



CAFII EOC Meeting
Tuesday, February 19, 2013
Location: RBC Insurance
Royal Bank Plaza, South Tower, Capital Markets
200 Bay St., 5th Flr, DS Boardroom, Toronto, ON
1:00 – 4:00 pm

Agenda

1. Call to Order J. Hines
2. Approval of Agenda All
3. Minutes All
 - a. EOC Minutes January 8, 2013
 - b. Board Minutes, December 11, 2012
4. Financials M. Fabian
5. Regulatory Update
 - a. Regulatory Newsletter B. Wycks
 - b. Regulator Visits B. Wycks
 - Regulator Visits Plan
 - CISRO Meeting Re LLQP B. Wycks
 - FSCO Call Centre Visits B. Wycks
 - FSCO Pre-Consultation Meeting Around Proposed Insurance Act Amendments Re Disciplinary Procedures For Independent Agents And Adjusters B. Wycks/M. Gill
6. CAFII Priorities and EOC Committees
 - a. CAFII Priorities by Committee B. Wycks
 - b. Distribution and Market Conduct Policy Committee S. Manson
 - c. Licensing Efficiency Issues Committee M. Gill
 - d. Media & Advocacy Strategy Committee S. Gelgor / J. Lewsen
 - Next Webinar B. Wycks
 - e. Event & Networking Committee P. Yeung / M. Sanchez-Chung
 - BLG Board Update – February 5, 2013
 - CAFII Annual Members Lunch – March 26, 2013
 - CAFII 15th Anniversary Event
7. Other Business

Next Board Meeting is April 10, 2013 hosted by RBC Insurance.
Next EOC meeting is March 26, 2013, in Toronto.

Conference call dial-in information:
416-764-8662 or 1.888-884-4534, participant pass code: 771017#, moderator pass code: 7661560#

CAFII EOC Meeting Minutes
Tuesday, January 8, 2013

Action Items from the Meeting

Agenda Item	Action Item
3a. CAFII Board Minutes	L. Duigu to update minutes and circulate again.
4a. November 2012 Financials	M. Gill to follow-up on final invoice from Stikeman Elliott. S. Manson to follow-up on second invoice from Borden Ladner Gervais
5a. Regulatory Newsletter	M. Gill to forward a notice regarding the release of the anti-spam regulations that came out today. B. Wycks to make some enquiries with C. Shevlin about the merger between the Insurance Regulator and Securities in Manitoba and what the implications are for CAFII members (if any).
5b. Regulator Visits	<u>CISRO Meeting.</u> B. Wycks to coordinate additional volunteers and communicate with CISRO. <u>FSCO Call Centre Visits.</u> J. Hines and J. Lewsen to follow-up with their respective institutions regarding the visits. B. Wycks to coordinate with FSCO members.
6e. Event & Networking Committee	Speaker Presentation – Feb 5, 2013. L. Duigu to confirm if J. Poolman has secured Jane Carr to speak, then confirm venue. CAFII 15 th Anniversary – Apr 10, 2013. L. Duigu to circulate the list of member companies
7a. 2013 Meeting Dates	S. Gelgor to confirm M. Cummings availability for a CAFII Board meeting on December 3, 2013 J. Lewsen to confirm if BMO can host on December 3, 2013. L. Duigu to coordinate all.

CAFII EOC Meeting Minutes
Tuesday, January 8, 2013
Location: CIBC, Commerce Court
199 Bay Street, 4th Floor (Imperial Rm)
Toronto, ON

Present:	Rose Beckford	ScotiaLife Financial
	Charles Blaquiere	Canadian Premier Life Insurance Co.
	Emily Brown	BMO Insurance
	Wayne Eccles	TD Insurance
	Matthew Fabian	BMO Insurance <i>Treasurer (teleconference)</i>
	Sara Gelgor	ScotiaLife Financial
	Moirra Gill	TD Insurance
	Greg Grant	CIBC Insurance
	Jennifer Hines	RBC Insurance
	John Lewsen	BMO Insurance <i>Chair</i>
	Sue Manson	CIBC Insurance
	John Poolman	Assurant Solutions <i>(teleconference)</i>
	Maria Sanchez-Chung	MBNA Bank of Canada <i>(teleconference)</i>
	Paul Yeung	RBC

Also Present: Leya Duigu
Jill McCutcheon
Brendan Wycks

T•O Corporate Services
Borden Ladner Gervais LLP
CAFI

Regrets: Andre Duval Desjardins Financial Security Life Assurance

1. Call to Order

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

2. Approval of Agenda

The agenda was approved as circulated. Action items from the December Board meeting were reviewed.

3. Minutes

a. EOC Minutes November 27, 2012

Amendments were put forward to the minutes.

b. Board Minutes, December 11, 2012

Amendments were put forward to the minutes.

Action: L. Duigu to update minutes and circulate again.

4. Financials

a. November 2012 Financials

M. Fabian presented the November 30, 2012 financials included in the meeting package. We are at 64% of budget with a few more anticipated expenses pending before year end. It's anticipated that we'll start 2013 with a good cash balance and will therefore need to decide whether to invest more funds. J. Hines provided an update to the EOC indicating that the Board was comfortable with the proposed changes to the financial reporting as discussed during the Board Meeting in December 2012.

Action: M. Gill to follow-up on final invoice from Stikeman Elliott.

Action: S. Manson to follow-up on second invoice from Borden Ladner Gervais

5. Regulatory Update

a. Regulatory Newsletter

B. Wycks is working on a January Newsletter and if anyone receives any news and information that should be included please send it to him.

Action: M. Gill to forward a notice regarding the release of the anti-spam regulations that came out today.

- Manitoba. It was noted that the Insurance Regulator was quietly amalgamated with Securities whereas Saskatchewan held a full consultation. It would be good to know what the implications of this are.

Action: B. Wycks to make some enquiries with C. Shevlin about the merger between the Insurance Regulator and Securities in Manitoba and what the implications are for CAFII members (if any).

b. Regulator Visits

Regulator Visit Plan

- FCAC Meeting. The purpose of having another meeting would be to continue the dialogue and touch base. They expressed interest in attending the Economic Club event in Ottawa last November which was cancelled. Another opportunity would be to deliver a webinar presentation.

CISRO Meeting

CAFII was invited to a meeting on January 17, 2013. B. Wycks will be attending and it would be ideal for a Licensing Committee member to attend as well.

Action: B. Wycks to coordinate additional volunteers and communicate with CISRO.

FSCO Call Centre Visits

B. Wycks shall confirm with G. Swanson once there are one or two CAFII members that have confirmed participation. RBC is coordinating internally. Ideally providing two member call centre visits will give FSCO staff a better view of the industry rather than just one.

Action: J. Hines and J. Lewsen to follow-up with their respective institutions regarding the visits. B. Wycks to coordinate with FSCO members.

6. CAFII Priorities and EOC Committee

a. CAFII Priorities by Committee

b. Distribution and Market Conduct Committee

Creditor Insurance Project. J. McCutcheon presented the initial findings of the project to the EOC for further direction and discussion.

c. Licensing Efficiency Issues Committee

No update.

d. Media and Advocacy Strategy Committee

- Branding. The tag line was approved at the last board meeting. L. Duigu and B. Wyckes are working on an Request for Proposal for the branding.
- Board Communications Committee is to be discussed and representation from Quebec to be considered.
- Media Protocol. B. Wycks will be updating this for the next MAC meeting.
- Key Scenarios. A review of previous marketplace stories to be conducted with the goal of developing a list of scenarios that CAFII can respond to.
- Regulator Kit to be reviewed by B. Wycks.
- Webinar. B. Wycks has connected with Davis Yoo (PwC) who has expressed interest in partnering with CAFII on a presentation about digital commerce in the financial world. Timing has been suggested for early to mid-March. MAC members were asked to ensure that this presentation include more Canadian content.
- Media Planet opportunity. B. Wycks reported that Media Planet has published several supplements in the past on insurance related issues and

have reached out to CAFII to participate in the next issue to be published at the end of January. Editor, Brendan Cleary, has agreed to modify the editorial line up to include products offered by CAFII member companies. CLHIA, IBC (P&C) and CARP have also confirmed participation in the upcoming supplement. Of note is IBAC, Brokers Association and CADRI are not involved.

For the upcoming supplement CAFII members would be called to be authoritative spokespersons on such topics as the benefits of having insurance. In return CAFII would inform members of advertising opportunities in the article. Toronto Star readership would be the audience and Insurance is covered approximately two times a year.

Decision: B. Wycks to decline offer from Media Planet and express CAFII's interest in participating in a future supplement.

- CAFII Announcements – Executive Director and New Chair to be distributed to targeted media only, regulators and members.

e. Event and Networking Committee

- Speaker Presentation - February 5, 2013.
Action: L. Duigu to confirm if J. Poolman has secured Jane Carr to speak, then confirm venue.
- CAFII 15th Anniversary – April 10, 2013
RBC has been booked and will be available only until 8:30pm. The current guest list is very large and therefore each member is tasked with reviewing their list for senior representatives only in addition to Board and EOC members. Industry representatives from CLHIA and CBA shall not be included. Members agreed that we should only secure entertainment for the evening. The suggested format for dinner will be stations rather than a formal sit down dinner so guests can network. Possible give-aways to be sought.

Action: L. Duigu to circulate the list of member companies.

7. Other Business

a. 2013 Meeting Dates

There is a conflict for members of TD Insurance with the board meeting on December 10, 2013. Alternative dates to be requested and/or CIBC to switch dates with BMO.

Action: S. Gelgor to confirm M. Cummings availability.

Action: J. Lewsen to confirm if BMO can host on December 3, 2013. L. Duigu to coordinate all.

8. Termination

There being no further business, the meeting terminated at 5:00 p.m. The next EOC meeting will be held on Tuesday, February 19, 2013 at 1:00 pm in Toronto.

Date

Chair

Recording Secretary



CAFII Board of Directors Meeting Minutes
Tuesday, December 11, 2012
ScotiaLife Financial

Scotia Plaza, 40 King Street West, 63rd Floor, Ratcliffe Room
Toronto, ON

Present: Julie Barker-Merz, BMO Insurance
Mark Cummings, ScotiaLife Financial
Rino D'Onofrio, RBC Insurance
Linda Fiset, Desjardins Financial Security Life Assurance Company
Cathy Honor, RBC Insurance Services Inc. *Chair*
Richard Hébert, National Bank Insurance Co.
Rick Lancaster, CIBC Insurance
Yvonne Ziomecki, AMEX Bank of Canada (*teleconference*)

EOC Present: Rose Beckford, ScotiaLife Financial
Charles Blaquiere, Canadian Premier Life Insurance
Matthew Fabian, BMO Insurance (*teleconference*) *Treasurer*
Sara Gelgor, ScotiaLife Financial
Greg Grant, CIBC Insurance
Jennifer Hines, RBC Insurance Services *Secretary*
John Lewsen, BMO Insurance
Sue Manson, CIBC Insurance
John Poolman, Assurant Solutions
Paul Yeung, RBC

Regrets: Emily Brown, BMO Insurance
Keith Demmings, Assurant Solutions *Vice Chair*
Andre Duval, Desjardins Financial Security Life Assurance Company
Moirra Gill, TD Insurance
Wayne Eccles, TD Insurance
David Minor, TD Insurance
Isaac Sananes, Canadian Premier Life Insurance
Maria Sanchez-Chung, TD Insurance

Also Present: Brendan Wycks, CAFII *Executive Director*
Leya Duigu, T•O Corporate Services *Recording Secretary*

1. Call to Order

The meeting was called to order at 2:00 pm. C. Honor acted as chair, J. Hines 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. Welcome & Appointment of New Directors and Chair

Executive Director

Brendan Wycks was confirmed as CAFII's new Executive Director during the last board meeting and was welcomed to today's meeting.

Appointment of New Directors

K. Demmings of Assurant Solutions will no longer be serving on the CAFII Board of Directors effective December 11, 2012. In addition, C. Honor will be stepping down from the CAFII Board effective at the end of this meeting.

The CAFII Bylaws clause 4.06 provides that "If a vacancy occurs in respect of any position on the board, howsoever caused, the Foundation or Voting Member who nominated the vacating director is entitled to appoint his or her replacement for the remainder of the Director's term."

As a Voting Member, Assurant Solutions is appointing Robert Zanussi, President & CEO of Assurant Solutions, as the successor to K. Demmings on the CAFII Board of Directors for the remainder of his term. C. Honor acknowledged and thanked K. Demmings who has served on the board since 2008, and requested a note of thanks be sent to him for his service during this time.

As a Voting Member, RBC Insurance is appointing Rino D'Onofrio, Senior Vice-President & Head, Canadian Business Insurance, RBC, as the successor to C. Honor on the CAFII Board of Directors for the remainder of her term.

On motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

Robert Zanussi of Assurant Solutions and Rino D'Onofrio of RBC Insurance be appointed to the CAFII Board of Directors until the next Annual General Meeting.

Appointment of New Chair

C. Honor will be stepping down as chair after today's meeting. The CAFII Bylaws, under clause 7.01 Appointment of Officers, specify that "the Board shall from time to time appoint a Chair," and that the filling of a vacancy in the Chair position is also the responsibility of the Board.

On motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

Mark Cummings be appointed as CAFII Chair effective today, to fulfill the remainder of C. Honor's term ending at the Annual General Meeting in 2013.

5. Minutes

J. Hines provided an update on the action items from the October 9, 2012 Board Meeting as follows:

- Testimonials. Members were reminded to submit testimonials that are appropriate to post online.
- Website statistics. 2012 stats were included in the meeting package. J. Hines compared these to previous statistics and noted that the number of visits, unique visitors, and length of time spent on the site had all increased, which is good news.

Action: B. Wycks to follow up with G. Swanson on his request to arrange a visit to a CAFII member call centre for FSCO staff.

On motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The minutes of the meeting of the Board held on October 9, 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.

6. Financial Update

6.1. October Financials

The CAFII bank balance remains strong. Unrestricted net assets are quite good and we are just above our reserve ratio. There are approximately \$90K in expenses are still outstanding and once received M. Fabian anticipates the year-end statement of operations to be at 85-95% of budget. CAFII's year-end is December 31. The additional expenses incurred as a result of the Distribution and Market Conduct Policy Committee's Creditor Insurance Project are well within the 2012 budget. Overall we were budgeting for a modest deficit initially but will end the year with a surplus.

On motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

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

6.2. Adoption of 2013 Budget

At the request of Chair C. Honor, L Duigu of TO Corporate Services, a supplier to the Association, absented herself from the room for the Board's discussion of this agenda item.

M. Fabian, Treasurer, presented the Proposed 2013 CAFII Budget and answered Board members' questions, with the following highlights arising from that discussion:

- The Board supported the budget-related recommendation that the Association's Reserves Policy be adjusted to target six months of operating expenses, up from three months of operating expenses. It was acknowledged that now that CAFII has an employee, the Executive Director, it is prudent and optimal to maintain reserves of six months' operating expenses;
- The Board supported the budget-related recommendation that, given the modest increase in premium cost involved, CAFII's Directors and Officers' Liability Insurance coverage should be increased from \$5 million to \$10 million, and its Comprehensive General Liability insurance coverage should be increased from \$2 million to \$5 million; and
- For future fiscal year budget proposals, it would be better to provide, as relevant comparators, prior year "Actuals" rather than prior year Budgets; and rather than providing the Budget for the current fiscal year for comparison purposes, a Forecast to the end of the current fiscal year should be provided.
- The board agreed to the new format which allows for better tracking of expenses by committee.

On motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The Proposed 2013 Budget be and is hereby approved in the form amended.

7. Regulatory Update

7.1. Regulatory Newsletter

B. Wycks provided commentary on the regulatory newsletter included in the meeting package and additional discussion occurred as follows:

- Federal: Credit Union Conversion to Federal Charter. It has been suggested that CAFII should be open to having federally regulated credit unions become

members of the Association. Given that the first credit union likely to obtain a federal bank charter is based in British Columbia, a meeting to explore potential synergies could be arranged the next time CAFII Directors visit BC regulators.

- British Columbia: Changes to Restricted Licensing Regime for Motor Vehicle Dealers. Members discussed sending a communication to the other provinces with this update noting that it makes sense and providing the reasons why.
- Manitoba: Insurance Act Review Update. Members discussed whether Manitoba regulators have enough information regarding the restricted licensing regime to make the appropriate changes. M. Gill and S. Gelgor have met with them on a number of occasions and raised their awareness of the nuances.
- Ontario: Life Insurance Product Suitability Review to Commence. International regulators are coming to audit the Canadian regulators and there is some concern about this. Their goal is to identify issues within the different channels which could provide an opportunity to communicate the benefits of the direct distribution channel. This is an opportunity for CAFII member companies to highlight the key advantages of our industry.
- CCIR: Third Party Administrator (TPA) Regulation.
Action: Follow-up with E. Stevenson on this review for more information.
- Financial Literacy Month. Occurs annually in November and is becoming increasingly important to regulators and the public. This provides another opportunity for CAFII to educate.

7.2. Report on Regulator Meetings

7.2.1. CCIR Meeting

A delegation of CAFII board members met with CCIR Executive members on October 25 to discuss current industry issues and concerns as well as CCIR work plans for the coming year. A copy of the follow-up letter was included in today's meeting materials and the following highlights were provided:

- CAFII is encouraged to continue with the proposed webinars for CCIR members.
- They stressed the pressure they are under and agreed to include CAFII's 15th Anniversary in their spring meeting plans.
- The overall discussion was very open.

7.2.2. AMF Meeting

A delegation of CAFII EOC members attended a meeting with E. Stevenson recently to discuss the priorities of the Quebec Ministry of Finance (AMF). J. Lewsen reported on a number of changes within the AMF since our last meeting with them in June. E. Stevenson indicated that the Quebec Minister of Finance has quite a lot of priorities currently. CAFII will be drafting a letter outlining our recommendations on the Distribution Without Representation Guide which was

discussed in detail. An updated copy of the Guide would be circulated next year and they are looking at implementation in 2014.

Action: J. Lewsen to circulate a draft letter to E. Stevenson in follow-up to this meeting.

7.3. Planned Regulator Meetings (2012 & 2013)

The meeting package contains two documents (2012 and 2013) that the EOC have developed to highlight and guide CAFII's investment in regulator meetings.

2012: overall, we wisely used our time on key issues in key provinces.

2013: the same concept of spending time in key provinces was proposed. If any board members are travelling and can incorporate a regulator visit, please advise your EOC member. EOC members have done a tremendous job of conducting these visits and it is important for directors to volunteer and help spread the work load.

Further to this CAFII should take advantage of any meetings and conferences that would cause regulators to be travelling to Toronto. B. Wycks indicated that he will be reaching out to regulators by phone and will invite them to notify CAFII should they be travelling to Toronto.

The Atlantic Canada regulators haven't been visited recently and it would be ideal to touch base. It would also be good to get on the agenda of the Financial Consumer Agency of Canada as well.

CCIR. We have a strong relationship with C. Shevlin and it would be ideal to continue to nurture this relationship, particularly with Executive Director B. Wycks now in place.

Action: Send C. Shevlin valueadded items as much as possible.

The regulator meetings are a working progress and members were comfortable with the proposed plan as presented.

8. Committee Reports on addressing CAFII Priorities

8.1. Review of Committee Mandates

See notes under minutes.

8.2. Distribution and Market Conduct Policy Committee

Creditor Insurance Project: Chaired by S. Manson and W. Eccles, the committee's major item now is the Creditor Insurance project. Members of the board were thanked for approving the request for additional funds, particularly in light of all the interviews that were scheduled for the following week. Going forward, the EOC will receive a verbal report at its January 2013 meeting on the common interest items.

8.3. Media and Advocacy Strategy Committee

Chaired by J. Lewsen and S. Gelgor, the committee is working on a number of deliverables as follows:

CAFII branded regulator valueadded strategy: Website redesign is completed and we have seen the numbers going up. The next goal is to add some valueadded information online. The EOC is also proposing to update the logo.

Media Protocol is in good shape and will be updated by B. Wycks.

Webinars: we are planning on a webinar in the first quarter and will begin work on it in January.

Testimonials. If members could submit these the committee will review and decide upon how this information will be used.

Video. Making a video was suggested, one similar to the LIMRA video entitled “The Heart of the Matter.” A similar video could be created using the creditor content with the goal of highlighting the human and emotional aspects.

CAFII Tag Line

Suggestions were gathered during the last meeting that reflected what CAFII stands for. Goal is to create something brief for brand recognition and members agreed upon the following: Making Insurance Simple And Accessible For Canadians!

Action: ScotiaLife Financial to confirm there is no overlap between this proposed tag line and its own branding.

Action: Tag line to be translated into French.

8.4. Licensing Efficiency Issues Committee

S. Gelgor provided an update on behalf of, LEIC Chair M. Gill, who was unable to attend.

The issue of industry representation on the province’s Insurance Council has been raised in Saskatchewan and Superintendent R. Fullan sees this as more of an advisory council. He wishes to have something in place whereby there will be direct feedback from the industry.

The LEIC needs to find out the process for making this change. For now, R. Fullan is willing to begin something informally. Stikeman Elliott has been contacted and the LEIC anticipates having something ready and up and running in 2013. R. Fullan is supportive of CAFII and has recommended us to other regulators. As a result, Saskatchewan will likely be the first province in which we will have representation on the Insurance Council. It was suggested that we should start thinking about the members who could be volunteered to serve on this advisory council.

Action: LEIC to develop a list of CAFII representatives who can be recommended to the Saskatchewan Insurance Council.

8.5. Networking and Event Hosting Committee

P. Yeung thanked ScotiaLife for hosting today's meeting and reception. There are 82 people confirmed to attend the reception which is one of our largest events to date.

CAFII 15th Anniversary. P. Yeung provided an overview, indicating that historically we have hosted a dinner. An alternative proposal would be to hold the event at RBC and put the funds towards bringing in entertainment for the evening. In addition, CCIR has expressed interest in a presentation on the Review of Canada's Adherence to Insurance Core Principles which could be delivered at this time.

Action: The committee to look into possible entertainment options for April 10, 2013.

Members Speaker Forum, February 2013. J. Poolman has suggested Jane Carr of Assurant Solutions in the U.S. who is an expert on credit card insurance, as the potential speaker for the upcoming February luncheon at the Albany Club.

9. Other Business

9.1. 2013 Calendar of CAFII Meetings

The 2013 Calendar of CAFII Meetings, included in the meeting package, was received for information.

10. Termination

Recognizing that C. Honor has been a member of the CAFII Board and a strong contributor to the Association for a number of years, particularly most recently as Chair, M. Cummings paid tribute to her, conveying sincere thanks and appreciation, on behalf of the Board, for her leadership of the Association. C. Honor received a warm round of applause and best wishes from all present.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The meeting be terminated at 5:00 pm.; and that the next meeting of the Board is to be held on Tuesday, April 10, 2013 in Toronto, hosted by RBC Insurance.

Date

Chair

Recording Secretary

CAFI

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

Balance Sheet As at December 31, 2012

ASSETS	Current 2012
Current Assets	
Bank Balance	\$184,908
Investments ^A	\$52,097
Accounts Receivable	\$595
Interest Receivable	\$493
Prepaid Expenses	\$10,339
Computer/Office Equipment	\$2,334
Accumulated Depreciation -Comp/Equip	(\$39)
Intangible Assets-Trademarks	\$0
Accumulated Amortization-Trademark	\$0
Total Current Assets	\$250,726
TOTAL ASSETS	\$250,726
LIABILITIES	
Current Liabilities	
Account Payable ^B	\$64,145
Deferred Revenue	\$0
Total Current liabilities	\$64,145
TOTAL LIABILITIES	\$64,145
UNRESTRICTED NET ASSETS	
Unrestricted Net Assets, beginning of year	\$137,319
Excess of revenue over expenses	\$49,262
Total Unrestricted Net Assets	\$186,581
Total Unrestricted Net Assets	\$186,581
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$250,726

RESERVE RATIO:	
Minimum Reserve for 2012	\$71,258
Maximum Reserve for 2012:	\$435,177
Current Reserve Ratio (CAFI policy requires min. 3 months reserve)	7.9 Months

C A F I I
55 St Clair Ave West, Suite 255
Toronto, ON, M4V 2Y7
Balance Sheet Items
As at December 31, 2012

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
	38,957.88
	251.55
	5,367.50
	12,277.45
	3,404.92
	3,885.41
Total outstanding:	64,144.71

CAFII

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

Statement of Operations As at December 31, 2012

REVENUE	Current Month	Current YTD	Budget 2012	% Used	YTD 2011 Balance	% Used YTD 2011
Membership Fees	\$68,350	\$410,100	\$419,700	98%	\$419,100	110%
Interest Revenue	\$126	\$709	\$750	95%	\$749	749%
TOTAL REVENUE	\$68,476	\$410,809	\$420,450	98%	\$419,849	107%
EXPENSE						
Management Fees	\$19,520	\$84,253	\$70,617	119%	\$69,218	100%
Lawrie Savage Fees	\$0	\$161,471	\$171,289	94%	\$172,696	103%
Fasken Martineau Fees ¹	\$0	\$1,694	\$10,467	16%	\$0	0%
Audit Fees	\$12,277	\$12,625	\$11,594	109%	\$13,092	133%
Board/EOC/AGM Expense ²	\$1,673	\$14,597	\$21,000	70%	\$18,622	89%
Insurance	\$473	\$2,838	\$4,320	66%	\$2,831	66%
Website (incl translation)	\$4,783	\$7,521	\$540	#####	\$2,428	450%
Telephone/Fax/Internet	\$127	\$701	\$1,000	70%	\$1,240	57%
Postage/Courier	\$11	\$253	\$500	51%	\$270	25%
Office Expenses	\$480	\$1,291	\$2,700	48%	\$2,017	75%
Bank Charges	\$0	\$38	\$0	0%	\$0	
Miscellaneous Expenses	\$43	\$909	\$0	0%	\$0	
Amortization Expense	\$0	\$0	\$0	0%	\$0	
Depreciation Computer/Office Equipm	\$39	\$39			\$0	
Regulatory Model (s)	\$0	\$0	\$2,940	0%	\$0	0%
Tactical Communications Strategy ⁷	\$0	\$2,420	\$22,250	11%	\$20,832	83%
Media Relations, CAFII Consultant	\$0	\$10,430	\$12,000		\$10,423	87%
Research/Studies ⁴	\$38,958	\$44,043	\$42,000	105%	\$55,568	132%
Federal Financial Reform ⁵	\$0	\$0	\$2,160	0%	\$0	0%
Provincial Regulatory Review ⁶	\$5,592	\$16,315	\$54,000	30%	\$11,909	22%
Provincial Networking Strategy ³	\$0	\$0			\$17	
CCIR Research for Sup.model support	\$0	\$111	\$5,800	2%	\$0	0%
TOTAL EXPENSE	\$83,976	\$361,547	\$435,177	83%	\$381,162	83%
EXCESS OF REVENUE OVER EXPENSES	(\$15,500)	\$49,262	(\$14,727)		38,686.44	

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 December 31, 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	11-Sep-12
Assurant Solutions	\$11,750.00	24-Feb-12	\$11,750.00	7-Sep-12
BMO Insurance	\$23,500.00	16-Mar-12	\$23,500.00	Sep21,2012
Canadian Premier Life Insurance Company	\$11,750.00	17-Feb-12	\$11,750.00	11-Sep-12
CIBC Insurance	\$23,500.00	2-Mar-12	\$23,500.00	28-Sep-12
National Bank Insurance Company	\$11,750.00	9-Mar-12	\$11,750.00	14-Sep-12
RBC Insurance	\$23,500.00	9-Mar-12	\$23,500.00	24-Sep-12
ScotiaLife Financial	\$23,500.00	17-Feb-12	\$23,500.00	10-Oct-12
Desjardins Financial Security Life Assurance Company	\$11,750.00	24-Feb-12	\$11,750.00	7-Sep-12
AMEX Bank of Canada	\$11,750.00	23-Mar-12	\$11,750.00	12-Oct-12
Avalon Actuarial	\$4,800.00	2-Mar-12		
CSI Brokers Inc.	\$4,800.00	23-Mar-12		
Dion, Durrell & Associates Inc.	\$4,800.00	18-May-12		
Eckler Partners Ltd.	\$4,800.00	resigned		
KPMG	\$4,800.00	20-Apr-12		
Laurentian Bank of Canada	\$4,800.00	2-Mar-12		
Oliver, Wyman Consulting Limited	\$4,800.00	25-May-12		
Optima Communications	\$4,800.00	16-Mar-12		
RGA Life Reinsurance Company of Canada	\$4,800.00	25-May-12		
Swiss Reinsurance Company Ltd	\$4,800.00	10-Feb-12		
Munich Re	\$4,800.00	13-Apr-12		
CIT Financial Ltd.	\$4,800.00	resigned		
Aimia	\$4,800.00	9-Mar-12		
The Canada Life Assurance Company	\$4,800.00	13-Apr-12		
January Invoices	\$243,450		\$176,250	
July Invoices	\$176,250			
Total Membership Fees	\$419,700			

CAFII Priorities by Committee – February 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
Keep environment flexible /efficient	Identify barriers to efficient operations. Oversight of Licensing Efficiency Issues Committee	Provincial Insurance Act Reviews
		Licensing Irritants
		Provincial Insurance Councils and CISRO issues, including LLQP
		Electronic licensing
Develop communication plans and tools	Oversight of Media and Advocacy Strategy Committee(MAC)	Multi-jurisdictional licensing/mutual recognition
		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 Not for Profit Corporations Act	Changes to be made by October 2014
	Changes to CAFII Management structure – development of Executive Director role and hiring of ED	Hire of new Executive Director effective December 2012

CAFII Priorities by Committee – February 2013

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

Priorities	Issues	Currently Active Issues	Status
Regulation of ISI	Quebec DWR, distribution guide review, review of Distribution Act	✓	Input provided on Guide (signature, remuneration) letter sent June 2012 , meeting Nov 2012
	Alberta – review of medical questions on applications	✓	Project for review required by CAFII, response to Superintendent required -recommend referral to CLHIA
AML/ATF paper			Complete- Response sent March 1, 2012, follow up questions answered
Intn'l regulation of creditor	PPI	✓	review developments
	US Debt protection products		review developments
	IAIS core principles		Watch file - CCIR committee announced
Market Conduct Regulation	Quebec Commercial Practices Guideline		Awaiting re-release for comment, remove from priorities as AMF has lost interest in this
	MGA CCIR consultation		Complete-Letter of input -June 30 2012
	Input to provincial strategic plans and priorities		Complete- FSCO priorities submitted May 2012
Electronic Commerce	CCIR consultation released Feb 2012 -CCIR to produce a position paper for consultation on key issues spring 2013		Complete- Submission made May 2012
	AMF consultation released Feb 2012		Complete- Submission made May 2012
Provincial Insurance Act Reviews	Manitoba Insurance Act Review	✓	Insurance act changes made spring 2012
	Saskatchewan Insurance Act	✓	Comments sent November 2012
	Ontario Insurance Act review , AMP regulations		Insurance act changes made with budget bill
Research	Undertake research to support policy positions. Consider updating Avalon research on CGI		

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

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CAFII Priorities by Committee – February 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 2012.
	CISRO project to redesign LLQP – project completion target Sept 2014		Quarterly Update Forums being held by CISRO, incl. January 17/13 Next Forum in early April 2013
	Licensing process -streamlining and harmonization		Identification of issues on going.
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 CAFII 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	Update communications strategy: CAFII-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. -bring strategy up to date, should be a refresher at every board meeting	ED	In process with ED B. Wycks; for review and discussion at next MAC meeting: Feb/March 2013
<u>Website</u> -collect testimonials, post on site	Testimonial (written or video)- 1 per member , have 7 or 8 available and determine how to rotate through (value –add to members)	J Lewsen	Website live May 2012. Email reminder sent w/o Oct 22 2012; One written testimonial received to date B. Wycks to follow-up with direct request to each Voting Member, via EOC
-Refresh CAFII mission statement	review mission statement to ensure it is in line with branding,	ED	In process with ED B. Wycks; for review and discussion at next MAC meeting: Feb/March 2013
-expand tabs to include other products & regulators/industry	-incorporate alternate distribution (underserved market)	ED	Underserved market material drafted, to be approved for website. In process with ED B. Wycks; for review and discussion at

CAFII Priorities by Committee – February 2013

Initiatives	Status/Explanation	Resp	Next steps
-Develop CAFII “Did you know” video to convey important facts	- Travel insurance product – ED to reach out to travel association and CLHIA; look at it from distribution perspective (Charles Blaquiere suggestion) Budget allocation request \$10,000	ED	next MAC meeting: Feb/March 2013 Pending; target completion in April/May 2013
-what’s new	In place, ongoing update of news	ED	In process as part of CAFII Re-Branding and Visual Identity Modernization initiative 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 - include tagline on all submissions, website, swag, and letters to regulators	J Lewsen	Completed
-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	In process; to be completed in conjunction with Re-Branding and Visual Identity Modernization initiative
-CAFII “look”	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	ED	February 2013 – first month RFP issued for CAFII Re-Branding and Visual Identity Modernization
-Acquire soft marketing tools (pads, pens etc),	Coasters suggested– include tagline and web address on next re-order - Budget allocation request		Pens, mugs and iphone holders are in stock
<u>Media Protocol</u> -Develop and manage protocol for handling media requests	Protocol needs to be revised for arrival of ED	ED	Completed; revised Media Protocol approved by MAC on January 17/13

CAFII Priorities by Committee – February 2013

Initiatives	Status/Explanation	Resp	Next steps
-media training for ED	Budget allocation request \$2,000		Schedule training for March 2013
-Monitor Media		ED	
-Develop List of Friendly media			Paul & Moira have draft list. In process; for review and discussion at next MAC meeting: Feb/March 2013
-Notify communications departments of member firms	To be done when messaging is reviewed		
-News Release	Send out notification of new ED		To each regulator and industry associations
Develop 2-3 likely scenarios		ED	B. Wycks reviewing material drafted by G. Grant. In process; for review and discussion at next MAC meeting: Feb/March 2013
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 next MAC meeting: Feb/March 2013
Regulator Kit	For new regulators. Compile package of information for regulators which can include	ED	Some content developed by RBC intern
-develop booklet /brochure	-booklet - past submissions, -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.	ED	To be developed by ED as he reviews CAFII materials, and in harmony with CAFII Re-Branding and Visual Identity Modernization
-Key Facts sheet	-develop a "Key Facts" sheet to be part of regulator package	ED	

CAFII Priorities by Committee – February 2013

Initiatives	Status/Explanation	Resp	Next steps
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 April/May 2013
Industry Statistics	- identify and keep current statistics from LIMRA and CAFII research	ED	-overlapping responsibility with DMC. For possible referral/delegation 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, apps and social media webinar in process with Davis Yoo and Debbie Dimoff of PwC; for delivery to CCIR audience during consultation period following release of CCIR's follow-up discussion paper on e-commerce, between mid-March and end of April 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 – February 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”
	March/April	
	June AGM	
	October	
	December Reception	
Keep current lists of key contacts		
Christmas cards to key contacts?		
Seek out other opportunities to meet with contacts (eg corporate table)		

CAFII Priorities by Committee – January 2013

Distribution and Market Conduct Policy Committee

Membership:

Co-Chairs: 1) Sue Manson and 2) Wayne Eccles; Other members) Emily Brown, BMO 4) John Poolman, Assurant 5) Andre Duval, DSF 6) Rose Beckford Scotialife Financial, 7) Brendan Wycks, CAFII Executive Director

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 ▪ DWR, (review of Act)	<ul style="list-style-type: none"> ▪ CAFII members met with Eric Stevenson Nov 2012 ▪ Eric indicated unlikely to see new Act before 2014 	▪ Deferred/Watch
	Quebec ▪ 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 ▪ CAFII members met with Eric Stevenson Nov 2012 <ul style="list-style-type: none"> – Letter sent to Eric Stevenson Dec 21 summarizing CAFII position on Guide – CAFII received acknowledgement letter from Eric Stevenson dated January 29, 2013, simply stating “We thank you for your comments. The AMF will consider them, where appropriate, in pursuing its work.” ▪ CLHIA Quebec Committee: <ul style="list-style-type: none"> – AMF now ready to resume work on DG; has sent travel reps a questionnaire on travel insurance and the DG – Draft response to industry next few weeks 	<ul style="list-style-type: none"> ▪ Active ▪ Work closely with EOC participants who met with Eric Stevenson in November 2012
Alberta	Review of medical questions on applications	<ul style="list-style-type: none"> – In the CAFII Regulator Visit Report from meeting with Alberta regulators on January 13, 2012, the Alberta folks raised concerns about the medical questions on creditor insurance applications 	▪ Recommend referral to CLHIA

Item	Description	Activities Completed/Industry Developments	Status/Next Steps
		<ul style="list-style-type: none"> Anne Riley collected applications from members <ul style="list-style-type: none"> In re-thinking this, recommend issue is better suited with CLHIA as it is an insurer matter more than a distributor matter 	
	Travel Insurance	<ul style="list-style-type: none"> At Oct 25th meeting with CCIR, there were a number of suggestions regarding travel insurance: <ul style="list-style-type: none"> Complaints are often related to claim denial In situations when reporters are calling insurance regulators for comment relating to claims denial, make contact from each member insurance company available continue to be diligent (supervision/ controls) on sale of ISI Phil Howell suggested CAFII develop a regulator resource for the industry by compiling travel insurance statistics going forward 	<ul style="list-style-type: none"> EOC input required
AML/ATF paper		<ul style="list-style-type: none"> Responded March 1, 2012 Follow up questions answered OSFI did adopt some of our recommendations 	<ul style="list-style-type: none"> Complete <ul style="list-style-type: none"> Remove from committee priorities
International Regulation of Creditor Insurance	PPI	<ul style="list-style-type: none"> Brendan reported on US and UK developments 	<ul style="list-style-type: none"> Monitor ongoing
		<ul style="list-style-type: none"> CAFII Project 	<ul style="list-style-type: none"> Post Implementation Review EOC agreement to next steps
		<ul style="list-style-type: none"> March 26 speaker lunch guest speaker will be Jane Carr (Assurant) speaking on the US debt cancellation 	
	IAIS Core Principles (CCIR focus)	<ul style="list-style-type: none"> CCIR committee announced Quebec Commercial Practices Guidelines driven by TCF core principles Carolyn Rogers: increasing emphasis on TCF, e.g. mandatory disclosure of compensation 	<ul style="list-style-type: none"> Watch file Prepare background material
Market Conduct	Quebec Commercial Practices Guideline	<ul style="list-style-type: none"> Heavily weighted in TCF 	<ul style="list-style-type: none"> Confirm and if not active, use as input to

Item	Description	Activities Completed/Industry Developments	Status/Next Steps
Regulation			IAIS
	MGA CCIR Consultation	<ul style="list-style-type: none"> Complete, letter of input, June 2012 	<ul style="list-style-type: none"> Remove from committee priorities
	Input to provincial strategic plans and priorities	<ul style="list-style-type: none"> Complete, letter of input, May 2012 	<ul style="list-style-type: none"> Remove from current committee priorities Monitor for future opportunities for input and influence
	FSCO life insurance product suitability reviews	<ul style="list-style-type: none"> One of 11 FSCO initiatives under the "Review and recommend changes to better mitigate risk" Strategy in its "Statement Of Priorities And Strategic Directions, June 2012" "FSCO will undertake a market conduct review to determine how the life insurance industry is ensuring that consumers get appropriate information to make informed decisions when purchasing life insurance products. The focus of the review will be to understand and assess the processes life insurance agents use in making recommendations to consumers and the processes in place at life insurance companies when developing and distributing products. The review will also consider the actions life insurance agents and companies are taking to support the financial literacy of their clients." CAFII requested consultation meeting with FSCO about plans for conducting suitability reviews. G. Swanson responded to B. Wycks that A. Monid was leading this initiative and would get back to B. Wycks to arrange a meeting. No response from A. Monid after three weeks, despite follow-up e-mail sent CAFII members working on opportunity for FSCO to see one or two life insurance call centres. CAFII 	<ul style="list-style-type: none"> Continue to monitor, and follow-up to press for a consultation meeting

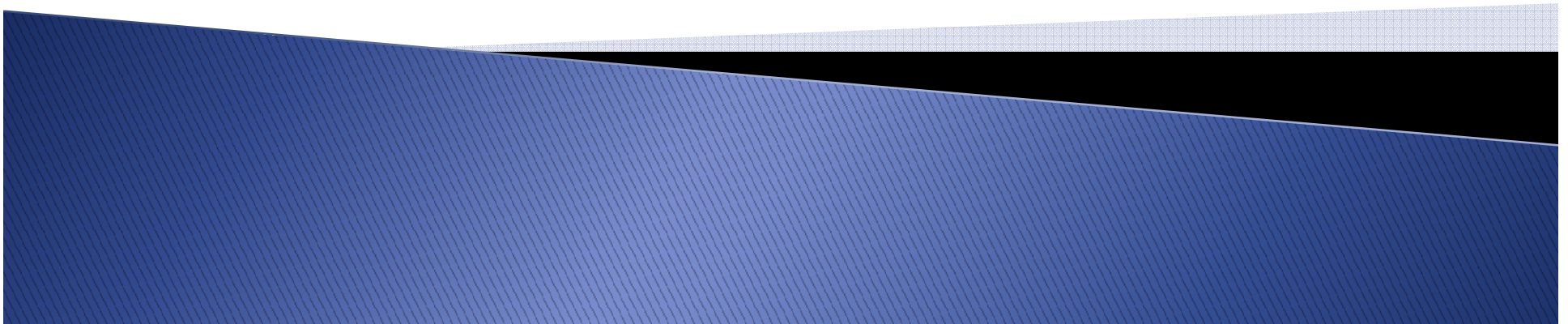
Item	Description	Activities Completed/Industry Developments	Status/Next Steps
		has referred FSCO to RBC Insurance for call centre tour. FSCO to contact RBC's Chief Compliance Officer directly	
	FSCO proposals to amend Insurance Act re Disciplinary Procedures for Independent Agents and Adjusters	<ul style="list-style-type: none"> ▪ Jim Fox, Senior Policy Adviser – Insurance and Deposit Institutions Policy with FSCO's Licensing & Market Conduct Division contacted B. Wycks to invite CAFII delegation to a pre-consultation meeting on February 14 around FSCO's proposals in this area, which is an initiative leveraging off fact that FSCO now has new powers, effective January 1, 2013, to impose AMPs upon all players and distribution channels in the industry ▪ B. Wycks and Rosemary Troiani of RBC Insurance compliance group represented CAFII at meeting ▪ approximately one week after FSCO has completed round of pre-consultation meetings, will release a consultation paper on proposed Insurance Act amendments and there will be a short period for stakeholder and public response 	<ul style="list-style-type: none"> ▪ Awaiting release of FSCO's consultation paper, expected before end of February ▪ CAFII to make written submission in response to consultation paper
ecommerce	CCIR Consultation	<ul style="list-style-type: none"> ▪ CCIR consultation released February 2012 <ul style="list-style-type: none"> – CAFII responded May 2012 – CCIR position/recommendation paper for consultation on key issues Spring 2013 (ie. Between mid-March and end of April) with a short (30 day) consultation period 	<ul style="list-style-type: none"> ▪ Confirm EOC expectation for DMC committee in consultation paper
	AMF Consultation	<ul style="list-style-type: none"> ▪ Submission May 2012 ▪ Eric Stevenson said that the AMF ecommerce report will follow the CCIR consultation 	<ul style="list-style-type: none"> ▪ Watch for AMF report
Provincial Insurance Acts	Manitoba – 2 streams:	<ul style="list-style-type: none"> ▪ Insurance Act Bill received royal assent in June/2012 	CAFII involved
		<ul style="list-style-type: none"> – ISI Regime Rules expected shortly 	<ul style="list-style-type: none"> ▪ Upcoming

Item	Description	Activities Completed/Industry Developments	Status/Next Steps
	Sask Insurance Act	<ul style="list-style-type: none"> ▪ Input provided by CAFII November 2012 	<ul style="list-style-type: none"> ▪ Watch
	Ontario Insurance Act Review, AMP regulations	<ul style="list-style-type: none"> ▪ Insurance Act changes with budget bill Fall 2012 ▪ effective January 1, 2013, an augmented schedule of AMPs came into force, giving FSCO new powers to impose them upon insurers, agents, brokers, adjusters and those involved in the provision of goods or services to insurance claimants, with respect to contraventions of the <i>Insurance Act</i> and related regulations. 	<ul style="list-style-type: none"> ▪ Watch
	B.C. Financial Institutions Act	<ul style="list-style-type: none"> ▪ On January 30, 2013, BC's Minister of Finance issued an Order in Council related to the province's FI Act, which included two provisions relevant to CAFII members. ▪ Brings into force an updated administrative penalty framework set out in section 253.1 of the Act and enacts a regulation listing provisions of the statute and related regulations for which an administrative penalty may be imposed, along with the maximum penalty for a contravention of each. ▪ Second change relates to the exemption available for the sale of credit insurance by a lender from the obligation to use a licensed insurance agent, which has now been expanded to include regulated insurers that themselves advance credit. 	<ul style="list-style-type: none"> ▪ Watch
Research	Complaint Statistics	<ul style="list-style-type: none"> ▪ Patchwork quilt of existing statistics 	<ul style="list-style-type: none"> ▪ Develop map of available sources/data later in year
	Travel Insurance Statistics	<ul style="list-style-type: none"> ▪ Suggested by Phil Howell (need clarification of what Phil suggested, e.g. complaint? Sales? ▪ Carolyn Rogers ▪ Brendan (from licensing issues committee) 	<ul style="list-style-type: none"> ▪ More clarity needed
		<ul style="list-style-type: none"> ▪ Potential to update study among EOC members 	<ul style="list-style-type: none"> ▪ Draft milestones and

Item	Description	Activities Completed/Industry Developments	Status/Next Steps
	Avalon creditor insurance on mortgages update	<ul style="list-style-type: none"> ▪ Suggestion is to provide members with lots of lead time for data pull 	potential dates

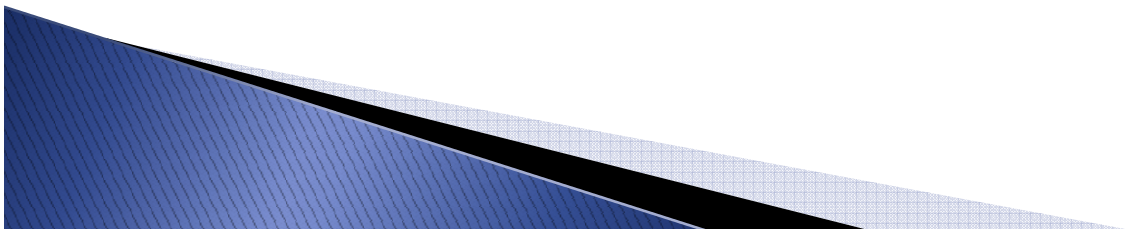
Harmonized Life Insurance Licensing Qualification Program

Stakeholder Information Session
January 17, 2013



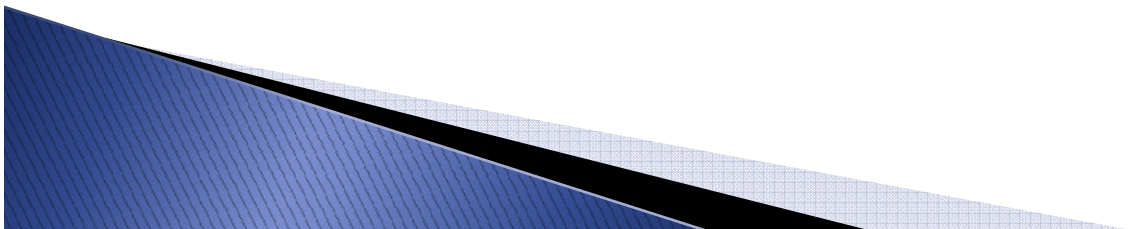
Welcome!

- Objectives of this meeting:
 - Update on progress
 - Respond to feedback received so far
 - Answer any new questions
 - Seek further input



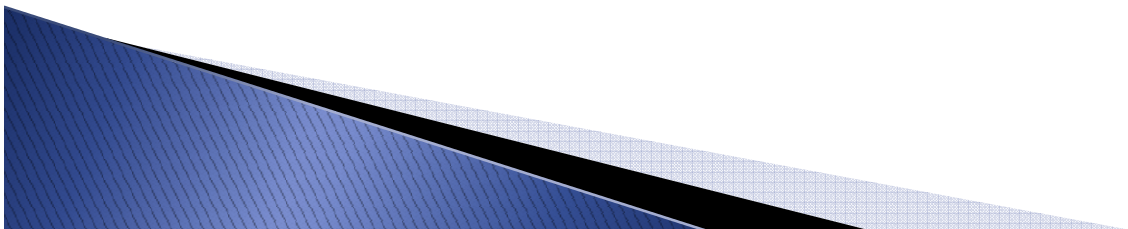
Agenda

- High-level review of harmonized program
- Progress to date
- Stakeholder feedback
- Stakeholder engagement plan
- Next steps
- Questions?



Review of Program Features

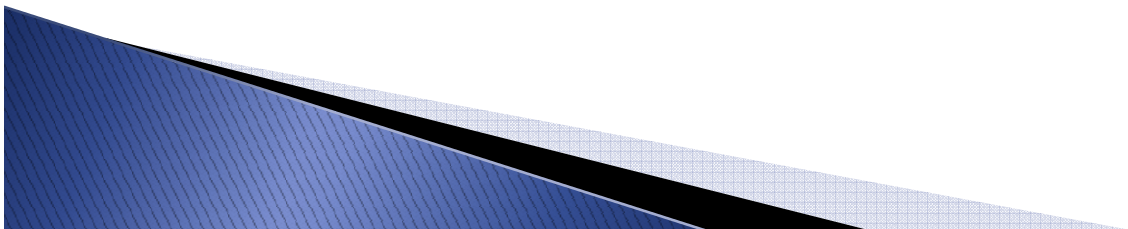
- Will be based on an updated and harmonized Curriculum Design Document (CDD).
- Regulators will continue to rely on third-party providers to deliver course (course will also become mandatory in Quebec).
- Standard reference materials will be developed by CISRO – licensing/sale of these materials will fund the program.



Review of Program Features (continued)

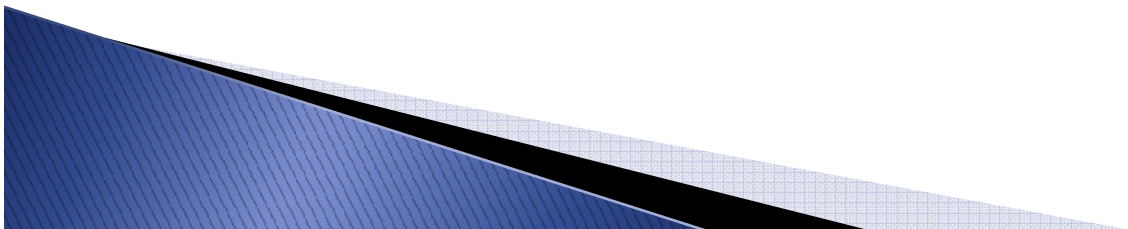
➤ Exams:

- Will be open-book and modular.
- Will be based on one databank of exam questions and exams.
- Delivery will remain the responsibility of each jurisdiction.



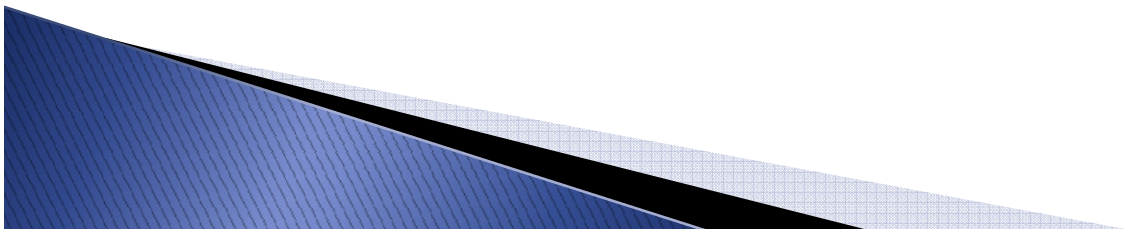
Program Governance

- ▶ With the aid of education experts, CISRO will develop and maintain the program.
- ▶ CISRO members will make key decisions jointly.
- ▶ CISRO's LLQP committee will direct and oversee the education experts.



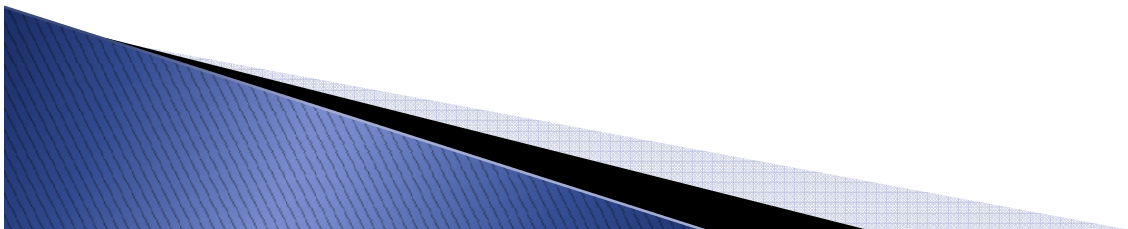
Timeline

Key Milestone or Activity	Target Date/Period
Release of draft CDD for stakeholder comment	June/July, 2013
End of comment period for draft CDD	60 days after draft released
Development of study materials	September 2013 to January 2015
Pre-implementation activities (e.g., sell materials, develop exams, finalize policies, etc.)	Late 2014 to August 2015
Program implementation	September 2015



Progress to Date

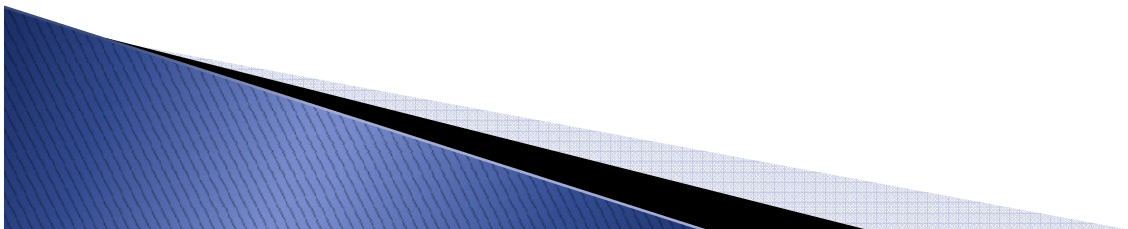
- ▶ CISRO is finalizing formal agreements between regulators and with service provider.
- ▶ Occupational analysis workshops have been completed (in BC, AB, ON, QC and NB):
 - Purpose: to collect information on the targeted profession(s) and identify common core activities.
 - Skills and knowledge identified will be reflected in new Curriculum Design Document (draft to be released for comment).



Stakeholder Feedback

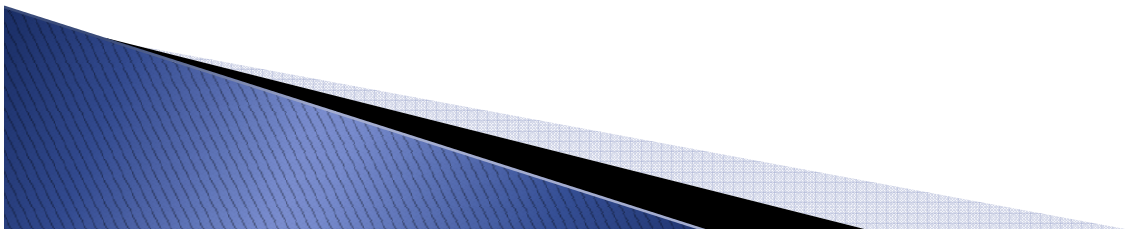
- ▶ Positive feedback:

- After 12 years with current LLQP, comprehensive review of the program due
- Benefits of harmonization
- Strengthening of LLQP governance structure



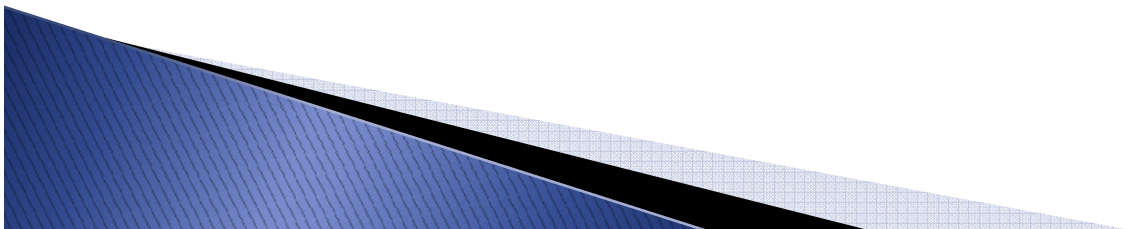
Stakeholder Feedback (continued)

- ▶ General concerns – will this create new barriers to entry for agents?
 - Cost – will it result in significant cost increases?
 - Time required by candidates to complete – will it take longer than existing LLQP due to modular exams?
 - Difficulty level – will this be “raising the bar” for qualification standards?
 - Will candidates be disadvantaged in other ways?



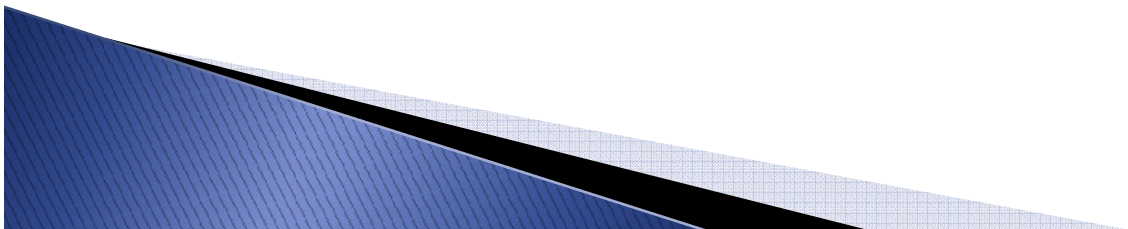
Stakeholder Feedback (continued)

- ▶ Concerns specific to course providers:
 - Will existing course providers continue to be approved under new program?
 - How will the standard reference materials produced by CISRO be licensed/sold?
 - Will course providers be permitted to customize CISRO materials?



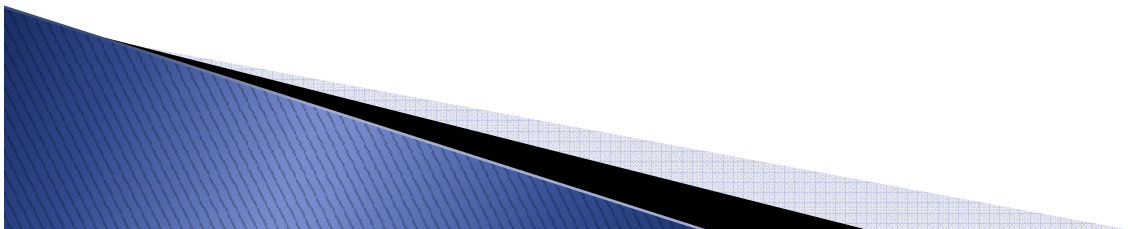
CISRO Responses

- ▶ Cost of course for entrants:
 - CISRO material fees are yet to be determined.
 - Fees will fund a sustainable, high-quality program.
 - Individual jurisdictions will set own fees for exam delivery.



CISRO Responses (continued)

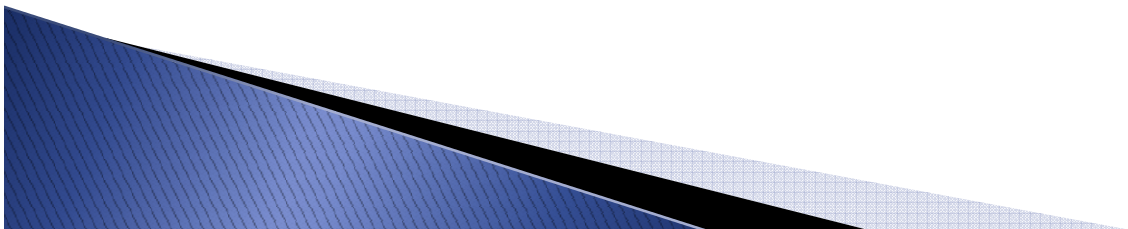
- ▶ Time required to complete program:
 - This will be a new program based on existing programs.
 - Exam arrangements will be flexible – candidates will be able to write more than one exam on same day.
 - Time required for some candidates may be less as only failed modules must be re-written – allows students to focus on weaknesses and not have to rewrite whole exam.



CISRO Responses (continued)

► Difficulty:

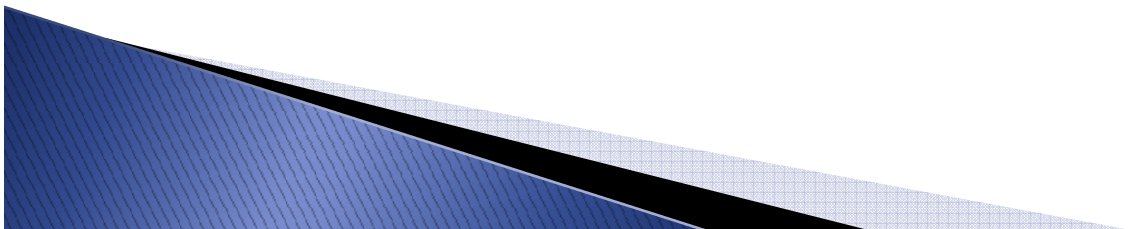
- Modular, open-book exams do not increase difficulty for candidates who have the required competencies.
- Candidates will have access to standard materials regardless of provider selected – emphasis will be on applying skills and knowledge, not just being taught to pass licensing exam.



CISRO Responses (continued)

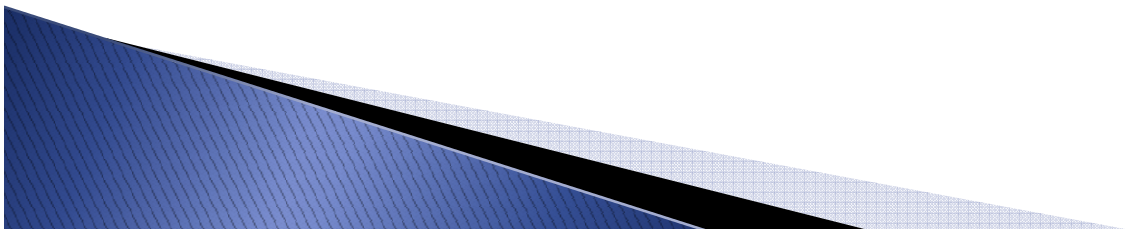
▶ Course providers:

- CISRO will continue to require third-party providers for certification.
- Inclusion of Quebec will increase the demand for French courses, resulting in enhanced choice and quality.
- CISRO will license standard materials to course providers.
- Licensing process and fees to be determined.
- Criteria for approval will be finalized in later stage of project.



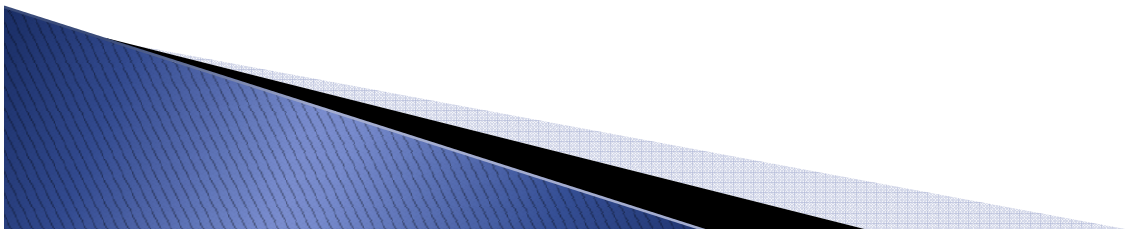
Stakeholder Engagement Plan

- ▶ Information will be posted on CISRO web site (www.cisro-ocra.com) as project progresses – will include background, status, documents being released for comment, Qs & As, etc.
- ▶ Quarterly open forum meetings will be held.
- ▶ There will be opportunities for written submissions at key points in the process.
- ▶ Inquiries:
 - New program – Ron Fullan
 - Existing LLQP – Pat Chamberlain/Agnes Healey (BC)
 - Existing AMF Program – René Brisson



Next Steps

- ▶ Quarterly “face to face” meeting scheduled for April 9, 2013.
- ▶ Draft curriculum design document to be released in June/July 2013 for 60-day comment period.







Raising The Professional Bar

Greater Consumer Protection Through Higher Professional Standards

Confidential — For Discussion Purposes Only

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Raising The Professional Bar

Greater Consumer Protection Through Higher Professional Standards

Introduction and Executive Summary

Millions of Canadians rely upon financial advisors to provide them with financial planning and investment advice, including access to suitable financial products and services to achieve those plans. Given the financial advisor's central role in securing their financial futures, Canadians should be able to trust that their advisor adheres to industry-wide standards of professionalism and accountability. Unfortunately, this is not the case: currently, in nearly every province, anyone can hold themselves out as a financial advisor, and the standards for important consumer safeguards such as continuing education courses or errors and omissions insurance vary widely by province and sector. The current system leaves consumers exposed.

Advocis believes the current situation can be greatly improved with a straightforward new requirement: all persons who hold themselves out to the public as financial advisors, regardless of whether they sell particular financial products, should be required to maintain membership in a recognized professional association.

This requirement will significantly enhance consumer protection by raising the professional bar for all financial advisors. Advisors will be required to comply with the association's high proficiency and conduct standards that are enforced with an effective complaints and disciplinary process. Consumers will be able to easily verify their advisor's credentials and disciplinary history across industry sectors. Advisors themselves will benefit from enhanced public trust, status and confidence in them as true professionals, while seeing unethical colleagues who tarnish the industry removed in an efficient manner. Product providers will enjoy enhanced professionalism from the individuals who represent their firm to the public and a stronger platform from which to recruit new advisors.

This proposal is designed to complement the existing regulatory framework, which is largely focused on the sales of specific insurance and securities products. Rather than duplicate the efforts of existing regulators, the proposal fills in critical regulatory gaps that arise from this product focus and better reflects the comprehensive approach to financial planning and investment advice that most Canadians receive. The proposal can only be implemented with the cooperation of provincial governments, through legislative or regulatory action, and the provinces must also assess which associations should be accredited, based on their expertise in the industry and ability to deliver the proposal's benefits.

Given the tremendous benefits to regulators, advisors, product providers, and most importantly, consumers, it is time to raise the professional bar by requiring that all financial advisors become members of a professional association and abide by its high standards of proficiency and conduct.

I. Addressing The Need For Enhanced Advisor Professionalism

The problem: today, anyone can call themselves a financial advisor, which means consumers face significant – and unnecessary – risk exposure.

The solution: require financial advisors to belong to a professional association.

Membership in a professional association would mean that sellers of financial products and services put the interests of consumers first and provide them with proficient professional service. In particular, consumers would benefit through:

- easy access to a one-stop online database where they can review the credentials of individuals who hold out as financial advisors,
- greater assurance that a financial advisor they select will meet a consistently high level of professionalism and accountability,
- greater protection from unqualified and unethical financial advisors, and
- a responsive and robust complaints and disciplinary process, in the event their advisor failed to abide by his or her professional duties, or violated his or her code of professional conduct.

At present, the sales activities of financial advisors who sell products such as life and health insurance, mutual funds and other securities are regulated; they must be licensed by either their provincial securities or insurance regulator. Despite these minimal levels of regulation, the advisory conduct and compliance activity of financial advisors remains a major area of concern, since the proficiency standards required of advisors in their areas of practice after they have met the necessary licensing requirements to sell financial products vary greatly. Moreover, advisors are not currently mandated to subscribe to a code of professional ethics and conduct which establishes an overriding duty to consumers.

These gaps in the oversight of advisors have developed because current financial services regulation mirrors the structure of the financial services marketplace. Manufacturers, distributors and sellers of financial products and services dominate the marketplace. Regulators and self-regulatory organizations (SROs) oversee in their respective markets the brokers and dealers whose sales representatives deal with the public. (Hereafter, the term “regulator” or “regulators” describes all regulators, including SROs, in the securities and insurance sectors). In short, existing regulation, focused on the distribution of products and services, is not able to fully ensure that the interests of the consumer are properly served.

This problem is further compounded by the fact that the financial services marketplace is divided into multiple sectors, each of which has its own regulator. Since financial advisors often operate in more than one sector, the overall regulatory system cannot always ensure that an individual financial advisor is effectively regulated.

a. The consumer hazard is two-fold:

1. Anyone, regardless of experience and education, can hold themselves out to the public as a financial advisor, which means *anyone* can provide the public, regardless of their level of financial acumen and sophistication, with what is purported to be “financial advice.” The only existing prohibition on making such a representation to the public is that the person doing so is not selling financial products.

2. It is very difficult to prevent an individual who does not meet sufficient standards of proficiency or ethical conduct, or who violates the regulatory standards in a particular financial industry sector, from moving into another industry sector – e.g., if an advisor is barred from selling mutual funds, he or she can simply transition to the sale of segregated funds.

b. Regulating usage of “financial advisor” is timely, appropriate and necessary

Financial advisors and financial planners are one of the last groups of specialized practitioners whose professional title is not regulated by law. While the traditional professions of medicine, law and engineering have had their professional titles regulated for over a century or more, in recent years many other areas of professionalized activity have become similarly regulated. For example, in Ontario, in order to use the title of Social Worker, or to hold out that you are a social worker, one must be registered with the Ontario College of Social Workers and Social Service Workers.

With so many people struggling to meet their retirement goals, with new families starting out without proper financial planning in place, and with government policies increasingly shifting the responsibility for Canadians’ future financial needs onto individuals, now is the time to regulate the use of the professional title of “financial advisor.”

c. The need to enhance financial advisor professionalism

The public and policymakers are increasingly concerned that existing regulation – which is focused on the “sell side” – is not able to fully ensure that the interests of the consumer are appropriately served, and that this trend in service will only increase as more sophisticated products come to market. As well, because the financial services marketplace is divided into different sectors, each with their own regulator(s), and because financial advisors often operate in more than one sector, the current regulatory system cannot always ensure that financial advisors are properly monitored and regulated. The overall result is increased risk exposure for consumers.

The present regulatory regime requires financial advisors who sell financial products to meet the licensing and registration requirements established by specific regulators. Life insurance agents are required to meet licensing standards and to pass the Life License Qualification Program (LLQP) exam, and in some jurisdictions they are also required to fulfill continuing education requirements. The Mutual Fund Dealers Association of Canada (the MFDA) designates as Approved Persons those individuals who meet the MFDA’s registration standards and have passed its mutual fund licensing program. The

Investment Industry Regulatory Organization of Canada (IIROC) designates as Approved Persons those individuals who have met IIROC's registration standards and passed the Canadian Securities Course.

Today, many financial advisors voluntarily choose to belong to professional associations that help them maintain high professional and ethical standards in serving their clients. The proposal described below seeks to codify that commitment to professionalism and builds on the current regulatory platform of licensing and registration requirements. In essence, the proposed solution emphasizes proficiency, ethical standards, and accountability, in the context of the client–advisor relationship.

d. The solution: membership in a professional association

Fortunately, the solution is simple, straightforward, and does not require significant government action or resources. As noted, membership in professional associations for financial advisors is currently purely voluntary. The proposed solution is simple: anyone representing him- or herself as a financial advisor would be required to:

1. maintain ongoing membership in a professional association which has a code of professional and ethical conduct, and
2. meet clearly specified proficiency standard(s), prior to offering financial advice to the public.

Professional membership associations would have the power when necessary to discipline a financial advisor who does not meet the prescribed standards. When warranted, an advisor could even be removed from the industry.

A simple requirement that all advisors belong to a professional association can be created by statute or regulation and will result in a significant enhancement of consumer protection by raising the professional bar for all financial advisors. Put into practice, such a requirement would establish associations as self-regulating mechanisms which would: (a) address and help prevent malfeasance by unscrupulous persons who seek to pose as financial advisors with the intent of defrauding or otherwise harming the public; and (b), act as a barrier to entry for advisors who cannot fulfill the minimum proficiency standards.

e. Who will belong?

Subject to several narrow and easily identifiable exceptions listed below, everyone who sells financial products to consumers, and everyone who offers financial advice to the public, should meet a minimum standard of proficiency and accountability. The following individuals would be subjected to the requirement of membership in a professional association for financial advisors:

- individuals who are licensed to deal with the public with regard to life and health insurance under insurance legislation,

- individuals who are registered by a securities regulator in any advisor category under National Instrument 31-103 and are licensed to sell or provide advice to the public with respect to financial products,
- individuals who hold themselves out by titles or claimed credentials that suggest financial expertise, such as “financial advisor,” “investment advisor,” “wealth planner,” “wealth advisor,” “financial planner,” “estate planner,” and “retirement planner” or such other titles as may be designated by regulation, regardless of whether they are required to be licensed or registered to sell or provide advice regarding prudential or capital markets products, and,
- individuals who hold themselves out as pensions or group benefits consultants who are not otherwise captured by the criteria above.

f. Who will be excluded?

It is important to note that the professional association requirement will not capture these clearly identifiable classes of financial services practitioners whose activities may be characterized as a form of “financial advice,” such as:

- mortgage brokers and real estate agents,
- bank tellers who offer advice about deposit products,
- licensed accountants (CAs, CGAs, and CMAs) who provide financial advice ancillary to their provision of accounting and tax advice, and
- lawyers who offer financial and tax advice ancillary to providing legal advice.

II. Understanding The Professional Membership Association

This paper now turns to a more detailed look at the characteristics of proposed professional associations. (For an overview of the current regulatory framework, its shortcomings, and the virtues of the proposed professional association model, please see Appendix A, attached hereto).

a. Delineating the professional association for advisors

Recognized professional associations would have the following features:

- governance that includes representation of both financial advisors and the public,
- a membership requirement based on the attainment of minimum proficiency standards in clearly identified practice areas,
- annual or bi-annual mandatory continuing education requirements,
- an enforceable code of professional conduct,
- an accessible and robust complaints and disciplinary process,
- the ability to suspend and cancel membership,
- a mandatory errors and omissions insurance requirement,

- participation in a public registry of financial advisors, and
- a best practices manual / practice handbook and information resources for members.

b. Membership in a professional association as a condition of continued licensing

Individuals who hold themselves out as financial advisors would be required to belong to a professional association. Proof of membership would be a condition of the individual's licensing or registration in the securities or insurance sectors and if an individual ceases to be a member of a professional association, his or her licensing or registration also would be in abeyance.

c. Regulators will designate associations

The relevant regulator would publicly designate as an approved professional association any membership association which it recognizes as fulfilling the necessary criteria. This would require regulators to draft the terms and conditions of recognition both necessary and sufficient for qualification as an approved professional association; to identify existing organizations as plausible candidates for recognition; and to invite candidate organizations to apply for recognition.

To be successful in the application for recognition as a professional association, candidate associations would have to agree to the following conditions:

- a commitment to meet specific criteria, which could include guidelines for the management and governance of all aspects of the operation of the association,
- agreement by way of a formal memorandum of understanding with the regulatory body whereby the candidate organization agrees to meet the aforementioned criteria while operating as a professional association,
- a commitment to pay for periodic audits, commencing with an audit within 12 to 18 months following recognition, and
- an acknowledgment that the regulatory body may revoke recognition of the candidate association.

It is likely that more than one association would be recognized by the regulator at the outset of implementing the proposed professional association model. Recognized associations would register financial advisors as members while building the systems and infrastructure required to meet their commitments to the regulator. If a professional association was found to have failed to meet its obligations within a reasonable initial period or any time thereafter, its recognition could be terminated. At that point, the defunct organization's members would be required to transfer to another professional association, and be directed to meet the new association's registration requirements within a specified period of time.

d. Proficiency standards for all financial advisors

All recognized professional associations would publish their proficiency standards. All financial advisors would be required to file an annual Certificate of Professional Standing issued by their association, as a condition of ongoing licensing or registration in the industry. In addition, all financial advisors would be required to meet a proficiency standard that encompasses the knowledge and competencies that their recognized professional association considers to be appropriate.

Initial proficiency standards for membership would be premised on the assumption that everyone who is licensed or registered to sell financial products meets the initial requirements for membership in a recognized professional association. However, all members would be required to fulfill ongoing continuing education requirements, which would have a structured component.

Accordingly, all recognized professional associations would accept, for the purposes of admitting individuals to membership, certain approved evidence of initial proficiency. For individuals who are life agents or securities representatives, sufficient evidence would lie in the fact that they currently meet the respective licensing or registration requirements for life agents or securities representatives. In the case of the individual who is a fee-only financial planner and receives no compensation directly or indirectly from the sale of financial products, the evidence of initial proficiency would lie in the fact that he or she currently holds a recognized financial planning designation. However, associations could, upon application, designate an individual as proficient, based on relevant education and industry experience.

The following financial planning designations would be granted initial proficiency recognition, provided that the fee-only planner is in good standing with one of the designation-granting bodies:

- Certified Financial Planner™ (CFP™), sponsored by the Financial Planning Standards Council,
- Personal Financial Planner (PFP™), sponsored by the Institute of Canadian Bankers,
- Certificate in Financial Planning (Planificateur financier [Pl. fin.] designation), sponsored by the Institut québécois de planification financière (IQPF),
- Registered Financial Planner (R.F.P.), sponsored by the Institute of Advanced Financial Planners,
- Chartered Financial Consultant (CHFC), sponsored by Advocis, the Financial Advisors Association of Canada,
- Chartered Life Underwriter (CLU®), sponsored by Advocis, the Financial Advisors Association of Canada, and
- Chartered Financial Analyst (CFA), sponsored by the CFA Institute.

Under the proposed model, all financial advisors who hold themselves out as financial planners would be required to hold in good standing one of the above-noted financial planning designations.

e. Continuing education requirements

All financial advisors would be subject to ongoing continuing education requirements. These would include course requirements established by professional associations in consultation with industry regulators and firms. Individuals would be given credit by their association for mandatory continuing education taken in compliance with the requirements of regulators, but could be subject to additional requirements set by their professional association of choice. For example, all financial advisors could be required by their association to take courses on professional ethics and their association's code of conduct within a specified time after becoming members.

The main features of the proposed membership model with regard to continuing education may be laid out as follows:

- all financial advisors would be required to fulfill competency-based continuing education requirements established by their association,
- professional associations would complement the proficiency standards and continuing education requirements of regulators and coordinate their continuing education programs with the requirements of regulators,
- professional associations would be required to credit their members for all continuing education completed in compliance with the requirements of a securities or insurance regulator or licensing body,
- professional associations would develop systems that facilitate the tracking of continuing education course requirements and course completions, with such systems being readily accessible to members and regulators, and
- professional associations would require all members to take continuing education courses related to professional ethics and to the association's professional standards and code of conduct, within a prescribed period of time after an individual becomes a member of the association.

f. A code of professional conduct

All financial advisors would be required to subscribe to their professional association's code of professional conduct, and abide by their association's rules of professional conduct in all of their dealings with third parties (i.e., the application of the code and rules would not be limited to the financial advisor-client relationship). Any code of professional conduct would of necessity establish and explicate:

- the priority of the client's interest,
- issues of misconduct (including criminal convictions and regulatory infractions),
- the duties surrounding conflicts of interest,
- the duty to provide competent service,
- the duty to act with honesty and integrity,
- the duty to preserve and protect client confidentiality, and

- the duty to cooperate with the association and regulators.

g. An errors and omissions insurance requirement

All financial advisors, and their corporations and/or agencies, would be required to carry professional liability insurance relating to the activities they ordinarily engage in as financial advisors.

h. A public registry of financial advisors

Professional associations would participate in a public registry of financial advisors which would be accessible on the Internet and through other appropriate modes of public inquiry. The public registry would enable any member of the public to conveniently access information about an individual's qualifications and registration/licensing status and professional conduct as a financial advisor.

i. A best practices manual and information resources for members

Professional associations would be required to compile and make available online a best practices manual/practice handbook. They would also be required to prepare and circulate information materials, such as online and e-mail bulletins concerning regulatory requirements and developments, and membership disciplinary proceedings.

III. Implementing The Professional Membership Requirement

For reasons of Canadian constitutional law, the proposal for financial advisors to belong to a professional association would need to be implemented at the provincial level. Securities and insurance regulators would require individuals who are licensed to sell financial products, or who otherwise hold themselves out to the public as financial advisors, to belong to an association. Fee-only financial planners who do not sell financial products and are outside the scope of securities and insurance legislation would still be required to be members of an association.

a. Models of self-governance: self-regulatory organization vs. delegated administrative authority

The professional association must be recognized as an official regulatory body of financial advisors by provincial governments. This recognition can be accomplished in two primary ways: (i) as a full-fledged self-regulatory organization; or (ii) as a delegated administrative authority.

(i) self-regulatory organization

The self-regulatory organization model is the traditional approach to professional self-regulation. Examples of organizations constituted under this model include the Law Society of Upper Canada, the College of Physicians and Surgeons of Ontario, the Mutual Fund Dealers Association of Canada and the Investment Industry Regulatory Organization of Canada.

Regulatory power is vested in these organizations through provincial legislation (such as the *Law Society Act*) or official recognition by a government agency (such as the OSC's recognition order of the MFDA). Obtaining this recognition is relatively challenging; the vetting process is rigorous, the standards to be met are high and the process can take several years.

Once approved, though, this model grants the organization a relatively large degree of autonomy – the organization is empowered to make rules governing a wide array of matters (including newly emerging areas) without having to go back to the province for approval. They are not subject to continuous government oversight; they are largely trusted to govern their own affairs, with only occasional reporting to, and reviews by, the government. To maintain the public's confidence as being a true professional regulator, they generally do not engage in any public-facing advocacy efforts that promote the profession or the organization's members.

(ii) delegated administrative authority

The delegated administrative authority ("DAA") model is a relatively new way of obtaining recognition as a professional regulator. In Ontario, examples of recognized DAAs include the Travel Industry Council of Ontario, the Real Estate Council of Ontario and the Technical Standards and Safety Authority.

These organizations are delegated the responsibility for the day-to-day administration of a particular piece of government legislation. For example, the Travel Industry Council of Ontario administers the *Travel Industry Act* – including its registration regime, complaints-handling process and consumer compensation fund. Each DAA enters into an administrative agreement with the province and is accountable to a Minister (in Ontario, the Minister of Consumer Services).

While the process of obtaining DAA recognition is less cumbersome than obtaining recognition as a self-regulatory organization, the powers granted to the DAA are more limited in scope. The province largely retains control of rulemaking, but it will defer to the DAA's expertise for highly technical bulletins that affect public safety. DAAs are required to submit annual reports, business plans and audited financial statements to the province, and can be subject to operational reviews. Generally, any advocacy conducted by the DAA is limited to the extent that it can be seen as being in the public interest; for example, it could include initiatives that inform the public of their rights, or which advertise the value and role of the DAA itself in protecting the public.

b. What organizations are likely to qualify for accreditation as a professional association?

The answer will largely depend on the accreditation standards that are set by the regulator. Also relevant will be the estimate, on the part of potential applicant organizations for accreditation, of the potential benefits and costs of meeting the accreditation standards and of operating as a professional association.

The requirement as outlined is not premised on onerous accreditation standards. It should be assumed that the standards would not be so burdensome that they would not be satisfied by a number of existing organizations, including associations that currently provide professional resources to financial advisors.

c. Requiring membership in a professional association in the securities sector

For illustrative purposes this paper looks to the situation in Ontario. The Ontario Securities Commission (OSC) could make membership in an association a condition of ongoing licensing or registration. Subsections 143 (1) and (2) of the *Securities Act* (Ontario) authorizes the OSC to prescribe requirements for registration, including criteria a person must satisfy to qualify for registration and various terms and conditions of registration. National Instrument 31-103 could be amended to recognize membership in an association as such a condition.

d. Requiring membership in a professional association in the insurance sector

Again, for illustrative purposes, consider Ontario: neither the *Insurance Act* (Ontario) or the *Financial Services Commission of Ontario Act* vests the Superintendent of Financial Services with the explicit authority to prescribe licensing conditions. However, existing legislation does provide broad latitude for the Superintendent to set the standards of suitability for licensing.

Accordingly, within Ontario's insurance sector there are two options available with respect to making membership in a professional association a condition of ongoing licensing. One option would require legislative changes within the *Insurance Act* to delegate to the Financial Services Commission of Ontario the responsibility to prescribe the requirements for registration — as is the case with the OSC in the securities sector. Alternatively, a requirement could be put directly into the *Insurance Act* (or other enabling legislation) that stipulates membership in an association is a condition for licensing. The second option would be for the Superintendent to exercise his or her discretion relating to the suitability of a person for licensing and deem membership in a professional association a necessary condition of licensing.

e. Governance, discipline, and enforcement

(i) promoting the public interest

It is essential that any approved professional association represents the interests of consumers and the broader public interest, as well as the interests of its member financial advisors. Approved professional associations should be not-for-profit entities dedicated to financial advisor professionalism in the public interest. It is essential that professional associations be entirely independent from financial institutions, as well as product manufacturers and distributors.

The governance arrangements of all recognized professional associations, which would be set out in their charters, would include provisions for effective public representation. In particular:

- every recognized professional association would have public directors on its governing body, and also on any board committee responsible for professional conduct, discipline, advocacy, and policy and regulatory affairs; and
- public directors would be appointed in accordance with a suitable process that is appropriately independent in nature and designed to recruit qualified individuals.

(ii) governance issues

Initial membership application. With regard to applying for membership in a professional association, financial advisors would be permitted to apply for membership in an association of their choice. This would be the case even if they are already affiliated with a professional association at the time when they are required to apply to a recognized association for the purpose of membership. For example, the fact that an advisor holds a financial planning designation and is affiliated with the professional association that issued the designation will not make him or her a member of that association for the purposes of the professional association proposal.

Membership suspension or termination. An individual whose membership in a professional association is suspended or terminated as a consequence of his or her association's disciplinary proceedings, or whose membership is suspended as a consequence of the suspension of his or her license or registration by a regulator, would not be able to be employed in the industry as a financial advisor until he or she is again a member in good standing.

An individual who has had his or her license or registration suspended, cancelled or made subject to ongoing conditions, or who has had his or her membership in an association suspended, cancelled or made subject to ongoing conditions, would be required to disclose his or her current status when applying for membership with a recognized association.

Show cause. An association would be entitled to require an individual who has had his or her license or registration suspended, cancelled or made subject to ongoing conditions, or who has had his or her membership in any association suspended, cancelled or made subject to ongoing conditions, to show cause why he or she is fit to be accepted as a member or to continue as a member.

Sharing of membership information. Professional associations and regulators would inform each other in a timely manner with regard to any changes in the membership and licensing or registration status of individuals. Upon being informed that the licensing or registration status of a member has been suspended, revoked, or made subject to conditions, or that the member is the subject of disciplinary proceedings, an association would take appropriate steps. Similarly, regulators would initiate a review of the licensing or registration of an individual upon being informed that his or her association membership has been suspended, revoked or made subject to conditions, or that his or her license or registration has been revoked, suspended or made subject to conditions by another regulator.

It would be necessary to carefully consider how to design a system where licensing and registration and association membership are inter-dependent, so that suspension or termination of any one (licensing, registration, association membership) could result in suspension or termination of the other(s). Fairness and due process implications would need to be studied, and a process would need to be designed to ensure fair treatment for the individual.

(iii) the complaints and disciplinary process

No duplication. Professional associations would complement but not duplicate the enforcement and disciplinary functions of regulators. In particular:

- a professional association's complaints and disciplinary process would enforce the association's rules and standards;
- a professional association's complaints and disciplinary process would not replace or supplant the disciplinary process of securities and insurance regulators;
- a professional association would have considerable discretion with regard to the investigation of complaints and the initiation of professional discipline, in order to ensure that association resources are used effectively to protect the public and complement the efforts of regulators; and
- a professional association, in considering whether to investigate complaints or initiate a disciplinary proceeding, would seek to conserve association resources and avoid duplicating the complaints and disciplinary processes of regulators.

Priority to public protection. As well, a professional association, in its complaints and disciplinary processes, would give priority to protecting the public by:

- ensuring that individuals who violate industry requirements in any one sector are not permitted to continue to be employed in the industry without further review; and
- exercising its authority to suspend or revoke an individual's membership in the association in specified circumstances that, while outside the scope of the regulatory jurisdiction of industry regulators, demonstrably indicates a lack of professional integrity or unsuitability to offer financial services to the public (i.e., convictions for criminal and regulatory offences, which indicate a lack of professional or personal integrity).

Initiation of proceedings. A professional association would be entitled to initiate disciplinary proceedings where there is reason to believe that a member has violated the code of professional conduct. Public directors of the association would participate in directing the investigation of complaints and the initiation of disciplinary proceedings. The association would be entitled to initiate disciplinary

proceedings whenever it considers it appropriate to do so, and would be empowered, in the course of its disciplinary process, to suspend or terminate membership, and to impose conditions on membership.

Power to delegate. Investigations and the prosecution of disciplinary proceedings could be delegated by a professional association to a third party accountable to the association, which could establish its own hearing panel. Alternatively, two or more professional associations could jointly establish a tribunal to hear and determine matters for any associations willing to participate in a joint fashion. The members of such a tribunal would be drawn from the participating associations.

(iv) advisor competence and incapacity

A professional association could investigate a member's competence and capacity to provide services to the public, and initiate proceedings and suspend or revoke membership or impose other conditions.

(v) administrative sanctions

A professional association would have the authority to suspend or terminate membership, and to impose conditions on membership for administrative reasons, including for non-payment of fees, for failure to fulfill continuing education requirements, and for suspension or termination of licensing or registration by a regulator.

(vi) cooperation with all industry regulators

Professional associations would cooperate with financial industry regulators with regard to complaints and disciplinary matters. Individual members would be required to consent to the sharing of information with financial industry regulators in regard to complaints and disciplinary matters. In general, a professional association would not proceed with any complaints or disciplinary proceedings in the event other proceedings, initiated by a regulator and based on the same impugned conduct or circumstances, are already underway. As well, professional associations would cooperate with financial industry regulators with regard to continuing education programs and, when possible, participate in their policy development processes. Finally, the relevant regulators would establish a process for accrediting professional associations and monitoring their compliance with standards.

IV. How Enhanced Professional Standards Will Benefit Consumers, Advisors and Other Stakeholders

a. Promoting the interests of clients and consumers

The proposed membership model would promote the consumer interest in a number of areas.

(i) a mandated code of professional conduct and ethics

As noted above, all financial advisors would be required to comply with the code of professional conduct of their association of choice. Such a document would explicitly codify the following:

- recognition of the priority of the client's interests over those of the advisor,
- duties respecting conflicts of interest, including disclosure to the client of all real and apparent conflicts,
- the duty to provide competent service, performed with honesty and integrity,
- the duty to respect client confidentiality, and
- an accessible enforcement mechanism for disciplining and punishing members for misconduct, including criminal convictions and regulatory infractions.

(ii) proficiency standards and continuing education – the cornerstone of professionalism

Professional associations would establish initial proficiency standards for financial advisors, and would administer continuing education requirements designed to ensure that all financial advisors maintain a high standard of proficiency.

Such associations would be required to actively administer their codes of conduct, so the public is assured that member advisors understand and fulfill the ethical obligations they owe to their clients. Moreover, all financial advisors would be required to file an annual "Certificate of Professional Standing" issued by their association. This would be a condition for maintaining a provincial license or registration to sell prudential and capital market products – and to ensure that the high standards to provide ongoing financial advice are met.

Individuals who want to hold themselves out as competent practitioners in areas of professional specialization, such as financial planning, would be required to hold in good standing the necessary recognized designations.

Professional associations' annual continuing education requirements would focus on the financial advisor's duties to clients. These CE requirements would complement and build on the practice proficiency standards and CE requirements of regulators.

(iii) best practices and member information resources

Professional associations would publish information resources for members, such as a best practices manual, and periodic bulletins updating members on important regulatory requirements and developments, further ensuring client protection.

(iv) professional accountability — integrated across sectors

Professional associations would be empowered to suspend or revoke membership, or impose various conditions on membership for unprofessional conduct, including violations of regulatory requirements, failure to cooperate with regulators, and criminal and regulatory offences. Actions or omissions which impugn or bring into disrepute the advisor's professional integrity or competence, or that of the profession as a whole, and their suitability to offer financial advice to the public, would be reviewable.

An association's disciplinary action would have consequences for a member's ability to sell financial products as a provincial licensee or registrant. If a member of the association is expelled, that individual would be prevented from selling financial products. As well, if any regulator revoked or imposed conditions on a member's ability to sell financial products, that member's association would take appropriate action to suspend, revoke or impose conditions on his or her membership. Such measures would further buttress the actions of the particular regulator by imposing conditions on selling products or providing advice.

As noted above, a regulatory requirement that advisors must be in good standing with a professional association would prevent unscrupulous individuals from simply moving to a different financial sector and seeking licensing or registration.

The resulting regulatory umbrella created by professional associations would close current gaps in the enforcement and disciplinary reach of regulators, by ensuring that individuals who violate industry requirements in any one sector would not be permitted to continue activity in the industry without proper review.

Membership associations would have considerable discretion with regard to the investigation of complaints and the initiation of professional discipline, in order to ensure that association resources are used effectively to protect the public and complement the efforts of regulators. Associations would publish disciplinary proceedings and would follow a process of natural justice regarding procedural rights (hearing, tribunal, appeal process, etc.).

(v) ease of public access to information on financial advisors

Professional associations would be required to make information about their members conveniently accessible in a single public database. This would enable the public to easily determine if an individual is a member of a professional association and review his or her credentials.

b. Benefits to other key actors in the securities and insurance sectors

The proposed membership model would work to promote the interests of financial advisors, governments and regulators, and product providers and distributors.

(i) financial advisors would benefit from:

- enhanced public trust, status and confidence in advisors as professionals,
- access to resources that complement and facilitate standards and compliance with regulatory requirements, and
- a raised professional bar, through improved education and standards and the ready removal – in a public and effective manner – of unethical colleagues who tarnish the industry as a whole.

(ii) government and regulators would benefit from:

- the delivery of enhanced consumer protection and the “reining in” of unethical advisors who move from sector to sector,
- additional protection of the wider public from unqualified or unaccountable financial advisors,
- additional professional support for the government policy objective of increased individual financial responsibility for future financial needs,
- a reduced regulatory burden created by the various professional associations proactively complementing the current regulatory requirements and enforcement, and
- the combined expertise of the various professional associations, all of whom will contribute to the development of policy and implementation of effective regulation.

(iii) product providers and distributors would benefit from:

- the reliable professionalism of financial advisors representing their firms and products,
- the prevention of unethical advisors moving from one company to the next, and
- the development of a stronger platform to support the recruitment of new advisors into the industry through enhanced professional standing.

Appendix A: The Current Regulatory Framework and the Professional Association Proposal

The following table indicates the limitations and drawbacks of the *status quo* and the benefits to consumers, advisors, and other stakeholders.

Advantages of professional membership over the status quo				
Issue	Insurance	MFDA	IIROC	Proposed professional association membership
Who is covered?	Insurance agents	Mutual fund salespersons	Securities salespersons	Everyone who holds out as a financial advisor
Public represented in governance?	Yes	Yes	Yes	Yes
Financial advisors are “at the table” when regulators make policy?	Only to a limited extent.	Dealer members of the MFDA are the main stakeholder consulted.	Dealer members of IIROC are the main stakeholder consulted.	All associations will advocate with regulators on behalf of member financial advisors and consumers
Standards focus on consumer interest or on distributor / dealer interest?	Insurance focus	Mutual fund dealer focus	Securities dealer focus	Consumer / client relationship focus
Establishes proficiency requirements for all financial advisors to meet?	Licensing requirements focus on insurance only	Registration requirements focus on mutual funds only	Registration requirements focus on broader securities only	Builds on standards of insurance, MFDA and IIROC with structured continuing education requirements
Mandatory competency-based Continuing Education?	No mandatory client-focused content	No specific continuing education requirement.	No mandatory client-focused content	Yes. Mandatory courses on ethics, conflicts of interest, duty to client, leveraging, regulatory / compliance developments
Use of a Code of Professional Conduct outlining duties and obligations to clients and public?	No enforceable dedicated Code of Professional Conduct articulating duty to clients, as such, but Insurance Councils in Western Canada have codified conduct rules in their by-laws	No dedicated Code of Professional Conduct articulating duty to clients, as such	No dedicated Code of Professional Conduct articulating duty to clients, as such	Yes

Advantages of professional membership over the status quo (<i>continued</i>)				
Issue	Insurance	MFDA	IIROC	Proposed professional association membership
Participation in a public registry that covers all financial advisors?	No	No	No (IIROC Advisor Report is limited to advisors with IIROC members)	Yes
Can curtail ability of unethical or unregulated individuals to hold themselves out to the public as financial advisors?	No. Only able to suspend or cancel insurance license.	No. Only able to suspend or cancel status as MFDA advisor.	No. Only able to suspend or cancel status as IIROC advisor.	Yes. Including remedies against individuals who do not belong to an association (the “Earl Jones” problem)
Ability to prevent employment as a financial advisor of individuals who do not meet standards?	No. Loss of insurance license does not prevent employment as MFDA or IIROC advisor	No. Loss of MFDA status does not prevent employment as IIROC or insurance advisor	No. Loss of IIROC status does not prevent employment as MFDA or insurance advisor	Yes. While an individual's professional association membership is suspended or cancelled, they are barred from acting as an insurance, MFDA or IIROC advisor.
Ability to deal with misconduct relevant to integrity and suitability that is not within the regulator or SROs scope?	No	No	No	Yes

About Advocis

Advocis, The Financial Advisors Association of Canada, is the oldest and largest voluntary professional membership association of financial advisors in Canada. Advocis is the home and the voice of Canada's financial advisors. Through its predecessor associations, Advocis proudly continues a century of uninterrupted history of serving Canadian financial advisors, their clients, and the nation.

With over 11,000 members organized in 40 chapters across Canada, Advocis serves the financial interests of millions of Canadians.

As a voluntary organization, Advocis is committed to professionalism among financial advisors. Advocis members are professional financial advisors who adhere to an established professional Code of Conduct, uphold standards of best practice, participate in ongoing continuing education programs, maintain appropriate levels of professional liability insurance, and put their clients' interests first.

Across Canada, no organization has members who spend more time working one-on-one on financial matters with individual Canadians than us. Advocis advisors are committed to educating clients about financial issues that are directly relevant to them, their families and their future.

Questions?

If you have questions or comments, please contact:

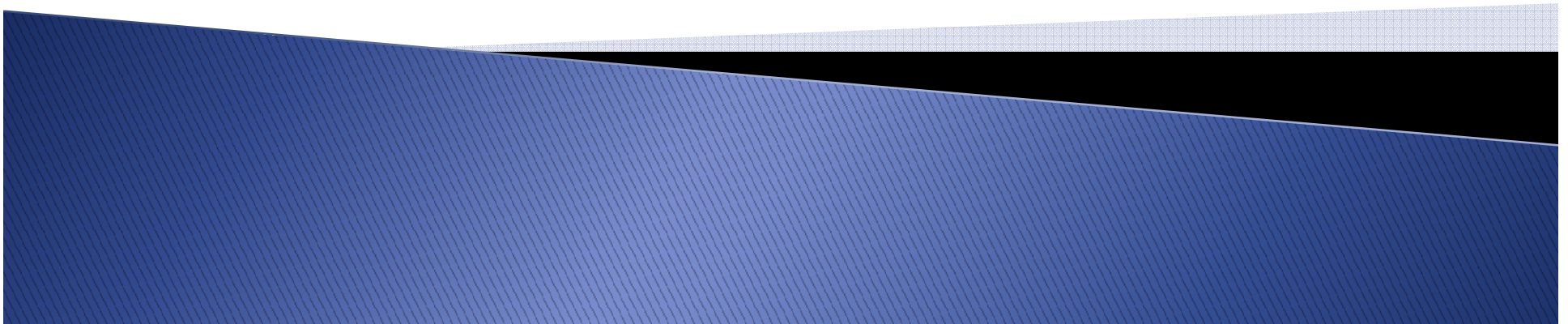
Ed Skwarek

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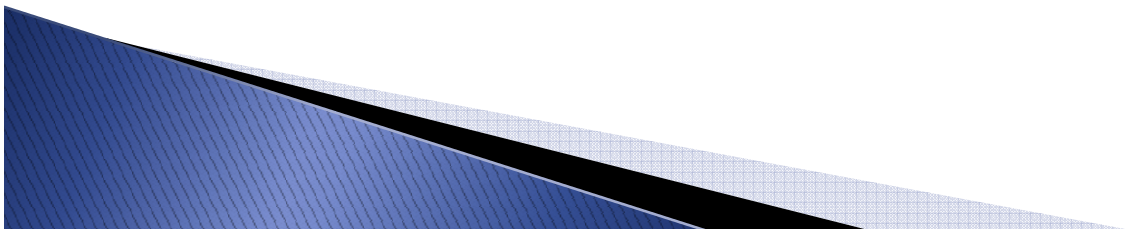
Harmonized Life Insurance Licensing Qualification Program

Stakeholder Information Session
January 17, 2013



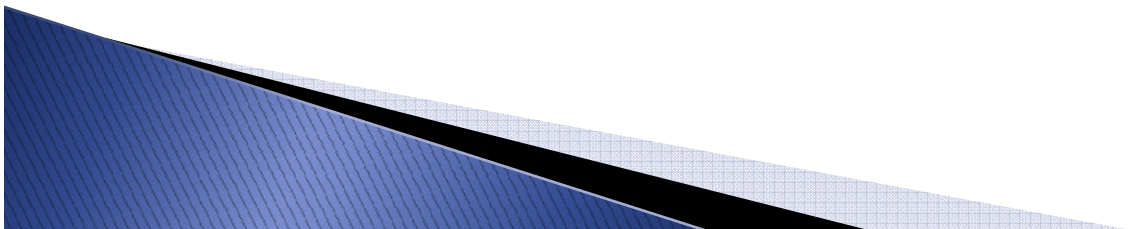
Welcome!

- Objectives of this meeting:
 - Update on progress
 - Respond to feedback received so far
 - Answer any new questions
 - Seek further input



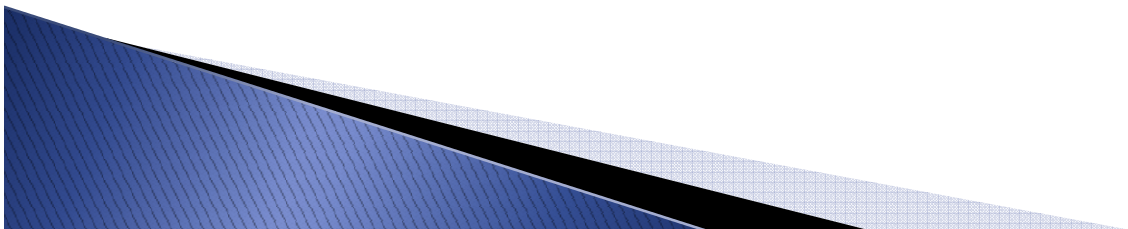
Agenda

- High-level review of harmonized program
- Progress to date
- Stakeholder feedback
- Stakeholder engagement plan
- Next steps
- Questions?



Review of Program Features

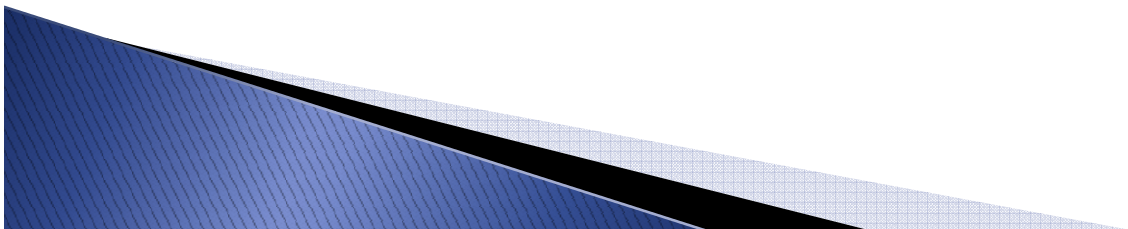
- Will be based on an updated and harmonized Curriculum Design Document (CDD).
- Regulators will continue to rely on third-party providers to deliver course (course will also become mandatory in Quebec).
- Standard reference materials will be developed by CISRO – licensing/sale of these materials will fund the program.



Review of Program Features (continued)

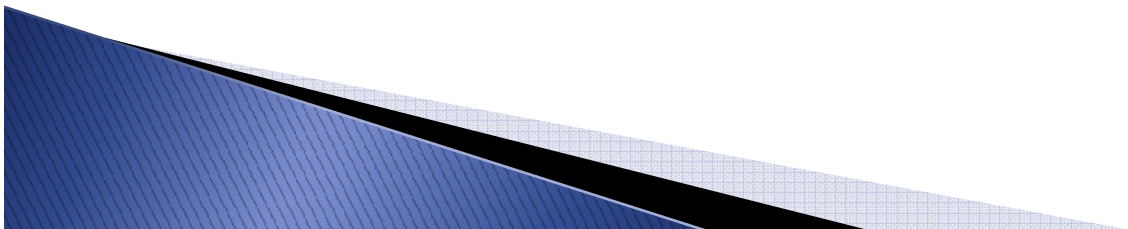
➤ Exams:

- Will be open-book and modular.
- Will be based on one databank of exam questions and exams.
- Delivery will remain the responsibility of each jurisdiction.



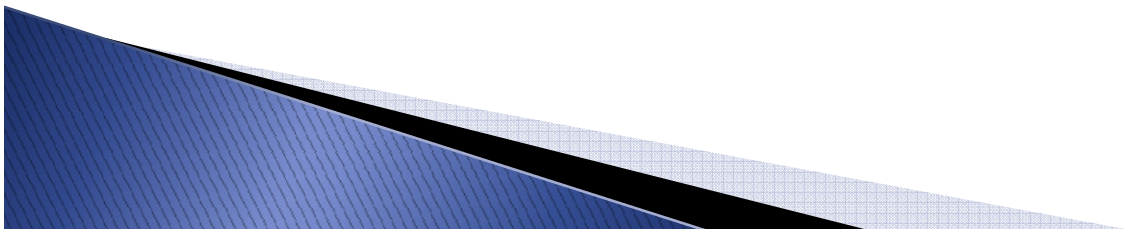
Program Governance

- ▶ With the aid of education experts, CISRO will develop and maintain the program.
- ▶ CISRO members will make key decisions jointly.
- ▶ CISRO's LLQP committee will direct and oversee the education experts.



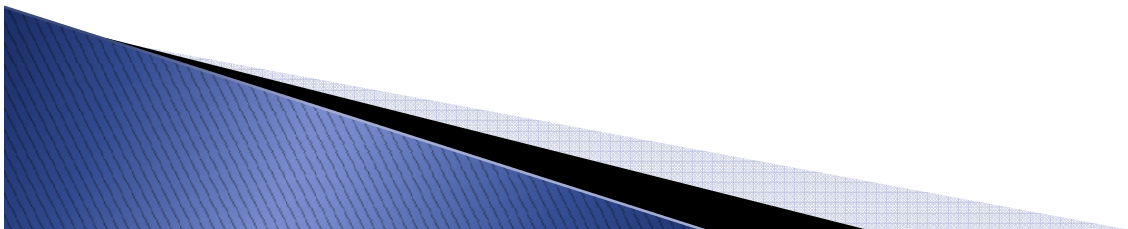
Timeline

Key Milestone or Activity	Target Date/Period
Release of draft CDD for stakeholder comment	June/July, 2013
End of comment period for draft CDD	60 days after draft released
Development of study materials	September 2013 to January 2015
Pre-implementation activities (e.g., sell materials, develop exams, finalize policies, etc.)	Late 2014 to August 2015
Program implementation	September 2015



Progress to Date

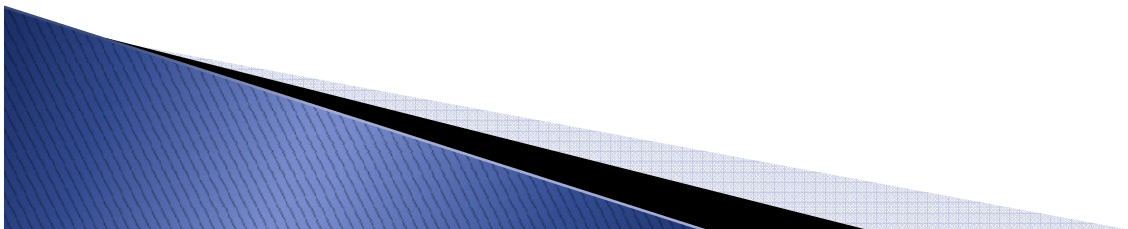
- ▶ CISRO is finalizing formal agreements between regulators and with service provider.
- ▶ Occupational analysis workshops have been completed (in BC, AB, ON, QC and NB):
 - Purpose: to collect information on the targeted profession(s) and identify common core activities.
 - Skills and knowledge identified will be reflected in new Curriculum Design Document (draft to be released for comment).



Stakeholder Feedback

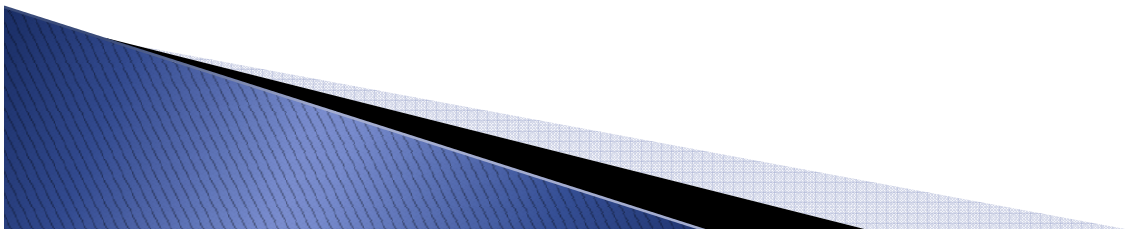
- ▶ Positive feedback:

- After 12 years with current LLQP, comprehensive review of the program due
- Benefits of harmonization
- Strengthening of LLQP governance structure



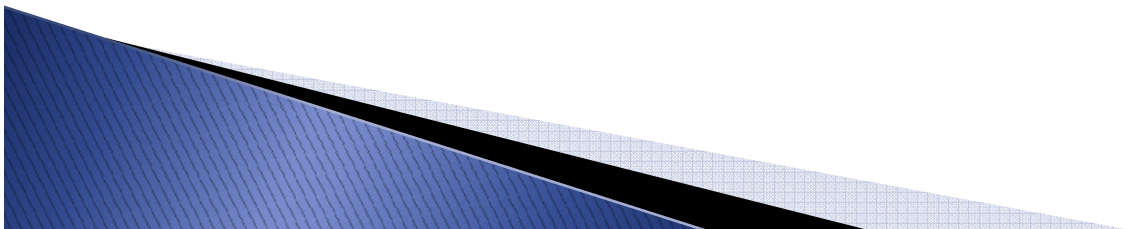
Stakeholder Feedback (continued)

- ▶ General concerns – will this create new barriers to entry for agents?
 - Cost – will it result in significant cost increases?
 - Time required by candidates to complete – will it take longer than existing LLQP due to modular exams?
 - Difficulty level – will this be “raising the bar” for qualification standards?
 - Will candidates be disadvantaged in other ways?



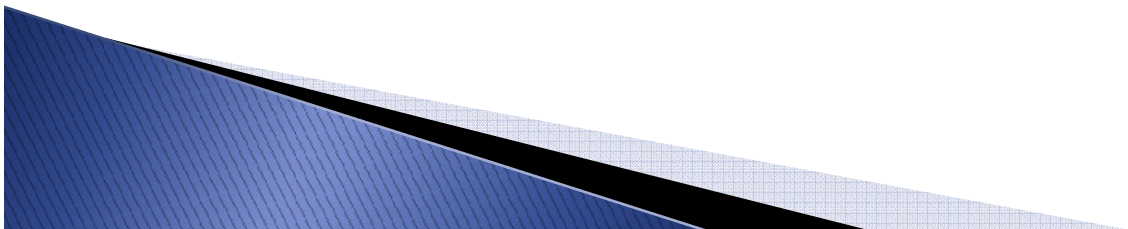
Stakeholder Feedback (continued)

- ▶ Concerns specific to course providers:
 - Will existing course providers continue to be approved under new program?
 - How will the standard reference materials produced by CISRO be licensed/sold?
 - Will course providers be permitted to customize CISRO materials?



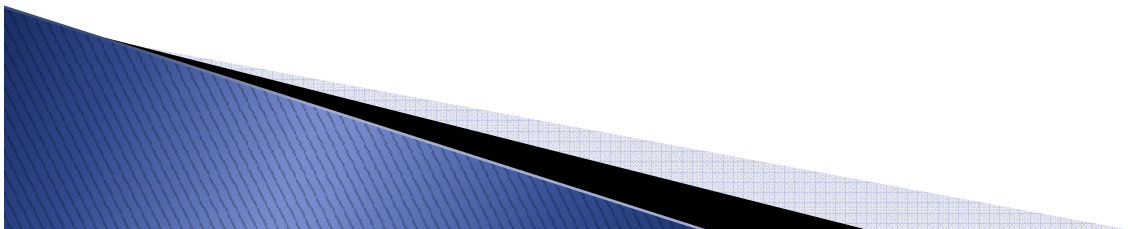
CISRO Responses

- ▶ Cost of course for entrants:
 - CISRO material fees are yet to be determined.
 - Fees will fund a sustainable, high-quality program.
 - Individual jurisdictions will set own fees for exam delivery.



CISRO Responses (continued)

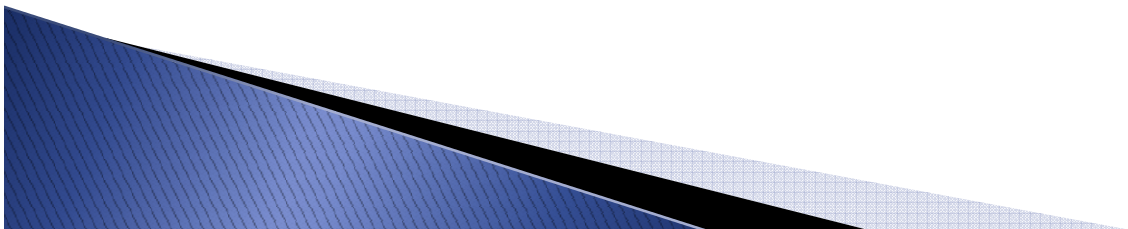
- ▶ Time required to complete program:
 - This will be a new program based on existing programs.
 - Exam arrangements will be flexible – candidates will be able to write more than one exam on same day.
 - Time required for some candidates may be less as only failed modules must be re-written – allows students to focus on weaknesses and not have to rewrite whole exam.



CISRO Responses (continued)

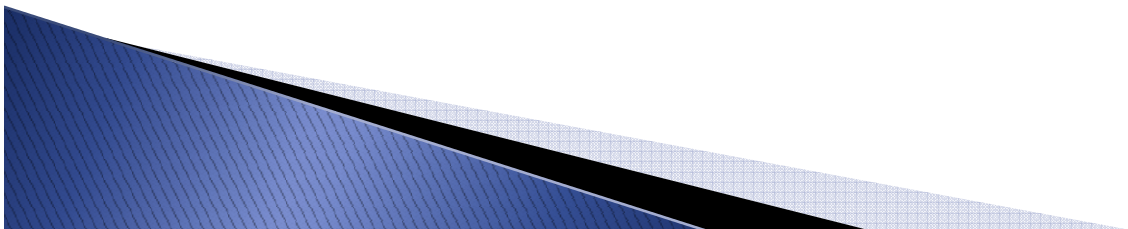
► Difficulty:

- Modular, open-book exams do not increase difficulty for candidates who have the required competencies.
- Candidates will have access to standard materials regardless of provider selected – emphasis will be on applying skills and knowledge, not just being taught to pass licensing exam.



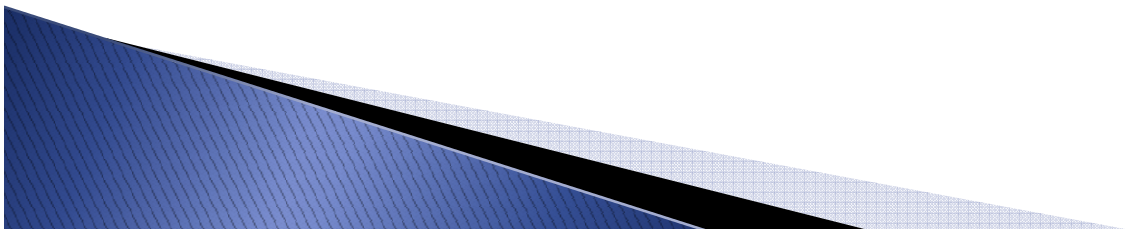
CISRO Responses (continued)

- ▶ Course providers:
 - CISRO will continue to require third-party providers for certification.
 - Inclusion of Quebec will increase the demand for French courses, resulting in enhanced choice and quality.
 - CISRO will license standard materials to course providers.
 - Licensing process and fees to be determined.
 - Criteria for approval will be finalized in later stage of project.



Stakeholder Engagement Plan

- ▶ Information will be posted on CISRO web site (www.cisro-ocra.com) as project progresses – will include background, status, documents being released for comment, Qs & As, etc.
- ▶ Quarterly open forum meetings will be held.
- ▶ There will be opportunities for written submissions at key points in the process.
- ▶ Inquiries:
 - New program – Ron Fullan
 - Existing LLQP – Pat Chamberlain/Agnes Healey (BC)
 - Existing AMF Program – René Brisson



Next Steps

- ▶ Quarterly “face to face” meeting scheduled for April 9, 2013.
- ▶ Draft curriculum design document to be released in June/July 2013 for 60-day comment period.

