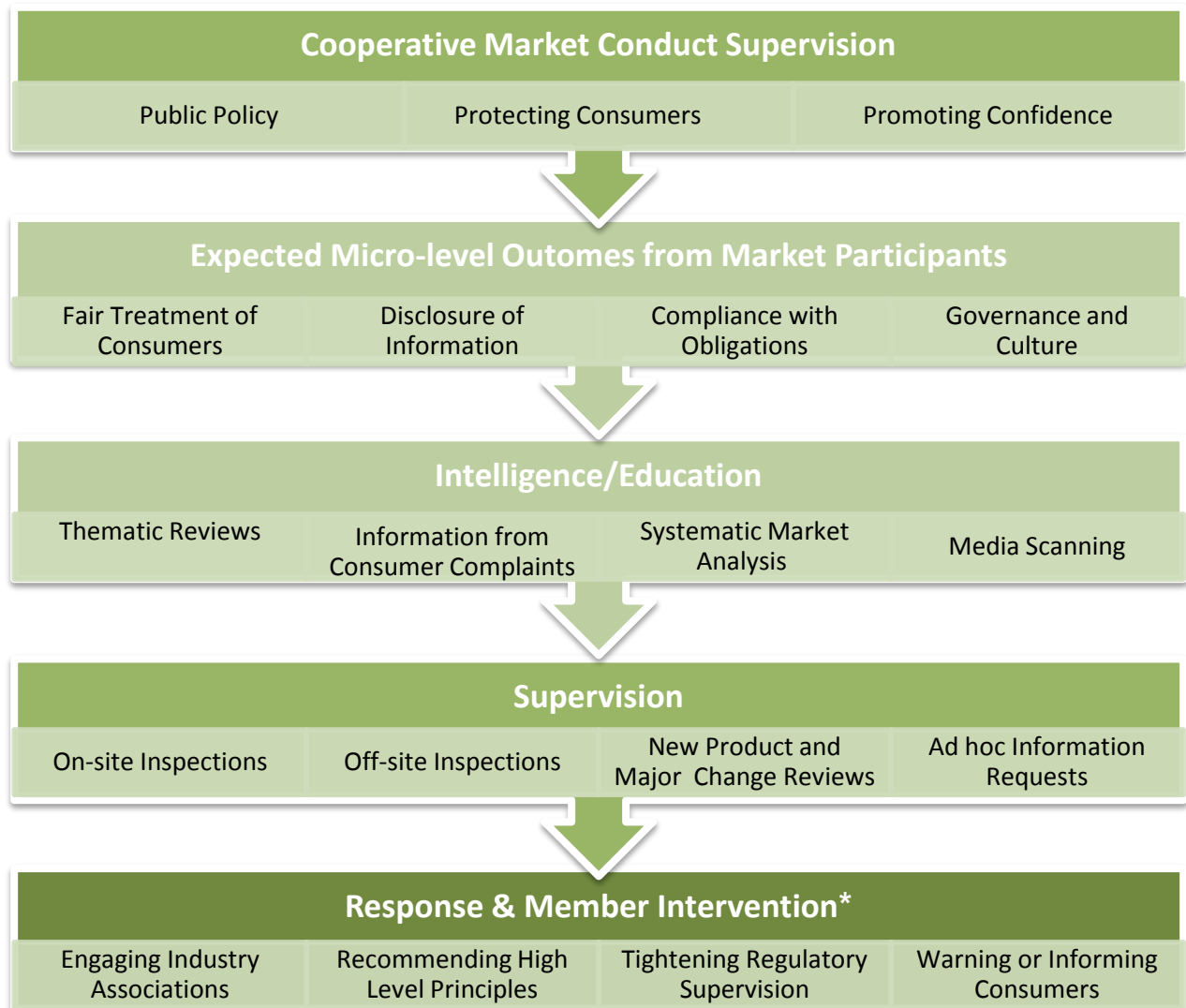
This Cooperative Framework reflects the evolution of market conduct supervision. This evolution has been brought about both through increasing expectations by consumers around the protection they receive, and through a heightened awareness of its importance to the stability of the financial system of proactively protecting consumers from unfair or abusive business practices.

In Canada, the supervision of market conduct practices is the exclusive authority of the provinces and territories. Supervisory authorities in each province and territory—the members of CCIR—are mandated within their respective jurisdictions to supervise the conduct of business of insurers and intermediaries to ensure compliance with laws and regulations, protect consumers from unfair or abusive business practices and work toward the overall fair treatment of consumers throughout the entire lifecycle of an insurance product.

CCIR members have made a commitment to observing, where reasonable, the Insurance Core Principles (“ICPs”) of the International Association of Insurance Supervisors (“IAIS”), which include fostering cooperation, promoting communication and information exchange and facilitating enhanced coordination. This commitment, combined with growing complexity in the insurance market place, has re-emphasized the importance of working together for CCIR members and is expected to result in improved use of regulatory resources, better identification of market conduct issues and more proactive regulatory responses as well as similar levels of consumer protection across provinces and territories.

This Cooperative Framework has been developed to reflect the evolution of market conduct supervision and define an approach to that supervision that is both robust and effective but does not impose an undue burden on market participants. Below is an illustration representing CCIR's vision of cooperative market conduct supervision.

Cooperative Market Conduct Supervisory Framework



*Regulatory action and intervention is within the exclusive authority of the provincial and territorial supervisor where the business is conducted. Any intervention or regulatory action taken will be performed by CCIR members and not the CCIR itself.

2.1 Insurance Core Principles

In 2011, revised ICPs were adopted by the IAIS.¹ The ICPs represent a globally accepted foundation for effective insurance regulation and identify the requirements for a supervisory framework to provide a fair, safe and financially stable insurance sector and adequate consumer protection. ICPs also emphasize fostering cooperation, promoting communication and information exchange and facilitating enhanced coordination.

Of particular importance to the CCIR members are ICP 18 and 19, which specifically address the supervision of market conduct and intermediaries and ICP 25, which focuses on cooperative supervision.

ICP 18 Intermediaries – The supervisor sets and enforces requirements for the conduct of insurance intermediaries, to ensure that they conduct business in a professional and transparent manner.

ICP 19 Conduct of Business – The supervisor sets requirements for the conduct of the business of insurance to ensure customers are treated fairly, both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied.

ICP 25 Supervisory Cooperation and Coordination – The supervisor cooperates and coordinates with other relevant supervisors and authorities subject to confidentiality requirements.

2.2 Implementation of the Memorandum of Understanding

The foundation document behind this Cooperative Framework is 2015's [Memorandum of Understanding and Protocol on Cooperation and the Exchange of Information](#) ("MOU") which establishes the protocol for exchanges of information as part of the cooperative approach to supervision. The MOU also confirms the signatories' commitment to coordinated market conduct supervision, particularly for regulated entities that are active in more than one province or territory.

This Cooperative Framework identifies at a high level how the information exchanges under the MOU will contribute to the development of annual Cooperative Supervisory Plans, the types of information and market intelligence that will be relied upon in developing the plans and CCIR's approach to implementing those plans.

3 Annual Cooperative Market Conduct Supervisory Plans

Each year, CCIR members develop market conduct supervisory plans within their respective jurisdictions. The supervisory plans identify their commitments to proactively address market conduct risk and include

¹ IAIS Website (<http://iaisweb.org/index.cfm?event=getPage&nodeId=25227>)

both entity specific and thematic reviews. These supervisory plans will represent the cornerstone for coordinated regulatory activity under the Cooperative Framework.

CCIR members will meet to discuss their jurisdictions' supervisory plans to identify areas of mutual concern and opportunities for collaboration to achieve the commitments outlined in their plans. When an opportunity for collaboration and cooperation has been identified, a cooperative market conduct supervisory plan ("Cooperative Supervisory Plan") will be drafted for members to conduct coordinated supervisory activities. The Cooperative Supervisory Plans will establish priorities, resourcing requirements, participating jurisdictions, as well as reporting and accountability criteria (refer to *Appendix 1* for information regarding the process to develop and approve *Cooperative Supervisory Plans*).

ICP 25 - Supervisory Cooperation and Coordination

The supervisor cooperates and coordinates with other relevant supervisors and authorities subject to confidentiality requirements.

Supervisory authorities will be cognizant of the number of reviews being conducted, resources available and efforts of individual jurisdictions when developing Cooperative Supervisory Plans in order to avoid placing strain on regulatory resources.

3.1 Cooperative Reviews

In order to provide supervisory authorities with a more informed understanding of the market conduct risks and the conduct of regulated entities, CCIR members will cooperate to conduct thematic and entity-specific reviews together.

3.1.1 Entity-Specific Reviews

Most entity-specific reviews will be determined and scheduled based on a series of factors, including size and market conduct risk weighting. For the reviews that are chosen, supervisory authorities will work together to perform the entity specific supervision (e.g. on-site and off-site). This would normally be led by the jurisdiction where the insurer has its head office ("home regulator") (unless otherwise agreed among CCIR members).

Cooperative entity-specific reviews may include a review of the insurers' market conduct policies, procedures and practices. The scope of these reviews will reflect the home regulator's expectations and may include, but will not be limited to, systematic assessments of compliance with insurer and intermediary codes of conduct; strategic plans; policies and procedures; and internal controls with respect to market conduct risks (refer to *Appendix 2* - for information regarding entity-specific reviews).

3.1.2 Thematic Reviews

Thematic reviews will be used to address emerging market conduct risks. They can involve on-site or off-site supervisory activity and may target specific types of insurers, insurance businesses, or business functions. The areas of focus for thematic reviews may include the sale of certain types of insurance products and particular distribution models and methods.

3.2 Risk Assessment and Planning

It is important to look beyond individual entities as risks are often industry wide. To conduct adequate risk assessment and planning on a national basis greater collaboration among CCIR members is crucial. To accomplish this, CCIR will collect data and utilize market analysis to identify and prioritize market conduct risks, underlying trends within the sector and areas requiring coordinated supervisory focus. The information collected will provide the necessary context and insight for decisions regarding annual Cooperative Supervisory Plans.

3.2.1 Systematic Market Analysis

CCIR members will identify the information and areas that need to be monitored and analyzed on an ongoing basis to allow CCIR to proactively identify market conduct risks. To that end, CCIR has developed the *Annual Market Conduct Statement*, which will be used by every CCIR member to gather information from regulated entities on their market conduct policies and practices (refer to *Appendix 3* for information on the *Annual Market Conduct Statement*).

CCIR members will work with the CCIR Secretariat to provide analytical and support services for the market conduct analysis. Information from a variety of areas and sources will be utilized in the analysis, including the *Annual Market Conduct Statement*, general economy, market participants, business mix, forecasted issues and trends, information from consumer agencies, Ombudservices, the media and other external sources.

3.2.2 Consumer Complaints Statistics

Consumer complaints may be used as an indicator of broader market conduct issues. Supervisory authorities can use complaint investigations and individual issue reviews generated from them to identify broader concerns and trends in insurer market conduct risk.

As a result, the Cooperative Framework intends to leverage the insights obtained through the complaint investigations and individual issue reviews to provide signatories with information on trends and patterns outside of their province or territory. Signatories will therefore be expected to share, on request, the results of their consumer complaint analysis so that other supervisory authorities may benefit from the results of that analysis.

ICP 19 Conduct of Business

19.0.6 Effective assessment of the quality of conduct of insurance business to a large extent requires supervisory consideration of policies, processes and procedures that apply to selling insurance products to customers and servicing these policies...

Consumer complaint analysis will include complaints received by the supervisory authorities as well as those received by insurers. The National Complaint Reporting System will also be used to provide additional data and information regarding consumer complaints (refer to *Appendix 4* for information regarding the *National Complaint Reporting System*).

3.2.3 New Products and Major Product Changes

Regulated entities have been requested to voluntarily inform their supervisory authorities of any new products or major changes in products or operations (e.g. new products, new underwriting criteria, changes in distribution methods, etc.). Supervisory authorities are also interested in the governance processes at each stage of the product life cycle, accountability and improvements in the fair treatment of consumers with respect to the products being introduced or improved. CCIR's request for this proactive disclosure was made for information gathering purposes, however, it also enables supervisors to consider the risks these new products or changes may pose to consumers.

4 Conclusion

The combination of joint planning and participation in market analysis, entity specific supervision and thematic reviews will align Canada's market conduct supervision with international best practices to enhance consumer protection.

Protecting consumers and ensuring they are treated fairly by market participants is the essence of government policy and law pertaining to market conduct in insurance. Indeed market conduct regulation aims to prevent (and manage when prevention is not entirely possible) the dangers that arise from a regulated entity conducting its business in ways that are unfair to consumers or undermine the integrity of the business of insurance and public confidence in the insurance sector as a whole.

This Cooperative Framework is the first step towards strengthening cooperative market conduct supervision in Canada. Continuing on the work CCIR has accomplished in the past, we strive to build on the foundation and work collaboratively with our regulatory partners to continue increase and leverage regulatory capacity nationally to ensure a competitive industry in which consumers are all treated fairly.

5 GLOSSARY

“CCIR” – inter-jurisdictional association of insurance regulators mandated to facilitate and promote an efficient and effective insurance regulatory system in Canada to serve the public interest

“CCIR Secretariat” – CCIR staff providing policy and operational support services for CCIR and the Supervisors.

“Fair Treatment of Consumers” – requirement of Regulated Entities to act with due skill, care and diligence when dealing with consumers throughout all phases of the insurance product cycle.

“Market Conduct” – encompasses any product or service relationship between the insurance industry (insurers or intermediaries) and the public, specifically the risks to customers that arise if an insurer or intermediary fails to treat customers fairly, and includes the terms “conduct of business” and “commercial practices” as used in some jurisdictions.

“Outcomes-oriented Regulation or Supervision” – the attainment of specific supervisory outcomes (i.e., public policy objectives and goals). It emphasizes the results of the regulated activity rather than the process. Desired supervisory outcomes include micro-level outcomes (i.e., fair treatment of consumers, disclosures of information and good governance) and systemic level outcomes (i.e., stable marketplace, proactive identification of issues, fair dispute resolution).

“Regulated Entity” – a licensed or unlicensed business, individual or natural person conducting the business of insurance over which a Supervisor exercises or intends to exercise regulatory authority, including but not limited to, an insurance company, a fraternal benefit society, reciprocal insurance exchange, reinsurer, insurance or reinsurance group, insurance intermediary or other regulated insurance entity.

“Regulation” - includes the legislation, regulations and published guidance from the provincial and territorial supervisors that a) address market conduct issues and b) establish and confer responsibilities and powers upon the various supervisors.

“Risk-based Regulation” – directing supervisory efforts to the most significant issues that either have the greatest potential for consumer harm or that could weaken public confidence if left unchecked. In a risk-based approach, supervisors are expected to prioritize issues based on their potential impact or risk to achievement of desired supervisory outcomes.

“Supervision” – actions supervisors engage in carrying out their responsibilities.

“Supervisor” or “Supervisory Authority” – the Superintendent of Insurance or Financial Services and their staff in each province or territory.

APPENDIX 1:

Development of CCIR's Annual Cooperative Market Conduct Supervisory Plan

***To be provided by the Operating Protocol Working Group upon completion**

APPENDIX 2:

Framework for Entity Specific Supervisory Reviews

***To be provided by the Operating Protocol Working Group upon completion**

APPENDIX 3:

Annual Market Conduct Statement

***To be provided by the Market Intelligence Data Gathering and Analytics Working Group upon completion**

APPENDIX 4:

National Complaint Reporting System

***To be provided by the Complaint Reporting System Working Group upon completion**

Proposed 2016 CAFII Schedule of Meetings

EOC Meetings: *Shall be held from 2:00 – 4:00pm unless otherwise specified.*

- Tuesday, January 12, 2016 at 3:00 pm, EOC Annual Dinner at 5:30 pm
- Tuesday, February 16, 2016
- Tuesday, March 29, 2016
- Tuesday, April 26, 2016
- Tuesday, May 24, 2016
- Tuesday, June 21, 2016
 - *Holidays: June 24 - St. Jean Baptiste Day; July 1 - Canada Day]*
- Tuesday, July 19, 2016 **tentative summer meeting*
- Tuesday, August 23, 2016 **tentative summer meeting*
- Tuesday, September 20, 2016
- Tuesday, October 25, 2016
 - *Oct 23-25 Shemini Atzeret & Simchat Torah (ends nightfall)*
- Tuesday, November 15, 2016
- Tuesday, January 10, 2017 and EOC Annual Dinner at 5:30 pm

Board Meetings:

- Tuesday, April 12, 2016 HOST: The CUMIS Group
- Tuesday, June 7, 2016 HOST: BMO Insurance *incl. Annual Meeting*
- Tuesday, October 4, 2016 HOST: RBC Insurance
(in Montreal, in conjunction with liaison meeting with AMF staff executives)
- *Holiday: Oct 2-4 Rosh Hashanah (ends at nightfall); Oct 11-12 Yom Kippur (starts sunset)*
- Tuesday, December 6, 2016 HOST: Assurant Solutions

PLEASE NOTE: Each Board meeting is typically followed by a speaker presentation (except December) and networking reception which are well-attended by Members, Associates, allied Associations, and regulators.

Annual Members Luncheon & Speaker Forum:

February 9, 2016 from 12 -2pm Venue: TBA, Toronto, ON

Topic: TBA

Speaker: TBA

** tentative details*

2015 Board Meetings Hosted by:

CIBC, ScotiaLife, Desjardins, Canadian Premier; AGM: ScotiaLife

2014 Board Meetings Hosted by:

National Bank, AMEX, TD Insurance, ScotiaLife Financial; AGM: AMEX