



**CAFII Board of Directors Meeting**  
**Tuesday, June 19, 2012**  
**Location: Domaine Cataraqui**  
**2141, chemin Saint-Louis**  
**Québec, QC G1T 1P9**  
**2:00 - 5:00 pm**

**Agenda**

Item	Presenter	Action
1. Call to Order	C. Honor	
2. Discussion with AMF Representatives	AMF Representatives	
3. Review of CAFII Competition Guidelines	C. Honor	Review
4. Approval of Agenda	C. Honor	Approval
5. New Members & Appointments		
5.1. Appointment of Director	C. Honor	Approval
5.2. Appointment of Secretary	C. Honor	Approval
6. Minutes		
6.1. Adoption of April 10, 2012 Board Meeting Minutes	C. Honor	Approval
7. Financial Update		
7.1. April Financials	M. Fabian	Approval
7.2. Audited Financial Statements Update	M. Fabian	Update
8. Regulatory Update		
8.1. Lawrie Savage Report	A. Riley	Review
8.2. Regulator Meetings	A. Riley	Review
8.3. Reports on Regulator Meetings		
8.3.1. AB Council	C. Honor / M. Gill	Update
8.3.2. AMF	C. Honor / J. Lewsen	Update
8.3.3. CCIR	M. Gill / J. Lewsen	Update
9. Committee Reports on addressing CAFII Priorities		
9.1. Distribution and Market Conduct Policy Committee		
9.1.1. Proposed Education Curriculum	J. Hines	Update
9.1.2. UK PPI	J. Hines	Approval
9.2. Media and Advocacy Strategy Committee	S. Gelgor / J. Lewsen	Approval
9.2.1. Communications Strategy	J. Lewsen / S. Gelgor	Update
9.3. Licensing Efficiency Issues Committee		
9.3.1. Restricted Licensee Representation on Council	M. Gill	Update
9.4. Networking and Event Hosting Committee	P. Yeung / M. Sanchez-Chung	Update
10. Other Business		
10.1. New Canadian Not-for-Profit Corporations Act	J. Lewsen	Update

Next Board Meeting: October 9, 2012 hosted by TD Insurance 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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12.03	Consequences for Failure to Comply with Policy	1
12.04	Annual Review of Guidelines	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;

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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.<sup>1</sup>

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**<sup>2</sup>

##### (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.

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<sup>1</sup> 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.

<sup>2</sup> 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 of Directors Meeting Minutes**  
**Tuesday, April 10, 2012**  
**The CARLU**  
**444 Yonge St., 7<sup>th</sup> Floor, Clipper Room**  
**Toronto, ON M5B 2H4**

**Present:** Mark Cummings, ScotiaLife Financial  
Keith Demmings, Assurant Solutions *Vice Chair*  
Gordon Henderson, BMO Insurance  
Cathy Honor, RBC Insurance Services Inc. *Chair*  
Richard Hébert, National Bank Insurance Co.  
Rick Lancaster, CIBC Insurance  
David Minor, TD Insurance  
Isaac Sananes, Canadian Premier Life Insurance  
Yvonne Ziomecki, AMEX Bank of Canada

**EOC Present:** Emily Brown, BMO Insurance  
Andre Duval, Desjardins Financial Security Life Assurance Company  
Matthew Fabian, BMO Insurance *Treasurer*  
Sara Gelgor, ScotiaLife Financial  
Moirra Gill, TD Insurance  
Greg Grant, CIBC Insurance  
Jennifer Hines, RBC Insurance Services  
John Lewsen, BMO Insurance *Secretary*  
Charles Blaquerie, Canadian Premier Life Insurance  
John Poolman, Assurant Solutions  
Maria Sanchez-Chung, TD Insurance  
Paul Yeung, RBC  
Sue Manson, CIBC Insurance

**Regrets:** Wayne Eccles, TD Insurance  
Linda Fiset, Desjardins Financial Security Life Assurance Company

**Also:** Leya Duigu, T•O Corporate Services *Recording Secretary*  
Richard Evans, Media Relations CAFII  
Anne Riley, Lawrie Savage and Associates

**1. Call to Order**

The meeting was called to order at 2:05 pm. C. Honor acted as chair, J. Lewsen acted as secretary and L. Duigu acted as recording secretary.

## **2. Review of CAFII Competition Guidelines**

C. Honor 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 our activities 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 presented.**

## **4. Minutes**

On a motion duly made, seconded and unanimously carried.

**IT WAS RESOLVED that:**

**The minutes of the meeting of the board held on December 13, 2011 be adopted as amended, and that a copy of these minutes be signed and placed in the minute book of the Corporation.**

## **5. Financial Update**

### **5.1. February Financials**

M Fabian reported that we are well within our reserve methodology of a minimum of 25% of budget and maximum not exceeding budget. There is a GIC maturing in May and the EOC will address this at their next meeting in April. We are currently at 11% of our budget with no surprises in spending. Almost all members have paid their fees and for those that haven't we have been assured their payments are forthcoming.

#### 2011 Audit

KPMG is once again working with us on the audit. This year we are working with a new team and therefore the process is taking a little longer than normal. The audited financial statements will need to be approved prior to the June meeting, similar to last year, and will therefore be circulated to the Board via email and we will be seeking 100% approval in order to proceed. The initial findings indicate that everything is fine and next year we will endeavour to present the financials in the spring meeting for approval.

During the discussion the following points were made: generally we do not accrue on the financials as the statement of operations indicates spending to date. The board requested the addition of the previous years spending to compare with this year going forward.

**Action:** The financial statements are to be amended to include the previous year's spending.

On a motion duly made, seconded and unanimously carried.

**IT WAS RESOLVED that:**

**The February 2012 financial statements be and are hereby approved in the form presented.**

**6. Regulatory Update**

**6.1. Lawrie Savage Report**

A. Riley indicated that the report has been divided into two part CAFII Response and Update Only sections. Additional discussion occurred as follows:

- OSFI. Will be releasing a strategic plan and there is currently no indication of what this will include.

**Action:** A. Riley to make preliminary enquiries with OSFI regarding their strategic plan.

- Quebec. D. Boulet indicated during her December remarks that a Commercial Practices Guideline will be coming out around now, however to date nothing has been released.

DWR. The information is presently being discussed with insurers and the meetings are being conducted in French. RBC, Desjardins and National Bank have representation, through CLHIA, at the meetings.

- CCIR held their spring meeting recently and CAFII members will be meeting with C. Shevlin soon to follow-up on their priorities.

**6.2. Regulator Meetings**

C. Honor noted that there is a lot of great activity right now and members are welcome to comment on any meetings outlined in the regulator meetings document. Additional discussion occurred as follows:

- Ontario. At present there are no meetings scheduled and FSCO have requested comments to their strategic plan.

**Action:** A. Riley to increase communication with FSCO office starting with our comments to their strategic plan.

- Quebec. The DWR Guide was discussed during a meeting on February 28 and a future meeting has been requested with P. Dery in Montreal.
- Julie Dickson. Members discussed extending an invitation to J. Dickson to speak at a CAFII reception and the potential for media attention as a result. P. Yeung will be



connecting with her office for an update. CAFII to revisit this in the future based on any new information we receive.

- Atlantic provinces. No meetings have been scheduled. If board members are travelling to these areas this year please consider a visit to local regulators with the goal of providing a CAFII update, as well as finding out about any initiatives that may affect the industry.

### **6.3. Reports on Regulator Meetings**

#### **6.3.1. AB Ministry of Finance**

C. Honor and M. Gill met with the Superintendent of Financial Institutions – Regulation & Policy Finance on January 13, 2012 and summary meeting notes were included in the meeting package. The goal of the meeting was to introduce CAFII and make inquiries as to their priorities for life and creditor products.

M. Gill reminded members that application forms were gathered last year from a number of companies. Alberta identified concerns around the health questions and expressed a desire to improve these forms. As a result of the meeting it is clear that more education needs to be provided regarding member products and of note is their willingness to work with us.

#### **6.3.2. AB Council**

C. Honor and M. Gill met with T. Hampton, Chief Operating Officer for the Alberta Insurance Council (AIC) while in Alberta. They were originally to meet with CEO, J. Abram, who was not available. A summary of the meeting was included in the meeting package for review.

#### **6.3.3. FCAC**

A summary of the first meeting with the FCAC Consumer Education Group was included in the meeting materials. Following this a request was received from the Compliance Group for a presentation on Creditors Insurance. M. Gill and J. Lewsen presented the information to them recently in Ottawa and it was clear that they have little knowledge of our industry. Participants were very engaged throughout the presentation, asking many questions.

S. Manson was recognized for her work on the deck which provided a very compelling presentation.

#### **6.3.4. CCIR**

The group met with CCIR representatives recently to discuss the consultation paper to which CAFII is expected to respond. They are pursuing a principles based regime, support electronic designation of beneficiaries and would like more information on how to approach this. They are very receptive and the only follow-up item is answering questions regarding simple versus complex products.

Members discussed the similarities with the AMF Ecommerce paper. It appears they want to replicate a non-ecommerce model on the internet with the goal of building in the same protections.

## **7. Committee Reports on addressing CAFII Priorities**

### **7.1. Distribution and Market Conduct Policy Committee**

#### **7.1.1. Proposed Education Curriculum**

J. Hines provided a brief report based on the proposed curriculum outline included in the meeting package. CAFII members will be meeting with C. Shevlin to discuss next steps.

Members discussed the information adding that the materials could be made available to regulators on the CAFII website. An executive summary should be developed to provide context and should also include a few themes, as examples, that can be linked to the bigger picture.

The board supports the proposed Education Curriculum as presented and the EOC to continue with next steps as proposed.

**Action:** EOC was directed to create a section online for regulators.

**Action:** EOC was directed to continue with the proposed plan as outlined.

#### **7.1.2. UK PPI**

The committee continues to work on PPI and will provide an update at a future meeting.

##### Proposed Timeline:

- Board to review survey at next meeting in June 2012.
- Completion and results due by August/September 2012.
- Recommendations presented at board meeting in December 2012.

#### **7.1.3. AML Submission**

CAFII submitted a response to the federal consultation paper on Strengthening Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime (AML) in March. Following this OSFI's N. Burbidge posed a number of questions to CAFII via C. Honor. It appears that CAFII is being heard and the feedback so far has been good. A response to OSFI is presently in draft form pending approval.

### **7.2. Media and Advocacy Strategy Committee**

#### **7.2.1. Media Protocol Test**

A test of CAFII's media protocol was conducted a few weeks ago at the suggestion of the board. It was a valuable exercise through which members were able to identify potential vulnerabilities to be addressed.

### **7.2.2. Communications Plan**

R. Evans presented the communications plan document that was included in the meeting package. This information was presented to the EOC at their last meeting and the following next steps were identified:

1. Board is in agreement with strategy as it pertains to regulators.
2. Media Kit to be created and provided for review in the Fall.
3. Our main objective is to avoid misinformation and damage (articulate in documentation). We also want to increase awareness of CAFII in the media.
4. Develop internal list of influential media. Deadline is December 2012.
5. Once key messages are finalised (see 8 below) members are to notify their communications departments that CAFII is available to answer questions and provide information on Creditor. This same message to be communicated with CLHIA in the event they receive calls from media outlets. The goal is to differentiate ourselves and provide each group with more information.
6. Identify two or three top scenarios that we can or will respond to and how. Deadline is December 2012.
7. Develop short-term tactics for releasing stories before the end of the year.
8. Develop stock answers.
9. There's a story coming up from Rob Carrick on mortgage life insurance. The Media and Advocacy Strategy Committee to prepare pieces in response to an article we believe is coming.

C. Honor commended the Committee and R. Evans on the development of the Strategy Document.

**Action:** R. Evans is welcome to communicate with the Board Communications Committee in order to move forward with finalizing the communications plan.

### **7.2.3. CCIR & AMF Ecommerce Submission**

CAFII is preparing a submission to the CCIR consultation on ecommerce. The EOC is sourcing relevant research that can strengthen our submission. In reviewing the preliminary results, S. Gelgor confirmed that the findings would indeed strengthen CAFII's submission.

A. Riley reviewed the highlights of CAFII's response, requesting further input on advice tools and registration. The AMF will be doing additional research with a university. It was pointed out that they are not looking for polarized submissions as they are seeking solutions that can be implemented.

### **7.2.4. Website Launch**

S. Gelgor and J. Lewsen provided a brief update noting that we are ready to go live very soon.

**Action:** L. Duigu to do a soft launch once the site is live by providing members with a link.

### **7.3. Licensing Efficiency Issues Committee**

No update at this time.

### **7.4. Networking and Event Hosting Committee**

- Speaker Presentation and Reception, April 10, 2012. We are expecting 61 attendees this afternoon. Members were advised of a last minute change in the speaker tonight due to an emergency and we hope to invite John Collins to present to members later this year. Today's speaker is Byren Innis. M. Sanchez-Chung and P. Yeung were congratulated for securing another speaker at such short notice.
- Board Meeting and luncheon, June 19, 2012. The next board meeting will be held in Quebec City hosted by Desjardins and the date was reschedule to June 19 so M. Albert would be available to attend. The format will begin with a lunch for the AMF and Board, followed by the CAFII board meeting. A reception is currently not on the agenda.

**Action:** A. Riley to draft a letter to M. Albert on behalf of C. Honor.

## **8. Other Business**

### **8.1. CAFII Secretary**

C. Honor announced that J. Lewsen will be stepping down as CAFII Secretary and EOC Chair at the next board meeting. We are therefore seeking a replacement and invite interested members to contact C. Honor and J. Lewsen.

## **9. Termination**

On a motion duly made, seconded and unanimously carried.

**IT WAS RESOLVED that:**

**The meeting be terminated at 4:50 pm. The next meeting of the board is on Tuesday, June 19, 2012 in Quebec City, hosted by Desjardins. Motion passed.**

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Recording Secretary

# CAFI

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

## Balance Sheet As at April 30, 2012

<b>ASSETS</b>	<b>Current 2012</b>
<b>Current Assets</b>	
Bank Balance	\$222,332
Investments <sup>A</sup>	\$51,791
Accounts Receivable	\$19,200
Interest Receivable	\$295
Prepaid Expenses	\$237
Intangible Assets-Trademarks	\$6,245
Accumulated Amortization-Trademark	(\$6,245)
<b>Total Current Assets</b>	<b>\$293,854</b>
<b>TOTAL ASSETS</b>	<b>\$293,854</b>
<b>LIABILITIES</b>	
Current Liabilities	
Account Payable <sup>B</sup>	\$20,668
Deferred Revenue	\$100,350
Total Current liabilities	\$121,018
<b>TOTAL LIABILITIES</b>	<b>\$121,018</b>
<b>UNRESTRICTED NET ASSETS</b>	
Unrestricted Net Assets, beginning of year	\$137,319
Excess of revenue over expenses	\$35,517
Total Unrestricted Net Assets	\$172,836
<b>Total Unrestricted Net Assets</b>	<b>\$172,836</b>
<b>TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS</b>	<b>\$293,854</b>

<b>RESERVE RATIO:</b>	
Minimum Reserve for 2012	\$71,258
Maximum Reserve for 2012:	\$435,177
Current Reserve Ratio (CAFI policy requires min. 3 months reserve)	7.3 Months

**C A F I I**  
 55 St Clair Ave West, Suite 255  
 Toronto, ON, M4V 2Y7  
**Balance Sheet Items**  
**As at April 30, 2012**

**Item A**

**Investment Portfolio**

Investment Type	Issue Date	Principal	Rate	Deemed Interest	Maturity Date
Cashable GIC #0087-8019718-09	November-09-11	\$51,790.50	1.20%	\$306.49	May-07-12
<b>Total</b>		<b>\$51,790.50</b>		<b>\$306.49</b>	

**Item B**

**Accounts Payable**

	<b>Total</b>
	51.93
	26.68
	14,679.19
	5,909.90
<b>Total outstanding:</b>	<b>20,667.70</b>

# CAFII

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

## Statement of Operations As at April 30, 2012

REVENUE	Current Month	Current YTD	Budget 2012	% Used	YTD 2011 Balance	% Used YTD 2011	Comments
Membership Fees	\$33,375	\$138,300	\$419,700	33%	\$139,700	99%	
Interest Revenue	\$51	\$204	\$750	27%	\$260	79%	
<b>TOTAL REVENUE</b>	<b>\$33,426</b>	<b>\$138,504</b>	<b>\$420,450</b>	<b>33%</b>	<b>\$139,960</b>	<b>99%</b>	
<b>EXPENSE</b>							
Management Fees	\$5,885	\$23,539	\$70,617	33%	\$23,106	102%	
Lawrie Savage Fees	\$14,679	\$58,717	\$171,289	34%	\$57,565	102%	
Fasken Martineau Fees <sup>1</sup>	\$0	\$0	\$10,467	0%	\$0		
Audit Fees	\$347	\$347	\$11,594	3%	\$0		
Board/EOC/AGM Expense <sup>2</sup>	\$293	\$6,891	\$21,000	33%	\$8,477	81%	
Insurance	\$237	\$946	\$4,320	22%	\$941	101%	
Website (incl translation)	\$0	\$183	\$540	34%	\$33	557%	
Telephone/Fax/Internet	\$5	\$175	\$1,000	17%	\$278	63%	
Postage/Courier	\$32	\$67	\$500	13%	\$40	169%	
Office Expenses	\$43	\$209	\$2,700	8%	\$719	29%	
Bank Charges	\$25	\$25	\$0	0%	\$0		
Miscellaneous Expenses	\$0	\$0	\$0	0%	\$0		
Amortization Expense	\$0	\$0	\$0	0%	\$0		
Regulatory Model (s)	\$0	\$0	\$2,940	0%	\$0		
Tactical Communications Strategy <sup>7</sup>	\$586	\$893	\$22,250	4%	\$509	176%	
Media Relations, CAFII Consultant	\$5,910	\$5,910	\$12,000		\$2,287	258%	Richard M Evans Invoice
Research/Studies <sup>4</sup>	\$5,085	\$5,085	\$42,000	12%	\$27,318	19%	Pollara Research Invoices
Federal Financial Reform <sup>5</sup>	\$0	\$0	\$2,160	0%	\$0		
Provincial Regulatory Review <sup>6</sup>	\$0	\$0	\$54,000	0%	\$7,949	0%	
Provincial Networking Strategy <sup>3</sup>	\$0	\$0	\$5,800	0%	\$17	0%	
<b>TOTAL EXPENSE</b>	<b>\$33,126</b>	<b>\$102,988</b>	<b>\$435,177</b>	<b>24%</b>	<b>\$129,238</b>	<b>80%</b>	
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$300</b>	<b>\$35,517</b>	<b>(\$14,727)</b>		<b>10,722.17</b>		

### Explanatory Notes:

- (1) Legal work relating specifically to CAFII
- (2) Board meetings and receptions, special Board or EOC lunch meetings, speaker expenses
- (3) Speaker lunches such as the one we did in BC and other events where we invite provincial regulators
- (4) Research for the creditor issues committee and any new issue that may come up
- (5) Placeholder
- (6) Faskin Martineau work: costs associated with regulation changes, insurance act updates, and issues related to restricted licensing regimes.
- (7) Fees for PR, media and communications firm

# CAFII

Toronto, ON M4V 2Y7

## Membership Fees As At April 30, 2012

	<u>Jan-12</u>		<u>Jul-12</u>
	<u>Billed</u>	<u>Received</u>	<u>Billed</u> <u>Received</u>
TD Insurance	\$23,500.00	24-Feb-12	\$23,500.00
Assurant Solutions	\$11,750.00	24-Feb-12	\$11,750.00
BMO Insurance	\$23,500.00	16-Mar-12	\$23,500.00
Canadian Premier Life Insurance Company	\$11,750.00	17-Feb-12	\$11,750.00
CIBC Insurance	\$23,500.00	2-Mar-12	\$23,500.00
National Bank Insurance Company	\$11,750.00	9-Mar-12	\$11,750.00
RBC Insurance	\$23,500.00	9-Mar-12	\$23,500.00
Scotia Life Financial	\$23,500.00	17-Feb-12	\$23,500.00
Desjardins Financial Security Life Assurance Company	\$11,750.00	24-Feb-12	\$11,750.00
AMEX Bank of Canada	\$11,750.00	23-Mar-12	\$11,750.00
Avalon Actuarial	\$4,800.00	2-Mar-12	
CSI Brokers Inc.	\$4,800.00	23-Mar-12	
Dion, Durrell & Associates Inc.	\$4,800.00		
KPMG	\$4,800.00	20-Apr-12	
Laurentian Bank of Canada	\$4,800.00	2-Mar-12	
Oliver, Wyman Consulting Limited	\$4,800.00		
Optima Communications	\$4,800.00	\$40,984	
RGA Life Reinsurance Company of Canada	\$4,800.00		
Swiss Reinsurance Company Ltd	\$4,800.00	10-Feb-12	
Munich Re	\$4,800.00	13-Apr-12	
CIT Financial Ltd.	\$4,800.00		
Aimia	\$4,800.00	9-Mar-12	
The Canada Life Assurance Company	\$4,800.00	13-Apr-12	
<b>January Invoices</b>	<b>\$238,650</b>		<b>\$176,250</b>
<b>July Invoices</b>	<b>\$176,250</b>		
<b>Total Membership Fees</b>	<b>\$414,900</b>		



## **Regulatory Update for CAFII Board of Directors, June 19, 2012**

By Lawrie Savage & Associates

### **International**

#### Commission Disclosure in the UK

The British Insurance Brokers' Association (BIBA) warned that Europe could require mandatory commission disclosure from brokers by 2019 through revisions to the Insurance Mediation Directive. There is significant political pressure for mandatory disclosure. The BIBA has called for “disclosure on request” and does not believe that a case to mandate disclosure has been made.

### **National**

#### Canadian Bankers Association (CBA) Announces Guidelines for Point of Sale Mobile Payments

On May 16, the banking industry and credit union system announced a set of voluntary, secure, open guidelines for the development of mobile payments at the point-of-sale in Canada. The guidelines, known as the Mobile Reference Model, include how information is exchanged among various parties to a transaction including financial institutions, payment card companies, telecommunications companies and merchants. These guidelines are intended to create a path to help all market participants move forward in developing mobile payment solutions to meet the growing demand for mobile payments in Canada. These guidelines were developed as an outcome of the federal government’s Task Force for the Payments System Review in 2011, and provide definition for a fair, transparent, and competitive Canadian market for emerging payment options with mobile devices. By developing a set of guidelines that all participants in the payments marketplace can work within, the goal is to ensure safety, security and ease of use for merchants and consumers while allowing for innovation and competition among market participants.

### **British Columbia**

#### New Organizational Structure in the Financial Institutions Commission (FICOM)

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

#### New Supervisory Framework

BC will continue to incorporate provincial companies and regulate them for solvency. There is a project underway to self-assess BC’s supervisory requirements to International Association of Insurance

Supervisors (IAIS) standards. BC has implemented a new supervisory framework which will mirror OSFI supervisory requirements and incorporate the new IAIS standards.

#### Agent Supervision Changes

The BC Insurance Council is reviewing supervision of agents. Currently, a newly licensed life agent could begin selling insurance policies on his own immediately upon passing the certifying examination (LLQP). The proposal in place is for new life agents to be supervised for 2 years by a qualified agent, ie an agent who has 5 years experience in the last 7 years. The supervisor would be responsible for overseeing the new agent- from product recommendations to filing applications with insurers. The province is looking to have documentation developed for supervision requirements by the end of June to be effective for licensees after September 1, 2012.

On the P&C side, the Insurance Council has had supervision requirements in place for a number of years. As most P&C insurance is done through agencies, supervision is done by the agency and the agency nominee is accountable for all activity. The nominee can delegate the responsibility for supervision as he/she sees fit. A level I licensee must be under direct supervision of level 2 or 3. Level I cannot leave the office and cannot sign the policy. The strictness of these conditions will likely be reviewed by Council this year.

### **Alberta**

#### Political Changes

The Deputy Minister for Finance is now Annette Trimbee (appointed in May). Doug Horner, Minister of Finance, is no longer also Deputy Premier. The Deputy Premier is Thomas Lucaszuk. The Ministry is in the process of assessing priorities.

#### General Insurance Supervision Changes

Alberta Insurance Council is changing the Agent regulation and expects to have it finalized this summer. Proposals include removing the requirement for general agents to move from Level 1 to level 2 within 3 years. 90 day Probationary certificates could be issued prior to official certification (one time only per individual). Each Level 1 and Probationary Licensee must be supervised. It is the responsibility of the firm's designated representative (DR) to determine what constitutes adequate supervision of each individual license. A new level 3 certificate is proposed for management level licensees ( ie supervisors of agents) who could be the designated representative for an agency.

#### Implementation of IAIS Standards

This has been identified as a key project area (along with automobile insurance reforms). Alberta will be a solvency regulator province so must implement all the Insurance Core Principles (ICPs) of the IAIS. Alberta will work with CCIR which has two committees; one for solvency standards and one for market conduct (ICPs 18 and 19).

## Saskatchewan

### Insurance Act Review Update

Jim Hall, who retired in January 2012 as Superintendent of Insurance, is working on a contract basis with the Saskatchewan Financial Services Commission to undertake the *Insurance Act* review. The province intends to harmonize with Alberta, BC, Ontario and Manitoba. Work is just starting so there is no timing or next steps yet for the review.

## Manitoba

### Insurance Amendment Act Introduced

Bill 27, the *Insurance Amendment Act* was introduced on May 9, 2012. Many of the Act's provisions, including virtually all of Parts V and VI (life insurance and accident and sickness insurance), are harmonized with the *Insurance Act* of Alberta.

Consumer protection enhancements include:

- better access for claimants to documents and information about life insurance and accident and sickness insurance contracts;
- protection for innocent persons from loss of coverage for intentional acts of co-insureds and other persons;

The bill includes changes to permit self-evaluative privilege and Electronic Commerce but the province is waiting for further direction from the CCIR Ecommerce paper on how to deal with beneficiary designations and contract termination. Regulations may be made about how insurers may use information about the credit status of policy holders and applicants for property insurance relating to a residence. The Bill includes legislative authority to license incidental sellers of insurance. Regulations have yet to be drafted but they would like be ready for fall 2012. The province does not expect a long transition period.

The Bill can be found at <http://web2.gov.mb.ca/bills/40-1/b027e.php>

### Budget adds retail sales tax on Insurance products

Retail sales tax of 7% is to apply to insurance premiums effective **July 15, 2012** (with the exception of health, Autopac, and individual life insurance.) Group insurance is taxable with the exception of group health. Creditor's insurance, disability, critical illness, and accidental death and dismemberment insurance, property and casualty insurance, trip cancellation insurance, baggage insurance and land titles insurance. The tax will apply where the insured is a person resident in Manitoba or the premiums are paid in respect of property located in Manitoba. The tax bulletin outlining this change can be found at <http://www.gov.mb.ca/finance/taxation/bulletins/061.pdf> The bulletin issued shows an expanded list of products over what was included in the budget bill.

## Ontario

### Insurance Act Review Update

Details of changes to the *Insurance Act* were included as Schedule 31 of Budget Bill 55. The changes deal with life and accident & sickness sections of the Act. The changes have mirrored those made in Alberta and BC with some exceptions. The limitation period notification is harmonized to other Ontario statutes ie it references the Ontario *Limitations Act 2002*. Ecommerce has been intentionally omitted as Ontario feels that there is too much grey area on written versus electronic beneficiary designation and termination to make specific changes. Self-evaluative privilege has not been included in the changes. An Administrative Monetary Penalty (AMP) regime has been put into the *Insurance Act* under section 441 which is the Unfair and Deceptive Acts and Practices section. It applies to companies, agents, and brokers in all areas of insurance. Regulations are not ready and timing is not known. Regulations will be subject to 45 days notice in the provincial regulations register. Ontario will likely not have a wider or more formal industry consultation.

### Changes to Solvency Regulation of Ontario Insurers

Unlike BC and Alberta, FSCO does not intend to be a solvency regulator. FSCO has issued a consultation paper entitled *Improving Solvency Supervision of Insurers in Ontario*. Given that most insurers operating in Ontario are federally-incorporated and regulated by Office of the Superintendent of Financial Institutions (OSFI), the paper proposes that FSCO exit the area of solvency regulation and focus on market conduct regulation. Since 2008, regulators around the world, co-ordinated by the IAIS, have been enacting stronger solvency standards. In Canada, OSFI has adopted provisions that meet IAIS standards while provincial regulators in the process of implementing the new standards .

The proposals are to:

1. Cease providing for the provincial incorporation of new insurers;
2. Require as a condition of licensing that insurers are incorporated in a jurisdiction that complies with international solvency standards; and
3. Provide a transition period for insurers incorporated in Ontario to transfer their incorporation to jurisdictions in compliance with these standards.

Interested parties will have until **July 9, 2012** to make comments on the policy proposals outlined. The paper can be found at <http://www.fSCO.gov.on.ca/en/insurance/Pages/improving-solvency-supervision.aspx>.

### Financial Services Commission of Ontario (FSCO) Statement of Priorities

FSCO has released a draft Statement of Priorities for 2012. CAFII submitted comments prior to the due date of June 6, 2012. The document can be found at [http://www.fSCO.gov.on.ca/en/about/annual\\_reports/Documents/SOP-march2012-draft.pdf](http://www.fSCO.gov.on.ca/en/about/annual_reports/Documents/SOP-march2012-draft.pdf)

### Private Member's Bill to Ban Credit Score Usage for Homeowner's Policies

On June 11, Liberal MPP Mike Colle introduced private member Bill 108, Homeowners Insurance Credit Scoring Ban Act. The bill would expand the ban on credit score usage now in place for automobile insurance underwriting and rating. The Bill amends the definition of "unfair or deceptive acts or practices" in section 438 of the Act to prohibit insurers from using, in respect of rating or underwriting personal property insurance, a person's credit history or rating. There is a link on Mike Colle's website to CBC's Marketplace documentary on credit score and a link to the IBAO's online petition called "Soaring Insurance Rates". Mike Colle had previously introduced a similar bill in November 2010. The bill can be found at [http://www.ontla.on.ca/web/bills/bills\\_detail.do?locale=en&Intranet=&BillID=2658](http://www.ontla.on.ca/web/bills/bills_detail.do?locale=en&Intranet=&BillID=2658)

### Office of the Integrity Commissioner Annual Report

The 2011-2012 Annual Report of the Office of the Integrity Commissioner has been released and can be found at [http://www.oico.on.ca/web-att.nsf/vw/2012/\\$FILE/OIC\\_Annual\\_Report\\_2011\\_2012\\_Eng.pdf?OpenElement](http://www.oico.on.ca/web-att.nsf/vw/2012/$FILE/OIC_Annual_Report_2011_2012_Eng.pdf?OpenElement). The Annual report includes information about the registry and questions and answers from MPP inquiries. On May 24, the the Integrity Commissioner, Lynn Morrison, called for a review and consultation with stakeholders on Ontario's *Lobbyists Registration Act*. Among the changes recommended are:

1. Provide the Registrar with investigation powers and the power to issue penalties
2. Introduce a restriction to prevent persons who lobby from being paid to provide advice to government
3. Eliminate the "significant part of duties" threshold Clarify that "grass-roots communications" (a type of indirect communication)

## **Quebec**

### Staff Changes at AMF

Danielle Boulet is no longer part of the AMF. The Interim Superintendent of Solvency is Nathalie Drouin, Executive Director Enforcement and Legal Affairs. Ms. Boulet's departure also creates a vacancy in the role of Chair of CCIR.

### AMF posts Strategic Plan 2012-2017

The AMF has posted its strategic plan for the next 5 years. Specific goals include consumer support, collaboration with industry, deterring financial fraud and innovative oversight practices. In its plan, the AMF notes the need to enhance financial literacy of consumers. It calls for the launch of its own financial literacy index based on simple concepts to measure the knowledge and behaviour of consumers. It will measure the behavior of consumers in relation to the index and set improvement targets. The plan can be found at [http://www.lautorite.qc.ca/files/pdf/publications/autorite/plan-strategique\\_2012-2017\\_ang.pdf](http://www.lautorite.qc.ca/files/pdf/publications/autorite/plan-strategique_2012-2017_ang.pdf)

### Internet Insurance Offerings in Québec

In May, CAFII made a submission to the AMF consultation on Internet Insurance Offerings in Québec.

### Rendez-Vous with the AMF

The AMF is once again holding the “**Rendez-vous with the AMF**” as a venue for exchange between Quebec regulators and industry on the latest issues and challenges. The event will be held on Monday, October 15 at the Palais des congrès de Montréal.

### **Canadian Council of Insurance Regulators**

#### CCIR Ecommerce Position Paper

CAFII responded to the CCIR Ecommerce consultation in May 2012.

#### Position Paper - Managing General Agencies (MGAs) Distribution Channel in the Life Insurance Industry

The CCIR has posted a position paper to communicate back to stakeholders the key findings from the submissions CCIR received from their issues paper of April 2011 and to set out recommendations to enhance and harmonize best practices in the MGA distribution channel. The paper notes “consensus that certain functions, including product development (although MGAs may collaborate with the insurer), claims handling, and underwriting are not currently, and should not in the future, be outsourced to MGAs. The general view is that these core insurer functions should never be delegated to MGAs as this could result in conflicts of interest and unequal treatment of customers.”

The paper contains a number of recommendations as follows:

- 1:** Insurer Relationship with MGAs - Insurers must have in place effective systems and controls whenever they use the services of an MGA. The CCIR has developed a document “Best Practices for Insurer-MGA Relationships” which is based on the principle that insurers remain ultimately accountable.
- 2:** Agent Supervision- Insurers should incorporate the principles in CLHIA Guideline G8 - *Screening Agents for Suitability and Reporting Unsuitable Agents* into all of their business across Canada, including any contracts involving the outsourcing of these functions to an MGA.
- 3:** Product Suitability- Regular market conduct reviews should be undertaken by regulators to determine if insurers and their agents are providing consumers with adequate information to make informed decisions and suitable product recommendations.
- 4:** Information needs of regulators- Regulators will develop options and an action plan to make sure that adequate information on life agents and MGAs is obtained in a timely manner. The CCIR has formed a Disciplinary Information Committee to look into the feasibility of a centralized

cross-Canada database documenting misconduct. This would assist both insurers as they consider the suitability of new applicants for contracts as well as assisting consumers to make informed decisions about their advisors.

Comments from industry are due **June 30**. The paper can be found on the CCIR website at [http://www.ccir-ccra.org/en/init/Agencies\\_Reg/MGA%20position%20paper%20final%20EN.pdf](http://www.ccir-ccra.org/en/init/Agencies_Reg/MGA%20position%20paper%20final%20EN.pdf)

#### Presentation by Danielle Boulet to the CLHIA Conference May 9, 2012

Ms. Boulet, as Chair of the Canadian Council of Insurance Regulators, delivered a presentation on regulatory and supervisory initiatives. Key points follow.

##### Fair Treatment of Customers

Ms Boulet noted that when the CCIR adopted a risk-based approach to regulation in 2008, it changed regulatory focus from rules to goals and outcomes. International standards in market conduct regulation are emphasizing the fair treatment of customers. This is consistent with the CCIR's recommendations for industry handling conflict of interest which requires industry to incorporate three principles, Priority of Client Interest, Disclosure of Conflict or Potential Conflict of Interest, and Product Suitability. Fair Treatment of Customers is an overarching principle which provides regulators with a framework for analysis of emerging issues:

- What fair outcomes for consumers are we looking for,
- What are the potential risks to consumers, and,
- How can those risks be minimized?

IAIS ICPs have two principles that deal with Fair Treatment of Customers. ICP 18 deals with intermediaries, while ICP 19 focuses on Conduct of Business. It is in the latter that the FTC concept is embedded in the new set of requirements that will have to be implemented by regulators. Collaboration with the industry will therefore be necessary.

##### CCIR Strategic Initiatives

CCIR has a number of strategic initiatives underway.

- Market conduct ICP Implementation Committee

This committee is working to ensure that ICPs 18 and 19 are implemented across Canada.

- Disciplinary Information

Develop online capacity to search out disciplinary action against a licensed intermediary wherever the action may have been taken.

- Issues and Position Papers

An Issues Paper purpose is to stimulate debate and build a common understanding of a topic for both regulators and stakeholders, and present a well-rounded picture of the topic and issues. An Issues paper may lead to a Position Paper, to lay out policy, or proposed actions, on the issue of concern. Both are consultation papers with stakeholders. The CCIR has recently issued an “Issues Paper” on Electronic Commerce and a “Position” paper on Managing General Agencies. CCIR will be proactively researching and considering trends, risks, and issues as they arise.



### CAFII Regulator Visit Plan 2012

updated June, 2012

Jurisdiction	Regulator	Annual Courtesy Call	Purpose	Attendees	Org	Date/Venue	Status
British Columbia	<b>Insurance Council of BC:</b> Gerry Matier, Exec. Dir.	X	Update on Council priorities			TBD Toronto	
Alberta	<b>Alberta Insurance Council :</b> Joanne Abram, CEO, Tom Hampton, Chief Operating Officer	X	Update on Council priorities Council Representation Licensing for 3 <sup>rd</sup> party providers			May 8 Montreal	complete
	<b>Alberta Insurance Council :</b>		Present to CAFII AIC's Business number registration system				
	<b>Ministry of Finance:</b> Mark Prefontaine, Superintendent		Courtesy call to introduce New Chair	Cathy Honor Moira Gill	RBC TD	Jan 13 12:30 – 2pm Edmonton	complete
	<b>Council:</b> Joanne Abram		Council representation, other issues to be determined	Cathy Honor Moira Gill	RBC TD	Jan 13 10:30 AM Edmonton	complete
	<b>New Minister of Finance</b>					after the election	
Saskatchewan	<b>Sask. Insurance Council:</b> Ron Fullan, Chair	X	Review Council priorities Council Representation			TBD Toronto	Offer extended
	<b>Consultant ( ex Superintendent )</b> Jim Hall		Insurance Act review			Conference call	On hold until review starts
Manitoba	<b>Ministry of Finance:</b> Jim Scalena, Superintendent	X	Update on Insurance Act review. ISI regime			Conference call	
	<b>Manitoba Insurance Council:</b> Erin Pearson, Exec Director;	X	Review Council priorities Restricted cert holder representation on council			TBD Winnipeg	
	<b>Ministry of Finance</b> Minister Stan Struthers		Letter of introduction sent, include on a visit of Chair to Manitoba			( J Hines to confirm avail of chair)	

Jurisdiction	Regulator	Annual Courtesy Call	Purpose	Attendees	Org	Date/Venue	Status
Ontario	<b>FSCO:</b> Phil Howell, CEO & Superintendent	X				Toronto	To be set up
	<b>FSCO:</b> Anatol Monid, Director, Market Conduct; Grant Swanson, Exec Dir Licensing & Market Conduct		Discuss ISI consultation follow up  ISI presentation  Anatole hiring new staff, call to offer to meet and update staff			TBD Toronto	To be set up
	<b>Ministry of Finance :</b> Paul Braithwaite		Update on trade negotiations/agreements (e.g. Canada-EU, ON-QB)			May 28	Complete- notes required
Quebec	<b>AMF:</b> Mario Albert, CEO; Superintendents and key directors	X				June 19, Quebec City Board lunch	
	<b>AMF:</b>		ECommerce consultation paper meeting			April 4	Part of CCIR meeting
	<b>AMF:</b> Patrick Dery, Superintendent; Eric Stephenson, Director, SROs and Distribution Practices		Meeting to discuss DWR distribution guide format , compensation disclosure	Moira Gill Andre Duval John Lewsen Greg Grant Rose Beckford Jennifer Hines	TD Des	May 10 Montreal, lunch at RBC place Ville Marie	complete
	<b>AMF:</b> Superintendent, Solvency	X				with M Albert June 19	

Jurisdiction	Regulator	Annual Courtesy Call	Purpose	Attendees	Org	Date/Venue	Status
New Brunswick	Superintendent		Review priorities Discuss /educate on creditor's group insurance (CGI) and Avalon; Licensing issues, electronic licensing; Insurance Act Review Status ; David Weir (Deputy Super)- Atlantic Taskforce on ISI (chair)	Check board member travel plans		TBD Fredericton	
	Consumer Advocate		Review priorities, Discuss /educate on creditor's group insurance (CGI) and Avalon;	Check board member travel plans		TBD Fredericton	
Nova Scotia	Superintendent		Review priorities, Discuss /educate on creditor's group insurance ( <b>CGI</b> ) and Avalon; Atlantic Taskforce on ISI	Check board member travel plans		TBD Halifax	
PEI?	Superintendent		Courtesy- Low priority for 2012 ( if member is in Charlottetown)	Check board member travel plans		Charlottetown	
Newfoundland and	Superintendent		Review priorities, Discuss /educate on creditor's group insurance ( <b>CGI</b> ) and Avalon; Atlantic Taskforce on ISI	Check board member travel plans		TBD St John's	
CCIR	Carol Shevlin, Policy Manager	X	Review CCIR Priorities CAFII webinar curriculum	Greg Grant Jennifer Hines John Lewsen Anne Riley		May 31	complete
	Ecommerce Committee		Review issues paper			April 4	complete
	CCIR members		Webinar presentation To be confirmed with CCIR			Conference call mid august	education plan drafted
Federal	<b>Federal Finance</b>		Educational – marketing of CGI				

<b>Jurisdiction</b>	<b>Regulator</b>	<b>Annual Courtesy Call</b>	<b>Purpose</b>	<b>Attendees</b>	<b>Org</b>	<b>Date/Venue</b>	<b>Status</b>
	<b>OSFI:</b> Julie Dickson, Superintendent		Guest speaker at CAFII event				Offer extended
	<b>OBSI:</b> Doug Melville Ombudsman		Educational – marketing of CGI				
	<b>Financial Consumer Agency of Canada (FCAC)</b>		Financial Literacy re insurance	John Lewsen Moira Gill Maria Sanchez chung	BMO TD TD	January	complete
	<b>FCAC compliance group</b>		Financial Literacy re insurance (at FCAC request)	John Lewsen Moira Gill	BMO TD	April 4	complete

## CAFII Regulator Meeting Report

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**Regulator:** Alberta Insurance Council (AIC)  
**Date:** May 8, 12  
**Location:** Dinner at OSCO! InterContinental Montréal, 360 Saint-Antoine Street West  
Montréal, Québec H2Y 3X4

**Attendees:** **AIC:** Joanne Abram, CEO Alberta Insurance Council; Tom Hampton, Chief  
Operating Officer, Alberta Insurance Council  
**CAFII:** John Lewsen (BMO), Moira Gill (TD), Sara Gelgor (ScotiaLife  
Financial)

### Discussion:

- Renewal Dates - moving to one date in July for all registrants
- Online Registration - working toward online applications for first time registrants
- Licensing Changes - moving forward quickly with level 1/2 and supervision changes and will be asking the minister to make the legislative change
- Business number system - agreement close with Ontario and Manitoba and working on the the provinces that are more reluctant. This is on the agenda for the next CISRO meeting. The approach is to keep it simple at the moment - seven or so fields- so that it will be easy to get acceptance and buy in. They have been using the letters from CAFII and CADRI with other regulators to evidence industry support.
- Inter jurisdictional License - discussed the difficulty of assessing inter jurisdictional licenses which come in with conditions. Since Alberta doesn't have conditions, it just assesses if the particular secondary occupation poses a real risk to consumers and issues a license or not.
- Changes to council representation- will get legislative change to move adjusters' council, which is small, into the general insurance council. There is a need to have adjusters in a more active council so that their procedural and administrative law skills get used enough to stay current. General council meetings are held once a month. Considering whether they need the distinction between direct and broker company on the council anymore and could just elect everyone.
- Council Elections-They are now doing council elections electronically and this is giving them a higher participation rate ( 30s to 40s)
- Restricted Certificate Council- with restricted license council, they are worried about setting up a system where a less sophisticated auto dealer is making a ruling on a financial institution. They are considering a separate council for restricted certificate holders. They have not shared thoughts about their direction with other provinces with

restricted license and won't until they have a proposal on paper. They will have a residency requirement.

**Further Conversations with FSCO on Licensing during the CLHIA Conference**

- Business Number - Shonna Neil - FSCO onside with business number issue, hasn't been discussion directly with RIBO

CCIR is working on a system to coordinate sharing information about supervisory decisions on agent disciplinary, currently separate from the business number initiative, but recognized that the two need to come together at some point. New Brunswick is against because they believe that sharing this information or posting it publicly is against their privacy laws. (This is referenced in the MGA paper released this week).

- Licensing Changes -FSCO is updating and changing licensing so that it is focused on the individual and one registration page can cover several Ontario licenses. Targeting 2014. Not actively coordinating with Quebec who is also updating, but building the system so that it can talk to the Quebec system if decided to do that in the future.

**Proposed Action:** Business Numbers -suggested that in order to get more support at CISRO on business number system, they need to get more letters to CISRO (CAFII and perhaps individual companies) so that there is more official support that can be tabled. Suggest including the benefits to regulators, companies, market efficiency and customers, and also suggest that this will help ensure that jurisdictions are meeting their obligations under the AIT.

## **CAFII Regulator Meeting Report**

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**Regulator:** CCIR

**Date:** May 31, 2012

**Location:** Baton Rouge, Toronto

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

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

### **Discussion**

#### Vacancy of Chair

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

#### IAIS

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

#### New Policy Group in FICOM BC

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

#### ISI

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

#### Ecommerce

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

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

#### Credit Score

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

#### Webinar series

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

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

#### Outsourcing of claims handling

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

#### Group Insurance

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

#### Consultations

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



## **Proposed CAFII Webinar Series**

### **Proposed Curriculum:**

#### *The Underinsured / Underserved Insurance Market:*

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

#### *Creditor's group insurance Overview:*

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

# CAFII Priorities by Committee –June 2012

## 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 <b>Financial Reports</b>	
Keep environment open to key products	Be aware of current and emerging issues ( <b>Regulatory Update</b> ).	
	Develop responses to regulatory initiatives. Forward to board for approval as necessary. Oversight of <b>Distribution and Market Conduct Policy Committee (DMC)</b>	Regulation of ISI
		International regulation of creditor products
		Market Conduct Regulation
		Electronic Commerce
Keep environment flexible /efficient	Identify barriers to efficient operations. Oversight of <b>Licensing Efficiency committee</b>	Provincial Insurance Act Reviews
		Licensing Irritants
		Provincial Insurance Councils and CISRO issues
		Electronic licensing
Develop communication plans and tools	Oversight of <b>Media and Advocacy Strategy Committee(MAC)</b>	Multi-jurisdictional licensing/mutual recognition
		Communications strategy Media Response Plan Website
Build relationships with key stakeholders	Connect with regulators. Manage and conduct regulator visits. (Manage <b>Regulator Visit Schedule</b> ) Approve attendees at regulator meetings, review meeting notes and manage follow-up actions	
	Oversight of <b>Networking and Events committee</b>	

## CAFII Priorities by Committee –June 2012

### 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) Jennifer Hines RBC **Other members:** 3) Wayne Eccles TD 4) Emily Brown BMO 5) John Poolman, Assurant 6) Andre Duval, DSF 7) John O'Hoski Cdn Prem **Resource:** A. Riley

**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

Priorities	Issues	Currently Active Issues	Status
<b>Regulation of ISI</b>	Manitoba ISI regime in 2011/2012		Included in Insurance Act spring 2012
	Quebec DWR, distribution guide review	√	Input provided on Guide ( signature, remuneration)
	Alberta – review of medical questions on applications		Project for review required by CAFII, response to Superintendent required
	ISI recommendations-industry response		Consultation expected in 2012-Ontario only
	AML/ATF paper	√	<b>Response sent March 1, 2012, follow up questions answered</b>
<b>International regulation of creditor</b>	PPI –develop member questions, seek legal opinion on privilege	√	<ul style="list-style-type: none"> <li>· Board to review survey at meeting in June 2012.</li> <li>· Completion and results due by August/September 2012.</li> <li>· Recommendations presented at board meeting Dec '12</li> <li>· 2 legal firms being interviewed re privilege</li> </ul>
	IAIS core principles		Watch file - CCIR committee announced
<b>Market Conduct Regulation</b>	Quebec Commercial Practices Guideline		Awaiting re-release by March 31 for comment
	Input to provincial strategic plans and priorities	√	<b>FSCO priorities submitted May 2012</b>
<b>Electronic Commerce</b>	CCIR consultation released Feb 2012		<b>Submission made May 2012</b>
	AMF consultation released Feb 2012		<b>Submission made May 2012</b>
<b>Provincial Insurance Act Reviews</b>	BC and Alberta regulations		Now final, BC revising final regulations
	Manitoba Insurance Act Review	√	Insurance act changes made spring 2012
	Ontario Insurance Act review		Insurance act changes made with budget bill
<b>Webinars</b>	Develop and test webinar capability	√	Done, webinar testing ongoing
	Education program	√	Webinar series designed, CCIR to advise of priority, first webinar for CCIR in mind August

**AMF Distribution Guide Task Force**  
(Task Force of Distribution and Market Conduct Policy Committee)

**Members:** Emily Brown, John Poolman, Rose Beckford (ScotiaLife Financial), Moira Gill

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

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## 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:** A. Riley, L. Duigu, Media Advisor (currently Ian Blair), Rick Evans

**Mandate:** Identify key stakeholders and develop, recommend and implement media and advocacy strategy.  
Oversight of Media Response taskforce.

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

Priorities	Issues	Currently Active Issues	Status
<b>Media Strategy</b>	Develop a CAFII communications strategy	√	Developed , revised strategy for board review June 2012
	Manage new CAFII website , collect testimonials, refresh CAFII description, expand tabs, create tab for regulators , develop tagline	√	Website live –updates to web materials in progress
	Media protocol – develop and manage protocol for media requests	√	Complete , pilot test complete
	Develop list of key media contacts		
	Notify member media staff when key messages are ready		
<b>Advocacy Strategy</b>	Key messages Development <ul style="list-style-type: none"> <li>Identify issues and develop key messages for audiences, feed into submissions, develop 2 or 3 scenarios ,</li> <li>Regulator kit ( formerly media kit), develop booklit and soft marketing materials</li> <li>Manage research to support messaging</li> <li>Keep current industry statistics</li> </ul>	√	Messages prepared, review stock messages  3 questions for Pollara omnibus survey complete
	<b>CCIR Complaints-</b> Respond to any issues identified		
	<b>Industry Statistics</b> Identify and keep current statistics from LIMRA and CAFII research		

**Media Response Taskforce Membership:** Taskforce consists of any 2 members of the Media and Advocacy Strategy committee plus Rick Evans. Purpose: Deal with media issues as they arise. Make recommendation to Board communications committee ( Members: Cathy Honor, RBC; Mark Cummings, Scotia; Dave MinorTD; Rick Lancaster, CIBC, Gord Henderson, BMO)

## CAFII Priorities by Committee –June 2012

### 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) Jennifer Hines RBC 4) John Poolman, Assurant Greg Grant CIBC Resources: A Riley

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

Priorities	Issues	Currently active issues	Status
<b>Licensing operation issues</b> Streamlining and harmonizing licensing requirements (training, CE, other)	Request for restricted certificates for 3 <sup>rd</sup> 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 2012.
	Licensing process -streamlining and harmonization		Identification of issues on going.
<b>Provincial Insurance Councils and CISRO issues</b>	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.
<b>Electronic licensing</b>	Promote use of electronic licensing systems by provincial regulators Possible use of “business numbers” to link		<b>Letter of support sent to CISRO May 2012</b>
<b>Multi-jurisdictional licensing/ mutual recognition</b>	Trade Agreements - promote mutual recognition ( Ontario – Quebec, New West Partnership )		Attended trade agreement update meeting May 2012

## CAFII Priorities by Committee –June 2012

### 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: John Lewsen Resources: Leya Duigu

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

Priority	Activities	Status
<b>Plan Quarterly Speaker and reception events, and member-only event</b>	February Speaker Event ( members only)	Derek Yoo PWC on Ecommerce
	March/April	April 10 John Collins
	June AGM	no speaker
	October	OSFI invited
	December Reception	
<b>Keep current lists of key contacts</b>		
<b>Christmas cards to key contacts?</b>		
<b>Seek out other opportunities to meet with contacts</b> (eg corporate table)		

# Licensing Committee Report

## Restricted License holder Representation / Participation on Insurance Councils

### Agenda:

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

### Attachments:

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



# Current Situation

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

# Current Situation

## Key Risks

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

## Constraints

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

# Current Opportunity

## Manitoba: Immediate

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

## Saskatchewan: Short-Term

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

# Current Opportunity

## Alberta

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

# Characteristics of an Ideal Approach to Representation

## 1. One harmonized model

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

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

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

4. Flexibility on residency

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

# Structural Differences in Councils May Drive Different Solutions by Province

## Results achievable within the existing council structures

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

## Results which would require changes in regulations

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

## Greatest acceptance of addressing representation in regulations

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

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

# Range of Options under Consideration

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

Three acceptable approaches identified:

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

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

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

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

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

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

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



## *New Canada Not-for-Profit Corporations Act (CNCA)*

The new *Canada Not-for-Profit Corporations Act (CNCA)* came into force on October 17, 2011.

**Every existing federally incorporated not-for-profit organization will be required to transition under the new legislation within three years of the in-force date, that is, by October 17, 2014.**

Failure to transition under the new Act within the three-year deadline will result in the dissolution of the organization.

The new Act will bring many changes. These include voting rights for members (and even non-voting members in some circumstances), elimination of ex officio directors, the distinction between soliciting and non-soliciting corporations, a standard of care for directors, and other provisions. There are also obligations under the new Act around practices such as record keeping, members' rights and audit requirements.

With this new legislation, not-for-profit organizations are required to replace their letters patent and by-laws with new charter documents that comply with the new Act. The required transition should be looked on as an opportunity to re-examine and renew the purposes, governance and other fundamentals of your organization.

What CAFII needs to do (about a 6-9 month process):

- Establish a transition team
- Review Letters Patent, Supplementary Letters Patent, By-laws, Policies and Procedures
- Draft new Articles
- Revise existing By-laws to ensure compliance
- Seek the approval of members for the continuance documents at a special meeting of members or the AGM
- Submit the required documents to Corporations Canada

How to proceed:

- CAFII can work directly with a law firm to take you through from start to finish, or
- An appointed transition team can work with T.OCS on the review of your current bylaws and have legal consultation along the way and for final vetting/filing of documents

It is recommended that CAFII first have a consultation with its legal advisors in order to get their input as to how CAFII should proceed on this initiative, as well as a sense of what their fees would be, before determining the next steps.