



CAFII Board of Directors Meeting
Tuesday, June 11, 2013
Location: CIBC
Commerce Court, 199 Bay Street, 56th Floor,
Toronto, ON
2:00 – 4:45 pm

Agenda

Item	Presenter	Action
1. Call to Order and Welcome	M. Cummings	
2. Review of CAFII Competition Guidelines	M. Cummings	Review
3. Approval of Agenda	M. Cummings	Approval
4. Minutes		
4.1. Approval of April 10, 2013 Board Meeting Minutes	M. Cummings	Approval
5. Financial Update	M. Fabian	Approval
5.1. April 2013 Financials		
6. Decision Items		
6.1. Appointment of Board Vice-Chair	M. Cummings	Approval
6.2. EOC Recommendation Re CAFII Project Next Steps	S.Manson/W.Eccles	Approval
6.3. Request To Commission Avalon Actuarial To Update Study “A Comparison of Creditor’s Group Mortgage Life & Disability Insurance and Equivalent Individual Insurance”	S. Manson	Approval
7. Regulatory Update		
7.1. Regulatory Newsletter	B. Wycks	Update
7.2. CCIR E-Commerce Position Paper	B. Wycks	Review
7.3. May 30, 2013 CAFII Webinar For CCIR	J. Hines/B. Wycks	Update
7.4. Reports on Regulator Meetings		
7.4.1. May 7, 2013 Meeting With J. Abram and R. Gilbertson, Alberta Insurance Council	M. Gill	Consent Item
7.4.2. May 15, 2013 Meeting With G. Matier, Insurance Council of BC	S. Gelgor/J. Lewsen/B. Wycks	Consent Item
7.4.3. June 7, 2013 Meeting With AMF Staff Executives In Quebec City	R. Hebert/ M. Gill/B. Wycks	Update
7.5. CCIR Invitation To Phone Pre-Consultation Re “Review of Third Party Administrators” Initiative	J. Hines/B. Wycks	Update
7.6. Regulator Visits Plan	B. Wycks	Update

8. Committee Reports Addressing CAFII Priorities		
8.1. Distribution and Market Conduct Policy Committee	S. Manson/W. Eccles	Update
8.2. Licensing Efficiency Issues Committee	M. Gill	Update
8.2.1. Restricted Licensee Representation on Saskatchewan Insurance Council		
8.2.2. Manitoba Draft Regulation on Incidental Sales of Insurance		
8.3. Media and Advocacy Strategy Committee	S. Gelgor /J. Lewsen	
8.3.1. CAFII Logo Redesign & Rebranding Initiative	B. Wycks	Update
8.3.2. CAFII Communications Strategy	B. Wycks	Update
8.3.3. Industry Issues and Trends E-Newsletter	B. Wycks	Update
8.4. Networking and Event Hosting Committee	P. Yeung/M. Sanchez-Chung	
8.4.1. 15 th Anniversary Celebration: Feedback and Debrief	P. Yeung	Update
8.4.2. Speaker; and Expected Regulator Guests at June 11 Regulator Reception	B. Wycks	Update
9. Other Business		

Next Board Meeting: October 8, 2013 hosted by AMEX Bank of Canada in Toronto, Ontario.

*Conference call dial-in information: 416.764.8662 or 1.888.884.4534
participant pass code: 771017#, moderator pass code: 7661560*

COMPETITION LAW POLICY FOR CAFII'S BY-LAW NO. 2007 - 1

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ADD DEFINITION OF "COMPETITION ACT" TO SECTION 1.01:

"Competition Act" means the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

ADD SECTION TO BODY OF BY-LAW:

SECTION TWELVE

COMPETITION LAW POLICY

12.01 Competition Law Policy Statement

It is the Corporation's policy that it, and all of its members, fully comply with the Competition Act in respect of any activity undertaken for or on behalf of the Corporation. Responsibility for such compliance rests with the board and with each member.

12.02 Guidelines for Competition Act Compliance

At each meeting of the members of the Corporation, each member shall be furnished with a document setting out the Corporation's guidelines for Competition Act compliance (the **"Guidelines"**). Each attending member shall acknowledge receipt of the Guidelines in writing and agree to adhere to the Guidelines in respect of any activity undertaken for or on behalf of the Corporation.

12.03 Consequences for Failure to Comply with Policy and Guidelines

Failure by a member to comply with this policy or the Guidelines is grounds for removal of that member from the register of the Corporation in accordance with section 9.06.

12.04 Annual Review of Guidelines

The Guidelines shall be reviewed annually by the Corporation in consultation with its legal counsel and shall be amended from time to time, as necessary or considered desirable by the board.

/MM

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

GUIDELINES FOR *COMPETITION ACT* COMPLIANCE

Trade association meetings present a risk of interactions among competitors that in and of themselves may contravene, or may lead to a contravention of, Canada's competition laws. Depending on the circumstances, an inference may be drawn by the Competition Bureau of an improper agreement among competitors resulting from such interactions. In addition to rules of general application to all industries, there are also specific provisions in the *Competition Act* (the "**Act**") dealing with agreements or arrangements between federal financial institutions.¹

Consequently, the Canadian Association of Financial Institutions in Insurance ("**CAFII**"), and its members, should be cognizant of the importance of compliance with the Act and committed to such compliance. In fulfilling the mandate of CAFII, and working towards the achievement of its objectives, members of CAFII are expected to adhere to the guidelines that follow and CAFII's competition law policy to promote and respect the spirit and the letter of the law.

1. **Prohibited Activities**²

(a) **Anti-competitive Agreements or Understandings**

Neither CAFII nor any committee or activity of CAFII shall be used for the purpose of bringing about or attempting to bring about any agreement, written or oral, formal or informal, express or implied, among competitors regarding:

- (i) the amount or kind of prices, premiums, service charges, interest rates, or other terms or conditions of any products or services to be offered for sale by insurance companies;
- (ii) the amount or kinds of products or services to be offered to customers or classes of customers;
- (iii) the customers or classes of customers to whom any insurance company product or service may be sold or withheld; or
- (iv) the territories in which an insurance company product or service may be sold.

¹ For the purposes of the relevant provisions of the Act, "federal financial institution" means a bank or authorized foreign bank within the meaning of section 2 of the *Bank Act*, a company to which the *Trust and Loan Companies Act* applies or a company or society to which the *Insurance Companies Act* applies.

² The activities captured by these guidelines include any activities undertaken for or on behalf of CAFII, including but not limited to, CAFII meetings, formal or informal CAFII-sponsored events, and advocacy and lobbying initiatives.

(b) Sharing Information Posing Anti-competitive Risk

No CAFII activity, including any activity undertaken by a CAFII committee or group, shall involve discussion, exchange, collection or dissemination among competitors, for any purpose or in any fashion, information on those matters identified in subparagraphs (i) to (iv) in paragraph (a) above.

Where projects involve the collection of individual firm statistical data, such collection shall involve only aggregate data from past transactions and shall include effective steps to protect against disclosure of individual product-pricing or interest-payment information.

(c) Exchange of Cost Information – Anti-competitive Purposes

No CAFII activity shall include any discussion of costs or any exchange of cost information for the purpose or with the probable effect of:

- (i) increasing, maintaining, or stabilizing prices, premiums, service charges, interest rates, or other terms or conditions of insurance company products or services;
- (ii) reducing competition with respect to the range or quality of products or services offered by insurance companies; or
- (iii) promoting agreement among insurance companies with respect to their selection of products or services for purchase, their choice of suppliers, or the prices they will pay for such products or services, including commissions for the services of commissioned agents.

(d) Published Papers

Papers published by or on behalf of CAFII or presented in connection with CAFII programs should not discuss or refer to the amount or kind of prices, premiums, service charges, interest rates, or other financial terms or conditions of insurance products or services offered for sale by insurance companies. Additionally, reference to costs in such papers should not be accompanied by any suggestion, express or implied, that prices, premiums, interest rates, service charges or other terms or conditions of insurance company products or services should be raised, adjusted, or maintained in order to reflect such costs. To ensure compliance, authors of conference papers shall be informed of CAFII's Guidelines for Competition Act Compliance and CAFII's competition law policy and the need to comply with these rules in the preparation and presentation of their papers.

(e) No Attempt at Product Standardization

Neither CAFII nor any CAFII committee or group shall make any effort to bring about the standardization of any insurance product or service for the purpose or with the effect of preventing the development or sale of any product or service not conforming to a specified standard.

(f) **Independent Dealings with Suppliers**

No CAFII activity or communication shall include any agreement, or any discussion which might be construed as an agreement, to collectively refrain from purchasing any products or services from any supplier.

(g) **No Exclusion from CAFII Activities**

No person shall be arbitrarily or unreasonably excluded from participation in any CAFII committee or activity where such exclusion may impair such person's ability, or the ability of his or her employer, to compete effectively in the insurance industry or as a supplier to the insurance industry.

2. **Permissible Activities**

The Act expressly permits certain activities among competitors and, as a result, within trade associations. These permitted activities include:

- the exchange of statistics;
- the defining of service or product standards;
- the exchange of credit information;
- the definition of industry terminology;
- co-operation in research and development; and
- agreements on environmental protection measures.

However, the usefulness of these exemptions is **very limited**. These activities become illegal if the result is that competition is unduly decreased, or if entry into an industry or expansion of a business within that industry is unduly restricted. For example, although "the exchange of statistics" is permitted, that does not mean that any and all forms and kinds of statistics and numbers, such as price lists or market-share data, may be exchanged among trade association members. Likewise, the defining of service or product standards may become criminal conduct if there is an agreement that CAFII members will restrict the range of services or products they offer to certain specified customers, or they agree to standards in terms of quality, range or quantity of products or services they offer with the aim of eliminating low price competitors.

3. **Efforts to Influence Governmental Action**

In general, one has a right to meet and to make joint presentations with respect to governmental activities of common interest. However, this right should not be used jointly by competitors for an anti-competitive purpose such as, for example, the lobbying for a legislative or regulatory change having the objective of impeding entry of new competitors, increasing insurance premiums, or restricting insurance services to certain classes of customers or geographic regions. Caution should be exercised where a particular lobbying initiative pertains to subject-matter that has competitive overtones or may be perceived as a concerted effort to lessen or prevent competition. In such cases, legal advice should be sought before proceeding with the initiative.

CAFII Board Meeting Minutes
Wednesday, April 10, 2013
Action Items from the Meeting

Agenda Item	Action Item	Responsible	Deadline
4. Board Minutes	Action: Action Items lead sheet to include columns for the party responsible and a proposed due date for each.	L. Duigu	Ongoing
6.3. Planned Regulator Meetings	<p>Action: B. Wycks to contact AMF to arrange a summer meeting for a CAFII delegation with their staff executives.</p> <p>Action: B. Wycks to liaise with Ron Fullan regarding the exact date of CISRO's next quarterly LLQP Stakeholder Information Session, with a view to determining whether a meeting with CAFII representatives could be arranged during his visit to Toronto at that time.</p> <p>Action: B. Wycks to make contact with FCAC to see if we can provide them with any further information regarding CAFII member products.</p>	<p>B. Wycks</p> <p>B. Wycks</p> <p>B. Wycks</p>	<p>April 2013</p> <p>April 2013</p>
7.1. CAFII Project	Action: EOC to prepare a proposal regarding this project for approval at the June 11, 2013 Board meeting.	EOC	June 11
7.3.3. CAFII Communications Strategy	Action: MAC to work on reviewing the CAFII Communications Strategy and report back at the June 11, 2013 Board meeting.	MAC	June 11

CAFII Board of Directors Meeting
Wednesday, April 10, 2013
Location: RBC Insurance
Royal Bank Plaza,
200 Bay St., 40th Floor, Main Lounge,
Toronto, ON

Draft Minutes

Present:	Dave Minor	TD Insurance	<i>Acting Chair</i>
	Rick Lancaster	CIBC Insurance	
	Isaac Sananes	Canadian Premier Life Insurance Co.	
	Linda Fiset	Desjardins Financial Security Life Assurance	
	Yvonne Ziomecki	AMEX Bank of Canada	
	Richard Hebert	National Bank Insurance Co.	
	Rino D'Onofrio	RBC Insurance	
	Bob Zanussi	Assurant Solutions	
EOC Present:	Andre Duval	Desjardins Financial Security Life Assurance	
	Wayne Eccles	TD Insurance	
	Maria Sanchez-Chung	TD Insurance	
	Charles Blaquiere	Canadian Premier Life Insurance Co.	
	Paul Yeung	RBC	
	Greg Grant	CIBC Insurance	
	Sue Manson	CIBC Insurance	
	Jennifer Hines	RBC Insurance	<i>Secretary</i>
	Moirra Gill	TD Insurance	
	Sara Gelgor	ScotiaLife Financial	
	Rose Beckford	ScotiaLife Financial	
	John Lewsen	BMO Insurance	
	Emily Brown	BMO Insurance	
	Matthew Fabian	BMO Insurance	<i>Treasurer</i>
Also Present:	Brendan Wycks	CAFII	<i>Executive Director</i>
	Leya Duigu	T•O Corporate Services	<i>Recording Secretary</i>
Regrets:	Mark Cummings	ScotiaLife Financial	
	Julia Barker-Merz	BMO Insurance	

1. Welcome and Call to Order

The meeting was called to order at 2:05 p.m. D. Minor acted as Chair, J. Hines acted as Secretary, and L. Duigu acted as Recording Secretary.

2. Review of CAFII Competition Guidelines

D. Minor reminded members that the Competition Guidelines provided in the package were adopted at the April 3, 2008 Board of Directors meeting. The practice of reviewing the guidelines was adopted at the start of the meetings to ensure that the CAFII Board's deliberations conform to its principles, which were briefly summarized.

3. Approval of Agenda

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The agenda be approved as circulated.

4. Minutes

4.1. Adoption of December 11, 2012 Board Meeting Minutes

The Action Items were reviewed by J. Hines and an update provided on the status of each. It was noted that a summary cover page of action items had been added to the Minutes for ease of reference.

Action: Action Items lead sheet to include columns for the party responsible and a proposed due date for each.

On motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The minutes of the meeting of the Board held on December 11, 2012 be adopted in the form presented, and that a copy of these minutes be signed and placed in the Minute Book of the Corporation.

5. Financial Update

Adoption of February 2013 Financials

M. Fabian, Treasurer, reported on the financials which were included in the meeting package. The bank balance is in a good position and membership fees are still coming in, so the balance is expected to be higher next month. Assets are looking healthy, liabilities are on track and we continue to have one GIC. We are close to 10% of budget and there isn't anything of note in the financials, as it is still early in the year.

In terms of membership dues, we received notification from the CFO of Swiss Re. that they will not be continuing their membership with the Association at this time. Therefore, membership revenue will be \$4800 less than anticipated; however, this shortfall will be more than offset by 15th Anniversary Celebration expenditures coming in at \$10K less than budgeted.

2012 Draft Audited Financial Statements

M. Fabian, Treasurer, reported that we are making some minor formatting changes to the audited statements in light of the new Accounting Standards for Non-Profit Organizations, and are going to begin reporting on cash flows.

As far as KPMG is concerned, there are no financial issues or concerns at CAFII.

It was noted that there was one typo error in the audited statements with respect to the 2011 insurance premium paid, which would be corrected.

On motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The draft 2012 audited financial statements of the Association be and are hereby approved in the form amended.

6. Regulatory Update

6.1. Regulatory Newsletter

B. Wycks reviewed the regulatory newsletter with meeting attendees and discussion occurred as follows:

- CCIR – new development. CCIR's Agencies Regulation Committee (ARC) has issued an invitation for consultation around use and oversight of Third Party Administrators (TPAs) in various lines of insurance. They would like to arrange a preliminary teleconference on this issue that will help shape their review. The goal of the call is to help CCIR define the issue further. B. Wycks has confirmed to CCIR that CAFII would like to participate in this.
- CISRO LLQP Stakeholder Information Session on April 9, 2013. Fay Coleman from TD Insurance attended with B. Wycks. New Development – they've released an agent competency profile which can be found online. There is an opportunity to provide feedback on this and they already have 700 respondents to an online survey. Over 90% of respondents are favourable towards the competency profile. CISRO is open to submissions from industry associations and B. Wycks will be reviewing to see if this is appropriate.
- Global Federation of Insurance Associations (GFIA) was established in October 2012. CLHIA and IBC are its founding Canadian members. Membership is open to any insurance industry association that deals with national and/or international insurance regulators. B. Wycks has reached out to them to enquire about membership for CAFII.

B. Wycks has received a lot of good feedback from the EOC regarding the regulatory newsletter. The plan going forward is to produce:

- a. A Regulatory Newsletter for Board and EOC Members, with more fulsome information (monthly except July and August) in hard copy.
- b. A separate version of the Regulatory Newsletter for Regulators and Associate Members (condensed version of #1).

In addition, an Industry Issues and Trends e-newsletter is in the works for CAFII Board & EOC members. This will be sent monthly, with the exception of July and August. B. Wycks will be exercising his judgement in terms of timing and urgency of news items as they occur.

6.2. Report on Regulator Meetings

6.2.1. February 14, 2013 Meeting with FSCO Re. Revised Disciplinary Procedures For Insurance Agents and Adjusters

FSCO met with CAFII and CLHIA (B. Wycks and Rosemary Troiani of RBC Insurance) on February 14 to outline its plans for modernizing disciplinary procedures for insurance agents and adjusters in Ontario. The industry is now waiting for FSCO to release its formal consultation paper on the proposed changes – to be followed by a 30 day consultation period for industry submissions -- which has been delayed until FSCO can meet with new Finance Minister Charles Sousa to advise him of this consultation.

6.2.2. March 21, 2013 Meeting with FSCO re. Improving Response Times..

G. Grant, J. Lewsen, J. Garvey (TD) and B. Wycks met with FSCO staff to discuss this. They would like to have 80% of complaints closed within 75 days and if they are able to do this they will be meeting their performance standard. They would like this new standard met by March 31, 2014 and would like the industry's co-operation and assistance in achieving it.

6.2.3. CCIR Invitation To Phone Consultation Re Third Party Administrators

Covered under 6.1.

6.3. Planned Regulator Meetings

Brendan Wycks reviewed this document briefly.

- BC – Meeting with Gerry Matier to be set up.
- Brendan was attempting to engage with some regulators while they are in town this week; however, he received polite declines as their schedules for the entire week are very full.
- Carolyn Rogers – plan is to have some volunteer leaders meet with her while in town. They are in Vancouver for the CLHIA Compliance Conference in early May. Meetings still to be confirmed.
- Joanne Abram- B. Wycks had a get acquainted chat with her yesterday at the CISRO LLQP Session. S. Gelgor, J. Lewsen and M. Gill are trying to arrange a meeting with her while everyone is in Vancouver for the CLHIA Conference.

- Mark Prefontaine – will be attending the CAFII 15th Anniversary event tonight with Phil Howell. P. Yeung was able to speak with Phil who will be bringing a few Superintendents with him tonight.
- SK. Ron Fullan is in town this week and B. Wycks spoke briefly with him on LLQP issues yesterday. He will be attending the CAFII 15th Anniversary event. A meeting with Ron needs to be arranged for this year.
- MB. Jim Scalena will be attending the CAFII 15th Anniversary event. Erin Pearson – a visit should be set-up either for when she is in town or when a board member is travelling to MB.
- ON. P. Howell will be attending the CAFII 15th Anniversary event this evening.

Regulatory Issue: Quebec's 2-page Distribution Guide (DG). In response to B. Wycks' email to Eric Stevenson, a response was received from Stephane Langlois. It appears that Eric has delegated the DG file to Stephane and Louise Gauthier. B. Wycks has proposed a teleconference meeting for those two AMF staff members with CAFII's Distribution and Market Conduct Committee, augmented by other interested EOC members, for next Tuesday, April 16, and we are awaiting Stephane Langlois' response.

AMF – M. Gill noted that CAFII members have scheduled a regular meeting in the summer with the AMF to touch base with them. They have expressed an appreciation for these meetings and CAFII should arrange another meeting this year. There has been a fair bit of senior staff turnover there recently, and it would be highly beneficial for a delegation of CAFII representatives to attend a meeting in Quebec City. Mario Albert, AMF's CEO, has been very accommodating over the last few years and the dialogue has been very cordial and open.

Further feedback was received from CCIR that there was a perception that regulators not be perceived as being too close to industry. They also appreciate meetings being held internally within a bank rather than publicly.

Atlantic Task Force on ISI – this has been a standard item for some time on the Regulator Visits Plan. M. Gill noted that it was announced a number of years ago but we haven't heard anything since.

Atlantic Provinces – it would be ideal to arrange some visits to these provinces this year. Board members were asked if they could be available to conduct a visit to this area and to let B. Wycks know if they can and when. A few date options will be put forward and Board members will be asked to respond with their availability. Dave Minor noted that we have been doing lots of good work in covering our various jurisdictions and it would be a shame to let something fall through the cracks and be surprised by an issue.

Saskatchewan – a direct meeting with Ron Fullan in the near future is important, either in Saskatchewan or when he is visiting Toronto.

Action: B. Wycks to contact AMF to arrange a summer meeting for a CAFII delegation with their staff executives.

Action: B. Wycks to liaise with Ron Fullan regarding the exact date of CISRO's next quarterly LLQP Stakeholder Information Session, with a view to determining whether a meeting with CAFII representatives could be arranged during his visit to Toronto at that time.

OSFI – there is no particular plan to visit with them at this point.

Financial Consumer Agency of Canada -- Educational sessions were conducted with FCAC by Moira Gill, John Lewsen and Maria Sanchez-Chung. CAFII initiated the first one and was asked to attend a second. It would be good to do another visit with the FCAC. Of note is the brochure that was on their website over a year ago, which we found by chance and which contained incorrect information. Engaging them more will ensure that we are aware of any issues that arise which will affect us.

Action: B. Wycks to make contact with FCAC to see if we can provide them with any further information regarding CAFII member products.

Consumers Council of Canada. B. Wycks knows Ken Whitehurst, the Executive Director there, and it was noted that Leslie Byrnes (CLHIA) is on the advisory board to this organization on behalf of CLHIA.

Consumers Association of Canada. B. Wycks noted that Bruce Cran of Vancouver is the head of this organization. While Brendan, as Executive Director of the Marketing Research and Intelligence Association, has had adversarial exchanges with Mr. Cran, it was observed that he has been reasonably helpful to CAFII in the past.

Rick Lancaster reported observed that, in his opinion, it is becoming increasingly important for CAFII to cultivate beneficial relationships with industry and consumer organizations, in addition to regulators. Regulator relationships are long-term and move relatively slowly, but industry changes, etc. occur quickly. Having cordial, communicative relationships with industry and consumer organizations will ensure that we are at least in the loop when such changes are imminent.

7. Committee Reports on Addressing CAFII Priorities

7.1. Distribution & Market Conduct Committee

B. Wycks briefly summarized the preparatory meeting for this Board meeting, in which Board Chair Mark Cummings had provided the following advice: the Board hasn't yet had an opportunity to have a thorough discussion on the CAFII Project, and it would therefore be premature to have the Board make a decision at the April 10 meeting on how to wrap up the project. Instead, a discussion should be held in order to draw out the different perspectives of Board members. Based on that input, the EOC can take the feedback and develop a final proposal for approval at the June 11 Board meeting.

7.1.1. CAFII Project

The CAFII project was discussed and it was agreed that the EOC shall prepare a proposal for approval at the June 11, 2013 Board meeting.

Action: EOC to prepare a proposal regarding this project for approval at the June 11, 2013 Board meeting.

7.2. Licensing Efficiency Issues Committee

7.2.1. CLHIA Restricted Insurance Agency Licensing In SK Advisory Committee

Moira Gill recapped the Licensing Efficiency Issues Committee's work on developing a proposal for representation of restricted insurance agency licensees with the Insurance Councils of Saskatchewan. The committee had engaged a legal firm to assist in this work. The committee had reviewed an initial draft and was now close to finalizing a polished proposal.

However, there had been an 11th hour change, in that CLHIA had recently decided to become engaged in this process. There is now a CLHIA Advisory Committee working to make a recommendation on this issue. Moira and Jennifer Hines are sitting on the CLHIA Advisory Committee, representing distributors.

CAFII has been involved in this matter for some time and Moira therefore was not at liberty to divulge our position to the CLHIA committee, given that CAFII has invested in advice from legal counsel.

It is Moira's recommendation that CAFII will and CLHIA should proceed independently and make separate submissions to Saskatchewan, which was supported by the Board. Sara Gelgor noted that there is a precedent on another issue in which both organizations worked independently.

Moira has communicated to CLHIA, CAFII's position in favour of separate submissions to Saskatchewan. Having the benefit of chairing CAFII's LEIC and being at the CLHIA Advisory Committee table, she noted that the proposals being developed by the two organizations are not at cross-purposes and do not undermine each other.

7.3. Media & Advocacy Committee

7.3.1. Next CAFII Webinar for CCIR

B. Wycks reported that work on this is coming along very well. A teleconference on March 28 involving Debbie Dimoff and Davis Yoo of PwC, Carol Shevlin of CCIR, Jennifer Hines and himself – in which PwC's content outline for the webinar was reviewed – had been very productive.

Timing: Carol Shevlin is currently canvassing CCIR members on Thursday, May 30 and Friday, May 31 date/time possibilities for this webinar.

7.3.2. CAFII Logo Redesign & Rebranding

B. Wycks reported that this initiative is coming along quite well. He and L. Duigu have provided feedback to designer Chrissy Aitchison on her initial concepts, and we are moving toward presenting some three logo options at the next EOC meeting. This initiative will also include rebranding of newsletters, emails, regulator submissions, letterhead and envelopes.

J. Lewsen noted that the goal is to create a standard look and feel for anything we put out on behalf of CAFII.

7.3.3. CAFII Communications Strategy

B. Wycks has had an opportunity to review the Communications Strategy created by Richard Evans for the Board in 2012.

His feedback on that Communications Strategy is that based on where CAFII is today and as per member reactions to recent media communications opportunities, a “reactive but prepared” approach to media and public communication; and a concentration on proactive relationship-building and communications with regulators is appropriate for the Association at this time.

In Board discussion of this issue, the following observations were made:

Rick Lancaster noted that CAFII’s communications focus has been on regulators and that should be continued. However, he has recently come to the view that we may get blind-sided via social media and on the consumer side. As a first step, CAFII should do more relationship-building and advocacy with consumer-oriented associations with the goal of identifying high risk areas.

Dave Minor noted that a common communications used by CAFII member FIs is to use consumer polls to inform and create media and public communication opportunities. This can be used by CAFII as a basis for entering engaging with the media. This can be strategic in focus and relatively neutral in content, and is a great vehicle for getting messages out there. The main expense is in commissioning the polls.

Paul Yeung advised that there is an inherent risk whenever CAFII or its members communicate proactively about their products or business. For every positive argument that can be made on creditor insurance, a negative argument exists as well. The risk versus reward of doing anything proactive needs to be debated. Social media is here and perhaps having a strategy with respect to it is a good idea. Before embarking on a proactive strategy, we need to be cognizant of the risk.

Yvonne Ziomecki indicated that she supports Dave Minor’s suggestion of using surveys to generate positive, low risk communication opportunities – which can stay high level and not be product-specific. In terms of social media, we don’t necessarily have six hours to respond; so there should be someone available to respond right away.

Dave Minor advised that for every decision we make in terms of external communication, whether proactive or reactive, we should go in with our eyes wide open on the risk. We need to be selective in terms of the issues and scenarios we are willing to go public on.

Greg Grant noted that we should also ensure that regulators have all the necessary collateral and information at their disposal to be able to respond to media inquiries that come to them about creditor insurance and other CAFII members' products.

Jennifer Hines indicated that Board Chair Mark Cummings had stated that CAFII should have a comprehensive, focused Communications Strategy document that will be used to inform our actions and decisions going forward.

Action: MAC to work on reviewing the CAFII Communications Strategy and report back at the June 11, 2013 Board meeting.

7.4. Networking & Eventing Hosting Committee

7.4.1. CAFII 15th Anniversary.

P. Yeung thanked B. Wycks and L. Duigu for all their work on the 15th Anniversary Celebration. There are approximately 90 attendees coming tonight. We have Benoit Huot, a Canadian Paralympic swimmer and 19-time medallist, as our guest presenter; and our entertainment is a quartet from the Royal Conservatory of Music.

B. Wycks circulated a briefing document regarding our issues with regulators at this time. He also assigned each Board and EOC member a role as "host" to a regulator guest this evening.

7.4.2. June 11, 2013 Regulator Reception Event.

B. Wycks reported we have booked a speaker for the next meeting, Doug McPhie, Ernst & Young's Canadian Insurance Practice Leader, who will be speaking on E&Y's 2013 Life Insurance Outlook.

8. Other Business

No other business was raised or discussed.

9. Termination

On motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The meeting be terminated at 4:40 p.m; and that the next meeting of the Board is to be held on Tuesday, June 11, 2013 in Toronto, hosted by CIBC Insurance.

CAFI

55 St Clair Ave West, Suite 255

Toronto, ON M4V 2Y7

Balance Sheet

As at April 30, 2013

ASSETS	Current 2013
Current Assets	
Bank Balance	\$237,624
Investments ^A	\$52,097
Accounts Receivable	\$33,100
Interest Receivable	\$741
Prepaid Expenses	\$237
Computer/Office Equipment	\$2,334
Accumulated Depreciation -Comp/Equip	(\$194)
Intangible Assets-Trademarks	\$0
Accumulated Amortization-Trademark	\$0
Total Current Assets	\$325,938
TOTAL ASSETS	\$325,938
LIABILITIES	
Current Liabilities	
Account Payable ^B	\$8,486
Deferred Revenue	\$97,150
Total Current liabilities	\$105,636
TOTAL LIABILITIES	\$105,636
UNRESTRICTED NET ASSETS	
Unrestricted Net Assets, beginning of year	\$179,424
Excess of revenue over expenses	\$40,878
Total Unrestricted Net Assets	\$220,302
Total Unrestricted Net Assets	\$220,302
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$325,938

Minimum Reserve = Greater of:

Reserve at 25% of Annual Operating Expense =	\$ 61,383
Reserve at 6 months of Operating Expense =	\$ 121,759

2013 Reserve (based on 6 month Reserve):

C A F I I
55 St Clair Ave West, Suite 255
Toronto, ON, M4V 2Y7
Balance Sheet Items
As at April 30, 2013

Item A

Investment Portfolio

Investment Type	Issue Date	Principal	Rate	Deemed Interest	Maturity Date
Cashable GIC #0087-8019718-11	May-07-12	\$52,096.99	1.45%	\$755.41	May-07-13
Total		\$52,096.99		\$755.41	

Item B

Accounts Payable

	Total
	13.18
	180.33
	309.92
	5,367.50
	1,889.36
	69.53
	656.47
Total outstanding:	8,486.29

CAFII

55 St Clair Ave West, Suite 255
Toronto, ON M4V 2Y7

Statement of Operations As at April 30, 2013

REVENUE	Current Month	Current YTD	Budget 2013	% Used	YTD 2012 Balance	% Used YTD 2012
Membership Fees	\$34,175	\$136,700	\$410,100	33%	\$138,300	36%
Interest Revenue	\$62	\$248	\$750	33%	\$204	204%
	<u>\$34,237</u>	<u>\$136,948</u>			138,504.32	
TOTAL REVENUE	\$34,237	\$136,948	\$410,850	33%	\$138,504	36%
EXPENSE						
Association Operating Expenses						
Management Fees	\$18,697	\$74,590	209,150	36%	\$23,539	34%
Lawrie Savage Fees	\$0	\$0	-		\$58,717	35%
CAFII Legal Fees/Corporate Governance	\$0	\$0	10,500	0%	\$0	0%
Audit Fees	\$1,617	\$1,617	13,250	12%	\$347	4%
Insurance	\$237	\$946	5,368	18%	\$946	22%
Website (incl translation)	\$21	\$31	540	6%	\$183	34%
Telephone/Fax/Internet	\$1,249	\$1,365	750	182%	\$175	8%
Postage/Courier	\$89	\$108	500	22%	\$67	6%
Office Expenses	\$47	\$807	4,500	18%	\$209	8%
Bank Charges	\$33	\$70	-	0%	\$25	1%
Miscellaneous Expenses	\$0	\$0	-	0%	\$0	0%
Amortization Expense	\$0	\$0	-	0%	\$0	0%
Depreciation Computer/Office Equipm ¹	\$39	\$156	640	0%	\$0	0%
Sub Total Association Operating Expenses	\$22,027	\$79,690			\$84,208	
Distribution & Market Conduct Committee						
Provincial Regulatory Review	\$26	\$26	35,000	0%	\$0	0%
Research/Studies	\$0	\$0	42,000	0%	\$5,085	12%
Sub Total Distribution & Market Conduct Committee	\$26	\$26			\$5,085	
Licensing Efficiency Issues Committee						
Regulatory Model (s)	\$15	\$15	12,000	0%	\$0	0%
Federal Financial Reform	\$0	\$0	-		\$0	0%
Sub Total Licensing Efficiency Issues Committee	\$15	\$15			\$0	
Media & Advocacy Strategy Committee						
Tactical Communications Strategy	\$11	\$11	25,000	0%	\$893	4%
Association Branding	\$0	\$0	7,000	0%	\$0	0%
Sub Total Media & Advocacy Strategy Committee	\$11	\$11			\$893	
Networking & Events Committee						
Board/EOC/AGM Expense ²	\$8,752	\$10,982	10,000	110%	\$6,891	33%
Networking Events	\$0	\$0	3,500	0%	\$0	0%
15th Anniversary Event	\$5,346	\$5,346	30,000	18%	\$0	0%
Sub Total Networking & Events Committee	\$14,099	\$16,329			\$6,891	
Media Relations, CAFII Consultant						
Media Relations, CAFII Consultant	\$0	\$0	-		\$5,910	49%
Sub Total Media Relations, CAFII Consultant	\$0	\$0			\$5,910	
TOTAL EXPENSE	\$36,178	\$96,070	409,698	23%	\$102,988	22%
EXCESS OF REVENUE OVER EXPENSES	(\$1,941)	\$40,878	\$1,152		35,516.81	

Explanatory Notes:

- (1) Amortization of office equipment based on 4 year straight line depreciation
(2) Board meetings and receptions, special Board or EOC lunch meetings, speaker expenses

CAFII

Toronto, ON M4V 2Y7

Membership Fees As At April 30, 2013

	<u>Jan-13</u>		<u>Jul-13</u>
	<u>Billed</u>	<u>Received</u>	<u>Billed</u> <u>Received</u>
TD Insurance	\$23,500.00	8-Mar-13	\$23,500.00
Assurant Solutions	\$11,750.00	22-Feb-13	\$11,750.00
BMO Insurance	\$23,500.00		\$23,500.00
Canadian Premier Life Insurance Company	\$11,750.00	1-Mar-13	\$11,750.00
CIBC Insurance	\$23,500.00	8-Mar-13	\$23,500.00
National Bank Insurance Company	\$11,750.00	8-Mar-13	\$11,750.00
RBC Insurance	\$23,500.00	7-Mar-13	\$23,500.00
ScotiaLife Financial	\$23,500.00	12-Apr-13	\$23,500.00
Desjardins Financial Security Life Assurance Company	\$11,750.00	8-Mar-13	\$11,750.00
AMEX Bank of Canada	\$11,750.00	15-Mar-13	\$11,750.00
Avalon Actuarial	\$4,800.00	26-Apr-13	
CSI Brokers Inc.	\$4,800.00	28-Mar-13	
Dion, Durrell & Associates Inc.	\$4,800.00	15-Mar-13	
KPMG	\$4,800.00	12-Apr-13	
Laurentian Bank of Canada	\$4,800.00	15-Mar-13	
Oliver, Wyman Consulting Limited	\$4,800.00		
Optima Communications	\$4,800.00	12-Apr-13	
RGA Life Reinsurance Company of Canada	\$4,800.00	1-Mar-13	
Swiss Reinsurance Company Ltd	\$4,800.00	Will not be renewing 2013 membership	
Munich Re	\$4,800.00	8-Mar-13	
Aimia	\$4,800.00	15-Mar-13	
The Canada Life Assurance Company	\$4,800.00	1-Mar-13	
January Invoices	\$233,850		\$176,250
July Invoices	\$176,250		
Total Membership Fees	\$410,100		

Privileged and Confidential

To: CAFII Board

From: CAFII EOC

Subject: Request to Commission Avalon Actuarial to update study:
"A Comparison of Creditor's Group Mortgage Life & Disability Insurance and
Equivalent Individual Insurance"

Purpose:

- The goal of the research is to provide independent, data-based evidence to regulators that current creditor insurance products, processes and distribution channels are serving Canadian borrowers well
- The previous version of this study is based on 2008 data and needs to be updated with 2012/2013 data; in addition a decision will be made on expanding the study to include critical illness and/or expanding the data to include 2009-2011

Objective:

- Update the Avalon study comparing the customer value proposition of creditor's group mortgage life and disability insurance with equivalent individual insurance for:
 - Application approval rates
 - Claims approval rates
 - Pricing
 - Other key variables, e.g. access to coverage, societal benefits

Action to be Taken as a Result of this Research

- Identify relevant trends, target audiences and key messaging
- Invite Avalon to present findings at a CAFII reception of members and regulators
- Communicate value proposition effectively with regulators

Methodology:

- Survey seven CAFII members: Bank of Montreal, CIBC, Desjardins Financial Security, National Bank, RBC, Scotiabank and TD Bank
- Compare creditor's group insurance with individual insurance using multiple resources including
 - Compulife quotation system
 - Major provider Individual disability insurance rates
 - Munich Re Canadian Life Insurance Industry Survey
- Perform trend analysis
- Prepare report and PowerPoint presentation
- Avalon present findings at a CAFII Board of Directors' meeting

Request for Board Approval:

- Budget: \$35k - \$42k (including taxes) for study and report
- Does not include ≈8k for PowerPoint and presentation at CAFII reception
- Budget and decision re: inclusion of critical illness insurance to be determined

Regulatory Issues And Trends Newsletter

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PROVINCIAL ISSUES AND TRENDS

Manitoba

Manitoba Launches On-line License Renewals For Agents

In April, the Insurance Council of Manitoba announced its launch of web-based license renewal functionality. Agent licenses can now be renewed 24/7 via a new online portal. For further information, visit <http://www.icm.mb.ca/>.

Agent Code Of Conduct Quizzes Available In Manitoba

The Insurance Council of Manitoba's Life Council and General Council have developed quizzes to help agents test their practical knowledge of their appropriate Code of Conduct, using questions and typical situations that an agent might encounter.

Knowledge of the appropriate Code of Conduct – Life Insurance and Accident and Sickness Agent's Code of Conduct; or General Insurance Agent Code of Conduct – is one of the licensing requirements for insurance agents in the province.

Each quiz consists of 10 multiple choice questions with four answer options. All 10 questions must be answered correctly to complete a quiz successfully and receive one (1) continuing education credit. While completing the relevant quiz is not mandatory for licensing, there is no charge for taking a quiz and no limit on the number of attempts. For further information, visit <http://www.icm.mb.ca/>.

New Brunswick

New Brunswick Premier Appoints Acting Ombudsman

New Brunswick has a new Acting Ombudsman, whose appointment was announced just two days after the province's Consumer Advocate For Insurance argued in his Annual Report that [his office's duties should remain separate from the ombudsman's office](#).

New Brunswick's Premier David Alward recently announced that Jennifer Murray has been appointed Acting Ombudsman, effective immediately. Murray was most recently the director of legal and corporate services in the Office of the Ombudsman, which has a mandate to conduct independent investigations of complaints.

To read more, click here: <http://www.canadianunderwriter.ca/news/new-brunswick-premier-appoints-new-acting-ombudsman/1002236872/>.

Quebec

Victims Of Financial Crime Get Support From AMF

The Autorité des marchés financiers (AMF) has signed an agreement with Montreal Crime Victims Assistance Centre (CAVAC) that aims to enhance support to victims of financial crime.

The agreement allows AMF staff to refer victims directly to the CAVAC, in an effort to bolster the support offered to victims of economic crime.

Mario Albert, President and CEO of the AMF, said that "through a closer relationship with Montréal CAVAC, a recognized organization with specialized caseworkers, victims of economic crime will have better access to services and support adapted to their needs."

"Our caseworkers are trained to offer front-line psycho-socio-legal services to victims of financial crime," said Jenny Charest, the head of Montréal CAVAC. "This agreement with the AMF will allow us to reach and assist sometimes vulnerable clients who may be reluctant to ask for help despite the impacts of victimization."

British Columbia

Bullying In The Workplace - WorkSafeBC's New Policies To Take Effect November 1

In 2012, BC's [Bill 14](#) (the *Workers' Compensation Amendment Act*, 2011) introduced amendments to British Columbia's [Workers' Compensation Act](#) (the *WCA*), to specifically address bullying and harassment in the workplace.

[WorkSafeBC](#), tasked with the implementation of the *WCA*, has now approved three [Occupational Health and Safety Workplace Bullying and Harassment Policies](#) (the Policies), which will take effect on November 1, 2013.

The Policies address the general duties of employers, employees, and supervisors regarding preventing and minimizing bullying and harassment in the workplace.

To read more, click here: http://www.canadianemploymentpensionlaw.com/human-rights/bullying-in-the-workplace---worksafebcs-new-policies-to-take-effect-november-1-2013/?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+CanadianEmploymentPensionLaw+%28Canadian+Employment+%26+Pension+Law%29.

FEDERAL ISSUES AND TRENDS

Finanacial Consumer Agency of Canada (FCAC)

Ursula Menke To Step Down As FCAC Commissioner At End Of May

In the May issue of FCAC's Financial Literacy Newsletter, Commissioner Ursula Menke announces that she will be leaving her position at the end of May.

In her *Word From FCAC's Commissioner*, Menke also

- thanks all stakeholders, including members of the financial industry, for their contributions to FCAC's work during her five and a half years as Commissioner;

- lauds the federal Government for enhancing its commitment to financial literacy by expanding FCAC's mandate and resources, noting in particular the **Financial Literacy Leader Act**, which received Royal Assent on March 27. This legislation (Bill C-28) provides for the appointment of a Financial Literacy Leader within FCAC, whose mandate will be to collaborate and coordinate activities with stakeholders to support and contribute to initiatives that strengthen the financial literacy of Canadians;
- advises that the Government is working towards selecting her successor and the first Financial Literacy Leader;
- notes that FCAC's new Research Division is working on projects in the following areas: mobile payments; banking fees; the relationship between/among numeracy, literacy, and financial literacy; and a financial literacy program assessment;
- indicates that the Research Division is assessing the extent to which the current Canadian regulatory framework protects mobile payment users, such that this work will help inform the development of federal consumer protection policies; and
- invites industry organizations to add their names to the list of those willing to participate in the next Financial Literacy Month – November 2013 – by organizing related initiatives and events.

For further information, visit <http://www.fcac-acfc.gc.ca/eng/resources/newsletters/201304f/newsletter-1-eng.asp>.

Office of the Superintendent of Financial Institutions (OSFI)

OSFI Says Cyber Security A Major Concern

Julie Dickson, Canada's Superintendent of Financial Institutions, says that cyber security has become a top priority for the Office of the Superintendent of Financial Institutions (OSFI), along with more traditional risks facing banks.

In a recent speech to an industry conference in Cambridge, Ontario, Dickson said that cyber risk has become one of OSFI's top concerns. She said that a growing number of North American banks have been hit with denial of service attacks, which are both costly to deal with but, more importantly, can also presage a more serious attack.

"Our concern is growing due to the rapid evolution of cyber attacks in terms of frequency, fire power and targets," she said, stressing that all financial institutions need to focus on this threat.

To view the text of Ms. Dickson's prepared remarks, click here: http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/speeches/jd20130502_e.pdf.

OSFI Releases Results Of Satisfaction Survey On Its Work

OSFI recently released the results of its latest stakeholder satisfaction survey, which gives it generally good marks but notes that there's still room for improvement.

The Strategic Counsel, an independent research firm and member of the Marketing Research and Intelligence Association, conducted the latest review with deposit-taking institutions in the fall of 2012, to explore perceptions of OSFI's performance carrying out its mandate. It reports that the overall impressions of OSFI are extremely positive in most areas.

However, it did find some areas for improvement, including calls for: better communication of OSFI's international activities; increased timeliness in providing written supervisory reports; more consultation with small institutions when developing guidance; and, it also noted concerns about the impact of relationship manager turnover.

Outside of those concerns, the study found that OSFI is perceived as fair and reasonable to deal with; willing to engage in dialogue with individual institutions; and, focuses on appropriate areas of risk. It also concluded that OSFI is seen to be highly effective in monitoring and supervising deposit-taking institutions; that its guidance is effective; and, that most participants feel their institution is able to discuss issues of concern before OSFI makes a decision, and they believe that it is responsive to concerns raised.

OSFI says it has developed an action plan to deal with a number of the areas identified as needing improvement.

Canadian Banks Stronger Than They Appear: OSFI

Canadian banks will be enhancing disclosure in the months ahead, said a senior federal banking regulator while calling for better disclosure from banks in other jurisdictions.

In a speech on Tuesday, May 6 to an industry conference, Mark Zelmer, Assistant Superintendent with the Office of the Superintendent of Financial Institutions (OSFI), argued that the capital ratios of the Canadian banks are stronger than they may appear, as the don't rely on any transitional arrangements, which other banks may be using before fully adopting the new Basel III capital adequacy rules.

To read more, click here: http://www.investmentexecutive.com/-/canadian-banks-stronger-than-they-appear?redirect=%2Fnews%2Ffrom-the-regulators%3Futm_source%3Dnewsletter%26utm_medium%3Dnl%26utm_content%3Dinvestmentexecutive%26utm_campaign%3DINT-EN-morning.

Public Interest Advocacy Centre (PIAC)

Multiple Banking Arbitration Services Challenge Consumers: PIAC

The Public Interest Advocacy Centre (PIAC) singles out the federal Government's decision to allow banks to choose their own arbiters of client disputes as one of key consumer issues facing Canadians, and calls on consumers to become more active in public consultations on these sorts of issues.

Friday, March 15 was World Consumer Rights Day, which the PIAC says represents an opportunity to mark the improvements made on behalf of Canadian consumers over the past year, and the many challenges they still face. Among the major challenges, it points to "the evolving issue of allowing multiple consumer banking arbitration services"; along with the implementation of anti-spam rules; implementing the report of Task Force for the Payments System Review, and improving the relationship between consumers and their wireless providers.

Ombudsman For Banking Services And Investments (OBSI)

Financial Services Industry Has Many Concerns About Giving OBSI More Power And Its Campaign To "Name And Shame" Firms

The financial services industry has been critical of the **Ombudsman for Banking Services and Investments (OBSI)** and doesn't back the regulators' proposal to declare OBSI the sole dispute-resolution mechanism for all firms. Yet, there also is broad support for giving OBSI tougher enforcement powers.

Investment Executive (IE) sought the industry's views on the current state of dispute resolution in two supplemental questions in its 2013 Regulators' Report Card and found that, by and large, what the industry truly wants is a more effective ombudservice.

After operating in the background for years, OBSI has come under increasing criticism from the industry over the past couple of years - and it's facing growing resistance to its recommendations. Late last year, OBSI felt compelled to deploy its only enforcement power - publicly naming firms and detailing their cases - against several firms in cases in which it was unable to secure acceptance of its recommendations.

Around the same time, the **Canadian Securities Administrators (CSA)** proposed that all firms be required to use OBSI to resolve customer disputes. Currently, only firms that belong to the **Investment Industry Regulatory Organization of Canada (IIROC)** and the **Mutual Fund Dealers Association of Canada (MFDA)** are obliged to use OBSI.

Although some other types of securities firms (such as exempt-market dealers and scholarship plan dealers) use OBSI's services, the CSA proposal would make it mandatory for all firms. The goals are to minimize confusion for clients and shore up OBSI's status.

Yet, those surveyed by IE were split over whether this is a good idea. To read more, click here: <http://www.investmentexecutive.com/-/a-more-effective-obsi-is-much-needed?redirect=%2Fsearch>.

INTERNATIONAL/GLOBAL

National Association of Insurance Commissioners (NAIC)

U.S. And International Regulators Advance Global Framework

The National Association of Insurance Commissioners (NAIC) in the U.S. will host the 6th annual International Insurance Forum May 9-10 in Washington, D.C. The forum brings together U.S. and international insurance regulators, consumer advocates, academics and industry leadership.

Jim Donelon, NAIC President and Louisiana Insurance Commissioner, will welcome the forum's 200+ attendees. NAIC Chief Executive Officer Ben Nelson is scheduled to offer perspectives on the impact of international regulatory developments on the U.S. supervisory framework of state-based insurance regulation.

Discussion topics during the two-day forum include:

- Components of Effective Group Supervision
- Longevity Risk and the Search for Solutions
- Role of Insurance as a Disaster Risk Management Tool
- CEO Perspectives on International Developments
- Effective Resolution Regimes and the Role of Policyholder Protection Structures
- Addressing Financial Stability in the Insurance Sector

Other featured speakers and panelists include current chief state insurance regulators as well as representatives from the International Monetary Fund (IMF), the Federal Reserve Board and CEOs from internationally active insurance companies.

NAIC White Paper Series Examines State Of Life Insurance Industry

The National Association of Insurance Commissioners (NAIC) in the U.S. released the first installment of a white paper on the state of the life insurance industry and the implications of emerging trends on April 4. This is the first release in a series of three.

Written and developed by the NAIC's Center for Insurance Policy and Research (CIPR), *State of the Life Insurance Industry* explores how the industry has evolved, the nature of regulatory responses, changes in product offerings and technology, and challenges of the economic climate.

The first installment of the white paper includes "Historical Evolution of Life Insurance," which traces the history of life insurance from the 18th century to the present, and "Meeting the Risks of the New Environment," which explores risk management in the context of the changing and complex market.

"The unique nature of life insurance requires regulators to keep pace with changes and to anticipate trends in the market," said Julie Mix McPeak, Chair of the NAIC Life Insurance and Annuities Committee and Tennessee Insurance Commissioner. "The white paper provides an important framework to assist regulators in assessing which changes have been successful, identifying areas that may need improvement, and considering future needs."

The second installment will feature "Life Insurer Balance Sheets" and "Implications of Economic and Market Changes on Life Insurers" sections. The third installment will include "Current and Emerging Trends in Life Insurance Products" and "Technology." Click [HERE](#) to view the first installment of the white paper.

UK Financial Services Consumer Panel (FSCP)

UK Consumer Panel Calls For Straightforward Products That Consumers Can Trust

Britain's Financial Services Consumer Panel (FSCP) is calling on bankers to change their culture to give consumers a fair deal and restore trust in the financial industry.

The FSCP notes that it has highlighted a lack of professional ethics, and blamed an ethical failure for many of the recent banking scandals. In response, it has called for the adoption of a new set of professional standards for bankers, and stresses that there's a need for straightforward products that consumers can trust.

"Consumers need the right products at the right price. This should mean an end to inducements related to product choice and sales volumes. It should also be accompanied by firms offering straightforward outcome products that do what they say on the tin," said Mike Dailly, FSCP working group chair at a recent industry conference.

Dailly also noted that the new industry regulator, which has new consumer protection and competition duties, "will be an important driver for progressive change." However, he stressed that, "Regulation alone will not be enough."

"Only organizational leadership in the industry coupled with a commitment to cultural change and the adoption of a new set of consumer values will be key to restoring trust," he said.

UK Simple Financial Products Initiative Takes Next Step

An independent review in Britain examining the prospect for the creation of simple financial products released its final report on Wednesday, March 13, which includes a set of recommendations setting out the initiative's future.

Back in July 2010, the Financial Secretary to the UK Treasury announced the government's intention to help develop a new range of simple financial products, designed to help people take responsibility for their finances and to make better choices.

Following its initial consultation on the issue, in October 2011, the government created an independent steering group to continue work on the proposal. On Wednesday, that group published its final report, following consultation with a wide range of consumer groups and industry representatives.

The report recommends the first set of simple financial products to be developed should include: an easy access savings account; a 30-day notice savings account; a regular savings account; and a fixed term life insurance product.

It says that a whole life insurance product should be the next product added, and the Association of British Insurers (ABI) will lead further work on a simple income replacement product. Credit unions will also be invited to develop their own line of simple products.

To read more, click here: <http://www.investmentexecutive.com/-/uk-simple-financial-products-initiative-takes-next-step?redirect=%2Fsearch>.

UK Panel Launches Four Pillars To Improve Consumer Protection

The UK's Financial Services Consumer Panel (FSCP) is proposing "four pillars" of consumer protection, which it says should be used to guide policy-making, particularly in the European Union (EU).

The FSCP is marking World Consumer Rights Day by launching its new framework aimed at enabling more effective assessment of legislation, standards and supervision, based around four principles of: access, value, redress and policing, which it says could be used to test any new regulatory measures. "If applied consistently, they could enshrine the consumer perspective in new and developing legislation," it says.

In particular, the principles call for: consumers to have real, universal access to the financial services they need; financial services to offer value to the customer, and that charges and costs must be fair, transparent and proportionate; that consumers must have practical access to binding redress; and, the policing of financial services rules must be effective, with tough enforcement and appropriate penalties.

"We envisage our four pillars of consumer protection stimulating a debate on consistent thinking on consumer protection across the EU," said Adam Phillips, chair of the FSCP. "We would urge legislators and regulators to test everything they do against these four principles."

UK Financial Conduct Authority (FCA)

New UK Regulator Sets Out Its Business Plan

The new financial regulator being established in Britain, the Financial Conduct Authority (FCA), recently set out its plans to embrace a new, more activist approach to regulation.

The FCA, which is being created out of the UK's Financial Services Authority (FSA) and is due to start operations in April 2013, published a business plan and risk outlook, noting that in the year ahead it plans a renewed focus on consumers; tackling market abuse by taking strong enforcement action; building a new competition department to embed competition analysis in its work; continuing to address ongoing misconduct, and taking on existing major policy initiatives.

It said that the main risks for the coming year are: firms not designing products and services that respond to real consumer needs, or are in consumers' long-term interests; insufficient transparency for consumers; inadequate oversight of payment and product technologies; shifts toward more innovative, complex or risky funding strategies or structures that lack oversight, posing risks to market integrity and consumer protection; and, excessive consumer risk taking due to poor understanding of risk and return and the intensified search for yield.

The FCA said it will take a risk-based approach to supervision, that it will be much more proactive than the FSA, and that it will focus on issues that have wider, longer-term effects on consumers and market integrity. The new regulator will employ almost 3,000 people, and plans to spend £445.7 million in 2013-2014.

Separately, the FCA set out its approach to emergency product intervention today, which is a new power that will allow it to restrict or completely ban products that it deems as too risky. Temporary product intervention is a process that will allow it to make emergency rules to protect consumers without public consultation. This would occur in circumstances where the FCA identifies a significant risk to consumers which requires prompt action.

In practice, the rules will allow it to take action such as restricting the use of certain product features, requiring that a product not be promoted to certain types of customers, or requiring that a product not be sold altogether. It says it would consider these sorts of actions in instances where: complex or niche products are sold to the mass market; a non-essential feature of a product seems to be causing serious problems for consumers; and, products that are inherently flawed. These sorts of rules would expire after 12 months and could not be renewed, but would give the FCA time to either consult on a permanent remedy, or resolve the problem another way.

"The creation of the FCA is our opportunity to reset conduct standards. This power, along with our other new powers, helps define how we will regulate going forward," said FCA Chief Executive Martin Wheatley. "We know that some in the industry are concerned about us using this power too hastily; I want to be clear that we know proportionate judgment is needed, and that is what we will exercise. I do not expect us to use this power frequently, but both industry and consumers need to be clear that we will not hesitate to use these powers where we have serious concerns."

Advocates Welcome New UK Financial Regulator

Consumer advocates in Britain are heralding the creation of a new financial regulator, the Financial Conduct Authority (FCA), as part of a response to regulatory failures experienced during the financial crisis.

The Financial Services Consumer Panel, which is a statutory body in the UK mandated to represent consumer interests, "strongly welcomed" the introduction of the FCA.

The FCA is being created out of the UK's Financial Services Authority (FSA), which had championed lighter touch regulation in the years leading up to the crisis. The new FCA focuses entirely on firms' conduct, with the FSA's prudential regulation responsibilities spun off into another authority.

The Consumer Panel said today that it "believes that the FCA has the powers needed to introduce an era of more effective regulation as its operational objectives give it a strong consumer protection mandate."

As a result, the panel is expecting: a "renewed and meaningful focus" by the FCA on ensuring the industry treats its customers fairly; higher penalties to remove firms' incentive to engage in practices that damage consumers, and to act as a clear deterrent; greater use of analytical resources, rule-making and enforcement powers to promote effective competition; a commitment to ensuring access to financial services; and, more effective prioritization, so that the new regulator is not overstretched and can focus on key emerging risks and the root causes of consumer detriment.

To read more, click here: http://www.investmentexecutive.com/-/advocates-welcomes-new-uk-financial-regulator?redirect=%2Fsearch%3Fp_p_id%3Dsearch_WAR_search10%26p_p_lifecycle%3D0%26p_p_state%3Dnormal%26p_p_mode%3Dview%26p_p_col_id%3Dcolumn-1%26p_p_col_count%3D1%26_search_WAR_search10_search%3Dgeneric .



POSITION PAPER

ELECTRONIC COMMERCE IN INSURANCE PRODUCTS

This document reflects the work of regulators who are members of CCIR. The views expressed should not be considered as legal opinions.

This document does not necessarily represent the official position or views of any provincial, territorial or federal government or agency.

May 2013

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1. INTRODUCTION

1.1 CCIR

The Canadian Council of Insurance Regulators (CCIR) is a forum for Canadian insurance regulators to collaborate to improve insurance regulation to serve the public interest.

CCIR adopted our *Approach to Risk-based Market Conduct Regulation* several years ago. Since then we have been implementing a risk-based approach in everything we do. We don't just react - we identify and assess risks first. We focus on the outcomes needed and how to accomplish them, not on rules and forms. We recognize that the best control is self-control, so we work with our industry stakeholders to develop industry standards so that all market participants know what is expected of them.

With a risk-based approach, regulators try first to understand what is happening in the marketplace, give industry the opportunity to respond, assess the quality of the industry response, and then determine if there are risks or gaps that may require the engagement of government policy staff to change the laws. In other words, policy-makers will intervene where problems remain unaddressed by the industry. This can also be described as a progressive approach to market conduct regulation.

If gaps or risks are identified, it is up to policy-makers in each jurisdiction to determine- based on their specific legislation and public policy objectives- what particular measures, if any, will be introduced, and in what manner, so that the regulatory goals of fair treatment of consumers and compliance with the laws can be met.

1.2 ELECTRONIC COMMERCE COMMITTEE

The use of the Internet by insurance providers has increased significantly over the past decade and should continue to grow.

While there is legislation in all Canadian jurisdictions governing electronic commerce in Canada, none applies specifically to financial products. As well, much of the insurance legislation currently in place in Canada was developed long before electronic transactions were contemplated. Both of these circumstances have been cited by some industry participants as factors in inhibiting the growth of electronic commerce for insurance products.

In CCIR's view, consumers must be afforded an adequate level of information and protection regardless of how the insurance is sold. In January 2012, CCIR's Electronic Commerce Committee (ECC) released an issues paper, entitled *Electronic Commerce in Insurance Products*, for public consultation. The goal of the issues paper was, among other things, to obtain

stakeholders' views on various issues and on how best to achieve the following consumer protection goals in the electronic commerce context:

- 1) Consumers have access to additional information/advice from a licensed intermediary;
- 2) Consumers know they are dealing with a regulated entity;
- 3) Consumers have and understand the necessary information about the products;
- 4) Consumers have the opportunity to review the accuracy of the information they provide;
- 5) Consumers are aware of the terms and conditions;
- 6) Consumers can rely on the transaction; and,
- 7) The consumer's personal information is secure.

The paper was also seeking stakeholders' comments on whether consumers are better protected if the designation of beneficiaries and the termination of an insurance policy continue to be paper transactions.

ECC met with a variety of stakeholders during the consultation period and ultimately received 25 submissions from stakeholders, the full-text of which has been posted on CCIR's website. We received responses from industry organizations representing insurers (both direct writers and others) and agents and brokers as well as individual insurers. No consumer groups were heard from, though their input was requested.

We wish to thank all of those who participated in the consultation.

1.3 PURPOSE OF THIS PAPER

ECC's objective with this position paper is to communicate back to stakeholders what we have learned from the consultation and to set out ECC's recommendations to CCIR members regarding the issues discussed.

ECC welcomes your comments on the recommendations presented in this paper.

2. RESULTS OF CONSULTATION AND RECOMMENDATIONS

CONSUMER PROTECTION OUTCOMES

The ECC was seeking several kinds of input from stakeholders with regard to the various consumer protection outcome presented in the issues paper:

- Whether the description of the topic was factually correct;
- Whether the issues identified were, indeed, significant (i.e. have the potential to negatively affect consumers);
- Whether all significant issues had been identified; and
- How the significant risks could be managed, referencing both the methods suggested as examples and other methods possible to achieve our consumer protection goals.

2.1 Consumers Have Access to Additional Information/Advice

There is a substantial information imbalance between the consumer and the insurer. It was the case before and, even though the Internet provides the consumer with much more information than before, it is still the case now. If not remedied, this gap can lead to undesirable situations that can negatively affect the consumer (invalid contract, over-insurance, etc.).

Consultation Outcome

The issues paper suggested various ways to overcome this issue of information imbalance. The majority of stakeholders gave their opinions on how to achieve the goal of protecting the consumer facing this lack of information or advice. The positions expressed were polarized:

- Generally, brokers and intermediaries are of the view that a licensed agent should be involved in each insurance transaction. They argue that a consumer who deals with such an agent to complete an application for insurance has access to appropriate, specific and suitable information from an individual who has a duty to act in the consumer's interest. Without the individualized guidance from a licensed agent, there is an increased risk of purchasing an unsuitable product, due to the consumer's lack of knowledge.

Others propose that at least the consumer be allowed to contact a licensed agent at any stage in the process.

- Insurers generally believe that the Internet allows for the same level of advice as other methods of interaction. Through the Internet, they provide consumers with products and self-assessment information and thus, there is no need to involve a licensed agent in each

transaction. They argue that Web architecture gives the insurer the ability to clarify information and present it to consumers in a logical and consistent manner.

They believe that consumers should be able to compare and access insurance products that meet their needs using the delivery channel and mode of interaction they want to choose. For insurers, the consumer's choice should prevail. Consequently, they generally support having a licensed agent available for contact at the consumer's request during business hours.

Recommendations

The mandate of insurance regulators is, among others, to make sure that the consumer's interests are adequately protected when purchasing insurance products. This mandate does not include influencing the consumer's preferred means of acquiring this product. It is indeed the consumer's right to choose which product to purchase and how to do so.

To protect the consumer's interests, the ECC believes that, regardless of the means of communication chosen, the product chosen by the consumer should suit its needs. For this goal to be reached, it is of paramount importance that consumers have access to all the information needed so they can understand the product they are offered and, ultimately, they can make an informed decision.

To be able to make this informed purchase decision, some consumers may need advice, others may not. Moreover, the level of advice needed may vary depending on the consumer. It is ECC's view that consumers should receive proper advice when needed, again regardless of how they contract the insurance product.

Some insurance products are more complex than others. By their nature, simple or generic products require less advice than more sophisticated or complex products. The level of advice needed could consequently vary depending on the product complexity. Therefore, the level of advice provided could be adjusted to the nature of the product offered. In all cases, consumers purchasing an insurance product should have access to a clear, straightforward and suitable level of advice at all time.

Finally, the ECC believes that it is not sufficient to provide the on-line consumer with information or to give passive access to advice. The consumer should also be made aware of the importance of advice. Before beginning an on-line process, the consumer should be presented with a disclosure stressing the importance of advice and how to obtain it.

On-line insurance providers, whether licensed agents, insurers or firms, have the responsibility to make sure that a consumer purchasing an insurance product makes an informed decision by:

- Providing the consumer with the information needed, in a timely and comprehensive way;
- Giving the consumer access to a suitable level of advice, taking into account, among others, the complexity of the product;
- Making the consumer aware of the importance of advice.

2.2 Consumers Know they are Dealing with a Regulated Entity

On the Internet, consumers have access to information originating from many countries and from various sources. Therefore, a consumer might have trouble determining whether the service provider is indeed registered with the regulator. For example, the consumer might buy an insurance product from a company that is not an insurer, or from an insurer that is not registered with a regulator of its jurisdiction.

Consultation Outcome

Most of the stakeholders agree with the importance for a consumer to have access to specific information with regard to the identity of the provider. However, they are of the view that this information should not necessarily be found on the website homepage of a provider.

Recommendation

To allow a consumer to verify the identity of the service provider and, if need be, to check whether it is registered with the regulator, the following information should be made easily, directly and permanently accessible on the websites of all providers that distribute insurance products online:

- Legal name of the provider;
- Geographic address of the provider;
- Telephone and electronic contact information, whereby consumers can reach the provider directly and easily;
- A statement that the provider is registered with the regulator, including its registration number and type;
- Contact information and information on how consumers can file a complaint, including a link to the regulator's website.

2.3 Consumers Have and Understand the Necessary Information about the Products

In order to make informed insurance decisions, consumers must have access to a minimum of specific information about the product they are interested in. It is important that consumers receive disclosure that can give them a basic and correct understanding of the product and costs associated with it.

It is also important that this information be presented in a simple, clear and timely manner.

Consultation Outcome

Most of the stakeholders agree with the benefits of presenting the consumer with sufficient information on the products and that timing is relevant when it comes to providing this information.

Recommendation

- Providers offering insurance products online should draw to the consumer's attention the following information before buying an insurance product, in a clear and simple language:
 - The type of consumer for whom the product is intended;
 - Main characteristics of the product;
 - Options and coverage provided by the product, as applicable;
 - Exclusions and limitations associated with the product, if any;
 - The total premium and other charges that the consumer will have to pay (including all applicable taxes) or, if an exact amount cannot be indicated, the basis for the calculation of the amount, so that the consumer can verify it;
 - The consumer's right to cancel, if applicable, as well as the duration of the cancellation period and procedures for exercising that right;
 - Any time limit on the validity of the information provided.
- Disclosure on providers' websites should meet all the legal obligations that are incumbent upon them.

2.4 Consumers Have the Opportunity to Review the Accuracy of Information They Provide

On the Internet, it is the consumer who completes the insurance application form without assistance. That process may be subject to error. To avoid such errors that would negatively affect consumers and providers, consumers should be given the opportunity to validate their answers once more.

Consultation Outcome

Stakeholders' submissions showed strong support for this proposition.

Recommendation

- Providers offering insurance products online should present to the consumer, before a contract is concluded, a summary of the information provided by the consumer in the application form.

2.5 Consumers are Aware of the Terms and Conditions

It is important that consumers have a copy of the application and the contract that they can refer back to following the transaction.

Consultation Outcome

Stakeholders' submissions showed support for this proposition.

Recommendation

- Providers offering insurance products online should provide the consumer with a copy of the application and the contract in a form that enables reproduction and storing.

2.6 Consumers Can Rely on the Transaction

Computer systems are not fault-free. A defect in a provider's computer network could have negative consequences:

- The transaction is not carried out;
- Information is not transmitted;
- Unauthorized alteration of a document.

Recommendation

- Providers offering insurance products online have the responsibility to use systems on which consumers can rely.

2.7 The Consumer's Personal Information is Secure

The Internet is an intangible medium, it is easily accessible and therefore it can be vulnerable. Using it to carry out insurance transactions has the potential to put the consumers' personal information at risk through:

- Leaking of personal information;
- Identity theft (of the insured, of the intermediary or of the insurer);
- Fraud and misappropriation;
- Money laundering.

Recommendation

- In compliance with applicable laws, providers offering insurance products online have the responsibility to make sure that consumer's personal information is secure

EXISTING PAPER TRANSACTIONS

2.8 Designation of Beneficiary

The consultation paper asked whether insurers and consumers should have the option of designating and changing beneficiaries using electronic means.

In the absence of specific legislative provisions that authorize electronic beneficiary designations, insurers continue to require designations to be made in paper form. Without a designation on paper, insurers consider there to be no designation at all and any insurance benefits are paid to the estate by default. This not only delays insurance payments to beneficiaries, but also renders the insurance proceeds both taxable and vulnerable to claims from creditors – probably not the result the consumer intended, yet our research shows that this is a very common result.

Both British Columbia and Alberta recently implemented regulatory changes that may make insurers more comfortable using electronic beneficiary designations¹. An industry best practices guideline is under consideration in Alberta which may include additional consumer protection such as written verification of change in beneficiaries.

We thank the CLHIA for giving us access to their proposed guideline/process for designating, altering or revoking beneficiaries electronically for consideration during the electronic commerce discussions.

The issues around beneficiary designation – electronic and otherwise – are all centered on whether a court will accept the designation, therefore, admissibility and related evidentiary issues should form a key component of any best practices guidelines. Evidence Acts already exist and care should be taken to follow them.

Consultation Outcome

Seven stakeholders (six insurer groups and one group of intermediaries) said electronic designations should be an option available for consumers to choose. It would be a convenient and reliable method for exercising this important right.

One group of investment planners, however, said beneficiary designations should continue to take the form of written documents.

None of the commentators would make any distinction between requirements for the initial designation vs. a change in beneficiary.

Recommendation

- To protect consumers, and to harmonize standards across Canadian jurisdictions, the Committee concluded that CCIR should recommend that insurers have in place effective systems for offering consumers the option of designating and changing beneficiaries by electronic means.
- Electronic Beneficiary designation transactions should be followed-up with written verification as a critical protection against fraud.
- Any best practice guidelines, whether promulgated by industry or regulators, should clearly address evidentiary issues.

¹ See Section 547(2) of Alberta's Insurance Act and Section 5.4 of their Fair Practices Regulation

2.9 Termination of Insurance Contract by Insurer

Today, insurers give notice of termination of insurance contracts by registered mail or personal delivery. The consultation paper asked whether insurers should be able to terminate an insurance contract by electronic means, with both parties' consent.

BC and Alberta recently made significant changes in their insurance regimes but chose to continue the previous requirement that a notice of termination of insurance by the insurer be done on paper.

Consultation Outcome

Six insurer groups said that an electronic notice of termination of an insurance policy should be an option that consumers can choose, perhaps with an acknowledgement from the consumer or a "read receipt",

Three intermediary groups thought the current practice of paper notices should continue, perhaps with an additional notification by e-mail.

Recommendation

- In the interest of harmonization, the Committee does not recommend changes to existing practices at the current time.

COMPARISON SHOPPING SITES

The main function of these websites, namely, comparing various available coverage options, is similar to the advisory role normally played by brokers. However, the manner in which these entities are remunerated, and their ownership or business relationships with the insurers, raise questions about their independence, disclosure issues, and indeed, whether or not they are involved in transacting insurance and are therefore subject to regulation.

Consultation Outcome

The prevailing view is that no additional rules appear to be necessary at this time. Those sites should be held to the same obligations and bound by the same regulatory framework as other insurance entities in terms of information and advice provided.

Recommendation

- The line between simple comparisons only vs. transacting insurance must be clear. If not properly licensed, these entities must not:
 - provide advice,
 - hold themselves out as licensed insurers or firms, or
 - post insurance applications, which could mislead a consumer into thinking they are an insurance provider.
- Regulators will survey these websites and enforce the regulation when needed.

SOCIAL MEDIA

Social media are very much in vogue. As a rule, they facilitate social interconnection. They offer users a platform where they can interact, post content and share their views, thereby creating virtual communities and a sense of belonging.

There is also a commercial purpose to social media. Consumers visit sites to express an opinion about a company or product, or to read customer reviews prior to making a purchasing decision. Consumers' opinions about a company or product are now largely influenced by peer opinions.

The insurance industry is no exception: It is increasingly leveraging social media. Insurers are using social media sites to build and maintain customer relations, as a customer service tool and for marketing purposes.

Social media can benefit both providers of insurance products and consumers. However, risks are an inherent part of this communications channel: In the realm of social media, the barrier between consumers and professionals is thin and the "social" component clouds the issue by establishing a relationship of trust. Some providers could take advantage of the consumer's vulnerability, and often that leads to issues of conflict of interest and disclosure, in particular.

Recommendation

Although the issues paper did not specifically address social media, due to the growing popularity of this medium, it is important to communicate ECC's view on this topic.

- Social media are a form of communication like any other. CCIR is therefore of the view that the current legislative and regulatory framework apply. Consequently, rules pertaining to, in particular, ethics, advertising, suitability and file record-keeping, are to be followed when insurers and representatives use social media.

3. NEXT STEPS

- ECC will review the comments from stakeholders to this position paper, and will finalize its recommendations.
- Final recommendations will be presented to CCIR for adoption.
- Each jurisdiction will consider the recommendations and evaluate the circumstances in its own jurisdictions to determine what changes, if any, are necessary to implement them.
- CCIR will continue to monitor issues related to electronic commerce in insurance products.

4. HOW TO GIVE US YOUR COMMENTS

The ECC welcomes your comments on the recommendations presented in this consultation paper. This paper and all prior ECC publications are available on the CCIR's website, www.ccir-ccra.org.

We look forward to receiving your submissions by July 26, 2013, 2013.

Electronic submissions are preferred and should be forwarded to ccir-ccra@fsco.gov.on.ca.

Written submissions should be forwarded to:

CCIR Secretariat
5160 Yonge Street, Box 85
17th Floor
Toronto, Ontario M2N 6L9

CCIR intends to make the submissions received publicly available. If you indicate that you do not want your submission or specific parts of your submission to be made public, we will treat the submission, or the designated parts, as confidential to the limited extent permitted by law.

Canadian Association of Financial Institutions in Insurance
Webinar Presentation on

Digital & Social Media: Insurance Trends, Practices and Implications

Presented to
CCIR and CISRO Members

May 30, 2013



Debbie Dimoff



Debbie Dimoff is a Vice President of Client Services at PwC with a focus on helping clients to navigate the impact and value of digital transformation.

Debbie specializes in developing integrated customer and employee experiences online, on mobile and on social media. She has launched many a digital transformation in her time – from one of Canada’s first direct bank, mbanx to online dating at Lavalife. Debbie has also led initiatives in green procurement for a public private partnership coalition, Toronto Region Research Alliance and Greening Greater Toronto.

Keegan Iles



Keegan Iles is a Director in PwC's Consulting practice in Toronto with over 8 years of financial services and management consulting experience. Keegan has focused this time in assisting clients through large scale business led transformational engagements, re-engineering business process and information and technology management related initiatives.

As part of the Canadian Insurance group, Keegan has consulted extensively with property and casualty and life insurance companies across Canada. Keegan has experience in developing and executing on business strategies, organizational transformation, process improvement and information technology engagements.



Canadian Association of Financial Institutions in Insurance

Webinar For Canadian Council of Insurance Regulators

Digital & Social Media: Insurance Trends, Practices & Implications

May 30, 2013

Webinar Agenda

- 1. Trends and business drivers in digital channels**
- 2. How leading financial services firms are using digital**
- 3. Innovative business models and strategies**
- 4. Implications of digital and social media usage**
- 5. Where are we going in the future**

1. Trends and business drivers in digital channels

A close-up photograph of a person's eye, showing a green iris and brown eyelashes. The eye is looking slightly to the right. The background is a soft, out-of-focus blue.

Digital growth is at the centre of revolutionary change

Top Trends

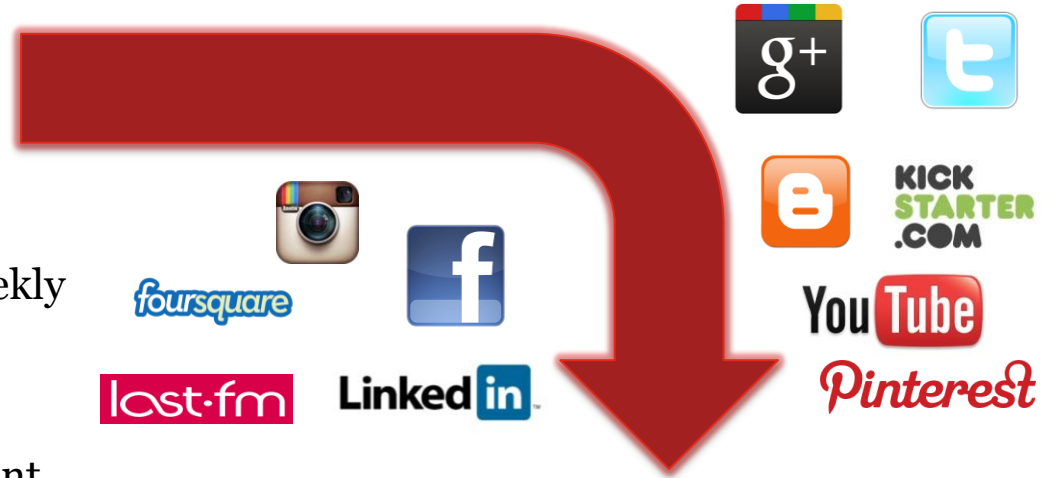
- Consumers rule
- Ubiquitous technology
- The experience revolution
- Content explosion
- Community amplifies

...and Social media keeps on growing!

Social is playing a central role in creating an empowered customer

Global Internet audience stands at
2.4 billion

- **1.6 billion+** users on Facebook
- **7 billion** pieces of content shared weekly on Facebook
- **40 million** users on Pinterest
- **212.2 million** users of mobile payment technology (2012)
- **\$171 billion+** in worldwide mobile transactions (2012)



... and **Canada** is a fast adopter...

- **64%** of Canadians are using social networks
- **42%** of online Canadians visit a Social Networking site everyday
- E-commerce totalled **22.3 billion dollars** in Canada in 2012
- **22 million** mobile subscribers in Canada
- **5 generations** of Canadians are on-line

Sources: <http://www.gartner.com/newsroom>
<http://www.socialmediatoday.com>
<http://www.newswire.ca>
<https://www.comscore.com>
<http://ipsos.ca>
<http://newsroom.fb.com/Key-Facts>
<http://www.Bloomberg.com>
<http://internetstatstoday.com>
<http://www.searchenginejournal.com>
TheGlobeandMail.com . PwC Canada press release

Different generations engage in social and digital channels in very different ways



Baby Boomers (1945-1964)

Trait

- Control over 80% of personal financial assets
- 50% of discretionary spending power

Use

- Growing engagement
- Consume content, light on content creation



Generation X (1965-1979)

Trait

- “Latchkey” kids
- Independence, resilience, skepticism and adaptability

Use

- Prefer tried-and-true tools (email, chat)
- Not users of collaboration and creative aspects



Generation Y “Millennials” (1980-1991)

Trait

- Team-oriented, collaborative and good at multitasking

Use

- Highly-savvy with online and mobile technologies



Generation Z “Digital Natives” (1992 - onward)

Trait

- Prefer mobile and Internet in place of verbal communication

Use

- Super-users of collaborative and creation aspects of social

And all of these trends are changing the way we engage and communicate



Customer expectations

- “**Persistent digital engagement**” lifestyle
- Changed expectations of responsiveness and engagement

Employee expectations

- Openness, transparency, collaboration
- Role in decision making
- Communicators to the outside world

Business processes

- Social business strategy
- New ways to work with each other
- Improved services, development, sales and support



Open

Co-create

Social

Insurance consumer preferences and expectations

A recent PwC survey of insurance consumers indicates strong preferences and expectations around convenience, anytime/anywhere quick access to information.

46%

Prefer a quicker policy selection process, using online tool vs. a producer

50%

Value receiving a quote in less than 1 day

1 in 5

Want their benefits/claims paid in less than 2 days

1 in 2

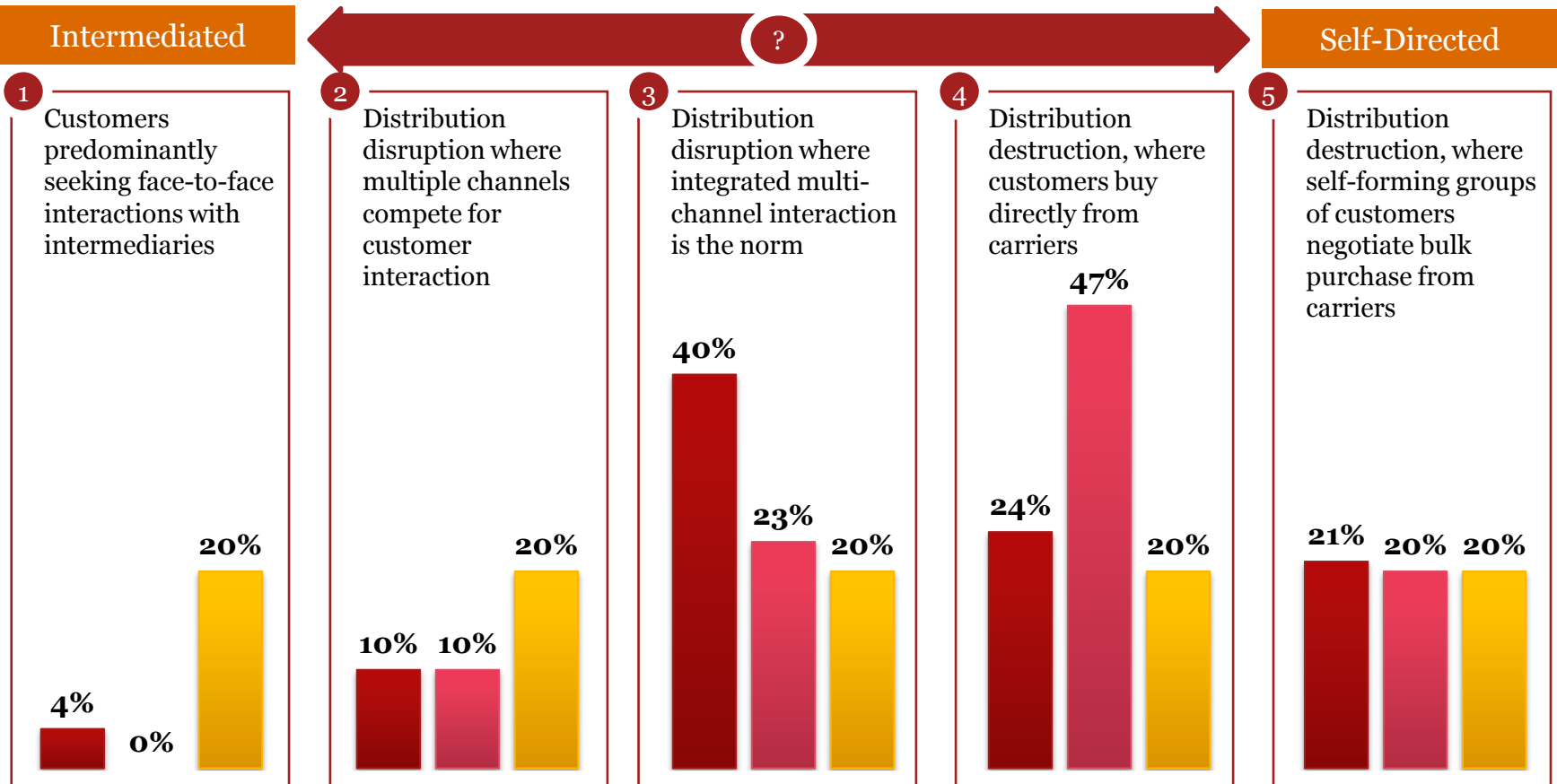
Seek to access and service their account fully online

8 in 10

Would recommend insurer within their social network after positive online experience

Distribution Disruption and Customer Revolution

Poll Question: How far will the balance of power shift towards insurance customers/consumers?



Source: PwC Analysis; IIS Conference, Toronto, 2011 & EyeOpener Poll, Toronto, Sept. 2011

■ PwC Global Survey ■ PwC EyeOpener Poll - Sept 2011 ■ PwC Poll Sept - 2012

Industry recognizes the need to move quickly to meet customer expectations.

Insurers are aware of the need to improve customer experience and multi-channel capabilities...*



But customer satisfaction of “Choice of Channel” is low.

47%

Percentage who indicated Customer Experience as top strategic priority:

39%

Percentage who indicated Distribution Enhancement as top strategic priority:

*Percentage of insurance customers who “satisfied” with each channel**:*

Website, email, & online chat

51%

Mobile

33%

Social Networking & Media

21%

* PwC 2012 Project Blue Poll Results (150 Life & Pension Executives)

** Source: North American Technographics Financial Services, Media and Marketing Online Survey, Forrester Research, Inc.

2. How leading financial services firms are using digital

Financial services providers have had success with targeted business strategies in digital channels



Customer Service



Communication & Marketing



Collaboration



Product Innovation



Brand



Recruitment

E-commerce – Overview

E-commerce landscape



Leading Practices

Use of digital commerce for:

- On-Line & Mobile Customer Profile & Needs Analysis
- On-Line & Mobile quotations
- On-Line & Mobile purchasing (e.g. Term Life, Auto, Home)

Business Benefits

- Instant, anywhere access for customers
- Word of mouth marketing / awareness
- Real-time metrics
- Cross sells and up sells through targeted recommendations
- Self service capabilities

Mobile Phones and Tablets – Overview

The mobile ecosystem



Leading Practices

- QR Code links to marketing, product and research
- Mobile ready websites
- Alerts (e.g. policy updates, renewal, claims)
- Transactional Mobile apps (e.g. sales, claims)
- Tablets in the workplace

Business Benefits

- Real time, anywhere access
- Increased sales through mobile commerce
- Efficient platform for simple transactions
- Demographic and location based information
- Cost-effective marketing, sales and service channels
- Improved productivity and work flexibility

Social Media– Overview

The social ecosystem



Leading Practices

- Social communities for post-claims recovery
- Facebook insurance storefront
- Peer to peer product ratings and reviews
- Twitter for customer care
- Product content distribution on YouTube

Business Benefits

- Increased customer engagement
- Improved customer satisfaction
- Targeted recruiting
- Cost-effective marketing channel
- Product innovation through collaboration

Insurers are offering multi-channel experiences to assist customers in research and purchase activities



PROGRESSIVE

Insurance Choices Claims Center Customer Service SearchKeyword

1-800-PROGRESSIVE

You could save over \$475 on car insurance*
Get a quote in about 6 minutes

Get a Quote Bundle & Save

Quote and Buy Online

Zip Code Auto Get a Quote

Quote with a Local Agent Retrieve a Quote

Manage Your Policy

Username Password Register

Save ID Forgot Password? Log In

Make a Payment (login not required)

Car Insurance and More

Auto Insurance
Enjoy our concierge level of claims service and 24-hour support.

Compare Auto Insurance Quotes**

Company	Rate
Auto Shopper D.S. in CT	
Chevrolet Malibu	6/14, 2:10 PM ET
Progressive Direct	\$530
State Farm (A)	\$742 - \$841
State Farm (B)	\$1137 - \$1283
Auto Range of Rates	\$753

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ROCKET CAT ADVENTURES

PLAY

BUNDLING ROCKS! MEET ROCKET CAT

Sources: Progressive Insurance

The Hartford Experience

Expertise ↓

Flexible Solutions

Superior Service

Seamless Enrollment

Consultative Approach
Customized Communications
Online Experience
Section Summary

Personal Claims Approach

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Talk To Our Experts

Robert W. Reiff
SVP & Director, Strategy, Distribution, Field Service, Association and Product, Group Benefits Division

An expert in the sales and marketing field as well as in the development of insurance products, Bob oversees principal areas of our Group Benefits Division.

Have a question? Call or email Robert:
861-643-1794 | Robert.Reiff@hartfordlife.com

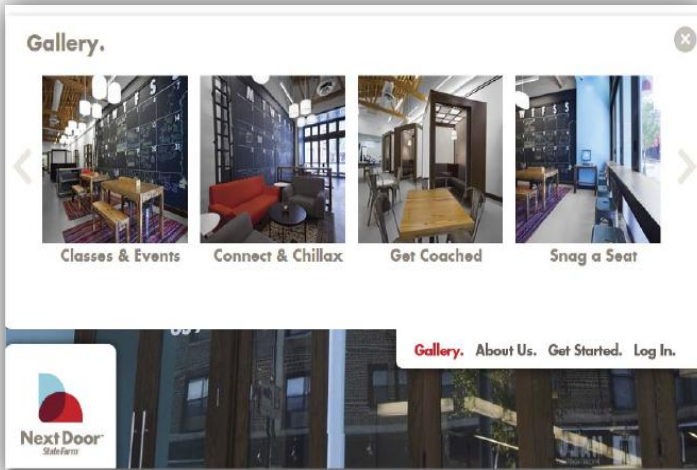
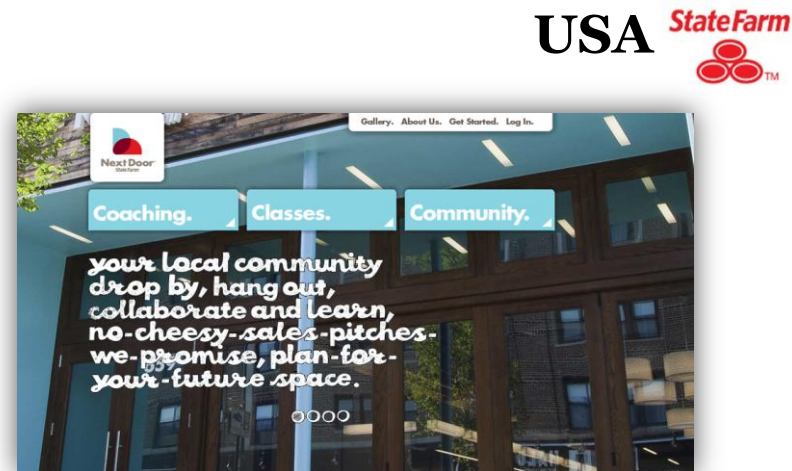
Read a Brief Bio

HOME THE HARTFORD EXPERIENCE INSIGHTS & EXPERTISE

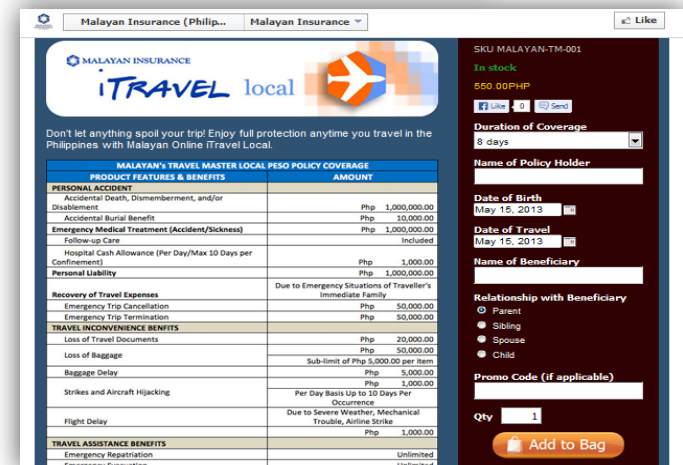
Send To A Friend Contact Us

Sources: 2012 Forrester Research, Inc.

Engaging millennials and “digital connectors” through virtual and physical communities



Sources: 2012, Forrester Research, Inc. & Chicago Statefarm



Sources: www.visiblebanking.com

Using Social Media and Mobile to engage customers in self-service activities can improve the customer experience and lower operating costs

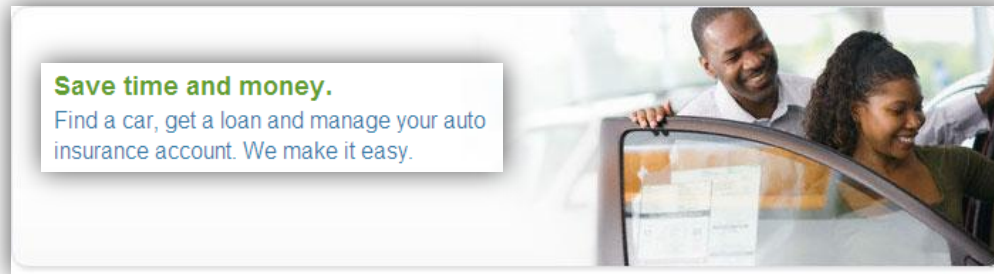


Sources: 2009, Forrester Research, Inc. & Nationwide Insurance

Sources: www.mobilemarketingwatch.com

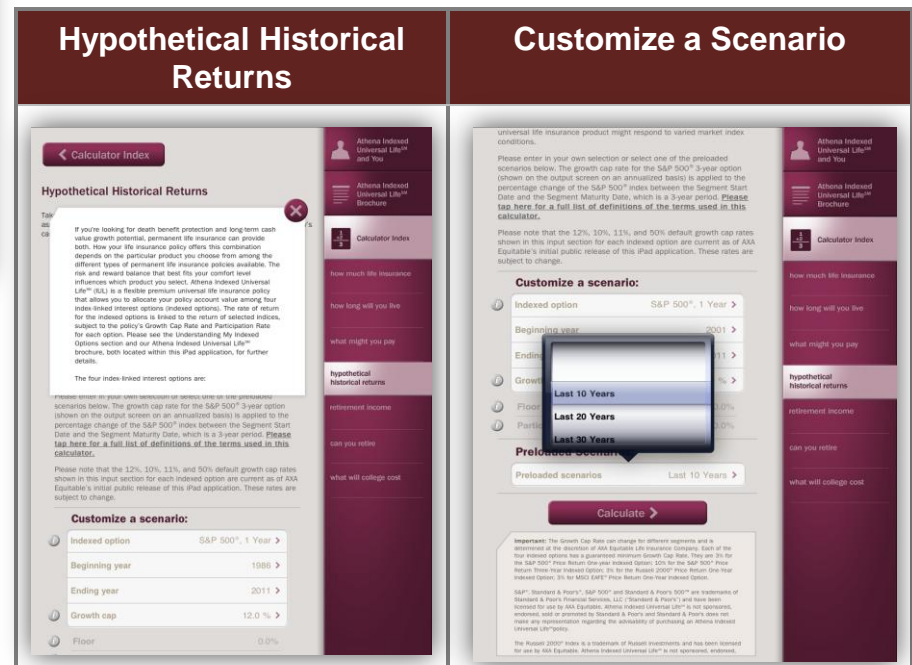
USAA has designed an app that follows a customers' life event from start to finish – purchasing, financing and insuring a car

USAA's allows users to research, buy and insure a car all in one stop.



Sources: 2009, Forrester Research, Inc. & USAA Website

AXA has developed an application to help customers and advisors select the best-fit life insurance

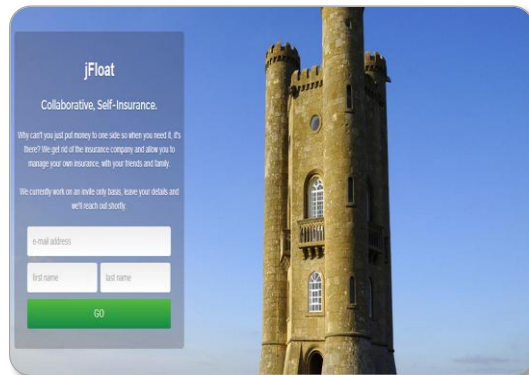


3. Innovative business models and strategies

Game changers - New business models are possible...

jFloat

Back-to-the-future insurance



Smartypig

A new way to save



The Climate Corporation

Sharing risk

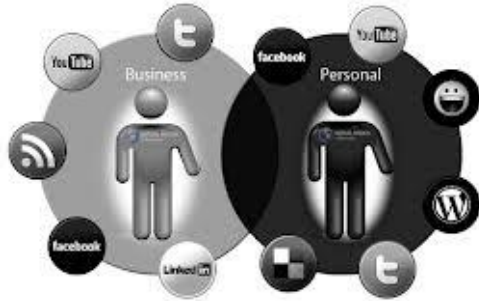


Source:
www.kickstarter.com

...thanks to digital technologies

4. Implications of digital and social media usage

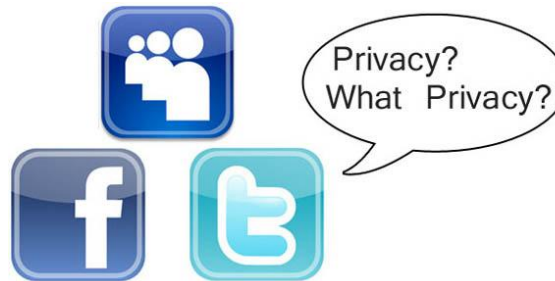
Unique implications to be considered when dealing with digital and social media:



Personal and business usage by key stakeholders (e.g., employees, business partners, agents, customers) in the public domain



Surprise risks with “recommending”, “following” or “like” functions



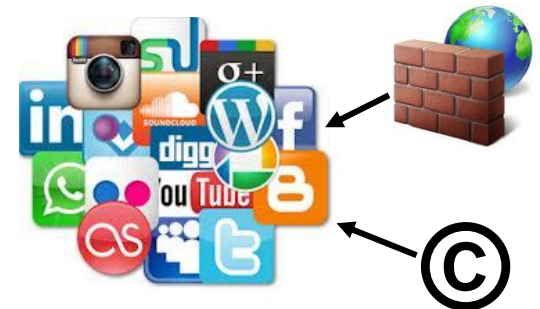
Post-review archiving, compliance and supervision. Likelihood of regulatory (e.g., Privacy), legal challenge and data retention needs



Increased customer service expectations



Introduction of viruses and malware through social media sites



Unclear content rights on social media sites and user-generated content outside the firewall

5. Where are we going in the future

*Where are we going in
the future ?*



Thank you



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CAFII Regulator Visit Report
Confidential: Not For Distribution

Regulator: Alberta Insurance Council
Date: May 7, 2013
Location: Hawksworth Restaurant, Hotel Georgia
Vancouver

Attendees:

CAFII: Sara Gelgor (ScotiaLife Financial and EOC Member); Moira Gill (TD Insurance and EOC Member); John Lewsen (BMO Insurance and EOC Member); Rose Beckford (ScotiaLife Financial and EOC Member); Tamara VanMeggelen (RBC Insurance)

Alberta Insurance Council: Joanne Abram, CEO; and Ron Gilbertson, Chair

Note: Ron Gilbertson was appointed Chair of the AIC in October 2012, for a three year term to 2015. Bio profile appended.

Objective: Obtain update on Council priorities; and maintain relationship.

Discussion:

When Asked For A Key Area Of Concern, They Volunteered Travel Insurance

- recent press regarding difficulties consumers encounter in getting a claim paid.

-AIC understands that large financial institutions will go out of their way to pay a claim because of reputation risk.

-there is concern around questions which are either (i) too technical for the layperson to answer; or (ii) at the other end, too broad such that really everyone needs to answer yes.

-concern with timing of the purchase and the person's lack of focus on what he/she is being covered for

-volunteered that the Alberta Superintendent has the power to prescribe forms; and could prescribe a travel insurance application if they feel the current problem is severe enough. However, the more likely course of action is that the Superintendent would provide guidelines on the health-related questions.

-insurers cannot always hold customers accountable for understanding what they are purchasing. Financial literacy and clear language are opportunities for the industry.

-More training is required so that representatives ask the right questions. The "one size fits all" approach does not work for some products. (Remember the experience that was presented of the home insurance representative not asking the right questions. As a result, the customer would have been underinsured.)

-they suggested that there was some overlap here with the medical questions on creditor insurance applications, which have similar issues.

-they identified internet sales as an area of concern, and how can consumers be protected from buying products they don't understand

-Ron Gilbertson expressed concerns about the lack of advisor advice related to the sale of incidental insurance sales. (It appears that he is quickly absorbing advisor prejudices against dis-intermediated direct channels that CAFII members do business in predominantly.)

-in terms of complaints, they have seen a spike in universal life complaints with complex products that the consumer doesn't understand.

-when asked about commission disclosure/bias, they seemed unconcerned and claimed that all industries have some form of commission bias.

Restricted Insurance License Focus

-not planning a return to the licensee branch compliance audits. Instead, they have several investigators out at least one day a week visiting the offices of the smaller licensees to educate them about their obligations. An issue that has come up is that many travel agents think that their errors and omissions insurance for their main business covers their insurance activities, but it doesn't.

Change To Alberta Insurance Council Mandate

-currently, the Council is focused on protecting consumers through regulation. The Superintendent has directed the Council to review that, and make changes to reflect a broader, more preventative focus.

-Alberta is aiming to look to the future and develop a reputation as the most effective, efficient and flexible regulator.

-they want to hear from us as to what is coming up and where we need changes to accommodate changes to our model.

Follow-up:

- Thank you letter from ?
- Provide information on ?
- ?

Bio Profile of Ron Gilbertson , Chair, Alberta Insurance Council



Appointed to this role by provincial government in October 2012, for a three year term expiring October 2015

Ron Gilbertson is now semi-retired. His most recent position was the President and CEO of Edmonton Economic Development Corporation, a not-for-profit company owned by the City of Edmonton that is responsible for regional economic development and tourism marketing, and management of the Shaw Conference Centre and Edmonton Research Park.

Previous to this, he was with the Alberta Research Council (ARC) where, as Vice President, he was responsible for restructuring the technology commercialization division and investment fund, and for implementing a growth plan for the Engineered Products and Services division.

Prior to joining the ARC, Ron was President of Lacent Technologies where he helped transform the start-up company into a world leader in high speed laser cutting. He has also served as President of the Edmonton Regional Airports Authority, leading the organization through its formative years and establishing Canada's first independent airports authority.

Earlier in his career as a senior manager at Stanley Associate Engineering, Ron helped build one of Western Canada's largest economics consulting practices and Canada's second largest airports and aviation consulting group. He is an honours graduate of the University of Saskatchewan's Bachelor of Commerce program and carries a Master of Arts in Economics from the University of Manitoba.

Ron has served on the Board of Directors for the Sawridge Group of Companies, Lacent Technologies Inc., Agrigenomics Inc. and Inno-Centre Alberta Inc. A dedicated community supporter, he has also contributed volunteer time to a variety of organizations including the United Way, Edmonton Chamber of Commerce, the World University Student Games, local community leagues and the Edmonton Society for the Hearing Impaired.

CAFII Regulator Visit Report
Confidential: Not For Distribution

Regulator: AMF
Date: June 7, 2013
Location: Restaurant Michelangelo
Quebec City

Attendees:

AMF: Mario Albert, President and CEO; Eric Stevenson, Superintendent, Client Services and Distribution Oversight; Julien Reid, Senior Director, Standards and Deposit Insurance; and Louise Gauthier, Director, Distribution Practices and Self-Regulatory Organizations

CAFII: Richard Hébert, National Bank Insurance; Isabelle Choquette, Desjardins Financial Security; Moira Gill, TD Insurance; Rose Beckford, ScotiaLife Financial; and Brendan Wycks, Executive Director, CAFII.

CCIR's Electronic Commerce Position Paper

The AMF will not release a separate paper from the CCIR on this topic. Since they (ie. Eric Stevenson being the prime drafter) held the pen on the CCIR paper, they are in agreement with the direction expressed. There are no e-commerce issues that the AMF feels are unique to Quebec.

That said, Quebec may need to make changes to the province's Distribution Act to facilitate e-commerce and to clarify the role of the intermediary/representative in the evolving insurance marketplace. This will be folded into the review of the Insurance and Distribution Acts now underway at the National Assembly. The review of the Distribution Act (currently with the Minister of Finance) is likely to be completed by the end of 2013, but any legislative changes will probably not see the light of day until 2014, or even later if there is another election.

The AMF has no intention of recommending to the Minister that an agent must be involved in an e-commerce transaction. However, it is possible, but not certain, that they would require us to provide access to an agent.

In response to a question from CAFII, the AMF representatives said that they in no way feel that they have a responsibility to safeguard the livelihoods of intermediaries/representatives/agents as the insurance marketplace evolves, nor to cushion or facilitate their adaptation to marketplace realities.

We discussed CAFII's agreement with and general support for the direction of the CCIR paper, the only exceptions being two or three points about which CAFII will respond with its feedback and, possibly, counter-proposals.

We talked a lot about the difference between providing “advice” and providing “information.” The CCIR paper stresses the importance of “advice” in several places.

It was clear from our discussion with the AMF representatives, particularly Eric Stevenson, that some of those references should really have been to “information.” This is an important distinction because providing advice comes with many obligations and would usually require a licensed agent. Hence, it will be very important for CAFII to drive that point home in its response on the relevant Consumer Protection Objective in CCIR’s E-Commerce Position Paper.

Update on AMF’s Commercial Practices Guideline

After a long hiatus, the AMF expects to be in a position to issue its Commercial Practices Guideline very shortly, perhaps as early as the week of June 10-14. It is currently with the Minister of Finance but nearing finalization.

The Guideline will be “outcomes-based” and it will focus largely on the IAIS’ Insurance Core Principle #19 on “Treat the Customer Fairly.” It will have a strong emphasis on “governance” and place an onus on insurers and related organizations to implement a culture of treating the customer fairly.

There will also be some focus on “reputational risk” related to insurers and their business partners.

Update on AMF’s two-page Distribution Guide

Given the significant allocation of AMF staff resources to preparation for the IMF’s assessment visit around the IAIS’ ICPs, there has been only modest progress made on the two-page Distribution Guide in recent months and the next iteration is not yet ready for release.

However, Louise Gauthier -- who now has direct responsibility for this file along with recent hire Stephane Langlois, Senior Director (as delegated by Eric Stevenson) – reported that the next iteration of the DG should be ready for release within the next four to six weeks, and there will definitely be a formal consultation process on it.

When the AMF met with CLHIA on the DG in February 2013, CLHIA made many of the same points that CAFII made in its written submission to Eric Stevenson in December 2012.

The AMF is open to incorporating some of the content that CAFII and other life and health insurance stakeholders had originally proposed for the DG, but it needs to maintain an encompassing, overarching approach because the DG will apply to p&c distributors as well.

The idea of implementing the DG on a “voluntary basis” is still on the table with the AMF, but that may or may not be the ultimate outcome.

Right now, the AMF feels that it is working its way through an informal consultation process, towards fine-tuning a DG that stakeholders will be comfortable with. But there will definitely be a formal consultation process before the DG is ever finalized and released for implementation.

IMF's Visit to AMF for Assessment of Québec Regulations in the context of IAIS' Insurance Core Principles

The IMF assessors will be visiting the AMF starting next week, and their review will take several days. They will also be spending significant time with OSFI and with FSCO in the month of June.

It has been a mammoth and herculean task to prepare for this visit, given the number and depth of assessment questionnaires that had to be completed.

Given that Desjardins is such a dominant insurer in the province, the IMF asked the AMF to focus predominantly on how it monitors and regulates Desjardins.

The AMF representatives thanked Desjardins for their co-operation in helping it prepare for the assessment visit. The IMF officials will be visiting Desjardins' offices during their time in Quebec.

Overhaul of the Québec Insurance Act recently announced in the National Assembly

The 52 proposed changes to the Act are pretty well all related to corporate structure matters and to a major housekeeping clean-up of a piece of legislation that has had numerous piecemeal changes made to it since the 1970s.

So everything here is related to prudential/solvency regulation, including the AMF's seeking new powers to be able to compel the hand-over of documents, and not much related to market conduct regulation.

CCIR's "Review of Third Party Administrators" initiative: any particular issues in Québec?

Eric Stevenson advised that there are no particular/unique TPA issues in Quebec.

He advised that CCIR's Agencies Regulation Committee, under the Chairmanship of Harry James from FICOM in BC, is approaching this issue with a "blank slate" and looking for CAFII and other industry stakeholders to educate it about the prevalence and use of TPAs in the industry, and to help it shape the scope of its review. This corroborates what Carol Shevlin of CCIR and Gerry Matier of the Insurance Council of BC have previously advised CAFII in liaison discussions.

Eric Stevenson sits as AMF's representative on CCIR's ARC. He said that the most important thing to keep in mind – what the ARC members will be looking for – is that there are solid Agreements between insurers and TPAs in which roles and responsibilities are well-established; and accountability is not blurry.

Licensing Harmonization: CISRO's LLQP initiative and improvements to Québec's electronic system

Everyone agreed that this is a critically important initiative for the industry, particularly in terms of national harmonization.

Quebec has signed the Service Agreement, so is « in » with both feet.

Eric Stevenson advised that he will be attending a meeting of an LLQP-related Working Group (possibly around the Curriculum Design Document or the Competency Profile) in Toronto on July 8. However, the date of the next quarterly LLQP Stakeholder Information Session is still to be determined.

(The July 8 Working Group meeting in Toronto may present an opportunity for CAFII to meet with Ron Fullan, Eric Stevenson, or other provincial regulator(s) who will be in town.)

On a related matter, the AMF recently launched a web-based certificate renewal system. This is an online portal with real-time transaction capability. Use of this system speeds up certificate renewals tremendously. Its use is currently not mandatory, but the AMF has the power to make it mandatory.

The second step with the new online portal will be the electronic filing of financial compliance documents by insurers.

AMF's Consumer Financial Literacy Initiative

This is a key Strategic Initiative for the AMF, and Mario Albert and other members of the executive team are extensively involved in it, including doing speaking engagements.

The Financial Literacy Index – which is derived from research with 1,500 Quebecers who are the financial decision-makers in their households – is now well-developed and will allow for tracking change over time.

The Index reveals that currently only about 50% of the populace has even « a clue » about the things they need to be considering about retirement planning; about developing a credible, trust relationship with a financial advisor; and about avoiding becoming the victim of financial fraud, the three things that the Financial Literacy is focusing on. The findings were similar in a near parallel study in the U.S.

The objective of the Financial Literacy campaign is to increase Quebecers' adoption of « 40 wise financial behaviours » by 3% over a five year period, which seems modest but realistic for such campaigns.

The AMF is investing significantly in this Financial Literacy campaign, spending about \$4 million annually in recent years on TV advertising, web, and social media components, along with funding some project proposals from external parties.

The AMF has come to realization that if it is to elevate the reach and impact of its Financial Literacy efforts, it is going to have to partner with financial institutions as they have the greatest breadth, depth and frequency of relationship with financial consumers. In floating an initial trial balloon with some Quebec Fis, the AMF found the response to be lukewarm at best. The AMF is therefore going back to the drawing board, and may approach CAFII with a proposal in about a year's time.

The Financial Literacy initiative is funded entirely by the AMF's Education and Good Governance Fund, which is in turn funded entirely by Administrative Monetary Penalties imposed upon industry players for regulatory transgressions.

Travel Insurance Survey Re Solvency

In response to this matter raised by CAFII, Eric Stevenson advised that he presented the preliminary findings of the AMF's recent Travel Insurance Solvency Survey at the Travel and Health Insurance Association's annual conference in Hollywood.

He ended up being the keynote speaker on the final morning of the conference, whereas he had originally assumed he was going to be part of a panel presentation. Audience members seemed to be intently interested in the survey's findings, and seemed to find them surprising.

Travel insurance premiums in Quebec represent approximately 1% of total industry premiums (both life and p&c) in the province.

Eric agreed to forward his presentation from the THIA Conference to Brendan Wycks, for dissemination to CAFII members.

CAFII Regulator Visit Plan 2013¹

updated June 7, 2013

Jurisdiction	Regulator	Annual Courtesy Call	Purpose/Issues	Attendees	Date/Venue	Status
British Columbia	Insurance Council of BC: Gerry Matier, Exec. Dir.	X	-Update on Council priorities -Maintain and strengthen relationship	S. Gelgor J. Lewsen R. Beckford T. VanMeggelen B. Wycks	Invite when in Toronto	Five CAFII reps has liaison lunch meeting with G. Matier in Toronto on May 15, 2013; covered range of topics in CAFII Briefing document
	Financial Institutions Commission(FICOM): Carolyn Rogers , CEO, FICOM & Superintendent of Insurance (CCIR chair); Doug McLean, Deputy Superintendent	X	-update on FICOM priorities -Maintain and strengthen relationship		Surrey, BC When Carolyn is in Toronto; or CAFII Board member in Vancouver	Targeted networking with C. Rogers occurred during CAFII 15 th Anniversary event on April 10, 2013; and at CLHIA Compliance Conference in Vancouver in May 2013
Alberta	Alberta Insurance Council : Joanne Abram, CEO; Tom Hampton, Chief Operating Officer; Ron Gilbertson, Chair (2012-15)	X	-Update on Council priorities -Council Representation -Licensing for 3 rd party providers - Business number registration system -Maintain and strengthen relationship	S. Gelgor M. Gill J. Lewsen R. Beckford T. VanMeggelen	When Joanne or Tom is in Toronto; or CAFII Board member in Edmonton	Five CAFII reps met with J. Abram and R. Gilbertson in Vancouver on May 7, 2013; discussion captured in Regulatory Visit Report
	Ministry of Finance: Mark Prefontaine, Superintendent of Insurance Brad Geddes, Deputy Superintendent of Insurance		-Update on Superintendent's priorities -Maintain and strengthen relationship		When Mark is in Toronto; or CAFII Board member in Edmonton	Targeted networking with M. Prefontaine and B. Geddes occurred during CAFII 15 th Anniversary event on April 10, 2013

Jurisdiction	Regulator	Annual Courtesy Call	Purpose/Issues	Attendees	Date/Venue	Status
	New President of Treasury Board and Minister of Finance Doug Horner					
Saskatchewan	Sask. Insurance Council: Ron Fullan, Chair	X	-Update on Council priorities -Council Representation -Maintain and strengthen relationship		Invite when Ron is in Toronto	Targeted networking with R. Fullan occurred during CAFII 15 th Anniversary Event on April 10, 2013, and during CLHIA Compliance Conference in May 2013. B. Wycks to find out exact date of next quarterly CISRO LLQP Stakeholder Information Session (June/July/August 2013?), with a view to meeting with R. Fullan when he is in Toronto then
	Financial and Consumer Affairs Authority, David Wild, Chairperson and Superintendent of Insurance; Ian McIntosh Deputy Superintendent of Insurance		-Courtesy visit, Introduction of CAFII -Insurance Act Review, ISI; Council Representation -Maintain and strengthen relationship		When David or Ian is in Toronto; or CAFII Board member in Regina	

Jurisdiction	Regulator	Annual Courtesy Call	Purpose/Issues	Attendees	Date/Venue	Status
	Consultant (ex Superintendent) Jim Hall		-Update on Insurance Act review -Maintain and strengthen relationship		When Jim is in Toronto; or CAFII Board member in Regina	
Manitoba	Ministry of Finance: Jim Scalena, Superintendent	X	-Update on Insurance Act review and ISI regime -Maintain and strengthen relationship		Winnipeg	Targeted networking with J. Scalena occurred during CAFII 15 th Anniversary Event on April 10, 2013
	Manitoba Insurance Council: Erin Pearson, Exec Director;	X	-Update on Council priorities -Restricted Certificate holder representation on Council -Maintain and strengthen relationship		When Erin is in Toronto; or CAFII Board member in Winnipeg	
	Ministry of Finance Minister Stan Struthers		Letter of introduction sent; include on a visit of CAFII Chair or Board member to Manitoba. Wait until issues with Insurance Act review are resolved			
Ontario	FSCO: Phil Howell, CEO & Superintendent	X	-Update on FSCO priorities -Maintain and strengthen relationship		Toronto	Targeted networking during CAFII 15 th Anniversary event on April 10, 2013. P. Howell invited B. Wycks to contact his EA to arrange a lunch meeting to get better acquainted: now arranged for July 5, 2013

Jurisdiction	Regulator	Annual Courtesy Call	Purpose/Issues	Attendees	Date/Venue	Status
	FSCO: Grant Swanson, Executive Director, Licensing & Market Conduct Division Anatol Monid, Director, Market Regulation Branch					<p>On February 14, B. Wycks and Rosemary Troiani, RBC Insurance, met with G. Swanson, Isobel Scovino and Jim Fox around FSCO's plans for Modernizing Disciplinary Procedures For Life Insurance Agents and Independent Adjusters</p> <p>Waiting to hear back from A. Monid re CAFII-requested consultation meeting on FSCO's planned "Life Insurance Product Suitability Review"</p>
	FSCO: Company Complaint Officer Day			-individual companies	Toronto November	

Jurisdiction	Regulator	Annual Courtesy Call	Purpose/Issues	Attendees	Date/Venue	Status
Quebec	AMF: Mario Albert, CEO		-Update on AMF priorities -Maintain and strengthen relationship		When Mario is in Toronto; or CAFII Board member in Quebec City	R. Hebert, M. Gill, R. Beckford, I. Choquette, and B. Wycks met with Mario Albert, CEO; Eric Stevenson; Julien Reid; and Louise Gauthier in Quebec City on June 7, 2013 for a very productive/informative two hour lunch liaison meeting
	AMF: Superintendant, Client Services and Distribution Oversight: Eric Stevenson AMF: Superintendent of Solvency, Patrick Dery	X				Targeted networking with E. Stevenson and P. Dery occurred during CAFII 15 th Anniversary event on April 10, 2013
	AMF: Rendez-vous			-individual companies	October	
New Brunswick	Superintendent (Acting) Angela Mazerolle-Stephens		-Update on Superintendent's priorities -Discuss /educate on creditor's group insurance (CGI) and Avalon; -Licensing issues, electronic licensing; Insurance Act Review Status; -Maintain and strengthen relationship -David Weir (Deputy Superintendent); Atlantic Taskforce on ISI (Chair)		TBD Fredericton	Targeted networking with A. Mazerolle-Stephens, Acting Superintendent of Insurance; and David Weir, Deputy Superintendent of Insurance, occurred during CAFII 15 th Anniversary Event on April 10, 2013

Jurisdiction	Regulator	Annual Courtesy Call	Purpose/Issues	Attendees	Date/Venue	Status
	Consumer Advocate For Insurance, Ronald Godin		-Update on Consumer Advocate's priorities -Discuss /educate on creditor's group insurance (CGI) and Avalon -Build relationship		When Ronald Godin is in Toronto; or CAFII Board member in Fredericton	
Nova Scotia	Superintendent Doug Murphy		-Update on Superintendent's priorities -Discuss /educate on creditor's group insurance (CGI) and Avalon; -Atlantic Taskforce on ISI -Build relationship		TBD Halifax	Targeted networking with D. Murphy occurred during CAFII 15 th Anniversary event on April 10, 2013
PEI	Superintendent Robert Bradley		Courtesy- Low priority for 2013 (only if CAFII Board member in Charlottetown) -Update on Superintendent's priorities -Build relationship		Charlottetown	Targeted networking with R. Bradley occurred during CAFII 15 th Anniversary event on April 10, 2013
Newfoundland	Superintendent Douglas Connolly		-Update on Superintendent's priorities -Discuss /educate on creditor's group insurance (CGI) and Avalon -Build relationship		St John's	Targeted networking during CAFII 15 th Anniversary event on April 10, 2013
Atlantic Canada	Joint Forum of Insurance Regulators		- Update on Superintendents' priorities -Discuss /educate on creditor's group insurance (CGI) and Avalon -Build relationships		Moncton or Charlottetown ?	M. Gill to contact David Weir, Deputy Superintendent of Insurance, New Brunswick, re prospect of CAFII having a Joint Meeting with all four Atlantic Canada insurance regulators in Summer or Fall 2013

Jurisdiction	Regulator	Annual Courtesy Call	Purpose/Issues	Attendees	Date/Venue	Status
CCIR	Carol Shevlin, Policy Manager	X	-Annual lunch. Discuss priorities -Maintain and strengthen relationship		Toronto	B. Wycks had a Get Acquainted Lunch with C. Shevlin in January 2013; and is in regular contact with her
	CCIR Executive		Meet when pressing issues or opportunistic meeting occasions arise.		October 29-30, 2013 in Toronto	At CLHIA Conference in May 2013, C. Rogers, CCIR Chair, announced that CCIR will hold a Town Hall Meeting/Stakeholder Open Forum-type event in Toronto in October 2013
CISRO	Ron Fullan Chair		-Update on CISRO priorities -Maintain and strengthen relationship		-invite when in Toronto	B. Wycks to invite for a breakfast, lunch, or coffee meeting around CISRO LLQP Stakeholder Info Session in summer 2013
Federal	Federal Finance		Educational – marketing of CGI			
	OSFI: Julie Dickson, Superintendent					
	OBSI: Doug Melville Ombudsman		Educational – marketing of CGI			

Jurisdiction	Regulator	Annual Courtesy Call	Purpose/Issues	Attendees	Date/Venue	Status
	Financial Consumer Agency of Canada (FCAC)		Financial Literacy re insurance			<p>Ursula Menkes retiring from FCAC CEO role at end of May 2013; successor not yet named.</p> <p>M. Gill had liaison lunch with FCAC contact in late April 2013</p>

CAFII Regulator Visit Report
Confidential: Not For Distribution

Regulator: Insurance Council of British Columbia
Date: May 15, 2013
Location: Mercatto Restaurant, Toronto

Attendees:

Insurance Council of BC: Gerry Matier, Executive Director

CAFII: Sara Gelgor, ScotiaLife Financial; John Lewsen, BMO Insurance; Tamara VanMeggelen, RBC Insurance; Rose Beckford, ScotiaLife Financial; and Brendan Wycks, Executive Director, CAFII.

Overview

This was a lunch liaison meeting held in Toronto while Gerry Matier was in town to attend the Canadian Association of Independent Life Brokerage Agencies (CAILBA) Conference.

Gerry was very open, candid, and frank in his discussion with the CAFII Representatives. He did at least 70% of the talking, in a highly articulate, erudite, stream-of-consciousness fashion.

Regulation of MGAs in BC was a top-of-mind topic for him, as he updated the CAFII group at length about it.

Role And Responsibilities Of MGAs In Distribution Of Life Insurance In BC

Gerry Matier updated CAFII representatives at some length on the reception (generally favourable) and the impact (positive) garnered by the Notice issued by his Insurance Council in January 2012 on the Role and Responsibilities of MGAs in B.C., and the related duties of insurers and agents has received.

He emphasized that the main focus is on solid contractual arrangements that set out clearly defined roles and responsibilities, and ensuring that there are no blurred accountabilities.

See Appendix A for an article on this Insurance Council of BC initiative.

Insurance Council of B.C. Priorities

A Message from the Insurance Council of BC's new Chair, David Porter, is prominently featured on its web site (see Appendix B). In that Message, Porter indicates that the Council will be focusing on three key issues in 2013: Competency, Confidentiality, and Conflicts-of-Interest.

Competency is fairly obvious – given its connection to the LLQP Harmonization initiative – and Gerry Matier elaborated on the Confidentiality and Conflicts-of-Interest priorities for the CAFII representatives.

Confidentiality relates pretty well exclusively to the p&c side of the industry in the province. BC is a public auto insurance province and all drivers have their liability coverage through the Insurance Corporation of British Columbia (ICBC). ICBC therefore has a huge database on all drivers in the province, and licensed p&c brokers have access to that database. The Insurance Council, in recent years, has had to deal with a number of cases in which the confidentiality of consumer information in that database has been inappropriately violated, and they are mounting a communications and sensitivity-raising campaign to stem such incidents.

Conflicts-of-Interest relates to the need to raise awareness among industry participants to voluntarily disclose real or potential conflicts-of-interest to clients. This relates to product suitability, especially with respect to exempt securities, and Gerry Matier described, in generalities, a disciplinary case where the licensed representative's failure to disclose a conflict-of-interest with respect to an exempt investment was at issue.

CCIR Agencies Regulation Committee To Review Third Party Administrators (TPAs)

CCIR has approved a work plan for the second phase of its Agencies Regulation Committee (ARC)'s work. The ARC will now review the regulation of Third Party Administrators (TPAs) in group life, accident and sickness, creditor's group insurance, and travel insurance to determine potential risks to consumers. (This was pre-figured in the Background (introduction) to CCIR's November 2008 "Incidental Selling Of Insurance Report," which states "the ISI Working Group did not review potential issues related to third party administrators since CCIR has mandated the Agencies Regulation Committee to work on this matter.")

CAFII has been asked, and has agreed, to have an initial telephone consultation with the ARC about the TPA review, in which clarity will be sought around what should be the definition of a TPA for the purposes of the review.

Gerry Matier advised that CCIR's Agencies Regulation Committee, under the Chairmanship of Harry James from FICOM in BC, is approaching this issue with a "blank slate" and looking for CAFII and other industry stakeholders to educate it about the prevalence and use of TPAs in the industry, and to help it shape the scope of its review.

Appendix A

B.C. Regulator Lays Down Precedent-Setting Guidelines

From Insurance & Investment Journal, February 21, 2012

Managing General Agencies are a bit of an industry anomaly in that they've never really been subject to regulation specifically geared toward them, until now. Although there have been several attempts on the part of national organizations to draft guidelines or advice, most of these are still hung up in discussion and debate with stakeholders. Given that insurance regulation is a provincial responsibility, however, the Insurance Council of British Columbia decided it was past time to give MGAs a clear outline of the regulator's expectations.

"We waited to see how the CCIR (Canadian Council of Insurance Regulators) paper went, but because of a number of events, including a few issues in our jurisdiction, and because MGAs were looking for clarification, we felt it was time to publish the work we had done," says Gerry Matier, ICBC executive director. "We think it will be complimentary to whatever comes out of the CCIR."

The six-page notice, released in January, discusses and recognizes the duty MGAs have to the insurers they're under contract with. It puts new onus on the companies to know about an agent's abilities and background, and it spells out the duty life agents have to MGAs and insurers as well.

Although some provisions are somewhat obvious – that MGAs need to carry adequate errors and omissions insurance, or that they need to have any vague contract details or anomalies clarified in writing – other provisions will undoubtedly be welcomed by executives and compliance staff.

Notably, the Council draws a line in the sand, clearly stipulating that a number of insurance company responsibilities such as underwriting, policy issuance or claims cannot be "pushed down" to the MGA level.

Although such duties are not in dispute at the moment, Mr. Matier points out that responsibilities can evolve quite dramatically over time. "At some point MGAs may become involved in the claims process; it's not unreasonable to believe that could happen," he says. "If, down the road these things start to come up, we want to be on the record saying these are the duties of the insurer and they should remain there."

Reporting responsibilities

New "know your agent" rules, meanwhile, address known problems in the industry where sub-par brokers are sometimes cut loose by their MGA. Oftentimes, lack of production is cited as a reason for the agent's termination, when, in reality, the known problem is a larger question of competency or weak ethics.

“The fact that somebody has done something wrong doesn’t mean they’re going to lose their career,” says Mr. Matier. “But if they have knowledge problems, competency problems or ethical problems, whatever it is, we shouldn’t be hiding from them, we should identify them. What are the issues and how do we deal with it? How do we make sure it doesn’t happen again and how do we make sure the next consumer doesn’t get hurt by the same problems?”

In these cases traditionally, MGAs reported problem cases to insurers who in turn decided whether or not to report the problem to regulators.

“We wanted to be very clear. We think the MGAs are in an excellent position to identify issues if they do see them, and we feel they should be responsible enough to bring those to our attention.”

In the past, he says enforcement staff have encountered situations where the MGA involved could have assisted in identifying the problem before it had a chance to escalate. “I’m not saying these things would not have occurred, but they might have been identified sooner,” he says, adding that such reporting can take place formally or informally.

“I’m prepared to take a phone call from an MGA on the side, saying we can’t put our finger on it, but we think this person might benefit from an inspection.”

In addition to these provisions, the notice acknowledges that an MGA’s primary duty is to the insurer, thanks to the contractual nature of the relationship. It addresses situations where an MGA might be engaged in retail sales activity by soliciting the public directly or by servicing existing business. In these cases, it says the far more stringent know your client rules that apply to retail agents will apply to the MGA as well. (Not normally the case when the business is simply acting as an intermediary.)

The notice states that, although MGAs are required to carry out all of the responsibility outlined in their contracts, failure on the part of an MGA to meet a contractual obligation “is not a valid reason for an insurer to not address a policyholder’s complaint.” It continues, saying “insurers are ultimately responsible for all of the functions contracted to and completed by MGAs.”

Failure to conduct appropriate life agent background checks, meanwhile, will be enough to call an MGA’s suitability into question – MGAs must be satisfied that business being submitted is consistent with their understanding of the life agent’s knowledge, experience, abilities and business history. Those who fail to properly review transactions outside of an agent’s skills or abilities could face disciplinary action.

Independent advisors

Finally, the notice says life agents also have an obligation to honour their contracts as well – attempting to bypass the MGA for whatever reason, could bring an agent’s abilities and suitability into question.

“Although this paper discusses MGA distribution, I think it’s probably even more important for independent advisors to have a look at the document and read between the lines about what their responsibilities are,” says Paul Brown, CAILBA (Canadian Association of Independent Life Brokerage Agencies) and president and CEO of the IDC Worldsource Insurance Network, adding that he welcomes the paper and the clarity it brings.

As for the more obvious provisions outlined, Mr. Matier says some were included in response to circumstances in some cases or simply for the sake of clarity in others. “It’s kind of hard to hold somebody accountable when you don’t tell them what it is they should be doing,” he says.

Appendix B

Message From Chair of Insurance Council of British Columbia



Over the past few years, Council has made great strides in becoming a progressive regulator in the insurance industry. As Chair, I look forward to continuing in this direction and will seek to maintain a cooperative effort with the industry to protect the public by ensuring individuals licensed to sell insurance are competent, qualified, and trustworthy.

Over the next year, I see Council focusing on a number of key areas, specifically competency, confidentiality, and conflicts of interest.

In the area of competency, Council continues to review its educational criteria. We are currently working with the other Canadian jurisdictions to update and improve the existing qualification program for life insurance agents. We anticipate the updated LLQP program will be in place by 2015.

Council is also commencing preliminary discussions with the general insurance industry to determine whether the existing educational criteria for general insurance agents and salespersons is still appropriate and current. It is important that Council maintains a minimum educational criteria for individuals entering the industry.

With regards to confidentiality, Council is concerned with cases it has encountered where clients' confidentiality has not been properly maintained. One of the key cornerstones of the insurance industry is the maintenance of clients' information. Unfortunately, we continue to experience situations where clients' information has not been properly maintained or has been intentionally breached. The public is entitled to expect their information will be properly safeguarded and, for the insurance industry to maintain the public's trust, it must ensure confidentiality is paramount. Council is working on a paper that will articulate areas of confidentiality and the duties and obligations of licensees.

In the area of conflicts of interest, Council is developing guidelines that will specify expectations for insurance agents, adjusters and salespersons regarding issues pertaining to conflicts of interest. There are a number of ways in which conflicts of interest can be addressed; the most important being proper disclosure to the client. Council will identify conflicts of interest that licensees should avoid, as well as conflicts of interest that, at the very least, require appropriate disclosure to and consent of a client before proceeding.

In closing, I want to take this opportunity to acknowledge the departure of Ken Thom, one of the voting life insurance agent representatives on Council, and a number of non-voting members who have completed their terms. I also want to acknowledge the work done by Dan Swanlund, Council's outgoing Chair.

I look forward to working with Council members and staff over the next year to continue to enhance the professionalism of Council and to look for ways to improve upon the services we provide to the public and the industry.

As Chair, I want to continue to maintain the high quality of service that Council has established over the years. I welcome any feedback the industry wishes to provide and will always be receptive to suggestions on how Council can continue to improve the quality of service stakeholders expect.

C. David Porter, B.Comm., LL.B., FCIP, CRM

CAFII Priorities by Committee – June 10, 2013

Executive Operations Committee

Membership: As per CAFII Bylaw 6.01. Sub-committees may strike taskforces drawing on expertise of other individuals associated with member companies.

Mandate	Activities	Issues of Interest
Recommend budget and priorities to Board	Draft and review Financial Reports	
Keep environment open to key products	Be aware of current and emerging issues (Regulatory Update).	
	Develop responses to regulatory initiatives. Forward to board for approval as necessary. Oversight of Distribution and Market Conduct Policy Committee (DMC)	Regulation of ISI
		International regulation of creditor products
		Market Conduct Regulation
		Electronic Commerce
		Provincial Insurance Act Reviews
		Quebec Distribution Guide
Keep environment flexible /efficient	Identify barriers to efficient operations. Oversight of Licensing Efficiency Issues Committee	Licensing Irritants
		Provincial Insurance Councils and CISRO issues, including LLQP
		Electronic licensing
		Multi-jurisdictional licensing/mutual recognition
Develop communication plans and tools	Oversight of Media and Advocacy Strategy Committee(MAC)	Communications strategy, CAFII Branding Advocacy Strategy Website
Build relationships with key stakeholders	Connect with regulators. Manage and conduct regulator visits. (Manage Regulator Visit Schedule) Approve attendees at regulator meetings, review meeting notes and manage follow-up actions	
	Oversight of Networking and Events committee	
Other items	Continuance under new Canada Not for Profit Corporations Act (CNCA)	Articles of Continuance to be filed by October 26, 2014
	Changes to CAFII Management structure – development of Executive Director role	Executive Director hired effective December 2012; oversight of establishment of ED's role, its evolution and effectiveness

Distribution and Market Conduct Policy Committee

Membership: The committee will have 4 permanent members including 2 co-chairs all of whom are members of the EOC.

Co-Chairs: 1) Sue Manson CIBC 2) Wayne Eccles TD **Other members:** 3) Emily Brown BMO 4) John Poolman, Assurant

5) Andre Duval, DSF 6) Rose Beckford Scotialife Financial **Mandate:** Oversee development of CAFII policy positions as directed by EOC. Oversee taskforces as required. Activities: Draft CAFII submissions, Manage and interpret industry research projects as approved by EOC

Item	Description	Activities Completed/Industry Developments	Status/Next Steps
Regulation of ISI	Quebec <ul style="list-style-type: none"> DWR (review of Insurance Act) 	<ul style="list-style-type: none"> CAFII members met with Eric Stevenson Nov 2012 Insurance Act Overhaul/Re-write formally announced by Quebec Government on April 30, 2013 	<ul style="list-style-type: none"> Active
	Quebec <ul style="list-style-type: none"> Review of Distribution Guide 	<ul style="list-style-type: none"> CAFII input provided on Guide (e.g. signature, remuneration) through letter sent to AMF June 2012, meeting with Eric Stevenson Nov 2012 and follow-up letter sent to AMF Dec 2012 	<ul style="list-style-type: none"> Active EOC involvement and oversight Met with AMF in Quebec City on June 7, 2013 DMC proposes information session
International Regulation of Creditor Insurance	PPI IAIS Core Principles	<ul style="list-style-type: none"> Brendan reported on US and UK developments CAFII Project 	<ul style="list-style-type: none"> Active/Monitor ongoing Prepare for discussion with Board on June 11 Post Implementation Review
		<ul style="list-style-type: none"> Proposed committee work on impact of international regulations matrix 	<ul style="list-style-type: none"> EOC Input obtained Active
Complaint Statistics		<ul style="list-style-type: none"> Proposed committee work on Complaint Statistics 	<ul style="list-style-type: none"> EOC Input obtained DMC Subctte met on June 4, 2013
Consultations	FSCO life insurance suitability review	<ul style="list-style-type: none"> FSCO will hold a pre-consultation meeting with CAFII when ready to launch initiative 	<ul style="list-style-type: none"> Active/Coming up
	E-commerce	<ul style="list-style-type: none"> CCIR and AMF – upcoming consultations 	<ul style="list-style-type: none"> Active with Release of CCIR E-Commerce Consultation Paper on May 23, 2013
	Provincial Insurance Acts	<ul style="list-style-type: none"> Manitoba 	<ul style="list-style-type: none"> Active/Coming up
		<ul style="list-style-type: none"> Saskatchewan 	<ul style="list-style-type: none"> Watch
		<ul style="list-style-type: none"> Ontario 	<ul style="list-style-type: none"> Watch

CAFII Priorities by Committee – June 10, 2013

Item	Description	Activities Completed/Industry Developments	Status/Next Steps
Avalon Report Update	Survey members companies, update analysis and research	<ul style="list-style-type: none"> Comparison of creditor insurance on mortgages with term life and individual disability insurance: pricing, approval rates, claim approval rates, etc. 	<ul style="list-style-type: none"> Active Last conducted in late 2009/early 2010 on 2008 data DMC to propose timeline for new iteration of this study, using 2013 data

AMF Distribution Guide Task Force

(Task Force of Distribution and Market Conduct Policy Committee)

Members: Emily Brown, John Poolman, Rose Beckford, Moira Gill, Sue Manson

Purpose: Recommend changes to the AMF Distribution Guide based on the Mutual Fund Guide, customized for exclusion disclosure

CAFII Priorities by Committee – June 10, 2013

Licensing Efficiency Issues Committee

Membership – 1 Chair who is a member of EOC and 3 members from representative companies.

Chair: Moira Gill TD 2) John O'Hoski Cdn Premier 3) Sara Gelgor, ScotiaLife Financial 4) John Poolman, Assurant 5) Greg Grant CIBC

Mandate: Identify and manage licensing efficiency issues for restricted and individual licensing processes.

Priorities	Issues	Currently active issues	Status
Licensing operation issues Streamlining and harmonizing licensing requirements (training, CE, other)	Request for restricted certificates for 3 rd parties Alberta	v	CAFII letter to the Council (2011). Council responded that they did not support the request. Committee decision to address the issue with the Council again in <u>year ?</u>
	CISRO project to redesign LLQP – project completion target Sept 2014		Quarterly Update Forums being held by CISRO, incl. January 17/13 and April 9, 2013. Next Forum expected to be in June, July or August 2013
	Licensing process -streamlining and harmonization		Identification of issues ongoing
ISI regime implementation	Manitoba – issues to be resolved with implementing regulations		Included in Insurance Act Spring 2012 Letter sent in August 2012
Provincial Insurance Councils and CISRO issues	Opportunities to have restricted licensees represented or otherwise participate on Council discussed with Saskatchewan and Alberta. Committee identified a need for an analysis of options for BC, Alberta & Saskatchewan. Council representation needed	v	Legal assistance engaged and analysis of options underway. Meeting with AIC Jan 2012. Meeting with Sask. held Meeting with Manitoba held
Electronic licensing	Promote use of electronic licensing systems by provincial regulators Possible use of “business numbers” to link		Letter of support sent to CISRO May 2012
Multi-jurisdictional licensing/ mutual recognition	Trade Agreements - promote mutual recognition (Ontario – Quebec, New West Partnership)		Attended trade agreement update meeting May 2012

Media and Advocacy Strategy Committee

Membership: The committee will have 4 permanent members including 2 co-chairs, all of whom are members of EOC. EOC chair is co-chair.

Co-Chairs: 1) Sara Gelgor 2) John Lewsen

Members: 3) Paul Yeung, 4) Moira Gill 5) Greg Grant

Resources: Leya Duigu, Brendan Wycks

Mandate: Identify key stakeholders and develop, recommend and implement communication and advocacy strategy. Oversee CAFIL branding. Oversight of Media Response taskforce.

Areas of Interest: Underserved Market: Creditor Insurance (value proposition, disclosure); Counter broker lobby messages

Initiatives	Status/Explanation	Resp	Next steps
-Develop a Communications Strategy	<p>-Update Communications Strategy: CAFIL-branded “Regulatory Value Added Strategy” for website and regulator communication. Most materials exist but materials should be reviewed and recommendations made as to how to package and brand materials. Include concept of sending targeted messages to regulators when an issue is in the media.</p> <p>-bring strategy up to date, should be a refresher at every board meeting</p>	ED	<p>-ED B. Wycks provided Feedback/Commentary on Communications Strategy at March 21, 2013 MAC meeting and March 26, 2013 EOC meeting</p> <p>-Update provided at April 10, 2013 Board meeting</p> <p>-Update to be provided at June 11, 2013 Board meeting</p> <p>-Draft Revised Communications Strategy to be reviewed at upcoming MAC (June 20, 2013) and EOC (June 25, 2013) meetings</p>
<p><u>Website</u></p> <p>-collect testimonials, post on site</p> <p>-Refresh CAFIL mission statement</p>	<p>-Testimonial (written or video)- 1 per member , have 7 or 8 available and determine how to rotate through (value –add to members)</p> <p>-review mission statement to ensure it is in line with branding,</p>	<p>J Lewsen</p> <p>ED</p>	<p>-Email reminder sent w/o Oct 22, 2012; One written and one video testimonial received to date. B. Wycks to follow-up with direct request to each Voting Member, via EOC members</p> <p>-Removed from MAC Priorities, as Mission Statement is solely within Board purview and typically is reviewed as part</p>

CAFII Priorities by Committee – June 10, 2013

Initiatives	Status/Explanation	Resp	Next steps
-expand tabs to include other products & regulators/industry	-incorporate alternate distribution (underserved market)	ED	of Strategic Plan renewal. J. Hines and B. Wycks to discuss with Chair M. Cummings -Underserved market material drafted, to be approved for website. In process with ED B. Wycks
	- Travel insurance product – ED to reach out to travel association and CLHIA; look at it from distribution perspective	ED	B. Wycks met with CLHIA Execs. on April 1 and June 3; had get acquainted discussion with John Thain, volunteer President of Travel Health Insurance Association of Canada, who works for Assurant Solutions, at CAFII 15 th Anniversary event. Will have a full meeting with Thain in June, after THIAC Conference.
-Develop CAFII “Did you know” video to convey important facts	-(Charles Blaquiére suggestion) Budget allocation request \$10,000	ED	-In process as part of CAFII Re-Branding and Visual Identity Modernization initiative
-what’s new	-In place, ongoing update of news	ED	-Ongoing
<u>CAFII Branding</u> -develop marketing tagline	several taglines to be sent to Board, -identify differentiating factor, eg advocating for insurance access , choice, all Canadians	J Lewsen	Completed
	- include tagline on all submissions, website, swag, and letters to regulators	ED	-In process; to be completed in conjunction with Re-Branding and Visual Identity Modernization initiative
-CAFII newsletter for regulators	-Insurance regulatory news to be collected monthly and shared with regulators as a value added service Budget Request re formatting?	ED	-Completed and ongoing.

CAFII Priorities by Committee – June 10, 2013

Initiatives	Status/Explanation	Resp	Next steps
<p>-CAFII “look”</p> <p>-Acquire soft marketing tools (pads, pens etc),</p>	<p>-Develop a font and layout unique to CAFII to be used in letters, submissions and newsletter; assess if new logo needed Budget allocation request \$10,000</p> <p>-Coasters suggested– include tagline and web address on next re-order -Budget allocation request</p>	ED	<p>-In process. RFP issued for CAFII Re-Branding and Visual Identity Modernization</p> <p>-Pens, mugs and i-phone holders are in stock</p>
<p><u>Media Protocol</u></p> <p>-Develop and manage protocol for handling media requests</p> <p>-media training for ED</p>	<p>-Protocol to be revised with arrival of ED</p> <p>-Budget allocation request \$2,000</p>	ED	<p>-Completed; revised Media Protocol approved by MAC on January 17/13</p> <p>-Schedule training for Q3 2013. Expand to include Board members who are interested and available on the day booked for media training.</p>
-Monitor Media		ED	Ongoing
-Develop List of Friendly media			Paul & Moira have completed list
-Notify communications departments of member firms	-To be done when messaging is reviewed		
-News Release	-Send out notification re new ED		-Notice sent to all CAFII members. Included in first issue of Regulators’ newsletter. Also to be sent directly to each regulator with a cover letter from M. Cummings
Develop 2-3 likely scenarios		ED	-B. Wycks reviewing material drafted by G. Grant.
Key Message Development - identify issues and develop key messages	-Key message document: develop and review stock messages to be used in communication opportunities	ED	-Key Messages document drafted by A. Riley for B. Wycks’ review. In process; for review and discussion at June 20, 2013 MAC meeting
<p>-Regulator Kit</p> <p>-develop booklet /brochure</p>	<p>For new regulators. Compile package of information for regulators which can include</p> <p>-booklet</p> <p>- past submissions,</p>	ED	-Some content developed by RBC intern

CAFII Priorities by Committee – June 10, 2013

Initiatives	Status/Explanation	Resp	Next steps
-Key Facts sheet	-testimonials and -key fact sheet. Booklet - take images from website, testimonials, designed to highlight major issues. Small 10 page booklet that can be given out with business cards. -develop a “Key Facts” sheet to be part of regulator package	ED ED	-To be completed in conjunction with Re-Branding and Visual Identity Modernization initiative -To be completed in conjunction with Re-Branding and Visual Identity Modernization initiative
Manage research to support message (eg. Pollara) - develop key messages - manage plan of use of research - determine when and what research must be undertaken or renewed	-Pollara plan of use in place	MAC	-Plan of use to be reviewed by ED and feedback brought to MAC meeting in June 2013
-Industry Statistics	- identify and keep current statistics from LIMRA and CAFII research	ED	-overlapping responsibility with DMC. Referred/delegated to DMC.
-Webinars Develop and offer webinar education Determine distribution of webinar material	-develop / oversee development of new webinars -review and keep webinars current -track who has seen which webinars -plan number of webinars per year, have list of upcoming webinars -deliver webinars Budget allocation request \$10,000	ED	-Digital commerce and social media webinar, developed by Davis Yoo and Debbie Dimoff of PwC, delivered to CCIR audience on May 30, 2013.

Media Response Taskforce

Membership: Taskforce consists of any two members of the Media and Advocacy Strategy committee plus Brendan Wycks.

Purpose: Deal with media issues as they arise. Make recommendation to Board communications committee (Members: Mark Cummings, Scotialife Financial; Dave Minor, TD; Rick Lancaster, CIBC; Julie Barker-Merz BMO)

CAFII Priorities by Committee – June 10, 2013

Networking and Events Committee

Membership: 1 Chair - 2 members , EOC chair is an ex-officio member

Chair: Paul Yeung RBC 2) Maria Sanchez –Chung TD 3) Ex-officio: Jennifer Hines Resources: Leya Duigu, Brendan Wycks

Mandate : Operate CAFII events and receptions to maintain contact with regulators, associate members and other key stakeholders.

Priority	Activities	Status
Plan Quarterly Speaker and reception events, and member-only event	-February Speaker Event (members only)	-Moved to March 26, 2013, with Jane Carr, Vice-President and Managing Attorney, Assurant Solutions, Atlanta, speaking on “Issues, Challenges and Opportunities in U.S. Debt and Other Protection Products.” -Completed and successful
	-April 10, 2013 CAFII 15 th Anniversary Event	-Completed and successful
	-June AGM/Regulator Reception Event	-Doug McPhie, Ernst & Young’s Canadian Insurance Leader, proposed as speaker on “2013 Canadian Life Insurance Outlook” for Regulator Reception event on June 11, 2013
	October Speaker Event	
	December Reception	
Keep current lists of key contacts		
Christmas cards to key contacts?		
Seek out other opportunities to meet with contacts (eg. corporate table)		

Finance
Financial Institutions Regulation Branch

June 3, 2013

Moira Gill
Canadian Association of Financial Institutions in Insurance
255 – 55 St. Clair Avenue West
Toronto ON M4V 2Y7

1115-405 Broadway
Winnipeg, Manitoba
R3C 3L6 Canada
Phone: (204) 945-1150
Fax: (204) 948-2268
Toll Free: 1-800-282-8069

Re: Licencing of Incidental Sellers of Insurance
Amendments to Insurance Agents and Adjusters Regulation

In 2010 the Insurance Council of Manitoba (ICM) established a committee to review the regulation of incidental sellers of insurance (ISI). The committee conducted an extensive review of existing regimes in other jurisdictions and considered comments from stakeholders through both written and in person submissions. In 2011 the committee provided their recommendations to the Superintendent of Financial Institutions.

In June 2012, amendments to *The Insurance Act* were passed in the Legislative Assembly of Manitoba as Bill 27, The Insurance Amendment Act. Amendments to *The Insurance Act* allowed for the introduction of the licencing of incidental sellers of insurance regime.

Prior to bringing the unproclaimed sections of The Insurance Amendment Act (relevant to ISI) into force, the Insurance Agents and Adjusters Regulation needs to be amended.

We plan to recommend the attached Draft Regulation to government this summer. In advance, we would appreciate your comments in order to ensure that the proposed framework will be effective.

Please direct your comments, by **July 2nd, 2013**, in electronic form to: insurance@gov.mb.ca. If you wish to send your comments in paper format, please forward them directly to my attention.

Thank you for your participation. If you have any further questions, please do not hesitate to contact me.

Yours truly,

A handwritten signature in blue ink, appearing to read "J. Scott Moore".

J. SCOTT MOORE
Deputy Superintendent of Financial Institutions-Insurance

Attachment (1)

Liability insurance — restricted insurance agent licence

16.1(1) For the purposes of subsection 371(1.1) of the Act, an applicant for a restricted insurance agent licence under section 380.1 of the Act must have, and an agent who holds such a licence must maintain, liability insurance of at least \$1,000,000 in respect of any one occurrence, with an overall policy aggregate of at least \$2,000,000.

16.1(2) The liability insurance required by subsection (1)

(a) must, at a minimum,

(i) include extended reporting for a period of 12 months,

(ii) include extended coverage for fraudulent acts and dishonest acts,

(iii) provide coverage amounts that are exclusive of defence and investigative expenses,

(iv) include coverage that covers all of the insurance products that the insured is or will be licensed to sell,

(v) include coverage for

(A) the insured's supervisory activities, if applicable, and

(B) any unlicensed employee for whose acts the insured is responsible; and

(b) must not be restricted to particular insurers' products.

16.1(3) The underwriting insurer of a liability insurance policy issued, or a group liability insurance policy providing coverage, to satisfy the requirements of subsection 371(1.1) of the Act must not, without providing the superintendent and the Insurance Council of Manitoba with at least 15 days' prior notice by registered mail,

(a) cancel, terminate or refuse to renew the policy or group policy; or

(b) delete an insured from the group policy.

Limited exemption for lawyers — title insurance

21 A lawyer is — in respect of the lawyer's services in obtaining for a client, or assisting a client in obtaining, title insurance in order to complete a purchase or sale of real estate — exempt from the requirement to hold a licence under subsection 369(1) of the Act if the lawyer

(a) is entitled to practice law in Manitoba and provides the services in the usual course of his or her profession; and

(b) is not, whether directly or indirectly, paid or offered a commission or other compensation or anything of value by any person for providing the services.

PART 2

RESTRICTED INSURANCE AGENT LICENCES

Application of Part 2

22 For the purpose of section 380.1 of the Act, this Part applies in respect of restricted insurance agent licences within the meaning of that section.

Definitions

23 The following definitions apply in this Part.

"cargo insurance" means insurance that is within the class of property insurance and provides coverage only against damage to or the loss of goods in transit.

"creditor's disability insurance" means insurance

(a) that is within the class of accident and sickness insurance and is creditor's group insurance as defined in section 203 of the Act; and

(b) under which the insurer undertakes to pay all or part of the amount of a debtor's debt to the creditor named in the policy in the event of bodily injury to, or the illness or disability of,

(i) the debtor, when the debtor is an individual, or the spouse of such a debtor,

(ii) an individual who is a guarantor of all or part of the debt,

(iii) a director or officer of the debtor, when the debtor is a corporation, or

(iv) an individual who is essential to the ability of the debtor to meet the debtor's financial obligations, when the debtor is an entity other than an individual or a corporation.

"creditor's life insurance" means insurance

Draft

The Credit Unions and Caisses Populaires Act, or

(c) a loan corporation or trust corporation that is incorporated or continued under *The Corporations Act* and entitled to carry on business under Part XXIV of that Act.

"equipment insurance" means insurance that is within the class of boiler and machinery insurance and provides coverage only against damage to or the loss of

- (a) a motor vehicle;
- (b) farm equipment or a farm implement; or
- (c) recreational, marine or construction equipment.

"export credit insurance" means insurance

- (a) that is within the class of surety insurance; and
- (b) under which the insurer undertakes, to an exporter of goods or services, to guarantee payment for goods or services exported by the exporter.

"financial institution" means:

- (a) a bank;
- (b) a credit union that is incorporated or continued *The Credit Unions and Caisses Populaires Act*, or a credit union incorporated under the laws of a jurisdiction other than Manitoba that is registered as provided by section 129 of that Act;
- (c) a loan corporation or trust corporation incorporated or continued under *The Corporations Act* and entitled to carry on business under Part XXIV of that Act, or an extra-provincial loan corporation or extra-provincial trust corporation, as defined in section 315 of that Act, that is entitled to carry on business under Part XXIV of that Act;
- (d) an entity licensed to transact insurance under the Act, or an entity incorporated, continued or licensed under a similar Act of Parliament or of any province or territory of Canada;
- (e) a local cooperative credit society as defined section 2 of the *Cooperative Credit Associations Act* (Canada);
- (f) an association incorporated or continued under the *Cooperative Credit Associations Act* (Canada);
- (g) an entity that is incorporated, continued or licensed

DRAFT

under an Act of Parliament or of any province or territory and is primarily engaged in dealing in securities, including portfolio management and investment counselling; or

(h) an entity that

(i) is engaged primarily in the business of providing financial services, including deposit, loan or trust services, transacting insurance or dealing in securities; and

(ii) is incorporated or continued under the laws of a jurisdiction outside Canada or is otherwise governed by the laws of such a jurisdiction.

"funeral expense insurance" means insurance that is within the class of life insurance and under which the insurer undertakes to pay a maximum of \$15,000 for funeral services for the insured under a prearranged funeral plan as defined in *The Prearranged Funeral Services Act*.

"line of credit" means a commitment on the part of a deposit-taking institution or sales finance company to lend one or more amounts to a debtor without a predetermined repayment schedule.

"mortgage broker" means a mortgage broker, as defined in *The Mortgage Brokers Act*, that is registered in accordance with that Act.

"mortgage insurance" means the class of mortgage insurance prescribed in the *Classes of Insurance Regulation*, Manitoba Regulation 165/2008.

"personal travel insurance" means insurance

(a) that is within the classes of life insurance and accident and sickness insurance and is group insurance as defined in sections 148 and 203 of the Act; and

(b) that

(i) provides coverage to an individual with respect to a trip by the individual away from the place where the individual ordinarily resides

(A) against expenses incurred while on the trip that result from an illness or disability of the individual that occurs on the trip,

(B) against expenses incurred while on the trip that result from the death of or bodily injury to the individual caused by an accident while on the trip,

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(C) against expenses incurred by the individual for dental care necessitated by an accident while on the trip, or

(D) in the event of the individual's death while on the trip, against expenses incurred for the return of the individual's remains to the place where the individual ordinarily resided before death, or for travel expenses incurred by a relative of the individual who is required to travel to identify the individual's remains, or

(ii) under which the insurer undertakes to pay one or more sums of money in the event of an illness or the disability of the individual that occurs on the trip, or in the event of the death of or bodily injury to the individual that is caused by an accident while on the trip.

"portable electronics insurance" means insurance that is within the class of property insurance and provides coverage against damage to or the loss of a portable electronic device.

"portable electronics vendor" means a person or entity that

(a) sells or leases portable electronics devices; or

(b) otherwise provides portable electronics devices in connection with a transaction between the person or entity and another person or entity.

"rent", in relation to a vehicle, means rent the vehicle for a period of 90 days or less.

"rented-vehicle accidental injury or death insurance" means insurance that is within the class of automobile insurance and provides coverage to a vehicle renter and other occupants of the rented vehicle for bodily injury or death and reimbursement for medical expenses resulting from a vehicular accident involving the rented vehicle that occurs during the rental period.

"rented-vehicle contents insurance" means insurance that is within the class of property insurance and provides coverage to a vehicle renter and other occupants of the rented vehicle against damage to or the loss of personal property in the rented vehicle during the rental period.

"rented-vehicle liability insurance" means insurance that is within the class of automobile insurance and provides coverage to a vehicle renter and other authorized drivers of the rented vehicle for liability arising from its operation.

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"restricted licence holder" means a person who holds a restricted insurance agent licence issued under subsection 380.1(2) of the Act.

"sales finance company" means a corporation, other than a financial institution, that provides consumer loans, or provides or arranges for credit.

"small business" means

(a) a business that is a small business corporation as defined in subsection 248(1) of the *Income Tax Act* (Canada); or

(b) an unincorporated business that would, if incorporated, be a small business corporation as defined in subsection 248(1) of the *Income Tax Act* (Canada).

"travel interruption and property-loss insurance" means insurance that

(a) is within the class of property insurance; and

(b) without any individual assessment of risk, provides coverage — to an individual with respect to a trip by the individual away from the place where the individual ordinarily resides — against

(i) loss that results from the cancellation or interruption of the trip,

(ii) the loss of or damage to personal property that occurs while on the trip, or

(iii) loss that is caused by the delayed arrival of personal baggage while on the trip.

"vehicle" has the same meaning as in subsection 1(1) of *The Highway Traffic Act*.

Persons and entities eligible for restricted licence

24 For the purpose of section 380.1 of the Act, the following persons and entities may apply for and hold a restricted insurance agent licence

(a) a deposit-taking institution;

(b) a sales finance company;

(c) a person or entity that provides transportation service for people or goods;

(d) a person or entity that carries on the business of a travel

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agency;

(e) a person or entity that carries on the business of an automobile dealership, watercraft dealership, recreational vehicle dealership, farm implement dealership or construction equipment dealership;

(f) a mortgage broker, as defined in *The Mortgage Brokers Act*, that carries on business in Manitoba in accordance with that Act;

(g) a person or entity that carries on the business of a customs brokerage;

(h) a person or entity that carries on the business of freight forwarding;

(i) a person or entity that carries on the business of renting vehicles to the public;

(j) a funeral director who holds a licence under *The Prearranged Funeral Services Act*;

(k) a portable electronics vendor.

Classes or types of insurance for which a restricted licence may be issued

25 The following are the classes or types of insurance in respect of which a restricted license may be issued:

(a) cargo insurance;

(b) creditor's disability insurance;

(c) creditor's life insurance;

(d) creditor's loss-of-employment insurance;

(e) creditor's vehicle inventory insurance;

(f) equipment insurance;

(g) export credit insurance;

(h) funeral expense insurance;

(i) mortgage insurance;

(j) portable electronics insurance;

(k) personal travel insurance;

(l) rented vehicle contents insurance;

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- (n) travel interruption and property-loss insurance.

Applying for a restricted licence

26(1) An application for a restricted insurance agent licence must

- (a) be filed with the superintendent;
- (b) be made in the form required by the superintendent;
- (c) specify the class or type of insurance that the applicant wishes to transact as an incidental seller; and
- (d) contain the information and be accompanied by the material required by the superintendent, including the information and material described in subsection (2).

26(2) An application for a restricted insurance agent licence must be accompanied by

- (a) the written recommendation of an insurer that
 - (i) has an agreement with the applicant under which the applicant is to be authorized to sell the insurer's insurance products as an incidental seller, and
 - (ii) is licensed under the Act to transact the class of insurance
 - (A) for which the licence is to be issued, or
 - (B) that includes the type of insurance for which the licence is to be issued;
- (b) the written designation of an operating agent under the licence who is designated to be responsible for receiving notices and other documents on the applicant's behalf and for supervising employees of the applicant who negotiate, solicit or transact insurance on the applicant's behalf;
- (c) a statement of the number of persons who will be authorized to negotiate, solicit or transact insurance on behalf of the applicant when and if the licence is issued; and
- (d) evidence acceptable to the superintendent that the applicant has
 - (i) liability insurance that satisfies the requirements of subsection 371(1.1) of the Act, and
 - (ii) reasonable and demonstrable policies and procedures

to ensure that anyone who solicits, negotiates or transacts insurance on behalf of the applicant is knowledgeable, competent taking into account the class or type of insurance.

26(3) For greater certainty, subsection 371(1.1) of the Act applies to restricted insurance agent licences under this section, except as provided in subsection (4).

26(4) Subclause (2)(d)(i) does not apply to a person who applies for restricted insurance agent licence or to renew such a licence if the person is a member institution of the Canada Deposit Insurance Corporation or is a credit union incorporated under *The Credit Unions and Caisses Populaires Act*.

26(5) To obtain the renewal of a restricted agent licence, the holder of the licence must apply in accordance with clauses (1)(a), (b) and (d), and those clauses together with clause (2)(d) apply, with necessary changes, to the application.

26(6) The superintendent may issue a restricted insurance agent licence if the superintendent is satisfied that

(a) the applicant

(i) is an incidental seller as defined in subsection 380.1(1) of the Act,

(ii) qualifies under section 24, and

(iii) has complied with this section; and

(b) the application is in respect of a class or type of insurance listed in section 25 and satisfies the requirements of this section.

26(7) The superintendent may specify

(a) which class or type of insurance listed in section 25 the restricted licence holder may transact as an incidental seller; and

(b) the category of business activity in relation to which the restricted licence holder may transact insurance as an incidental seller.

Employees of other entities

27(1) Without limiting the application of subsection 380.1(3) of the Act, a restricted insurance agent licence authorizes the holder, through the employees of another entity that qualifies under subsection (2) (referred to in this regulation as a "qualified entity"), to act or offer to act as an agent in respect of the class or type of insurance specified in the licence.

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27(2) A restricted licence holder may only act or offer to act as an agent through the employees of another entity if

(a) the entity provides its employees' services to the restricted licence holder under a contract that the superintendent believes provides adequate consumer protection and adequate control by the restricted licence holder so that the restricted licence holder is able to meet its obligations under the licence and to comply with this regulation; and

(b) the restricted licence holder provides the superintendent with the information about the entity and the contract that the superintendent requires.

Qualifications of operating agent

28 An person may not be the operating agent under a restricted insurance agent licence unless

(a) the person

(i) is a director, officer or employee of the restricted licence holder,

(ii) is a member of the partnership if the restricted licence holder is a partnership, or

(iii) in the case of an individual who carries on business under a name other than his or her own, is the individual who carries on the business; and

(b) the person has the qualifications, and satisfies the educational, training and other standards, prescribed under section 396.1 of the Act.

Replacement or incapacity of operating agent

29(1) If a restricted licence holder's operating agent ceases to be eligible under subclause 28(a)(i) or (ii) or the designation of a person as the operating agent under a restricted insurance agent licence is otherwise to be terminated, the restricted licence holder must, without delay, inform the superintendent and provide the superintendent with a designation of a replacement operating agent.

29(2) If a restricted licence holder's operating agent is unable to discharge the responsibilities expected of the operating agent, the restricted licence holder must, without delay, inform the superintendent and provide the superintendent with a designation of a replacement operating agent.

Restricted licence holder's responsibilities

30(1) A restricted licence holder must

(a) have reasonable and demonstrable policies and procedures

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to ensure that anyone who solicits, negotiates or transacts insurance on behalf of the restricted licence holder is knowledgeable, competent and suitable taking into account the class or type of insurance;

(b) ensure that anyone who solicits, negotiates or transacts insurance on behalf of the restricted licence holder complies with the policies and procedures mentioned in clause (a);

(c) make and maintain a record of all persons authorized by the restricted licence holder to solicit, negotiate or transact insurance on the restricted licence holder's behalf showing

(i) the person's full name;

(ii) the dates on which the person's authorization began and, if applicable, ended,

(iii) the business location and address at or from which the person was authorized to solicit, negotiate or transact insurance on the restricted licence holder's behalf,

(iv) whether the person is an employee of the restricted licence holder or of a qualified entity named in the record, and

(v) the class or type of insurance that the person was authorized to solicit, negotiate or transact;

(d) ensure that the record maintained under clause (c) is current;

(e) permit the superintendent or a person authorized by the superintendent to inspect the record required by clause (c) at any reasonable time; and

(f) ensure that, before any of its employees or, if applicable, any employee of a qualified entity permits a consumer to complete an application for insurance in relation to the restricted licence holder's goods or services, the consumer is provided with a notice

(i) stating that the consumer is contracting with the insurer and not with the restricted licence holder or, if applicable, the qualified entity,

(ii) stating that the consumer is not obligated to purchase the insurance in order to obtain the goods or services,

(iii) setting out the terms, including limitation and restrictions, of the insurance,

(iv) setting out the circumstances under which the

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insurance commences or terminates and the procedures to follow in making a claim, and

(v) if applicable, stating that the restricted licence holder or the qualified entity receives direct or indirect compensation, or a direct or indirect inducement or benefit, from the insurer for soliciting, negotiating or transacting the insurance.

30(2) A restricted licence holder must not

(a) make its provision of goods or services conditional upon the consumer's purchase of insurance through it or from an insurer specified by it or conditional upon the consumer's purchase of other insurance;

(b) permit a person to solicit, negotiate or transact insurance on its behalf unless the person

(i) is, at the time, listed in the record of authorized persons required by clause (1)(c) and shown in the record as being authorized to solicit, negotiate or transact the class or type of insurance involved, as may be applicable,

(ii) has been suitably trained to be able to knowledgeably solicit, negotiate or transact the class or type of insurance involved, as may be applicable; or

(c) permit an employee of the restricted licence holder or a qualified entity to tell a consumer or potential consumer of the restricted licence holder's goods or services that

(i) the consumer is required to purchase insurance in relation to the goods or services, or

(ii) should the consumer wish to purchase insurance in relation to the goods or services, the consumer may only purchase insurance through the restricted licence holder or a qualified entity or from a specified insurer.

30(3) When a consumer purchases insurance through a restricted licence holder or a qualified entity acting on its behalf, or from an insurer specified by either of them, the restricted licence holder

(a) must inform the consumer about the name of the insurer and how it may be contacted; and

(b) must ensure that the consumer is sent a policy or, in the case of a contract of group insurance, a certificate of insurance.

30(4) When a consumer purchases

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- (a) rented-vehicle accidental injury or death insurance;
- (b) rented-vehicle contents insurance; or
- (c) rented-vehicle liability insurance;

through a restricted licence holder or a qualified entity acting on its behalf, or from an insurer specified by either of them, the restricted licence holder must inform the consumer that the insurance may provide a duplication of coverage already provided by the vehicle renter's automobile insurance policy or by another source of coverage.

Qualified entity's responsibilities

31 A qualified entity that acts on behalf of a restricted licence holder must

- (a) ensure that its employees who solicit, negotiate or transact insurance in relation to the restricted licence holder's goods or services comply with the policies and procedures mentioned in clause 30(1)(a);
- (b) make and maintain a record listing its employees who to solicit, negotiate or transact insurance in relation to the restricted licence holder's goods or services, including information about each employee that is equivalent to that required by clause 30(1)(c);
- (c) ensure that the record maintained under clause (c) is current;
- (d) provide a copy of the record required by clause (b) to the restricted licence holder and notify the restricted licence holder without delay when an employee
 - (i) listed in the record ceases to be employed to solicit, negotiate or transact insurance in relation to the restricted licence holder's goods or services, or
 - (ii) is added to the list for one of those purposes;
- (e) must ensure that, before any of its employees permits a consumer to complete an application for insurance in relation to the restricted licence holder's goods or services, the consumer is provided with a notice
 - (i) stating that the consumer is contracting with the insurer and not with the restricted licence holder or the qualified entity,
 - (ii) stating that the consumer is not obligated to purchase the insurance in order to obtain the goods or services,

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(iii) setting out the terms, including limitation and restrictions, of the insurance,

(iv) setting out the circumstances under which the insurance commences or terminates and the procedures to follow in making a claim, and

(v) if applicable, stating that the restricted licence holder or the qualified entity receives direct or indirect compensation, or a direct or indirect inducement or benefit, from the insurer for soliciting, negotiating or transacting the insurance.

31(2) A qualified entity acting on behalf of a restricted licence holder must not

(a) permit any of its employees to solicit, negotiate or transact insurance in relation to the restricted licence holder's goods or services unless the employee

(i) is, at the time, listed in the record of authorized persons required by clause 30(1)(c) and shown in the record as being authorized to solicit, negotiate or transact the class or type of insurance involved, as may be applicable,

(ii) has been suitably trained to be able to knowledgeably solicit, negotiate or transact the class or type of insurance involved, as may be applicable; or

(b) permit any of its employees to tell a consumer or potential consumer of the restricted licence holder's goods or services that

(i) the consumer is required to purchase insurance in relation to the goods or services, or

(ii) should the consumer wish to purchase insurance in relation to the goods or services, the consumer may only purchase insurance through the qualified entity or from a specified insurer.

31(3) When a consumer purchases insurance through a qualified entity acting on behalf of a restricted licence holder, or from an insurer specified by either of them, the qualified entity

(a) must inform the consumer about the name of the insurer and how it may be contacted; and

(b) must ensure that the consumer is sent a policy or, in the case of a contract of group insurance, a certificate of insurance.

Personal information received from consumer

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32(1) A restricted licence holder must not

(a) use personal information given by a consumer who applies for or obtains insurance coverage through the restricted licence holder, unless it is used for the purpose for which it is given and the consumer signs a consent that meets the requirements of subsection (2); or

(b) release the information described in clause (a) to a person who is not an employee of the restricted licence holder, unless

(i) the consumer signs a consent that meets the requirements of subsection (3), or

(ii) subsection (4) applies in respect of the release of the information.

32(2) Before a consumer signs a consent for the purpose of clause (1)(a), the restricted licence holder must inform the consumer that the consent is being given for the purpose of that clause. The consent must state the purpose for which the restricted licence holder may use the personal information covered by the consent.

32(3) Before a consumer signs a consent for the purpose of subclause (1)(b)(i), the restricted licence holder must inform the consumer that the consent is being given for the purpose of that subclause. The consent must state

(a) the personal information that may be released;

(b) to whom the personal information may be released; and

(c) the purpose for which the released personal information may be used.

32(4) Clause (1)(b) does not apply if the personal information

(a) is released to a person as required by law; or

(b) is released to the insurer on whose behalf the restricted licence holder is transacting insurance.

32(5) Subsections (1) to (4) apply, with necessary changes, to a qualified entity that acts on behalf of a restricted licence holder,

Responsibilities of insurers

33(1) An insurer for whom a restricted licence holder solicits, negotiates or transacts insurance must

(a) establish reasonable policies and procedures to ensure that

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anyone who solicits, negotiates or transacts insurance on behalf of the restricted licence holder is knowledgeable and competent taking into account the class or type of insurance; and

(b) ensure that the policies and procedures are complied with.

33(2) To avoid doubt, subsection (1) applies whether the restricted licence holder solicits, negotiates or transacts insurance through its own employees or through a qualified entity.

Non-application of subsection 371(1.1) of the Act to certain restricted licence holders

34 Subsection 371(1.1) of the Act does not apply to a person who holds a restricted insurance agent licence if the person is a member institution of the Canada Deposit Insurance Corporation or is a credit union incorporated under *The Credit Unions and Caisses Populaires Act*.

Exemption of certain persons from application of subsection 369(1) of the Act

35(1) A person who is the operating agent under a restricted insurance agent licence is exempt from the requirement to hold a licence under subsection 369(1) of the Act while the person is acting within the scope of the person's duties as operating agent.

35(2) A person who is recorded as a person authorized by a restricted licence holder to solicit, negotiate or transact insurance on the restricted licence holder's behalf is exempt from the requirement to hold a licence under subsection 369(1) of the Act while the person is acting within the scope of the person's authorization.

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CAFII 15th Anniversary Results

An Evening Of Celebration And Anticipation

CAFII celebrated its 15th Anniversary on Wednesday, April 10, 2013 with a cocktails and dinner event hosted by RBC Insurance. The evening began with an inspiring presentation by 19-time Paralympic medalist, Benoit Huot (aka "The Shark"). Cocktails, hors d'oeuvres and food stations provided guests with a wide array of delicious options while taking in the panoramic views of the waterfront and Toronto skyline.

The event was attended by 95 people including CAFII Board and EOC members, Associate members, representatives from member companies, Industry contacts and CCIR Members / Regulators. A list of regulator attendees can be found below.

CAFII swag was provided to all attendees as they departed including 60 Blackberry holders, 42 Anniversary Coasters, 30 Key Chains and 40 Pens.

Anniversary Budget: \$30,000

Total Cost: \$14,782.15

Regulator Attendees

BRITISH COLUMBIA, Financial Institutions Commission:

1. Carolyn Rogers, CEO & Superintendent

MANITOBA, Financial Institutions Regulation Branch:

2. Jim Scalena, Superintendent

NEW BRUNSWICK, Department of Justice & Attorney General:

3. David Weir, Deputy Superintendent of insurance

NEWFOUNDLAND & LABRADOR, Securities Commission:

4. Craig Whalen, Deputy Superintendent of Insurance, Financial Services Regulation Division

NORTH WEST TERRITORIES, Department of Finance:

5. Doug Doak, Superintendent of Insurance

NOVA SCOTIA, Department of Finance:

6. Doug Murphy, Superintendent of Insurance, Credit Unions and Trust and Loan Companies

ONTARIO, Financial Services Commission (FSCO):

7. Phillip Howell, Chief Executive Officer & Superintendent of Financial Services / Chair of the Joint Forum
8. Anatol Monid, Director, Market Conduct Branch

9. Martin Ship, Director, Corporate Policy and Public Affairs

10. Grant Swanson, FSCO Executive Director, Licensing & Market Conduct Division

11. Kathleen Hamilton, Senior Manager, Market Activity Response Unit

12. Jim Fox, Senior Policy Advisor, Insurance & Deposit Institutions Policy, Licensing & Market Conduct Division

ONTARIO, Ministry of Finance:

13. Michael Weisman, Senior Policy Advisor, INSURANCE AND COOPERATIVES POLICY

QUEBEC, Autorité des marchés financiers:

14. Patrick Dery, Superintendent of Solvency
15. Eric Stevenson, Client Services and Distribution Oversight

PRINCE EDWARD ISLAND, Office of the Attorney General:

16. Robert Bradley, Superintendent of Insurance

SASKATCHEWAN, Insurance Councils of SK:

17. Ron Fullan, Executive Director

FEDERAL, Office of the Superintendent of Financial Institutions

18. Penny Lee, Senior Director
19. Darrell Leadbetter

CAFII Presentation & Reception

CIBC Insurance, Commerce Court, 199 Bay Street, 56th Floor, Toronto, ON

Tuesday, June 11, 2013

Speaker: **Doug McPhie**

Partner and Canadian Insurance Leader, Ernst & Young

Doug leads Ernst & Young's Insurance practice. He has provided audit, IT and consulting services to Canada's largest life and P&C companies for over 30 years. He is currently the lead audit partner on Manulife and has previously been lead partner on Intact, Canada Life, Aegon and London Life. Doug also sits on Ernst & Young's Assurance leadership group and has been past leader of the firm's IT Security and Education practices. Doug is an active volunteer having been chair of the Children's Aid Foundation of Halton, chair of CICA and AICPA committees on Assurance Services, chair of the CA Magazine Editorial Board and is currently chair of the Bridgeport Health Foundation's Audit and Finance Committee.

Topic: **2013 Canadian Insurance Outlook**

A number of factors are impacting the Canadian insurance industry. On one hand insurers have benefited from low inflation, low unemployment, well performing equity markets, successful derisking activities and strong capital positions. On the other hand, they face hurdles from a slowing Canadian economy, growing household debt, low interest rates, and increasing regulatory and reporting requirements. The [*Ernst & Young's 2013 Canadian Insurance Industry Outlook*](#) finds that successful insurers will need to creatively adjust their products, business strategies and services to position their companies for growth and profitability in a competitive market characterized by lower margins and changing demographics. Doug will explore these themes and how Canadian insurers can best respond to these opportunities and challenges.