

CAFII EOC Meeting

Date:	Tuesday, June 23, 2015	Time:	2:00 – 4:00 p.m.
Location:	RBC Insurance Royal Bank Plaza 200 Bay St, South Tower, 40 th Floor Executive Dining Room Toronto, ON	Chair:	G. Grant
		Dial-in:	416-764-8662 or 1.888-884-4534, Participant code: 8504948#; Moderator code: 2551109#

Agenda

Item	Presenter	Action
1. Call to Order	G. Grant	Update
2. Approval of Agenda and Previous Minutes <ul style="list-style-type: none"> a. EOC Minutes of May 26, 2015 <i>[attachment]</i> b. Board Minutes of June 9, 2015 <i>[attachment]</i> c. Summary of Board and EOC Action Items <i>[attachment]</i> 	All	Approval Review Update
3. Strategy and Governance <ul style="list-style-type: none"> a. Balanced Scorecard <i>[attachment]</i> 	G. Grant, B. Wycks	Update
4. CAFII Financial Management <ul style="list-style-type: none"> a. Financial Statements as at May 31, 2015 <i>[attachment]</i> 	R. Rajaram	Approval
5. Regulatory Relations and Advocacy <ul style="list-style-type: none"> a. CCIR Working Group on Travel Insurance b. Quebec Review of Distribution Act <i>[attachment]</i> c. Consultations/Submissions Timetable <i>[attachment]</i> d. Regulatory Update <i>[attachment]</i> e. Regulator and Policy-Maker Visit Plan <i>[attachment]</i> 	B. Wycks B. Wycks B. Wycks, G. Grant B. Wycks B. Wycks	Information Information Discussion Information Information
6. EOC Committee Updates <ul style="list-style-type: none"> a. Media Advocacy Committee b. Market Conduct Committee c. Research & Education Committee d. Licensing Efficiency Issues Committee e. Events and Networking Committee 	C. Blaquiere B. Wycks, R. Beckford S. Manson M. Gill M. Sanchez-Chung	Update Update Update Update Update
7. Other Business <ul style="list-style-type: none"> a. AMF/CAFII and Board Meeting –Oct 6/15 	G. Grant	Update

- Next EOC Meeting is tentatively scheduled on July 21 23/15 in Toronto.
- Next Board Meeting is Oct 6/15 in Levis (QC) hosted by Desjardins.

CAFII EOC Meeting Minutes

Tuesday, May 26, 2015

Location: CIBC Insurance

Commerce Court, 199 Bay St, 4th Flr [Imperial Rm], Toronto, ON

Present:	Charles Blaquiere	Canadian Premier Life Insurance Co. <i>(for part by teleconference)</i>
	Rose Beckford	ScotiaLife Financial
	Derek Blake	RBC Insurance
	Jerome Savard	Desjardins Financial Security Life Assurance <i>(by teleconference)</i>
	Eleanore Fang	TD Insurance
	Greg Grant	CIBC Insurance, <i>Chair (by teleconference)</i>
	John Lewsen	BMO Insurance
	Sue Manson	CIBC Insurance
	Raja Rajaram	CIBC Insurance <i>(for part by teleconference)</i>
	Sari Scherer	BMO Insurance
	Diane Quigley	The CUMIS Group <i>(by teleconference)</i>
	Maria Sanchez-Chung	TD Insurance <i>(by teleconference)</i>
Regrets:	Carol Allen	Assurant Solutions
	Emily Brown	BMO Insurance
	Moira Gill	TD Insurance
	Jodi Skeates	The CUMIS Group
Also Present:	Leya Duigu	T•O Corporate Services, <i>Recording Secretary</i>
	Brendan Wycks	CAFII Executive Director

1. Call to Order

The meeting was called to order at 2:08 pm. G. Grant acted as Chair and Leya acted as Recording Secretary.

2. Approval of Agenda and Previous Minutes

The following was added to the agenda under Summary of Board and EOC action items.

a. EOC Minutes of April 27, 2015

Approved with the following amendment: Correction made on page 4, item 7.c (ii) from *FSO* to *FSCO*.

b. Summary of Board and EOC Action Items

B. Wycks reviewed the high level updates and all items have either been completed or will be discussed in today's agenda.

3. Strategy and Governance

a. Balanced Scorecard

B. Wycks provided an update on Saskatchewan Bill 177 and the Financial Consumer Affairs Authority's intention to have a thorough consultation around the draft Regulations. The FCAA has also advised that certain provisions in the recently passed Insurance Act will be amended or repealed via the Regulations, with a view to addressing industry concerns.

4. Regulatory Relations and Advocacy

a. CCIR Working Group on Travel Insurance

Following up on the EOC's meeting with Harry James on March 24/15, B. Wycks confirmed that the CCIR Working Group has not yet contacted OLHI or OBSI and does not intend to do so prior to disseminating the industry survey to travel health insurers. The Working Group feels that industry consultations have been sufficient to refine the survey and compressed timing was a factor. At this time, the Working Group believes that it will be in a position to release the survey at some point in June. .

Members expressed disappointment at the fact that the CCIR Working Group would not be consulting with OLHI and OBSI at this early point in time, noting that these ombuds services are key stakeholders who have much of the information that the Working Group is seeking.

b. BC 10-Year Review of Financial Institutions Act

A small group from CAFII met with Carolyn Rogers, CEO of FICOM and Superintendent of Insurance, on April 30/15 in Quebec City. She was unaware of the Insurance Council of BC's stated intention to put forward a proposal, during the consultation phase of the 10-year review, which would see a ceiling imposed upon the amount of creditor's group insurance that can be sold under the licensure exemption that CGI currently enjoys in the province.

To date, the Ministry of Finance has not yet released the public consultation paper that will formally launch the 10-year review, but it is expected to do so imminently.

c. BC "effecting" of CGI issue

On April 30, Carolyn Rogers advised CAFII that FICOM will soon issue an Information Bulletin to the industry on the 'effecting' of CGI issue. Target release date is June 1.

d. Consultation on Renewal of Agreement on Internal Trade

A consultation on renewing the Agreement on Internal Trade (AIT) is being conducted by the Ontario Ministry of Finance on behalf of all of the provincial premiers. The consultation document was received late so CAFII has been granted an extension to submit a response.

Members discussed the consultation and whether CAFII should submit a response. Portability of licenses is something CAFII could respond to and members recalled a past meeting, hosted by RBC and involving Ontario and Quebec, which would be relevant in this regard.

Action: Review CAFII archives for relevant meeting notes or submissions relating to the Agreement on Internal Trade. *[Leya; tba]*

e. Regulatory Update

B. Wycks advised members that the key items covered in the Regulatory Update would be raised under the various committee updates.

f. Regulator and Policy-Maker Visit Plan

B. Wycks provided an update on meetings with regulators recently held in Quebec City.

Looking forward, a meeting needs to be confirmed with David Weir, Deputy Superintendent of Insurance in New Brunswick.

Carol Shevlin will be retiring at the end of 2015 and, to date, her replacements haven't been announced. CAFII will recognize Carol during its reception event in December.

In the past, regular luncheons were held with Carol, which have proven beneficial to both CAFII and CCIR. Members wished to ensure that this continued with those replacing her.

Action: Set up lunch meeting for CAFII representatives with Carol Shevlin in the Fall 2015. *[B. Wycks; tba]*

5. EOC Committees Updates

a. Media Advocacy Committee

The Media Advocacy Committee met last Thursday and for most, this was their second meeting. Previously, members felt it was necessary to become more informed on the issues and media activity to date, starting with their own FI and internal ombudsman. Interest was also expressed in obtaining relevant complaints data from OLHI and OBSI. Members confirmed that many of the issues being reported internally were consistent with the hot button issues listed in the Excel document provided by Charles, all of which were grouped according to accessibility, sales practices, claims adjudication and processing.

Committee members are seeking clarification on the role of CAFII in addressing media issues. Members have fresh ideas because they haven't been directly involved and we want to encourage this as well as focusing on what to do when media calls or an issue comes up. In the process of defining CAFII's media advocacy, members wished to ensure that any messaging developed by CAFII remains consistent with what is being communicated by FI's and like-minded Associations (CBA, CLHIA).

b. Market Conduct Committee

The committee has completed its work on submissions to consultations in both Ontario and Saskatchewan, and is currently in a holding pattern until other matters are finalized by the relevant regulator. The future work plan includes responding to FSCO's Draft Statement of Priorities and a follow-up letter congratulating the AMF on its "Internet Insurance Offerings in Quebec" Report.

c. Research & Education Committee

i. Travel Insurance Project

A priority for the committee is working on a proposal for a Code of Conduct relating to travel insurance, including best practices for insurance and distribution. The work is still in the early stages and, to date, hot buttons have been developed as well as a time line for this project. The committee meets every two weeks and is currently reviewing a preliminary draft of Best Practices that would underlie and inform a Code of Conduct.

ii. Other Committee Updates

Travel Insurance Project

CCIR is not planning to conduct its own consumer research on travel insurance, so the CAFII group has proposed doing some consumer research via Pollara. To this end, a sub-sub-committee has been created comprised of Brigitte Gougeon from TD Insurance and a representative from RBC Insurance. To date, Pollara has been contacted and options have been provided regarding survey methodology and pricing. The research shall include such things as distribution and claims experience, product disclosure and understanding regarding what has been purchased.

CAFII Value Proposition Project

B. Wycks, E. Brown and S. Manson shall be reviewing the Towers Watson report as there are changes they would like Helene Pouliot to consider before the report is finalized. From this, there will be an agreement on what the individual insurers will receive in the form of an Executive Summary of the results, as well as extracting information that can be provided to other CAFII committees in the form of a fact sheet.

6. Financial Statements as at April 30, 2015

R. Rajaram reported on the financials as being healthy with a modest surplus at four months into the fiscal year. Currently, there are two items over budget, those being the Annual Members Luncheon and the Website; and those variances were previously reported on. All other items are under budget. The balance sheet is also healthy, including a bank balance close to \$400K and smaller amounts in the receivables column due to unpaid annual fees.

The three outstanding Associates have confirmed that their 2015 dues will be submitted in due course.

G. Grant and B. Wycks have developed a member retention plan for AMEX Bank of Canada and have reached out to the new director for a meeting. At this time, Amex's outstanding dues can be attributed to a lack of knowledge regarding CAFII and not necessarily a desire to cancel its Regular membership.

7. EOC Committees Updates

a. Licensing Efficiency Issues Committee

i. Ontario Review of FSCO Mandate

A CAFII delegation comprised of G. Grant, M. Gill, J. Lewsen, and B. Wycks met with members of the expert advisory panel on May 21, including Larry Ritchie, James Daw and David McLean.

The panel posed two key questions regarding the future of the financial services sector and structural models. Much of the time was spent providing background information and perspectives on alternate distribution and creditor's group insurance. The review panel had a list of items they wished to talk about, on which they asked CAFII to declare a position in its written submission, including

A possible merger between the Ontario Securities Commission (OSC) and FSCO. EOC members discussed the feasibility of submitting something firm by this date given that Board members will need to be consulted in the process.

J. Lewsen provided a high level summary of the approach that CLHIA planned to take in its submission to the Expert Advisory Panel. He also shared the input for CAFII's submission that he had obtained from a discussion with CAFII Board member Peter McCarthy.

There was unanimous support for a proposal that in its written submission to the Expert Panel, CAFII should express high level endorsement and support for the points made in CLHIA's submission (particularly those related to maintaining a principles and risk-based approach to regulation; and maintaining strong leadership participation in CCIR and CISRO, as national co-ordinating bodies, and their harmonization initiatives); and then state its own distinct views on a handful of regulatory model issues of particular relevance to our members.

Deadline for submissions is June 5, 2015.

Action:

- Reach out to Erica Hiemstra and connect with Frank Zinatelli and Peter Goldthorpe at CLHIA, with a view to securing agreement on a transparent, reciprocal approach to aligning the Associations' respective submissions; and, if agreement is obtained, draft the CAFII submission based upon the approach outlined by the EOC to drafting. *[B. Wycks; tba]*
- Seek Rino D'Onofrio's views on CAFII's response to the FSCO Mandate Review, and provide them to B. Wycks. *[D. Blake; asap]*

b. Events and Networking Committee

The next Board meeting will be held on June 9, followed by a networking reception. At this time, speaker suggestions are being sought for the next Annual Members Luncheon (February 2016). During its previous meeting, the Board provided us with a challenge to source only speakers who reflect our mandate and key messages. To this end, a suggestion was put forward to invite the Expert Panel charged with Reviewing FSCO's Mandate to be presenters at a CAFII reception event.

8. Other Business

a. EOC and Board Meetings

L. Duigu reported the following outcomes and changes to future meetings:

- Based on the results of a recent meeting poll, the Fall Board Meeting in Quebec will proceed on October 6th.

- Due to the scheduling of a CISRO LLQP Meeting in the afternoon, the EOC Meeting on September 22 shall be held in the morning instead.

Members agreed that for the future, EOC meetings should be scheduled for two hours' duration: from 2:00 – 4:00 pm.

9. Termination

There being no further business, the meeting was terminated at 3:00 p.m.

Date

Chair

Recording Secretary

CAFII Board Meeting Minutes

Tuesday, June 9, 2015

Location: ScotiaLife Financial

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

DRAFT

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

1. Call to Order

The meeting was called to order at 2:10 p.m. R. D'Onofrio acted as Chair; G. Grant acted as Secretary; and L. Duigu acted as Recording Secretary.

1.1. CAFII Competition Guidelines

R. D'Onofrio reminded members that the Competition Guidelines provided in the package were first adopted on April 3, 2008 and last updated October 7, 2014. The practice of reviewing the guidelines annually, at the beginning of the first Board meeting after the Annual Meeting of Members, was adopted to ensure that the Board's deliberations adhere to the guidelines, which were briefly summarized.

1.2. Approval of Agenda

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The Meeting Agenda be approved with the following amendment: *Addition of 6.3.2 CAFII Value Proposition (Updated)*

1.3. Appointment of Officers

R. D'Onofrio informed the Board that he will be stepping down as Chair of the Association today but will continue as a Director on the Board. P. McCarthy, BMO Insurance, had agreed to succeed him as Chair of the Association.

On motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The following slate of Officers be and is hereby appointed by the Board for a one year period:

Chair:	Peter McCarthy, BMO Insurance
Vice-Chair:	Isaac Sananes, Canadian Premier Life Insurance Co.
Secretary & EOC Chair:	Greg Grant, CIBC Insurance
Treasurer:	Raja Rajaram, CIBC Insurance

2. Consent Items

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

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

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

IT WAS FURTHER RSOLVED that:

The Minutes of the meeting of the Board held on April 7, 2015 be and are adopted in the form presented, and that a copy of these minutes be signed and placed in the Minute Book of the Corporation.

3. Financial Statements as at April 30, 2015

R. Rajaram reported on the financial statements as at April 30, 2015. He noted that the Statement of Operations is showing a small surplus at this time. There is a healthy bank balance of almost \$400K and unrestricted net assets are well above the minimum requirements at \$336K.

G. Grant advised that, at this time, there are three outstanding Associate renewals, and Regular Member AMEX Bank of Canada has yet to confirm whether it will renew its membership for 2015. He commented

that their delay in renewing is a matter of having lost in-house familiarity with CAFII and not necessarily an indication that they wish to cancel their Regular Member status. B. Wycks has reached out to a new senior executive contact at AMEX to discuss the CAFII initiatives that are directly relevant to their lines of business.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The CAFII financial statements as at April 30, 2015 be and are approved in the form presented.

4. Balanced Scorecard

G. Grant reported that the first half of 2015 was busy due to a large number of regulatory consultations, e.g. SK Bill 177, the AMF ecommerce paper and the FSCO review. The summer and fall will focus more on the next phase of CAFII's initiatives including the follow-up on our submission on Saskatchewan's Bill 177.

B. Wycks added that coming up next is the 10-Year Review of the BC Financial Institutions Act and we will also focus on other priorities including media communications over the summer.

5. Regulatory:

5.1. CCIR Working Group on Travel Insurance

B. Wycks reported that Harry James, Chair of the CCIR Travel Insurance Working Group (TIWG), informed him that its survey of travel health insurers would be sent out in the first half of June, but nothing has been released at this time. Harry had also confirmed the TIWG had not taken up CAFII's suggestion to consult with OLHI and OBSI to obtain data on travel insurance complaints but that it would do so at a later stage in its process.

Members discussed the nature of the issues that have sparked CCIR's review of travel insurance. CAFII's internal committee of travel insurance experts will continue to work on this from a distributor perspective in concert with the CLHIA's efforts.

5.2. BC 10-Year Review Of Financial Institutions Act

B. Wycks advised that in the recently released public consultation paper pages 29 to 31 regarding the Insurance Sector are of particular relevance to CAFII. The discussion of licensing exemptions and regulation of insurance intermediaries in that section relates directly to creditor's group insurance and travel insurance. Based on the manner in which the issues are framed it appears that BC is open to bringing in an RIA/ISI regime. CAFII will be making a submission on this consultation by the September 15/15 deadline.

5.3. BC "Effecting" of CGI Issue

B. Wycks reported that when CAFII met with Carolyn Rogers in Quebec City recently she advised that FICOM had decided to issue an Information Bulletin to the industry on the "Effecting" of CGI issue, rather than a Directive Letter. More recently, Kristine Mactaggart Wright, Executive Director, Conduct Supervision at FICOM, had indicated that the target date for issuing the Information Bulletin had been pushed back to late June.

5.4. Ontario Review of FSCO Mandate

B. Wycks reported that a CAFII delegation had a preliminary, informal meeting on May 21/15 with the expert panel advising the Ministry of Finance on the review of FSCO's mandate. In CAFII's written submission made on June 5/15, we supported a number of points made by the CLHIA in its submission, and provided specific comments on three regulatory model issues of special relevance to CAFII members. We also addressed the possible merger between FSCO and the Ontario Securities Commission as the panel raised this issue in our meeting with them.

CAFII will be invited to participate in a stakeholder roundtable meeting in late July or August, and we may decide to pursue a further one-on-one meeting with the panel as well. In terms of CAFII representation at these meetings, it was agreed that Board-level involvement would be most appropriate.

6. Committee Reports Addressing CAFII Priorities:

6.1. Media Advocacy Committee

C. Blaquiere, Chair, reported that as a result of all the new members the committee had to "hit the reset button" earlier in the year but added that the newly assembled group will serve CAFII well. An initial meeting was held to provide new members with an overview of CAFII and to develop a strategy and priorities moving forward. New members recognized their lack of knowledge and awareness of the issues and have all undertaken the task of reviewing the landscape and familiarising themselves with what their FI's do currently. Goals for this review were to determine what is being communicated as well as to find out more about the types of complaints being received. During the committee's most recent meeting, the issues were categorized and the next step is to develop key messaging around these hot buttons.

At this time, we need to provide members with more information on what has been done in the past. Given that the new committee members work in the area of media advocacy all the time, they are approaching some of the same issues from a different perspective, which has been good.

G. Grant added that the idea for this committee began in a past meeting of the Board and since then it has rolled out a little differently than expected. Engaging members outside the EOC has been a good process because it has shown that perhaps we need to do better at defining the issues. In any case, the media's current focus is on travel insurance and this has meant that creditor insurance has not appeared in the news of late so there have been no media articles requiring a response.

B. Wycks advised the Board that Megan Harman, the insurance reporter for Investment Executive, is writing a story on the AMF "internet insurance offerings" report and asked CAFII to comment. The Board agreed noting that CAFII is happy with Quebec's approach and that there would be benefits to participating. CAFII has a good relationship with the AMF and members agreed that this would be a good opportunity to get the CAFII name out there. B. Wycks will consult with Brian Smith (BMO), a Media Advocacy Committee member, for his advice and guidance in preparing for the interview.

Action: CAFII shall respond to the media request from Megan Harman of Investment Executive.
[Brendan, Greg; tba]

6.2. Market Conduct Committee

6.2.1. Saskatchewan Bill 177

B. Wycks reported that Saskatchewan's Bill 177 was passed on May 6 but won't be proclaimed into force until supporting Regulations have been drafted and a comprehensive consultation with the industry has taken place. Saskatchewan's timetable calls for the Regulations to be finalized and approved by the Cabinet in May or June 2016, and for the revised Act and the Regulations to be proclaimed into force in late 2016 or early 2017 following a six-month industry transition period. Jan Seibel, a lawyer with the Financial Consumer Affairs Authority, is now leading this initiative as Jim Hall retired and departed at the end of May.

6.2.2. Ontario: Regulations to Insurance Act Consultation

B. Wycks reported that, subsequent to the last Board meeting, CAFII learned of Ontario's consultation on Regulations to the Insurance Act. This consultation provided the opportunity to comment on Parts IV and V of the Insurance Act and we were able to make some salient points on providing flexibility in dealing with prescribed language.

6.3. Research and Education Committee

6.3.1. Travel Insurance Project

S. Manson updated the Board on CAFII's new committee on travel insurance, comprised of travel experts from member companies. In March, the committee agreed to develop a principles-based code of conduct on travel insurance for CAFII members. The work began with research on "hot button" issues and outlining best practices for dealing with them. This work will underlie and inform development of a CAFII Travel Insurance "Code of Conduct".

The committee is also working with Pollara on a consumer satisfaction survey regarding customer purchase and claims experiences with travel insurance.

6.3.2. CAFII Value Proposition Project

The CAFII Value Proposition Project is coming to a close. CAFII regrouped and went back to Towers Watson regarding a final report. Once the final report is received, the committee will be pulling out what we've learned and gathering points for use by other CAFII Committees. The final step will be to obtain permissions from Towers Watson for quoting excerpts from the report in future.

6.4. Licensing Efficiency Issues Committee

6.4.1. New Brunswick Proposed Rule INS-001 Fees

B. Wycks provided highlights from a call earlier today with David Weir, New Brunswick's Deputy Superintendent of Insurance. Mr. Weir commented that the development of an online registration system (announced in June 2014), which remains in the planning phases with IT as the online system for pensions was of higher priority. In any case, he was reasonably confident that an online registration system for insurance licensing would be up and running by late Fall 2015.

CAFII was also informed that a new consultation on a revised Rule related to insurance licence fees would be conducted because it had been determined that some of the proposals made in the recent Rule INS-001 Fees were not legislatively permissible. The timing of the further consultation was up to the government so was not known at this time.

With respect to CAFII's recommendation that the New Brunswick Insurance Act be amended to allow electronic beneficiary designations, Mr. Weir encouraged CAFII to send a letter recommending that change to the Superintendents of Insurance in each of the four Atlantic Canada provinces, as that issue was one that would definitely be dealt with on a harmonized basis by the four provinces in the region.

Action: CAFII to write letters in support of Insurance Act amendments to allow electronic beneficiary designations, to the four Superintendents of Insurance in Atlantic Canada.
[Brendan; tba]

6.5. Networking and Event Hosting Committee

Sixty four people have confirmed their attendance at tonight's reception event. The next speaker event will be the Annual Members Luncheon in 2016 and there are no planned speakers for the remainder of 2015.

7. In Camera Discussion

The Board of Directors met *in camera* from 3:35 to 4:10 p.m. Following this, members of the EOC, B. Wycks and L. Duigu were invited back.

8. Termination

The Board thanked Rino D'Onofrio for his commitment and service as Chair of the Board over the past year.

There being no further business to discuss, the meeting was terminated at 4:15 pm. The next CAFII Board of Directors meeting will be held on October 6, 2015, in Levis (QC).

Date

Chair

Recording Secretary

2015 Summary of Meeting Action Items: BOARD & EOC					
	Source	Action Item	Responsible	Deadline	Status as of 17-Jun-15
BALANCED SCORECARD / PERFORMANCE MANAGEMENT					
FINANCIAL MANAGEMENT					
MEMBERSHIP					
GOVERNANCE AND ADMINISTRATION					
REGULATOR / POLICY-MAKER RELATIONS AND ADVOCACY					
		Central Canada: MB, ON, QC			
1	EOC May 26, 2015	• ON Consultation on Renewal on Internal Trade: Review CAFII archives for relevant meeting notes or submissions relating to the Agreement on Internal Trade.	Leya	tba	in progress
		Ontario Review of FSCO Mandate			
2	EOC May 26, 2015	• Reach out to Erica Hiemstra and connect with Frank Zinatelli and Peter Goldthorpe at CLHIA, with a view to securing agreement on a transparent, reciprocal approach to aligning the Associations' respective submissions; and, if agreement is obtained, draft the CAFII submission based upon the approach outlined by the EOC to drafting.	Brendan	tba	Completed
3		• Seek Rino D'Onofrio's views on CAFII's response to the FSCO Mandate Review, and provide them to Brendan.	Derek	tba	Completed
4	Board April 7, 2015	• Develop list of potential issues, important to CAFII members, which could come forward in the Ontario Review of FSCO's mandate and draft the industry's position for board consideration.	LEIC	tba	Completed
5	EOC Mar 24, 2015	• Draft a preliminary plan regarding the ON Review of FSCO's Mandate for board consideration.	Moir, EOC	28-Apr-15	Completed
		Eastern Canada: NB, NL, NS			
6	Board June 9, 2015	CAFII to write letters in support of amendments allowing electronic beneficiary designations, to the four provincial regulators	Brendan	30-Jun-15	in progress
		Western Canada: BC, AB, SK			
7	Board April 7, 2015	• Develop an education campaign on creditor's group insurance and the underserved market for regulators and policy-makers in the BC ministry	EOC	tba	To be determined
8	EOC April 27, 2015	• SK Bill 177: Prepare a follow-up letter to Saskatchewan on Bill 177 on the items identified in the March 2/15 teleconference with Jim Hall and Jan Seibel as requiring further comment from CAFII.	Brendan, Market Conduct Cmtee	tba	Completed

	Source	Action Item	Responsible	Deadline	Status as of 17-Jun-15
9	EOC Mar 24, 2015	<ul style="list-style-type: none">Draft CAFII response to Insurance Council of BC’s proposal – to be put forward during the 10-Year Review of the Financial Institutions Act -- that a dollar limit ceiling be imposed on the amount of coverage that can be sold under the province’s licensure exemption for CGI; and determine how our position should be communicated and to whom.	Greg, Brendan	15-May-15	To be determined
		Regulator and Policy-Maker Visit Plan			
10	EOC May 26, 2015	<ul style="list-style-type: none">Set up lunch meeting for CAFII representatives with Carol Shevlin in the Fall 2015.	Brendan	Fall 2015	Pending
11	EOC Feb 17, 2015	<ul style="list-style-type: none">Review the list of regulators attending the CLHIA Compliance and Consumer Complaints Annual Conference for opportunities to meet with regulators who will be in attendance, and build that into the Regulator and Policy-Maker Visit Plan.	Brendan	tba	Completed
		<ul style="list-style-type: none">Investigate a potential meeting with Gerry Matier in Toronto, around the CISRO Stakeholder Information Sessions (Feb 27/15), to discuss BC’s 10-Year Review of the Financial Institutions Act and any other CAFII issues in this jurisdiction.	Brendan	asap	Completed
INDUSTRY RESEARCH					
		Travel Insurance			
12	EOC April 27, 2015	<ul style="list-style-type: none">Contact Harry James about the following questions: Is there an opportunity to comment on the revised survey before it is released; has CCIR consulted with complaint bodies?	Brendan	tba	Completed
13	Board April 7, 2015	<ul style="list-style-type: none">Determine the goals of the CCIR Working Group on Travel Insurance and propose a strategy on how to proceed with the travel insurance issue.	Brendan, EOC	tba	Completed
		CAFII Value Proposition Project			
MEDIA AND COMMUNICATIONS					
		Media Outreach			
14	Board June 9, 2015	<ul style="list-style-type: none">CAFII shall respond to the media request from Megan Harman of the Investment Executive	Brendan, Greg	tba	Completed
15	EOC July 22, 2014	<ul style="list-style-type: none">A plan to be developed leading to a future lunch meeting with Ms. Roseman, including documenting key messages and collecting data and, if appropriate, recommending an alternate media contact(s) to engage.	Brendan, Charles	30-Jul-14	Under review
16	Ad Hoc	<ul style="list-style-type: none">Schedule and hold additional media outreach sessions with other media, e.g. Ellen Roseman, Toronto Star; Rob Carrick, Globe and Mail; Gary Marr, National Post; Gail Vaz-Oxlade, independent consumer financial literacy writer, etc.	Brendan, Charles	TBD	Under review
EVENTS AND NETWORKING					

CAFII - 2015 Executive Director Balanced Scorecard - June 16, 2015					
	H = High Priority; M = Medium; L = Low				
Priority	Objectives	Measures	Timing	Status As At June 16/15	Outcome
	Regulatory and Advocacy (50% of ED and EOC focus/time)				
#1 H	Draft and deliver highly quality regulatory submissions and follow-up with regulators and policy-makers, as appropriate.	Regulatory submissions are well-written, comprehensive and produced on time; Board and EOC have sufficient time to review and provide input, which is given due and equitable consideration and included where appropriate; submissions reflect consultation with allied industry Associations where appropriate	Ongoing		
H		Bill 177, The Insurance Act (Saskatchewan)	Q1 2015 thru Q4 2016	CAFII submission sent on Feb. 23/15; follow-up teleconference on March 2/15 to address CAFII issues; CAFII follow-up letter sent May 13/15.	Bill passed May 6/15 but won't be "proclaimed in force" until Regulations drafted and a thorough consultation with industry has occurred. Some sections of Act of concern to CAFII to be amended or repaled via Regulations.
H		British Columbia Consultation on 10-Year Review of Financial Institutions Act (FIA)	Q1 thru Q4 2015	CAFII to prepare submission for September 15/15 deadline.	Formal consultation paper released June 2/15.
H		BC FICOM's 'effecting' of creditor's group insurance issue	Q1 thru Q4 2015	CAFII met with Carolyn Rogers on this issue on April 30/15; and had teleconference meeting with Harry James and regulator representatives from Alberta and Saskatchewan in July 2014.	File transferred from Harry James to Kristine MacLaggart Wright, FICOM's new Executive Director responsible for market conduct supervision. Information Bulletin to industry on 'effecting' issue to be disseminated in late June 2015.
H		AMF's final E-Commerce in Insurance position paper	Q2 thru Q4 2015	CAFII met with AMF executives on April 29/15 and received clarification on implementation plans for "Orientations" in paper.	Final E-Commerce Report released April 2/15.
H		AMF's Distribution Guide template initiative	Q2 thru Q4 2015	Pending	Draft Regulation on Distribution Guide to be circulated to industry for brief consultation, likely in Q3 2015, with goal being to finalize it by end of 2015.
		Ontario Ministry of Finance consultation on "Proposed Regulations Related to Parts V and VII of the Insurance Act"	Q2 2015	CAFII submission sent May 19/15.	
M		Ontario government review of FSCO mandate	Q2 thru Q1 2016	CAFII had May 21/15 informal meeting with expert panel appointed to assist in review; and made written submission on June 5/15.	Roundtable meetings with stakeholders to be scheduled for late July; "Trial Balloon Report" published for review Fall 2015; Panel publishes final report late Fall 2015; Final report delivered to Minister of Finance Winter 2016.
		Quebec Ministry of Finance consultation on "Report on the Application of the Act respecting the Distribution of Financial Products and Services" (Bill 188)	Q2 thru Q4 2015	Report published June 12/15 with invitation to industry and public to make submissions by September 10/15. CAFII to work on submission over the summer.	
M		Quebec government review of "An Act Respecting the AMF" (empowering and governing the AMF)	Q2 thru Q4 2015		Announced as part of Quebec provincial budget on March 26/15
M		Letter to Opportunities New Brunswick re changes necessary to Insurance Act and regulatory processes to facilitate efficient business operations in the province.	Q1 2015	Letter sent April 16/15, with copy to Superintendent of Insurance. Possible follow-up meeting with Jay Reid of Opportunities New Brunswick to be considered.	
M		New Brunswick Consultation on Rule INS-001 Fees, In Relation To The Insurance Act	Q2 thru Q4 2015	CAFII submission sent May 1/15. Had follow-up teleconference with David Weir, Deputy Superintendent, on June 9/15.	June 9/15 teleconference with David Weir revealed that some proposals made in Rule INS-001 were not legislatively permissible. New consultation to be launched but he had no idea when the government will act on this.
M		Conditions are amenable to smooth transition by CAFII members to Manitoba's new RIA Regime	Ongoing	In process	
M		Nova Scotia Direct Sellers' Regulation Act (DRSA)	Ongoing	CAFII made submission in Dec/14 in support of proposed insurance xemption language. Monitoring and liaising with Service Nova Scotia to ensure favorable exemption is enacted.	
L		Possible Nova Scotia review of life insurance sections of Insurance Act in 2015	Q1 thru Q4 2015	Monitoring	On April 22/15, Superintendent of Insurance advised that NS unlikely to initiate this review in 2015 (continuing to monitor).
L		Possible PEI review of life insurance sections of Insurance Act in 2015	Q1 thru Q4 2015	Monitoring	On April 23/15, Superintendent of Insurance advised that PEI may initiate this review in late 2015 (continuing to monitor).
#2 H	Develop and execute on Regulator and Policy-Maker Visit Plan in support of CAFII positions on legislative and regulatory issues	CAFII investments in regulator and policy-maker visits are appropriately scheduled; well-organized and executed, including briefing/preparation of CAFII participants. These meetings successfully support and advance CAFII's positions on legislative and regulatory issues	Ongoing	On Target	
#3 H	Maintain ongoing monitoring of and liaison/communications with regulators, policy-makers, allied Associations, and other industry stakeholders for relationship-building and intelligence gathering	EOC and Board members are kept well-informed of hot button, urgent, time-sensitive issues	Ongoing	On Target	
H		CAFII "Alerts" sent to EOC and Board members on hot button, urgent, time-sensitive issues	Ongoing	On Target	
#4 H	Monitor and report key developments in CCIR's review of travel insurance (including CCIR Working Group on Travel Insurance; CISRO; CLHIA high level committee on travel insurance; and THIA) ; and support related work of CAFII internal group on travel insurance (in conjunction with Research & Education Committee)	Intelligence gathered through monitoring and work of internal group on travel insurance put CAFII in a position of readiness and strength, to make a regulatory submission or otherwise make its views known, as distributors of travel insurance, should the need arise	Ongoing	Underway	
H		CAFII internal group on travel insurance completes review; addresses issues and concerns identified by CCIR project	Ongoing	CAFII internal group on travel insurance formed, and work now underway	

	H = High Priority; M = Medium; L = Low				
Priority	Objectives	Measures	Timing	Status As At June 16/15	Outcome
#5 M	Secure Representation for CAFII members as Restricted Insurance Agents in Saskatchewan, Alberta, and Manitoba	CAFII's proposed model for a Restricted Insurance Agent Advisory Committee to ICS Executive Director is adopted in Saskatchewan	Ongoing	Draft 2 of CAFII letter of support re proposed Terms of Reference for Advisory Committee, to augment submission made by CLHIA on December 19/14, is in development.	
M		CAFII's interests are advanced in shaping of a model for representation of Restricted Insurance Agents with Joanne Abram, CEO of the Alberta Insurance Council	Ongoing	Pending submission of Saskatchewan letter	
M		Insurance Council of Manitoba calls upon CAFII members, as appropriate, when requiring subject matter expert advice to its ISI Subcommittee	Ongoing	Monitoring	ICM has formed new ISI Subcommittee, comprised of five Council members, but is forming a roster of subject matter experts who can be called upon on "as needed" basis
Media and Communications (20% of ED and EOC focus/time)					
#1 (H)	Move CAFII into a position of readiness and confidence to respond to media opportunities re Creditor's Group Insurance and Alternate Distribution	Successful execution of tactics within specified timelines	Q1 and Q2 2015	Drafts of three documents completed and currently under review by Media Communications Committee	
H	Monitor media coverage re CGI, travel insurance, and alternate distribution	Any hot button issues related to media coverage are identified and dealt with in a timely, appropriate manner	Ongoing	In process, in concert with Media Committee	
#2 H	Make CAFII web site more robust and audience-friendly for members; regulators and policy-makers; the media (pending Media Committee approval); and the public	Content and navigation of CAFII site are reviewed and overhauled; information updates are posted on a timely and consistent basis; and site becomes a "go to" resource for key audiences	Q1 thru Q4 2015	Underway	
#3 H	Monitor Consumer Interest Groups	Include intelligence on Consumer Interest Groups' issues and activities in Regulatory Updates for EOC and Board meetings	Ongoing	On Target	
#4 M	Consumer Financial Literacy (CFL): Move CAFII into a position of readiness and confidence to engage proactively with regulators, the public, and consumer interest groups in support of CFL (Medium/long term objective: CAFII and its members are seen as advocates for CFL; and a "go to" industry Association in that area)	Three-year plan developed and approved by Media Committee, EOC, and Board for CAFII to become incrementally engaged in CFL activities	Q1 thru Q4 2015	Pending	
		CAFII web site content on CFL made more specific and compelling	Q2 2015	Underway	
TBD		CAFII gets involved in Financial Literacy Month (November) in 2014 through an event or initiative; and has specific plans for continued participation in future years	Q1 thru Q4 2015	Pending	
TBD		Plan developed and approved by Media Committee, EOC, and Board for CAFII to be involved in Fraud Prevention Month (March) in 2016, as directly related to CFL	Q1 thru Q4 2015	Pending	
Association Oversight and Management (30% of ED and EOC focus/time)					
#1 H	Produce an "industry intelligence" Regulatory Update monthly, for each EOC and Board meeting	Regulatory Update is produced for each EOC and Board meeting, containing outside-of-the-public-domain information on regulatory actions, pronouncements, trends and leading indicators	Ongoing	On Target	
#2 H	Efficient, effective CAFII meetings: with EOC Chair and standing committee Chairs, ensure agendas are focused and goal-oriented and meetings are well-managed	Agendas and meeting materials are distributed with appropriate lead time. Board and committee members are engaged in meeting discussions and feel meetings are productive and advance CAFII's objectives	Ongoing	In process	
#3 H	Ensure that CAFII prepares an annual operating budget that is well-grounded in approved strategic and operational plans; funds are spent according to plan; and financial control policies and procedures -- including monthly financial statements -- are adhered to	Play a leadership role in development, management, and tracking/monitoring of CAFII's annual operating budget, and committee and project budgets. Budget targets are met, except for explainable/approved variances	Ongoing	On Target	
#4 H	Provide strategic and operational support to the EOC Chair in management of CAFII priorities and activities, and accountability reporting thereon	Engaged strategic and operational support to EOC Chair; escalates appropriate matters to EOC Chair for review and decision-making	Ongoing	In process	

CAFII

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

Statement of Operations As at May 31, 2015

	Current Month	Current YTD	Budget 2015	% Used
Revenue				
Membership Fees	35,333.00	176,665.00	424,000.00	42%
Interest Revenue	36.27	176.67	500.00	35%
TOTAL REVENUE	35,369.27	176,841.67	424,500.00	42%
Expenses				
Management Fees	21,096.54	109,251.95	249,264.00	44%
CAFII Legal Fees/Corporate Governan	248.60	248.60	5,000.00	5%
Audit Fees	0.00	0.00	14,000.00	0%
Insurance	432.00	2,160.00	5,368.00	40%
Website (incl translation)	0.00	6,348.37	6,260.00	101%
Telephone/Fax/Internet	0.00	2,093.32	8,000.00	26%
Postage/Courier	0.00	111.94	500.00	22%
Office Expenses	0.00	378.06	3,000.00	13%
Bank Charges	0.00	25.00	60.00	42%
Miscellaneous Expenses	0.00	0.00	0.00	
Amortization Expense	0.00	0.00	300.00	0%
Depreciation Computer/Office Equipm	38.89	194.45	0.00	
Board/EOC/AGM	0	0		
Annual Members Lunch	0	9,754.99	7,000.00	139%
Board Hosting (External)	0	0	9,000.00	0%
Board/EOC/Meeting Expenses	0	1,604.44	10,000.00	16%
Industry Events	0	0	805.00	0%
EOC Annual Lunch	0	0	2,000.00	0%
Sub Total Board/EOC/AGM	0.00	11,359.43	28,805.00	
Provincial Regulatory Visits	0.00	2,007.01	10,000.00	20%
Research/Studies	0.00	213.18	90,000.00	0%
Regulatory Model(s)	0.00	0.00	12,000.00	0%
Federal Financial Reform	0.00	0.00	2,000.00	0%
Media Outreach	0.00	0.00	8,500.00	0%
Marketing Collateral	0.00	0.00	1,500.00	0%
Networking Events	0.00	0.00		
Speaker fees & travel	0	0.00	3,000.00	
Gifts	0	0.00	1,000.00	
Sub Total Networking & Events	0.00	0.00	4,000.00	0%
15th Anniversary Event	0.00	0.00	0.00	
TOTAL EXPENSE	21,816.03	134,391.31	448,557.00	30%
NET INCOME	13,553.24	42,450.36	-24,057.00	-176%

Explanatory Notes:

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

CAFII

Toronto, ON M4V 2Y7

Membership Fees

As At May 31, 2015

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

CAFI

55 St Clair Ave West, Suite 255

Toronto, ON M4V 2Y7

Balance Sheet

As at May 31, 2015

	Current 2015
ASSETS	
Current Assets	
Bank Balance	\$366,927
Investments ^A	\$53,381
Accounts Receivable	\$26,150
Interest Receivable	\$412
Prepaid Expenses	\$0
Computer/Office Equipment	\$2,334
Accumulated Depreciation -Comp/Equip	(\$1,167)
Intangible Assets-Trademarks	\$0
Accumulated Amortization-Trademark	\$0
Total Current Assets	\$448,037
TOTAL ASSETS	\$448,037
LIABILITIES	
Current Liabilities	
Account Payable ^B	\$38,560
Deferred Revenue	\$59,335
Total Current liabilities	\$97,895
TOTAL LIABILITIES	\$97,895
UNRESTRICTED NET ASSETS	
Unrestricted Net Assets, beginning of year	\$307,691
Excess of revenue over expenses	\$42,450
Total Unrestricted Net Assets	\$350,142
Total Unrestricted Net Assets	\$350,142
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$448,037

Financial Reserves Targets:

Minimum 3 months (25%) of Annual Operating Expenses =	\$ 112,139
Maximum 6 months (50%) of Annual Operating Expenses =	\$ 224,279
Current Level of Financial Reserves:	\$350,142
Current Level of Financials Reserve (%):	78%

C A F I I
55 St Clair Ave West, Suite 255
Toronto, ON, M4V 2Y7
Balance Sheet Items
As at May 31, 2015

Item A

Investment Portfolio

Investment Type	Issue Date	Principal	Rate	Deemed Interest	Maturity Date
Cashable GIC #0087-8019718-12	June-17-14	\$53,380.92	0.80%	\$427.05	June-17-15
Total		\$53,380.92		\$427.05	

Item B

Accounts Payable

	Total
	13,560.00
	25,000.00
Total outstanding:	<u>38,560.00</u>

Report on the Application of the Act respecting the distribution of financial products and services

MAY 2015

Québec 

Report on the Application of the Act respecting the distribution of financial products and services

MAY 2015



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Report on the Application of the Act respecting the distribution
of financial products and services

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*Jacques Chagnon
Speaker of the National Assembly of Québec
Parliament Building
Québec (Québec) G1A 1A4*

Dear Sir,

Pursuant to section 580 of the Act respecting the distribution of financial products and services (CQLR, chapter D-9.2), I am pleased to send you my report on the application of this Act, for tabling in the National Assembly.

Yours truly,

A handwritten signature in black ink, appearing to read 'Carlos Leitão', with a stylized, cursive script.

*Carlos Leitão
Minister of Finance
May 2015*

MESSAGE FROM THE MINISTER

The financial industry is of vital importance to the Québec economy. It accounts for nearly 5% of total employment in Québec and the wages and profits that it generates account for nearly 7% of Québec's GDP. Moreover, it heightens the financial security of Quebecers by protecting their assets. The financial sector is thus contributing significantly to growth in the Québec economy and the betterment of its population.

For this reason, it is important to ensure that oversight of stakeholders in the industry is adequate in order to maintain public trust in financial product and service offerings and to constantly update such offerings to reflect changing markets.

The Act respecting the distribution of financial products and services (ARDFPS) plays an essential role in this respect. It mainly governs individuals authorized to distribute certain products and services in the financial sector, i.e. personal insurance, general insurance, claims adjustment, and financial planning. The regulations adopted pursuant to the Act also structure the professional code of ethics of mutual fund dealer representatives and scholarship plan dealer representatives. They also regulate the operations of insurers when they distribute specific products without resorting to the services of representatives.

The environment in which stakeholders in the financial sector have developed has changed significantly since the adoption 15 years ago of the ARDFPS. For example, it is now possible to buy almost everything online and information has never been so accessible and abundant. This new world poses new challenges that legislators could not anticipate in 1998.

The past 15 years of experience have enabled us to pinpoint enforcement problems. The harmonization of the mutual fund dealership sector, the compensation of the consumers of financial products and services and distribution without a representative are key topics that demand thorough reflection in order to update oversight of this segment of the financial sector. The Autorité des marchés financiers has already conducted public consultations on these questions. This report takes stock of the consultations.

Oversight of the distribution of financial products and services must enable the industry to adapt to current conditions and be sufficiently flexible to facilitate its ongoing development. The ARDFPS should only impose the minimum regulatory burden necessary to maintain adequate safeguards for individual investors in order to allow the efficient operation of the vital financial services industry.

This report is meant to be a diagnostic tool and a tool for collective reflection to enhance the current legal framework by ensuring Quebecers access to financial products and services and the advice that they need, while enabling

all industry players to benefit from it. I therefore encourage the industry and anyone interested to comment on the proposals presented in this report and to respond to the questions that the report raises.

A handwritten signature in black ink, appearing to read 'Leitão', with a stylized, cursive script.

Carlos Leitão
Minister of Finance

TABLE OF CONTENTS

INTRODUCTION.....	1
The purpose of this report	1
 CHAPTER 1	3
Description of the oversight of the distribution of certain financial products with or without a representative	3
Context.....	3
Overview of the industry	3
Objectives of the <i>Act respecting the distribution of financial products and services</i>	5
Changes in the legislation since 1998	6
The Act respecting the Agence nationale d'encadrement du secteur financier (S.Q. 2002, chapter 45).....	6
The Act to amend the Securities Act and other legislative provisions (S.Q. 2004, chapter 37)	7
The Act to amend the Securities Act and other legislative provisions (S.Q. 2006, chapter 50)	7
The Act to amend the Securities Act and other legislative provisions (S.Q. 2007, chapter 15)	8
The Act to amend the Securities Act and other legislative provisions (S.Q. 2008, chapter 7)	8
The Real Estate Brokerage Act (S.Q. 2008, chapter 9).....	8
The Act to amend the Securities Act and other legislative provisions (S.Q. 2009, chapter 25)	8
The Act to amend various legislative provisions principally to tighten the regulation of the financial sector (S.Q. 2009, chapter 58).....	9
The Act to amend various legislative provisions mainly concerning the financial sector (S.Q. 2011, chapter 26).....	9
The Act to amend various legislative provisions mainly concerning the financial sector (S.Q. 2013, chapter 18).....	9
The Canadian context	10
Summary	10

CHAPTER 2.....	13
Trends in the realm of distribution	13
Consultations conducted by the Autorité des marchés financiers ..	13
Online distribution of insurance	13
Distribution without a representative.....	15
 CHAPTER 3.....	 19
Oversight of the representative	19
Special cases	21
Mutual fund and scholarship plan representatives	21
Employees of insurers	23
Claims adjusters employed by an insurer.....	24
Independent representatives.....	25
 CHAPTER 4.....	 27
Compensation in the event of fraud	27
 CONCLUSION.....	 31
 APPENDIX 1.....	 33
Summary of the recommendations.....	33
 APPENDIX 2.....	 35
Summary of the consultation questions.....	35

INTRODUCTION

The public can acquire financial products and services in different ways, each of which has advantages and drawbacks. The public has always relied on representatives to acquire many products, in particular complex products such as securities or certain types of insurance, but also in cases where it is difficult to ascertain needs. The advice that representatives offer is an unquestionable advantage, a very valuable calling card.

In order to preserve the added value that the representative's contribution represents in the acquisition of a financial product and, accordingly, enhance the attraction for the public of this method of acquisition, the industry has displayed receptiveness to the rigorous oversight of representatives.

The Act respecting the distribution of financial products and services (CQLR, chapter D-9.2) (ARDFPS) mainly governs individuals and firms authorized to distribute certain products and services in the financial sector in the realms of insurance of persons, damage insurance, claims adjustment and financial planning. The regulations adopted pursuant to the Act also structure the professional code of ethics of mutual fund dealer representatives and scholarship plan dealer representatives. They also govern the supply of certain insurance products pertaining to goods that distributors sell, as an accessory, in conjunction with the sale of such goods. The Autorité des marchés financiers (the Authority) is responsible for its administration.

A representative who wishes to distribute such products and services in Québec must first obtain a certificate from the Authority authorizing him to practice in the appropriate discipline(s). In the same way, firms must register with the Authority.

The purpose of this report

The *Report on the Application of the ARDFPS* seeks to ascertain to what extent this act continues to satisfy the needs of the public and the distribution industry and to propose enhancements, if need be.

The report has four chapters.

Chapter 1 presents the current context and historical background and describes the oversight of the distribution of financial products and services by the ARDFPS.

Chapter 2 examines trends in the realm of distribution and the attendant consultations that the Autorité des marchés financiers conducted.

Chapter 3 examines the oversight imposed on representatives in Québec and identifies possible solutions for optimizing and simplifying it. .

Chapter 4 focuses on Québec's compensation mechanism in the event of fraud.

An appendix presents summaries of the recommendations and the consultation questions.

CHAPTER 1

DESCRIPTION OF THE OVERSIGHT OF THE DISTRIBUTION OF CERTAIN FINANCIAL PRODUCTS WITH OR WITHOUT A REPRESENTATIVE

CONTEXT

Overview of the industry

The financial industry is of vital importance to the Québec economy. It accounts for nearly 5% of overall employment in Québec.¹ In addition, the salaries and profits that it generates account for nearly 7% of Québec's GDP.² Beyond its direct contribution to the economy, it plays a number of important roles. The industry makes available to Québec businesses the funds necessary to finance their growth. What is more, it enables Quebecers to save and thereby enhance their financial security. It also allows them to protect their assets and income against unforeseen events. The financial sector is thus contributing significantly to growth in the Québec economy and the betterment of its population.

In order to fully assess the impact of the measures to be proposed, the profile of the segment of the industry that the Act respecting the distribution of financial products and services (ARDFPS) covers according to the number of professionals and firms in each sector is presented on the following page. It should be noted that a number of representatives work in more than one sector.

¹ Institut de la statistique du Québec, *Emploi salarié et rémunération de l'industrie des services financiers, Canada et provinces – Édition 2014*, May 2014, p. 19.

² Institut de la statistique du Québec, *PIB et indice de concentration géographique de l'industrie des services financiers, Canada et provinces, données provisoires 2013*, June 2014, p. 20.

TABLE 1**OVERVIEW OF THE INDUSTRY**

AS OF SEPTEMBER 5, 2014

Intermediary	Number of representatives	Number – firms and insurers
Representatives attached to a firm		
Representatives in insurance of persons	6 589	2 813
Group insurance representatives	2 982	1 569
Damage insurance brokers	6 536	885
Financial planners attached to a firm	4 058	745
Mutual fund dealer representatives	23 356	78
Scholarship plan dealer representatives	585	12
Claims adjusters attached to an independent firm	745	127
Representatives attached to an insurer registered as a firm		
Representatives in insurance of persons	3 414	23
Group insurance representatives	763	16
Damage insurance agents	4 603	62
Claims adjusters attached to an insurer	2 185	65
Independent representatives		
Representatives in insurance of persons	2 748	NA
Group insurance representatives	750	NA
Damage insurance brokers	99	NA
Independent financial planners	368	NA
Independent claims adjusters	12	NA
Distribution without a representative		
Distributors	NA	5 736 (distributors)

Source: Autorité des marchés financiers, September 2014.

Objectives of the *Act respecting the distribution of financial products and services*

The ARDFPS was adopted in 1998. As Bernard Landry noted when Bill 188 was adopted in principle, its main objective was to modernize and broaden provisions respecting consumer protection. The ARDFPS was to establish a new, modern, fair competitive framework to ensure the supply of diversified financial products and services. It sought to simplify the regulatory framework and to impose only a strictly necessary burden to allow for the efficient operation of the financial services industry and, in particular, the insurance sector.

Moreover, in keeping with a worldwide trend at that time, another objective of the Act was to complete decompartmentalization by allowing deposit-taking institutions to sell insurance.

The ARDFPS replaced the Act respecting market intermediaries and partly the Securities Act (CQLR, chapter, chapter V-1.1) to oversee persons authorized to distribute insurance products, certain securities products (scholarship plans, investment contracts, mutual fund units) and to exercise the professions of financial planner and claims adjuster.

The Bureau des services financiers, whose board of directors mainly comprised industry representatives, was established at the same time to act as a regulatory and oversight body. It also acted as a public information centre and as an outlet for the submission of complaints. It has since been integrated into the Autorité des marchés financiers.

The ARDFPS established the Chambre de la sécurité financière (CSF) and the Chambre de l'assurance de dommages (ChAD). The chambers determine the professional codes of ethics applicable to representatives who are members of the chambers. Except in the case of financial planners, the chambers also determine the rules governing the professional development of their members. Furthermore, a discipline committee has been established in each of the chambers. It handles all complaints formulated in respect of a representative for breaches of the rules of professional conduct. The provisions governing the chambers are based on the Professional Code.

The ARDFPS introduces the notion and the concept of the firm and the independent representative. All legal persons must register as firms in order to distribute through representatives the financial products and services that their representatives are authorized to offer. The representatives may also register as independent representatives if they are not attached to a firm. The firms and the representatives may be multidisciplinary, i.e. be authorized to practice more than one sector governed by the ARDFPS, i.e. insurance of persons, group insurance, damage insurance, claims adjustment and financial planning.

The Act is noteworthy, in relation to the regulations in the other Canadian provinces, in that it imposes on representatives of the financial sector, except the representatives of securities dealers, oversight based on the model of the professional corporations with chambers that ensure compliance with the rules of professional conduct and the rules governing professional development.

The Act also regulates distribution without a representative. Under this system, a distributor, within the framework of its operations that are not in the insurance field, may offer, as an accessory, on behalf of an insurer insurance coverage pertaining to goods that it sells.

The Act has also established the Fonds d'indemnisation des services financiers (FISF), which grouped together in 1999 the three compensation funds then in force in insurance of persons, damage insurance and financial planning.

Changes in the legislation since 1998

Since it was assented to in 1998, the ARDFPS has been amended several times: in December 2002 (2002, chapter 45), in December 2004 (2004, chapter 37), in December 2006 (2006, chapter 50), in November 2007 (2007, chapter 15), in May 2008 (2008, chapter 7, and 2008, chapter 9), in June 2009 (2009, chapter 25) (2009, chapter 58), in November 2011 (2011, chapter 26) and in June 2013 (2013, chapter 18).

The Act respecting the Agence nationale d'encadrement du secteur financier (S.Q. 2002, chapter 45)

The most important reform of the Québec financial sector since the ARDFPS was assented to was carried out in the wake of the tabling of the report of the Québec Task Force on Financial Sector Regulation, entitled *A Streamlined Regulatory Structure for Québec's Financial Sector* (the Martineau report). The task force, whose seven members are active and recognized in the Québec financial industry, had a mandate to analyze the regulation of the Québec financial sector and make recommendations aimed at enhancing the sector.

The task force concluded that the oversight framework at the time was too complex, consumers had trouble grasping it, the administrative burden was excessive, and registrants complained about it. In response to the task force's report, the government decided to simplify the structure by assembling in a single body most facets of regulation of the financial sector, although it preserved the two chambers.

On December 11, 2002, the Act respecting the Agence nationale d'encadrement du secteur financier was assented to. It established a single regulatory body intended to administer all of the legislation governing the regulation of the financial sector in the realms of insurance, securities, deposit-taking institutions, and the distribution of financial products and services. The Agence replaced the Bureau des services financiers, the Commission des valeurs mobilières du Québec, the Inspector General of Financial Institutions and the Régie de l'assurance-dépôts du Québec, and assumed the management of the Fonds d'indemnisation des services financiers.

In the distribution sector, the establishment of the Agence, which was renamed the Autorité des marchés financiers shortly thereafter, led to a transition from regulation by a body run primarily by industry representatives, to government oversight.

The Act established a harmonized complaint handling system and a dispute-resolution process. Accordingly, each supplier of financial products and services has, since then, had to adopt a policy concerning the handling of complaints and claims and the settlement of disputes. What is more, the Act has added in the ARDFPS an obligation for an insurance representative to consider the client's specific needs when insurance is supplied.

The Act to amend the Securities Act and other legislative provisions (S.Q. 2004, chapter 37)

On December 17, 2004, the Act to amend the Securities Act and other legislative provisions was assented to. The Act introduced changes in particular to the governance of the two chambers. In addition, the Agence nationale d'encadrement du secteur financier changed names, becoming the Autorité des marchés financiers (the Authority).

The Act to amend the Securities Act and other legislative provisions (S.Q. 2006, chapter 50)

Bill 29, assented to on December 14, 2006, empowers the Authority to accompany with restrictions or conditions the registration of a representative or a firm in a securities sector.

The Act to amend the Securities Act and other legislative provisions (S.Q. 2007, chapter 15)

Bill 19, assented to on November 9, 2007, empowers the Authority to suspend the certificate of a representative who fails to abide by his obligation to engage in ongoing training.

The Act to amend the Securities Act and other legislative provisions (S.Q. 2008, chapter 7)

Bill 64, assented to on May 28, 2008, harmonizes the penalty scheme with that of other financial sector legislation, thereby making it more stringent, in particular as regards fines, administrative penalties and the limitation periods. The Authority obtained the power to determine through regulation the amounts of penalties and the conditions governing their imposition for failure to fulfil an obligation to file a document. Moreover, the bill made provision for the establishment of a compensation committee in the Authority. The committee, comprising three members appointed by the Minister, would have been responsible for ruling on the eligibility of claims submitted to the Fonds d'indemnisation des services financiers (FISF) and determining the amount of the compensation to be paid, in accordance with the regulation. The provisions concerning the committee were adopted but were never put into force.

The Real Estate Brokerage Act (S.Q. 2008, chapter 9)

Bill 73, assented to on May 28, 2008, established new rules on the regulation of mortgage brokerage dealings, thereby abrogating the provisions concerning mortgage brokerage for which provision was made in the ARDFPS, but that were not in force.

The Act to amend the Securities Act and other legislative provisions (S.Q. 2009, chapter 25)

Bill 8, assented to on June 17, 2009, transferred to the *Securities Act* the regulation of securities sectors previously covered by the ARDFPS to enhance the harmonization of Québec's regulation with that of the other Canadian provinces and territories. However, complete harmonization is hard to achieve insofar as the Act stipulates that the provisions concerning the FISF and the CSF continue to apply. Mutual fund dealer representatives and scholarship plan dealer representatives are still members of the CSF although they are subject to the Securities Act.

Among the other legal provisions, the Authority was empowered to determine by regulation the other circumstances under which a client may rescind an insurance contract or an annuity contract established by an insurer and any purchase of such contract, or the circumstances under which a client may cancel such a contract or purchase and the conditions and terms of the annulment or the cancellation.

The Act to amend various legislative provisions principally to tighten the regulation of the financial sector (S.Q. 2009, chapter 58)

Bill 74, assented to on December 4, 2009, gave jurisdiction to the Bureau de décision et de révision (BDR) as regards the ARDFPS. Furthermore, it amended certain provisions in the ARDFPS pertaining to distribution without a representative and harmonized the offence system in the Act with that stipulated in the Securities Act and the Derivatives Act (CQLR, chapter I-14.01). The administrative penalties and fines that may be levied pursuant to the statutes have been increased.

The Act to amend various legislative provisions mainly concerning the financial sector (S.Q. 2011, chapter 26)

Bill 7, adopted on November 30, 2011, allowed the chambers to ask the BDR to penalize a firm for a breach of the legislation. Similarly, the bill empowered the Authority to ask the BDR to penalize a representative. What is more, the bill accorded new order-making power to the BDR. As for the decisions of the disciplinary committee of a chamber, the bill stipulates that an appeal may only be lodged once a decision has been handed down on the penalty and not at the time of the decision concerning guilt. It also amended certain provisions concerning the governance of the chambers.

The Act to amend various legislative provisions mainly concerning the financial sector (S.Q. 2013, chapter 18)

Bill 31, assented to on June 14, 2013, enhances the governance of the CSF by increasing the number of independent directors. It also empowers the Authority to take the necessary steps to ensure that the professional liability insurance policies of the representatives cover gross negligence in order to better protect consumers.

The Canadian context

There is no statute in the rest of Canada equivalent to the ARDFPS since sectoral legislation usually governs the distribution of the products that it regulates. The only legislation that might be similar to the Act is the *Insurance Brokers Act* in Ontario that directly covers distribution but only for damage insurance brokers.

In the realm of securities, the other provinces have opted for a system of self-regulatory organizations (SRO). An SRO is a cluster of stakeholders in an industry that monitors all of its members by adopting rules governing conduct, ethics and commercial practices and by implementing control, monitoring and surveillance systems in order to maximize consumer trust in the industry.

The Investment Industry Regulatory Organization of Canada (IIROC) is the self-regulatory organization recognized by all of the provinces and territories. It oversees investment brokers and all of the operations conducted on stock exchanges and debt securities markets in Canada, including Québec.

In the realm of mutual fund dealing, the Mutual Fund Dealers Association of Canada (MFDA) is the SRO recognized in Canada, except in Québec.

There is no Canadian SRO for distributors in the insurance sector. However, in Ontario, it is the Registered Insurance Brokers of Ontario (RIBO) that acts as the self-regulatory organization for damage insurance brokers.

It is noteworthy that only in Québec are financial planners regulated by legislation. Elsewhere in Canada, the Financial Planners Standards Council (FPSC), a non-profit organization, offers Certified Financial Planner (CFP) accreditation to individuals who have taken the training program, passed the examinations, acquired the requisite experience, adhered to the code of ethics and engaged in ongoing training.

In the other provinces, claims adjusters must be certified but are regulated by the same statute as insurers. The degree of a claims adjuster's personal liability depends on the provincial statute that regulates the adjuster. The *Alberta Insurance Act*³ goes so far as to stipulate that an illegal act committed by a claims adjuster employed by an insurance company is deemed to have been perpetrated by the insurer.

Summary

The ARDFPS has responded well to the industry's and the public's needs. In particular, it has helped to sustain consumer confidence in the industry

³ Insurance Act (chapter I-3), Alberta.

despite the fraud cases that have occurred over the past decade. The industry is efficient and competitive. On the other hand, the current system is beginning to show signs of losing impetus and no longer adequately satisfies the needs engendered principally by the new technologies. If nothing is done, the regulatory framework risks becoming inadequate and outmoded. Both the industry and the public could suffer as a result. The time has, therefore, come to review it.

We will examine three themes in this report, i.e. trends in the realm of distribution and the consultations conducted by the Authority in this respect, the twofold oversight of representatives, and the compensation of consumers in the event of fraud.

CHAPTER 2

TRENDS IN THE REALM OF DISTRIBUTION

The public prefers to acquire financial products through a representative. The direct distribution of products through financial institutions is confined to simpler products such as deposits. This preference reflects the added value of the advice that representatives provide when the time comes to acquire “complex” products. Moreover, the representatives have ensured that they maintain their competitive advantage by enhancing requirements concerning training and ethics for the industry overall.

However, more and more people acquire financial products online. The availability of information and the convenience of online acquisition no doubt explain the growing appeal of this method.

Consultations conducted by the Autorité des marchés financiers

In recognition of the problems that technological innovation is creating for the financial sector and the numerous challenges in respect of regulatory adaptation that such innovation poses, the Autorité des marchés financiers (the Authority) has conducted public consultations concerning the online distribution of insurance and distribution without a representative.

Online distribution of insurance

Online shopping has experienced tremendous growth in recent years. Now the phenomenon is extending its reach to the distribution of financial products. Unfortunately, neither the Act respecting the distribution of financial products and services (ARDFPS) nor other legislation governing the financial sector deal specifically with this increasingly popular method of acquiring products. It is, therefore, time to examine the relevance of adapting legislation to this new reality.

The online distribution of consumer goods does not usually require specific provisions to protect consumers. The usual obligations respecting trade and competition are sufficient. What about the distribution of financial products and services? Must we impose a specific legal framework and if so, which one? Must we impose the placing online of certain information and specific document formats or let each supplier determine the contents of its site according to its assessment of what the public wants? Must we prohibit the distribution of certain overly “complex” products? Must we impose intervention by a certified representative or only require that the client be

afforded access to such a representative? Essentially, the question that arises is: can we allow the industry to engage in self-discipline and assume that it will satisfy consumers' needs or must we intervene and impose ways of doing business?

The Authority conducted a consultation on online insurance distribution from February 24 to May 24, 2012. At that time, in Canada the Canadian Council of Insurance Regulators (CCIR) published a report focusing on the same questions. *Electronic Commerce in Insurance Products* stems from the deliberations of a committee managed by the Authority. Although it broaches essentially the same topics, the Authority's consultation adjusts the contents to the specific components of Québec regulations.

The Electronic Commerce Committee of the CCIR received 25 proposals from industry organizations representing insurers, agents and brokers, and responses from insurers who responded in their own names. No consumer group expressed itself, although the opinions of such groups were sought.

Below are the CCIR's key recommendations stemming from the consultation.

- It is incumbent upon the consumer to select the product that he wishes to purchase and the manner in which he does so.
- It is incumbent upon online insurance suppliers to ensure that a consumer who purchases an insurance product makes an enlightened decision by providing him with the necessary information, in a comprehensive, timely manner. The supplier must give the consumer access to the appropriate advice and inform him of the importance of such advice.
- The information that enables the consumer to verify the service supplier's identity and ensure that the supplier is registered with the regulating authority must be permanently, readily, directly accessible on the websites of all suppliers that distribute insurance products online.
- The communication of information on the suppliers' websites must include all information that is important to decision-making and comply with all legal obligations.
- Before they conclude the contract, the suppliers should present to the consumer a summary of the information provided on the proposal form.
- The suppliers should offer the consumer a copy of the proposal and the contract in a format that can be reproduced and archived.
- It is incumbent upon the suppliers to use systems on which consumers can rely.
- In accordance with the applicable legislation, it is incumbent upon the suppliers to protect the consumers' personal information. Insurers should

establish secure, efficient systems to offer consumers the possibility of designating and changing beneficiaries by electronic means.

It is in the insurers' interests to properly select the products that they offer online to ensure that they are adapted to this distribution channel. They would have to assume the cost of a poorly adapted distribution method. Furthermore, the representative's advice would always be indicated for certain products and for consumers who prefer to rely on a professional. Insurers should be in a position to determine the method of distribution best suited to the different products that they offer. The regulations must, therefore, grant them sufficient flexibility.

In short, in order to distribute its products online, the industry must make this method of acquisition attractive to the public. What is more, certain requirements seem desirable and might underpin a flexible regulatory framework that would assign certain responsibilities to the product's distributor and afford the latter sufficient leeway to adapt the method of distribution to the clientele's needs.

PROPOSAL 1

- Draw on the recommendations of the Canadian Council of Insurance Regulators to put in place a flexible legal framework that will enable insurers to offer their products online.

Distribution without a representative

Distribution without a representative is a distribution regime described in Title VIII of the ARDFPS. Under the regime, an insurer may offer insurance products through a distributor who, in the context of his activities that are not in the field of insurance, offers, as an accessory, an insurance product that relates solely to goods sold by the person or secures a client's adhesion in respect of such an insurance product. The Act also identifies certain products that are deemed to qualify for this type of distribution: travel insurance, vehicle rental insurance, where the rental period is less than four months, credit card and debit card insurance, vehicle replacement insurance, debtor life, health and employment insurance, and investor life, health and employment insurance.

The Authority conducted a public consultation on distribution without a representative from November 26, 2010 to February 25, 2011. The consultation paper indicated the rules, provided a profile of the market and 14 recommendations, which responded to six questions identified by the Authority, on which interveners were asked to comment.

Six recommendations focused on the distribution guide. The Authority proposed in the recommendations the establishment of a guide template that includes all compulsory information. The information would be more or less the same as what the current regulations require but would be presented more clearly and in a language adapted to the public's general level of understanding. The guide would also be shorter and would not contain superfluous information that dilutes the information that is essential to enlightened decision-making by the client. The number of products offered by a single guide would be limited, the exclusions, limitations and restrictions would be highlighted, and the Authority would demand that the insurance confirmation be a separate element of the guide. The Authority also proposed facilitating access to the guides by making them available on its website.

Two recommendations proposed the extension of the contract cancellation period from 10 to 30 days. According to the Authority, this time limit would enable the consumer to review his purchasing decision and ascertain if a conventional product would better suit him. Against a backdrop of telemarketing, the consumer would have the time to receive documentation and consult it before the deadline expires.

Two recommendations were intended to make insurers responsible for compliance with the obligations of their distributors. Insurers should, therefore, adopt supervisory systems and confirm the coherence between the goods sold and the insurance product offered.

Three recommendations focused on distributors. The Authority proposed the development of a specific inspection program for distributors to ensure that they fulfil their obligations. It also wished to create a public registry to enable consumers to confirm that distributors are authorized to offer them products. Moreover, it wished to establish telemarketing call scripts to ensure their compliance with the requirements of distribution without a representative.

One recommendation proposed making it compulsory to disclose the remuneration clearly and in writing in all instances, instead of only when the remuneration exceeds 30% of the premium paid, as is the case now, in order to eliminate the avoidance tactics that certain distributors engage in.

The Authority received 18 briefs, in which opinions differ greatly. Stakeholders in distribution without a representative obviously advocate a less strict approach through guiding principles that would afford insurance suppliers greater leeway over the means of complying with regulations. The different groups of certified representatives want very strict oversight and would like to reduce to a minimum reliance on this distribution method.

One of the weaknesses of distribution without a representative is that it subjects to an array of rules persons who do not have any tie to the financial sector and who act as distributors only in a manner accessory to their main activity related to the product insured. While subjection to an array of rules is the norm in the financial sector, it is fairly uncommon in the other sectors, which engenders a number of practical difficulties.

Another significant weakness of distribution without a representative is that it makes a person shoulder most of the responsibility for distribution who is not necessarily able to assume such responsibility. Furthermore, the recommendation⁴ of the Authority that makes insurers accountable for the fulfilment of their distributor's obligations stems directly from this problem and would have the effect of shifting responsibility for distribution to an entity that is able to better assume it.

⁴ AUTORITÉ DES MARCHÉS FINANCIERS, *Document de réflexion et de consultation sur la distribution sans représentant*, November 2010, p. 11, Recommendation 7, Rendre les assureurs imputables du respect des obligations de leurs distributeurs :

“Given that distributors are not individuals who possess a certificate issued by the Autorité that authorizes them to act in the damage insurance or insurance of persons sector, that they are regulated neither by the Chambre de l'assurance de dommages nor by the Chambre de la sécurité financière, and that they offer insurance products on behalf of an insurer, the latter should be held more extensively accountable for the breaches of its distributors.

By making insurers accountable for the fulfilment of the obligations of their distributors, the insurers will be obliged to do what is necessary to ensure that their distributors conform to the legislation, in particular by establishing supervisory procedures.” [TRANSLATION]

One way to remedy the two shortcomings in the system could be to confirm the role of the distributors as mandataries of the insurer. The measure would make the insurer aware of its responsibilities and would make it possible to apply the regulations to the insurer instead of the distributor. Against this background, it would undoubtedly be possible to review overall oversight of distribution without a representative. The rules might resemble those governing online distribution. Accordingly, regardless of the method of distribution, consumers would have access to the same tools to make enlightened decisions.

PROPOSAL 2

- Establish a legislative framework for distribution without a representative that applies directly to insurers, which must ensure that the mandataries (now called distributors) abide by the rules.

CHAPTER 3

OVERSIGHT OF THE REPRESENTATIVE

The industry's desire to raise the level of professionalism of representatives led to the adoption of a regulatory system comparable to that of professional corporations. This approach, which has its advantages, also created more responsibilities. Both the Autorité des marchés financiers (the Authority) and the chambers exercise regulatory powers over representatives. They also directly or indirectly exercise supervisory authority and authority to impose sanctions over representatives.

Indeed, the Act respecting the distribution of financial products and services (ARDFPS) regulates both the representative and his firm. In Québec, the representative is governed by a chamber according to a model that draws inspiration from the professional corporations and must abide by its code of professional conduct. Pursuant to such oversight, the representative is responsible for his acts, whether he is independent or an employee. The firm on whose behalf the representative acts also monitors the representative since pursuant to the ARDFPS the firm is responsible for the actions of the representatives attached to it.

Oversight of ethical conduct by a chamber thus offers the added advantage of extra protection for consumers under the distribution with a representative regime in Québec. This means that representatives are personally responsible for the services they provide to consumers. Where a representative acts on behalf of a firm, his personal responsibility is in addition to that of the firm.

While this approach has helped raise the level of professionalism of representatives in general, it is more cumbersome than the approaches adopted in the rest of Canada. It entails additional costs, whether in contributions or an increased administrative and regulatory burden.

Twofold oversight also spawns some degree of confusion, sometimes even a possible incoherence as regards the firm's and the representative's responsibility and each one's conduct. Indeed, since the firm is responsible for the actions of its representatives, it follows that it must be able to impose on them practices and policies. This can result in a situation in which the practices or policies contravene the firm's code of ethics.

The same confusion can exist from the standpoint of the responsibilities of oversight bodies. When the Authority inspects a firm, it must also consider the actions of the representatives through whom the firm acts and the firm's responsibility to the representative. Conversely, a chamber that investigates a representative must also look at the firm's conduct. It is difficult to apply dual oversight without creating confusion from the standpoint of each one's responsibility and monitoring of them. As will be seen later on, the potential

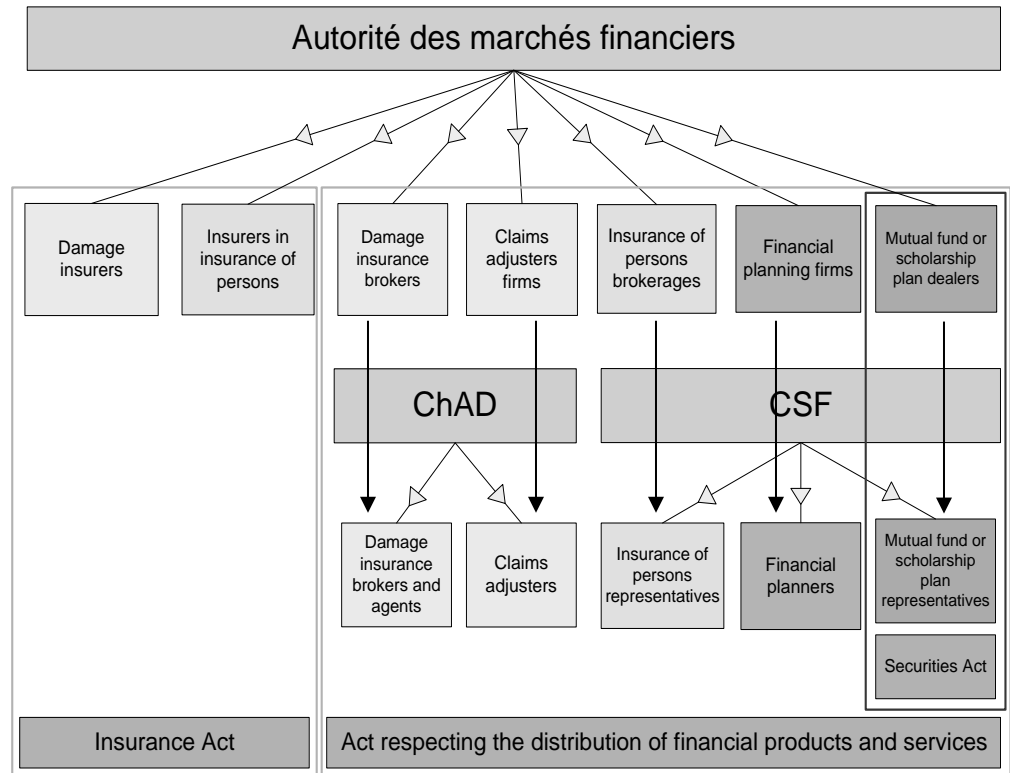
for conflict is even greater when the firm is a financial institution that otherwise has obligations toward its clients to engage in sound commercial practices.

This twofold oversight structure raises several issues:

- a heavier regulatory and pecuniary burden for industry participants;
- duplications in the fields of jurisdiction of regulatory bodies;
- the obligation for financial institutions, and firms, to deal with several oversight bodies;
- a degree of confusion among consumers about the role of each regulatory entity;
- difficulty finalizing harmonization of the group savings plan brokerage sector with the rest of Canada.

PROPOSAL 3

- Examine all approaches to ease the regulatory and financial burden of registrants, while maintaining adequate oversight of the distribution of financial products and services.

ILLUSTRATION 1**CURRENT OVERSIGHT STRUCTURE****Questions**

- A. In your view, do the advantages of twofold oversight outweigh the costs engendered?
- B. If not, what type of oversight do you propose?

Special cases

The advantages and disadvantages of the twofold oversight structure vary with the sector concerned, and are discussed in this chapter.

Mutual fund and scholarship plan representatives

An ongoing effort has been made for a number of years to harmonize the securities field, in response to the desire of provincial and territorial governments to minimize the difficulties that can ensue from having several different jurisdictions in Canada. That effort has, of course, been fueled by

constant pressure from the federal government to regulate this strategic sector. Despite the unanimous decision of the Supreme Court in 2011, which confirmed the provinces' exclusive power to regulate securities trading, the federal government continues to exert pressure and is now promoting a project to create a "federal-provincial" securities commission. Consequently, harmonizing Québec legislation with that of the rest of Canada continues to be a priority.

In all Canadian provinces except Québec, mutual fund dealers and representatives are subject solely to securities regulatory organizations having recognized the Mutual Fund Dealers Association of Canada (MFDA) as a self-regulatory organization. The current regulatory system in Québec limits the ability to harmonize the Québec model with that in the rest of Canada. This results in an additional cost for the sector, since a number of brokers working in Québec carry out their activities elsewhere in Canada.

In the context of the harmonization of securities regulations in Canada, the Authority held several consultations that led to the coming into force on September 28, 2009 of Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations. The regulation completed the necessary harmonization in respect of the registration of brokers and their representatives in order to implement the securities passport system. However, oversight of the mutual fund dealing sector has not yet been fully harmonized. The existence of two totally different oversight models complicates the harmonization of the rules applicable to mutual fund dealers and their representatives.

The Authority conducted consultations in 2007 and 2010 by proposing that the MFDA not be recognized as a self-regulatory organization (SRO) in Québec but to adopt by regulation the MFDA's rules compatible with the legislation and regulations in force in Québec. Under this model, the Chambre de la sécurité financière would continue to oversee the discipline and the ongoing training of mutual fund representatives working in Québec whether or not their broker is a member of the MFDA.

Not everyone agrees on this solution. Indeed, brokers doing business both in Québec and elsewhere are advocating full harmonization through the recognition of the MFDA. Otherwise, they maintain, no savings or simplification will be possible. In the case of independent brokers doing business solely in Québec, the change of structure might be important and the consequences could be decisive, especially for those with limited resources.

Were the MFDA to be recognized, the clients of Québec brokers would be covered by the Investor Protection Corporation (IPC), the MFDA's compensation fund. The IPC covers the losses that investors sustain in the event of the bankruptcy of their broker, which can stem from claims from defrauded clients. This option would possibly lead to changes in the Fonds d'indemnisation des services financiers (FISF) since brokers working in

Québec contribute to it. Under such a scenario, should both IPC and FISF coverage be kept or would IPC coverage be enough?

Questions

- C. What type of oversight should the government consider in the special case of mutual fund and scholarship plan dealing?
- D. Were the MFDA to be recognized, should FISF coverage be kept in addition to IPC coverage?

Employees of insurers

One of the consequences of the twofold oversight structure is the potential for conflict between the rules a firm seeks to impose on representatives acting on its behalf and the rules imposed by the chambers. The potential for conflict will generally be greater when the firm is an insurer and the representative is its employee. Indeed, the insurer's interest in imposing its own rules of conduct will be much greater in the case of an employee given the threat to its reputation that it incurs. In addition, under the Act respecting insurance, insurers must follow sound commercial practices, described in the AMF guidelines. According to international trends, the guidelines respecting commercial practices will become increasingly important. The potential for regulatory conflict can only grow.

Moreover, consumers' expectations of representatives and claims adjusters who are employed by an insurer are not the same as expectations with respect to other representatives. While consumers are entitled to expect to receive the same quality of advice concerning the suitability of products to their needs, they cannot expect the representative to shop around for the most advantageous of all available products. Only representatives who act on behalf of several insurers also offer consumers the advantage of being able to shop around for the most advantageous product.

Thus, in the case of an insurer's employees, the advantages of twofold oversight do not appear to be as great for consumers as the disadvantages for the industry, with respect to the potential for conflict over legislation and oversight.

Question

- E. What type of oversight should the government consider in the special case of insurers' employees?

Claims adjusters employed by an insurer

The subjection of claims adjusters in the ARDFPS is a different matter. Since they do not offer products or financial services, it is surprising that they should be regulated by a distribution law.

What is more, it is important to properly distinguish the activities of claims adjusters employed by the public and the activities of claims adjusters employed by or under contract to an insurer. Claims adjusters employed by the public act as intermediaries or offer second opinions to consumers who wish to obtain assistance in the management of their claim with the insurer.

When the insurer employs or gives a contract to a claims adjuster, the latter essentially performs a function directly linked to the insurer's activity. He does not offer a service. He performs a task on behalf of the insurer. While an insurance representative provides the client with a service that is separate from the product that he sells on behalf of the insurer, namely, the assessment of the client's needs and the recommendation of adequate products, the claims adjuster does not provide any service to the client: he certifies the claim, analyzes the contents of the policy and establishes on behalf of the insurer the compensation to which the insured party is entitled. It is the insurance contract that protects the client. The twofold oversight of these employees of the insurer can thus lead to especially complex situations that are complicated both for the adjuster and for the insurer.

Question

F. What type of oversight should the government consider for claims adjusters employed by insurers?

Independent representatives

A representative attached to a firm engages in his activities under the responsibility of the firm that employs him although he is personally responsible for his actions pursuant to the oversight by the chambers to which he is subject. This is not exactly the case for independent representatives since they are not attached to a firm. Thus, independent representatives experience twofold oversight directly, because they are subject to the same regulations and oversight as firms, as well as to the chamber's oversight of ethical conduct. The regulatory burden seems relatively heavier, since it must be borne by a single person.

Question

G. What type of oversight should the government consider for independent representatives?

CHAPTER 4

COMPENSATION IN THE EVENT OF FRAUD

Fraud perpetrated by a member of the representatives industry or involving it creates more victims than we think. There are, of course, those who lose money, but there are also thousands of honest, competent representatives who lose the trust of their clients and the public.

It is in order to guard against this collateral damage that industries for which public trust is vital establish compensation funds. The industry ascertains to what extent it wishes to guard against a loss of trust that will affect all of its members.

Governments acknowledge the obvious benefits for the industry but also for the public and often contribute to the success of such funds by making participation in them compulsory. Accordingly, several funds or other compensation mechanisms were initially set up based on entirely voluntary participation, which was subsequently imposed by regulation.

The Act respecting market intermediaries established the Fonds d'indemnisation en assurance de personnes within the Conseil des assurances de personnes, the Fonds d'indemnisation en assurance de dommages within the Conseil des assurances de dommages, and the Fonds d'indemnisation des planificateurs financiers for financial planners who are holders of a certificate issued by the Inspector General. The board of directors of the funds comprised one director appointed by the Minister and six directors appointed by the Conseil, three of whom were chosen from among the holders of certificates and three others from among individuals who, because of their activities, were likely to contribute in a specific manner to the resolution of problems inherent in the exercising of the activity of a market intermediary.

When the Act respecting the distribution of financial products and services (ARDFPS) was adopted, the three funds were merged to establish the Fonds d'indemnisation des services financiers (FISF) with the objective of maintaining the public's trust in representatives and firms by compensating the victims of fraud, fraudulent practice and misappropriation of funds. The management of the FISF was entrusted to a board of directors comprising seven members appointed by the Bureau des services financiers, itself managed by a board of directors two-thirds of whose members are industry representatives.

At the time of the establishment of the Autorité des marchés financiers (the Authority) in 2004, primarily for the purpose of offering the public and the industry a single outlet in the realm of the regulation of the financial sector, the FISF was integrated into the operations of the Authority and management of the fund was, consequently, transferred from the industry to a public body.

The FISF is the only fund of its type in Canada. Indeed, there are other compensation funds but they are managed by the industry and cover losses stemming from a firm's insolvency. The Investor Protection Corporation of the Mutual Fund Dealers Association of Canada (MFDA), and the Property and Casualty Insurance Compensation Corporation for casualty underwriters are but some examples. While the FISF is effective and the current system is working well, it has been subject to criticism in the wake of the financial scandals that have occurred in Québec in recent years.

At the request of the Minister of Finance at the time, the Authority conducted a public consultation from December 9, 2011 to March 9, 2012. The consultation notice included 22 questions and was accompanied by a reference guide on the protection mechanisms offered in Québec and in Canada. The Authority sought the opinion of market stakeholders on seven questions:

- the role of compensation in the array of measures aimed at protecting the consumers of financial products and services;
- the responsibility of consumers and representatives;
- the basic objective pursued by compensation;
- consumers' approach to compensation;
- responsibility for the management of compensation mechanisms for the victims of financial frauds;
- the products, representatives and acts covered by the compensation fund;
- funding of the compensation fund and cost mitigation measures.

The Authority received 34 briefs, some of them substantial.

The main problem related to the FISF stems from the fact that it only covers conduct that falls within the limits allowed by the certificate or the registration of the intermediary who acted fraudulently. Moreover, this is the most frequent reason for refusing compensation. It places a needless burden on the consumer's shoulders. Since the finance sector is changing constantly and products are increasingly numerous and complex, a consumer can experience certain difficulties in accurately ascertaining the products and services that the intermediary is, in fact, authorized to offer him. Accordingly,

one solution to this problem would be to provide protection to consumers as soon as they do business with a properly certified intermediary or one who is registered in one of the disciplines covered by the FISF, even if the claim concerns conduct that falls outside the acts allowed by the certificate or the registration accorded by the Authority.

Another problem raised with respect to the compensation system might be resolved according to the solution(s) adopted. For example, the fact that an investor who purchases a mutual fund from a representative of a mutual fund dealer is protected by the FISF but that a consumer who purchases the same product through a representative of an unrestricted-practice dealer is not protected poses a problem of fairness. Were the MFDA to be recognized in Québec and were we to rely essentially on its fund in the event of bankruptcy, as is the case for securities dealers, this incongruity would vanish.

The purpose of the fund is to maintain public trust in the distribution industry. However, the fact that the fund is managed by a public body instead of by the industry may give the impression that the consumer will be compensated whether or not the person responsible for the harm is registered. The nuance is important when it is a question of determining the compensation coverage and managing the public's expectations. It is difficult to understand why a public body agrees to compensate one fraud victim but not another one. On the other hand, it is quite understandable that an industry is willing to compensate the victims of a fraud perpetrated by one of its members but not the victims of a fraud perpetrated by someone else. Should management of the fund be reviewed?

The establishment of a committee that represents the industry in the Authority would be a solution that would make it possible to preserve the advantage of a single outlet that the consolidation in the Authority of oversight functions affords while putting, to some extent, the management of the fund in the hands of the industry.

The establishment in the Authority of a committee to rule on the eligibility of claims and determine the amount of compensation to be paid was introduced in 2008 by Bill 64. Indeed, the bill made provision for the establishment of a compensation committee comprising three members appointed by the Minister that would report to the latter on its activities every year. The provisions were never put into force since they did not seem to adequately respond to several problems related to the FISF. We might consider changing the committee's composition to make it more representative of the industry.

One other possibility would be to draw inspiration from it to establish a committee in the Authority to review decisions. The committee could be made up of members from the industry and would be responsible for reviewing at the request of consumers the Authority's decisions concerning compensation.

PROPOSAL 4

- Make provision for a consumer to be compensated when he is the victim of a fraud perpetrated by a certified representative even if the claim concerns the sale of products that the representative was not authorized to offer.

PROPOSAL 5

- Call upon industry representatives in the decision-making process of the Fonds d'indemnisation des services financiers.



CONCLUSION

The current legislation has achieved its objective of protecting the public. However, it would be desirable to update it to take account of changes in the market. Oversight of intermediaries could also be simplified. In this respect, the reform that follows this report may be more or less sweeping and will take into account the comments that the report elicits.

APPENDIX 1

Summary of the recommendations

PROPOSAL 1

- Draw on the recommendations of the Canadian Council of Insurance Regulators to put in place a flexible legal framework that will enable insurers to offer their products online.

PROPOSAL 2

- Establish a legislative framework for distribution without a representative that applies directly to insurers, which must ensure that the mandataries (now called distributors) abide by the rules.

PROPOSAL 3

- Examine all approaches to ease the regulatory and financial burden of registrants, while maintaining adequate oversight of the distribution of financial products and services.

PROPOSAL 4

- Make provision for a consumer to be compensated when he is the victim of a fraud perpetrated by a certified representative even if the claim concerns the sale of products that the representative was not authorized to offer.

PROPOSAL 5

- Call upon industry representatives in the decision-making process of the Fonds d'indemnisation des services financiers.
-

APPENDIX 2

Summary of the consultation questions

Questions

- A. In your view, do the advantages of twofold oversight outweigh the costs engendered?
 - B. If not, what type of oversight do you propose?
 - C. What type of oversight should the government consider in the special case of mutual fund and scholarship plan dealing?
 - D. Were the MFDA to be recognized, should FISF coverage be kept in addition to IPC coverage?
 - E. What type of oversight should the government consider in the special case of insurers' employees?
 - F. What type of oversight should the government consider for claims adjusters employed by insurers?
 - G. What type of oversight should the government consider for independent representatives?
-

CAFII Consultations/Submissions Timetable 2015-16

Regulatory Issue	Deliverable	Deadline	Accountable
ON Review of FSCO Mandate (consultation paper released April 21, 2015)	<ul style="list-style-type: none"> Stakeholder roundtable meetings CAFII Board to meet with Expert Advisory Panel Response submissions to “trial balloon report” due Panel delivers final report to Minister 	<ul style="list-style-type: none"> Jul/Aug 2015 Summer 2015 Oct/Nov 2015 Feb/Mar 2016 	•
CCIR Review of Travel Health Insurance	<ul style="list-style-type: none"> CCIR TIWG releases Discussion Paper Response submissions to Discussion Paper due Meeting with TIWG and/or CCIR CCIR releases Position Paper 	<ul style="list-style-type: none"> Nov 2015 Feb 2016 Mar/Apr 2016 June 2016 	•
QC Review of Distribution Act – (consultation Report released June 12, 2015)	<ul style="list-style-type: none"> Response submissions to Report due Meeting with Ministry of Finance officials re CAFII submission 	<ul style="list-style-type: none"> Sep 10, 2015 Oct/Nov, 2015 	•
BC FICOM 10-Year Review of FIA (consultation paper released June 2, 2015)	<ul style="list-style-type: none"> Response submissions to consultation paper due Meeting with Ministry of Finance officials re CAFII submission 	<ul style="list-style-type: none"> Sep 15, 2015 Oct/Nov 2015 	•
BC “Effecting” of CGI Issue	<ul style="list-style-type: none"> FICOM issues Information Bulletin Meeting with FICOM officials re Bulletin’s directives 	<ul style="list-style-type: none"> ~ June 30, 2015 Aug/Sep 2015 	•
SK Bill 177	<ul style="list-style-type: none"> FCAA publishes Draft Regulations Response submissions on Draft Regulations due Meeting with FCAA officials re CAFII submission 	<ul style="list-style-type: none"> Oct/Nov 2015 Jan 2016 Feb/Mar 2016 	•

Regulatory Update – CAFII Executive Operations Committee, June 16, 2015

Prepared By Brendan Wycks, CAFII Executive Director

Introduction

Federal/National

- **CCIR:**
 - CCIR Expects To Disseminate Travel Insurance Survey In Late June Or Early July **(page 2)**
 - Four Provinces Are Early Signatories To CCIR's Memorandum Of Understanding **(page 2)**
- **FCAC:**
 - FCAC Launches National Financial Literacy Strategy **(page 2)**

Provincial

- **British Columbia:**
 - Public Consultation Paper Launches BC's Review Of Financial Institutions Act **(page 3)**
 - FICOM's Release Date For "Effecting Of CGI" Bulletin Pushed Back To Late June **(page 3)**
- **Saskatchewan:**
 - FCAA To Publish Bill 177 Draft Regulations In Fall 2015 **(page 4)**
- **Ontario:**
 - Roundtable Meetings On FSCO Mandate Review To Be Held In Late July **(page 4)**
- **Quebec**
 - Ministry Of Finance Announces Review Of Distribution Act **(page 5)**

Federal/National

Canadian Council of Insurance Regulators (CCIR)

CCIR Expects To Disseminate Travel Insurance Survey In Late June Or Early July

On June 12/15, Carol Shevlin, CCIR Policy Manager, sent Brendan Wycks an advance copy of the final version of the Travel Insurance Working Group's (TIWG) survey of travel health insurers. She also provided permission for a limited, confidential distribution to CAFII members so that they would be aware of the nature and scope of the questions posed in the survey.

Carol advised that the survey would be presented to the CCIR for approval on June 26, with the expectation that it will be disseminated shortly thereafter to travel health insurers that underwrite out-of-province/Canada coverage for Canadian travelers.

She also noted that the TIWG "appreciates all of the comments you and your members provided to us, helping to inform the final version. The comments and insights have assisted us in shortening the survey and reducing the amount of information we will be collecting."

Carol also advised that the survey is just one of the sources of information that the TIWG intends use. It will be approaching the various industry Ombudservices for information on complaints they receive. TIWG has also obtained information regarding a consumer survey undertaken in the United Kingdom by the Financial Conduct Authority and is still collecting input from the public.

Four Provinces Are Early Signatories To CCIR's Memorandum of Understanding

CCIR recently announced that BC, Alberta, Ontario and Quebec were the first provinces to sign onto its new Memorandum of Understanding (MOU) that sets out the terms for co-operation and information exchange among provincial and territorial insurance regulators.

In a press release, Patrick Déry, CCIR Chair and Superintendent of Solvency at the AMF, said the MOU "creates an environment in which we can work together and put our information and resources together." The information to be shared under the MOU will relate mainly to insurance entities that carry on business in more than one province or territory, with the objective of allowing more consistent handling of consumer complaints, more effective risk surveillance, and greater collaboration on market conduct issues.

The MOU also sets out specific protocols for ensuring the protection of confidential information and is part of the CCIR's broader Supervisory College initiative to create a harmonized framework for market conduct regulation and supervision to replace the current fragmented system.

CCIR expects the remaining provincial/territorial insurance regulators to sign on to the new MOU in future.

Financial Consumer Agency of Canada

FCAC Launches National Financial Literacy Strategy

On June 9/15, Minister of State (Finance) Kevin Sorenson and National Financial Literacy Leader Jane Rooney launched the *National Strategy for Financial Literacy—Count me in, Canada*.

The Strategy is a call to action for Canadians to gain the knowledge, skills and confidence they need to make good financial decisions. It is focused on three goals: helping Canadians manage money and debt wisely; helping them plan and save for the future; and helping prevent and protect them against fraud.

Financial Literacy Leader Rooney will implement the strategy by coordinating the efforts of federal departments, collaborating with organizations across the country, and guiding the evaluation of financial literacy initiatives. Members of the National Steering Committee on Financial Literacy – including CLHIA’s Leslie Byrnes, Vice-President, Distribution and Pensions -- will champion the strategy by helping to create and implement activities within their networks.

Provincial

British Columbia

Public Consultation Paper Launches BC’s Review Of Financial Institutions Act

On June 2/15, the BC Ministry of Finance released a consultation paper and formally launched the 10-year review of the province’s Financial Institutions Act.

The Financial Institutions Act provides the regulatory framework for credit unions, insurance companies and intermediaries, and trust companies, and the related Credit Union Incorporation Act provides the framework for incorporation and corporate governance of credit unions. The goal of the regulatory framework is to maintain stability and confidence in the financial services sector by reducing the risk of failures and providing consumer protection.

A number of sections of the consultation paper – which does not present conclusions or propose specific policy changes – are particularly germane to CAFII members. These were outlined in a June 3/15 e-mail alert to EOC members.

The deadline for response submissions is September 15/15. Ministry of Finance staff will be available to discuss the contents of written submissions with stakeholders, and may follow up with them for further information. Minister of Finance Michael de Jong has also asked Penticton MLA Dan Ashton, the Parliamentary Secretary for Finance, to participate in the public consultation process. Mr. Ashton will also be available to meet with stakeholders, on behalf of the Minister, to discuss their views about the issues raised in the consultation paper.

A public report on the input received will be prepared and released after the consultation period has ended, and further public consultation will also be undertaken in a later phase of the review.

FICOM’s Release Date For “Effecting Of CGI” Bulletin Pushed Back To Late June

On June 4/15, Kristine Mactaggart Wright, Executive Director, Conduct Supervision at FICOM, advised Brendan Wycks that the expected timing for release of an Information Bulletin on the ‘effecting’ of creditor’s group insurance in BC issue had been pushed back to late June.

Earlier, on April 30/15, Carolyn Rogers, CEO of BC’s Financial Institutions Commission, advised CAFII that an Information Bulletin would be disseminated to the industry on this issue by June 1, 2015, after a courtesy vetting with other CCIR members.

Saskatchewan

FCAA To Publish Bill 177 Draft Regulations In Fall 2015

On June 15/15, Jan Seibel, Lawyer with Saskatchewan's Financial and Consumer Affairs Authority (FCAA), called Brendan Wycks to provide an update on the Regulations in support of *Bill 177, The Insurance Act* and the process that will unfold prior to the law's being proclaimed into force.

Jan advised that drafting of the Regulations is well underway and – while the FCAA can't give or be held to precise dates -- the following timeline, previously communicated by Jim Hall, is seen as providing reasonable approximate target dates:

-May 6, 2015	Bill 177 and House Amendments Passed
-Spring/Summer/Early Fall 2015	Regulations Drafted By Saskatchewan FCAA
-Fall 2015	Draft Regulations Published
-Late Fall 2015 and Winter 2016	Consultation With Industry On Draft Regulations
-Spring/Summer 2016	Regulations Finalized and Approved
-Latter Half of 2016	Industry Transition Period
-Late 2016 or Early 2017	Revised Act and Regulations Proclaimed Into Force

Jan clarified that once the Regulations are finalized, following a thorough consultation period with the industry, they only need to be approved and accepted by the Cabinet of the government and will not require review and approval by the legislature.

The FCAA will be in touch with CAFII about the industry consultation once the draft Regulations are ready.

Ontario

Roundtable Meetings On FSCO Mandate Review To Be Held In Late July

On June 8/15, CAFII received a confirmation message from the Ministry of Finance acknowledging receipt of the Association's submission to the Expert Panel advising on FSCO's mandate review. The Ministry also advised that all submissions received in response to the public consultation paper will be posted online before the end of June; and that follow-up roundtable meetings for stakeholders with the Expert Panel will be scheduled for late July.

In CAFII's May 21/15 preliminary, informal meeting with the Expert Panel, David McLean, Policy Advisor with the Ministry of Finance and Secretary to the Panel, provided the following timetable and work plan:

- June 5/15: Deadline for response submissions to the consultation paper
- Summer 2015: Panel holds Stakeholder roundtable meetings with respondent groups
- Early Fall 2015: Panel drafts and releases for comment "trial balloon report" based on written submissions and roundtable meetings
- Late Fall 2015: Panel assimilates stakeholder input on trial balloon recommendations; and drafts final report
- Winter 2016: Panel delivers final report to Minister of Finance.

Quebec

Ministry of Finance Announces Review Of Distribution Act

On June 12/15, the Quebec Ministry of Finance published a *Report on the Application of the Act respecting the distribution of financial products and services* (ARDFPS). The purpose of the Report is summarized as follows: “the ARDFPS has responded well to the industry’s and the public’s needs. In particular, it has helped to sustain consumer confidence in the industry despite the fraud cases that have occurred over the past decade. The industry is efficient and competitive. On the other hand, the current system is beginning to show signs of losing impetus and no longer adequately satisfies the needs engendered principally by the new technologies. If nothing is done, the regulatory framework risks becoming inadequate and outmoded. Both the industry and the public could suffer as a result. The time has, therefore, come to review it.”

The 46-page Report contains five recommendations.

1. **Draw on the recommendations of the CCIR to put in place a flexible legal framework that will enable insurers to offer their products online.** With respect to this recommendation, the Report states that “it is in the insurers’ interests to properly select the products that they offer online to ensure that they are adapted to this distribution channel. They would have to assume the cost of a poorly adapted distribution method. Furthermore, the representative’s advice would always be indicated for certain products and for consumers who prefer to rely on a professional. Insurers should be in a position to determine the method of distribution best suited to the different products that they offer. The regulations must, therefore, grant them sufficient flexibility.”
2. **Establish a legislative framework for distribution without a representative that applies directly to insurers, which must ensure that the mandataries (now called distributors) abide by the rules.** This section, which speaks about inherent weaknesses in distribution without representation, asserts that “this measure would make the insurer aware of its responsibilities and would make it possible to apply the regulations to the insurer instead of the distributor. Against this background, it would undoubtedly be possible to review overall oversight of distribution without a representative. The rules might resemble those governing online distribution.”
3. **Examine all approaches to ease the regulatory and financial burden of registrants, while maintaining adequate oversight of the distribution of financial products and services.** The Report questions the value of the two-fold oversight structure made up of the AMF and two chambers: the Chambre de la sécurité financière and the Chambre de l’assurance de dommages (self-regulatory organizations for life insurance advisors and general insurance brokers respectively).
4. **Make provision for a consumer to be compensated when he is the victim of a fraud perpetrated by a certified representative even if the claim concerns the sale of products that the representative was not authorized to offer.**
5. **Involve industry representatives in the decision-making process of the Fonds d’indemnisation des services financiers (financial services indemnity fund).** The Ministry plans to review management of the compensation fund. However, the Minister wants to retain the one-stop model currently in place, but would like the industry to be more involved in managing the fund. One way to achieve that, the Report suggests, would be to form a compensation committee made up of three members appointed by the Minister.

The Report encourages the industry and anyone interested to comment on the recommendations made and questions raised by September 10/15.

CAFII Regulator and Policy-Maker Visit Plan 2015

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status June 16/15
British Columbia				
Gerry Matier, Executive Director, Insurance Council of BC	Feb. 27/15 meeting in Toronto addressed review of BC FIA; representation for banks-in- insurance on Insurance Council; new CE requirements for new licensees; LLQP support; CCIR travel insurance initiative	When Gerry is in Toronto for September 22/15 CISRO LLQP Stakeholder Info Session	-10 yr. Review of BC Financial Institutions Act (FIA) -LLQP modernization -Update on Council priorities -Update on CCIR travel insurance review -Communicate CAFII issues -Maintain and strengthen relationship	Pending
Carolyn Rogers , CEO, FICOM & Superintendent of Insurance (CCIR Vice-Chair)	Lunch meeting in Quebec City on April 30/15	When Carolyn is in Toronto for CCIR/related meetings	-10 yr. Review of BC Financial Institutions Act (FIA) -'Effecting' of CGI in BC issue -Update on CCIR travel insurance review -Communicate CAFII issues; maintain and strengthen relationship	Pending
Doug McLean, Deputy Superintendent of Insurance, FICOM	No contact/meeting for at least past two years	When Doug is in Toronto for CCIR/related meetings		Pending
Kristine Mactaggart Wright, Executive Director, Conduct Supervision (joined FICOM in March 2015)	B. Wycks had get acquainted telephone discussion with Kristine on April 27/15	When Kristine is in Toronto for CCIR/related meetings	-'Effecting' of CGI in BC issue (has leadership responsibility for this issue)	Pending
Harry James, Director, Policy Initiatives, FICOM (Chair of CCIR's new Working Group on Travel Insurance)	Nov. 21/14: G. Grant chatted with H. James during FIA Review roundtable discussion Jul 28/14: call with CAFII reps re: "effecting" CGI	When Harry is in Toronto for CCIR/related meetings	See above	Pending
Michael de Jong, Minister of Finance Dan Ashton, Parliamentary Secretary for Finance	Nov. 21/14: G. Grant represented CAFII at FIA Review roundtable discussion hosted by Minister	If necessary, Q3 or Q4 2015	-follow up on CAFII issues/concerns re: 10-year Review of Financial Institutions Act. (Formal consultation paper released June 3/15; with September 15/15 deadline for submissions)	Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status June 16/15
Alberta				
Alberta Insurance Council: Joanne Abram, CEO; Ron Gilbertson, Chair (2012-15) Anthonet Maramieri, COO (succeeded retired Tom Hampton at beginning of 2015) Warren Martinson, Legal Counsel (member of CISRO LLQP Ctte)	Nov 20/14: CLHIA COSS seminar (B. Wycks); Mar 17/14; Toronto, ON Mar 17/14; Toronto, ON Feb 27/15: Toronto: B. Wycks met A. Maramieri and had get acquainted chat at CISRO LLQP Stakeholder Info Session Feb 10/14: Toronto, ON	When Joanne, Anthonet, or Warren is in Toronto for CISRO/CCIR/related meetings	-Representation for Restricted Licence Holders -Licensing for 3 rd party providers -Canadian Insurance Participant Registry (CIPR) -LLQP modernization - Update on Council priorities -Communicate CAFII issues -Maintain and strengthen relationship	Pending
Mark Prefontaine, Superintendent of Insurance	Sep 30/14; Fredericton, NB (informal meeting)	When Mark is in Toronto for CCIR/related meetings	See above	Pending
David Sorensen, Deputy Superintendent of Insurance	No face-to-face contact to date - <i>appointed Sep 15/14; CAFII congratulatory letter sent</i>	When David is in Toronto for CCIR/related meetings	See above - and introduce CAFII	Pending
Laurie Balfour, Director, Financial Compliance, Insurance Regulation and Market Conduct Branch	Sep 30/14: Fredericton, NB (informal meeting) Jul 28/14: call with CAFII reps re: "effecting of CGI"	When Laurie is in Toronto for CCIR/related meetings	See above	Pending
Robin Campbell, President of Treasury Board and Minister of Finance	No contact – appointed Sept 15/14	TBD	TBD until CAFII has a "direct ask"	Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status June 16/15
Saskatchewan				
Ron Fullan, Executive Director, Insurance Councils of Saskatchewan and CISRO Chair	June 5/15 CISRO LLQP Stakeholder Info Session	When Ron is in Toronto for September 22/15 CISRO LLQP Stakeholder Info Session	-Restricted Insurance Agents Advisory Cttee. -Sask RIA regime and licensure issues -LLQP modernization - Update on ICS and CISRO priorities -Communicate CAFII issues -Maintain and strengthen relationship	Pending
April Stadnek, Director of Licensing	Sep 30/14; Fredericton, NB (informal meeting) November/13 in Toronto when April attended CLHIA CCROSS Seminar	When April is in Toronto for CISRO/CCIR/related meetings		Pending
Roger Sobotkiewicz, former Director of Financial Consumer Affairs Authority (FCAA)'s Legal Branch, became Interim Chairperson and Superintendent of Insurance, effective Feb. 1/15	-no previous contact; congratulatory letter on appointment sent March 4/15	Q4 2015 or Q1 2016 meeting in Regina, if necessary	-introduce CAFII and build relationship -Regulations being developed following passage of Bill 177, The Insurance Act (Saskatchewan) -ISI: Representation for Restricted Licence Holders -LLQP modernization - Update on Superintendent's priorities -Communicate CAFII issues	Pending
Ian McIntosh, Deputy Superintendent of Insurance	Jul 28/14 call with CAFII reps re: "effecting CGI"	Same as above	See above	Pending
Janette Seibel, Lawyer, FCAA, became lead on Bill 177 and Regulations file effective June 1/15	-teleconference meeting, along with Jim Hall, on CAFII submission on Bill 177, on March 2/15 -(subsequent telephone discussion between J. Hall and B. Wycks on May 7/15 re passage of Bill 177; and plans for Regulations to effect changes to sections of Insurance Act via "not proclaimed in force." J. Seibel did not participate in call but received report from J. Hall)	Q4 2015 or Q1 2016 meeting in Regina, if necessary	-Regulations being developed following passage of Bill 177, The Insurance Act (Saskatchewan)	Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status June 16/15
Manitoba				
Ministry of Finance: Jim Scalena, Superintendent <i>*Retired at end of 2014</i> Scott Moore, Deputy Superintendent, currently serving as Interim Superintendent of Insurance	April 29/14; Winnipeg, MB April 15/15 teleconference with three CAFII reps re concern about amended Insurance Act's apparent residency requirement for employees of Restricted Insurance Agents April 29/14: Winnipeg, MB	When successor or Scott is in Toronto for CCIR/related meetings	-Introduce CAFII and build/maintain relationship -Implementation of ISI regime -Representation for Restricted Licence Holders -Update on Insurance Act Review -LLQP modernization -Update on Superintendent's and Council's priorities -Communicate CAFII issues	Pending
Greg Dewar, Minister of Finance	No contact – appointed Nov/14	TBD	TBD until CAFII has "direct ask"	Pending
Erin Pearson, Executive Director, Insurance Council of Manitoba:	Sept. 30/14: dinner in Fredericton, NB re: ISI implementation Apr 29/14; Winnipeg, MB	When Erin is in Toronto for CISRO/related meetings	Same as above	Pending
Ontario				
FSCO: Brian Mills, appointed Interim CEO and Superintendent on October 18/14	January 28/15 stakeholder meeting with CCIR November 21/14 at FSCO Life and Health Insurance Symposium	Q3 2015: get acquainted lunch or dinner meeting	(i)-Introduce CAFII and build/maintain relationship (ii) Ontario government review of FSCO's mandate (iii) next steps, if any, in Life Insurance Product Suitability Review (iv)-CCIR review of travel insurance (v) LLQP modernization (vi)-enhancing the national CRS (vii)-Update on Superintendent's priorities (viii)-communicate CAFII issues	Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status June 16/15
Anatol Monid, Interim Executive Director, Licensing and Market Conduct Division	June 9/15: B. Wycks had informal update conversation with A. Monid at CAFII Reception January 28/15 stakeholder meeting with CCIR November 21/14 at FSCO Life and Health Insurance Symposium	To be determined, as required	Item (iii) above	Pending
Isabel Scovino, appointed Director, Market Conduct Regulation Branch in Nov/14	Nov 21/14 at FSCO Life & Health Insurance Symposium Nov 13/14 re: Report on Joint Review (FSCO and AMF) of National Complaint Reporting System (CRS)	To be determined, as required	Item (v) above	Pending
Ministry of Finance Charles Sousa, Minister	CAFII made submission to OMAF on "Proposed Regulations Related to Parts V and VII of the Insurance Act" on May 19/15			
Three-member Expert Panel advising on Government's review of FSCO's mandate	May 21/15 informal meeting	July/August 2015 "Roundtable" meeting with industry stakeholders, to which CAFII will be invited and assigned Seek exclusive, one-on-one meeting for CAFII (Board member representation) with Expert Panel during summer 2015	-follow-up on CAFII's written submission; provide Panel with input on issues it should be aware of, from CAFII's perspective; ask questions; dialogue. See above	Pending Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status June 16/15
Quebec				
AMF: Louis Morisset, CEO; Patrick Dery, Superintendent, Solvency (appointed CCIR Chair effective April 1/15) Eric Stevenson, Superintendent, Client Services and Distribution Oversight Ministry of Finance Carlos Leitao, Minister Richard Boivin, Assistant Deputy Minister, Financial Institution Policy and Corporate Law Guillaume Caudron, Chief of Staff	Apr 8/14: Montreal, QC April 29/15 meeting in Quebec City, along with AMF staff executives Eric Stevenson, Nathalie Sirois, and Louise Gauthier January 28/15 stakeholder meeting with CCIR January 30/15 meeting in Toronto, along with L. Gauthier, re (i) and (ii)	Liaison lunch and meeting in conjunction with October 6/15 CAFII Board meeting, to be hosted by Desjardins in Levis, Quebec Q3 or Q4 2015 meeting, likely in Quebec City	-(i)AMF final paper on electronic commerce in insurance, setting out Orientations/expectations -(ii)Distribution Guide template and implementation timelines -LLQP modernization -enhancing the national CRS -Update on AMF priorities -Communicate CAFII issues -Maintain and strengthen relationship CAFII submission in response to Report on the Application of the Act respecting the distribution of financial products and services, published June 12/15	Pending Pending
Atlantic Canada				
Joint Forum of Insurance Regulators (four provinces)	Oct 1/14: Fredericton, NB	Spring or Fall 2016	TBD	Deferred to 2016
New Brunswick				
Angela Mazerolle, Superintendent of Insurance	Oct 1/14: Fredericton, NB	None planned for 2015	TBD	Deferred to 2016

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status June 16/15
David Weir, Deputy Superintendent of Insurance	June 9/15 teleconference re New Brunswick licensing issues Oct 1/14: Fredericton, NB	When David is in Toronto for September 22/15 LLQP Stakeholder Info Session	-Development of online licensing system -renewed consultation on Rule re licensing fees -other New Brunswick licensing issues	Pending
Jay Reid, Investment Attraction Officer, Opportunities New Brunswick	Jun 3/14: Toronto, with Adam Mitton of predecessor organization Invest New Brunswick	Q3 2015 when Jay is in Toronto; or alternatively via teleconference	- CAFII submission re: Insurance Act and regulatory process changes necessary to support business efficiency and further inbound investment and additional jobs in New Brunswick	Pending
Ronald Godin, Consumer Advocate for Insurance	No contact		-Introduce CAFII and build relationship -Position CAFII as an information resource	Pending
Nova Scotia				
Doug Murphy, Superintendent (at March 26/15 CCIR meeting, D. Murphy's imminent retirement announced)	January 28/15 stakeholder meeting with CCIR Oct 1/14: Fredericton, NB	To be determined; dependent upon successor Superintendent appointment	-Review of life and accident & sickness provisions of Insurance Act (D. Murphy confirmed on April 22/15 that this is unlikely to occur in 2015)	Pending
PEI				
Superintendent Robert Bradley	Oct 1/14: Fredericton, NB	Q4 2015 or Q1 2016 in PEI or Toronto, if necessary	-Review of life and accident & sickness provisions of Insurance Act (on April 23/15, R. Bradley advised that this may get underway in late 2015) -LLQP modernization -Update on Superintendent's priorities -Communicate CAFII issues -Maintain and strengthen relationship	Pending
Newfoundland				
Craig Whalen, Deputy Superintendent	Oct 1/14: Fredericton, NB	None in 2015	N/A	Deferred to 2016

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status June 16/15
FEDERAL/NATIONAL				
Carol Shevlin, Policy Manager, CCIR *Retiring at end of 2015	-Liaison lunch with B. Wycks on Feb. 23/15 -January 28/15 stakeholder meeting with CCIR	-Q3 or Q4 get acquainted/liaison lunch for B. Wycks with C. Shevlin and two CCIR Policy Manager successors (hiring announcement imminent) -December 8/15 CAFII Holiday Season Reception	-CCIR review of travel health insurance -Update on CCIR 2014-17 Strategic Plan and related priorities -Communicate CAFII issues; and maintain and strengthen relationship -possible CAFII webinar(s) for CCIR in 2015 -Recognition and tribute to Carol, upon her imminent retirement at end of 2015 (confirmed as agreeable to her)	Pending Confirmed
Patrick Dery, Chair, CCIR (Superintendent, Solvency, AMF) Carolyn Rogers, CCIR Past-Chair and current Vice-Chair (CEO, FICOM & Superintendent of Insurance)	April 29/15 meeting in Quebec City, along with CCIR Vice-Chair Carolyn Rogers April 29/15 in Quebec City, along with CCIR Chair Patrick Dery January 28/15 stakeholder meeting with CCIR Oct 7/14: Toronto, ON at CAFII Regulator Reception	When Patrick is in Toronto for CCIR/related meetings When Carolyn is in Toronto for CCIR/related meetings	-CCIR review of travel health insurance -Update on CCIR 2014-17 Strategic Plan and related priorities -Communicate CAFII issues; and maintain and strengthen relationship See above	Pending
Harry James, Chair, CCIR Working Group on Travel Insurance (Director, Policy Initiatives, BC FICOM)	March 24/15 meeting with CAFII EOC re draft industry survey of travel insurance underwriters January 30/15 and December 10/14, CAFII participated in TIPIP meetings with CCIR Working Group on Travel Insurance	When Harry is in Toronto for CCIR/related meetings	-CCIR review of travel health insurance	Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status June 16/15
Ron Fullan Chair (SK); G. Matier (BC); J. Abram (AB), W. Martinson (AB); D. Weir (NB) CISRO	Feb 27/15: CISRO LLQP Stakeholder Info Session Feb 10/14: Toronto, ON	When Ron is in Toronto for September 22/15 LLQP Stakeholder Info Session	-LLQP modernization -possible CISRO Strategic Plan	Pending
Jeremy Rudin, Superintendent, Office of the Superintendent of Financial Institutions	No contact – appointed June/14	Q3 or Q4 2015 “get acquainted” meeting in Ottawa or Toronto	-introduce/educate about CAFII, CGI and alternate distribution -build relationship -invite to be speaker at a CAFII Reception event	Pending
Doug Melville, Ombudsman, OBSI (resignation announced March 2015: departs OBSI at end of May 2015 for similar position in Channel Islands)	None	None	TBD	Watch/ monitor
Financial Consumer Agency of Canada (FCAC): Lucie Tedesco, Commissioner Brigitte Goulard, Deputy Commissioner Jane Rooney, Financial Literacy Leader Jeremie Ryan, Director, Financial Literacy and Consumer Education Karen Morgan, Marketing Officer	May 1/15: B. Wycks made self-introduction and chatted with L. Tedesco, following her speech at CLHIA Conference Jun 10/14 Feb 10/15 (presentation at CAFII Annual Luncheon) Feb. 10/15 Jan 9/14	 Q3 2015 (either in-person in Ottawa or Toronto; or via teleconference)	 -CAFII proposed enhancements to FAQs and other content on FCAC web site re creditor insurance -CAFII involvement in consumer financial literacy initiatives, including Financial Literacy Month	 Pending