

CAFII EOC Meeting

Date: Tuesday, March 24, 2015
Location: CIBC Insurance
Venue: Commerce Court, 199 Bay Street, 4th Floor
[Imperial Room], Toronto, ON
Time: 1:00 p.m. – 4:00 p.m.
Chair: G. Grant

Conference call dial-in information:

416-764-8662 or 1.888-884-4534

participant code: 771017#;

moderator code: 7661560#

Agenda

| Item | Presenter | Action |
|--|--|--|
| Meeting: CCIR Working Group on Travel Insurance Chair, Harry James (1:00 – 2:30 pm) <i>[attachment]</i> <i>Additional representatives from member companies will be present for this meeting as well</i> | H. James, G. Grant, B. Wycks | Update |
| 1. Call to Order | G. Grant | Update |
| 2. Approval of Agenda and Previous Minutes <ul style="list-style-type: none"> a. EOC Minutes of February 17, 2015 <i>[attachment]</i> b. Summary of Board and EOC Action Items <i>[attachment]</i> | All | Approval Update |
| 3. CAFII Financial Management <ul style="list-style-type: none"> a. Financial Statements as at February 28, 2015 b. 2014 Draft Audited Financial Statements | R. Rajaram R. Rajaram | Approval Approval |
| 4. Regulatory Relations and Advocacy <ul style="list-style-type: none"> a. CISRO LLQP Implementation <i>(attachment)</i> b. Meeting with G. Matier, BC: Feb 27/15 <i>(attachment)</i> c. Travel Insurance Pan-Industry Project Group (TIPIP) 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 | Update Update Update Update Update Update |
| 5. EOC Committee Updates <ul style="list-style-type: none"> a. Media Advocacy Committee b. Market Conduct Committee <ul style="list-style-type: none"> i. SK Bill 177: Meeting with Jim Hall & Jan Seibel <i>(attachment)</i> c. Research & Education Committee <ul style="list-style-type: none"> i. CAFII Value Proposition Project ii. Travel Insurance Project d. Licensing Efficiency Issues Committee <ul style="list-style-type: none"> i. Invest New Brunswick Letter <i>(attachment)</i> ii. SK endorsement Re. Representation on Council e. Events and Networking Committee | C. Blaquiere R. Beckford B. Wycks, G. Grant S. Manson S. Manson M. Gill B. Wycks, M. Gill B. Wycks, M. Gill M. Sanchez-Chung | Update Update Update Approval Update Update Update Update Update |
| 6. Other Business | G. Grant | |

- Next Board Meeting is Apr 7/15 in Toronto (ON) hosted by CIBC Insurance.
- Next EOC Meeting is Apr 28/15 in Toronto hosted by ScotiaLife Financial.

CAFII EOC Meeting Minutes

Tuesday, February 17, 2015

Location: TD Insurance

120 Adelaide St. West, 2nd Floor [King Room], Toronto, ON

Present:

| | |
|---------------------|--|
| Charles Blaquiere | Canadian Premier Life Insurance Co. |
| Rose Beckford | ScotiaLife Financial (for part, <i>by teleconference</i>) |
| Derek Blake | RBC Insurance (<i>by teleconference</i>) |
| Andre Duval | Desjardins Financial Security Life Assurance |
| Eleanore Fang | TD Insurance |
| Moiria Gill | TD Insurance |
| Greg Grant | CIBC Insurance, <i>Chair</i> |
| John Lewsen | BMO Insurance (for part, <i>by teleconference</i>) |
| Sue Manson | CIBC Insurance |
| Rosemary Pulla | 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 |
| Raja Rajaram | CIBC 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 1:07 pm. Greg acted as Chair and Leya acted as Recording Secretary.

2. Approval of Agenda and Previous Minutes

The agenda was approved as presented.

a. EOC Minutes of January 13, 2015

The EOC Minutes of January 17, 2015 were approved as presented.

b. Summary of Board and EOC Action Items

The Action Items were reported to be completed and those that weren't would be discussed during today's agenda.

3. CAFII Financial Management

Raja was unable to attend the meeting and Brendan presented the draft financial statements for the 2014 fiscal year in his absence. It was noted that the amounts were unaudited and therefore subject to adjustments as per the audit process.

4. Regulatory Relations and Advocacy

a. CCIR Stakeholder Meeting: Jan 28/15

Similar to previous years, CAFII provided the discussion agenda for this recent stakeholder meeting with CCIR and, overall, the meeting was positive. CCIR is moving ahead with a Supervisory College approach, modelled after the IAIS. This will lead to some of the larger provinces supporting the smaller ones. The Supervisory College will take a principles-based approach and will allow the regulators to be more proactive and to pose questions more frequently to the industry. CAFII members were thanked for complying with the CCIR's July 2013 request that they give regulators advance notice whenever they are introducing new products into the market or substantially changing a consumer-focused process.

John left the meeting at 1:30 pm by teleconference.

b. Meeting with Eric Stevenson, AMF: Jan 30/15

Approximately 10 CAFII representatives met with Eric Stevenson and Louise Gauthier from the AMF on January 30 to discuss recent developments in Quebec with respect to the AMF's distribution guide template and plans for a new Quebec position paper consultation on e-commerce in insurance.

The e-commerce position paper will outline principles that can be codified in a Regulation. There will be a 60 day consultation period on the position paper, expected to be released within the next several weeks, with the goal being to complete the process by the end of 2015. Eric Stevenson indicated that while the idea is not to force the customer to go through an advisor channel, it is still important to make toll-free, call centre and click-to-chat access to an agent available throughout the buying process.

On the Distribution Guide template, the AMF is going to allow for greater flexibility and not be so prescriptive; however, CAFII representatives in attendance at this meeting felt that there still isn't clarity on the issue of compensation disclosure. The AMF intends to develop a draft Regulation – under the current Distribution Act, if necessary. The draft Regulation, rather than a position paper, will be released for a brief period of industry consultation, with the goal of having that Regulation passed and proclaimed by the end of 2015.

CAFII members have enjoyed a cordial and productive working relationship with Eric Stevenson and other AMF staff executives over a number of years, which is evidenced by the open dialogue that occurred at the January 30/15 liaison meeting.

Rose left the meeting at 1:40 pm by teleconference.

c. Travel Insurance Pan-Industry Project Group (TIPIP)

Brendan reported on the separate stakeholder meeting that TIPIP had with CCIR on January 28/15. One representative from each participating Association was in attendance, along with Jill McCutcheon, legal counsel to TIPIP, who served as the group's spokesperson.

Overall, TIPIP's stakeholder meeting with CCIR had gone well; however it was revealed afterwards that some viewed the questions by regulators' as a strong push back, and that the CCIR was disappointed with TIPIP's proposed solutions, thus far. In recent days, CCIR put out a media release announcing that a review of travel insurance is a 2015 priority and inviting consumers to submit their experiences with travel insurance.

EOC members agreed that CAFII should work on travel insurance issues internally, in addition to participating on TIPIP, thereby offering additional resources to support the TIPIP initiative. CAFII members have expertise in the area of distribution, and their expertise could potentially move things forward within TIPIP once we have performed our own work on it.

Sue, co-chair of the Research & Education Committee, noted that a parallel conversation about investigating travel insurance issues had occurred within that committee. It was suggested that CAFII might want to undertake a survey to confirm if there is, in fact, a consumer confidence issue around travel insurance, as this is the crux of the issue in the minds of regulators. In addition, if there are issues being raised at TIPIP that aren't being pursued, then perhaps CAFII can pick up on those as well.

Discussion continued on page 5 under 5.c.ii(c). Travel Insurance Project.

d. Regulatory Update

Brendan presented the Regulatory Update as provided in the meeting package.

- Independent Financial Brokers of Canada (IFB) Letter Re. 5 Year Review of the Credit Unions and Caisses Populaires Act (CUCPA). It was suggested and agreed that CAFII should look into the merits of sending a letter to Laura Albanese, Parliamentary Secretary to Ontario's Minister of Finance and leader of the CUCPA Review, for the purpose of correcting misinformation contained in the IFB's CUCPA submission that is critical of alternate distribution of insurance.

Action: CAFII to investigate the merits of sending a letter to Laura Albanese, leader of the Ontario 5-Year Review of the Credit Unions and Caisses Populaires Act, to address any misinformation contained in other industry Association submissions and providing facts that may be of interest. *[Brendan; Feb 27, 2015]*

e. Regulator and Policy-Maker Visit Plan

Brendan highlighted recent updates to the Regulator and Policy-Maker Visit Plan. He noted that the CLHIA's 2015 Compliance and Consumer Complaints Annual Conference – taking place in Quebec City from April 29 to May 1 – would likely again present valuable opportunities for liaison visits with regulators targeted in the Visit Plan, who would be in Quebec City to speak at or attend the conference.

Several EOC members indicated that they would be attending this upcoming CLHIA Conference, including Greg Grant, Moira Gill and Isabelle Choquette.

Action Items:

- 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]*
- 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]*

5. EOC Committees Updates

a. Media Advocacy Committee

To date, this new committee has met only once due to scheduling difficulties and the loss of some members. It was agreed that the committee shall continue to meet with the few members it has, in order to advance the few deliverables to which it has agreed.

b. Market Conduct Committee

i. Bill 177, The Insurance Act (Saskatchewan)

CAFII's submission on Saskatchewan's Bill 177 has been drafted and will be circulated to EOC members imminently, in order that member FI feedback can be incorporated and the submission finalized to meet CAFII's February 23/15 deadline.

CAFII will also be sending a congratulatory letter to Roger Sobotkiewicz, the new Interim Chairperson of the Financial Consumer Affairs Authority and Superintendent of Insurance in Saskatchewan, and the letter will briefly reference CAFII's submission on Bill 177.

Action: A congratulatory letter to be sent to Roger Sobotkiewicz, Interim Chairperson of the Financial Consumer Affairs Authority and Superintendent of Insurance in Saskatchewan, including a high level reference to CAFII's submission on Bill 177, The Insurance Act (Saskatchewan). *[Brendan; asap]*

John joined the meeting at 2:30 pm by teleconference

c. Research & Education Committee

This committee recently met to discuss and refine its 2015 work plan which includes the following major initiative:

i. CAFII Value Proposition Project

Towers Watson (TW) provided an analysis of the CAFII results in December and CAFII members have since provided feedback, which has been accepted in as much as it doesn't impact TW's position as an independent, third party actuarial services provider. In addition, TW was asked if it would be willing to entertain including in its report certain analyses outside of the initial contract that would be of interest to CAFII members; and TW has since submitted a proposal for those items.

The CAFII Value Proposition Project subcommittee presented a proposal to incur additional expenses with TW, a summary of which was included in the meeting materials. EOC members agreed that the additional statistics suggested in the proposal would be valuable.

APPROVED: Members confirmed acceptance of the Towers Watson proposal for additional analytical and reporting services as presented, up to \$11,500 for the aggregate report and \$3,150 for 7 individual CAFII member reports. This work and the corresponding expenses are in addition to the initial project scope and associated fees.

ii. Other Potential 2015 Initiatives:

- a) Media Advocacy Playbook (June). The committee discussed developing a core list of issues being discussed in the media and with regulators; and conducting additional research on these issues. The goal is to develop a plan in June.
- b) Customer Satisfaction Poll (May – July). Conduct a follow-up study to see if there's any change from the initial CAFII poll conducted in 2010. In addition, a consumer confidence survey on travel insurance may offer a top line read on this issue.
- c) Travel Insurance Project. *The following is a continuation of discussion that occurred on page 2, under 4.c.* Travel insurance products distributed by CAFII members are simple and are offered by financial institutions. Members agreed that performing a gap analysis would be worthwhile and to this end it was agreed that the first step would be to assemble a group of travel experts. Leya will provide Sue with a list of travel experts.

The CCIR Working Group on Travel Insurance will be conducting a survey in April 2015 and, overall, its work is expected to be a two-year process. In addition, CAFII has an opportunity to advise the CCIR Working Group on what its industry survey should include.

The idea of a separate CAFII survey was tabled and it was suggested that, if this were done, the work would need to be performed through an independent, third party expert to comply with CAFII's competition guidelines.

In addition it was suggested that CAFII conduct a consumer survey of its own on travel insurance, in parallel to the CCIR's work on travel insurance. Proposed timing for CAFII survey: collate survey, June – October; release survey, November – January.

Action: CAFII to form an internal travel insurance project group, led by the Research & Education committee. Travel insurance resources and expertise to be sourced from Desjardins, CIBC, TD, RBC and a request to be issued to the remaining member companies by email. [Sue; tba]

Rose joined the meeting at 3:00 pm by teleconference.

d. Licensing Efficiency Issues Committee

This committee's 2015 work plan and deliverables shall be discussed at its upcoming meeting on Friday, February 20/15.

e. Events and Networking Committee

Speaker suggestions are being solicited for the CAFII Regulator Reception on April 7/15. In previous meetings, it was indicated that Paul Yeung had reached out to Brian Mills, the new Interim CEO and

Superintendent of Insurance at FSCO, to speak and Maria shall touch base with him on the result. Maria is also following-up on other suggestions including the Senior Legal Counsel from AMEX.

Members were advised that the FCAC had posted pictures on Facebook from last week's CAFII Annual Members' Luncheon which can be viewed publicly. In an effort to maintain good relations with allied industry Associations, it was decided that a heads-up message shall be provided to them with respect to future CAFII members' only events, to which we are not in a position to invite their participation.

Action: Follow-up on the potential speakers for April 7/15 including Brian Mills, Interim CEO and Superintendent of Insurance at FSCO. *[Maria; asap]*

6. CAFII Strategy Session & Discussion

7. Other Business

a. Consultant

Members were advised that former consultant, Anne Riley, had been contracted to help with additional work on CAFII's website and to prepare a regulatory newsletter – using Brendan's Regulatory Update as the primary content source – for distribution to the regulator and policy-maker audience.

b. Thank You Luncheon: Paul Yeung

Members were advised that a thank you luncheon for Paul Yeung shall be arranged in future and invites will be issued, upon confirmation.

8. Termination

There being no further business, the meeting was terminated at 3:40 p.m.

Date

Chair

Recording Secretary

2015 Summary of Meeting Action Items: BOARD & EOC

| | Source | Action Item | Responsible | Deadline | Status as of 19-Mar-15 |
|--|--------------------|--|--------------------------|-----------|---------------------------|
| BALANCED SCORECARD / PERFORMANCE MANAGEMENT | | | | | |
| | | | | | |
| FINANCIAL MANAGEMENT | | | | | |
| | | | | | |
| MEMBERSHIP | | | | | |
| | | | | | |
| GOVERNANCE AND ADMINISTRATION | | | | | |
| | | | | | |
| REGULATOR / POLICY-MAKER RELATIONS AND ADVOCACY | | | | | |
| | | Central Canada: MB, ON, QC | | | |
| 1 | EOC Feb 17, 2015 | • CAFII to investigate the merits of sending a letter to Laura Albanese, leader of the Ontario 5-Year Review of the Credit Unions and Caisses Populaires Act, to address any misinformation contained in other industry Association submissions and providing facts that may be of interest. | Brendan | 27-Feb-15 | Not making submission |
| 2 | EOC Nov 18, 2014 | • CAFII to consider making a submission on the Ontario Credit Unions 5-Year Review Review (Deadline Jan 15, 2015). Follow-up on Greg's email suggesting our two credit union members lead this initiative and report back to EOC. | Brendan, Greg | 13-Jan-15 | Not making submission |
| | | Eastern Canada: NB, NL, NS | | | |
| 3 | EOC- June 19, 2014 | • Submit a letter on the potential changes to the New Brunswick Insurance Act to Invest New Brunswick. | LEIC | Jan 2015 | In progress |
| | | Western Canada: BC, AB, SK | | | |
| 4 | EOC Jan 13, 2015 | • Draft CAFII response to Saskatchewan Bill 177. EOC to be provided with draft response before it is submitted to the province | Market Conduct, B. Wycks | 16-Feb-15 | Completed |
| 5 | EOC Nov 18, 2014 | • Request legal counsel to develop draft by-law terms of reference for RIA Advisory Committee to Executive Director, ICS. | LEIC, Moira | TBA | Not proceeding |
| 6 | EOC June 19, 2014 | • Make recommendation to EOC on BC representation for banks-in-insurance sector. | LEIC | 15-Sep-14 | In progress |
| | | New Ministers | | | |
| 7 | EOC Feb 17, 2015 | A congratulatory letter to be sent to Roger Sobotkiewicz, Interim Chairperson of the Financial Consumer Affairs Authority and Superintendent of Insurance in Saskatchewan, including a high level reference to CAFII's submission on Bill 177, The Insurance Act (Saskatchewan) | Brendan | asap | Completed |

| | Source | Action Item | Responsible | Deadline | Status as of 19-Mar-15 |
|--------------------------|------------------------|---|---------------------|-----------|------------------------|
| | | LLQP Modernization | | | |
| 8 | EOC July 22, 2014 | • Draft letter of support for LLQP modernization for review at the July 30 MAC meeting | Brendan | 30-Jul-14 | Completed |
| 9 | Ad Hoc | • Present final LLQP letter to EOC for approval | Brendan, Moira | 13-Jan-15 | Completed |
| 10 | Board June 10, 2014 | • Develop a list of relevant policy-makers and legislators; and drafting a letter to them in support of the LLQP modernization | Brendan, EOC | 13-Jan-15 | Completed |
| | | • Continue to monitor developments on this issue and consider scheduling follow-up meetings with the recipients of the letter. | EOC | Ongoing | In progress |
| | | Regulator and Policy-Maker Visit Plan | | | |
| 11 | EOC Feb 17, 2015 | • 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] | Brendan | tba | Completed |
| | | • 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] | Brendan | asap | Completed |
| INDUSTRY RESEARCH | | | | | |
| | | | | | |
| 12 | EOC Feb 17, 2015 | CAFII to form an internal travel insurance project group, led by the Research & Education committee. Travel insurance resources and expertise to be sourced from Desjardins, CIBC, TD, RBC and a request to be issued to the remaining member companies by email. | Sue | tba | In progress |
| | | CAFII Value Proposition Project | | | |
| 13 | EOC Oct 28, 2014 | • An interim report to be presented to the EOC (November 18) and Board (December 2) at their upcoming meetings. The final results to be presented at the Board meeting in April 2015. | DMC | 2-Dec-14 | In progress |
| MEDIA AND COMMUNICATIONS | | | | | |
| | | Media Outreach | | | |
| 14 | Board Oct 7, 2014 | • Key Messages Map and Key Messages to be provided to the board for approval. | Brendan, Greg | 2-Dec-14 | Completed |
| 15 | EOC Sep 23, 2014 | • Hold lunch education session with Toronto Star reporter. CAFII's key messages and Q&A portion of an educational meeting to be finalised for use at the sessions. | Brendan, Greg, Paul | 19-Nov-14 | Completed |

| | Source | Action Item | Responsible | Deadline | Status as of 19-Mar-15 |
|------------------------------|----------------------|---|------------------|-----------|---------------------------|
| 16 | 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 |
| 17 | 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 | | | | | |
| 18 | EOC Feb 17, 2015 | Follow-up on the potential speakers for April 7/15 including Brian Mills, Interim CEO and Superintendent of Insurance at FSCO | Maria | asap | In progress |

CAFII

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

Statement of Operations As at February 28, 2015

| | Current Month | Current YTD | Budget 2015 | % Used |
|--|------------------|------------------|-------------------|-------------|
| Revenue | | | | |
| Membership Fees | 70,666.00 | 70,666.00 | 424,000.00 | 17% |
| Interest Revenue | 32.76 | 69.03 | 500.00 | 14% |
| TOTAL REVENUE | 70,698.76 | 70,735.03 | 424,500.00 | 17% |
| Expenses | | | | |
| Management Fees | 21,898.65 | 43,804.41 | 249,264.00 | 18% |
| CAFII Legal Fees/Corporate Governan | 0.00 | 0.00 | 5,000.00 | 0% |
| Audit Fees | 0.00 | 0.00 | 14,000.00 | 0% |
| Insurance | 432.00 | 864.00 | 5,368.00 | 16% |
| Website (incl translation) | 1,567.50 | 1,624.87 | 6,260.00 | 26% |
| Telephone/Fax/Internet | 590.05 | 707.51 | 8,000.00 | 9% |
| Postage/Courier | 0.00 | 0.00 | 500.00 | 0% |
| Office Expenses | 17.91 | 269.35 | 3,000.00 | 9% |
| Bank Charges | 0.00 | 0.00 | 60.00 | 0% |
| Miscellaneous Expenses | 0.00 | 0.00 | 0.00 | 0% |
| Amortization Expense | 0.00 | 0.00 | 300.00 | 0% |
| Depreciation Computer/Office Equipm | 38.89 | 77.78 | 0.00 | |
| Boar/EOC/AGM | | | | |
| Annual Members Lunch | 8,559.13 | 8,559.13 | 7,000.00 | 122% |
| Board Hosting (External) | 0.00 | 0.00 | 9,000.00 | 0% |
| Board/EOC/Meeting Expenses | 0.00 | 1,499.69 | 10,000.00 | 15% |
| Industry Events | 0.00 | 0.00 | 805.00 | 0% |
| EOC Annual Lunch | 0.00 | 0.00 | 2,000.00 | 0% |
| Sub Total Board/EOC/AGM | 8,559.13 | 10,058.82 | 28,805.00 | |
| Provincial Regulatory Visits | 204.53 | 204.53 | 10,000.00 | 2% |
| Research/Studies | 0.00 | 0.00 | 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 | | | | |
| Speaker fees & travel | 0.00 | 0.00 | 3,000.00 | 0% |
| Gifts | 0.00 | 0.00 | 1,000.00 | 0.00 |
| Sub Total Networking & Events | 0.00 | 0.00 | 4,000.00 | 0% |
| 15th Anniversary Event | 0.00 | 0.00 | 0.00 | |
| TOTAL EXPENSE | 33,308.66 | 57,611.27 | 448,557.00 | 13% |
| NET INCOME | 37,390.10 | 13,123.76 | -24,057.00 | -55% |

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 February 28, 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 | | \$ 23,500.00 | |
| CIBC Insurance | \$ 23,500.00 | Mar13,2015 | \$ 23,500.00 | |
| RBC Insurance | \$ 23,500.00 | | \$ 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 | | \$ 11,750.00 | |
| National Bank Insurance Company | \$ 11,750.00 | Mar13,2015 | \$ 11,750.00 | |
| Cumis Group Ltd | \$ 11,750.00 | | \$ 11,750.00 | |
| Aimia | \$ 4,800.00 | | | |
| Avalon Actuarial | \$ 4,800.00 | Mar13,2015 | | |
| Collins Barrow Toronto Actuarial Services | \$ 4,800.00 | | | |
| CSI Brokers Inc. | \$ 4,800.00 | | | |
| KPMG | \$ 4,800.00 | | | |
| Laurentian Bank of Canada | \$ 4,800.00 | | | |
| Munich Re | \$ 4,800.00 | | | |
| Optima Communications | \$ 4,800.00 | Feb27,2015 | | |
| RGA Life Reinsurance Company of Canada | \$ 4,800.00 | | | |
| 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 reallocate monthly Jan-Dec | \$35,333 | | | |

CAFI

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

Balance Sheet As at February 28, 2015

| ASSETS | Current 2015 |
|--|------------------|
| Current Assets | |
| Bank Balance | \$246,530 |
| Investments ^A | \$53,381 |
| Accounts Receivable | \$231,200 |
| Interest Receivable | \$304 |
| Prepaid Expenses | \$1,296 |
| Computer/Office Equipment | \$2,334 |
| Accumulated Depreciation -Comp/Equip | (\$1,050) |
| Intangible Assets-Trademarks | \$0 |
| Accumulated Amortization-Trademark | \$0 |
| Total Current Assets | \$533,994 |
| TOTAL ASSETS | \$533,994 |
| LIABILITIES | |
| Current Liabilities | |
| Account Payable ^B | \$47,845 |
| Deferred Revenue | \$165,334 |
| Total Current liabilities | \$213,179 |
| TOTAL LIABILITIES | \$213,179 |
| UNRESTRICTED NET ASSETS | |
| Unrestricted Net Assets, beginning of year | \$307,691 |
| Excess of revenue over expenses | \$13,124 |
| Total Unrestricted Net Assets | \$320,815 |
| Total Unrestricted Net Assets | \$320,815 |
| TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS | \$533,994 |

| | |
|---|------------------|
| 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: | \$320,815 |
| Current Level of Financials Reserve (%): | 72% |

CA FII
 55 St Clair Ave West, Suite 255
 Toronto, ON, M4V 2Y7
Balance Sheet Items
As at February 28, 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 |
| | 590.05 |
| | 6,571.02 |
| | 1,567.50 |
| | 13,560.00 |
| | 556.69 |
| | 25,000.00 |
| Total outstanding: | <u>47,845.26</u> |

DRAFT #2
March 16, 2015

Financial Statements of

**CANADIAN ASSOCIATION OF
FINANCIAL INSTITUTIONS IN
INSURANCE**

Year ended December 31, 2014

INDEPENDENT AUDITORS' REPORT

To the Members of the Canadian Association of Financial Institutions in Insurance

We have audited the accompanying financial statements of the Canadian Association of Financial Institutions in Insurance, which comprise the statement of financial position as at December 31, 2014, the statements of operations and changes in unrestricted net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Association of Financial Institutions in Insurance as at December 31, 2014, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Statement of Financial Position

As at December 31, 2014, with comparative information for 2013

| | 2014 | 2013 |
|---------------------------|-------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 284,302 | \$ 241,349 |
| Short-term deposits | 53,381 | 52,852 |
| Interest receivable | 235 | 344 |
| Prepaid expenses | 12,255 | 9,672 |
| Capital assets (note 4) | 1,362 | 1,828 |
| | \$ 351,535 | \$ 306,045 |

Liabilities and Unrestricted Net Assets

| | | |
|----------------------------------|-------------------|-------------------|
| Current liabilities: | | |
| Accounts payable | \$ 43,843 | \$ 17,754 |
| Unrestricted net assets (note 2) | 307,692 | 288,291 |
| | \$ 351,535 | \$ 306,045 |

The accompanying notes are an integral part of the financial statements.

On behalf of the Board:

_____ Director

_____ Director

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Statement of Operations and Changes in Unrestricted Net Assets

Year ended December 31, 2014, with comparative information for 2013

| | 2014 | 2013 |
|--|------------|------------|
| Revenue: | | |
| Membership fees | \$ 400,500 | \$ 400,500 |
| Interest | 420 | 607 |
| | 400,920 | 401,107 |
| Expenses: | | |
| Association operating | 279,257 | 244,889 |
| Distribution and market conduct committee | 59,474 | 8,059 |
| Networking and events committee | 29,694 | 33,667 |
| Licensing efficiency issues committee | 7,578 | 992 |
| Media and advocacy strategy committee | 5,516 | 4,633 |
| | 381,519 | 292,240 |
| Excess of revenue over expenses | 19,401 | 108,867 |
| Unrestricted net assets, beginning of year | 288,291 | 179,424 |
| Unrestricted net assets, end of year | \$ 307,692 | \$ 288,291 |

The accompanying notes are an integral part of the financial statements.

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

| | 2014 | 2013 |
|--|------------|------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of revenue over expenses | \$ 19,401 | \$ 108,867 |
| Amortization of capital assets | 466 | 467 |
| Change in non-cash operating working capital | 23,615 | (52,138) |
| | 43,482 | 57,196 |
| Increase in cash position | 43,482 | 57,196 |
| Cash position, beginning of year | 294,201 | 237,005 |
| Cash position, end of year | \$ 337,683 | \$ 294,201 |
| Represented by: | | |
| Cash and cash equivalents | \$ 284,302 | \$ 241,349 |
| Short-term deposits | 53,381 | 52,852 |
| | \$ 337,683 | \$ 294,201 |

The accompanying notes are an integral part of these financial statements.

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Notes to Financial Statements

Year ended December 31, 2014, with comparative information for 2013

The Canadian Association of Financial Institutions in Insurance ("CAFII") is a not-for-profit association incorporated under the Canada Corporations Act. CAFII was incorporated on October 29, 1997 and commenced operations on January 1, 1998. CAFII was established to provide an industry-based forum to represent a range of financial institutions in insurance in Canada and to work in partnership with regulators to create an efficient and effective regulatory framework that provides consumer choice in the purchase of insurance products and services. CAFII's members provide life, property and casualty, travel and credit insurance, reinsurance and other products and services through a wide variety of distribution systems. CAFII is exempt from income taxes under paragraph 149(1)(i) of the Income Tax Act (Canada).

1. Significant accounting policies:

(a) General:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the Canadian Professional Accountants of Canada Handbook.

(b) Revenue recognition:

CAFII derives its revenue primarily through membership fees. Fees are recognized as revenue in the membership period to which they relate.

Deferred membership fees represent fees received in advance of the membership period to which they relate.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months.

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2014, with comparative information for 2013

1. Significant accounting policies (continued):

(d) Capital assets:

Capital assets are recorded at cost. When a capital asset no longer contributes to CAFII's ability to provide services, its carrying amount is written down to its residual value.

Capital assets consist of computer equipment and are amortized on a straight-line basis over five years.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. CAFII has not elected to carry any such financial instruments at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, CAFII determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount CAFII expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2014, with comparative information for 2013

2. Unrestricted net assets:

Management intends to utilize unrestricted net assets on projects subject to approval by the board.

3. Financial instruments:

The carrying amounts of financial assets and liabilities approximate their fair values due to the short-term nature of these financial instruments.

4. Capital assets:

| 2014 | Cost | Accumulated amortization | Net book value |
|--------------------|----------|--------------------------|----------------|
| Computer equipment | \$ 2,334 | \$ 972 | \$ 1,362 |

| 2013 | Cost | Accumulated amortization | Net book value |
|--------------------|----------|--------------------------|----------------|
| Computer equipment | \$ 2,334 | \$ 506 | \$ 1,828 |

5. Financial risks and concentration of credit risk:

(a) Liquidity risk:

Liquidity risk is the risk that CAFII will be unable to fulfill its obligations on a timely basis or at a reasonable cost. CAFII manages its liquidity risk by monitoring its operating requirements. CAFII prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2013.

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2014, with comparative information for 2013

5. Financial risks and concentration of credit risk (continued):

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. CAFII is exposed to credit risk with respect to the accounts receivable. CAFII assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

Agenda Item 4(a)
March 24, 2015 EOC Meeting

Regulator Meeting: Supplementary Notes

Regulator: Canadian Insurance Services Regulatory Organisations (CISRO) LLQP Committee
Date: February 27, 2015
Location: Financial Services Commission of Ontario, 5160 Yonge St., 16th Floor Boardroom
Purpose: LLQP Stakeholder Information Session

**Implementation Next Steps In 2015 Through To Launch of
New, Nationally Harmonized LLQP On January 1/16**

Winter 2015

- finalize course provider recognition and roll out
- overall table of contents of new LLQP to be made available in March 2015

Spring 2015

- complete drafting of exam questions and review
- all four modules in new LLQP to be available by end of March 2015, as planned

Summer 2015

- further stakeholder meetings to be scheduled for June and September

Fall 2015

- Transitional mechanisms leading to cut-over to new LLQP put in place

January 1, 2016

- New, nationally harmonized LLQP launched

Registration Cost For New LLQP

While the registration cost for the new LLQP cannot be precisely determined at this time – due to the fact that the LLQP Governance Committee has determined that the program itself will bear all defence costs of legal actions against it – CISRO is confident that the cost will be up to \$140 per registrant, for one sitting of each of the four modular exams, but could be well below that amount.



LLQP Stakeholder Meeting

Toronto, February 27, 2015

Agenda

- Milestones and next steps
- Course Provider Recognition and roll-out of exam preparation material
- License fee
- Exam validity control mechanisms
- Transition proposal for feedback

Milestones

2012

- OAWs
- 83 SMEs

2013

- Competency Profile
- Curriculum drafting and review
 - 42 SMEs

2014/2015

- Publication of Curriculum
- Exam prep. material drafting and review
 - 35 SMEs
- CP recognition docs drafting

Next steps - 2015

Winter

- CP recognition docs roll-out
- CP recognition
- Stakeholder meeting
- Exam prep. material roll-out

Spring

- Exam questions drafting and review
 - 30 SMEs (1st wave)
- Stakeholder meeting (TBC)

Summer/Fall

- Sample exam questions
- Stakeholder meeting (TBC)

Jan. 2016

- Implementation of Harmonized LLQP
- Application of exam validity control mechanisms

Milestones and next steps

- On track for Jan. 2016 implementation
- Opportunities for discussion
 - Proposed stakeholder meetings

Recognition process

- Documents available
 - Criteria, form and Licence Agreement;
 - Detailed plans;
 - Model chapters;
 - Table of contents will be made available shortly
- Expectations regarding applications
 - High level course outlines to confirm contents covered
 - Confirmation of using table of contents or explanations regarding changes to that structure

Roll-out of exam preparation material

- Staggered publication
 - Modules released when ready in both French and English;
 - Anticipated order of publication:
Life insurance and Taxation booklet (ready now);
Ethics, A&S and Seg. funds in late March;
 - Final module ready by end of March, as planned.

Licence Fee

- Based on number of forecasted candidates and final development costs
- Formula is known, but some of the parameters remain to be confirmed over time
- Maximum \$140, but contemplating an amount under \$100

Exam validity control mechanisms

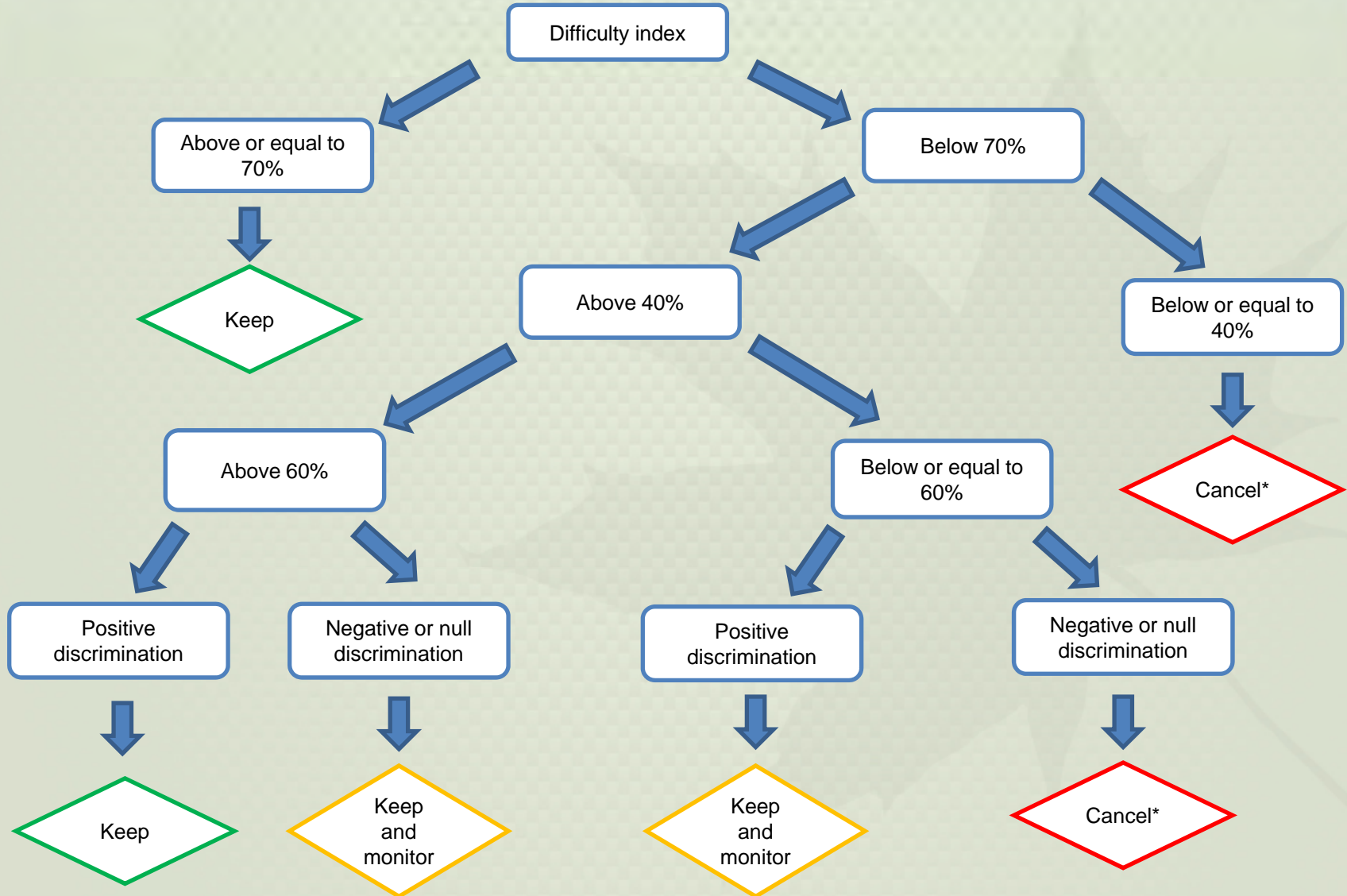
- Objective: to ensure well-prepared candidates who have mastered all evaluated competencies pass all modules.
- 3 control mechanisms:
 - Rigorous development process;
 - Statistical control of exam validity and level of difficulty (transitional and ongoing);
 - On-going qualitative monitoring.

Control mechanisms (cont.)

- Criteria to apply transitional statistical controls:
 - Module pass rate below 70%;
 - Less than 300 responses/question;
 - Average pass rate of 70% maintained for less than 4 consecutive weeks.
- Basis for control:
 - Difficulty index;
 - Discrimination index.

Control mechanisms (cont.)

- Benchmarks for difficulty index:
 - Questions passed by 70% or more = kept;
 - Questions passed by 40% or less = cancelled and replaced.
- Benchmarks for discrimination index (difficulty between 40 and 70%):
 - Questions with positive index = kept
 - Questions with negative index = cancelled and replaced;
 - Questions with a null index = kept and monitored.



Control mechanisms (cont.)

- Additional criteria for cancellation:
 - M&E specialist discretion, especially for borderline cases;
 - Reliability of data – validation of representativity.
- Result of statistical control:
 - Exclusion of unduly difficult questions;
 - Exclusion of questions unable to discriminate between candidates that are well-prepared and those that are not.

Control mechanisms (cont.)

- Practical considerations
 - Passing grade adjusted based on number of questions included (never above 60%);
 - Points obtained for invalid questions considered in total score;
 - Time required to process control mechanisms.
- Example
 - Candidate obtained a score of 14/25 (failing grade) but successfully answered a question later deemed invalid and cancelled;
 - Revised score becomes 14/24 (passing grade because closest score equal to or lower than 60%).

Control mechanisms (cont.)

- Ongoing monitoring:
 - Quantitative through statistical analysis;
 - Qualitative through candidate and stakeholder comments and suggestions.
- Result of ongoing monitoring:
 - Replacement or improvement of questions with measurable weaknesses;
 - Replacement or improvement of questions with qualitative weaknesses.

Transition

- Governance Committee has reviewed transition issues and has developed a suggested approach
- Feedback requested in weeks to come to allow for CISRO presentation and final approval in April

Transition (cont'd)

- Historical perspective- original LLQP
 - Change from multi-level licensing to single-level
 - Significant change in breadth of curriculum for entry level
 - Transition – arbitrary solution - reduction of pass score until impact was measurable
- Current context
 - Updated Curriculum – but similar in breadth
 - Added e-capacity for monitoring to allow for scientific solution to transition
 - Exam validity controls outlined earlier

Transition (cont'd)

- Course/exam choices in late 2015
 - Once we have harmonized courses available, candidates would have a choice of paths
 - Current course/exam approach, with known deadline
 - Harmonized course:
 - If certified before the new exam is ready, would be able to challenge existing exam based on current rewrite rules until deadline
 - If unsuccessful, would be able to challenge new exam with reset rewrite rules, i.e. first new exam will be treated as first attempt

Transition - Quebec

- Quebec transition will be different context with reduction in number of modules
- AMF will be developing module recognition criteria to facilitate transition



Thank you!



LLQP Stakeholder Meeting

Toronto, February 27, 2015

Agenda

- Milestones and next steps
- Course Provider Recognition and roll-out of exam preparation material
- License fee
- Exam validity control mechanisms
- Transition proposal for feedback

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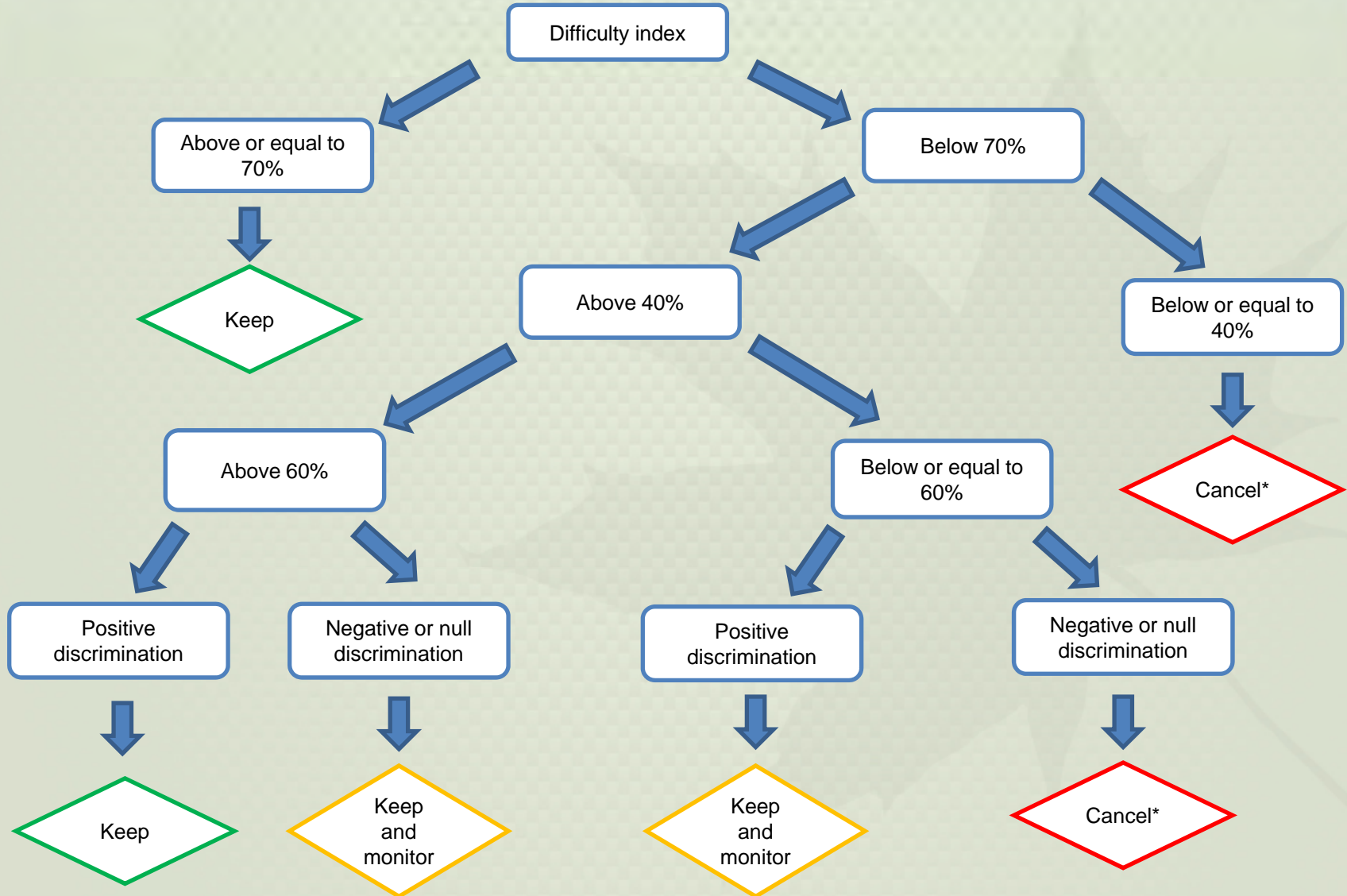
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 - If certified before the new exam is ready, would be able to challenge existing exam based on current rewrite rules until deadline
 - If unsuccessful, would be able to challenge new exam with reset rewrite rules, i.e. first new exam will be treated as first attempt

Transition - Quebec

- Quebec transition will be different context with reduction in number of modules
- AMF will be developing module recognition criteria to facilitate transition



Thank you!

Agenda Item 4(b)
March 24, 2015 EOC Meeting

Regulator Visit Report
Confidential: Not For Distribution

Regulator: Gerry Matier, Executive Director, Insurance Council of BC
Date: February 27 2015
Location: Trio Restaurant, Novotel, North York
Purpose: Discussion of Industry Issues
CAFII Attendees: Moira Gill, TD Insurance; John Lewsen, BMO Insurance; Brendan Wycks, Executive Director

Representation for Banks-in-Insurance Sector on Insurance Council of BC

Gerry said that he was still very passionate about this, and would like to receive nominations from CAFII's sector for Non-Voting Member positions on Council.

A Non-Voting Member would be asked to attend two to three half-day meetings per year, plus an annual two-day weekend planning retreat. Non-Voting Members' economy travel expenses to attend these meetings are reimbursed.

Discussion focused on whether a Non-Voting Member of the Council would have to be a resident of BC. While that would be the ideal -- particularly since attendance is required in-person, rather than by electronic means -- Gerry indicated that he would be open to considering a non-resident nominee.

Moira advised that in addition to our bringing this back to the CAFII EOC, she would look into it further within TD Insurance. One of her Edmonton-based colleagues, who is very well-versed in BC insurance issues, might be a strong candidate for a Non-Voting Member position on the BC Council.

In CAFII's previous liaison meeting with Gerry on May 28/14, he indicated that he is always interested in receiving recommendations of well-qualified nominees for the Non-Voting positions on Council. These roles often serve as a training ground for subsequent appointment to one of the Voting Council member positions. He said that he would be very open to one or two nominees from the banks-in-insurance sector for non-voting Council positions. "You guys have a different and often unique perspective."

Non-Voting members of Council are appointed for a three-year term, once renewable. However, Gerry would be open to the appointment of a nominee even if the individual stated up-front that he/she would only be able to stay on Council for one or two years of service.

BC's 10-Year Review of Financial Institutions Act (FIA)

Dollar Limit On Amount Of CGI That Can Be Sold Under Licensure Exemption

The licensure exemption that CGI currently has in BC is found in the FIA Act; and both that exemption and the structure and powers of the Insurance Council of BC are issues that the Council itself intends to open up for discussion under the legislatively required decadal review of the Act.

Gerry Matier advised that as part of the imminent review opportunity, the Council, at the behest of current Chair Ruth Hoyte, will be raising with the province the prospect of imposing a dollar amount ceiling on the value of creditor's group insurance that can be sold under the existing licensure exemption.

The *quid pro quo* that the Council would be recommending – as part and parcel of the package – would be that there would no longer be a prohibition against sales of insurance in financial institution branches.

Gerry said that two key points in the Council's rationale/argument in favour of this recommendation are

- there is currently no real monitoring of or disciplinary process associated with those who are selling insurance under an exemption; and
- with the imposition of a fairly low dollar amount ceiling, the net effect of this change would be to force anyone selling CGI in BC to be LLQP-licensed.

Gerry said that while this proposal will definitely be raised and put forward by the Council, he will be surprised, personally, if it advances beyond initial consideration by FICOM and the Minister's office.

Governance Restructuring Of Insurance Council

Another change that the Council will be seeking as part of the opening up of the FI Act is to restructure the Council itself from Government-appointed Voting Members to an elected Voting Members.

Council members would be elected by their peers/sector to represent a certain sector of the insurance industry. The Council would also be down-sized to seven (7) elected Voting Members from the current eleven (11) appointed Voting Members.

It was suggested and agreed that if this change occurs, it will be all the more important to have all relevant perspectives represented at the Insurance Council table, including the banks-in-insurance perspective.

New Continuing Education Requirements For New Licensees

Gerry advised that the Council is starting to develop a new four-course continuing education program for new licensees, with one course to be taken in each of the first four years following initial licensure. This program would build upon the education taken in the LLQP.

The first course would focus exclusively on the Council's Rules, as the Council has found that licensees tend not to read and familiarize themselves with the Rules. The other three courses would focus on other professional development matters that are particularly germane to early-career licensees.

Gerry said that while this is solely his own personal opinion at this point in time, after a licensee has taken those four CE courses early on in his/her career, the Council may decide that there would be no further CE requirements.

Benefits of Having An 'Inactive' Insurance Licence In Certain Situations

Moir raised the point that, in certain situations, it is definitely advantageous to insurance licensees to be able to have an "Inactive Licence" status, the maintenance of which would only require keeping the person's Continuing Education requirements up-to-date.

The Insurance Council of BC has/allows "Inactive Licence" status, and CAFII would like to see this harmonized across the country. CAFII would therefore appreciate Gerry's being a proponent and advocate of this with his CISRO colleagues from across the country.

Regulatory Update – CAFII Executive Operations Committee, March 18, 2015

Prepared By Brendan Wycks, CAFII Executive Director

Introduction

Federal/National

- **CCIR:**
 - CCCIR Working Group On Travel Insurance To Review Draft Survey With CAFII **(page 2)**
 - Carol Shevlin Outlines Vision For Working Group On Travel Insurance **(page 2)**
- Travel Insurance Pan-Industry Project Group: TIIP No Longer Meeting **(page 2)**
- Travel Health Insurance Association: THIA Issues Media Release On March Break Travel **(page 3)**

Provincial

- **British Columbia:**
 - FICOM Directive Letter On CGI Delayed As New Staff Executive Taking Over File **(page 3)**
 - Consultation Paper On 10-Year Review Of FIs Act To Be Released Imminently **(page 4)**
 - FICOM Issues Report On BC Credit Union Continuance Under Federal Jurisdiction **(page 4)**
- **Alberta:**
 - Insurance Council Issues Regulatory Reminder To RIA Certificate Holders **(page 5)**
 - Insurance Council Invites CAFII Feedback On Latest Beta Version Of CIPR **(page 5)**
- **Manitoba:**
 - Insurance Council Issues Notification To All Potential RIA Stakeholders **(page 5)**
- **Ontario**
 - Province To Conduct Review Of FSCO's Mandate **(page 6)**
 - Canadian Bankers Association Responds To Ontario's CUCPA Review; Encourages Credit Unions To Transition To Federal Jurisdiction **(page 6)**
- **Quebec**
 - AMF Confirms Plans For Position Paper Consultation On E-Commerce In Insurance **(page 6)**
 - AMF Confirms Plans To Develop Regulation On Distribution Guide Template **(page 6)**
- **New Brunswick**
 - FCNB Releases Insurance Act-Related Rule For Consultation **(page 7)**

Federal/National

Canadian Council of Insurance Regulators (CCIR)

CCIR Working Group On Travel Insurance To Review Draft Survey With CAFII

Harry James, Director, Policy Initiatives with BC's FICOM and Chair of CCIR's Working Group on Travel Insurance, has arranged a meeting with CAFII representatives to review and receive feedback on an early draft of his working group's planned survey of travel insurance underwriters in Canada.

That meeting will take place during the first 60 to 90 minutes of the CAFII Executive Operations Committee meeting on March 24/15.

Harry has provided CAFII with an advance copy of the draft survey, which has been shared with EOC members via the meeting materials posted to the CAFII members' only site. He has placed an embargo on the draft survey, such that it not be distributed beyond CAFII EOC members themselves at this time.

Carol Shevlin Outlines Vision For Working Group On Travel Insurance

In a liaison lunch with Brendan Wycks on February 23/15, Carol Shevlin provided the following comments with respect to how the work of the CCIR Working Group On Travel Insurance will likely unfold:

- *we need to find out if there is a solid rationale and a firm underlying reason for the crisis of confidence in travel insurance coverage, which we've heard so much about anecdotally;*
- *we're going to have to do a very comprehensive data call to get at the information we're looking for. You need the facts first; and then we can figure what we need to do, if anything. Hence, the industry survey of travel insurance underwriters.*
- *we can see the work of the Working Group taking a full two years to be completed, but the plan is to have a substantive progress report in the form of an Issues Paper released before the end of 2015.*

So the steps in the Working Group's plan as Carol sees them are

- (i) conduct the industry survey of travel insurers;*
- (ii) analyze the survey data and figure out what it's telling us;*
- (iii) write an Issues Paper and provide it to CCIR by the Fall of 2015;*
- (iv) release a revised/refined Issues Paper to the industry, for consultation, in the Winter of 2016;*
- (v) Spring 2016 and thereafter: it will take until Spring 2016, when we have feedback from industry on the consultation document, before we're ready to arrive at substantive conclusions, and to start to work with the industry on long-term solutions.*

Travel Insurance Pan-Industry Project Group

TIPIP No Longer Meeting

In an e-mail notification to CAFII Board and EOC members on February 26/15, Greg Grant, EOC Chair, communicated the following:

On Tuesday, the CHLIA informed CAFII and THiA that it would be forming a high-level CLHIA member working group to address the CCIR's concerns around travel insurance. As a result, the TIPIP group will no longer be meeting.

As you know, I have expressed some concern around TIPIP's efficacy and I'm actually relieved that the CLHIA has taken this direction. TIPIP itself was a committee comprised of representatives of three industry associations all of which are answerable to their own members and it was proving difficult to address the CCIR's concerns in timely manner. By forming a high-level member committee, the CLHIA will be better able to drive the work required to provide solutions to the concerns the CCIR has identified. The decision we made at our last EOC meeting to form a CAFII Travel working group was therefore very timely and will allow us to do the same with regard to the issues of concern to CAFII members.

In terms of addressing Travel issues with the CCIR, rather than working through TIPIP, CAFII will address Travel issues with them directly through our ongoing meetings and other interactions.

In an update provided to Brendan Wycks on March 18/15, Karen Voin of CLHIA advised that the "senior-level member task force" was still in the process of being formed and that the Association was receiving a number of favourable responses and acceptances from company executives invited to serve on it.

Travel Health Insurance Association (THiA)

THiA Issues Media Release On March Break Travel

On March 3/15, the Travel Health Insurance Association (THiA) – a member with CAFII and CLHIA in TIPIP, which recently stopped meeting in favour of a high level CLHIA member task force – issued the following media release titled "Travel health insurance experts have advice for the busy March Break travel period: industry association wants all travellers to have carefree vacations":

As Canadians pack their bags and prepare to escape this brutal winter over March Break, the Travel Health Insurance Association (THiA), wants travellers to be sure they're covered in the event of unexpected health emergencies.

Alex Bittner, President of THiA, is available to talk on how Canadians can travel with confidence this year. He can speak to:

- *The golden rules of travel insurance*
 1. *Know your trip*
 2. *Know your health*
 3. *Know your travel insurance policy*
- *Why travel insurance contributes to a carefree holiday*
- *Explaining what provincial health plans cover outside of one's province*

THiA is pleased to support the recent announcement by The Canadian Council of Insurance Regulators (CCIR) to make the examination of travel insurance one of its key priorities in 2015. THiA is pleased that consumers and all segments of the industry will be brought into the conversation about travel insurance to solve issues which have long been in the forefront of THiA's mission to resolve.

"We are very supportive of the initiative. Our Association has been working tirelessly on behalf of the industry and consumers to ensure that the travelling Canadian is protected," said THiA President Alex Bittner. "We need to work harder to ensure that more Canadians are travelling smart. Travelling without appropriate coverage can cause a lot of stress given that the cost of a broken limb in the United States can be up to \$25,000."

The THiA website has a guide available to help Canadians understand their travel insurance needs before they investigate policies.

British Columbia

FICOM Directive Letter On CGI Delayed As New Staff Executive Taking Over File

BC FICOM's directive letter on the 'effecting' of CGI issue has been further delayed, as the file has been transferred to a new Executive Director on the Commission's management team who is heading up the market conduct supervision group. The new Executive Director, Kristine Wright, is currently on vacation.

Harry James, FICOM's Director, Policy Initiatives, who had previously been responsible for this file, provided that update to Brendan Wycks on March 17/15.

Earlier in January and February, Harry had advised that he was working on a draft communique on the effecting of creditor's group insurance issue in concert with counterpart regulators from the other three Western Canada provinces. The letter would ultimately be issued by FICOM, with or without the endorsement of the other three jurisdictions. Harry indicated that the letter would clarify FICOM's position on 'effecting'; expectations about ensuring appropriate controls and oversight are in place over CGI; and about the structure of CGI contracts.

Consultation Paper On 10-Year Review Of BC FIs Act To Be Released Imminently

In an update provided to Brendan Wycks on March 17/15, Harry James advised that FICOM is awaiting approval from the Office of the Minister of Finance to release the discussion paper that has been drafted to launch the formal consultation phase of the province's 10-Year Review of its Financial Institutions Act.

FICOM's Finance and Corporate Sector Policy Branch (FCSPB) has the lead role in co-ordinating the 10-Year Review, in consultation with the Minister's office, and will be releasing the document imminently and disseminating it to industry stakeholders. The consultation paper will be sent to all industry stakeholders that participated in the November 21/14 pre-consultation roundtable discussion in Vancouver with Finance Minister Michael De Jong, where EOC Chair Greg Grant represented CAFII.

FICOM Issues Report On BC Credit Union Continuance Under Federal Jurisdiction

On February 25/15, FICOM issued the results of its Credit Union Continuance Working Group's analysis of the impacts of a BC credit union's continuance to federal jurisdiction.

The Working Group's study was prompted by the federal government's passage of Bill C-9 and related regulations in 2010, which permit the creation of a federal credit union through amendments to the Bank Act and Canada Deposit Insurance Corporation Act.

The Working Group made four recommendations to the Superintendent of Financial Institutions with respect of the principles and process that a BC credit union must follow in order to transition into a federal credit union.

However, there is currently no framework in place through which FICOM can grant approval for such a credit union continuance. Therefore, FICOM will now begin to develop a decision-making framework to apply in the event it receives an application from a credit union seeking continuance as a federal credit union.

Alberta

Insurance Council Issues Regulatory Reminder To RIA Certificate Holders

The Alberta Insurance Council has recently posted on the home page of its website an “Important Regulatory Reminder” to holders of Restricted Insurance Certificates in the province. The reminder is a call to action based on the fact that all restricted certificates of authority will expire on June 30/15 and must be renewed on or before that date.

Insurance Council Invites CAFII Feedback On Latest Beta Version Of CIPR

The Alberta Insurance Council has invited CAFII to provide feedback on the latest beta version of its Canadian Insurance Participant Registry (CIPR), which has been updated with the needs of registrants for the new, nationally harmonized LLQP in mind.

In that connection, the Council has created a video to illustrate the functionality of the most recent beta version of CIPR. Brendan Wycks has forwarded an e-mail from AIC Chief Operating Officer Anthonet Maramieri to CAFII EOC members, in which she invites member FI licensing experts to watch the video and provide feedback on the current version of CIPR at any time.

Anthonet Maramieri has succeeded Tom Hampton, the AIC’s long-serving COO who retired at the end of 2014. Originally from Ontario, Anthonet was previously a member of the executive team at Western Financial Group.

Manitoba

Insurance Council Issues Notification To All Potential RIA Stakeholders

On March 13/15, the Insurance Council of Manitoba sent a *Notification To All Potential Restricted Insurance Agent Stakeholders* to Brendan Wycks, for forwarding to CAFII members. Targeted recipients of the Notification are all organizations identified as requiring a restricted licence to sell incidental insurance products in Manitoba and/or stakeholders connected to such organizations.

After setting out the background context to the province’s newly established Incidental Sellers of Insurance (ISI) regime, the Notification’s key message is that further detailed information with respect to the new licensing regime, including a listing of the named entities that require licensing, the classes or types of insurance for which an RIA may be issued, the application form and all mandatory requirements such as professional liability insurance and the applicable fee(s), is available on the Insurance Council of Manitoba (ICM) website.

The ICM is requesting that all applications be submitted to our office by April 30, 2015 to allow our office time to add the information to the database for licensing effective June 1, 2015.

Ontario

Province To Conduct Review of FSCO's Mandate

Charles Sousa, Ontario Minister of Finance, has announced a review of the mandates of FSCO and the Deposit Insurance Corporation of Ontario (DICO) during the first half of 2015.

FSCO's mandate review will include broad industry consultations. In addition, a consultation paper will be posted online and the public will be invited to comment on the issues being examined. To assist in the review, the government has appointed the following three-member expert panel:

- George Cooke - former president and CEO of The Dominion of Canada General Insurance Company, and current chair of the board of directors of OMERS Administration Corp.
- James Daw - former Toronto Star personal finance columnist who has written extensively about all facets of Ontario's financial system.
- Larry Ritchie - Osler, Hoskin & Harcourt LLP partner and former vice-chair of the Ontario Securities Commission.

Canadian Bankers Association Responds To Ontario's CUCPA Review; Encourages Credit Unions To Transition To Federal Jurisdiction

In a February 5/15 submission to Ontario's Five-Year Review of the province's Credit Unions and Caisses Populaires Act, 1994, the Canadian Bankers Association recommended that "credit unions, particularly those that are large and systemically important, should be encouraged to transition to the federal credit union regime."

Quebec

AMF Confirms Plans For Position Paper Consultation On E-Commerce In Insurance

In an update provided to Brendan Wycks on March 18/15, Eric Stevenson, the AMF's Superintendent, Client Services and Distribution Oversight, confirmed that the previously communicated work plan for a new position paper consultation on e-commerce in insurance remains in place. He expects to release that position paper within the next several weeks for a 60 day consultation period with the industry.

The intent behind the position paper is to outline principles with respect to e-commerce that can ultimately be codified by the AMF in a Regulation related to the Distribution Act by the end of 2015.

AMF Confirms Plans To Develop Regulation On Distribution Guide Template

In an update provided to Brendan Wycks on March 17/15, Louise Gauthier, the AMF's Director, Distribution Practices and Self-Regulatory Organisations, confirmed that the previously communicated work plan for the Distribution Guide template remains in place.

Taking into account feedback received from industry in the Fall of 2014, the AMF plans to develop a draft Regulation on the Distribution Guide – under the auspices of the current Distribution Act if necessary. The draft Regulation will then be put out to the industry for a brief consultation period, with the goal of finalizing it before the end of 2015.

Louise advised that the AMF is currently prioritizing the regulatory changes that it needs to make to introduce the nationally harmonized LLQP on January 1, 2016; and then the Distribution Guide (Distribution Without Representation) Regulation will be next in line.

New Brunswick

FCNB Releases Proposed Insurance Act-Related Rule For Consultation

On February 25/15, New Brunswick's Superintendent of Insurance published proposed Rule INS-001, which relates to provisions on insurance licence fees and procedures currently set out in the Insurance Act, for industry feedback by April 27/15.

Under this proposal, the Financial and Consumer Services Commission (FCNB) is proposing to transfer the governance of insurance licensure fees from various Regulations under the Insurance Act to a Rule adopted by the Commission.

The Commission is also proposing increases to the fees, which have not been adjusted since the 1980s, as well as changes to the licensing application process. The purpose of many of the proposed changes is to improve the efficiency of the license application process and shorten the turnaround time for issuance of a licence.

The consultation document indicates that "the FCNB is working on developing an online licensing system, which would enable applicants to complete the whole application process online, including applications and payments." This is something that CAFII has been advocating for, in all jurisdictions, for many years.

CAFII Regulator and Policy-Maker Visit Plan 2015

| Jurisdiction Regulator/Policy-Maker | Last Meeting /Contact | Proposed Meeting | Topics/Purpose | Status March 17/15 |
|--|---|--|---|---------------------------------|
| 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 CISRO/CCIR/related meetings | -10 yr. Review of BC Financial Institutions Act (FIA) -Representation for banks-in-insurance sector on Council -LLQP modernization -Update on Council priorities -Update on CCIR travel insurance review -Communicate CAFII issues -Maintain and strengthen relationship | Completed |
| Carolyn Rogers , CEO, FICOM & Superintendent of Insurance (CCIR Chair) | January 28/15 stakeholder meeting with CCIR Informal discussion on October 7/14 during CAFII Speaker Reception May 6/14; liaison dinner in Ottawa No contact/meeting for at least past two years | Dinner meeting in Quebec City on April 28/15 or April 29/15, in connection with CLHIA Conference; or when Carolyn is in Toronto for CCIR/related meetings | See above | Pending |
| Doug McLean, Deputy Superintendent of Insurance, FICOM Harry James, Director, Policy Initiatives, FICOM; Chair of CCIR's new Working Group on Travel Insurance | January 28/15 stakeholder meeting with CCIR 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 Doug is in Toronto for CCIR/related meetings March 24/15 meeting with CAFII EOC | See above See above | Pending Confirmed |
| Michael de Jong, Minister of Finance | Nov. 21/14: G. Grant represented CAFII at FIA Review roundtable discussion | If necessary, Q1 or Q2 2015 | - follow up on CAFII issues/concerns re: 10-year Review of Financial Institutions Act; announcement re formal consultation phase of FIA Review expected imminently | Pending |

| Jurisdiction Regulator/Policy-Maker | Last Meeting /Contact | Proposed Meeting | Topics/Purpose | Status March 17/15 |
|---|---|---|---|---|
| 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: business number registration system -LLQP modernization -Update on CCIR travel insurance review - Update on Council priorities -Communicate CAFII issues -Maintain and strengthen relationship | Pending Completed |
| Mark Prefontaine, Superintendent of Insurance | Sep 30/14; Fredericton, NB (informal meeting) | When Mark is in Toronto for CCIR/related meetings; or if attending CLHIA Spring Conference, April 29-May 1 in Quebec City | See above | Pending |
| David Sorensen, Deputy Superintendent of Insurance | No contact - <i>appointed Sep</i> <i>15/14</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 Sep 15/14 | TBD | TBD until CAFII has a "direct ask" | Pending |

| Jurisdiction Regulator/Policy-Maker | Last Meeting /Contact | Proposed Meeting | Topics/Purpose | Status March 17/15 |
|--|---|--|---|------------------------------|
| Saskatchewan | | | | |
| Ron Fullan, Executive Director, Insurance Councils of Saskatchewan and CISRO Chair | February 27/15 CISRO LLQP Stakeholder Info Session January 28/15 stakeholder meeting with CCIR Sep 30/14; Fredericton, NB (informal meeting) | When Ron is in Toronto for CISRO/CCIR/related meetings | -Restricted Insurance Agents Advisory Cttee. - LLQP modernization -Update on TIPIP initiative - Update on ICS and CISRO priorities -Communicate CAFII issues -Maintain and strengthen relationship | Completed |
| April Stadnek, Director of Licensing | Sep 30/14; Fredericton, NB (informal meeting) | 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 - | Q1 or Q2 2015 meeting in Regina if necessary, as follow-up teleconference with J. Hall and J. Seibel on CAFII submission occurred on March 2/15; or possible meeting in Toronto on March 26-27/15 if Roger in Toronto for CCIR meetings | -introduce CAFII and build relationship -Bill 177, The Insurance Act, posted on SK website on Dec. 8/14. Bill serving as consultation document with industry, with Feb. 16/15 deadline for submissions. When passed and proclaimed, will replace current SK Insurance Act. -ISI: Representation for Restricted Licence Holders -LLQP modernization -Update on TIPIP initiative - Update on Superintendent's priorities -Communicate CAFII issues | Pending, if necessary |
| Ian McIntosh, Deputy Superintendent of Insurance | Jul 28/14 call with CAFII reps re: "effecting CGI" | Same as above | See above | Pending |
| Consultant (ex-Superintendent) Jim Hall and Janette Seibel, Lawyer, FCAA, are point persons for review of SK Insurance Act | - teleconference meeting on CAFII submission on Bill 177, on March 2/15 | Same as above | Bill 177, The Insurance Act (Saskatchewan) | Pending, if necessary |

| Jurisdiction Regulator/Policy-Maker | Last Meeting /Contact | Proposed Meeting | Topics/Purpose | Status March 17/15 |
|---|--|--|---|------------------------|
| Manitoba | | | | |
| Ministry of Finance: Jim Scalena, Superintendent *Retired at end of 2014 Scott Moore, Deputy Superintendent, currently serving as Interim Superintendent of Insurance Greg Dewar, Minister of Finance | April 29/14; Winnipeg, MB April 29/14: Winnipeg, MB; No contact – appointed Nov/14 | When successor or Scott is in Toronto for CCIR/related meetings; or if attending CLHIA Spring Conference, April 29-May 1 in Quebec City TBD | -Introduce CAFII and build/maintain relationship -Implementation of ISI regime -Representation for Restricted Licence Holders -Update on Insurance Act Review -LLQP modernization -Update on TIPIP initiative -Update on Superintendent's and Council's priorities -Communicate CAFII issues TBD until CAFII has "direct ask" | Pending 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 Anatol Monid, Interim Executive Director, Licensing and Market Conduct Division | January 28/15 stakeholder meeting with CCIR November 21/14 at FSCO Life and Health Insurance Symposium January 28/15 stakeholder meeting with CCIR November 21/14 at FSCO Life and Health Insurance Symposium April 9/14 re: Interim Report of Life Insurance Product Suitability Review | Q1 or Q2 2015: follow-up lunch or dinner Meeting, if required re (ii) | (i)-Introduce CAFII and build/maintain relationship (ii) -next steps, if any, in Life Insurance Product Suitability Review (iii)-LLQP modernization (iv)-enhancing the national CRS (v)-Update on CCIR review of travel insurance (vi)-Update on Superintendent's priorities (vii) "Agency Review" of FSCO's mandate (viii)-communicate CAFII issues | Pending Pending |

| Jurisdiction Regulator/Policy-Maker | Last Meeting /Contact | Proposed Meeting | Topics/Purpose | Status March 17/15 |
|--|---|---|--|-----------------------|
| Isabel Scovino, appointed Director, Market Conduct Regulation Branch in Nov/14 | Nov 21/14 FSCO Life & Health Insurance Symposium Nov. 20/14 Networking Dinner following CLHIA CCOS Seminar Nov 13/14 re: Report on Joint Review (FSCO and AMF) of National Complaint Reporting System (CRS) | Meeting, if required re (iv) | Item (iv) above | Pending |
| Quebec | | | | |
| AMF: Louis Morisset, CEO; Patrick Dery, Eric Stevenson, Julien Reid, Stephane Langlois, Louise Gauthier | Apr 8/14: Montreal, QC January 30/15 meeting in Toronto with E. Stevenson and L. Gauthier re (i) and (ii) | October 6/15 CAFII Board meeting to be hosted by Desjardins in Quebec City Possible breakfast meeting with E. Stevenson and/or L. Gauthier in Quebec City on May 1/15, during CLHIA Conference, re (i) and (ii) | -(i)Further round of AMF consultation re electronic commerce in insurance -(ii)Distribution Guide template and implementation timelines -LLQP modernization -enhancing the national CRS -Update on TIPIP initiative -Update on AMF priorities -Communicate CAFII issues -Maintain and strengthen relationship | Pending |
| Atlantic Canada | | | | |
| Joint Forum of Insurance Regulators (four provinces) | Oct 1/14: Fredericton, NB | spring or fall 2016 | TBD | Deferred to 2016 |

| Jurisdiction Regulator/Policy-Maker | Last Meeting /Contact | Proposed Meeting | Topics/Purpose | Status March 17/15 |
|--|---|---|--|-----------------------|
| New Brunswick | | | | |
| Angela Mazerolle, Superintendent of Insurance | Oct 1/14: Fredericton, NB | None planned for 2015; -alternatively, possible meeting in Toronto on March 26-27/15 re Rule INS-001 on insurance licensing, if Angela in Toronto for CCIR meetings | TBD | Deferred to 2016 |
| David Weir, Deputy Superintendent of Insurance | Oct 1/14: Fredericton, NB | Same as above | TBD | Deferred to 2016 |
| Adam Mitton, Attractiveness Executive, Invest New Brunswick | Jun 3/14: Toronto, ON | Q1 2015 when Adam is in Toronto or, if necessary, in Fredericton | - highlight and discuss 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 (NB govt. decision announced in Spring 2014 to eliminate Consumer Advocate, effective Jan 1/15, apparently reversed two weeks later) | No contact | | -Introduce CAFII and build relationship -Position CAFII as an information resource | Pending |
| Nova Scotia | | | | |
| Doug Murphy, Superintendent | January 28/15 stakeholder meeting with CCIR Oct 1/14: Fredericton, NB | To Be Determined | - possible Insurance Act Review in 2015 | Pending |
| PEI | | | | |
| Superintendent Robert Bradley | Oct 1/14: Fredericton, NB | Q2 2015 in PEI or Toronto; or possible preliminary meeting in Toronto on March 26-27/15 re Insurance Act Review, if Robert in Toronto for CCIR meetings | -Review of life and accident & sickness provisions of Insurance Act, previously communicated as a definite priority for 2015 -LLQP modernization -Update on TIPIP initiative -Update on Superintendent's priorities -Communicate CAFII issues -Maintain and strengthen relationship | Pending |

| Jurisdiction Regulator/Policy-Maker | Last Meeting /Contact | Proposed Meeting | Topics/Purpose | Status March 17/15 |
|---|---|---|--|-----------------------|
| Newfoundland | | | | |
| Craig Whalen, Deputy Superintendent | Oct 1/14: Fredericton, NB | None in 2015 | N/A | Deferred to 2016 |
| FEDERAL/NATIONAL | | | | |
| Carol Shevlin, Policy Manager, CCIR *Retiring end of 2015 | -Liaison lunch with B. Wycks on Feb. 23/15 -January 28/15 stakeholder meeting with CCIR | -December 2015 CAFII Holiday Season Reception: Recognition and tribute to Carol Shevlin, upon her imminent retirement at end of 2015 (confirmed as agreeable to her) | -Update on CCIR 2014-17 Strategic Plan and related priorities -possible CAFII webinar(s) for CCIR in 2015 -succession plans for CCIR Policy Manager given upcoming retirement -opportunity to thank and acknowledge C. Shevlin at CAFII Reception later in 2015 | Pending |
| Carolyn Rogers, CCIR Chair (CEO, FICOM & Superintendent of Insurance) | January 28/15 stakeholder meeting with CCIR Oct 7/14: Toronto, ON at CAFII Regulator Reception | Dinner meeting in Quebec City on April 28/15 or April 29/15, in connection with CLHIA Conference; or when Carolyn is in Toronto for CCIR/related meetings | -Update on CCIR 2014-17 Strategic Plan and related priorities -CCIR review of travel insurance -LLQP modernization -Communicate CAFII issues | Pending |
| Harry James, Chair, CCIR Working Group on Travel Insurance (Director, Policy Initiatives, BC FICOM) | January 30/15 and December 10/14, CAFII participated in TIPIP meeting with CCIR Working Group on Travel Insurance | March 24/15 meeting with CAFII EOC re draft industry survey of travel insurance underwriters | -Regulator concerns re travel insurance | Confirmed |
| 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 CISRO LLQP or related meetings | -LLQP modernization -possible CISRO Strategic Plan | Completed |
| Jeremy Rudin, Superintendent, Office of the Superintendent of Financial Institutions | No contact – appointed June/14 | Q2 2015 “get acquainted” meeting in Ottawa or Toronto | -introduce/educate about CAFII, CGI and alternate distribution -build relationship -invite to be speaker at CAFII Reception in June or October 2015 | Pending |

| Jurisdiction Regulator/Policy-Maker | Last Meeting /Contact | Proposed Meeting | Topics/Purpose | Status March 17/15 |
|--|---|---|---|-----------------------|
| 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 | No contact | | -CAFII proposed enhancements to FAQs and other content on FCAC web site re creditor insurance | Pending |
| Brigitte Goulard, Deputy Commissioner | Jun 10/14 | | -CAFII involvement in consumer financial literacy initiatives, including Financial Literacy Month | Pending |
| Jane Rooney, Financial Literacy Leader | Feb 10/15 (presentation at CAFII Annual Luncheon) | | | |
| Jeremie Ryan, Director, Financial Literacy and Consumer Education | Feb. 10/15 | Q2 2015 (either in-person in Ottawa or Toronto; or via teleconference) | | |
| Karen Morgan, Marketing Officer | Jan 9/14 | | | |

Agenda Item 5(b)(i)
March 24, 2015 EOC Meeting

Regulator Meeting Notes
Confidential: Not For Distribution

Regulator: Saskatchewan Ministry of Justice and Attorney General
Date: March 2, 2015
Purpose: Follow-up Teleconference on CAFII's Submission on Bill 177, The Insurance Act
CAFII Attendees: Greg Grant, Brendan Wycks, Tamara Steinberg, Maria Sanchez-Chung, Chris McClaren
(TD Insurance, for part), Derek Blake, Sue Manson
Saskatchewan Attendees: Jim Hall, Janette Seibel

Scheduling/Procedural Update

The following legislative timetable was outlined with respect to Bill 177:

- Provincial legislature resumed sitting today, Monday, March 2. To date, the Bill has received Second Reading on the government side only.
- Late April/early May 2015: legislative debate
- May 14, 2015: Bill expected to be passed as legislative session ends on this date
- Summer 2015: work on the Regulations
- November 2015: beginning of comprehensive consultation period on the draft Regulations
- latter half of 2016: expected time that Bill 177 will be proclaimed
- Jim Hall is working as Senior Crown Counsel on Bill 177 as a post-retirement appointment. But his contract ends on May 31, 2015 and he'll be departing then. Janette Seibel will continue on Bill 177 and take over as lead on the file after Jim's departure

Feedback/Dialogue on Specific Concerns Expressed in CAFII Submission

- **1-2 (1) and 1-2(2), Interpretation:** If you look at subsection (i) it specifically refers to "**prescribed** contracts of insurance." So this is directly connected to the Regulations to be drafted this coming summer. If there are no Regulations, there is no prescription.

And if you look at 5-4 and 5-73 (1), which cover related licensing requirements, there is an exclusion for employees of Restricted Insurance Agents. So CAFII should have no concerns here.

- **Re TPA licensing:** Saskatchewan intends to regulate all major players in the insurance sector. To that end, we have been meeting with the Third Party Administrators Association of Canada (TPAAC). Bill 177 stipulates that TPAs will have to be licensed but we still need to define what a TPA is. The definition was deliberately left out because we need to better understand the role of TPAs first. There will be lots of opportunity to define it first, and a fair amount of flexibility in the development of that definition in the Regulations.

In our meetings with TPAAC, we've found that this Association is not looking to have its members licensed but neither do they have any strong objections to our doing so.

The reason we are moving to license TPAs and MGAs is that those entities are taking on responsibilities for an insurer. So we want to be able to scrutinize the full chain of accountability.

- **5-5(1) and 5-5(2), Insurer's Representative's Licence Required:** Again, if you're an individual working for a Restricted Insurance Agent, you're exempted and do not have to be licensed.
- **5-5. (1):** This was intended and not a typo. There are two different titles for the same activity: agent and representative. An insurance agent has a fiduciary duty to the individual consumer. An insurance representative has a duty to his/her employer.

Tamara Steinberg Question: in every other respect, do you expect insurance representatives to obtain an agent's license but not have the same fiduciary duty?

Answer: An insurance representative will require the same licensing as an insurance agent. It's the Insurance Council that deals with licensing; and its bylaws will deal with the fees, definitions, professional development. These won't be in the Regulations.

- **5-11 (f) and (g), Application for License:** Any documents that Saskatchewan receives must be held in confidence. That is a statutory requirement. We're not flippant; we respect confidentiality. The only reason we would release something is if there was a regulatory issue, such as an investigation of fraud. And we would never release documents to a competitor.

And if we're going to license an entity such as a TPA or MGA, we want to see what it is that they're supposed to be doing so that's why need to be able to see the contract.

- **5-12, Superintendent May Require Other Information:** CAFII is opposed to the modifier "any other" in front of the word "information." However, this is a standard provision in the current Insurance Act. We need the ability to get information when we need it, and our position on that is quite firm. That said, we aren't looking at going through FI businesses.
- **5-18(3), Recommendations for Insurance Agents and Insurer's Representatives – Life Insurance:** This would read better if "designated representative" was struck out. This clause pertains to the fact that we want an external third party to certify that the applicant is of good character. The power to license or not license is totally discretionary; so if the regulator says that this person is objectionable or not suitable, then they don't get a licence. After this, though, there is an automatic right of appeal.
- **5-18(4) to (6): Recommendations for Insurance Agents and Insurer's Representatives – Life Insurance:** CAFII seems to view this clause as prohibiting an agent from representing more than one insurer. But our intention is simply to have the same process in place as we do now. For example, for the first few years as a novice agent, an agent would only be permitted to act for one insurer. And this will be covered in the Regulations, rather than both the Act and the Regulations, as is currently the case.

And above all, from a CAFII member perspective, this restriction is for individual insurance agents only, not the employees of Restricted Insurance Agents. We're not monkeying with the existing RIA regime.

- **5-79 (2) and (3), Recommendations for Restricted Licensee – Life Insurance:** We recognize and accept the issue that CAFII has raised with respect to (2) but we believe that (3) is okay the way it is.

Action: Saskatchewan will review this provision further and get back to CAFII for further discussion.

- **5-38, Representative’s Duty of Disclosure:** Jim Hall and Jan Seibel requested clarification from CAFII on this point.

A CAFII member outlined the group’s issue with the expectation of written disclosure. The section indicates that the “in writing” part must be provided in advance, potentially before an individual has even purchased the product and is even a customer.

Action: Jim Hall now has a better understanding of this CAFII concern and will review this clause again and get back to CAFII on it.

- **8-98 – 8-155, Interpretation of Division:** Jim Hall acknowledged that there is a problem here. He wasn’t certain how the missing exclusion was omitted, but Saskatchewan will fix this.
- **8-103 & 8-159, Issuance of Policy:** Saskatchewan believes that 8-103(8) covers off the consumer privacy exemption that CAFII believes is missing. Claimants’ access to the documents extends only to information that is relevant under the contract. Bill 177 wasn’t intending to deal with privileged personal information; this was for very limited purposes.

Action: CAFII to follow-up on this item and get back to Jim and Janette as to whether we agree that 8-103(8) suffices; or, if not, why not.

- **8-05, Particulars in Group and Creditor’s Group Policy:** Saskatchewan intends to define “Restrictions” in the Regulations. Anything that we can fix via the Regulations or a “Superintendent’s Directive” is the way we want to address things rather than amending the legislation.
- **8-114, Failure to Disclose:** Jim Hall acknowledged there was a problem with this clause, which Saskatchewan would be working to address.
- **8-133 and 8-191, Enforcement of Right Re Creditor’s Group Insurance:** Saskatchewan is confused about what happened in Alberta re its December 2013 provision that was passed. Earlier, Saskatchewan was part of multi-province discussions on this with Alberta and BC. It seems that Alberta went ahead and amended their Act’s provisions on creditor’s group insurance without seeking a harmonized approach with the other Western provinces. Jim Hall indicated that Saskatchewan is reluctant to make such a change which hasn’t been agreed to by a number of other provinces.

- **8-165, Exclusions, exceptions or reductions:** This proposed Saskatchewan clause is the same as Ontario's. Jim questioned why Alberta had included an exemption for group insurance and creditor's group insurance. There is no such exclusion in the current Saskatchewan Act. And if we bring in an amendment that appears to be contrary to consumer protection, the legislators need to know why and currently we don't have that information.

Action: CAFII to get back to Jim and Janette on the rationale for Alberta's introduction of an exclusion for group insurance and creditor's group insurance in this area.

Final/Concluding Comments

Overall, Bill 177 will not be introducing any major changes to the province's existing Restricted Insurance Agent/ISI regime.

CAFII was thanked for making its submission on Bill 177. It was very helpful and it's good to understand the Association's issues and address any concerns early on in the process.

Should anything further come up in the next few weeks in terms of issues and questions, Jim and Janette would be happy to schedule another call with CAFII members.

Saskatchewan wants to limit the number of changes to Bill 177 and the legislation itself. However, necessary changes can be addressed through the Regulations or a Superintendent's Directive. And they are planning a thorough, comprehensive consultation on the Regulations. They also have the ability to adopt industry standards, if CAFII has some available.

Travel Insurance Action Items/Priorities

| Potential Activity/Action Item | BMO | CIBC | Desjardins | RBC | TD |
|--|---|---|---|--|--|
| 1) a) Proceed with the CAFII sub-committee on Travel Insurance. b) Consider how we can work with the CLHIA to optimize CAFII member efficiency and effectiveness. | Agree Need to set clear objectives. | Agree | a) Agreed b) Yes, as long as it does not differ from what a CAFII position would be... | Agree | Agree |
| 2) Third party to conduct travel survey of CAFII members (members provide data and response to survey) to determine baseline of how CAFII measures up on hot button issues. Travel expertise required in drafting of questions. | Disagree. | Disagree. I believe each member would know where they stand and should be able to provide their own updates. | Agree – if rules of confidentiality require it | Disagree. I believe each member can provide an update on how they measure up to hot button issues | Agree on basis survey is targeted and lean vs. previous CAFII member survey if deemed critical to developing standards |
| 3) Third party to conduct consumer research, e.g. to validate if hot buttons identified, are in fact, top of mind with consumers and to see if consumer are aware of who/where they purchase insurance. More discussion required on research objectives. | Agree to jointly conduct this with CLHIA. | Agree. Priority | Agree. I don't know if working with the CLHIA means that it could impede having a separate CAFII position. Could have to be discussed. | Agree. Priority We could jointly conduct this with CLHIA as this was a proposal made to them as well. We would like independent consumer research on travel insurance | Agree |
| 4) Create principles-based "Code of Conduct" of best practices that CAFII members support (either already practicing or improving towards) of some of the hot buttons items (which ones to be included still to be determined). | Agree. Priority | Agree. Priority | Agreed, not sure if this is a number one priority though. | Agreed. Priority | Agree |
| 5) Offer assistance to CCIR in terms of their survey creation and analysis (similar to our work with FSCO on their Life Insurance Suitability Review) to help ensure results are actionable and as unbiased as possible. | Agree | Agree | Agreed | Agree | Agree |

Travel Insurance Hot Button Issues

In a recent meeting with Harry James, he used the phrase “promise made, promise kept” to capture the essence of what regulators are looking for, **i.e. consumers can purchase travel insurance and have confidence that they will be covered in the event of a claim.**

Product Type: Both Group and Individual product types (with carve out for Individual related to misrep on medical questionnaire leading to denied claim)

Customer Segment: Snowbirds, over 60 and under 60 Customer Segments (with carve out for 60+/seniors for issues related to health questionnaire and underwriting)

Sales Channel: Available Through all sales channels of Deposit-taking institution branches, call centres and direct mail (e.g. insurer call centre), licensed insurance agents, employee benefit plans, credit card benefits, travel agents, websites, retailers in-store (with some carve outs for branch, call centre, website)

| Hot Button | Issue | Potential Action |
|---|---|--|
| Sales by unlicensed representatives presented as an issue by broker channel | <ul style="list-style-type: none"> ➤ Question of adequate training, disclosure, and/or monitoring ➤ Negative perception of Financial Institutions and Travel Insurance companies while <ul style="list-style-type: none"> ▪ <i>Branch staff not required to be licensed, not same calibre as licensed; not required to go into great detail about exclusions, stability clause, etc., have 1-800# for pre or post sale</i> ▪ <i>Banks Act permits and FIs complies with all guidelines</i> ▪ <i>Question: is there any interpretation required in branch about whether client eligible?</i> ▪ <i>If tell CCIR not a licensing issue then CCIR will say it is a product issue</i> | <ul style="list-style-type: none"> ➤ Need a basecube to understand where in our distribution channels we stand on the hot button issues <ul style="list-style-type: none"> ▪ Share what we do well for improvement ▪ What do we do? What are best practices? |
| | <ul style="list-style-type: none"> ➤ Poor employee training/lack of understanding leads to inadequate information being provided to consumers <ul style="list-style-type: none"> ▪ <i>Particularly true of travel agents</i> ➤ <i>Poor employee training/lack of understanding</i> ➤ <i>Issue is not licensed vs. not licensed, issue is consumers not getting the right information</i> | |

| Hot Button | Issue | Potential Action |
|--|--|---|
| | <ul style="list-style-type: none"> ➤ Internet sales | <ul style="list-style-type: none"> ➤ How to better serve the client for internet sales? <ul style="list-style-type: none"> ▪ <i>Full disclosure before application</i> ▪ <i>1-800#</i> ▪ <i>Click to chat</i> |
| Consumer Education/ Awareness | <p>Consumers:</p> <ul style="list-style-type: none"> ➤ do not understand how the insurance works or implications of incorrect answers ➤ do not read terms and conditions before and even after purchase ➤ do not realize that travel insurance is not an extension of health care plan <ul style="list-style-type: none"> ▪ <i>especially true of younger people</i> ➤ may not consult a medical professional if they do not understand policy <i>or even if they do</i> ➤ <i>For people under 60, do they understand certain clauses, e.g. stability, especially when not required to complete health questionnaire</i> ➤ <i>People over 60 are knowledgeable</i> ➤ <i>People under 60 are not knowledgeable</i> ➤ <i>It is hard to get people to understand when no underwriting is required – at least with underwriting there is some discussion with client</i> ➤ <i>Key to consumer education is: underwriting, refusal to accept, embedded value</i> ➤ <i>AMF: embedded coverage creates duplicate coverage</i> ➤ <i>AMF: embedded coverage creates duplicate coverage</i> | <ul style="list-style-type: none"> ➤ How to encourage clients to read their contract or at least look for important information (to make them more accountable) ➤ <i>Our goal is to have as many people covered as possible and claims paid</i> <ul style="list-style-type: none"> ▪ <i>Could introduce a product with fewer exclusions and correspondingly high prices such that</i> ▪ <i>A form of best practice</i> ➤ <i>All agreeing this is an issue and improvements possible</i> |
| Complexity of Eligibility/ Health Questionnaire (e.g. stability provisions, medical terminology, pre-ex condition clauses) | <ul style="list-style-type: none"> ➤ Hard for consumers to understand ➤ Perception (by regulators?) that questions will be hard for consumers to understand ➤ Different acceptance/ perception of risk between insurer and medical profession | <ul style="list-style-type: none"> ➤ <i>Risk based response</i> <ul style="list-style-type: none"> ▪ <i>What problems are most contentious</i> ▪ <i>Could probably develop industry definition of stable</i> ▪ <i>No good to underwrite everyone (high cost would result in no one insured)</i> ➤ Reality check for CCIR is that full underwriting is not viable ➤ Ultimate goal ➤ Simplify questionnaire (how to simplify understanding of questions) |

| Hot Button | Issue | Potential Action |
|--|--|---|
| | | <ul style="list-style-type: none"> ➤ <i>Promote 1-800#</i> ➤ <i>Claim can be simple and cost \$15k</i> |
| | <ul style="list-style-type: none"> ➤ Long and confusing underwriting process – <i>discussed that this is really a scoring process</i> | <ul style="list-style-type: none"> ➤ Better explain pre-ex conditions (e.g. what is stable for an insured; can pre-ex be personalized to the insured?) ➤ Explain the most difficult to understand exclusions in more detail ➤ <i>Standardized exclusions</i> ➤ <i>Knock out questions - no offer</i> ➤ <i>Insured for all except certain conditions</i> |
| <p>Complexity of Product/ Policy Wording:</p> <ul style="list-style-type: none"> ➤ Product features, benefits, limitations including pre-ex and stability, exclusions ➤ Lack of simple language in policies (travel insurance terminology) | <ul style="list-style-type: none"> ➤ Lack of consumer understanding what is covered ➤ Different touch points/ <i>purchasing process</i> for different products, e.g. annual, embedded benefits vs. per trip policies | <ul style="list-style-type: none"> ➤ Simplify policy wording ➤ Cover all risks ➤ Simplify exclusions |
| | <ul style="list-style-type: none"> ➤ Effectively providing advice/ disclosures across all channels ➤ Different disclosure requirements across provinces, e.g. DG in QC, ISI requirement in AB and SK ➤ Need to better explain pre-ex, and most difficult-to-understand exclusions in more detail, <i>e.g. consumers don't understand</i> <ul style="list-style-type: none"> ▪ <i>Blood thinners are related to a pre-ex condition (stability)</i> ▪ <i>Annual plan vs. per trip benefits paid and stability definition are different</i> | |
| | <ul style="list-style-type: none"> ➤ Inconsistent definition of key criteria, e.g. stable condition, pre-ex ➤ No minimum standard | <p><i>ThiA recommends:</i></p> <ul style="list-style-type: none"> ▪ <i>more consistency in language used for “stable”, “treatment, and “pre-existing”</i> ▪ <i>provide layman terms in parentheses when a medical term is used</i> ▪ <i>consumer be required to notify if change in medical condition between application date and departure date/consumer acknowledges having read it requirement</i> |

| Hot Button | Issue | Potential Action |
|---|--|---|
| Denied Claims | <ul style="list-style-type: none"> ➤ Denied claims not well explained to clients ➤ Perception of “post claims” underwriting ➤ “Void contracts” are an issue for CCIR ➤ Claims denied for “unrelated” illnesses ➤ Reasons for denied claims: <ul style="list-style-type: none"> • misrepresentation • pre-ex • event not covered • unrelated conditions | <ul style="list-style-type: none"> ➤ Better explain claim refusals (Insurers) ➤ <i>Have we done enough to ensure consumers understand what they buy?</i> ➤ <i>Give consumers a change to get money back before use, e.g. free look period</i> <ul style="list-style-type: none"> • <i>More of an issues for FIs selling credit cards and optional coverage</i> |
| | <ul style="list-style-type: none"> ➤ Some employers plans are pay and submit; others are phone first or otherwise plan won't pay | |
| White Labeling | <ul style="list-style-type: none"> ➤ Consumer not knowing who to call – often captured under the heading “While Labeling” ➤ Not knowing who the insurer is | |
| Consumers buying coverage while unknowingly duplicating existing coverage | | |
| Marketing of Travel Insurance as “worry-free” | <ul style="list-style-type: none"> ➤ Rather than “emergency travel insurance” | |

March xx., 2015

Mr. Adam Mitton
Investment Officer
Invest New Brunswick
520 King Street, Suite 850
PO Box 6000
Fredericton, New Brunswick
E3B 5H1

**RE: *Insurance Act* Amendments and Other Changes Needed to Reduce Red Tape,
Improve Business Efficiency, and Promote Inbound Investment and Additional Jobs In New Brunswick**

Dear Mr. Mitton:

Thank you for arranging a meeting with CAFII representatives in Toronto last year to discuss our concerns related to legislative and regulatory obstacles to efficient and effective insurance business operations in New Brunswick. We were pleased to have the opportunity of a candid discussion with you about the concerns outlined in our submission to the Financial and Consumer Services Commission (FCNB) Insurance Division's October 2013 consultation on "Opportunities for Reforming the New Brunswick Licensing Framework for Other-than-Life Insurance Agents and Brokers."

As you'll recall, CAFII's focus as an industry Association is on life and accident and sickness insurance, the sectors of the industry in which our members offer simple, convenient insurance solutions for Canadians through a variety of distribution channels. A shared vantage point among CAFII members is their use of tightly controlled, national bilingual client contact centres, many of which are situated in New Brunswick.

At our 2014 meeting, you extended an invitation to CAFII to submit a letter outlining our recommendations for *Insurance Act* amendments and other changes that we view as necessary to reduce red tape, improve the efficiency of business operations, and promote inbound investment and additional jobs in New Brunswick.

We are pleased to accept and respond to that invitation via this letter, and to provide our recommendations for what we view as much-needed changes. We have prioritized our recommendations into "High Priority Changes" and "Secondary Changes."

High Priority Changes

#1 Implement Online/Electronic Licensing System As Soon As Possible

CAFII strongly supports online/electronic license application and renewal systems as a means to increase efficiency for both regulators and the industry. We recommend that such a system be introduced in New Brunswick at the earliest possible date.

New Brunswick's current labour-intensive, paper-based system for insurance licence applications and renewals is archaic. Combined with under-staffing in the Superintendent of Insurance's office, the system has led to bottlenecks and significant delays in the processing of applications that have increased costs and compromised business efficiency.

CAFII was therefore pleased to learn from you, last June, that the Superintendent had acknowledged the problem and that the Insurance Division planned to implement an online/electronic licensing system as a solution within a year. From our perspective, it's imperative that the one year target date for implementation not be allowed to slip.

We took some reassurance from the fact that in the Insurance Division's recently published *Request For Comments on Proposed Rule INS-001* – to which CAFII will be responding by the April 27, 2015 deadline - there is a specific mention that "the FCNB is working on developing an online licensing system, which would enable applicants to complete the whole application process online, including online applications and payments."

While the implementation of an online/electronic licensing system in New Brunswick will, in and of itself, bring efficiency improvements, the full benefits of this modernization can only be realized through a national online licensing system. New Brunswick's position as a hub for national, bilingual call centres demands this.

Harmonized requirements reduce the cost and complexity of licensing. CAFII therefore strongly recommends that the design and development of New Brunswick's online/electronic licensing system be undertaken with integration with a national system in mind.

To that end, a national business number registration database would facilitate multi-jurisdictional licensing of intermediaries as well as assist insurers and regulators in undertaking background checks and criminal record checks on license applicants.

#2 Repeal Requirement That Licence Applications And Renewals Must Be Sworn Under Oath

CAFII strongly supports the Insurance Division's October 2013 proposal to repeal the *Insurance Act* requirement, found in clause 352(4), that all licence applications and renewals must be sworn under oath.

Replacing the sworn oath requirement with a certification as to the truthfulness of the information provided would (a) reduce administrative burden for licence applicants; (b) bring New Brunswick into harmony with all other Canadian jurisdictions; and (c) remove a significant barrier to an online licensing system.

#3 Implement Mutual Recognition System For Licensees From Other Jurisdictions

CAFII recommends that New Brunswick develop a system that would allow the province to recognize and automatically license applicants who hold an insurance agent licence from another Canadian jurisdiction, under a system of mutual recognition, with no further requirements other than registration and fee payments.

A possible partial first step in this direction, which would constitute a helpful efficiency improvement for CAFII members, would be for New Brunswick and other provinces to accept as valid a licence applicant's recently issued criminal record check from another Canadian jurisdiction.

Currently, for individual life insurance, CAFII member contact centres employ LLQP-trained agents, each of whom must hold licenses from all jurisdictions serviced by the centre, typically 12 different licences. It is administratively very costly and cumbersome to have to manage licensing for 12 separate jurisdictions (including separate background and criminal record checks; monitoring expiry dates for each jurisdiction; completion of forms; compliance with multiple continuing education, errors and omissions insurance, and notification requirements).

The reality of client contact centre operations is that customers may contact a centre several times over the course of a transaction -- to ask questions, complete the transaction, or to change coverage. In each case, if the answering agent is not licensed for the jurisdiction of the caller, the call must be transferred and queued for the appropriate agent, even though the answering agent would be fully competent to handle the caller's needs. This cannot be considered quality customer service.

Businesses have not been able to achieve the growth in alternate distribution channels that customer demand warrants, for reasons directly related to multi-jurisdictional licensing challenges.

CAFII would therefore like the regulatory model to recognize the importance of the telemarketing channel and alleviate the unnecessary burden imposed by multi-jurisdictional licensing.

#4 Amend Insurance Act To Allow Electronic Beneficiary Designations

In its October 2013 final position paper on "Electronic Commerce In Insurance Products," the Canadian Council of Insurance Regulators (CCIR) recommended the following with respect to insurance beneficiary designations:

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

CAFII therefore recommends that New Brunswick amend its *Insurance Act* to allow electronic beneficiary designations, which currently do not appear to be contemplated under clause 112(2) of the *Act* dealing with Notices.

We are in favour of regulation that permits insurers to receive beneficiary designations through the insured's channel of choice. It is our view that permitting electronic beneficiary designations may increase consumer protection by making it more convenient and straightforward for consumers to complete and submit their initial beneficiary designation and/or notify the insurer of a subsequent beneficiary change.

That said, in keeping with provincial electronic commerce legislation, an electronic beneficiary designation should be an option that requires the consent of both parties, and should not be mandatory for either insured or insurer.

BC and Alberta recently implemented regulatory changes that may make insurers more comfortable accepting electronic beneficiary designations. And an industry best practices guideline is under consideration in Alberta which may include additional consumer protection such as requiring acknowledgment of the change in beneficiaries by electronic or other means. CAFII members already have processes in place which provide such protection and assurance against fraud.

In addition, the Canadian Life and Health Insurance Association (CLHIA) has in development a proposed guideline for designating, altering or revoking beneficiaries electronically, which was shared with CCIR during its electronic commerce consultation.

Secondary Changes

#5 Empower Superintendent To Issue Temporary Licences

CAFII strongly supports the Insurance Division's October 2013 proposal that the Superintendent should have the power to issue a temporary licence in circumstances where issues pertaining to a licence renewal require investigation but where there is no significant risk to consumers. We recommend that this be addressed via an amendment to the *Insurance Act* at the earliest opportunity.

#6 Eliminate Licensure Distinctions Between Non-Residents And Residents; And Between Agents And Brokers

CAFII supports the Insurance Division's October 2013 proposal to eliminate New Brunswick's current licensure distinctions between non-residents and residents, and between agents and brokers.

Having a level playing field with a single licensure standard for all who sell insurance, regardless of residency and regardless of insurer affiliations, is optimal.

Making this change to the *Insurance Act* will better align New Brunswick with the Agreement on Internal Trade, which stipulates that individuals with recognized skills and qualifications should be able to work in their field in any jurisdiction in Canada, without undue impediment. In addition, the increasing use of electronic commerce, in all sectors of the insurance industry, has made physical location increasingly unimportant.

In the life sector of the industry, the Life Licence Qualification Program (LLQP) has harmonized entry-level proficiency requirements for agents in all common law provinces; and the current LLQP modernization initiative will bring Quebec into the fold effective January 1, 2016. Therefore, for the life side of the industry, a separate non-resident licence no longer seems justifiable.

#7 Harmonize With Other Provinces Re Captive Adjusters

In other provinces, only independent adjusters who provide services to multiple insurance companies need to be licensed. Adjusters who work solely for one company do not require licensing. However, in New Brunswick, both types of adjusters are required to be licensed.

CAFII therefore recommends that legislative and/or regulatory changes be made to harmonize New Brunswick with other provinces, such that a captive adjuster works for just one company would not have to be licensed.

#8 Implement Grander Vision: Incidental Sellers of Insurance Regime

When it comes time for the FCNB to consider more comprehensive and far-reaching reforms to the province's regime affecting life insurance agents, CAFII recommends that New Brunswick strongly consider a grander and more progressive vision, ie. one which would include the introduction of an Incidental Sellers of Insurance regime – akin to the existing ISI regimes in Alberta, Saskatchewan and Manitoba – which would allow corporate entities to be issued Restricted Insurance Agent licences.

Conclusion

We thank you again for inviting CAFII to submit recommendations for *Insurance Act* amendments and other changes that will reduce red tape, improve the efficiency of business operations, and promote inbound investment and additional jobs in New Brunswick.

We would be pleased to meet with you again and/or with other representatives from Invest New Brunswick or from FCNB to elaborate on or clarify any of our recommendations. We would be prepared to meet in-person in Fredericton or by conference call, as you prefer.

If you would like to arrange a follow-up meeting, please contact Brendan Wycks, our Executive Director, at brendan.wycks@cafii.com or 647-218-8243 to arrange a mutually convenient time.

Sincerely,

Moirá Gill
Chair, Licensing Efficiency Issues Committee

ABOUT CAFII

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

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

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

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

CAFII members offer travel, life, health, property and casualty, and creditor's group insurance across Canada. In particular, creditor's group insurance and travel insurance are the product lines of primary focus for CAFII as its members' common ground.

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