

CAFII Executive Operations Teleconference Committee Meeting

Date: Tuesday October 23, 2018
Location: Teleconference Only
Chair: M. Boyle

Time: 2:00 – 3:00 p.m. EST
Dial-in: 416-477-0921 / 1-888-543-2249
Pin #: 1500

Agenda

Item	Presenter	Action	Document
1. Call to Order 2:00 p.m. a. Welcome to New EOC Member	M. Boyle		
2. Consent Items 2:05 p.m. a. Response Letter To CAFII Submission On FSCO's 2018 Statement of Priorities b. Consultations/Submissions Timetable c. Regulatory Update d. 2018 FSCO Market Conduct Symposium: November 16/18 Date Reminder e. AMF 2018 Rendez-Vous Mini-Conference: November 19/18 Date Reminder f. Minutes of September 25/18 EOC Meeting			✓ ✓ ✓ ✓ ✓ ✓
3. CAFII Financial Management and Governance Matters 2:07 p.m. a. First Draft of 2019 CAFII Operating Budget b. Proposal Re CAFII EOC "Observers" From Member Companies c. Draft Schedule of 2019 CAFII Meetings and Events d. Reconstitution of CAFII Networking and Events Committee	T.Pergola/B.Wycks/K. Martin B. Wycks/D. Quigley B. Wycks B. Wycks/J. Lewsen	Update Update Update Update	✓ ✓ ✓ ✓
4. Recent and Upcoming CAFII Regulatory and Strategic Initiatives 2:17 p.m. a. Response To AMF Regulation Respecting Alternative Distribution Methods: i. Critical Path For CAFII Submission ii. Proposal That CAFII Working Group Develop A Template(s) For Consumer Disclosure Materials To Replace Distribution Guide b. Response to FSRA Public Consultation on Proposed Fees and Assessments Rules: i. Critical Path For CAFII Submissions ii. CAFII Feedback Recommendation Re Gradual Phase-In Of Transition From Net Premium To Direct Written Premium As Basis For Fee Levies c. CBC MarketPlace Segment/Story On Balance Protection Insurance d. Next Steps Arising From Recent CAFII Meeting With Brigitte Goulard, FCAC e. CAFII Credit Protection Insurance Research With Pollara Strategic Insights f. Implementation of Saskatchewan's New Insurance Act and Regulations i. Saskatchewan Restricted Insurance Agent Advisory Committee g. CAFII Website Updates: i. New CAFII Website Video on Travel Medical Insurance Research Results ii. "Proud Member of CAFII" Website Badge h. October 17/18 Travel Health Insurance Update Meeting With CLHIA And THiA i. October 24/18 CAFII Meeting With CCIR Travel Insurance Working Group j. October 25/18 CAFII Annual Stakeholder Meeting With CCIR k. CAFII Initiation Member, Returning Member, and Associate Prospects: i. Sun Life Financial ii. OneMain Solutions	K. Martin/B. Wycks B. Wycks/K. Martin K. Martin K. Martin/ B. Wycks D. Quigley/K. Martin B. Wycks/K. Martin B. Wycks/K. Martin K. Martin S. Manson/ K. Martin B. Wycks B. Wycks B. Wycks/K. Martin	Discussion Discussion Discussion Discussion Update Update Update Update Update Update Update Update Update Update	✓ (2) ✓ ✓ ✓ (2) ✓ ✓ ✓ (7) ✓ (2) ✓ ✓ ✓ ✓ ✓ ✓ (2) ✓ ✓

<p>5. Tracking Issues</p> <ul style="list-style-type: none"> a. BC 10-Year Review of Financial Institutions Act b. FCNB Plans To Introduce An RIA Licensing Regime In New Brunswick c. AMF 2018 Consultation on Updating Sound Commercial Practices Guideline d. Alberta Government Plans to Create a Single Financial Services Regulator e. FCAC: Phase 2 of Domestic Bank Retail Sales Practices Review f. Australian Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry g. FSCO: ISI Market Conduct Questionnaire and CEO Attestation; and Succession by FSRA 			
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Next EOC Meeting: Tuesday, November/20, 2:00 – 4:00 p.m., Location: TBA

Next Board Meeting: Tuesday, November 27/18, 3:00 -- 5:00 p.m., The Canada Life Assurance Company, 15th Floor Boardroom, 330 University Avenue, Toronto, ON

**Financial Services
Commission
of Ontario**

**Commission des
services financiers
de l'Ontario**



Chief Executive Officer and
Superintendent of Financial Services

Directeur général et
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September 26, 2018

Mr. Peter Thorn
Board Secretary and Chair, Executive Operations Committee
The Canadian Association of Financial Institutions in Insurance
802-21 St. Clair Avenue East
Toronto ON M4T 1L9

Dear Mr. Thorn:

Thank you for responding to the request for comments on the draft *Statement of Priorities* of the Financial Services Commission of Ontario (FSCO). The final version of the statement, which was published in *The Ontario Gazette* on July 28, 2018, is available on our website at www.fSCO.gov.on.ca.

Through its public education initiatives during Financial Literacy Month, Fraud Prevention Month, and in communicating the Treating Financial Services Consumers Fairly Guideline, FSCO will continue to focus on driving consumer knowledge about financial services and products in the sectors we regulate, and drawing consumer attention to their rights and responsibilities. As we have in recent initiatives, we will continue to broaden our reach and improve consumer information by proactively seeking relevant partnerships and improving our consumer-facing digital tools.

As for innovation and new technology, it is important that FSCO endeavors to not only enable innovation in all of its monitored industries, but to balance innovation with consumer protection. Your letter indicates that this is a goal that CAFII shares with FSCO. FSCO is a risk-based and outcome oriented organization and always strives to take a holistic approach to new technologies.

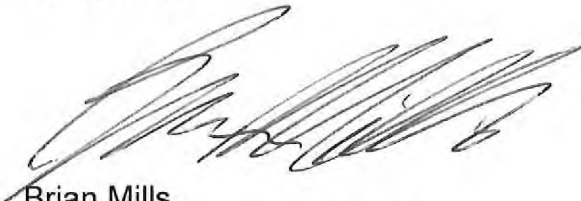
This also corresponds to the Financial Services Regulatory Authority's (FSRA) view of the regulator's role in promoting innovation as stated in their April 2018 progress report: "As FinTech and other digital innovations dramatically shift the delivery of services and use of data, the regulator of the future needs mechanisms to support innovation, while at the same time protecting consumers and ensuring market integrity. Regulators must balance consumer protection and fraud prevention with support for a strong and innovative financial services sector."

FSCO's Treating Financial Services Consumers Fairly Guideline is intended to cover all the financial services sectors that it regulates, including the insurance sector. We appreciate the importance of ensuring a harmonized approach with the Canadian Council of Insurance Regulators and the Canadian Insurance Services Regulatory Organizations guidance document and as such will continue to take steps to ensure FSCO's conduct of business expectations of insurers and intermediaries are harmonized.

Furthermore, one of the strategic directions of FSRA will be to further enhance cooperation and collaboration with other regulators to improve responsiveness, leverage best practices, and reduce costs and barriers to innovation.

Once again, I appreciate your participation in this goal-setting process, and look forward to your continued involvement in meeting our common objectives.

Yours truly,

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

Brian Mills
Chief Executive Officer and
Superintendent of Financial Services

CAFII Consultations/Submissions Timetable 2018-19

Regulatory Issue	Deliverable	Deadline	Accountable
BC Ministry of Finance 10-Year Review of FIA (Initial Public Consultation Paper released June 2, 2015)	<ul style="list-style-type: none"> Preliminary Recommendations Paper on policy proposals for change CAFII Response to Preliminary Recommendations Paper Proposed Revised Financial Institutions Act released for consultation <i>Meeting with Ministry of Finance officials, if necessary</i> CAFII submission on proposed revised FIA 	<ul style="list-style-type: none"> Released March 19/18 June 19/18 Q2 2019 (expected) Q2 2019 Q2 or Q3 2019 	<ul style="list-style-type: none"> Joint Market Conduct/Licensing Committee; Co-EDs to monitor
Financial Services Regulatory Authority of Ontario (FSRA) <u>Consultation on Fee Rules</u>	<ul style="list-style-type: none"> <u>FSRA releases Public Consultation documents on proposed Assessments and Fees (2019-001) and Fees and Assessments, Interim (2019-001B)</u> CAFII Submission on FSRA Fees and Assessments-related Public Consultation documents 	<ul style="list-style-type: none"> <u>October 5/18</u> January 4/19 	<ul style="list-style-type: none"> <u>Joint Mkt Conduct/Licensing Committee; Co-EDs to monitor</u>
FSCO Treating Consumers Fairly (TCF) Guideline	<ul style="list-style-type: none"> FSCO Releases Draft TCF Guideline For Industry Consultation CAFII submission on FSCO Draft TCF Guideline <u>FSCO issues final version of TCF Guideline</u> 	<ul style="list-style-type: none"> April 2018 May 8/18 <u>September 28/18</u> 	<ul style="list-style-type: none"> Market Conduct Cttee; Co-EDs to monitor
AMF Sound Commercial Practices Guideline Update	<ul style="list-style-type: none"> <u>2018 "update" consultation announced by L. Gauthier</u> <u>AMF releases consultation document</u> CAFII submission on updated Sound Commercial Practices Guideline 	<ul style="list-style-type: none"> <u>May 3/18</u> <u>Q2 2019 (expected)</u> Q3 2019 (expected) 	<ul style="list-style-type: none"> <u>Market Conduct Cttee; Co-EDs to monitor</u>
Quebec Bill 141 and Related Regulations	<ul style="list-style-type: none"> Omnibus Bill 141 tabled and related Bill 150 subsequently tabled CAFII submission to National Assembly Committee on Public Finance National Assembly passes Bill 141 (certain Bill 150 provisions included) <u>AMF releases Bill 141-related Regulation on alternative distribution methods (online sales of insurance)</u> CAFII submission on Regulation on alternative distribution methods 	<ul style="list-style-type: none"> Oct 5 and 23, 2017 January 16, 2018 June 2018 <u>October 10/18</u> December 10/18 	<ul style="list-style-type: none"> Joint Mkt Conduct/Licensing Committee; Co-EDs to monitor
CCIR Guidance: Conduct of Insurance Business and Fair Treatment of Customers	<ul style="list-style-type: none"> CAFII submission on first draft of Guidance document CCIR releases Draft 2 of Guidance for formal industry consultation CAFII submission on Draft 2 of CCIR Guidance document <u>CCIR issues final version of Guidance document</u> 	<ul style="list-style-type: none"> March 7/18 May 3, 2018 June 18, 2018 <u>September 27/18</u> 	<ul style="list-style-type: none"> Market Conduct Cttee; Co-EDs to monitor
CCIR Review of Travel Health Insurance	<ul style="list-style-type: none"> CCIR Travel Health Insurance Products Position Paper Released Meeting with TIWG Re Position Paper and industry reforms <i>Follow-up meeting with TIWG Re Position Paper and industry reforms</i> 	<ul style="list-style-type: none"> May 31, 2017 January 29, 2018 October 24, 2018 	<ul style="list-style-type: none"> EOC; Co-EDs to monitor
SK Bill 177	<ul style="list-style-type: none"> FCAA releases The Insurance Amendment Regulations, 2018 CAFII submission on The Insurance Amendment Regulations, 2018 New Saskatchewan Insurance Act and Regulations come into force 	<ul style="list-style-type: none"> August 10, 2018 September 14, 2018 January 1, 2019 	<ul style="list-style-type: none"> Joint Mkt Conduct/Licensing Committee; Co-EDs to monitor
FCNB Introduction of Restricted Insurance Agent (RIA) Licensing Regime in New Brunswick	<ul style="list-style-type: none"> FCNB informs CAFII that development of RIA regime is well-advanced FCNB launches industry consultation on RIA licensing regime model CAFII submission on FCNB's RIA licensing regime model 	<ul style="list-style-type: none"> May 14, 2018 Q1 2019 (expected) Q1 or Q2 2019 	<ul style="list-style-type: none"> Licensing Committee; Co-EDs to monitor

Underline = new/updated item since previous publication; **Boldface** = CAFII response pending; *Italics* = CAFII meeting with regulators/policy-makers pending

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Regulatory Update – CAFII Board of Directors and Executive Operations Committee, 23 October, 2018

Prepared by Keith Martin, CAFII Co-Executive Director

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Federal / National**Financial Consumer Agency of Canada (FCAC)**The Financial Consumer Agency of Canada (FCAC) Publishes its 2017-2018 Annual Report

The FCAC released its 2017-2018 annual report on 4 October, 2018, covering the period from April 1, 2017 to March 30, 2018. It details the Agency's efforts to protect financial consumers and help them make informed financial decisions.

The report points to the FCAC's Domestic Bank Retail Sales Practices Review as a major achievement of the year, saying that it "found that retail banking culture is anchored in sales, which can raise risks for consumers. It also found that governance frameworks and controls put in place by banks to mitigate these risks are underdeveloped."

The report also notes that "Commissioner Lucie Tedesco established a new Consumer Protection Advisory Committee to strengthen consumer protection by informing FCAC's supervision work, research initiatives and the development of consumer education material."

The annual report also states that "The Agency conducted a number of investigations to determine whether the regulated entities engaged in practices that violated the consumer provisions under the Bank Act. The Agency's work to protect financial consumers led financial institutions to reimburse almost \$6 million to more than 1 million consumer accounts."

The Superintendent's Message in the annual report states that "We will apply the insights and knowledge that we have gained over the last year to enhance our supervisory clout, inform our policy advice, contribute to this country's federal financial consumer protection framework, and expand our efforts to strengthen Canadians' financial literacy." The Superintendent also states that "The year also saw the fruition of the Agency's process to select members of the Consumer Protection Advisory Committee. The new committee will lend expertise to FCAC's plans and projects in support of our supervisory mandate."

The Superintendent also stated that

FCAC published a Report on Best Practices in Financial Consumer Protection, which found Canada's federal financial consumer protection framework to be strong, while also noting areas where it could be strengthened. These include addressing certain business practices, providing FCAC with additional supervisory and enforcement tools, and introducing targeted measures to empower and protect consumers. FCAC reached these conclusions after engaging with provincial and territorial regulators and other key stakeholders to identify best practices in financial consumer protection in place across the country. The scope of FCAC's review focused on consumer protection measures that apply to financial products and services, such as credit products and deposit products. In parallel, FCAC assessed international best practices and the current federal framework. The report's findings will help inform potential policy measures to strengthen the federal financial consumer protection framework and improve protection for bank customers, as proposed in Budget 2018.

These comments indicate that there may be new proposals from the federal government to provide the FCAC with increased powers around consumer protection. A confidential source has indicated to CAFII that the FCAC has alluded in talks with provincial regulators (discussions which are mentioned in the Superintendent's message above), to its intention to expand its reach; and that these plans were not well-received by some provincial regulators who felt that the FCAC might be moving into areas of insurance regulation that the Canadian Constitution mandates are the exclusive jurisdiction of provincial and territorial authorities.

This also could produce a “tug of war” around jurisdiction between the FCAC and provincial and territorial regulators in which banks would find themselves being “the rope.” As a result, CAFII is intending to ask the CCIR, at the upcoming 25 October, 2018 Stakeholders meeting, what measures the CCIR and its provincial regulatory members were planning around cooperation and coordination in areas that the FCAC was looking at that were also a focus of the CCIR and its members, such as credit protection insurance.

The allusion above to enhanced regulatory powers is also consistent with a discussion that David Moorcroft had with CBA's Vice President of Communications Aaron Boles, on 15 October, 2018 in connection with the CBC Marketplace intention to produce a story on credit card balance protection insurance. In that conversation, Mr. Boles stated that the FCAC and the Department of Finance are expected to release a report this fall recommending new protections for consumers. Finance has asked the industry to remain in a “no noise” mode about consumer protection issues until after the report is issued.

Government of Canada, Federal Department of Finance **Ottawa May be Eyeing New Rules to Protect Bank Consumers**

In a 9 October, 2018 article in the National Post, Geoff Zochodne reports that Prime Minister Trudeau included strongly worded language around protection of consumers in his mandate letter to the new Seniors Minister. The mandate letter from the Prime Minister asks that the new Minister “support the Ministers of Finance and Innovation, Science and Economic Development on the design and implementation of initiatives to better protect consumers, particularly seniors, from high-pressure sales tactics, overbilling, fraud and other potential harms in dealing with financial institutions and telecommunications companies.”

The letter stood out for its pointed language (“fraud and other potential harms”) and the fact that neither the finance nor the ISED ministers — Bill Morneau and Navdeep Bains, who remained in their posts — received new mandate letters.

Mr. Zochodne notes that earlier this year, the Financial Consumer Agency of Canada — the entity tasked with ensuring federally regulated banks comply with consumer protection rules — published a report that found a sales-focused culture at the Big Six banks had potentially increased the risk of mistreating customers. He adds that the FCAC, however, said in its report that it did not find “widespread mis-selling” of products or services.

Mr. Zochodne also notes that the federal government has promised to toughen up the FCAC, but no FCAC-related legislation was part of the Liberal government's budget bill earlier this year, and with the next federal election scheduled for October 2019, the window to do so is closing.

The reporter also states that a spokesperson from the Department of Finance Canada said in an email that consumer protection had been identified as a priority in the 2018 budget. The proposal around legislation for the FCAC, the Ministry said, would “strengthen” the agency’s tools and mandate “and continue to advance consumers’ rights and interests when dealing with banks.”

“The Government has undertaken targeted consultations with stakeholders, including provinces and territories,” the spokesperson wrote, “... and intends to ensure that all Canadians benefit from strong consumer protection standards.”

Other recent developments have prompted consumer advocates to push Ottawa to take action, such as the recent decision by Bank of Nova Scotia to stop using a not-for-profit external ombudsman and instead start using a for-profit one. The move will leave the non-profit outfit, the Ombudsman for Banking Services and Investments, with just two of Canada’s Big Five banks remaining under its watch for banking-related complaints.

A spokesperson for the Department of Finance Canada told the Financial Post at the time that the federal government “takes the protection of financial consumers very seriously.”

“We have a landscape that’s really tilted against consumers,” said Wanda Morris, chief advocacy and engagement officer at CARP, the former Canadian Association for Retired Persons, in an interview. Morris said her group has heard rumblings of something coming from Ottawa, and noted that it is “incredibly telling that you have to have a mandate letter saying consumers deserve to be protected, particularly older consumers.” CARP still has its reservations, though.

“Nobody has said, ‘Great, we’re seeing the really strong, robust reforms that are needed,’ so I’m not sure that we’re getting enough,” Morris said.

The article also states that there have also been examples elsewhere of countries getting tougher with their banks. In Australia, a sweeping inquiry into misconduct in the financial services industry “has brought public attention and condemnation” with its findings, according to the inquiry’s recently released interim report.

With regards to the Seniors Minister’s mandate, a spokesperson for the Canadian Bankers Association noted that the 2018 budget had signalled the government was readying a consumer code for financial services, “which the CBA supports, and the mandate you cite is in line with that initiative.”

John Lawford, the executive director of the Public Interest Advocacy Centre, said they are expecting some kind of consumer protection push from Ottawa when it comes to the banks. Their expectations, however, are not exactly high.

“I don’t expect the legislation to be anything more than a warming-up of leftovers,” Lawford said. “This government hasn’t shown itself to be, despite the big talk, a champion of bank customers at all, and so we’re a little bit testy with them.”

Desjardins GroupGuy Cormier, President and CEO of Desjardins Group, Speaks to the Economic Club of Canada

Guy Cormier, President and CEO of Desjardins Group, addressed the Economic Club of Canada on 18 October, 2018. CAFII Co-Executive Directors Brendan Wycks and Keith Martin were in attendance, and had the chance to introduce themselves to Mr. Cormier, who was extremely cordial and said he knew about CAFII. We told him Desjardins was a very effective member and we mentioned that Christian DuFour was the CAFII Board member from Desjardins, and Mr. Cormier said he would be seeing Mr. DuFour soon and would let him know he had met us.

It should also be mentioned that the blurb from the Economic Club announcing Mr. Cormier's speech pointed to insurance as one of Desjardins Group's key areas of focus for growth.

Mr. Cormier has been with Desjardins Group since 1992. A major theme he emphasized was the importance of sustainable development and corporate responsibility—that companies had to give back to the communities in which they operate. He said that Desjardins Group is not just a Quebec company, noting 25% of operating income comes from Ontario, and 33% comes from Canada outside of Quebec; and that these are numbers that Desjardins Group, which has 290 billion dollars in assets, intends to increase through expansion in Ontario and elsewhere in Canada outside of Quebec, both through organic growth and through acquisitions. Speaking to the size of the company, Mr. Cormier said that it was the 3rd largest P&C insurer in Canada, and the 5th largest Life and Health insurer in Canada, with \$1.7 billion in gross written premiums in life and health insurance in Canada.

Mr. Cormier spoke about Desjardins' cooperative roots and how profoundly important these are to its corporate culture. He said that one of the reasons that Desjardins Group proceeded with the acquisition of State Farm in 2015 was that company's own origins as a cooperative, and that this has made the cultural fit of the two organizations more seamless.

He said that Desjardins Group has similarly partnered with the CUMIS Group, owned by the Co-Operators, because of its credit union and cooperative culture, and together they have created Aviso Wealth, which has 500,000 clients and \$57 billion in assets under management. Mr. Cormier spoke very highly of the CUMIS Group and of the partnership.

Turning to corporate responsibility, Mr. Cormier spoke to the theme of shared prosperity, saying that income disparity was a social ill that had produced negative outcomes for our society, and would continue to do so if it was not addressed. A quote of his was displayed on the video monitor highlighting elements of his speech: "We must commit to a shared prosperity that will create a more balanced society." The current form of capitalism had to evolve, he said; companies needed to give back to communities, prosperity must be shared, and the poverty and pain suffered by those who have lost out from economic changes must be addressed. Governments, he said, would not be able to solve society's current problems on their own—companies had to be fully engaged. Mr. Cormier suggested that Canada needed to diversify its trade relations, as the United States had shown itself to be an unpredictable partner. He said people were critical to a company's success, and for all the attention placed on technology, this would not change.

Mr. Cormier was particularly vocal on the issue of climate change, saying that despite the deniers, it was real, unquestionably a critical issue for society, and a problem that we needed collectively to address. He cited many examples of simple, practical changes that Desjardins was making to do its part, such as providing electric car outlets at some of its branches. "We must fight climate change," he said.

Mr. Cormier, on the issue of technology, said Desjardins would emphasize simplicity in all things. Desjardins is emphasizing digital solutions, and now auto insurance claims, and mortgage renewals, can both be made on a mobile phone by Desjardins' customers, for example. After the financial crisis Desjardins had to focus on financial stability and strength, but now they were rapidly returning their focus on people—on their customers, and their 45,000 employees in Canada.

Canadian Life and Health Insurance Association (CLHIA) and Insurance Bureau of Canada (IBC)

CLHIA and IBC Express Satisfaction with AMF Draft Regulation on the Sale of Insurance over the Internet

The Insurance and Investment Journal contacted CLHIA and IBC for their reaction to the AMF's draft regulation on sales of insurance over the Internet. Although the regulation proposed by the AMF does not specify the products that can be offered on the Web, these stakeholders say they are satisfied with this first draft. Both Associations also indicated that they intend to contribute their comments to the consultation on the draft regulation, entitled *Regulation respecting Alternative Distribution Methods*. The 60-day comment period will end on Dec. 10, 2018.

The regulation consisting of nearly forty articles focuses mainly on the information and documents that insurers must provide to their customers when concluding an insurance contract. Among these, insurers and firms will have to show the following information on their digital platforms at all times: the firm's name and contact information; each sector in which the firm is registered with the AMF, and the manner in which the client can request the intervention of one of the firm's representatives.

The information presented on the platform about products and services must also be written "in language that is clear, readable, specific and not misleading, so as to highlight the essential elements for informed decision-making and not cause confusion or misunderstanding."

Pierre Babinsky, Director Communications and Public Affairs at the Insurance Bureau of Canada (IBC), said that the organization will review the proposed regulations and provide comments to the AMF. IBC is in favor of selling over the Internet. "For the IBC, oversight of this activity must enable insurers to innovate, meet the needs of consumers and adapt to technological changes, while ensuring a positive experience for all stakeholders."

The Quebec branch of the Canadian Life and Health Insurance Association (CLHIA-Quebec) says it finds that the advisor retains a "very important" role in the sale of insurance products over the internet and that the draft regulation goes in this direction.

"Insurers will want the law to be respected and the consumer who needs it to get the best advice possible. Because ultimately, it is in the insurer's interest that the consumer receive all the advice they need, if they indicate they are interested," said Suzie Pellerin, Director of Governmental Affairs at CLHIA-Quebec.

Statistics Canada

Statistics Canada Report States that Banks Report the Most Cybersecurity Incidents

Investment Executive, in a 15 October, 2018 article, noted that a Statistics Canada report finds that banks report the most cybersecurity incidents. The Canadian Survey of Cyber Security and Cybercrime was conducted for the first time to measure the impact of cybercrime on Canadian businesses. Canadian businesses reported spending \$14 billion to prevent, detect and recover from cybersecurity incidents in 2017, which represented less than 1% of their total revenues,

The report found that 21% of firms suffered an incident that impacted their operations last year. Large firms were more than twice as likely as small firms to face attacks (41% of large companies compared with 19% of small firms).

The banking sector was the top target, with almost half (47%) of banking institutions reporting that they faced cyberattacks, followed closely by universities and the pipeline transportation sector.

Of those businesses impacted by a cybersecurity incident, 38% identified the motive as an attempt to steal money or demand ransom, 26% of businesses experienced incidents where hackers tried to access unauthorized areas, and 23% faced an incident where there was an attempt to steal personal or financial information.

Additionally, the report found that 24% of large businesses have liability insurance to protect against cyber security risks and threats. Most of these policies (82%) cover direct losses from an attack or intrusion, 72% cover business interruption and 66% provide coverage for third-party liability and financial losses.

Only about 10% of businesses that were impacted by a cybersecurity incident reported it to police in 2017, according to the report. Indeed, StatsCan says its data may involve some level of underreporting, because businesses are not always aware of cybersecurity incidents, or are unwilling to report them. Data for the survey was collected from January to April from businesses with Canadian operations that have at least 10 employees, across all sectors. The sample included 12,597 businesses, and the response rate was 86%, the report says.

Competition Bureau

Competition Bureau Releases a Report that Highlights the Progress Canada has made in Fintech

Investment Executive reports in a 27 September article that a report was just published by the Competition Bureau that shines a light on recent developments in Canada's fintech sector and what to expect next. The report, *Canada's Progress in Fintech*, examines market and policy developments since the Bureau's study on the fledgling fintech sector was published late last year. It highlights work being done in Canada to: open up the payments infrastructure, establish an open banking regime and collaborate and harmonize rules.

"These are key steps toward more competition and innovation in the fintech sector. It will be important to build on this momentum for the benefit of Canadian businesses and consumers," the Bureau says in a news release.

Although there has been progress on a number of fronts, there is still work to be done. In particular, the Bureau says it will be watching the federal government's commitment to examine open banking, and to modernize the financial sector framework.

Federal Ministry of Finance

Finance Minister launches Advisory Committee on Open Banking

Investment Executive Journal reports on 27 September, 2018 that Bill Morneau, federal Finance Minister, recently announced the launch of the Advisory Committee on Open Banking, which will be charged with reviewing the merits of open banking, and reporting back to the government.

Open banking aims to foster fintech innovation by allowing customers to share their banking data with fintech firms, enabling them to possibly develop innovative products and services.

The committee's four members are: Colleen Johnston, most recently group head, direct channels, technology, marketing and corporate and public affairs, Toronto-Dominion Bank; François Lafortune, a partner of the venture capital arm of Montreal-based Power Financial Corp.; Kirsten Thompson, a partner at law firm Dentons Canada; and Ilse Treurnicht, former CEO of Toronto-based innovation hub MaRS.

"As technology continues to drive change in the financial sector, we must ensure that the needs of consumers — for more affordable and convenient services — are considered alongside the needs of the financial institutions that serve them. I congratulate the members of the advisory committee on their appointments, and look forward to the results of their consultations on open banking," says Morneau in a statement.

C.D. Howe Institute

C.D. Howe Institute Report Recommends Governments Change Tax Rules to Enable Longevity Insurance Products

An Investment Executive article on 18 September, 2018 states that the C.D. Howe Institute has issued a report on the need for tax and other reforms to enable stand-alone longevity insurance products to be offered in Canada.

The report, *Making the Money Last: The Case for Offering Pure Longevity Insurance to Retiring Canadians*, makes the case for the provision of longevity insurance, and recommends policymakers make it easier for insurers to offer these products.

"With a large swath of baby boomers recently retired or set to retire, and many of them having accumulated retirement wealth in capital accumulation plans, the time has come for governments to shift their attention to policies facilitating the efficient and economical decumulation of retirement capital. The provision of longevity insurance is an essential component for making this happen," the report states.

Canadian insurers currently do not offer stand-alone, longevity insurance, the report notes. Instead, this sort of coverage is generally bundled into products that "make the existing offerings expensive for consumers and largely unattractive." Unbundling the pure longevity insurance component of these products would enable the provision of cheaper stand-alone insurance, the report says.

Prevailing tax policy is one of the obstacles to companies offering these kinds of contracts. As a result, the report calls for reform to tax rules that are hindering stand-alone longevity insurance offerings. "Policy needs to shift, and shift quickly, to make a stand-alone longevity insurance market a reality," says Don Ezra, author of the report and former co-chair global consulting for Russell Investments, in a statement.

The report also recommends governments invest in retirement planning education with respect to longevity risk protection. "Public education on the value of longevity risk protection at the start of retirement, when it is cheap to purchase, would be helpful," the report argues, and these efforts should stress the idea of "guaranteed lifetime income rather than using the word annuity."

In addition, once these products become available, capital accumulation plans should be required to, “offer their members the option to buy longevity protection at set ages towards the end of the accumulation phase,” states the report. The report calls on regulators to ensure that existing solvency rules are adequate for these products. “The rules should be such as to discourage over-aggressive pricing, but not so onerous that insurance companies face a greater burden than with their immediate annuities,” the report adds.

Canadian Life and Health Insurance Association (CLHIA)

CHLIA Newest Factbook Shows that Demand for Life Insurance is on the Rise

The Insurance and Investment Journal reports on 27 September, 2018 that the Canadian Life and Health Insurance Association (CLHIA) has released the 2018 Edition of *Canadian Life and Health Insurance Facts*, which shows that “the demand for life and health insurance products continues to grow in both domestic and international markets,” says the Association.

“This demonstrates that Canadian and international policyholders continue to understand the positive impact that insurance products can have on their financial and physical health and well-being,” notes CLHIA President and CEO, Stephen Frank.

The factbook reveals that in 2017, the total number of Canadians holding insurance grew to almost 29 million, while the industry paid \$92 billion in claims, an increase of 4.3 per cent from 2016. More than 90 per cent of these benefits went to living policyholders. Premiums in Canada were more than \$110 billion in 2017 up from \$106 billion in 2016. Canadians employed in the life and health insurance industry rose to 155,200. The CLHIA says employment growth has been averaging some 2.5 per cent over the past 10 years.

“The growth of the industry extends beyond our borders with foreign operations of Canadian insurers almost doubling in the past five years. Most of this growth has occurred outside North America and the industry now provides coverage to almost 55 million international customers,” reveals the CLHIA.

In 2017, the industry’s total assets in Canada grew to almost \$860 billion, including \$42 billion in infrastructure investments, says the CLHIA.

Provincial

British Columbia

Financial Institutions Commission of British Columbia (FICOM)

Frank Chong, Superintendent of Financial Institutions at the Financial Institutions Commission of British Columbia (FICOM), supports the CCIR / CISRO Guidance on the Fair Treatment of Insurance Customers, and States that Co-operation across Provincial and Territorial Boundaries is Essential

In a 28 September, 2018 Statement from Frank Chong, Superintendent of Financial Institutions at FICOM, Mr. Chong states that

The Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organizations (CISRO) have released a joint guidance that sets out their expectations for how insurers and intermediaries conduct their business and ensure the fair

treatment of customers. FICOM would like to thank CCIR and CISRO for this important guidance.

FICOM fully supports the principle of treating customers fairly. FICOM has been one of Canada's leading advocates of ensuring consumers are better informed about the insurance products they buy and have clear avenues for resolving disputes when they feel unfairly treated.

FICOM also feels that regulatory co-operation across provincial and territorial boundaries is essential to providing consistent and comprehensive protection for those who purchase insurance, and BC has been involved in national regulatory associations for over 100 years. We look forward to seeing the implementation of this initiative and will continue to work with consumers in British Columbia to provide the fair treatment they have come to expect.

Ontario

Financial Services Regulatory Authority of Ontario (FSRA)

Financial Services Regulatory Authority of Ontario (FSRA) Announces Appointment of Alena Thouin as Corporate Secretary and Deputy General Counsel

FSRA has announced the appointment of Alena Thouin as FSRA's Corporate Secretary and Deputy General Counsel. In the announcement, FSRA states the following:

Alena is an experienced lawyer with a strong background in corporate governance and the regulatory, financial services and government sectors. She comes to FSRA from the Ontario Government, where she served as the Deputy Director, Legal Services Branch at the Ministry of the Attorney General (MAG) that supports a cluster of multiple ministries including Energy, Infrastructure, Economic Development, Jobs Creation & Trade. She provided legal and strategic advice to senior government officials on various high profile issues relating to energy sector policy, draft legislation, corporate governance and transactional matters.

Prior to her role at MAG, Ms. Thouin was the General Counsel, Chief Compliance Officer and Corporate Secretary at Alterna Savings/Alterna Bank. As a member of the senior management team, she was responsible for the legal, compliance and governance portfolios across the organization. She supported two complex boards of directors, providing legal and strategic advice on regulatory matters, corporate commercial law, mergers and acquisitions, corporate governance, and capital markets.

In her position as Legal Counsel for Central 1 Credit Union, Ms. Thouin provided legal and strategic advice on corporate and commercial matters, regulatory, risk and compliance matters to senior management and client groups. As the legal counsel at the Financial Services Commission of Ontario, she advised multiple program areas and represented the Superintendent on regulatory matters before various levels of court.

The announcement also notes that Ms. Thouin is also active on various legal industry and practice groups. She is a member of the Ontario Bar Association and its Mentorship Program, the Ontario Chapter of the Canadian Corporate Counsel Association (past Chair), and the Women General Counsel Canada. Ms. Thouin is an Instructor at the Law Practice Program at Ryerson University and

former co-chair of the Canadian Institute's annual conference on Regulatory Compliance for Financial Institutions.

Ms. Thouin also sits on a number of voluntary Boards, including the Barbra Schlifer Commemorative Legal Clinic, and is passionate about supporting initiatives that promote diversity, inclusion and women in leadership positions. Over her progressive career, Ms. Thouin has received a number of awards for her work, including the Canadian Lawyer's Magazine Innovatio Award (2017), and Ministry of Finance Stella Award (2008).

Quebec

Government of Quebec, Ministry of Finance

Eric Girard, Former National Bank of Canada Executive, is Appointed Quebec Minister of Finance

Quebec Premier François Legault, leader of the Coalition Avenir Quebec, has appointed Eric Girard as Minister of Finance. Viewed as a star recruit for the CAQ, Girard drafted the party's financial framework presented during the campaign. He worked for the National Bank for 25 years, most recently as vice-president and treasurer. He was an expert in liquidity, financing and interest rates. He lives in Montreal and represents the riding of Groulx, just north of Laval. Girard's predecessor, Carlos Leitão, leaves behind a booming economy after delivering four consecutive balanced budgets.

Girard has studied at both McGill and UQAM, and has a Master's degree in economics. No stranger to politics, Girard ran for the Conservative Party in the West Island riding of Lac-Saint-Louis in the 2015 federal election campaign. His appointment has been received positively by the Quebec business community.

Thought Leadership / Research / International Developments

Toronto Dominion Bank

Moody's Reports that TD fintech initiatives are a Positive Development

Investment Executive reports that Moody's Investors Service has issued a report stating that Toronto-Dominion Bank's digital ambitions show the strength of its commitment to fintech, and that's a credit positive for the bank. TD announced last week that it aims to grow the digital share of its banking product sales to 30% over the next three years in both Canada and the United States (including credit cards, mortgages, checking accounts, and mutual funds).

Currently, 10% of TD's sales in Canada and 21% in the U.S. come through digital channels. The bank also aspires to boost the share for self-serve transactions, such as online banking and at automated banking machines, from 81% to 90%.

"The announcement is credit positive for TD because it shows that the bank is committed to significant financial technology initiatives that can improve operating efficiency and fend off new competition," the Moody's report says.

Appendix A**CAFII Alerts September 26-October 22 2018**

<u>Date of Email Alert</u>	<u>Topic of CAFII Alert</u>
October 10	Todd Lawrence Appointed President & CEO of ivari
October 10	FSRA Launches 90-Day Public Consultations (January 4, 2019 Deadline) On FSRA Rule 2019-001: Assessment and Fees; and FSRA Rule 2019-001B: Assessment and Fees -- Interim
October 7	BC Ministry of Finance Update Letter On Making FICOM An Independent Crown Agency; and Plans To Introduce Legislative Changes To FIA and CUIA In 2019
October 3	Australian Banking Royal Commission Condemns Greed of Financial Sector in Interim Report: The Guardian
October 3	Provinces Urged To Rethink Taxes On Insurance Premiums
October 1	Coalition Avenir Quebec wins majority government, Legault to be province's next premier
September 28	FSCO Publishes Treating Consumers Fairly (TCF) Guideline
September 28	CCIR and CISRO Release Final Version of "Guidance: Conduct of Insurance Business and Fair Treatment of Customers
September 27	FSCO's Treating Consumers Fairly (TCF) Guideline To Be Published On September 28/18

Agenda item 2(D)
October 23/18 EOC Meeting

From: FSCO [<mailto:donotreply@fSCO.gov.on.ca>]

Sent: Thursday, October 11, 2018 10:50 AM

To: Brendan Wycks

Subject: 11th annual Life and Health Market Conduct Symposium / 11e symposium annuel sur les pratiques de l'industrie de l'assurance-vie et maladie



11th annual Life and Health Market Conduct Symposium

[View in browser](#) • [Le français suit](#)

As an insurance provider, you play an important role in consumer protection. Consumers need to be confident that providers of financial services and products are acting in their best interest and treating them fairly.

Treating consumers fairly means ensuring a corporate culture that places the interests of the consumer at the centre of all business decisions. On November 16, let's expand the conversation to discuss:

- FSCO's new Treating Financial Services Consumers Fairly Guideline
- What it means to treat consumers fairly

- FSCO's expectations of the industry and what the industry expects from FSCO

Seating is limited, so make sure to reserve your seat today!

The agenda will be shared closer to the event date.

RSVP: Email SymposiumLH@fSCO.gov.on.ca by **Tuesday, October 25.**

Note: *If you require French translation services, or have dietary or accessibility requirements for this event, please include this request with your RSVP.*

EVENT DETAILS

DATE:

Friday, November 16, 2018

TIME:

8:00 a.m. - 12:15 p.m.

LOCATION:

Novotel Toronto North York Hotel

3 Park Home Avenue, North York, Ontario

QUESTIONS?

Email SymposiumLH@fsco.gov.on.ca for answers.

We look forward to seeing you there!



Please note: If you are a regulated licensee/registrant, regardless of whether or not you subscribe to e-communications, you will automatically receive important information from FSCO via the e-mail address you have provided. More importantly, as a regulated licensee/registrant, you will not be able to unsubscribe from these important email communications.

Financial Services Commission of Ontario

5160 Yonge Street, P.O Box 85 • Toronto, ON M2N 6L9

www.fsco.gov.on.ca • contactcentre@fsco.gov.on.ca

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Agenda item 2(e)
October 23/18 EOC Meeting

From: Autorite des marches financiers [<mailto:invite@eventbrite.com>]
Sent: Friday, October 05, 2018 1:49 PM
To: Brendan Wycks
Subject: RDV 2018!

Nous vous invitons à l'événement suivant :

RENDEZ-VOUS AVEC L'AUTORITÉ 2018



Date, heure et lieu de l'événement :

Lundi 19 novembre 2018 de 10:30 à 17:30

Palais des Congrès de Montréal
1001, place Jean-Paul-Riopelle
Montréal, Québec H2Z 1H5
Canada

[Afficher la carte](#)

Assister à

Le **19 novembre prochain**, ne ratez pas l'occasion d'assister à l'événement annuel incontournable destiné aux professionnels de l'industrie des produits et services financiers du Québec.

Une programmation diversifiée et actuelle vous attend, dont plusieurs ateliers sur les sujets de l'heure!

[Consultez la page Web de l'événement](#) pour connaître tous les détails.

Au plaisir d'échanger avec vous!

L'Autorité des marchés financiers

Agenda item 2(e)
October 23/18 EOC Meeting

Cette invitation a été envoyée à brendan.wycks@cafii.com par l'organisateur de cet événement, [Autorité des marchés financiers](#).

Si vous ne voulez plus recevoir d'invitations de cet organisateur, vous pouvez vous [désabonner](#).

Eventbrite, Inc. | 155 5th St, 7th Floor | San Francisco, CA 94103

CAFII Executive Operations Committee

Tuesday, September 25, 2018

Managing Matters Inc.

411 Richmond St. E, Toronto ON

MINUTES

EOC Present:	John Lewsen, BMO Insurance (Acting Chair) Scott Kirby, TD Insurance Martin Boyle, BMO Insurance (<i>by teleconference</i>) Diane Quigley, CUMIS Group Inc. Dominique Julien, CIBC Insurance Charles Maclean, RBC Insurance (<i>by teleconference</i>) Charles Blaquiere, Canadian Premier Life Anuraj Bains, CIBC Insurance (<i>by teleconference</i>) Brad Kupier, Scotiabank Financial Tony Pergola, Scotiabank Financial <i>Treasurer (by teleconference)</i> Rob Dobbins, Assurant Solutions Sue Manson, CIBC Insurance (<i>by teleconference</i>)
Also Present:	Natalie Hill, Managing Matters <i>Recording Secretary</i> Keith Martin, CAFII <i>Co-Executive Director</i> Brendan Wycks, CAFII <i>Co-Executive Director</i>
Regrets:	Peter Thorn, TD Insurance, <i>Chair</i> Anita Mukherjee, RBC Insurance Vivek Sahni, RBC Insurance Laura Bedford, RBC Insurance Dallas Ewen, Canada Life Assurance Moirra Gill, TD Insurance Isabelle Choquette, Desjardins Financial Security Nina Desai, Manulife Insurance Dana Easthope, Canadian Premier life Jérôme Savard, Desjardins Financial Security Monika Spudas, Manulife Financial Shawna Sykes, The Co-operators

1. Call to Order

The meeting was called to order at 2:01 p.m.; J. Lewsen acted as Chair; N. Hill acted as Recording Secretary.

2. Consent Items

The following Consent Items were received for the record, without discussion:

2.a. EOC Meeting Notes of June 26/18

2.b. EOC Meeting Notes of July 24/18

2.c. EOC Meeting notes of August 14/18

- 2.d. Summary of Board and EOC Action Items
- 2.e. CAFII Input Submission for CISRO's 2019-2022 Strategic Plan
- 2.f. Joint CAFII/CLHIA Submission as FSRA Fee Rule Industry Advisory Group
- 2.g. CAFII Submission on Saskatchewan's The Insurance Regulations, 2018

3. Approval of Agenda and Previous Minutes

3.a. Agenda for September 25/18 EOC Meeting

The agenda for this September 25/18 meeting was approved as circulated.

3.b. Minutes of May 29/18 EOC Meeting

The EOC Minutes of May 29/18 were approved as presented.

3.c. Minutes of June 5/18 Board Meeting

The Board Minutes of June 5/18 were approved as presented.

4. Strategy and Governance

4. a. Debrief on September 14/18 CAFII Meeting with FCAC Deputy Commissioner

K. Martin and B. Wycks reminded EOC members that a debrief of the September 14/18 CAFII meeting with FCAC Deputy Commissioner Brigitte Goulard had been circulated. The debrief outlines key messages from Ms. Goulard and discusses options about what CAFII should do as a follow up or next steps coming out of the meeting.

K. Martin highlighted the key messages from Ms. Goulard's presentation, noting that it was a productive meeting and that Ms. Goulard was friendly, but firm. She did say that she felt that Creditor Insurance could be a good product for the right consumers, but product suitability was critical. A key message she made was the importance of The EOC members had a good discussion about the session with the FCAC and what the Association should take as a next step.

ACTION: Prepare recommendations on next steps for the upcoming 2 October, 2018 Board meeting [Keith, Brendan; September 28/18.

4.b. October 2/18 Industry Issues Dialogue with AMF Staff Executives: Issues For Discussion (including a replacement for Distribution Guide)

There was discussion about the upcoming 2 October, 2018 Board meeting in Montreal, at which there will be the annual Liaison meeting with the AMF. B. Wycks advised that a discussion guide had been shared with the EOC in the meeting package. Two key issues at the liaison meeting will be around regulations to implement Bill 141, and the specifics of what will replace the Distribution Guide.

The consultation process was discussed and the process for purchasing on the internet.

B. Wycks noted the intention to invite the Quebec Legal Counsel (Sylvia Bourdeau) to the AMF meeting in Montreal as long as the AMF had no concerns. It was agreed that the AMF will be approached about this to confirm their comfort level, prior to the meeting.

B. Wycks raised an issue that the AMF had brought up around making some of the questions we were planning on posing to them being granular and detailed, with the AMF suggesting that it might be better to make some of these questions higher level.

4.c. Appointment of Market Conduct Committee Chair

B. Wycks mentioned that Rose Beckford has moved on to a different position within ScotiaLife Financial and will no longer be a member of the EOC. Brad Kuiper of ScotiaLife Financial is being proposed as the new Chair the Market Conduct Committee. The EOC formally approved the appointment of Mr. Kuiper as the new Market Conduct Chair.

B. Kuiper thanked the EOC for its support and said that he looks forward to taking on the role.

4.d. New CAFII EOC Chair

B. Wycks advised that a few offers have been presented to EOC members to take on the Chair role of the EOC but they have been respectfully declined due to heavy workloads. It was mentioned that Board Chair N. Benson will be discussing this issue with the Board at the upcoming 2 October, 2018 Board meeting.

4.e. Proposal/Request Re CAFII EOC “Observers” From Member Companies

B. Wycks noted that Diane Quigley, CUMIS Services Inc., had suggested that it could be beneficial to have non-EOC members sit in through teleconference to EOC meetings, and have access to EOC documentation. This would allow a larger group to have access to the information that the EOC discusses. There was some concern expressed around confidentiality of information and whether EOC members would be as forthcoming on issues if there were individuals on the call they did not know.

There was discussion on this and agreement that compliance and legal departments of CAFII’s members could benefit from access to EOC discussions and materials. It was agreed that this would be further discussed at a subsequent EOC meeting.

4.f. Renewal of CAFII Contract with Managing Matters

K. Martin mentioned that the contract with Managing Matters expires at the end of the year. Negotiations are currently in process on renewal terms, and there will be an update provided at the next board meeting.

4.g. CAFII Archival Records Purge/Clean-Up

K. Martin noted that he joined B. Wycks and N. Hill at CAFII’s storage facility to purge unnecessary or duplicative documents. The intention is to attempt to digitize documents that need to be kept.

4.h. Engagement with New Contact at CAFII Member Amex Bank of Canada

B. Wycks mentioned that there has been a management reorganization at AMEX since June, and Nick Bilodeau has left the company. It was noted that CAFII is attempting to develop a relationship with our new key contact there, Sarah deGruchy. AMEX has paid their second fee installment for 2018, but there is a concern that this is a member that is at risk of not staying with the Association. B. Wycks and K. Martin asked members who might have contacts at AMEX to make the case for the benefits of being a member of CAFII.

4.i. CAFII Initiation Member, Returning Member, and Associate Prospects

4. CAFII Financial Management

5.a. Financial Statements as at August 31/18

T. Pergola gave an update on the August 2018 financial statements.

Mr. Pergola highlighted that for the month of August there were no surprises. Revenues are higher than what was budgeted and expenses are in line with the budget. T. Pergola stated that overall, because of new member revenues, the Association was in good financial shape.

6.Regulatory

6.a. Consultations/Submissions Timetable

B. Wycks reviewed the key items in the Consultations/Submissions Timetable.

It was noted that FICOM is going to become a Crown Corporation, and that CAFII is currently waiting on a clear announcement from the Alberta Government around creating a new super-regulator. B. Wycks mentioned that FSCO is about to release the final version of FSCO's the Treating Financial Consumers Fairly guidelines.

There is a CCIR Stakeholders meeting slated for 25 October, 2018, and a CCIR Travel Insurance Working Group (TIWG) meeting with CAFII slated for 24 October, 2018. CAFII is continuing to pursue a meeting with New Brunswick's FCNB on their work around an RIA licensing regime.

6. b. Regulatory Update

K. Martin mentioned Advocis stated, in its submission to CCIR / CISRO on the Fair Treatment of Customers, that it wanted to play a lead role in the implementation of the Guideline, and that CLHIA was unfit for that role. It was noted that BC had appointed Gerry Matier and Michael Grist to the Financial Institutions Commission (FICOM) Board. K. Martin noted that Professor James Darroch of York University, and former CIBC senior executive Patricia Meredith had won the Donner Prize for their Book *Stumbling Giants: Transforming Canada's Banks for the Information Age*. Mr. Martin knows Professor Darroch personally, and would be inviting him to participate in an upcoming CAFII reception.

6.b.i. FSCO Initiatives Related to Life and Health Insurance

K. Martin noted that at a recent meeting of the FSCO Life Insurance Working Group, FSCO indicated that they would soon be sending out an updated version of the Incidental Insurance Questionnaire.

6.b.ii Next Steps Arising From FSRA's Fee Rule Preliminary Consultation

B. Wycks mentioned that productive meetings had been held around FSRA's Fee Rule Consultation. It was noted that a formal process for consultation would be the next step in the process. There was discussion of the issues related to direct versus net premium as the basis for determining fees, and the recommendation from CAFII that any move to a new formula have a transition period to make the adjustment more gradual. B. Wycks also noted that CAFII might wish in future to request that if it meets FSRA with CLHIA, it still be given the opportunity to make its own written submissions.

6.b.iii Implementation of Saskatchewan's New Insurance Act and Regulations

Tabled.

6.c Regulator and Policy-Maker Visit Plan

Given CAFII's commitment to meet with regulators in their locations, there is a need to start thinking about a Western Canada tour in the Spring of 2019.

6.c.i CAFII Meeting with CCIR Travel Insurance Working Group, October 24/18

Tabled.

6.c.ii CAFII Annual Stakeholder Meeting with CCIR, October 25/18

CAFII's Annual Stakeholder Meeting with CCIR have been confirmed for October 25/18 and a calendar invite has been sent out. There has been an overwhelming response to attend from CAFII members, and this may require trying to limit participation.

7. Committee Updates

7.a. Market Conduct

Nothing further to report.

7.b.i CAFII Website Report/Metrics

K. Martin highlighted the results of a 19 September, 2018 presentation to CAFII members by RankHigher on metrics around the website since the enhancements to the site had been made. There is a significant increase in traffic to the website, and people going to website now access it through a variety of pages. As well, searching key terms like "Credit Protection Insurance" on Google now produces a direct quote from the CAFII website, which means that CAFII is now viewed as an authoritative voice.

7.b.ii Review of 2018 CAFII Website Enhancements

K. Martin reviewed progress around 2018 website enhancements, most of which have now been completed. This includes CAFII being placed on 100 directories. The News and Research section of the website is completely revamped, and the explanations of the products that CAFII members offer includes visually pleasing consumer examples. As well, the homepage has a slider that allows visitors to see new items on the site easily.

K. Martin mentioned that CAFII is looking at the possibility of developing a Wikipedia entry, and there was discussion of the pros and cons of such a development.

7.b.iii CAFII's First Website Video

K. Martin noted that CAFII's first website video is now live and the response has been positive.

7.b.iv. Next CAFII Website Video: Recommendation

K. Martin noted that the 2018 budget includes provisions for a second video, but it was agreed that this would be tabled until the first video had been launched, to allow for a review to confirm that this was a worthwhile investment. That first video has now been live for several weeks and it is recommended that this is a positive addition to the website, and that a second video should be developed.

K. Martin recommended that this is an opportunity to extend the shelf life of our Travel Medical consumer research study, by developing a video that highlights the results of that research. EOC members supported moving forward with a second video on the Travel Medical consumer research study results.

7b.v. “Proud Member of CAFII” Website Badge

K. Martin discussed the memo that had been circulated around posting “Member of CAFII” badges on the websites of our members. It was noted that this required an internal review and would not be easily or quickly implemented, but it was agreed that this should be pursued and investigated by CAFII members. K. Martin agreed to resend the memo with more details on the benefits of this approach, including metrics supporting the argument that this could increase the credibility of, and traffic to, the CAFII website.

7.c. Licensing Efficiency Issues, Including

7.c.i CAFII/CLHIA Joint Submission Re Saskatchewan RIA Advisory Committee

CAFII/CLHIA Joint Submission Re Saskatchewan RIA Advisory Committee has been revised and re-sent to the Insurance Councils of Saskatchewan.

7.d. Research & Education

7.d.i. 2018 Travel Medical Research Results Presentation at THIA AGM

K. Martin noted that CAFII was invited to present its Travel Medical research results at the Travel and Health Insurance Association (THIA) AGM on 11 September, 2018. B. Wycks and K. Martin made short comments, with Pollara Vice-President Lesli Martin making a detailed presentation. There was a great deal of interest expressed by the 100 plus people in attendance, and the presentation was very well received.

7.d.ii. Travel Medical Research Leave-Behinds

Travel Medical Research Leave-Behinds were sent to everyone.

7.d.iii. Credit Protection Insurance Research Project

D. Quigley mentioned that everything is moving according to plan for the Creditor Protection Insurance consumer research project. She thanked everyone on the Credit Protection Insurance working group for the many hours put into the development of the final questionnaire, which is now ready to go to field.

7.d.iv. 2018 CAFII Research Budget

K. Martin mentioned that the cost of the Credit Protection Insurance research project is higher than what was originally budgeted for. T. Pergola reviewed this additional spend in the context of additional revenues, and felt it was appropriate to move forwards. CAFII Board Chair N. Benson agreed with the recommendation to move forward with the research despite the higher cost, and approved the additional spend.

8. Other Business

8.a. Visitor at November 27/18 CAFII Board Meeting; and Speaker at November 27/18 CAFII Reception

B. Wycks mentioned that Mark White, President and CEO of FSRA, had confirmed that he would speak at the November 27/18 CAFII Reception.

8.b. Reconstitution of CAFII Networking and Events Committee

B. Wycks mentioned that there will be a reconstitution of the CAFII Networking and Events Committee. J. Lewsen offered to Chair the Committee.

9. In Camera Session

An *in camera* session was not held in conjunction with this EOC meeting.

Termination

There being no further business, the meeting was terminated at 4:03p.m.

2019 CAFII Budget

	2017 Actuals	2018 Budget (25% Dues Increase & Scaled Back Expenses)	2018 Actuals to date (Jan 01 2018 to Sept 30 2018)	2018 Forecast (Jan 01 2018 to Dec 31 2018)	2019 Budget (Base)	2019 Budget Scenario 1 (5% Increase in Membership Dues)	2019 Budget Scenario 2 (5% Increase in Membership Dues with 25% decrease in Website and Research)	2019 Budget Scenario 3 (5% Increase in Membership Dues with 50% decrease in Website and Research)	2019 Budget Scenario 4 (25% decrease in Website and Research)	Comment/Rationale
Revenue										
Membership Dues	\$475,425	\$608,385	\$521,658	\$695,545	\$695,545	\$730,322	\$730,322	\$730,322	\$695,545	Based on 2018 Actuals - See breakdown in Member Dues Revenue Tab
Interest	\$126	\$200	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
TOTAL REVENUE	\$ 475,551	\$ 608,585	\$ 521,658	\$ 695,545	\$ 695,545	\$ 730,322	\$ 730,322	\$ 730,322	\$ 695,545	
EXPENSE										
Management Fees	\$442,012	\$455,000	\$348,966	\$468,000.00	\$476,714	\$476,714	\$476,714	\$476,714	\$476,714	Includes MM Fees (3% increase) and two Co-Eds
CAFI Legal Fees/Corporate Governance	\$2,954	\$5,000	\$563	\$563	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	
Audit Fees	\$14,271	\$14,600	\$10,785	\$14,436	\$14,600	\$14,600	\$14,600	\$14,600	\$14,600	
Insurance	\$5,238	\$5,500	\$3,940	\$5,258	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	Same as 2018 Budget
Website Ongoing Maintenance	\$42,575	\$14,000	\$4,746	\$5,736	\$5,330	\$5,330	\$5,330	\$5,330	\$5,330	Includes CG Technology (\$250 per month), Translation (\$400), Domain (\$30) & CAFII Insurance
Website SEO and Enhancements		\$14,220	\$10,800	\$16,701	\$40,000	\$40,000	\$30,000	\$20,000	\$30,000	Domain Name Renewal (\$999 USD) Continuing enhancements including videos Scenario 1 - 2-3 Videos Scenario 3 - 1 Video
Telephone/Fax/Internet	\$6,119	\$5,800	\$4,363	\$5,513	\$5,800	\$5,800	\$5,800	\$5,800	\$5,800	Same as 2018 Budget
Postage/Courier	\$380	\$400	\$425	\$450	\$400	\$400	\$400	\$400	\$400	Same as 2018 Budget
Office Expenses	\$1,312	\$2,000	\$2,086	\$2,100	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	Same as 2018 Budget
Bank Charges	\$38	\$50	\$23	\$30	\$50	\$50	\$50	\$50	\$50	Same as 2018 Budget
Amortization Expense	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	
Depreciation Computer/Office Equipment	\$1,564	\$1,200	\$852	\$1,136	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	Same as 2018 Budget
Miscellaneous Expense	\$433	\$500	\$0	\$500	\$500	\$500	\$500	\$500	\$500	Same as 2018 Budget
Board/EOC/AGM		\$0								
Annual Members Luncheon	\$10,247	\$10,000	\$10,503	\$10,503	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	Increase to \$12,000 to cover costs
Board Hosting (External)	\$7,500	\$15,000	\$13,072	\$23,118	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	Four events at \$7,500
Board/EOC Meeting Expenses	\$25,493	\$26,000	\$14,958	\$22,958	\$26,000	\$26,000	\$26,000	\$26,000	\$26,000	Same as 2018 Budget
Industry Events	\$36	\$1,000	\$1,243	\$1,243	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	CAFI Purchase of full table of 11 seats at Economic Club of Canada Luncheon
EOC Annual Appreciation Dinner	\$8	\$800	\$763	\$763	\$800	\$800	\$800	\$800	\$800	Same as 2018 Budget
Provincial Regulatory Visits	\$11,011	\$12,000	\$10,619	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	Same as 2018 Budget
Research/Studies	\$17,807	\$52,500	\$18,187	\$74,791	\$60,000	\$60,000	\$45,000	\$30,000	\$45,000	Pollara Proposal on Creditor's insurance research Scenario 1 - 1 Large Project or Two Small Projects Scenario 3 - 1 Small Project
Regulatory Model(s)	\$15,001	\$27,000	\$2,251	\$10,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	Includes provision for legal advice re RIA representation on Sask, Alta, Manitoba; possible new RIA regime in BC; new single integrated regulators in Ontario and Alta; and additional provision re Regulations supporting Quebec Bills 141 and 150
Federal Financial Reform	\$0	\$500	\$0	\$0	\$500	\$500	\$500	\$500	\$500	Same as 2018 Budget
Media Outreach	\$44,023	\$30,000	\$31,742	\$38,582	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	Includes Media Consultant's Monthly Retainer (\$2,260.00 per month)
Marketing Collateral	\$0	\$2,000	\$55	\$1,055	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	
Tactical Communications Strategy	\$379	\$0	\$0		\$0	\$0	\$0	\$0	\$0	
Media Relations	\$164									
Speaker fees & travel	\$0	\$2,000	\$0	\$600	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	Same as 2018 Budget
Gifts	\$452	\$500	\$191	\$300	\$500	\$500	\$500	\$500	\$500	Same as 2018 Budget
CAFI 25th Anniversary Celebration (Formerly CAFI 20th Anniversary Celebration)	\$26,495	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	Deferred to 2022
Networking Events	\$350	\$500	\$0	\$200	\$500	\$500	\$500	\$500	\$500	Same as 2018 Budget
TOTAL EXPENSE	\$ 675,862	\$ 698,070	\$ 491,130	\$ 716,535	\$ 763,694	\$ 763,694	\$ 738,694	\$ 713,694	\$ 738,694	
Excess of Revenue over Expenses	(\$200,311)	(\$89,485)	\$30,528	(\$20,990)	(\$68,149)	(\$33,372)	(\$8,372)	\$16,628	(\$43,149)	
Unrestricted Net Assets (beginning of year)	\$380,758	\$180,447	\$180,447	\$180,447	\$159,456	\$159,456	\$159,456	\$159,456	\$159,456	
Unrestricted Net Assets (end of year)	\$180,447	\$90,962	\$210,974	\$159,456	\$91,307	\$126,085	\$151,085	\$176,085	\$116,307	

Actual/Forecasted Financial Reserves	2017 Actuals	2018 Budget Option; Including Incremental Membership Dues and All Expenses	2018 Actuals (Jan 01 2018 to Jun 30 2018)	2018 Forecast (Jan 01 2018 to Dec 31 2018)	2019 Budget (Base)	2019 Budget Scenario 1 (5% Increase in Membership Dues)	2019 Budget Scenario 2 (5% Increase in Membership Dues with 25% decrease in Website and Research)	2019 Budget Scenario 3 (5% Increase in Membership Dues with 50% decrease in Website and Research)	2019 Budget Scenario 4 (25% decrease in Website and Research)
Minimum 3 months (25%) of Annual Operating Expenses =	\$168,965	\$174,518	\$122,783	\$179,134	\$190,923	\$190,923	\$184,673	\$178,423	\$184,673
Maximum 6 months (50%) of Annual Operating Expenses =	\$337,931	\$349,035	\$245,565	\$358,268	\$381,847	\$381,847	\$369,347	\$356,847	\$369,347
Actual/Forecasted Level of Financial Reserves :	\$180,447	\$90,962	\$210,974	\$159,456	\$91,307	\$126,085	\$151,085	\$176,085	\$116,307
Actual/Forecasted Level of Financial Reserves %:	27%	13%	43%	22%	12%	17%	20%	25%	16%

Member	73,438.00	5	367,190.00
DFS	55,079.00	1	55,079.00
Member	36,719.00	4	146,876.00
Initiation	44,000.00	2	88,000.00
Associate	4,800.00	8	38,400.00
			\$695,545.00

Agenda Item 3(b)
October 23/18 EOC Meeting

Proposal/Request Re CAFII EOC "Observers" From Member Companies

"Sample Only" Of How This Proposal Would Manifest Itself In The Case Of CUMIS Services Inc.

Market Conduct	LEGAL	Active Participant	Distribution Only
	Jennifer Goodstadt	sub-committee	
	Liliana Rippandelli		distribution only
	Johane Lachappelle		distribution only
	COMPLIANCE		
	Shawna Sykes	sub-committee	
	Michelle Costello		distribution only
	Cassandra Litniansky	sub-committee	
	PRODUCT MANAGEMENT		
	Veronica Lewis		distribution only
	Diane Quigley		distribution only
Quebec	Johane Lachappelle	sub-committee	
Licensing	COMPLIANCE		
	Shawna Sykes	sub-committee	
	Wenda Robinson	sub-committee	
	Michelle Costello		distribution only
Research & Education	Diane Quigley	sub-committee	
Travel Medical Experts	Cassandra Litniansky	sub-committee	
Media Advocacy	Jennifer Goodstadt	sub-committee	

From: Diane Quigley [mailto:diane.quigley@cumis.com]
Sent: Friday, August 24, 2018 2:37 PM
To: Brendan Wycks; Keith Martin
Subject: just an idea - cafii committees and observers
Importance: High

Hi Brendan & Keith.

I have a request for you to please consider 😊

Similar to the Creditors Group Insurance and Alternate Distribution Committees of the CLHIA ... where there are many, many, many people who are interested, or need to know current information ... would it make sense for you to set up the CAFII Committees with optional 'observers'? especially now that CAFII membership is getting bigger!

It works well for CLHIA committees, the 'observers' just get agendas, minutes, and can listen into meetings. The actual committee members are more vocal and involved and expected to participate. For CLHIA ... where Shawna and I are the committee members ... my whole team and a large handful of others are all 'observers'. This gets the same information out to everyone simultaneously.

CAFII puts out so much (more) great creditor information ... lots of different staff at my company (for example) would really benefit from something like this. We have a newer lawyer who is trying to learn creditor and already, we have too many people on the Market Conduct Committee. I have just hired a Business Compliance Manager. We could reduce our number on the MC Committee to 1 or 2 members (say Shawna and 1 other) if the rest of us could get the information as 'observers'. On a side note → 8 of us at CUMIS/Co-operators have tried having internal meetings once a month to share CAFII information, and it is also a challenge with schedules. Something like this would be a real 'value add' to members, and gets your names out there even more.

Or something like that. Just a thought. Hope it makes sense.

Have a great weekend!

Thanks.

Diane

CAFII 2019 Draft Schedule of Meetings

EOC Meetings: *To be held from 2:00 – 4:00 p.m. unless otherwise specified. In-person meetings bolded.*

- **Tuesday, January 15, 2019** (3:00-5:00 p.m. in person meeting) and EOC Annual Dinner at 5:30 pm
- Tuesday, February 26, 2019 (Teleconference; 2:00 – 3:00 p.m.)
(Family Day stat holiday: Monday, February 18)
- **Tuesday, March 26, 2019** (2:00-4:00 p.m. in person meeting)
(Good Friday, April 19; Easter Monday, April 22)
- Tuesday, April 30, 2019 (Teleconference; 2:00 – 3:00 p.m.)
- **Tuesday, May 28, 2019** (2:00-4:00 p.m. in person meeting)
(Victoria Day stat holiday: Monday, May 20)
- Tuesday, June 25, 2019 (Teleconference; 2:00 – 3:00 p.m.)
(St. Jean Baptiste Day: June 24; Canada Day: July 1)
- Tuesday, July 23, 2019 *tentative summer meeting (Teleconference; 2:00 – 3:00 p.m.)
- Tuesday, August 13, 2019 *tentative summer meeting (Teleconference; 2:00 – 3:00 p.m.)
- **Tuesday, September 17, 2019** (2:00-4:00 p.m. in person meeting)
(Rosh Hashanah: September 29 – October 1; Yom Kippur: October 8 – October 9)
- Tuesday, October 22, 2019 (Teleconference; 2:00 – 3:00 p.m.)
- **Tuesday, November 19, 2019** (2:00-4:00 p.m. in person meeting)

Board Meetings:

- **Tuesday, April 16, 2019** (3:00-5:00 p.m.; followed by Reception)
- **Tuesday, June 11, 2019** (3:00-5:00 p.m.; followed by Reception)
- **Tuesday, October 1, 2019**
- **Tuesday, December 3, 2019** (3:00-5:00 p.m.; followed by Reception)

HOST: CUMIS Services
HOST: Manulife Financial
HOST: RBC Insurance
HOST: TD Insurance

2018 Board Meetings Hosted by:

CAFII; ScotiaLife; BMO; The Canada Life Assurance

2017 Board Meetings Hosted by:

TD Insurance; CAFII; Desjardins; CIBC Insurance

2016 Board Meetings Hosted by:

CUMIS Group; Assurant Solutions; RBC Insurance; BMO Insurance

2015 Board Meetings Hosted by:

CIBC Insurance; ScotiaLife Financial; Desjardins; Canadian Premier

Annual Members Luncheon & Speaker Forum 2019:

Tentative Date: Tuesday, February 19, 2019 from 11:45 a.m. to 2:15 p.m.

Topic Proposed:

Speaker Proposed:

Venue Booked:

Past Years

Annual Members Luncheon & Speaker Forum 2018

Topic: "Leading For Success in A Volatile World"

Speaker: Richard Nesbitt, CEO, the Global Risk Institute

Venue: Arcadian Loft, 401 Bay St., Simpson Tower, 8th Floor, Toronto, ON

Annual Members Luncheon & Speaker Forum 2017

Topic: Tomorrow is Today: Insurtech Disruption in the Life and Health Insurance Sector
Speaker: Keegan Iles, Director, Insurance Consulting Leader, PwC Canada
Venue: Arcadian Loft, 401 Bay St., Simpson Tower, 8th Floor, Toronto, ON

Annual Members Luncheon & Speaker Forum 2016

Topic: Innovation in Insurance: Opportunities in a Changing Market
Speaker: Alison Salka, Ph.D, Senior Vice President and Director Research, LIMRA
Venue: Arcadian Loft, 401 Bay St., Simpson Tower, 8th Floor, Toronto, ON

DRAFT

Draft Regulation

Insurers Act

(S.Q. 2018, c. 23, s. 3; s. 485 subpar. (1))

Act respecting the distribution of financial products and services

(chapter D-9.2, ss. 202.2, 209, 223 subpars. (5), (8), (12), (13.1) and (15), 440 and 443)

Regulation respecting Alternative Distribution Methods

Notice is hereby given by the *Autorité des marchés financiers* (the “Authority”) that, in accordance with section 217 of the *Act respecting the distribution of financial products and services*, CQLR, c. D-9.2 (the “Distribution Act”), and section 485 of the *Insurers Act*, S.Q. 2018, c. 23, s. 3, the following Draft Regulation (the “Draft Regulation”), the text of which is published hereunder, may be made by the Authority and subsequently submitted to the Québec Minister of Finance for approval, with or without amendment, after 60 days have elapsed since its publication in the Bulletin of the Authority:

- *Regulation respecting alternative distribution methods*

The Draft Regulation is also available under “Public consultations” on the Authority’s website at www.lautorite.qc.ca.

Comments

Comments regarding this Draft Regulation may be made in writing before **December 10, 2018**, and sent to the following:

M^e Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22^e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Fax: 514-864-8381
E-mail: consultation-en-cours@lautorite.qc.ca

Unless otherwise noted, comments will be posted on the Authority’s website, at www.lautorite.qc.ca. Therefore, you should not include personal information directly in comments to be published. It is important that you state on whose behalf you are making the submission.

Purpose of Draft Regulation

Bill 141: *An Act mainly to improve the regulation of the financial sector, the protection of deposits of money and the operation of financial institutions* (“Bill 141”), assented to on June 13, 2018, enacts the *Insurers Act* and amends the *Distribution Act*. It also grants to the Authority new regulatory powers.

Made under subparagraph (1) of section 485 of the *Insurers Act* and sections 202.2, 209, 223 (subparagraphs (8), (12), (13.1) and (15)), 440 and 443 of the *Distribution Act*, this Draft Regulation sets out the obligations primarily applicable to a legal person that offers products and services through an alternative distribution method, namely, distribution without the intermediary of a natural person (“Internet offerings”) or distribution through a distributor (“distribution without a representative”).

To enable all interested stakeholders to present their points of view on the Draft Regulation, the Authority is providing a 60-day comment period.

The Draft Regulation was established by considering, in particular, comments received or heard during the consultations conducted by the Authority on distribution without a representative and Internet offerings as part of government-led consultations held in connection with the review of the Distribution Act and the *Act respecting insurance* and as part of the study of Bill 141. It was developed out of concern for protecting consumers, regardless of how they purchase financial products or services, whether they carry out transactions through an Internet platform or a representative. In fact, a firm (or insurance firm) is bound by the same obligations as a representative when offering a product over the Internet. The purpose of the Draft Regulation is therefore to achieve the consumer protection objective without interfering with the development of new practices that benefit the industry and consumers. It provides some latitude in the steps taken to achieve the stated objectives.

Moreover, the Draft Regulation is intended to be flexible given the fast pace of technological change. Nevertheless, it is precise in that it sets out a regime that is adapted to the reality of Internet offerings and distribution without a representative. The proposed framework for these distribution methods is thus based on the disclosure of information to clients, presented in such a way as to enable them to make informed decisions regarding the product or service offered when they are not necessarily in the presence of a certified representative.

Furthermore, specific requirements are set out for Internet offerings and distribution without a representative. For firms that make offerings over the Internet, requirements related to the platform, i.e., the digital space allowing them to interact with clients, are established to ensure appropriate design, operation and control measures. Requirements regarding the training and supervision of distributors are also provided for insurers that offer products other than through a representative.

I. On-line offering of financial products and services

1. Background

The *Insurers Act* and the Distribution Act contain new provisions that will come into force on June 13, 2019 and will provide clarity regarding Internet offerings. The *Insurers Act* states that an insurer must deal with a client either through a natural person, who is a representative or a distributor within cases permitted under Title VIII of the Distribution Act, or over the Internet. The Distribution Act enables a firm to offer products and services without the intermediary of a natural person. The Authority is proposing that a firm interacting in such a manner do so through a platform, such as a website or mobile application, in compliance with the requirements provided in the Draft Regulation.

2. Prescribed persons

Under section 70 of the Distribution Act, a legal person that offers financial products and services acts as a firm. Accordingly, except for distributors subject to Title VIII of the Distribution Act, any legal person that offers a financial product or service over the Internet, including an insurer, will be required to register as a firm.

Moreover, the Distribution Act will enable any firm to offer a financial product or service over the Internet, so long as the offer is made in a sector in which the firm is registered.

The Authority is therefore proposing that the Draft Regulation cover all firms that, through a platform, offer products or services in the insurance, financial planning or claims adjustment sectors. Consequently, except for certain provisions dealing specifically with insurance product offerings, the requirements set out in Division II of the Draft Regulation would apply to all firms, regardless of the sector.

Furthermore, the obligations under the Draft Regulation would apply, with the necessary modifications, to an independent partnership.

2.1 Comparison shopping websites

The Authority is of the opinion that most comparison shopping sites and other on-line businesses that direct clients to a firm's website to subscribe for or enroll in an insurance contract must be registered as firms and comply with the Draft Regulation, even if their sites are non-transactional. That is the case when such persons receive remuneration based on products sold or financial services rendered or when they make themselves known as a firm. Furthermore, regardless of the platform on which clients have begun the process, the person that sells the insurance product must ensure that the product suits their needs.

In addition, the Authority believes that firms are responsible for ensuring that any persons with which they have referral arrangements comply with the applicable legislation and do not mislead clients as to the scope of their offerings.

3. Intervention of a representative

The Distribution Act will authorize firms to allow clients who wish to do so to subscribe for or enroll in contracts over the Internet without the intervention of a representative. However, the firms will have to take the necessary steps to ensure that their attached representatives, who are authorized to act in the sector required to offer the given product or service, interact in sufficient time with clients who ask to deal with a representative.

The Authority is not recommending that representatives be available at all times. It is of the opinion that firms will have to take steps to mitigate the risk of transactions that may not comply with their legal and regulatory obligations outside the hours when representatives are available. Of course, firms could choose to make representatives available at all times.

4. Applicable regulatory obligations

It is important to state that the obligations set out in Chapter II of the Draft Regulation would apply in addition to the requirements that already apply to firms under the Distribution Act and its regulations.

As stated in section 86.0.1 of the Distribution Act, firms that will offer financial products or services over the Internet will have to comply with the obligations applicable to representatives.

Firms offering insurance products over the Internet will have to, in particular, provide clients with adequate advice as if they were representatives. Therefore, they should, through their platforms, inquire into their clients' situation to assess their needs and, if applicable, ensure that the products they are offering are suitable. In all cases, firms, like representatives, will remain responsible for the reliability of the information needed to comply with this obligation.

The Authority is proposing to require firms offering products or services over the Internet to provide, through their platforms, certain information and documents that representatives are required to give to clients under the Distribution Act and its regulations. For example, an insurance of persons firm that offers products or services over the Internet will have to comply with the requirements regarding the provision to clients of the information collected to assess their needs and to policy replacement.

5. Products offered

The Authority is of the opinion that the requirements it is proposing to include in the Draft Regulation will ensure orderly market development and adequate consumer protection, without limiting the products that can be offered over the Internet. Firms should implement processes for Internet offerings that allow them to meet their legal and regulatory obligations, regardless of the product offered.

In fact, the Distribution Act and the *Insurers Act* do not set out any such limitation regarding the products that are offered. The government has granted the Authority a new power to issue orders under the *Insurers Act* requiring authorized insurers to cease the on-line distribution of the contracts it determines. The Authority could also exercise the remedies provided under the Distribution Act against a firm that contravenes the Draft Regulation.

Firms should ensure that their on-line sales are adapted to the products offered and meet the needs of the consumers who are being targetted. As part of its activities, the Authority will ensure that the measures taken by the firms are consistent with the types of products offered over the Internet.

6. Information to be provided to the Autorité

The Authority is proposing to require any firm that offers a financial product or service over the Internet to inform it thereof. To do so, a firm that is already registered with the Authority could use a form that will be available on the Authority's website, and the legal person that seeks to become a firm could disclose that information on its registration form. Required annual disclosures would be made through the firm's maintenance of registration form.

The required information would enable the Authority to fully understand the market and monitor technological developments and evolving practices, so as to measure the impact on consumers and the industry. It could thus maintain effective regulation that would ensure both adequate consumer protection and industry development.

7. Information to be provided to the client

7.1 Presentation of information

A client transacting over the Internet makes a decision regarding the financial product or service offered based on information that is presented through the platform. Therefore, the Draft Regulation would specify that this information must be presented so as to highlight the key elements the client needs to make an informed decision regarding the product or service offered and not to cause confusion or misunderstanding.

7.2 Information visible at all times

To enable the client to easily identify information, the Authority is proposing that certain information be visible at all times on the platform, particularly the information used to identify the firm, validate its registration with the Authority and file a complaint. Requiring a firm's representative to interact in sufficient time with the client who asks to interact with a representative is a key element of the consumer protection framework; the manner in which to request the intervention of a representative should therefore be visible at all times.

7.3 Information to be provided before inputting personal information

To avoid having clients go through an offering process that does not meet their needs, the Authority is recommending that certain information be presented to them before their personal information is input. This option was chosen rather than having the firm warn clients of the risks of carrying out on-line transactions, since firms are bound by the same obligations as representatives.

The firm should specify for whom its platform is intended. It would be required to describe the scope of its offering as well as its limitations, particularly concerning a representative's intervention at the time an insurance product is subscribed for or offered. For example, a firm could

- allow the client to subscribe for or enroll in a contract through its platform in a completely independent manner;
- offer the client a product or service through its platform, but require the intervention of one of its representatives for the subscription or enrollment in the contract;
- recommend a product or service to the client through its platform and direct him to the platform of another firm for the subscription or enrollment in the contract;

- allow the client to switch at any time between the independent process and the one involving the assistance of a representative.

Regardless of the process used, the Distribution Act requires that the firm take the necessary steps to ensure that its attached representatives interact in sufficient time with clients who ask to deal with a representative.

7.4 Disclosures related to an insurance product offering

The Authority is proposing that the client be made aware of certain things before entering into an insurance contract, when the subscription for or enrollment in the contract is done through the platform. This distinction appears necessary because some firms could allow consumers to continue with a representative an offering process initiated on their platform. The representative would then be responsible for the applicable disclosures.

7.5 Specimen of the policy

In general, representatives have in their possession the policies that they offer and can refer to them to give clients additional clarification. The Authority is thus proposing that a specimen of the policy for each product offered by a firm through its platform be available at all times.

7.6 Validation of consent

To avoid potential errors and ensure that the client's consent is valid, the Authority is recommending that the firm allow the client to review a summary of the information that was used to determine his needs and complete the proposal. The firm should also provide the client with access to a summary of the options and conditions that the client has chosen regarding the product he or she is about to purchase, particularly the date when the coverage becomes effective. This would allow the client to be able to validate this information and correct it, if need be, before finalizing the transaction.

7.7 Post subscription or enrollment

The Authority is proposing that, as soon as the client has taken the final step of consenting to subscribe for or enroll in the contract, the firm confirm that such transaction has been concluded and, if applicable, give the client the temporary insurance.

Under sections 19 and 86.0.1 of the Distribution Act, firms that, at the time a contract is made, cause a client to make an insurance contract should also give the client a notice of rescission. It is important to note that the Insurers Act creates a 10-day right to rescind a contract only if no representative interacted with the client at the time the client subscribed for or enrolled in the contract. Therefore, the right of rescission does not apply when a transaction is concluded with a representative, even if the process was initiated through the platform. No notice of rescission is not provided for in that case.

The Authority is recommending that a firm be required to indicate to the client how to access the policy or insurance certificate. Therefore, such document could be delivered directly via the firm's platform or made available at an address at which the client indicates that he agrees to receive the document.

8. Design, operation and monitoring of platform

The platform used by a firm for its on-line offering must provide adequate consumer protection and the firm must implement measures to mitigate process automation risks.

In such a context, the Authority is proposing to make minimum regulations prescribing requirements with respect to platform design, operation and monitoring. The Draft Regulation would establish minimum

platform requirements and require a firm to adopt a procedure describing the design and operation of its platform and the related monitoring measures.

The firm's platform should achieve the objectives described in the Draft Regulation. In particular, it should require an action from the client each time confirmation or consent is required. This may be the case when clients must confirm the accuracy of prefilled fields or consent to have information about them collected from third parties. The platform should also detect if a discrepancy or irregularity in the information provided by the client could lead to an inappropriate result.

One of the key elements of the proposed framework involves the traceability of transactions. The information that the firm would have to enter in the client file should help trace the complete process followed by the client and include the interactions with a representative, if applicable. The Authority is of the opinion that such information will be essential, in particular to determine a representative's responsibility regarding a given transaction.

More specific guidance on the Authority's expectations and good governance practices with respect to technological tools could be published at a later date.

II. Distribution without a representative

1. Information to be provided to the Authority

The Authority must have a good understanding of the market to fully assume its regulatory oversight and development role. It is therefore proposing that insurers be required to send it, for each product offered via distribution without a representative, an initial disclosure and an annual disclosure containing the prescribed information.

Insurers should notify the Authority of any changes to the information initially provided, including changes to the list of distributors. They will also have to notify the Authority of the reasons for terminating an agreement with a distributor.

2. Information to be provided to the client

The premise of the regime governing distribution without a representative is that adequate, accurate and complete information is given to the client.

The Authority is proposing that information be disclosed through more than one document. The information specific to distribution without a representative would be provided in a fact sheet, the content of which would be prescribed by the Authority. The information on the product offered, which helps the client make an informed decision about the product, would be presented in a summary prepared by the insurer.

The insurer should ensure that the distributor provides the client with the fact sheet and the summary, along with a sample contract in situations where the summary refers to it. The Draft Regulation would set out the conditions under which these documents are provided when the offer is made remotely, such as by telephone.

2.1 Fact sheet

The content of the fact sheet proposed by the Authority focuses on the information relating to the requirements stipulated in the Distribution Act, such as the disclosure of the remuneration received by the distributor, or that reflects sources of recurrent consumer dissatisfaction. A fact sheet was initially created as part of work done with stakeholders involved in offering insurance products through dealers of automobiles and recreational and leisure vehicles. Consumer focus groups were consulted to ensure that the language used and the presentation of the information assist in readability and comprehension for

consumers. The issues raised in the context of this work are, however, likely to be valid for all types of products offered through distributors. The fact sheet set out in the Draft Regulation is therefore based on this work.

2.2 Summary

The Authority is recommending that the summary meet information presentation and minimal content requirements. The information to be provided would be similar to that required in a distribution guide. However, the Draft Regulation would allow the insurer greater flexibility in how to present the information. When necessary, the insurer could refer to the relevant section of the contract to avoid making the text cumbersome. The Authority is also recommending that an example of the calculation for determining the refundable portion of the premium upon rescission be included in the summary when the policy includes such a calculation.

Insurers, like firms that offer insurance via the Internet, should make available at all times a sample policy for each product offered by a distributor. They should also make a product summary available on their sites.

3. Supervision of distributors

Under section 65 of the *Insurers Act*, “an authorized insurer is liable for the acts done by distributors, or natural persons to whom the latter have assigned the task of dealing with clients or participants, toward underwriting an insurance contract or enrolling a participant.”

In this regard, the Authority is proposing that insurers be required to implement adequate measures for supervising, monitoring and training distributors.

4. Prohibitions

The proposed framework would set out specific prohibitions for insurers offering replacement, life, health and job loss insurance through distributors. These prohibitions focus on the remuneration practices of distributors, an area that was highlighted in the course of the above-mentioned work and that undermines the fair treatment of consumers.

5. Distribution without a representative over the Internet

Insurers that offer a product directly over the Internet must comply with the Draft Regulation requirements applicable to this distribution method. Moreover, the Authority notes that the exception under section 425 of the Distribution Act is only valid when an insurer distributes a travel insurance product through its employees.

However, an insurer could allow a distributor to offer its insurance products on-line, that is, on the Internet site of the distributor. The insurer is therefore responsible for monitoring the compliance of the site used by its distributor, in particular by ensuring that the fact sheet and the summary are given to the client at the times prescribed by regulation. In addition, the rules applicable to firms that make offerings without the intermediary of a natural person would not apply to distributors that make offerings over the Internet.

Additional Information

Additional information is available from the following:

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October 10, 2018

REGULATION RESPECTING ALTERNATIVE DISTRIBUTION METHODS

Insurers Act

((2018, chapter 23, section 3); s. 485 subpar. (1))

Act respecting the distribution of financial products and services

(chapter D-9.2, ss. 202.2, 209, 223 subpars. (5), (8), (12), (13.1) and (15), 440 and 443)

CHAPTER I

PURPOSE AND SCOPE

1. This Regulation sets out the obligations applicable primarily to a legal person that, in accordance with the Insurers Act (2018, chapter 23, section 3) and the Act respecting the distribution of financial products and services (chapter D-9.2), offers financial products and services through an alternative distribution method, namely, distribution without the intermediary of a natural person or distribution through a distributor.

CHAPTER II

OFFER OF FINANCIAL PRODUCTS AND SERVICES BY A FIRM WITHOUT THE INTERMEDIARY OF A NATURAL PERSON

DIVISION I

GENERAL PROVISIONS

2. A firm that offers products and services without the intermediary of a natural person must do so through a platform, namely, a digital space used to interact directly with clients who satisfy the requirements under this chapter.

3. The provisions of this chapter apply, with the necessary modifications, to an independent partnership.

DIVISION II

INFORMATION TO BE PROVIDED TO THE AUTORITÉ DES MARCHÉS FINANCIERS

4. Any firm that offers products and services without the intermediary of a natural person must disclose the following information to the Authority without delay:

(1) the name given to the platform, where this name differs from the name of the firm;

(2) the names of the products and the classes to which they are related or the nature of the financial services offered on the platform;

(3) the hyperlink or any other means to access the platform;

(4) the insurers whose products are offered on the firm's platform, if applicable.

(5) the fact that the client must or may, as the case may be, subscribe for or enroll in a contract through the intervention of a representative or solely through the platform;

(6) the fact that the contract will be subscribed for or enrolled in via the platform of one or more other firms, if applicable, as well as the name assigned to the firm or firms;

The firm must notify the Authority of any change to such information within 30 days of such change.

5. The firm must disclose annually to the Authority through its maintenance of registration application, the number of financial plans prepared, claims settled and insurance policies issued, and the amount of premiums written solely via its platform.

DIVISION III

DOCUMENTS AND INFORMATION TO BE PROVIDED TO THE CLIENT

6. The information presented on the platform must be clear, readable, specific and not misleading, so as to highlight the key elements required for informed decision-making regarding the financial product or service offered and not cause confusion or misunderstanding.

7. The firm must provide to the client, with the necessary modifications and depending on the products and services offered, the information and documents that a representative is required to provide to the client pursuant to sections 43, 47 and 48 of the Act respecting the distribution of financial products and services (chapter D-9.2), sections 6, 8, 8.1, 9, 9.1, 10, 12, 16 and 22 of the Regulation respecting the pursuit of activities as a representative (CQLR, c. D-9.2, r. 10) and sections 4.6, 4.8, 4.9, 4.13, 4.16, 4.17, 4.18 and 4.19 of the Regulation respecting information to be provided to consumers (CQLR, c. D-9.2, r. 18).

8. The following information must be visible on the firm's platform at all times:

- (1) the firm's name and contact information;
- (2) each sector in which the firm is registered with the Authority;
- (3) the firm's registration number issued by the Authority and the hyperlink enabling the client to access the registers available on the Authority's website;
- (4) the manner in which to request the intervention of one of the firm's representatives;
- (5) the information on where the client can file a complaint and a hyperlink providing the client with access to a summary of the complaint processing policy provided for in the last paragraph of section 103.1 of the Act respecting the distribution of financial products and services (chapter D-9.2).

9. Before any of the client's personal information is input, the firm must present the client with the following information through its platform:

- (1) the type of clientele for whom the platform is intended;
- (2) the fact that the client must or may, as the case may be, subscribe for or enroll in a contract through the intervention of a representative or solely through the platform;
- (3) the fact that the contract will be subscribed for or enrolled in via the platform of another firm, if applicable.

10. If no representative interacts with the client at the time the client is to subscribe for or enroll in the contract, the firm must, before the contract is entered into, provide the client with the following information through its platform:

- (1) the name and contact information of the insurer offering the selected product;
- (2) the product coverage and options;
- (3) the product exclusions and limitations;
- (4) the specific clauses that may affect the insurance coverage;

(5) the warnings to consumers about the consequences of misrepresentation or concealment;

(6) the client's right of rescission or cancellation and the procedures for exercising it, if applicable;

(7) the rules applicable to the temporary insurance, if applicable;

(8) the premiums, and other fees and expenses, including applicable taxes;

(9) an indication that the premium is fixed or likely to vary over time;

(10) the period in which the information provided by the firm is valid.

11. The firm must make available on its platform at all times a specimen of the policy for each product offered.

12. If no representative interacts with the client at the time the client subscribes for or enrolls in a contract, the firm must, immediately before the client does so, give him the following information through its platform:

(1) a summary of the information collected from the client;

(2) a summary of the options and conditions the client has chosen relating to the product he is about to purchase.

13. If no representative interacts with the client at the time the client subscribes for or enrolls in a contract, the firm must, as soon as the client has subscribed for or enrolled in the contract, provide him with the following documents and information:

(1) confirmation of the subscription for or enrollment in the contract and the temporary insurance, if applicable;

(2) the notice of rescission provided for in section 19 of the Act respecting the distribution of financial products and services (chapter D-9.2), applicable under section 86.0.1 of that Act and in the form set out Schedule 1, if applicable;

(3) how to access the insurance policy or certificate.

DIVISION IV

DESIGN, OPERATION AND MONITORING OF PLATFORM

14. The firm must ensure the proper operation and reliability of its platform at all times.

To that end, it must assess, in particular, whether the information presented thereon is accurate and whether the information provided by the client is kept in a manner that ensures its confidentiality and security.

15. The firm must ensure that its platform can:

(1) require an action from the client each time confirmation or consent is needed;

(2) detect and, where necessary, automatically suspend or terminate an action initiated on the platform if the product does not meet the client's needs or if a discrepancy or an irregularity in the information provided by the client may lead to an inappropriate result;

(3) enable the client to correct a mistake at any time prior to subscribing for or enrolling in the contract.

16. The firm must, at all times, be able to suspend or interrupt its offer through its platform when such actions are necessary.

17. The firm must adopt and ensure the implementation of a procedure relating to the design, use and maintenance of its platform.

The procedure must, in particular, describe the operation of the platform and related monitoring. It must also help identify, manage and mitigate internal and external risks related to the platform.

18. The firm must enter in the client record all information collected from the client, in addition to that presented through the platform and, if applicable, by a representative.

DIVISION V

PROHIBITIONS

19. No firm may, through its platform:

- (1) present advertising when a client completes a proposal;
- (2) select in advance a coverage component, additional coverage or all the coverage included in an insurance product offering;
- (3) exclude or limit its liability for the proper operation or reliability of its platform or the accuracy of the information presented thereon.

CHAPTER III

OFFER OF INSURANCE PRODUCTS THROUGH A DISTRIBUTOR

DIVISION I

GENERAL PROVISIONS

20. This chapter applies to an insurer that offers insurance products through a distributor in accordance with Title VIII of the Act respecting the distribution of financial products and services (chapter D-9.2).

DIVISION II

INFORMATION TO BE PROVIDED TO THE AUTHORITY

21. Before offering an insurance product through a distributor, the insurer must, in addition to the information required under section 66 of the Insurers Act (2018, chapter 23, section 3), disclose the following information to the Authority:

- (1) the name and contact information of the third party to which the insurer has entrusted the performance of the obligations of an insurer with respect to the distribution of a product through a distributor, if applicable;
- (2) the hyperlink or any other means to access the website of the distributor that offers an insurance product through the internet, if applicable.
- (3) the contact information of the insurer's assistance service referred to in section 28.

The insurer must notify the Authority without delay of any change to the information disclosed.

The insurer that removes a distributor from its list of distributors must indicate to the Authority the reasons for such removal.

22. The insurer must disclose annually to the Authority the following information for each product offered through a distributor:

- (1) the number of insurance policies and certificates issued and the amount of premiums written;
- (2) the number of claims and the amount of indemnities paid;
- (3) the number of rescissions and cancellations;
- (4) the remuneration paid to all distributors and third parties referred to in subparagraph (1) of the first paragraph of section 21.

DIVISION III

DOCUMENTS AND INFORMATION TO BE PROVIDED TO THE CLIENT

23. Before offering a product through a distributor, the insurer prepares the product summary in accordance with sections 29 and 30. The insurer mandates the distributor to deliver the summary to the client at the time it offers the product to him, together with a specimen of the policy, if the summary refers to it, and a fact sheet in the form set out in Schedule 2.

24. Where the means of communication used to offer the product does not enable the distributor to deliver the summary and the fact sheet at the time the product is offered, the insurer must include in the mandate it entrusts to the distributor the obligation to inform the client of such inability. The insurer must also ensure that the distributor is required to obtain at that time the client's consent to receive those documents no later than when the policy or insurance certificate is delivered and to mention the information contained in those documents to the client.

25. The insurer must be able to provide, at the client's or the Authority's request, all the information and documents presented to the client at the time the insurance product was offered to him, particularly the summary and the fact sheet.

26. When personal information of a medical or lifestyle-related nature is collected from the client, the notice of specific consent provided for in section 93 of the Act respecting the distribution of financial products and services (chapter D-9.2), applicable under section 437 of that Act, must be delivered to the client and be in the form set out in Schedule 3.

27. When the distributor offers the client financing that requires him to subscribe for insurance to secure the repayment of the financing, the notice of free choice provided for in section 443 of the Act respecting the distribution of financial products and services (chapter D-9.2) must be delivered to the client and be in the form set out in Schedule 4.

28. The insurer must have an assistance service to answer questions from the distributor regarding each product offered.

DIVISION IV

SUMMARY

29. The summary may pertain only to the product and must satisfy all the following conditions:

- (1) it must be concise;
- (2) it must explain the product;
- (3) it must be written in language that is clear, readable, specific and not misleading, so as to highlight the essential elements for informed decision-making and not cause confusion or misunderstanding;
- (4) it must present accurate information;

- (5) it must be reproduced on a durable medium to ensure accessibility and integrity;
- (6) it must not contain any advertising or promotional offer;
- (7) it must not be the insurance policy or certificate.

Where necessary, the insurer may refer the client to the relevant sections of the insurance policy to obtain additional information not found in the summary.

30. The summary must present the following information:

- (1) the insurer's name and contact information;
- (2) the number of the licence issued to the insurer by the Authority and the Authority's website address;
- (3) the name and type of product offered;
- (4) the target audience;
- (5) the name and contact information of the distributor that offers the product;
- (6) the product coverage;
- (7) the product exclusions and limitations;
- (8) the specific clauses that may affect the insurance coverage;
- (9) the warnings to consumers about the consequences of misrepresentations and concealment;
- (10) the client's right of cancellation, its duration and the procedures for exercising it;
- (11) the rules applicable to the temporary insurance, if applicable;
- (12) the information that the client must be made aware of in accordance with section 434 of the Act respecting the distribution of financial products and services (chapter D-9.2);
- (13) the premiums and other fees and expenses, including the applicable taxes, or, if an exact amount cannot be indicated, the method enabling clients to determine it;
- (14) an indication that the premium is fixed or likely to vary over time;
- (15) the information on where the client can file a complaint with the insurer and the insurer's website address providing access to a summary of the complaint processing policy provided for in the last paragraph of section 52 of the Insurers Act (2018, chapter 23, section 3).

Where the policy provides for a formula to calculate the portion of the refundable premium in the event of cancellation, the insurer must indicate as such in the summary and include an example of its application.

31. The insurer must, as soon as the client has subscribed for or enrolled in the insurance contract, provide the client with the following documents:

- (1) a summary of the information collected from the client;
- (2) the policy, the insurance certificate or the temporary insurance.

32. The notice of rescission provided for in section 440 of the Act respecting the distribution of financial products and services (chapter D-9.2), which must be delivered to the client by the distributor, must be in the form set out in Schedule 5;

33. The insurer must make the product summary and a specimen of the policy available on its website at all times for each product offered by a distributor.

DIVISION V

SUPERVISION OF DISTRIBUTORS

34. The insurer must monitor and supervise the offering of insurance products by its distributors.

To that end, it must adopt and implement procedures that enable the supervision and training of its distributors and the natural persons to whom they entrust the task of dealing with clients, in order to ensure compliance with the requirements under the Act respecting the distribution of financial products and services (chapter D-9.2) and this Regulation.

35. The training provided by the insurer must cover the following:

- (1) the insurance product, particularly the target audience, the coverage offered, the eligibility criteria and the applicable exclusions and limitations;
- (2) the distributor's legal obligations;
- (3) the insurer's complaint processing policy;
- (4) the practices promoting the fair treatment of clients;
- (5) the filing of a claim.

DIVISION VI

PROHIBITIONS

36. For insurance products referred to in paragraph 5 of section 424 and paragraph 1 of section 426 of the Act respecting the distribution of financial products and services (chapter D-9.2), no insurer may:

- (1) enable the distributor to keep its remuneration within a time period not commensurate with the term of the product, which time period may not, however, be less than 180 days;
- (2) pay to the distributor a bonus or a share in the profits based on contract experience;
- (3) set different commission rates applicable to a distributor for products with similar insurance coverage.

CHAPTER IV

TRANSITIONAL AND FINAL PROVISIONS

37. This Regulation replaces the Regulation respecting distribution without a representative (CQLR, c. D-9.2, r. 8).

38. This Regulation comes into force on 13 June 2019.

SCHEDULE 1
(s. 13)

NOTICE OF RESCISSION OF AN INSURANCE CONTRACT

NOTICE GIVEN BY A FIRM

Sections 19 and 86.0.1 of the Act respecting the distribution of financial products and services (chapter D-9.2)

THE ACT RESPECTING THE DISTRIBUTION OF FINANCIAL PRODUCTS AND SERVICES GIVES YOU IMPORTANT RIGHTS.

The Act allows you to rescind an insurance contract, **without penalty**, within 10 days of the date on which it is signed. However, the insurer may grant you a longer period.

To rescind the contract, you must give the insurer notice, within the applicable time, by registered mail or any other means that allows you to obtain an acknowledgement of receipt.

Despite the rescission of the insurance contract, the first contract entered into will remain in force. Caution, it is possible that you may lose advantageous conditions as a result of this insurance contract; contact your insurer or consult your contract.

After the expiry of the applicable time, you may rescind the insurance contract at any time; however, penalties may apply.

For further information, contact the Autorité des marchés financiers at 1-877-525-0337 or visit www.lautorite.qc.ca.

NOTICE OF RESCISSION OF AN INSURANCE CONTRACT

To: _____
(name of insurer)

(address of insurer)

Date: _____(date of sending of notice)

Pursuant to section 20 of the Act respecting the distribution of financial products and services, I hereby rescind insurance contract no.: _____(number of contract, if indicated)

Entered into on: _____(date of signature of contract)

In: _____(place of signature of contract)

_____(name of client)
_____(signature of client)



SCHEDULE 2
(s. 23)

FACT SHEET

The purpose of this fact sheet is to inform you of your rights. It does not relieve the insurer or the distributor of their obligations to you.

LET'S TALK INSURANCE!

Name of distributor: _____

Name of insurer: _____

Name of insurance product: _____



IT'S YOUR CHOICE

You are never required to purchase insurance:

- that is offered by your distributor;
- from a person who is assigned to you; or
- to obtain a better interest rate or any other benefit.

Even if you are required to be insured, **you do not have to** purchase the insurance that is being offered. **You can choose** your insurance product and your insurer.



HOW TO CHOOSE

To choose the insurance product that's right for you, we recommend that you read the summary that describes the insurance product and that must be provided to you.



DISTRIBUTOR REMUNERATION

A portion of the amount you pay for the insurance will be paid to the distributor as remuneration.

The distributor **must** tell you when the remuneration exceeds 30% of that amount.



RIGHT TO CANCEL

The Act allows you to rescind an insurance contract, **without penalty**, within 10 days after the purchase of your insurance. However, the insurer may grant you a longer period of time. After that time, fees may apply if you cancel the insurance. **Ask** your distributor about the period of time granted to cancel it **at no cost**.

If the cost of the insurance is added to the financing amount and you cancel the insurance, your monthly financing payments might not change. Instead, the refund could be used **to shorten the financing period**. **Ask your distributor for details**.

The Autorité des marchés financiers can provide you with unbiased, objective information.
Visit www.lautorite.qc.ca or call the Authority at 1-877-525-0337.

Reserved for use by the insurer

This fact sheet cannot be modified

SCHEDULE 3
(s. 26)

NOTICE OF SPECIFIC CONSENT
You are free to grant or refuse this consent.

Sections 92 and 437 of the Act respecting the distribution of financial products and services (chapter D-9.2)

WHAT YOU MUST KNOW
<ul style="list-style-type: none">At this date, we hold certain information relating to you.We require your consent to allow some of our clerks to have access to this information.These clerks will also have access to any update of the information done during the period of validity of the consent.These clerks will use the information available in order to solicit you for the purchase of new financial products and services.
YOU ARE FREE TO SET THE PERIOD OF VALIDITY OF YOUR CONSENT
<ul style="list-style-type: none">If you grant consent for an undetermined period of time, you may at any time terminate it by revoking it. At the end of this form, you will find a model revocation notice that you may use for this purpose or as a basis for preparing your own notice.If you wish to grant consent for a limited period of time, you may do so by determining this period yourself. This form provides, in the “specific consent” section, a place where you may write down the period of validity desired.
THE ACT RESPECTING THE DISTRIBUTION OF FINANCIAL PRODUCTS AND SERVICES GIVES YOU IMPORTANT RIGHTS
Without this specific consent, the distributor may not use this information for a purpose other than the purpose for which it was collected. The distributor cannot compel you to give your consent or refuse to do business with you if you refuse to give it; section 94 of the Act protects you. For further information, contact the Autorité des marchés financiers at 1-877-525-0337 or visit www.lautorite.qc.ca .

The information we hold pertaining to you, as at today’s date, was collected as part of:

(purposes of the file)

Here are the required categories of information that we would like one of our clerks to use and the products and services he may offer you. For a fuller description of each category, you may refer to the back of this sheet.

Please authorize each category of information requested.

Required information category to be accessed ¹	For which products and services ²	Client authorization ³		Initials ⁴
<i>To be completed by the distributor</i>	<i>To be completed by the distributor</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
		<input type="checkbox"/> Yes	<input type="checkbox"/> No	
		<input type="checkbox"/> Yes	<input type="checkbox"/> No	
		<input type="checkbox"/> Yes	<input type="checkbox"/> No	
		<input type="checkbox"/> Yes	<input type="checkbox"/> No	
		<input type="checkbox"/> Yes	<input type="checkbox"/> No	

Instructions for the distributor (<i>duplication not required</i>):
1. The distributor must describe each category on the reverse side of this sheet.
2. The distributor must specify the nature of the products and services it wishes to offer the client. Each information category must be associated with a specific purpose. Where a category serves several purposes the distributor must repeat it for each purpose.
3. The client may give his or her authorization by telephone, provided both parties can identify each other. In such case, this form shall serve as a script for the clerk, who will also read the detailed description of each category to the client. The distributor must fill out this form and send it to the client within 10 days of obtaining the verbal consent.
4. If in electronic form, the initials may be replaced by a confirmation window. However, the notice of consent must be made available to the client by any means allowing the reading or printing thereof.

In accordance with the Act respecting the protection of personal information in the private sector (chapter P-39.1), **you may request to be given access to the information we hold pertaining to you.**

SPECIFIC CONSENT

Having read the above, I, the undersigned, _____(*name of client*)_____ , consent to use of the information held by the distributor for the purposes indicated above.

This consent will be valid until revoked or for the following period:

DD/MM/YY (to be filled out by the client)

I may revoke this consent at any time by sending a notice. I may use the attached model notice for this purpose or as a basis for preparing my own notice.

(signature of client) (date of signature of the consent)

(client identification, address, folio or contract no., etc.)

I HEREBY REVOKE THE SPECIFIC CONSENT GIVEN TO THE DISTRIBUTOR BY THE FOLLOWING NOTICE

To: _____
(name of distributor)

(address of distributor)

On: _____

I, the undersigned, _____(*name of client*)_____ , hereby notify you that I am revoking the specific consent authorizing the use of my personal information for new purposes.

Consent given to you on:

(date of consent)

(name of client) (signature of client)

(client identification, address, folio or contract no., etc.)

SCHEDULE 4

(s. 27)

NOTICE OF FREE CHOICE OF INSURER AND REPRESENTATIVE

Section 443 of the Act respecting the distribution of financial products and services (chapter D-9.2)

THE ACT RESPECTING THE DISTRIBUTION OF FINANCIAL PRODUCTS AND SERVICES GIVES YOU IMPORTANT RIGHTS

- You are required to purchase insurance coverage described below in order to secure the repayment of a loan.
- However, you are free to purchase this insurance from the insurer and representative of your choice. **You can thus obtain the required insurance in 3 different ways:**

(1) By purchasing the insurance offered to you;

If you choose this option, you benefit from the application of section 20 of the Act which allows you to rescind an insurance contract that you signed at the time of signing another contract, without penalty, within 10 days of its signature. However, you must then purchase another equivalent insurance to the satisfaction of the creditor who may not refuse without reasonable cause.

(2) By purchasing other insurance that is equivalent to the insurance required, to the satisfaction of the creditor who may not refuse without reasonable cause.

(3) By demonstrating that you already have insurance that is equivalent to the insurance required, to the satisfaction of the creditor who may not refuse without reasonable cause.

You may change insurer or representative at any time, provided that you maintain during the term of the loan agreement an insurance equivalent to the insurance required to the satisfaction of the creditor who may not refuse without reasonable cause. You cannot be required to choose or keep an insurance contract with a particular insurer, nor can you be refused credit or have your loan called in for this reason.

To rescind your insurance, you may use the section hereunder entitled “Notice of rescission of an insurance contract.” For further information, contact the Autorité des marchés financiers at 1-877-525-0337 or visit www.lautorite.qc.ca.

DESCRIPTION OF THE REQUIRED COVERAGE

(section completed by the distributor)

To secure the repayment of your loan, we have required that you purchase:

☐ damage insurance: _____

in an amount of: \$ _____

_____ (coverage) _____ (particulars)

☐ insurance of persons of the following type: _____

_____ (life, disability, other)

in an amount of: \$ _____

_____ (coverage) _____ (particulars)

NOTICE OF RESCISSION OF AN INSURANCE CONTRACT

To:

(name of insurer)

(address of insurer)

Date: _____(date of sending of notice)

Pursuant to section 441 of the Act respecting the distribution of financial products and services, I hereby rescind insurance contract no.: _____(number of contract, if indicated)

Entered into on: _____(date of signature of contract)

In: _____(place of signature of contract)

_____(name of client)
_____(signature of client)

SCHEDULE 5

(s. 32)

NOTICE OF RESCISSION OF AN INSURANCE CONTRACT

NOTICE GIVEN BY A DISTRIBUTOR

Section 440 of the Act respecting the distribution of financial products and services (chapter D-9.2)

THE ACT RESPECTING THE DISTRIBUTION OF FINANCIAL PRODUCTS AND SERVICES GIVES YOU IMPORTANT RIGHTS.

The Act allows you to rescind an insurance contract, **without penalty**, within 10 days of the date on which it is signed. However, the insurer may grant you a longer period.

To rescind the contract, you must give the insurer notice, within that time, by registered mail or any other means that allows you to obtain an acknowledgement of receipt.

Despite the rescission of the insurance contract, the first contract entered into will remain in force. Caution, it is possible that you may lose advantageous conditions as a result of this insurance contract; contact your distributor or consult your contract.

After the expiry of the applicable time, you may rescind the insurance contract at any time; however, penalties may apply.

For further information, contact the Autorité des marchés financiers at 1-877-525-0337 or visit www.lautorite.qc.ca.

NOTICE OF RESCISSION OF AN INSURANCE CONTRACT

To:

(name of insurer)

(address of insurer)

Date: _____(date of sending of notice)

Pursuant to section 441 of the Act respecting the distribution of financial products and services, I hereby rescind insurance contract no.: ____ (number of contract, if indicated)

Entered into on: _____(date of signature of contract)

In: _____(place of signature of contract)

_____(name of client)
_____(signature of client)

The distributor must first complete this section.

Agenda Item 4(a)(ii)
October 23/18 EOC Meeting

Proposal That CAFII Working Group Develop A Template(s)
For Consumer Disclosure Materials To Replace Distribution Guide

From: Keith Martin

Sent: Thursday, October 11, 2018 11:42 AM

To: Gill, Moira; 'Lewsen, John'

Cc: Brendan Wycks; Natalie Hill

Subject: AMF "Summary" Document to Replace Distribution Guide

Hi Moira and John:

Brendan and I have been strategizing about next steps around our response to the AMF consultation paper on the sale of insurance on the Internet.

On the “summary” document that is required to replace the Distribution Guide, we thought that there might be value to CAFII producing a “template” which, potentially, could be used by our members, thereby avoiding each member who sells insurance on the Internet needing to come up with their own version of the document, or at least not having to develop it more or less from scratch (although I should add that there is quite a lot of guidance, some of it quite prescriptive, from the AMF on what needs to be in the “summary” document).

Do you think developing such a template would be of value? If so, we thought that a Working Group could be struck to deal with this issue alone, and given both of your expertise we wanted to reach out to see if you might be available and interested in participating in this exercise.

This will be on the agenda for next Tuesday’s one-hour EOC teleconference call, and we wanted to give you advance notice of that so you can give this some consideration before the discussion on this item at the meeting.

--Keith

Keith Martin

Co-Executive Director / Co-Directeur général

Canadian Association of Financial Institutions in Insurance

L'association canadienne des institutions financières en assurance

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FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

NOTICE AND REQUEST FOR COMMENT

PROPOSED FSRA RULE 2019 – 001 ASSESSMENTS AND FEES

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Appendix A Rule 2019-001 Assessments and Fees

Appendix B Pension Sector – Illustrative Assessment Calculation

October 5, 2018

Introduction

The Financial Services Regulatory Authority of Ontario (**FSRA** or the **Authority**) is proposing a new assessment and fee rule (a **fee rule**) as more fully set out in this Notice and in the proposed FSRA Rule 2019-001 – Assessments and Fees attached as Appendix A to this Notice.

The Ontario Minister of Finance received a report from an expert advisory panel on March 31, 2016 regarding the mandate review of the Financial Services Commission of Ontario (**FSCO**), Financial Services Tribunal (**FST**), and the Deposit Insurance Corporation of Ontario (**DICO**). The panel called for the creation of a new, independent and integrated regulator called the Financial Services Regulatory Authority. FSRA was established under the *Financial Services Regulatory Authority of Ontario Act, 2016* (the **FSRA Act**).

FSRA is an independent agency that will be self-funded and operate on a cost recovery basis, and will regulate the sectors currently regulated by FSCO (other than co-operative corporations) and DICO.

FSRA will be a forward-looking, flexible regulator that will:

- support business investment, competition and innovation;
- respond to changes in industry and consumer expectations;
- better protect Ontarians who: buy or receive benefits from insurance (property and casualty including automobile; life; accident and sickness; annuities and life-related investment products); are members of credit unions and caisses populaires (collectively, **credit unions**); do business with credit unions or loan and trust companies; use mortgage brokers; or rely on pension plans for income security;
- improve market effectiveness and enhance market integrity in Ontario; and
- create effective and consistent regulation across Canada through leadership and advocacy.

FSRA is working towards a spring 2019 launch date (the date upon which FSRA anticipates assuming the regulatory functions contemplated by the FSRA Act), pending a final decision on timing by the Government of Ontario.

As part of the transition of FSCO's and DICO's regulatory mandate to FSRA, FSRA has developed an initial fee rule to obtain funding from the financial services sectors it regulates. The proposed funding is intended to enable FSRA to maintain continuity of FSCO and DICO operations and build enhanced capacity, resources and expertise to efficiently and effectively anticipate and respond to the dynamic pace of change in marketplace, industry and consumer expectations.

FSRA is conducting ongoing discussions with industry, consumer and government stakeholders to identify expectations and opportunities for transformation. Going forward, dialogue and consultation will be at the core of FSRA's approach to an ambitious transformation and modernization plan. FSRA intends to create processes and opportunities for transparently communicating FSRA objectives and activities and for obtaining ongoing stakeholder feedback, and using it to affect continuous improvement

The background on the initial fee rule is contained in this Notice and the new fee rule is described in proposed FSRA Rule 2019-001 – Assessments and Fees (the **Proposed Fee Rule**). With this Notice, FSRA is seeking public comment on the Proposed Fee Rule in accordance with section 22 of the FSRA Act. Appendix A to this Notice is the Proposed Fee Rule. Within a period of 90 days from the date of publication of this Notice (i.e., by January 4, 2019), interested persons are invited to make written representations to FSRA with respect to the Proposed Fee Rule, as more particularly set out under the heading “Comments” at the end of this Notice.

Given the targeted spring 2019 launch date, the time to finalize FSRA’s fee rule is limited. As a result, FSRA will only provide a 90-day comment period for its fee rule and interested persons should take this into account in preparing their submissions. Furthermore, if, following the publication of the Proposed Fee Rule and consideration of submissions received during the comment period, FSRA were to propose material changes to the Proposed Fee Rule, it would be required to publish notice of the proposed changes and seek public comment on those changes. If the Proposed Fee Rule cannot be adopted prior to the spring 2019 launch date, FSRA expects it will adopt an interim fee rule, on a transitional basis, which is substantially similar to FSCO’s existing assessment regulations and fee schedules.

The details of the interim fee rule are contained in a separate Notice and in proposed FSRA Rule 2019-001B – Fees and Assessments (Interim) (the **Interim Fee Rule**). With that separate Notice, FSRA is also seeking public comment on the Interim Fee Rule in accordance with section 22 of the FSRA Act. Appendix X to that separate Notice is the Interim Fee Rule. Within a period of 90 days from the date of publication of that separate Notice, interested persons are invited to make written representations to FSRA with respect to the Interim Fee Rule, as more particularly set out under the heading “Comments” at the end of that Notice.

Development of Proposed Fee Rule

FSRA Fee Rule Vision and Principles

FSRA’s vision is to have a simple, consistent and fair fee rule. The Proposed Fee Rule will reflect FSRA’s mandate and objectives and be based on the following FSRA fee rule vision elements and principles:

<i>Vision Element</i>	<i>Corresponding Principles</i>	<i>Description</i>
1. <i>Simplicity</i>	1.1 Low administrative burden for regulated entities	The administrative burden associated with paying assessments or fees should be minimized for regulated sector participants, unless necessary to achieve other principles.
	1.2 Low administrative burden for FSRA	Funding sources in FSRA’s fee rule should aim to minimize, where appropriate, administrative or back office burden for FSRA.
2. <i>Consistency</i>	2.1 Predictability	Assessments and fees should aim to be predictable year-over-year, other things being equal, to support forward-planning.
	2.2 Competitiveness and level playing field	The fee rule should treat individuals and entities with similar characteristics the same way; it should not create unintended barriers or advantages for particular participants or regulated sectors.

<i>Vision Element</i>	<i>Corresponding Principles</i>	<i>Description</i>
3. <i>Fairness</i>	3.1 Sectors should bear their own costs	The direct costs for the regulation of a regulated sector should not be cross-subsidized by another regulated sector.
	3.2 Proportional to regulatory activity	Regulated sectors' and participants' contributions to funding should be proportional to the regulatory activities or costs they generate.
	3.3 Common costs reasonably allocated	Common costs not allocable based on activity should be reasonably allocated to regulated sectors and to participants therein based on transparent, consistent and objective metrics.
	3.4 Benefit received and ability to pay	Recognizing the benefit that all participants gain from a well-regulated sector, regulatory costs within a regulated sector should be allocated reasonably considering factors such as proportional benefit received and, in limited circumstances where appropriate, ability to pay.
4. <i>Transparency</i>	4.1 Accessibility and disclosure	Regulated sector participants should be able to easily access their assessment and fee calculations. FSRA will disclose its estimated expenses and expenditures relating to an assessment period, those that it determines or estimates directly relate to a regulated sector and those that it determines are common costs benefitting all regulated sectors.
	4.2 Comprehensibility	Interested parties should be able to understand the fee rule and the calculations that drive their assessments and fees.
5. <i>Future Focus</i>	5.1 Prospective	Where appropriate, funding should be based on forward looking estimates within which FSRA manages its budget, rather than retrospective cost recovery once costs are known. Given the range of reasonableness in allocating common costs, FSRA will not undertake an annual reconciliation of actual costs against budgeted costs (i.e. implement a refund/credit mechanism) but will take into account direct costs experienced in a sector, and drivers of common cost increases, when setting future assessments and fees.
	5.2 Flexible	When considering FSRA's fee rule and practices as a whole, actual assessments and fees should be flexible or adjustable to ensure FSRA is: adequately funded; able to proactively invest in future-focused capabilities for the benefit of stakeholders, including

<i>Vision Element</i>	<i>Corresponding Principles</i>	<i>Description</i>
		consumers; and capable of managing unforeseeable events or circumstances. FSRA should build and maintain a reasonable contingency reserve amount to cover expenses and expenditures which may arise from unforeseeable events or circumstances, and will consider how best to replenish such reserve amount from future assessments considering the sector and/or participants driving such unanticipated expenses and expenditures.
6. Effective and Efficient	6.1 Support regulatory objectives	FSRA will consider the impact its assessments and fees may create, including any incentives or disincentives for payees. The fee rule should, where practicable, reflect and support the unique regulatory objectives associated with the participants within each regulated sector (for example, on-time filing, limiting low-value regulatory activity, “parked licenses”, etc.).
	6.2 Cost effective	FSRA will be an effective steward of resources and will, in achieving its regulatory objectives, seek to minimize costs where practicable and where such minimization will not create material or unacceptable regulatory risk.

Current FSCO and DICO Fee and Assessment Approaches

Under the current assessment approach used by FSCO, a regulated sector is assessed annually with respect to all expenses and expenditures incurred and made in respect of the regulated sector, taking into account all fees generated from that regulated sector. Initial (estimated) assessments are provided to regulated sector participants that are subject to assessment, and then following the completion of a fiscal year FSCO conducts a reconciliation of invoiced amounts against actual expenses and expenditures. Each regulated sector participant is then credited with any overpayment, or sent an invoice for any balance owing. Under the FSCO approach, fixed fees are charged to regulated sector participants with respect to various activities (licencing and so forth). In contrast, under the current assessment approach used by DICO, credit unions are charged premiums annually on a combined basis for the Deposit Insurance Reserve Fund (**DIRF**) and prudential supervision, with the prudential component being paid from the DIRF.

FSRA Approach to Development of Proposed Fee Rule

While not yet in a position to develop a comprehensive budget, the first step in developing an initial fee rule was to generally define the expenses and expenditures that would reasonably be expected to be incurred by the Authority. Historical data (including on a sector-by-sector basis) was obtained from FSCO and DICO and used to identify expenses and expenditures that would likely and appropriately be borne by each regulated sector. In particular, potential direct costs were identified on a sector by sector basis, based on full-time equivalent (FTE) costs and related FTE and information technology (IT) support

charges. Potential common costs (i.e., costs not directly attributable to a particular sector based on available data) were allocated to regulated sectors based on their share of potential direct costs. Using this basis for identifying anticipated direct costs and allocating common costs, preliminary expense and expenditure targets could be identified for all relevant regulated sectors.

With the potential funding required for all relevant regulated sectors determined on a preliminary basis, the next step was to identify how corresponding assessments and fees could be recovered from each regulated sector. The proposed approach to be taken for each regulated sector was based on a series of decisions regarding:

- *Areas of Activity* – whether the sector should be subdivided into different parts or areas of activity and, if so, how;
- *Payer types* – whether and how different payer types should be defined;
- *Funding types* – whether funding should come from assessments, fees, or some combination of the two;
- *Funding sub-types* – for assessments and fees, what types of assessments they should be, with assessments potentially having both a general component and a regulatory component that reflects regulatory effort, risk, etc., associated with the payer type, while fees generally relating to licensing/registration or another activity or event; and
- A base and rate for each funding sub-type to calculate funding to be generated by each payer.

Beyond reviewing the FSCO and DICO fee and assessment approaches, a comparative review of other regulators was also conducted. FSRA focussed on regulators which have multiple lines of business, are self-funded or otherwise act on a cost recovery basis, and avoid cross-subsidizing of sectors. The fee and assessment approaches of the following ten comparator regulators were reviewed to gain a more fulsome understanding of approaches, as well as to identify alternative metrics used by other regulators to assess various industries:

Ontario Securities Commission (OSC)
Financial Institutions Commission (FICOM – British Columbia)
Financial and Consumer Services Commission (FCNB – New Brunswick)
Australian Securities and Investments Commission (ASIC)
United Kingdom Financial Conduct Authority (FCA)
Australian Prudential Regulation Authority (APRA)
Autorité des marchés financiers (AMF)
Office of the Superintendent of Financial Institutions (OSFI)
Investment Industry Regulatory Organization of Canada (IIROC)
New York State Department of Financial Services

Based on the review, the following characteristics were noted:

- these regulators act on a self-funded/cost recovery basis and aim to use assessments and fees to cover the costs of regulation;
- these regulators aim to achieve fairness, transparency and simplicity;
- assessments for the insurance sector tended to not be differentiated at a sub-sector level – assessments were the same for life insurance and property and casualty insurance and were based on total assets; alternative indicators included minimum required capital and headcount;

- assessments for the pension sector tended to be based on the number of active and retired plan members;
- assessments for credit unions were commonly based on assets;
- fees for the mortgage brokering sector were typically applied to the broker, brokerage, associate and administrator; where assessments were used, they were based on gross revenue; and
- assessments for the loan and trust sector tended to be based on total assets.

FSRA also sought preliminary feedback from the regulated sectors to inform its proposed approach. FSRA management, with support from its external consultant, as well as FSCO and DICO, conducted informal interviews with a sample of regulated sector opinion leaders. This enabled FSRA to gain early insights on various proposals by FSRA management with respect to the FSRA fee rule vision and principles and on alternative fee rules.

FSRA then invited a wide range of industry associations to assist in the formation of sector-specific industry advisory groups (**IAGs**) to ensure appropriate outreach and representation, reflecting a breadth of perspectives from organizations in the sectors that FSRA will regulate.

The IAGs were special purpose, *ad hoc* groups established specifically to provide regulated sector industry insight and views to FSRA management and the FSRA Board related to the development of fee rule options for FSRA, prior to the formal, statutorily required 90-day comment period. Seven IAGs were established, representing the following areas:

Credit Unions
 General/Property and Casualty Insurance
 Health Service Providers (**HSPs**)
 Life Insurance Agents
 Life and Health Insurance
 Mortgage Brokers and Agents
 Pension Plans

Each IAG had two meetings with FSRA:

- one with FSRA management and its external consultant and counsel, during which FSRA management advised the IAG of its initial proposals relating to the fee rule for the IAG's sector and the rationale for its approach, enabling the IAG to ask questions, offer perspectives and prepare for the meeting with the FSRA Board; and
- one with members of the FSRA Board, during which the IAG presented its views and discussed issues related to FSRA management's initial proposals relating to the fee rule.

In total, over 85 representatives participated in these meetings.

No decisions as to any proposal relating to a fee rule were made by the FSRA Board until after all of the foregoing consultations had been completed.

In the Proposed Fee Rule, FSRA has proposed a variable rate approach for the regulated sectors with larger participants (Credit Unions, Insurance, Loan and Trust, and Pension).

The variable rate approach helps to avoid potential intra-sector inequities, and is consistent with the FSRA fee rule vision and principles (as described above). Under the variable rate approach, FSRA can

work to ensure that sector-specific cost changes will be attributed to a particular sector's direct costs so that sectors continue to fund the costs they directly incur and do not cause cross-subsidy issues.

In contrast, a fixed rate approach (flat fees) has been proposed for the Mortgage Brokerage Sector as data currently collected that might support a variable rate-based formula is unable to be audited and may not be reported consistently. A fixed rate approach (flat fees) for the Insurance Sector is also proposed for agents, adjusters and health service providers (HSPs), as many are individuals or smaller organizations where cost certainty is important.

The foregoing is consistent with the FSRA fee rule vision and principles: FSRA is proposing a variable rate approach for the regulated sectors with larger participants and a fixed rate approach for sectors/participants requiring high cost predictability, making a relatively low contribution to FSRA's funding and where fees charged achieve other regulatory objectives in addition to funding costs. This approach is in keeping with current FSCO and DICO practice.

More particularly, a variable rate fee rule, as proposed, operates on the following basis:

- the regulated sector has a formula that:
 - includes the year's targeted funding (i.e. direct costs for the regulated sector, plus the sector's allocation of common costs), which effectively operates as the amount used to calculate the rate for the upcoming year for that sector; and
 - effectively varies rates paid by regulated sector participants each year by calculating their assessments as a share of regulated sector costs by applying the formula; and
- each year, FSRA would develop a budget that:
 - includes the direct costs of each regulated sector, and within each regulated sector (as applicable);
 - allocates the common costs, including a contingency reserve amount, among the regulated sectors on such basis as FSRA determines; provided that unless otherwise determined by FSRA in the budget, common costs remaining after deducting the budgeted contribution of a fixed rate sector to the aggregate common costs be allocated amongst the variable rate sectors based on their *pro rata* share of aggregate direct costs; and
 - then uses the formula to calculate the allocation of those costs within the regulated sector.

This variable rate approach is generally consistent with the approach used by multi-sector prudential and conduct regulators (for example, OSFI and FSCO). For the larger, more developed regulated sectors, the variable rate approach is also consistent with the FSRA fee rule vision and principles described above as the variable rate approach:

- provides FSRA with flexibility to adjust its funding each year based on its budget;
- introduces some variability to the amount that regulated sector participants pay each year, because each year's assessment will vary with the targeted funding and with changes to the applicable base;

- reduces the possibility of inequities/cross-subsidization, the need for high contingency reserves and the risk of FSRA being unable to fulfill its regulatory mandate as an independent, self-funded agency that operates on a cost recovery basis; and
- lends itself to an annual transparent and well-governed process, and dialogue between FSRA and its stakeholders, as to priorities, resources and costs – this process will develop over time as experience grows and with lessons learned, particularly following FSRA's first budget cycle.

While this approach introduces some variability to stakeholders, the flexibility it provides is desirable because FSRA will be developing and refining its strategy and operating structure over the first few years of its operations, making costs potentially more uncertain than they would otherwise be for a mature regulatory organization. FSRA anticipates that it will review its fee rule in the near-to-midterm (e.g. in three years' time) to assess whether it continues to be appropriate at that time for each regulated sector and part thereof, or whether a different approach should be adopted at that time.

Substance and Purpose of the Proposed Fee Rule

The substance and purpose of the Proposed Fee Rule is to ensure that FSRA is a self-funded agency that operates on a cost recovery basis, in accordance with the FSRA fee rule vision and principles set out in this Notice, to enable FSRA to carry out its legislated mandate.

In many instances and at a high level, the Proposed Fee Rule generally reflects an assessment approach consistent with the approach currently used by FSCO (as described above) but with the following key changes:

- Under the Proposed Fee Rule, assessments are based on *budgeted* expenses and expenditures rather than *actual* expenses and expenditures.
- The subsequent reconciliation of estimated expenses and expenditures is taken into account when determining the next year's estimated expenses and expenditures that will drive the next year's assessment.

These key changes have been proposed due to the significant administrative burden associated with the approach currently used by FSCO and to recognize the range of reasonable results when common costs, which are initially expected to comprise a significant portion of FSRA's costs (based on data provided by FSCO and DICO), are allocated across various sectors.

More detail with respect to the Proposed Fee Rule, and a comparison of the fee and assessment changes from FSCO's and DICO's approach, is set out below under the headings "Summary of the Proposed Fee Rule" and "Comparison to FSCO/DICO Approach".

Summary of the Proposed Fee Rule

Part 1 - Interpretation

This Part defines the terms used in the Proposed Fee Rule and deals with certain interpretation issues.

The following are some of the terms defined in subsection 1.1(1) of the Proposed Fee Rule:

- "assessment" means an assessment for the purposes of subsection 21(2) of the FSRA Act;
- "assessment period" means the fiscal year of the Authority or other period of time with respect to which the Authority makes an assessment under the Proposed Fee Rule;

- “common costs” in respect of a particular assessment period means the expenses and expenditures of the Authority which the Authority determines or estimates are not direct costs in respect of any particular regulated sector in respect of that assessment period, including all amounts in respect of the contingency reserve amount, as set out in the final budget;
- “contingency reserve amount” is described in subsection 2.3(1) of the Proposed Fee Rule and essentially means an amount FSRA bills and holds for unforeseeable expenses and expenditures;
- “direct costs” in respect of a particular regulated sector and a particular assessment period means the expenses and expenditures of the Authority which the Authority determines or estimates directly relate to the particular regulated sector in respect of that assessment period, as set out in the final budget;
- “fee” means a fee for the purposes of subsection 21(2) of the FSRA Act and, where applicable, for the purposes of the statute to which a regulated sector is subject, including fees payable with respect to activities or events related to a person or entity in a regulated sector;
- “final budget” means, in respect of an assessment period, the budget approved by the Board and posted on the website of the Authority prior to the commencement of that assessment period;
- “fixed rate sector” means the mortgage brokering sector;
- “fixed rate sector common cost contribution” means in respect of the fixed rate sector, the difference, positive or negative, between the total fees that the Authority estimates will be charged in respect of the fixed rate sector in respect of an assessment period and the total estimated direct costs of the fixed rate sector in respect of that assessment period, all as set out in a budget prepared by the Authority under section 2.1 of the Proposed Fee Rule; and
- “variable rate sectors” means the credit union sector, the insurance sector, the loan and trust sector, and the pension sector.

Subsection 1.2(1) provides that the Authority’s expenses and expenditures incurred prior to it beginning to carry out the regulatory functions contemplated by the FSRA Act may be recovered through assessments and fees in respect of one or more assessment periods.

Subsection 1.2(2) provides that the Authority’s expenses and expenditures recovered through assessments and fees may include amounts assessed by the Lieutenant Governor in Council in respect of the Ministry’s expenses and expenditures referred to in section 15 of the FSRA Act and the Financial Services Tribunal’s and the Ministry’s expenses and expenditures referred to in section 15 of the *Financial Services Tribunal Act, 2017*.

Part 2 – Sectoral Assessment Process

This Part sets out general rules to be followed by FSRA in connection with the sectoral assessment process.

Section 2.1 provides that FSRA will prepare a draft budget with respect to each assessment period to be posted on FSRA’s website to enable consultation with the regulator sectors, and will set out:

- FSRA's estimated total expenses and expenditures in respect of an assessment period, a description of the direct costs estimated for each regulated sector, and the common costs estimated for FSRA;
- the total fees that FSRA estimates will be charged in respect of regulated sectors; and
- the total estimated assessment in respect of each regulated sector and within such sector, as applicable.

FSRA anticipates posting and consulting on the 2019-20 draft budget in early 2019.

Section 2.1 further provides that a final budget in respect of an assessment period will be posted on FSRA's website. This is the budget that will, after FSRA has an opportunity to consult, be used for the sectoral allocation process relating to the funding of FSRA's expenses and expenditures relating to the assessment period.

Section 2.2 provides that each budget (draft and final) will set out the direct costs in respect of each regulated sector (and within the insurance sector by type of activity - see Part 4 below) together with the aggregate common costs in respect of the assessment period. It further provides for the method of allocating common costs amongst the regulated sectors. FSRA expects to allocate common costs to the variable rate sectors in proportion to their direct costs, but reserves the right to adopt a different methodology where it considers it to be appropriate (e.g., where such different methodology is more consistent with the FSRA fee rule vision and principles).

Section 2.3 describes the "contingency reserve amount", which is an amount which can be included in common costs to cover expenses and expenditures that arise due to unforeseeable events or circumstances, which provides flexibility for FSRA. It is important to note that FSRA will have strict governance mechanisms in place to set and monitor the level of the contingency reserve amount. The contingency reserve amount in respect of an assessment period will be capped at \$4 million in aggregate and can only be used if approved by the FSRA Board. This amount was established based on an analysis of FSCO and DICO historical financial activity and budgeted amounts for contingencies. Section 2.3 also sets out rules for how the contingency reserve amount will be replenished, depending on the purpose for which it is used.

Part 3 – Credit Unions Sector Assessments and Fees

This Part sets out the fee and assessment provisions for the credit unions sector.

With respect to assessments, it provides that direct costs of, and the common costs allocated to, the credit unions sector, after taking into account budgeted fees charged to credit unions, will be recovered from credit unions based on their relative risk weighted assets as at a date determined by the Authority.

Part 4 – Insurance Sector Assessments and Fees

This Part sets out the fee and assessment provisions for the insurance sector.

With respect to assessments, the insurance sector has been divided into four separate areas of activity, defined as follows in subsection 4.1(1):

- "accident, sickness and life insurance market conduct activities" means those activities of the Authority identified by the Authority as related to regulating the market conduct of insurers (and their agents and other representatives or distribution channel participants) providing accident, sickness and life insurance in Ontario and other activities of the Authority related to regulating

and supervising accident, sickness and life insurance which are not related to conducting prudential, capital adequacy, liquidity or solvency supervision;

- “automobile insurance rate approval activities” which means those activities of the Authority identified by the Authority as related to rate approval for automobile insurance in Ontario including all activities of the Authority relating to holders of a service provider’s licence under Part VI (Automobile Insurance) of the *Insurance Act* (i.e. HSPs);
- “property and casualty insurance market conduct activities” which means those activities of the Authority identified by the Authority as related to regulating the market conduct of insurers (and their agents and other representatives or distribution channel participants) providing property and casualty insurance in Ontario and other activities of the Authority related to regulating and supervising property and casualty insurance other than: automobile rate insurance approval activities; and insurance prudential supervision activities;
- “insurance prudential supervision activities” which means those activities of the Authority identified by the Authority as related to conducting prudential, capital adequacy, liquidity and solvency supervision of Ontario prudentially regulated insurers; and
- “Ontario prudentially regulated insurer” means an insurer that is organized or incorporated under the laws of Ontario and that is providing either or both: property and casualty insurance; or accident and sickness insurance, other than insurers that are members of the Fire Mutuals Guarantee Fund, save and except for a mutual insurance corporation described in subsection 148(3) of the *Corporations Act*.

Under the Proposed Fee Rule, each of these areas of activity will be separately assessed on the basis set out in Part 4 taking into account, in the case of each area of activity, the estimated fees that will be generated in respect of that area of activity.

Part 5 – Loan and Trust Sector Assessments and Fees

This Part sets out the fee and assessment provisions for the loan and trust sector.

With respect to assessments, it provides that direct costs of, and the common costs allocated to, the loan and trust sector, after taking into account budgeted fees charged to loan and trust corporations, will be recovered from loan and trust corporations equally.

Part 6 – Mortgage Brokering Sector Assessments and Fees

This Part sets out the fee and assessment provisions for the mortgage brokerage sector.

Section 6.1 notes that no assessments are payable in respect of this regulated sector.

Section 6.2 sets out the fees payable by participants in this sector. All licences will become annual licences, and a new activity fee is introduced with respect to non-qualified syndicated mortgages (as defined in this Part).

Part 7 – Pension Sector Assessments and Fees

This Part sets out the fee and assessment provisions for the pension sector.

With the exception of discontinued plans, with respect to assessments, it provides that plan administrators of pension plans with 78 beneficiaries or less will be assessed a flat assessment of \$750

(the current regulation provides a minimum of \$250), with no maximum (i.e., cap) on assessments (the current regulation provides a maximum of \$75,000).

All other plan administrators (excluding an administrator in respect of a discontinued plan) will be assessed in accordance with the formula set out in subsection 7.1(3). The formula is intended to provide for a lower assessment cost per beneficiary as the number of beneficiaries in a pension plan increase based on the tiers set out in that subsection. The formula recognizes that in the case of the largest pension plans, the incremental regulatory cost for additional members is, at some point, quite low. For an illustration of how an assessable pension plan's assessment would be calculated, see Appendix B. Note that such illustration is based on assumptions which should not be considered indicative of the actual numbers upon which an assessment in respect of any assessment period will be calculated.

Part 8 – Pooled Registered Pension Plan (PRPP) Sector Assessments and Fees

This Part sets out the fee and assessment provisions for the PRPP sector (i.e. pooled registered pension plan sector), and notes that no fees or assessments are payable under the Proposed Fee Rule in respect of this regulated sector.

Part 9 – General Fees

This Part sets out general fees for certificates and photocopies.

Part 10 – Effective Date and Transitional

This Part sets out the effective date of the Proposed Fee Rule, together with transitional matters relating to fees and assessments.

Subsection 10.2(1) sets out certain defined terms.

Subsection 10.2(2) provides for the crediting of certain fees paid for licences prior to FSRA's first assessment period where the licence covers all or a portion of FSRA's first assessment period and the Authority has received value for such pre-paid fee, all on the terms set out therein.

Subsection 10.2(3) provides for the crediting of a portion of the annual premium charged by DICO prior to FSRA's first assessment period, that relates to FSRA's first assessment period and which is paid under the *Credit Unions and Caisses Populaires Act, 1994* and for which the Authority has received value, all on the terms set out therein. The Proposed Fee Rule does not cover premiums in respect of the DIRF, which will remain separately funded under section 276.1 of the *Credit Unions and Caisses Populaires Act, 1994*.

Comparison to FSCO/DICO Approach

As noted under the heading "Substance and Purpose of the Proposed Fee Rule", a key factor that distinguishes the Proposed Fee Rule from FSCO's approach for the sectors it regulates is that under the Proposed Fee Rule assessments are based on *budgeted* expenses and expenditures rather than *actual* expenses and expenditures. Under the Proposed Fee Rule, there will be no (after the fact) annual reconciliation of actual expenses and expenditures incurred in respect of a regulated sector against the amounts initially paid by them in respect of an assessment period. This reconciliation (under FSCO's approach) results in a refund/credit or request for further payment after the end of an assessment period. As mentioned above, this process imposes a significant administrative burden on FSCO. Under the Proposed Fee Rule, any surplus or deficit from one assessment period will be taken into account in setting the budget for the subsequent assessment period.

At a high level, the Proposed Fee Rule has some similarities to the manner in which DICO assesses the credit unions sector for premiums under the *Credit Unions and Caisses Populaires Act, 1994* given that there is no annual reconciliation of invoiced amounts against actual expenses and expenditures incurred by DICO. A key difference is that under the current assessment approach used by DICO, credit unions are charged premiums at a preset rate under regulation on a *combined basis* for the Deposit Insurance Reserve Fund (DIRF) and prudential supervision.

Insofar as the Proposed Fee Rule is based on budgeted expenses and expenditures rather than actual expenses and expenditures, it is similar to the manner in which the Ontario Securities Commission and many other regulators conduct their assessments.

Fees that are charged under the *Co-operative Corporations Act* are not included in the Proposed Fee Rule since responsibility for this sector is expected to be transferred to another area of the Government of Ontario, and not to FSRA. Correspondingly, the co-operative sector is not included as a regulated sector in the amendments to the FSRA Act.

Material differences by regulated sector are more specifically set out below. Note that for each variable rate sector, FSRA has discretion as to the date that will be used to determine the data set that will be used for the purposes of the assessment process in respect of a future assessment period. This change will ensure that FSRA is able to prepare draft and final budgets, in advance of an assessment period, that will be the basis for determining sectoral assessments and the assessments of participants within that sector in respect of that assessment period.

Credit Unions Sector

Currently, credit unions and caisse populaires (collectively, **credit unions**) are regulated by both FSCO and DICO, however, only a small amount of FSCO funding comes from credit union assessments and fees.

Under the existing assessment process for credit unions, DICO charges credit unions on a prospective basis for premiums, which cover both the cost of the regulator itself and funding obligations in respect of the DIRF. The funding of the DIRF is not part of the Proposed Fee Rule, rather it will be the subject of an assessment process separate and distinct from the Proposed Fee Rule. The Proposed Fee Rule is directed at generating funds for FSRA in respect of its regulatory oversight role of the credit unions sector (i.e. for prudential supervision and in relation to market conduct) only.

The following elements have changed in the Proposed Fee Rule for the credit unions sector:

- Currently, fees and assessments for market conduct and various approvals are collected by FSCO, while prudential activities are funded through DICO's premiums charged to credit unions. The Proposed Fee Rule accounts for both of these activities.
- The Proposed Fee Rule will use "Risk Weighted Assets" as the assessment base. This differs from both FSCO and DICO's approach. FSCO currently uses market share of "Reported Assets" (excluding off book assets). DICO currently funds prudential activity through the collection of deposit insurance premiums that are also used to fund the DIRF. The DICO formula uses "Total Insured Deposits" as the premium base, and a formula is set out in regulations under the *Credit Unions and Caisses Populaires Act, 1994* to determine the rate paid based on an assessment of the credit union's capital and governance, in accordance with DICO's "Differential Premium Score Determination Document".
- As mentioned above, the funding of the DIRF is not part of the Proposed Fee Rule and will not form part of FSRA's assessment of the credit unions sector under the Proposed Fee Rule; rather,

the DIRF will be the subject of an assessment process separate and distinct from the Proposed Fee Rule.

For the credit unions sector, the Proposed Fee Rule reflects the FSRA fee rule vision and principles (as described above), in particular:

1. Simplicity:

- RWA is a well understood figure in the sector and application of an assessment based on a share of RWA is an easy to understand calculation.
- RWA for credit unions is currently collected and supervised by DICO on a regular basis, so there would be no new reporting requirements for the sector or FSRA.
- The Proposed Fee Rule requires minimal FSRA calculations as the assessment is based only on proportion of budgeted expenses and expenditures based on share of RWA across the sector.

2. Consistency:

- Assessment values should be predictable for credit unions to the extent that their share of RWA in the sector is consistent based on changes to RWA relative to the total credit unions sector.
- Total budgeted credit union expenses and expenditures should be proportionate to activity in the credit unions sector.

3. Fairness:

- The RWA of a credit union is an appropriate proxy for the level of effort required to complete prudential and market conduct regulatory activities.
- Funding is prospective, based on budgeted expenses and expenditures for the credit unions sector at the beginning of an assessment period.

4. Transparency:

- Assessments for credit unions will be based on FSRA's budget for regulating the sector which will be disclosed to credit unions.
- Separating the funding formula for market conduct and prudential activities from the DIRF increases transparency regarding the total amount paid by credit unions and the amount paid for different purposes.

5. Future Focus:

- The assessment will be based on the budgeted costs for the credit unions sector.

6. Effective and Efficient:

- Maintaining current fees in the credit unions sector (which represent less than 1% of total funding) will allow FSRA to more accurately document costs associated with regulatory activities driven by credit unions (for example, applications) to establish fee-for-service fees in the future, if deemed appropriate.

Under the Proposed Fee Rule, no additional fees are proposed with respect to the credit unions sector, other than one separate fee that has been added to reflect current practice (i.e. that a fee is charged for an application by an extra-provincial credit union for registration). The same fee is charged by FSCO but under a broader fee authority.

Insurance Sector (including Health Service Providers)

The insurance sector consists of 311 insurance companies, over 6,000 corporate insurance agents, approximately 55,400 individual insurance agents, approximately 1,700 insurance adjusters and, under the FSRA Act, approximately 4,600 health service providers (HSPs).

Under FSCO's approach, the insurance sector has been considered in terms of the following sub-sectors: automobile insurance (which is a subset of property and casualty insurance); property and casualty insurance; and accident and sickness insurance and life insurance, and these sub-sectors have been separately assessed.

When compared to FSCO's approach, the main differences reflected in the Proposed Fee Rule for the overall insurance sector are that:

- Automobile insurance rate approval costs are estimated and assessed separately from market conduct costs for property and casualty insurance and accident, sickness and life insurance.
- FSCO separates assessments in terms of automobile insurance, property and casualty insurance and accident, sickness and life insurance, but does not do so in terms of the regulatory costs they generate.
- For market conduct regulation of property and casualty insurance and accident, sickness and life insurance, the assessment basis has changed from net (i.e., net of reinsurance) premiums to direct written premiums.
- A separate assessment calculation for prudential oversight of property and casualty insurers and accident and sickness insurers (in each case organized or incorporated in Ontario) is designed to capture the cost of prudential supervision. This does not apply to insurers that are members of the Fire Mutuals Guarantee Fund (farm mutuals).
- The assessment calculations are simpler and easier to understand.

For the insurance sector, the Proposed Fee Rule reflects the FSRA fee rule vision and principles (as described above), in particular:

1. Simplicity:

- The assessment calculation is simpler than the existing FSCO assessment formula.
- Core licensing fees for agents and adjusters and activities and events are the same as under FSCO's approach.
- While licensing fees for the over 55,000 insurance agents and others potentially presents a significant administrative burden to FSRA, support for regulatory objectives in principle 6 (below) has been determined to be more important.
- Fees have been streamlined.

2. *Consistency:*

- Because they are based on the share of direct written premiums, insurers' assessments will only vary to the extent that the budget varies each year and their share of direct premiums vary.
- Insurers that write coverage in each assessable category will all be treated the same way.
- Fees will be consistent.

3. *Fairness:*

- Automobile insurance costs in terms of automobile insurance rate approval activities will be reasonably allocated by separating out all costs (approval, policy, actuarial) related to rate approval. Automobile insurance costs related to market conduct activities will fall under property and casualty costs.
- Prudential regulation costs, which are estimated to be small, will be captured in a separate assessment applied only to property and casualty insurers and accident and sickness insurers (in each case organized or incorporated in Ontario) that are not farm mutual insurers.
- Direct written premiums are a reasonable proxy for the proportion of regulatory activity generated by each insurer (i.e., a measure of "what's coming in the door" and hence what might generate market conduct-related regulatory activity). Reinsurance transactions typically take place between two insurers and do not generate market conduct-related issues. Therefore, "net" premiums are not as good a proxy.
- Large insurance companies pay in proportion to their volume of activity in the sector.

4. *Transparency:*

- The new assessment basis will be less complicated than the existing basis and will be easier to verify.

5. *Future Focus:*

- Assessments will be based on budgeted amounts.

6. *Effective and Efficient:*

- Preservation of individually-based fees supports regulatory obligations for individuals to provide up-to-date information to FSRA and strengthens individual commitment to recognizing and meeting market conduct-related obligations set out in legislation and regulations. This requirement also strengthens the ability of FSRA to track and supervise the conduct of individual insurance sector participants.

Under the Proposed Fee Rule, subject to the comments below with respect to health service providers (**HSPs**), no additional fees are proposed with respect to the insurance sector, such that fees charged will reasonably approximate those under FSCO's approach.

As noted above, FSCO also regulates approximately 4,600 HSPs, which are a mix of sole proprietors and corporations, as well as a mix of single and multiple locations. A net of approximately 300 new licensees are added annually. Under the FSRA Act, HSPs are part of the insurance sector, and more specifically part of the automobile insurance rate approval activities.

There is currently no variable rate assessment or fee for HSPs and this will continue to be the case under the Proposed Fee Rule as this is a relatively new area of activity with imprecise cost information. There are two types of fees in place for HSPs today: a license application fee and an annual regulatory fee (composed of a fee per location and a fee per statutory accident benefits schedule (**SABS**) claimant). HSPs will continue to be charged these fees. However, under the Proposed Fee Rule, an exemption from the payment of the annual regulatory fee will apply to an HSP who certifies that (s)he treated 6 or fewer claimants for statutory accident benefits in the prior year. This exemption is being created to remove a potential regulatory cost barrier and to promote continued service availability in remote and underserved parts of Ontario. The annual regulatory fees for those HSPs who are not so exempted will increase slightly to offset the anticipated fee revenue lost as a result of the creation of this exemption. FSRA has identified the HSP regulatory framework and its costs and effectiveness as an area requiring further review.

For HSPs, the Proposed Fee Rule reflects the FSRA fee rule vision and principles (as described above), in particular:

1. *Simplicity:*

- Fees remain simple and familiar to HSPs.

2. *Consistency:*

- Fees are predictable and based on verifiable information such as number of locations and SABS claimants.

3. *Fairness:*

- Fees are directly tied to key indicators that correlate with the level of market conduct regulatory activity (for example, HSPs with multiple locations may require on-site examinations to verify location information and the number of SABS claimants correlates with potential market conduct-related complaints activity).
- Small-volume HSPs that filed six or fewer SABS claims in the previous year would be exempted from annual regulatory fees to remove a potential regulatory cost barrier to promote continued service availability in remote and underserved parts of the province.
- HSPs are regulated under the *Insurance Act* and are recognized as part of FSRA's automobile insurance rate approval activities as such regulation addresses costs related to fraud, abuse and errors that directly affect automobile insurers and automobile insurance rates.

4. *Transparency:*

- Payers can easily estimate their fees based on their number of locations and volume of SABS claimants.

5. *Future Focus:*

- Flexibility is built in through an overall contingency reserve amount for FSRA. It is important to note that FSRA will have strict governance mechanisms in place to set and monitor the level of the contingency reserve amount. These governance mechanisms include a requirement that access to the contingency reserve amount must be approved by the FSRA Board.

6. *Effective and Efficient:*

- The number of sites and SABs claimants are considered to be the most accurate proxy to estimate the regulatory effort required in monitoring HSPs.

In developing the Proposed Fee Rule, FSRA also considered the following:

- A potential risk with the HSP fixed fee approach is the fluctuation of SABs claimants from year to year. FSRA's funding from HSPs will vary with the number of SABs claimants each year and there is a risk that it may not reflect market conduct supervision activity.
- There is a high level of fee sensitivity among HSPs. Any fee-related increases may impact the availability of HSP services in traditionally underserved regions of Ontario. A goal is to ensure adequate availability of HSPs around Ontario to permit service coverage for accident victims. To address this risk, small volume HSPs will be eligible to be exempted from annual regulatory fees if, in the previous year, the HSP reports treating six or fewer SABs claimants.

Loan and Trust Sector

Currently, FSCO regulates 51 loan and trust corporations.

When compared to FSCO's approach, the main change in the Proposed Fee Rule for the loan and trust sector is that the assessment will be based on budgeted expenses and expenditures rather than actual expenses and expenditures given the prospective nature of FSRA's fee rule.

For the loan and trust sector, the Proposed Fee Rule reflects the FSRA fee rule vision and principles (as described above) in the following ways:

1. *Simplicity:*

- The assessment formula remains simple and familiar to sector participants.

2. *Consistency:*

- Some risk exists with the assessment formula as the costs upon which it is based are difficult to project. This is because regulatory costs for this sector are driven less by market conduct of existing participants but rather by the conduct of unlicensed actors. As FSRA moves to a forward-looking fee rule, the projected expenses and expenditures will be based on past expenses and expenditures and could be subject to unpredictable marketplace activities.

3. *Fairness:*

- Assessments for the sector are based on a simple division of projected costs evenly applied across the licensing base of 51 corporations. While there are different sizes of corporations regulated in this sector, the relatively small regulatory costs do not impose any unreasonable cost burdens on sector participants.

4. *Transparency:*

- The current and recommended approach is both easy to understand and explain.

5. *Future Focus:*

- The Proposed Fee Rule carries some risk that projected costs to regulate the sector will be out of step with actual costs. However, the current magnitude of sector costs and offsetting funding needs is quite small and would not be expected to create financial risks to FSRA, particularly given that this is a variable rate sector.

6. *Effective and Efficient:*

- Key regulatory activities in this area relate to carrying out compliance activities when unlicensed actors violate statutory requirements. Based on discussions with FSCO, the current and projected budget appears sufficient to address these market conduct risks.

Mortgage Brokering Sector

Currently, FSCO has a straightforward fee-based regulation for the mortgage brokering sector under which approximately 1,200 mortgage brokerages, 2,700 mortgage brokers, 11,800 mortgage agents and 180 mortgage administrators each pay the same amount.

Under the Proposed Fee Rule, there is no assessment for the mortgage brokering sector, which is consistent with the current approach.

Under the Proposed Fee Rule, the fee approach remains the same as the fee approach used by FSCO but with the following key changes:

- there is a similar increase to the flat fee for each licence type based on the need to recover a proportional increase in anticipated budgeted expenses and expenditures of FSRA;
- all classes of licence are being moved to a 1-year licensing cycle from the current 2-year cycle; and
- a new fee of \$200 will apply for each non-qualified syndicated mortgage investment (**SMI**) that requires client disclosure documents in keeping with new amendments to Ontario Regulation 188/08 that became effective on July 1, 2018; this proposed fee will help fund FSRA's review of certain of the prescribed disclosure documentation and will allow FSRA to track such activity and help to support FSRA's understanding of activity in this area; this fee is payable within 5 days following the date on which the prescribed disclosure documentation was first provided to the first potential or actual lender or investor in the non-qualified syndicated mortgage.

For the mortgage brokering sector, the Proposed Fee Rule reflects the FSRA fee rule vision and principles (as described above), in particular:

1. *Simplicity:*

- Fees remain simple and familiar to sector participants.

2. *Consistency:*

- Fees are flat and predictable and calculated to fully recover anticipated costs.

3. *Fairness:*

- Fees are the same for brokerages, brokers and agents. This may suggest fairness concerns since brokerages should have a greater ability to pay. However, FSRA understands many agents are reimbursed for their fees by the brokerage so this may partially offset this fairness concern.
- The move to a 1-year licence cycle assists in maintaining current information on which brokerage a given agent is working for.

4. *Transparency:*

- A flat licence fee rule is transparent and easily comprehensible.

5. *Future Focus:*

- It is also important to note that there may be issues with system transition as a result of moving from a 2-year to 1-year fee cycle, as such, additional transition planning for the mortgage brokering sector has been considered by FSRA.

6. *Effective and Efficient:*

- In the case of mortgage brokering, recent syndicated mortgage complaints highlighted the risk of flat fees to meet regulatory demands related to unknown emerging risks in the sector.

Pension Sector

The pension sector consists of over 7,000 pension plans in Ontario.

When compared to FSCO's approach, the following elements have changed in the Proposed Fee Rule for the pension sector:

- Plans will no longer be charged two separate rates for active and retired plan members. Under the Proposed Fee Rule, all plan members (active, deferred, retired and other) will be charged tiered marginal rates as there was no cost justification for distinguishing between types of members.
- The minimum assessment of \$250 has been adjusted to \$750 to reflect estimates of costs to regulate small pension plans and the maximum assessment (i.e. cap) of \$75,000 has been replaced with a tiered approach to better reflect that, as the number of pension plan beneficiaries increases, at certain levels the regulatory cost per additional beneficiary declines.
- Given the forward looking approach that FSRA is taking, the preliminary estimated portion invoice process (reflecting the total expected pension sector costs for an assessment period) is no longer required.
- A tiered approach will be implemented by FSRA to better reflect regulatory burden associated with the addition of plan members in different sizes of plans and to ensure that over FSRA budget cycles and as membership in each tier changes somewhat, FSRA receives full recovery of its pension sector expenses and expenditures from the pension sector. For an illustration of how an assessable pension plan's assessment would be calculated, see Appendix B. Note that such illustration is based on assumptions which should not be considered indicative of the actual numbers upon which an assessment in respect of any assessment period will be calculated.

For the pension sector, the Proposed Fee Rule reflects the FSRA fee rule vision and principles (as described above), in particular:

1. *Simplicity:*

- Assessments continue to be based on number of beneficiaries in the pension plan; this basis for assessment is familiar to the payers.
- The use of a single assessment each year simplifies the assessment process, as does the use of a single rate for active, deferred, retired and other plan beneficiaries.

2. *Consistency:*

- Assessments are predictable and based on a single assessment each year.

3. *Fairness:*

- The introduction of a tiered approach better reflects the costs associated with regulating additional plan beneficiaries beyond an initial threshold and given the size of plan and its typical cost to regulate. This ensures that assessments paid by the pension sector are more in alignment with the regulatory burden they create for FSRA.
- Small plans with fewer beneficiaries will be paying more due to the increase in the minimum assessment. The minimum assessment has been adjusted from \$250 to \$750 to better reflect the minimum work effort and actual cost associated with regulating small plans based on historical FSCO data.
- Based on historical FSCO experience, large plans within the 6,000 to 12,000 beneficiary range require relatively high levels of regulatory oversight, however, as plans grow, the cost to regulate per member decreases. As such, after a plan includes a certain number of beneficiaries, the cost to regulate each additional beneficiary decreases and, at some point (for example, more than 150,000) becomes *de minimus*.
- The removal of the maximum assessment (i.e. cap) ensures that the pension sector assessments appropriately reflect that larger plans benefit from strong regulation. The cap also is inconsistent with the principle that smaller and mid-sized plans should not pay more to subsidize very small and large plans.
- The removal of different rates for different types of plan beneficiaries further ensures that rates are better aligned to actual work effort required by FSRA to regulate all types of plan members.

4. *Transparency:*

- Once FSRA finalizes its budget allocation to the pension sector for an assessment period, payers can easily estimate their assessments based on where they fall within the tiers.

5. *Future Focus:*

- Assessments will be based on budgeted amounts.

6. *Effective and Efficient:*

- By removing the existing maximum assessment (i.e. cap) that applies to larger plans, the minimal additional regulatory effort associated with larger memberships is captured by a tiered assessment approach.

Under the Proposed Fee Rule, no additional fees are proposed with respect to the pension sector, such that fees charged will reasonably approximate those under FSCO's approach.

Authority for the Proposed Fee Rule

Subsection 21(2) of the FSRA Act authorizes the Authority to make rules governing fees, levies, sector assessments and other charges that the Authority may impose, including, but not limited to, (a) for filing; (b) for applications for licences or registration; (c) in respect of compliance reviews and audits made by the Authority; and (d) in connection with the work described in sections 4 and 6 of the FSRA Act, and other work that relates to the objects of the Authority under section 3 of the FSRA Act, including any assessment that the Authority is required to pay under this Act or any other Act.

Unpublished Materials

In proposing the Proposed Fee Rule, the Authority has not relied on any significant unpublished study, report, decision or other written materials, other than a report prepared for FSRA management by FSRA's external consultant.

Alternatives Considered

Overview

Throughout development of the Proposed Fee Rule, FSRA considered a number of alternatives based on various elements which were primarily identified *via* jurisdictional research. In addition to consideration of a variable versus fixed rate approach (discussed immediately below), the tables further below list the various alternative fee rules considered and a brief explanation as to the reasons why FSRA did not select such alternative. Through its meetings with the IAGs, FSRA also identified a number of matters for future consideration in the context of its fee rule, which are not necessarily detailed below.

Variable versus Fixed Rate Approach

A fee rule is generally composed of a base multiplied by a rate, where the base is a factor such as assets, members, premiums or some other quantity and the rate is an amount (e.g., share, percentage or "mill rate") applied to the base.

For each regulated sector, FSRA considered a fee rule that provided for either:

- a variable rate derived each year from an annual budget and applied to a base to generate targeted funding; or
- a fixed rate, established for multiple years (i.e. until the fee rule is changed), and applied to a base to generate targeted funding.

The fixed rate approach, used by regulators such as the Ontario Securities Commission and used selectively by regulators like FSCO for sectors that have stable and modest regulatory costs and/or where cost certainty may be more important (e.g. HSPs; mortgage brokers; insurance agents) assumes:

- the fee rule will articulate a fixed rate (for example, a certain dollar amount per dollar of assets, members, premiums, etc.), which is used to calculate funding on a base that will vary (for example, total assets or total members in a sector) independently of FSRA's operations;
- that the fee rule will be in place for multiple years and will generate each year's funding accordingly; and
- any variable funding will be the result of a fixed rate multiplied by a varying base, however the regulator has no control over the variance and whether the variance will align with changes in actual costs.

The fixed rate approach:

- is simple to articulate;
- would automatically generate a funding envelope for FSRA each year;
- constrains FSRA's ability to adjust its funding without a change to its fee rule; and
- provides more certainty in costs to regulated sector participants,

but results in varied funding each year to FSRA, which may not, in a particular year, correlate strongly or consistently with its actual funding needs during FSRA's initial years of operations. As such it, the fixed rate approach:

- can lead to underfunding relative to FSRA's needs – for example, if total assets decrease in a sector and increase regulatory risk, funding would fall when increased regulatory activity might be needed; or if FSRA is faced with the need to invest in more intense supervision in a sector or in better/more expensive technology or expertise and funding is not available for those activities; and
- can lead to overfunding – for example, if funding generated increases with the changes in base measures over and above FSRA's funding needs, this would lead to excess reserves being accumulated; or if FSRA (to cushion against cost uncertainty) estimates its future multi-year costs too high to provide a cushion against unexpected costs.

These considerations are particularly important at present given that FSRA is a new regulator and, as noted above, will be refining its strategy and operating structure over the first few years of its operations, making projected costs less certain.

Consistent with the FSRA fee rule vision and principles (described above), FSRA is proposing a variable rate approach for the regulated sectors with larger participants and a fixed rate approach for sectors/participants with high cost predictability, relatively low contribution to FSRA's funding and where fees charged achieve other regulatory objectives in addition to funding costs. Areas where the fixed rate approach will apply are HSPs, mortgage brokers, and insurance agents and adjusters, as the principles concerning simplicity/burden and other regulatory objectives predominate. This choice is in keeping with current FSCO and DICO practice.

Credit Unions Sector

<i>Alternative Fee Rules Considered</i>	<i>Reasons for not Selecting</i>
FSCO approach	The current FSCO fee rule uses total assets as the assessment base; however, this calculation is seen as less likely to be reflective of regulatory effort/cost as it has no risk element.
DICO approach	The current DICO fee rule (i.e. the so-called "Differential Premium System") is most appropriate for funding the credit unions sector's insurance requirements (i.e. the DIRF). The current DICO premium base is "Total Insured Deposits". FSRA believes that RWA is a better proxy for estimating regulatory effort associated with market conduct and prudential activities.
Assessment based on total non-consolidated assets (i.e. on and off balance sheet assets)	An assessment based on total non-consolidated assets (i.e. on and off balance sheet assets) was identified as a potential assessment base. However, following discussion and analysis it was decided that the inclusion of off book assets were primarily capturing securitization activity of a limited number of credit unions and would require a rule set to bring off-balance sheet assets into the calculation.
Assessment based on total consolidated assets (i.e. on and off balance sheet assets), with the exception of those already prudentially regulated	This fee rule captures risk in unregulated subsidiaries but adds layers of complication (i.e. the need to define which on and off balance sheet assets to include in calculations), which could be addressed in the RWA assessment base.

Insurance Sector

<i>Alternative Fee Rules Considered</i>	<i>Reasons for not Selecting</i>
Separate assessments for: (i) automobile insurance market conduct and rate approval; and (ii) property and casualty insurance and accident, sickness and life insurance shared market conduct assessment.	Less transparency in relation to rate approval costs. Less perceived fairness and transparency in the allocation of market conduct costs between the property and casualty insurance and accident, sickness and life insurance sub-sectors.

<i>Alternative Fee Rules Considered</i>	<i>Reasons for not Selecting</i>
<p>Separate assessments for:</p> <ul style="list-style-type: none"> (i) automobile insurance rate approval; and (ii) sector-wide market conduct assessment (i.e. all categories). 	<p>Less perceived fairness and transparency in the allocation of market conduct costs between the property and casualty insurance (which includes automobile insurance) and the accident, sickness and life insurance sub-sectors</p>
<p>Separate assessments for:</p> <ul style="list-style-type: none"> (i) automobile insurance rate approval; (ii) property and casualty insurance; (iii) automobile insurance market conduct; and (iv) accident, sickness and life insurance market conduct assessment 	<p>Less simplicity for FSRA in separating automobile insurance and property and casualty insurance for market conduct activities.</p> <p>Auto insurance is part of the property and casualty insurance sub-sector and market conduct efforts are seen as similar and are often integrated.</p>

Health Services Providers

<i>Alternative Fee Rules Considered</i>	<i>Reasons for not Selecting</i>
<p>Current registration fee plus assessment based on share of SABS claimants</p>	<p>Share of SABS claimants as an assessment base does not capture the number of sites which is seen as a strong proxy for regulatory risks.</p> <p>Currently, HSPs with higher volumes of SABS claimants are insurance examination centres which would pay proportionately a greater share of costs despite these centres being lower risk than other types of HSPs. The current per site and per claimant fee rule distributes costs more closely with risk.</p>

Loan and Trust Sector

<i>Alternative Fee Rules Considered</i>	<i>Reasons for not Selecting</i>
<p>Asset-based assessment, one fee type only</p>	<p>Assessment seen as less likely to be reflective of regulatory effort/cost.</p> <p>Would fluctuate year-to-year based on asset fluctuations.</p>

Mortgage Brokering Sector

<i>Alternative Fee Rules Considered</i>	<i>Reasons for not Selecting</i>
Higher fees for larger brokerages and mortgage administrators	Insufficient data to support how to distinguish between large and small participants. Unable to develop a judgment based way to differentiate fees based on size via industry discussions.
Volume-based assessment for brokerages; no fees for individuals	Absence of individual agent licence fees may make tracking individuals more difficult.
Volume-based assessment for brokerages; lower fee than under FSCO's approach	Volume-based data currently collected by FSCO is self-reported and of uncertain reliability.
Volume-based assessment for brokerages; same fee as under FSCO's approach	Volume-based data currently collected by FSCO is self-reported and of uncertain reliability.
Separate fees for Alternative Lenders (SMI)	Need to first create a separate registrant category.

Pension Sector

<i>Alternative Fee Rules Considered</i>	<i>Reasons for not Selecting</i>
Single rate based on plan members; change minimum and cap (\$750 and \$300,000)	Change to cap will not fully reflect the differences in regulatory effort for plans with varying levels of membership.
Tiered (less granular) assessment based on plan members	<p>Fewer number of tiers limits the flexibility of the fee rule and may not reflect the distribution of the size of the plans as accurately as the more granular model/tiering.</p> <p>Also results in higher charges for the largest pension plans, particularly those in the 12,000+ member range which may not be cost justified.</p>
Tiered assessment based on assets	<p>May impact well-managed plans more than others which likely does not correlate with risk assessment.</p> <p>Results in significantly higher assessment fees for the largest pension plans, particularly those in the largest asset range (\$2B+); some stakeholders may feel this is not aligned with fairness principles in relation to alignment of assessments to regulatory effort.</p>

<i>Alternative Fee Rules Considered</i>	<i>Reasons for not Selecting</i>
Different fees for defined benefit (DB) and defined contribution (DC) pension plans given different costs to regulate	While intuitively different DB/DC fees makes sense, there is no data (or industry consensus) to make this distinction in an equitable way.

Anticipated Costs and Benefits

The principal benefit of the Proposed Fee Rule is that it reflects FSRA's preferred approach for operating as an independent, self-funded agency, on a cost recovery basis and to assess the regulated sectors, consistent with the FSRA fee rule vision and principles more particularly described in this Notice. The Proposed Fee Rule will ensure that FSRA is financially able to commence its regulatory mandate.

The benefits of the Proposed Fee Rule by sector are more particularly described in the commentary contained throughout this Notice, including in the commentary under the heading "Alternatives Considered".

Regulations to be Revoked

FSRA is not currently making any recommendations with respect to the amendment or revocation of a regulation or provision in a regulation that relates to the implementation of the Proposed Fee Rule. FSRA expects that in due course certain regulations or provisions in regulations will be amended or revoked in a manner consistent with the intent of the Proposed Fee Rule.

Comments

Interested parties are invited to make written representations with respect to the Proposed Fee Rule. Submissions received by January 4, 2019 will be considered.

Submissions should be submitted through the submission system on FSRA's website at:

<http://fsrao.ca/en/consultations/form?rule=assessment-and-fees>

FSRA will be pleased to answer questions concerning the Proposed Fee Rule to assist the public in submitting written representations. Questions may be submitted at:

<http://fsrao.ca/en/consultations/form?form=question&rule=assessment-and-fees>.

All answers to questions will be posted at <http://fsrao.ca/en/consultations/assessment-and-fees?view=answers>. FSRA may edit or conform questions to provide better feedback to the public.

Under the FSRA Act, the Authority is required to make all written representations available for public inspection during the normal business hours of the Authority. As a result, all submissions received by January 4, 2019 will be posted on FSRA's website at <http://fsrao.ca/en/consultations/assessment-and-fees?view=comments> at the time they are received.

The Authority is permitted to hold written representations in confidence so long as the Authority is of the opinion that the representations so held disclose sensitive financial, personal or other information and that the desirability of avoiding disclosure thereof in the interests of any person affected outweighs the desirability of adhering to the principle that representations made to the Authority be available to the public for inspection. Even if the Authority determines to hold submissions in confidence, freedom of information legislation may require the Authority to make such submissions available. Persons making submissions should be aware of this. The Authority is also of the view that personal information should not be included in submissions.

Appendix A

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO RULE 2019 – 001 ASSESSMENTS AND FEES

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FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO
RULE 2019 – 001
ASSESSMENTS AND FEES

PART 1 INTERPRETATION

1.1 Definitions

- (1) In this Rule,
- (a) “assessment” means an assessment for the purposes of subsection 21(2) of the FSRA Act;
 - (b) “assessment period” means the fiscal year of the Authority or other period of time with respect to which the Authority makes an assessment under this Rule;
 - (c) “Authority” means the Financial Services Regulatory Authority of Ontario continued under subsection 2(1) of the FSRA Act;
 - (d) “Board” means the board of directors of the Authority;
 - (e) “Chief Executive Officer” means the Chief Executive Officer of the Authority appointed under subsection 10(2) of the FSRA Act;
 - (f) “common costs” in respect of a particular assessment period means the expenses and expenditures of the Authority which the Authority determines or estimates are not direct costs in respect of any particular regulated sector in respect of that assessment period, including all amounts in respect of the contingency reserve amount, as set out in the final budget;
 - (g) “contingency reserve amount” means the amount described in subsection 2.3(1);
 - (h) “credit union” means a credit union or caisse populaire to which the *Credit Unions and Caisses Populaires Act, 1994* applies;
 - (i) “credit unions sector” means the sector referred to in clause (a) of the definition of “regulated sector” in section 1 of the FSRA Act;
 - (j) “direct costs” in respect of a particular regulated sector and a particular assessment period means the expenses and expenditures of the Authority which the Authority determines or estimates directly relate to the particular regulated sector in respect of that assessment period, as set out in the final budget;
 - (k) “fee” means a fee for the purposes of subsection 21(2) of the FSRA Act and, where applicable, for the purposes of the statute to which a regulated sector is subject, including fees payable with respect to activities or events related to a person or entity in a regulated sector;
 - (l) “final budget” means, in respect of an assessment period, the budget approved by the Board and posted on the website of the Authority prior to the commencement of that assessment period;
 - (m) “fiscal year” means April 1st to March 31st;

- (n) “fixed rate sector” means the mortgage brokering sector;
- (o) “fixed rate sector common cost contribution” means in respect of the fixed rate sector, the difference, positive or negative, between the total fees that the Authority estimates will be charged in respect of the fixed rate sector in respect of an assessment period and the total estimated direct costs of the fixed rate sector in respect of that assessment period, all as set out in a budget prepared by the Authority under section 2.1;
- (p) “FSRA Act” means the *Financial Services Regulatory Authority of Ontario Act, 2016*;
- (q) “insurance sector” means the sector referred to in clause (b) of the definition of “regulated sector” in section 1 of the FSRA Act;
- (r) “loan and trust sector” means the sector referred to in clause (c) of the definition of “regulated sector” in section 1 of the FSRA Act;
- (s) “Minister” means the Minister of Finance or such other person as may be assigned the administration of the FSRA Act under the *Executive Council Act*;
- (t) “Ministry” has the same meaning as applies to that term in the FSRA Act;
- (u) “mortgage brokering sector” means the sector referred to in clause (d) of the definition of “regulated sector” in section 1 of the FSRA Act;
- (v) “pension sector” means the sector referred to in clause (e) of the definition of “regulated sector” in section 1 of the FSRA Act;
- (w) “PRPP sector” means the sector that is referred to in clause (f) of the definition of “regulated sector” in section 1 of the FSRA Act;
- (x) “regulated sector” means the credit union sector, the insurance sector, the loan and trust sector, the mortgage brokering sector, the pension sector, and the PRPP sector;
- (y) “the Crown” has the same meaning as set out in section 87 of the *Legislation Act, 2006*; and
- (z) “variable rate sectors” means the credit union sector, the insurance sector, the loan and trust sector, and the pension sector.

1.2 Interpretation

- (1) The Authority’s expenses and expenditures that may be recovered through assessments and fees in respect of one or more assessment periods includes, as the Board determines is appropriate in its final budget, amounts in respect of the expenses and expenditures incurred and made by the Authority in the period ending immediately prior to the time at which the Authority begins to carry out the regulatory functions contemplated by the FSRA Act.
- (2) The Authority’s expenses and expenditures that may be recovered through assessments and fees in respect of one or more assessment periods may include amounts assessed by the Lieutenant Governor in Council in respect of:

- (a) the Ministry's expenses and expenditures referred to in section 15 of the FSRA Act; and
 - (b) the Financial Services Tribunal's and the Ministry's expenses and expenditures referred to in section 15 of the *Financial Services Tribunal Act, 2017*.
- (3) References in this Rule to the Chief Executive Officer include a reference to an authorized delegate of the Chief Executive Officer.
 - (4) Words and phrases not defined in this Rule have the same meaning as ascribed thereto under section 1 of the FSRA Act, unless a contrary intention appears.
 - (5) Every use of the words "including" or "includes" in this Rule is to be construed as meaning "including, without limitation" or "includes, without limitation", respectively.

PART 2 SECTORAL ASSESSMENT PROCESS

2.1 Preparation of Budgets by Authority

- (1) In respect of each assessment period, the Authority shall prepare a draft budget which sets out:
 - (a) the estimated total expenses and expenditures of the Authority in respect of the assessment period and a description of the direct costs estimated for each regulated sector and the common costs estimated for the Authority;
 - (b) the total fees that the Authority estimates will be charged in respect of the regulated sectors in respect of the assessment period; and
 - (c) the total estimated assessment in respect of each regulated sector and within such sector, as applicable.
- (2) The Authority shall post the draft budget on the website of the Authority on a date to be determined by the Authority and may undertake consultation with the regulated sectors as determined appropriate by the Authority to assist it in finalizing such budget.
- (3) The Authority shall post the final budget in respect of an assessment period on a date to be determined by the Authority. Invoices for assessments in respect of variable rate sectors will only be issued after the Authority posts such final budget.

2.2 Determination and Allocation of Direct Costs and Common Costs by Regulated Sector

- (1) In respect of the estimated total expenses and expenditures of the Authority in respect of an assessment period, each budget prepared by the Authority under section 2.1 shall set out the direct costs in respect of each regulated sector and within such sector, as applicable, in respect of the assessment period covered by the budget, together with the aggregate common costs in respect of the assessment period.
- (2) Each budget prepared by the Authority under section 2.1 shall allocate the common costs in respect of the assessment period covered by the budget among the regulated sectors on such basis as the Authority determines appropriate; provided that unless otherwise specified by the Authority in the budget, common costs remaining after the fixed rate

sector common cost contribution estimate is deducted from the overall common cost estimate in respect of the assessment period covered by the budget shall be allocated in the budget among the variable rate sectors based on their *pro rata* share of the aggregate direct costs of the variable rate sectors in respect of that assessment period.

2.3 Contingency Reserve Amount

- (1) If determined appropriate by the Authority, the common costs in respect of an assessment period may include an amount to pay expenses and expenditures of the Authority in respect of the assessment period which cannot reasonably be estimated and determined to be direct costs or common costs or in respect of a particular regulated sector, but which the Board determines are appropriate to include in the final budget in respect of unforeseeable events or circumstances.
- (2) The contingency reserve amount included as common costs in a budget prepared by the Authority under section 2.1 in respect of a particular assessment period shall not exceed \$4 million.
- (3) No amount in respect of the contingency reserve amount shall be used or applied by the Authority, except as authorized by the Board.
- (4) If the Board authorizes all or a portion of an existing contingency reserve amount to be used or applied by the Authority in an assessment period, the subsequent budget will include as a direct cost any contingency reserve amount used or applied by the Authority in respect of a variable rate sector identified by the Board and the contingency reserve amount that may be included as common costs in a budget prepared by the Authority under section 2.1 for a subsequent assessment period may be increased by the amount remaining after the direct costs referred to in this subsection 2.3(4) and recovered from a variable rate sector are deducted from the contingency reserve amount used or applied.
- (5) If any portion of a contingency reserve amount is unused at the end of an assessment period, it shall be held as a contingency reserve amount for the next assessment period and the contingency reserve amount included in the budget for the next assessment period shall be reduced by such unused amount.

PART 3 CREDIT UNIONS SECTOR ASSESSMENTS AND FEES

3.1 Assessments

- (1) Definitions – In this section 3.1,
 - (a) “budgeted credit unions sector expenses and expenditures for the assessment period” means, in respect of a particular assessment period, the total amount of direct costs of, and common costs that the Authority allocates to, the credit unions sector in respect of the assessment period, as set out in the final budget;
 - (b) “budgeted credit unions sector fees for the assessment period” means, in respect of a particular assessment period, the total amount of fees that the Authority estimates will be charged to credit unions in respect of the assessment period, as set out in the final budget;
 - (c) “league” means a league to which the *Credit Unions and Caisses Populaires Act, 1994* applies; and

- (d) “RWA” means, with respect to a credit union, the amount calculated in accordance with section 18 of Ontario Regulation 237/09 and set forth as the credit union’s risk weighted assets in the most recent monthly information return filed under section 225 or 226 of the *Credit Unions and Caisses Populaires Act, 1994* on or before a date determined by the Authority for the purposes of preparing a final budget.
- (2) A credit union’s share of an assessment of the credit unions sector under subsection 21(2) of the FSRA Act for an assessment period is the amount calculated using the formula,

$$(A - B) \times C/D$$

in which,

“A” is the total of all budgeted credit unions sector expenses and expenditures for the assessment period,

“B” is the total of all budgeted credit unions sector fees to be charged for the assessment period,

“C” is the amount of the RWA of the credit union, and

“D” is the amount of the total RWA of all credit unions excluding the RWA of all leagues.

- (3) A league’s share of an assessment of the credit unions sector under subsection 21(2) of the FSRA Act for an assessment period is zero.
- (4) A credit union shall pay its assessment within 14 days after the date of the invoice for the assessment in the manner and to the account specified by the Authority in such invoice.¹

3.2 Fees

- (1) The fees payable with respect to matters under the *Credit Unions and Caisses Populaires Act, 1994* are listed opposite the description in the following table.

DESCRIPTION	FEE
Application for incorporation of a credit union or caisse populaire – <i>Credit Unions and Caisses Populaires Act, 1994</i> , section 15	\$2,500 per application
Approval of the articles of incorporation – <i>Credit Unions and Caisses Populaires Act, 1994</i> , subsection 16(1)	\$2,500 per approval
Application for receipt for an offering statement based on face amount – <i>Credit Unions and Caisses Populaires Act, 1994</i> , subsection 77(1)	Lesser of: <ul style="list-style-type: none"> \$2,500 plus 50 basis points (i.e., \$2,500 + 0.50% of the maximum aggregate dollar amount of securities offered); and

¹ Assessments in respect of the Deposit Insurance Reserve Fund are not covered by this Rule. They continue to be covered by subsection 276.1(1) of the *Credit Unions and Caisses Populaires Act, 1994*.

	<ul style="list-style-type: none"> • \$25,000 per application
Application by extra-provincial credit union for registration - Credit Unions and Caisses Populaires Act, 1994, section 332	\$500 per application

- (2) Fees not refundable – A fee paid by person or entity under this section 3.2 is not refundable and may not be credited toward any subsequent fee payable by the person or entity.

PART 4 INSURANCE SECTOR ASSESSMENTS AND FEES

4.1 Assessments

- (1) Definitions – In this section 4.1,
- (a) “accident and sickness insurance” has the meaning ascribed to that term in an order made under section 43 of the *Insurance Act*;
 - (b) “accident, sickness and life insurance” means either or both accident and sickness insurance and life insurance;
 - (c) “accident, sickness and life insurance market conduct activities” means those activities of the Authority identified by the Authority as related to regulating the market conduct of insurers (and their agents and other representatives or distribution channel participants) providing accident, sickness and life insurance in Ontario and other activities of the Authority related to regulating and supervising accident, sickness and life insurance which are not related to conducting prudential, capital adequacy, liquidity or solvency supervision;
 - (d) “automobile insurance” has the meaning ascribed to that term in an order made under section 43 of the *Insurance Act*;
 - (e) “automobile insurance rate approval activities” means those activities of the Authority identified by the Authority as related to rate approval for automobile insurance in Ontario including all activities of the Authority relating to holders of a service provider’s licence under Part VI (Automobile Insurance) of the *Insurance Act*;
 - (f) “direct written premiums for accident, sickness and life insurance” means, with respect to an insurer at any particular point in time, the premiums paid to the insurer for accident, sickness and life insurance in Ontario as reflected in its most recent filings made under section 102 of the *Insurance Act*, other than premiums for accident, sickness and life insurance paid to the insurer under agreements for reinsurance;
 - (g) “direct written premiums for accident and sickness insurance” means, with respect to an insurer at any particular point in time, the premiums paid to the insurer for accident and sickness insurance in Ontario as reflected in its most recent filings made under section 102 of the *Insurance Act*, other than premiums for accident and sickness insurance paid to the insurer under agreements for reinsurance;

- (h) “direct written premiums for automobile insurance” means, with respect to an insurer at any particular point in time, the premiums paid to the insurer for automobile insurance in Ontario as reflected in its most recent filings made under section 102 of the *Insurance Act*, other than premiums for automobile insurance paid to the insurer under agreements for reinsurance;
- (i) “direct written premiums for property and casualty insurance” means, with respect to an insurer at any particular point in time, the premiums paid to the insurer for property and casualty insurance in Ontario as reflected in its most recent filings made under section 102 of the *Insurance Act*, other than premiums for property and casualty insurance paid to the insurer under agreements for reinsurance, and for greater certainty includes direct written premiums for automobile insurance;
- (j) “fraternal society” means a society, order or association incorporated for the purpose of making with its members only, and not for profit, contracts of life insurance or accident and sickness insurance in accordance with its constitution, by-laws and rules and the *Insurance Act*;
- (k) “insurance” has the meaning ascribed to that term in section 1 of the *Insurance Act*;
- (l) “insurance prudential supervision activities” means those activities of the Authority identified by the Authority as related to conducting prudential, capital adequacy, liquidity and solvency supervision of Ontario prudentially regulated insurers;
- (m) “insurer” has the meaning ascribed to that term in section 1 of the *Insurance Act*;
- (n) “life insurance” has the meaning ascribed to that term in an order made under section 43 of the *Insurance Act*;
- (o) “Ontario prudentially regulated insurer” means an insurer that is organized or incorporated under the laws of Ontario and that is providing either or both:
 - (i) property and casualty insurance; or
 - (ii) accident and sickness insurance,

other than insurers that are members of the Fire Mutuals Guarantee Fund, save and except for a mutual insurance corporation described in subsection 148(3) of the *Corporations Act*;
- (p) “property and casualty insurance” means insurance other than accident and sickness insurance and life insurance;
- (q) “property and casualty insurance market conduct activities” means those activities of the Authority identified by the Authority as related to regulating the market conduct of insurers (and their agents and other representatives or distribution channel participants) providing property and casualty insurance in Ontario and other activities of the Authority related to regulating and supervising property and casualty insurance other than:
 - (i) automobile rate insurance approval activities; and

- (ii) insurance prudential supervision activities;
- (r) “total budgeted expenses and expenditures for accident, sickness and life insurance market conduct activities” means, in respect of a particular assessment period, the total amount of direct costs of, and common costs that the Authority allocates to, accident, sickness and life insurance market conduct activities within the insurance sector in respect of the assessment period, as set out in the final budget;
- (s) “total budgeted expenses and expenditures for automobile insurance rate approval activities” means, in respect of a particular assessment period, the total amount of direct costs of, and common costs that the Authority allocates to, automobile insurance rate approval activities within the insurance sector, including expenses and expenditures for activities of the Authority relating to holders of a service provider’s licence under Part VI (Automobile Insurance) of the *Insurance Act*, in respect of the assessment period, as set out in the final budget,
- (t) “total budgeted expenses and expenditures for insurance prudential supervision activities” means, in respect of a particular assessment period, the total amount of direct costs of, and common costs that the Authority allocates to, insurance prudential supervision activities within the insurance sector in respect of the assessment period, as set out in the final budget;
- (u) “total budgeted expenses and expenditures for property and casualty insurance market conduct activities” means, in respect of a particular assessment period, the total amount of direct costs of, and common costs that the Authority allocates to, property and casualty insurance market conduct activities within the insurance sector in respect of the assessment period, as set out in the final budget;
- (v) “total budgeted fees for accident, sickness and life insurance market conduct activities means, in respect of a particular assessment period, the total amount of fees that the Authority estimates will be charged in respect of accident, sickness and life insurance market conduct activities in respect of the assessment period, as set out in the final budget;
- (w) “total budgeted fees for automobile insurance rate approval activities” means, in respect of a particular assessment period, the total amount of fees that the Authority estimates will be charged in respect of automobile insurance rate approval activities in respect of the assessment period including, those fees in respect of service providers contemplated by section 4.3, as set out in the final budget;
- (x) “total budgeted fees for property and casualty insurance market conduct activities” means, in respect of a particular assessment period, the total amount of fees that the Authority estimates will be charged in respect of property and casualty insurance market conduct activities in respect of the assessment period, as set out in the final budget;
- (y) “total budgeted fees for insurance prudential supervision activities” means, in respect of a particular assessment period, the total amount of fees that the Authority estimates will be charged in respect of insurance prudential supervision activities in respect of the assessment period, as set out in the final budget;

- (2) The direct costs of, and the common costs that the Authority allocates to, the insurance sector in respect of the assessment period under Part 2 shall, in the case of direct costs be further determined or estimated as directly related to automobile insurance rate approval activities, property and casualty insurance market conduct activities, accident, sickness and life insurance market conduct activities or insurance prudential supervision activities, and in the case of common costs be further allocated within the insurance sector in accordance with this section 4.1.
- (3) An insurer's share of an assessment of the insurance sector under subsection 21(2) of the FSRA Act for an assessment period is the following:
- (a) for an insurer in respect of automobile insurance rate approval activities, the share calculated in accordance with subsection 4.1(4);
 - (b) for an insurer in respect of property and casualty insurance market conduct activities, the share calculated in accordance with subsection 4.1(5);
 - (c) for an insurer in respect of accident, sickness and life insurance market conduct activities, the share calculated in accordance with subsection 4.1(6); and
 - (d) for an Ontario prudentially regulated insurer in respect of insurance prudential supervision activities, the share calculated in accordance with subsection 4.1(7),

provided however that each insurer other than a fraternal society shall pay a minimum assessment of \$1,000 and each fraternal society shall pay a minimum assessment of \$100.

- (4) For the purposes of paragraph 4.1(3)(a), an insurer's share of an assessment of the insurance sector for an assessment period in respect of automobile insurance rate approval activities is the amount calculated using the formula,

$$(A/B) \times (C-D)$$

in which,

"A" is the insurer's direct written premiums for automobile insurance,

"B" is the total insurance sector direct written premiums for automobile insurance,

"C" is the total budgeted expenses and expenditures for automobile insurance rate approval activities, and

"D" is the total budgeted fees for automobile insurance rate approval activities.

- (5) For the purposes of paragraph 4.1(3)(b), an insurer's share of an assessment of the insurance sector for an assessment period in respect of property and casualty insurance market conduct activities is the amount calculated using the formula,

$$(A/B) \times (C-D)$$

in which,

"A" is the insurer's direct written premiums for property and casualty insurance,

“B” is the total insurance sector direct written premiums for property and casualty insurance,

“C” is the total budgeted expenses and expenditures for property and casualty insurance market conduct activities, and

“D” is the total budgeted fees for property and casualty insurance market conduct activities.

- (6) For the purposes of paragraph 4.1(3)(c), an insurer’s share of an assessment of the insurance sector for an assessment period in respect of accident, sickness and life insurance market conduct activities is the amount calculated using the formula,

$$(A/B) \times (C-D)$$

in which,

“A” is the insurer’s direct written premiums for accident, sickness and life insurance,

“B” is the total insurance sector direct written premiums for accident, sickness and life insurance,

“C” is the total budgeted expenses and expenditures for accident, sickness and life insurance market conduct activities, and

“D” is the total budgeted fees for accident, sickness and life insurance market conduct activities.

- (7) For the purposes of paragraph 4.1(3)(d), an Ontario prudentially regulated insurer’s share of an assessment of the insurance sector for an assessment period in respect of insurance prudential supervision activities is the amount calculated using the formula,

$$(A/B) \times (C-D)$$

in which,

“A” is the Ontario prudentially regulated insurer’s direct written premiums for property and casualty insurance and direct written premiums for accident and sickness insurance,

“B” is the total direct written premiums for property and casualty insurance and direct written premiums for accident and sickness insurance of all Ontario prudentially regulated insurers,

“C” is the total budgeted expenses and expenditures for insurance prudential supervision activities, and

“D” is the total budgeted fees for insurance prudential supervision activities.

- (8) An insurer shall pay its assessments within 14 days after the date of the invoice for the assessment in the manner and to the account specified by the Authority in such invoice.

4.2 Fees (General)

- (1) The fees payable with respect to matters under the *Insurance Act* are listed opposite the description in the following table.

DESCRIPTION	FEES
Licence application fee for a new Ontario incorporated insurer – <i>Insurance Act</i> , subsection 42(1)	\$4,000 per application
Agent and adjuster licence fees:	
a) Agent licence fee - <i>Insurance Act</i> , subsection 392.3(1)	a) \$150 per 2-year licence
b) Corporation agent licence fee - <i>Insurance Act</i> , subsection 400(1)	b) \$400 per 2-year licence
c) Partnership agent licence fee - <i>Insurance Act</i> , subsection 399(1)	c) \$200 per 2-year licence
d) Adjuster licence fee - <i>Insurance Act</i> , section 397	d) \$75 per 1-year licence
e) Adjuster licence fee for a partnership (<i>Insurance Act</i> , subsection 399(1)), or a corporation (<i>Insurance Act</i> , subsection 400(1))	e) \$200 per 1-year licence
Certificate issued by Chief Executive Officer - <i>Insurance Act</i> , subsection 25(2)	\$25 per certificate
Photocopying: rate manuals per category of automobile insurance	\$100

- (2) Fees not refundable – A fee paid by person or entity under this section 4.2 is not refundable and may not be credited toward any subsequent fee payable by the person or entity.

4.3 Fees (Service Providers)

- (1) The fees payable under the *Insurance Act* relating to service providers are the amounts determined according to this section 4.3.
- (2) Definitions - In this section 4.3,
- (a) “listed expenses” means listed expenses in connection with statutory accident benefits within the meaning of section 288.1 of the *Insurance Act*;
 - (b) “number of claimants” means the total number of persons in respect of whom the applicant for a service provider’s licence or the licensee, as applicable, received payment for one or more listed expenses in the calendar year prior to the year in which payment of the applicant’s regulatory fee or the licensee’s annual regulatory fee is required, calculated per accident; and
 - (c) “number of locations” means,

- (i) in respect of an applicant for a service provider's licence, the number of physical locations at which the applicant intends to operate a business that could give rise to listed expenses;
 - (ii) in respect of a licensed service provider that was licensed and operated a business in the calendar year prior to the year in which payment of the annual regulatory fee is required, the number of physical locations at which the licensee operated the business, while licensed, that gave rise or could have given rise to listed expenses in that calendar year, or
 - (iii) in respect of any other licensed service provider, the number of physical locations in respect of which the licence was issued.
- (3) Service provider licence application fee – A person or entity who applies for a service provider's licence shall pay a licence application fee of \$337.00 when the licence application is submitted to the Chief Executive Officer.
- (4) Applicant's regulatory fee – A person or entity who applies for a service provider's licence shall pay:
 - (a) if the number of claimants in respect of the applicant is 6 or fewer, zero; and
 - (b) if the number of claimants in respect of the applicant is 7 or greater, a pro-rated applicant's regulatory fee when the licence application is submitted to the Chief Executive Officer, calculated using the formula,

$$(A + B) \times (X/12)$$

in which,

"A" is \$155.00 multiplied by the number of locations of the applicant,

"B" is \$16.00 multiplied by the number of claimants of the applicant, if any, and

"X" is the number of whole and partial calendar months remaining in the fiscal year, calculated from the date application is made until March 31st.

- (5) Licensees' annual regulatory fee – A licensed service provider shall pay:
 - (a) if the number of claimants in respect of the licensed service provider is 6 or fewer, zero; and
 - (b) if the number of claimants in respect of the licensed service provider is 7 or greater, a regulatory fee annually when the service provider's annual information return is submitted to the Chief Executive Officer, calculated using the formula,

$$A + B$$

in which,

"A" is \$155.00 multiplied by the number of locations of the licensee, and

"B" is \$16.00 multiplied by the number of claimants of the licensee.

- (6) Fees not refundable – A fee paid by person or entity under this section 4.3 is not refundable and may not be credited toward any subsequent fee payable by the person or entity.

PART 5 LOAN AND TRUST SECTOR ASSESSMENTS AND FEES

5.1 Assessments

- (1) Definitions – In this Part 5,
- (a) “budgeted loan and trust sector expenses and expenditures for the assessment period” means, in respect of a particular assessment period, the total amount of direct costs of, and common costs that the Authority allocates to, the loan and trust sector in respect of the assessment period, as set out in the final budget;
 - (b) “budgeted loan and trust sector fees for the assessment period” means, in respect of a particular assessment period, the total amount of fees that the Authority estimates will be charged to loan and trust corporations in respect of the assessment period, as set out in the final budget; and
 - (c) “loan or trust corporation” means a corporation registered under the *Loan and Trust Corporations Act*.
- (2) A loan or trust corporation’s share of an assessment of the loan and trust sector under subsection 21(2) of the FSRA Act for an assessment period is the amount calculated using the formula,

$$(A - B)/C$$

in which,

“A” is the total of all budgeted loan and trust sector expenses and expenditures for the assessment period,

“B” is the total of all budgeted loan and trust sector fees to be charged for the assessment period, and

“C” is the number of loan or trust corporations registered under the *Loan and Trust Corporations Act* as at such date prior to the assessment period as the Authority may determine.

- (3) A loan or trust corporation shall pay its assessment within 14 days after the date of the invoice for the assessment in the manner and to the account specified by the Authority in such invoice.

5.2 Fees

- (1) The fees payable with respect to matters under the *Loan and Trust Corporations Act* are listed opposite the description in the following table.

DESCRIPTION	FEE
Application for initial registration – <i>Loan and Trust Corporations Act</i> , subsection 31(5)	\$2,500 per application

- (2) Fees not refundable – A fee paid by person or entity under this section 5.2 is not refundable and may not be credited toward any subsequent fee payable by the person or entity.

PART 6 MORTGAGE BROKERING SECTOR ASSESSMENTS AND FEES

6.1 Assessments

- (1) No assessments are payable to the Authority in respect of the mortgage brokering sector under subsection 21(2) of the FSRA Act.

6.2 Fees (General)

- (1) Definitions – In this Part 6,
- (a) “mortgage” has the same meaning as in section 1 of the *Mortgages Act*;
 - (b) “mortgage agent” or “agent” means an individual who has a mortgage agent’s licence;
 - (c) “mortgage administrator” means a corporation, partnership, sole proprietorship or other entity that has a mortgage administrator’s licence;
 - (d) “mortgage broker” or “broker” means an individual who has a mortgage broker’s licence;
 - (e) “mortgage brokerage” or “brokerage” means a corporation, partnership, sole proprietorship or other entity that has a brokerage licence; and
 - (f) “principal broker” has the same meaning as used in the *Mortgage Brokerages, Lenders and Administrators Act, 2006*.
- (2) The required fees payable under the *Mortgage Brokerages, Lenders and Administrators Act, 2006* are the amounts determined according to this section 6.2.
- (3) Mortgage brokerage licence – The applicable fee for an application for a mortgage brokerage licence under subsection 7(1) of the *Mortgage Brokerages, Lenders and Administrators Act, 2006* is the following:
- (a) For a licence that is to take effect at the beginning of a fiscal year, \$941.
 - (b) For a licence that is to take effect at any other point during a fiscal year, the amount calculated using the formula,

$$\$100 + (A \times \$841/12)$$

in which,

“A” is the number of whole and partial calendar months between the date on which the application is submitted and the beginning of the fiscal year that immediately follows.

(3.1) On or before the day on which a fiscal year ends, a corporation, partnership, sole proprietorship or other entity that has a mortgage brokerage licence shall pay a regulatory fee in respect of the next fiscal year of \$841.

(4) Mortgage broker's licence – The applicable fee for an application for a mortgage broker's licence under subsection 8(1) of the *Mortgage Brokerages, Lenders and Administrators Act, 2006* is the following:

(a) For a licence that is to take effect at the beginning of a fiscal year, \$941.

(b) For a licence that is to take effect at any other point during a fiscal year, the amount calculated using the formula,

$$\$100 + (A \times \$841/12)$$

in which,

“A” is the number of whole and partial calendar months between the date on which the application is submitted and the beginning of the fiscal year that immediately follows.

(4.1) The applicable fee for an application to renew a mortgage broker's licence is \$841.

(4.2) An applicant is not required to pay the fee described in subsection 6.2(4) if, on the date the individual submits the application in respect of a period described in that subsection, the individual is a mortgage agent and has paid all applicable fees for mortgage agents under the *Mortgage Brokerages, Lenders and Administrators Act, 2006* in respect of that period.

(4.3) An applicant is not required to pay the fee described in subsection 6.2(4) or (4.1) if, before the application is submitted, the mortgage brokerage on whose behalf the individual is authorized to deal in mortgages or trade in mortgages in Ontario notifies the Chief Executive Officer that the individual will be designated as its principal broker when the individual's licence takes effect.

(4.4) Subsection 6.2(4.3) does not apply if the mortgage brokerage has previously designated another individual as its principal broker in respect of the same fiscal year.

(5) Mortgage agent's licence – The applicable fee for an application for a mortgage agent's licence under subsection 9(1) of the *Mortgage Brokerages, Lenders and Administrators Act, 2006* is the following:

(a) For a licence that is to take effect at the beginning of a fiscal year, \$941.

(b) For a licence that is to take effect at any other point during a fiscal year, the amount calculated using the formula,

$$\$100 + (A \times \$841/12)$$

in which,

“A” is the number of whole and partial calendar months between the date on which the application is submitted and the beginning of the fiscal year that immediately follows.

- (5.1) The applicable fee for an application to renew a mortgage agent's licence is \$841.
- (6) Mortgage administrator's licence – The applicable fee for an application for a mortgage administrator's licence under subsection 10(1) of the *Mortgage Brokerages, Lenders and Administrators Act, 2006* is the following:
- (a) For a licence that is to take effect at the beginning of a fiscal year, \$941.
 - (b) For a licence that is to take effect at any other point during a fiscal year, the amount calculated using the formula,
- $$\$100 + (A \times \$841/12)$$
- in which,
- “A” is the number of whole and partial calendar months between the date on which the application is submitted and the beginning of the fiscal year that immediately follows.
- (6.1) On or before the day on which a fiscal year ends, a corporation, partnership, sole proprietorship or other entity that has a mortgage administrator's licence shall pay a regulatory fee in respect of the next fiscal year of \$841.
- (7) Fees not refundable – A fee paid by person or entity under this section 6.2 is not refundable and may not be credited toward any subsequent fee payable by the person or entity.

6.3 Fees (Non-Qualified Syndicated Mortgages)

- (1) The fees payable under this section 6.3 are payable pursuant to subsection 21(2) of the FSRA Act.
- (2) Definitions – In this section 6.3:
 - (a) “investor” has the meaning ascribed to that term in subsection 1(1) of Regulation 188/08;
 - (b) “non-qualified syndicated mortgage” means a syndicated mortgage that is not a qualified syndicated mortgage;
 - (c) “Regulation 188/08” means Ontario Regulation 188/08 made under the *Mortgage Brokerages, Lenders and Administrators Act, 2006*;
 - (d) “qualified syndicated mortgage” has the meaning ascribed to that term in subsection 1(1) of Regulation 188/08;
 - (e) “syndicated mortgage” has the meaning ascribed to that term in subsection 1(1) of Regulation 188/08; and
 - (f) “syndicated mortgage disclosure form” means any syndicated mortgage disclosure form approved by the Chief Executive Officer.
- (3) Each brokerage that is required to provide disclosure information and documentation pursuant to subsection 31.1(1) of Regulation 188/08 in respect of a non-qualified

syndicated mortgage shall pay a fee in respect of that non-qualified syndicated mortgage in the amount of \$200.

- (4) The fee payable pursuant to subsection 6.3(3) shall be paid within 5 days following the date on which any prescribed disclosure documentation was first provided by or on behalf of the brokerage to the first potential or actual lender or investor in a non-qualified syndicated mortgage and shall be accompanied by a copy of the syndicated mortgage disclosure form provided to such first potential or actual lender or investor in respect of that non-qualified syndicated mortgage.
- (5) Fees not refundable – A fee paid by person or entity under this section 6.3 is not refundable and may not be credited toward any subsequent fee payable by the person or entity.

PART 7 PENSION SECTOR ASSESSMENTS AND FEES

7.1 Assessments

- (1) Definitions – In this Part 7,
 - (a) “administrator” has the same meaning as in subsection 1(1) of the *Pension Benefits Act*;
 - (b) “assessable pension plan” means a pension plan,
 - (i) for which an application for registration under section 9 of the *Pension Benefits Act* has been filed, or
 - (ii) for which a certificate of registration has been issued under section 16 of the *Pension Benefits Act*,as of a date on or before a date determined by the Authority for the purposes of preparing its final budget in respect of a particular assessment period;
 - (c) “beneficiaries” in respect of an assessable pension plan means the aggregate number of members, former members, retired members and other beneficiaries of the pension plan;
 - (d) “budgeted pension sector expenses and expenditures for the assessment period” means, in respect of a particular assessment period, the total amount of direct costs of, and common costs that the Authority allocates to, the pension sector in respect of the assessment period, as set out in the final budget;
 - (e) “budgeted pension sector fees for the assessment period” means, in respect of a particular assessment period, the total amount of fees that the Authority estimates will be charged to pension sector assessable entities in respect of the assessment period, as set out in the final budget;
 - (f) “discontinued plan” means a pension plan for which an annual information return has been filed under section 29.1 of Regulation 909 of the Revised Regulations of Ontario, 1990 (*General*) made under the *Pension Benefits Act* at any time on or before a date determined by the Authority for the purposes of preparing its final budget in respect of a particular assessment period;

- (g) “former member” has the same meaning as in subsection 1(1) of the *Pension Benefits Act*;
 - (h) “member” has the same meaning as in subsection 1(1) of the *Pension Benefits Act*;
 - (i) “net budgeted pension sector expenses and expenditures for the assessment period” means, in respect of a particular assessment period, the difference between the total of all budgeted pension sector expenses and expenditures for the assessment period and the total of all budgeted pension sector fees to be charged for the assessment period, which amount shall not be less than zero;
 - (j) “pension plan” has the same meaning as in subsection 1(1) of the *Pension Benefits Act*;
 - (k) “retired member” has the same meaning as in subsection 1(1) of the *Pension Benefits Act*; and
 - (l) “variable share” means, in respect of a particular assessment period, the amount remaining when net budgeted pension sector expenses and expenditures for the assessment period is reduced by the aggregate budgeted assessment amounts in respect of the particular assessment period relating to the pension plans referred to in paragraph 7.1(3)(a).
- (2) An administrator’s share of an assessment of the pension sector in respect of a particular pension plan under subsection 21(2) of the FSRA Act for an assessment period is the following:
- (a) for the administrator of an assessable pension plan, other than a discontinued plan, the share calculated in accordance with subsection 7.1(3); and
 - (b) for the administrator of a discontinued plan, zero.
- (3) For the purposes of paragraph 7.1(2)(a):
- (a) if a particular assessable pension plan has 78 beneficiaries or fewer, the administrator of that particular assessable pension plan’s share of an assessment of the pension sector for an assessment period and in respect of that particular assessable pension plan is \$750;
 - (b) if a particular assessable pension plan has 79 or more beneficiaries, the administrator of that particular assessable pension plan’s share of the variable share of an assessment period is determined by calculating the amount

$$(A/B) \times (C \times D)$$

for each tier in the table below,

in which,

“A” is the number of beneficiaries in the tier in the table below in the particular assessable pension plan,

“B” is the total number of beneficiaries in the tier in the table below in all assessable pension plans,

“C” is the percentage of the variable share denoted for that tier in the table below, and

“D” is the variable share,

and then adding together the amounts so calculated for each tier in respect of the particular assessable pension plan.

TIER	INCREMENTS FOR PENSION PLAN BENEFICIARIES	PERCENTAGE OF VARIABLE SHARE TO BE RECOVERED FROM ADMINISTRATORS RELATING TO BENEFICIARIES OF THAT ADMINISTRATOR'S PENSION PLAN IN A PARTICULAR TIER
1	1 st to 1,000 th beneficiary	41.760%
2	1,001 st to 6,000 th beneficiary	33.683%
3	6,001 st to 12,000 th beneficiary	10.066%
4	12,001 st to 60,000 th beneficiary	9.648%
5	60,001 st to 150,000 th beneficiary	4.507%
6	In excess of 150,000 beneficiaries	0.336%

- (4) The number of beneficiaries of an assessable pension plan in respect of a particular assessment period is the number of beneficiaries of the assessable pension plan indicated in the most recent annual information return filed under the *Pension Benefits Act* on or before a date determined by the Authority for the purposes of preparing its final budget or, in the absence of such a return, the number of beneficiaries indicated in the application for registration of the pension plan submitted under the *Pension Benefits Act*.
- (5) The administrator of an assessable pension plan shall pay its assessment in respect of that assessable pension plan within 14 days after the date of the invoice for the assessment in the manner and to the account specified by the Authority in such invoice.

7.2 Fees

- (1) The fees payable with respect to matters under the *Pension Benefits Act* are listed opposite the description in the following table.

DESCRIPTION	FEE
Application fee for registration of a pension plan – <i>Pension Benefits Act</i> , subsection 9(2)	\$250 per application

- (2) Fees not refundable – A fee paid by person or entity under this section 7.2 is not refundable and may not be credited toward any subsequent fee payable by the person or entity.

PART 8 PRPP SECTOR ASSESSMENTS AND FEES

8.1 Assessments and Fees

- (1) No assessments or fees are payable to the Authority in respect of the PRPP sector under subsection 21(2) of the FSRA Act.

PART 9 GENERAL FEES

9.1 Fees

- (1) The fees payable with respect to matters under the FSRA Act are listed opposite the description in the following table.

DESCRIPTION	FEE
Certificates issued by the Chief Executive Officer – FSRA Act, section 20.1	\$25 per certificate
Photocopies of documents except where a fee is specifically provided under another section of this Rule	\$0.50 per page (\$5.00 minimum)

- (2) Fees not refundable – A fee paid by person or entity under this section 9.1 is not refundable and may not be credited toward any subsequent fee payable by the person or entity.

PART 10 EFFECTIVE DATE AND TRANSITIONAL

10.1 Effective Date

- (1) This Rule comes into force on ●, 2019.

10.2 Transitional

- (1) Definitions – in this Part 10,
- (a) “annual premium charged by DICO” means an annual premium charged by DICO to a credit union under section 276.1 of the *Credit Unions and Caisses Populaires Act, 1994* prior to the commencement of the Authority’s first assessment period and that relates, in whole or in part, to the period covered by the Authority’s first assessment period;
 - (b) “DICO” means the Deposit Insurance Corporation of Ontario;
 - (c) “DIRF” means the Deposit Insurance Reserve Fund referenced in subsection 276(1) of the *Credit Unions and Caisses Populaires Act, 1994*; and

- (d) “regulatory costs of DICO” means, in respect of a period, the costs of DICO in or in respect of that period that are chargeable to the DIRF pursuant to paragraph 276(2)4 of the *Credit Unions and Caisses Populaires Act, 1994*, as determined by the Authority.
- (2) Notwithstanding any other provision of this Rule, in respect of the first assessment period of the Authority:
 - (a) no fee in respect of any matter described in subsection 3.2(1) shall be payable to the Authority if an identical fee for the same matter was paid to the Crown prior to the first assessment period of the Authority;
 - (b) no fee in respect of a licence or the renewal of a licence contemplated by subsection 4.2(1) or subsection 6.2(1) shall be payable to the Authority by a person or entity in respect of any portion of an assessment period where the particular person or entity has, prior to the first assessment period of the Authority, previously paid to the Crown a fee for the same licence or renewal of the licence and the licence so issued or renewed relates to the first assessment period of the Authority;
 - (c) no fee in respect of a certificate referred to in subsection 4.2(1) or subsection 9.1(1) shall be payable to the Authority if an identical fee in respect of the same request was paid to the Crown prior to the first assessment period of the Authority;
 - (d) no licence application fee or regulatory fee contemplated by section 4.3 shall be payable to the Authority by a person or entity in respect of any portion of an assessment period where the particular person or entity has, prior to the first assessment period of the Authority, previously paid to the Crown a licence application fee or regulatory fee in relation to the first assessment period of the Authority; and
 - (e) no fee in respect of an application for registration referred to in subsection 5.2(1) or subsection 7.2(1) shall be payable to the Authority if an identical fee for the same application was paid to the Crown prior to the first assessment period of the Authority,

provided, however, that in the case of each such fee referred to in paragraphs (a) through (e) above, the Authority has received value for such fee from its predecessor, the Financial Services Commission of Ontario or the Deposit Insurance Corporation of Ontario.

- (3) Notwithstanding any other provision of this Rule, in respect of the first assessment period of the Authority, each credit union shall receive a credit in an amount equal to that portion of the annual premium charged by DICO and paid by the credit union that:
 - (a) relates to the regulatory costs of DICO; and
 - (b) the Authority determines relates to the period (or part thereof) covered by such first assessment.

Any such credit may be granted by the Authority on an estimated basis in the original assessment invoice issued by the Authority to a credit union, with an adjustment (positive or negative) to be made on a date determined by the Authority. The Authority shall only provide such credit to a particular credit union if the Authority has received value from

DICO for the annual premium charged by DICO in respect of such credit union, on or prior to the commencement of the Authority's first assessment period.

Appendix B

Pension Sector – Illustrative Assessment Calculation

The following is an illustration of how an assessable pension plan's share of the variable share of an assessment period would be calculated. This illustration is based on the assumptions set out below. These assumptions should not be considered indicative of the actual numbers upon which an assessment in respect of any assessment period will be calculated.

As indicated in the Notice, FSRA anticipates posting and consulting on the 2019-20 draft budget in early 2019. Solely for illustrative purposes, if FSRA were to assume the following by way of example:

- an overall budget of approximately \$90 million in expenses and expenditures (this illustrative number is based on a combination of FSCO and DICO budgets for the functions FSRA is expected to assume – this does not take into account any potential budgetary increases to address opportunities for transformation);
- a budgetary allocation of \$24,197,621 in expenses and expenditures to the pension sector (this illustrative number is based on the pensions sector historically accounting for approximately 27% of the FSCO/DICO budget) – this is referred to as the *budgeted pension sector expenses and expenditures for the assessment period* in the proposed fee rule;
- *budgeted pension sector fees for the assessment period* of approximately \$58,499 (this illustrative number is based on potential fees to be charged under subsections 7.2(1) and 9.1(1) of the Proposed Fee Rule from the pension sector), and therefore *net budgeted pension sector expenses and expenditures for the assessment period* of \$24,139,122;
- an aggregate budgeted assessment for assessable pension plans having 78 beneficiaries or fewer of \$3,890,250 (this illustrative number is based on there being 5,187¹ such plans, each being charged \$750 pursuant to paragraph 7.1(3)(a) of the Proposed Fee Rule), and therefore the *variable share* being \$20,248,872; and
- the total number of beneficiaries in each tier for all assessable pension plans being: for Tier 1 - 880,816; for Tier 2 - 779,483; for Tier 3 - 284,433; for Tier 4 - 595,673; for Tier 5 - 467,955; and for Tier 6 - 970,189¹,

then the marginal fee per beneficiary for an assessable pension plan with 79 or more beneficiaries would be as follows:

TIER	INCREMENTS FOR PENSION PLAN BENEFICIARIES	MARGINAL FEE/BENEFICIARY
1	1 st to 1,000 th beneficiary	\$9.600
2	1,001 st to 6,000 th beneficiary	\$8.750
3	6,001 st to 12,000 th beneficiary	\$7.166
4	12,001 st to 60,000 th beneficiary	\$3.280
5	60,001 st to 150,000 th beneficiary	\$1.950

¹ Illustrative numbers are based on historical data; numbers will be determined from the annual information returns filed under the Pension Benefits Act as provided under subsection 7.1(4) of the Proposed Fee Rule.

TIER	INCREMENTS FOR PENSION PLAN BENEFICIARIES	MARGINAL FEE/BENEFICIARY
6	In excess of 150,000 beneficiaries	\$0.070

Based on the foregoing illustrative assumptions, examples of an assessable pension plan's share of the variable share of an assessment period would be as follows:

Example 1 – Assessable Pension Plan with 4,000 Beneficiaries

$$(1,000/880,816) \times (0.41760 \times \$20,248,872)$$

plus

$$(3,000/779,483) \times (0.33683 \times \$20,248,872)$$

$$= \$35,849.92$$

Example 2 – Assessable Pension Plan with 40,000 Beneficiaries

$$(1,000/880,816) \times (0.41760 \times \$20,248,872)$$

plus

$$(5,000/779,483) \times (0.33683 \times \$20,248,872)$$

plus

$$(6,000/284,433) \times (0.10066 \times \$20,248,872)$$

plus

$$(28,000/595,673) \times (0.09648 \times \$20,248,872)$$

$$= \$188,176.67$$

Example 3 – Assessable Pension Plan with 400,000 Beneficiaries

$$(1,000/880,816) \times (0.41760 \times \$20,248,872)$$

plus

$$(5,000/779,483) \times (0.33683 \times \$20,248,872)$$

plus

$$(6,000/284,433) \times (0.10066 \times \$20,248,872)$$

plus

$$(48,000/595,673) \times (0.09648 \times \$20,248,872)$$

plus

$$(90,000/467,955) \times (0.04507 \times \$20,248,872)$$

plus

$$(250,000/970,189) \times (0.00336 \times \$20,248,872)$$

$$= \$446,821.85$$

As noted above, the foregoing is provided for illustrative purposes only – the assumed numbers should not be considered indicative of the actual numbers upon which an assessment in respect of any assessment period will be calculated.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

NOTICE AND REQUEST FOR COMMENT

PROPOSED FSRA RULE 2019 – 001B FEES AND ASSESSMENTS (INTERIM)

October 5, 2018

Introduction

The Financial Services Regulatory Authority of Ontario (**FSRA** or the **Authority**) is proposing an interim fee and assessment rule (a **fee rule**) as more fully set out in this Notice and in the proposed FSRA Rule 2019-001B – Fees and Assessments (Interim) attached as Appendix X to this Notice.

The Ontario Minister of Finance received a report from an expert advisory panel on March 31, 2016 regarding the mandate review of the Financial Services Commission of Ontario (**FSCO**), Financial Services Tribunal (**FST**), and the Deposit Insurance Corporation of Ontario (**DICO**). The panel called for the creation of a new, independent and integrated regulator called the Financial Services Regulatory Authority. FSRA was established under the *Financial Services Regulatory Authority of Ontario Act, 2016* (the **FSRA Act**).

FSRA is an independent agency that will be self-funded and operate on a cost recovery basis, and will regulate the sectors currently regulated by FSCO (other than co-operative corporations) and DICO.

FSRA is working towards a spring 2019 launch date (the date upon which FSRA anticipates assuming the regulatory functions contemplated by the FSRA Act), pending a final decision on timing by the Government of Ontario.

As part of the transition of FSCO's and DICO's regulatory mandate to FSRA, FSRA has developed an initial fee rule to obtain funding from the financial services sectors it regulates.

The background on the initial fee rule is contained in a separate Notice and the new fee rule is described in proposed FSRA Rule 2019-001 – Assessments and Fees (the **Proposed Fee Rule**). With that separate Notice, FSRA is seeking public comment on the Proposed Fee Rule in accordance with section 22 of the FSRA Act. Appendix A to that separate Notice is the Proposed Fee Rule. Within a period of 90 days from the date of publication of that Notice, interested persons are invited to make written representations to FSRA with respect to the Proposed Fee Rule, as more particularly set out under the heading "Comments" at the end of that Notice.

Given the targeted spring 2019 launch date, the time to finalize FSRA's fee rule is limited. As a result, FSRA will only provide a 90-day comment period for its fee rule and interested persons should take this into account in preparing their submissions. Furthermore, if, following the publication of the Proposed Fee Rule and consideration of submissions received during the comment period, FSRA were to propose material changes to the Proposed Fee Rule, it would be required to publish notice of the proposed changes and seek public comment on those changes. If the Proposed Fee Rule cannot be adopted prior to the spring 2019 launch date, FSRA expects it will adopt an interim fee rule, on a transitional basis, which is substantially similar to FSCO's existing assessment regulations and fee schedules.

The details of the interim fee rule are contained in this Notice and in proposed FSRA Rule 2019-001B – Fees and Assessments (Interim) (the **Interim Fee Rule**). With this Notice, FSRA is also seeking public comment on the Interim Fee Rule in accordance with section 22 of the FSRA Act. Appendix X to this Notice is the Interim Fee Rule. Within a period of 90 days from the date of publication of this Notice

(i.e., by January 4, 2019), interested persons are invited to make written representations to FSRA with respect to the Interim Fee Rule, as more particularly set out under the heading “Comments” at the end of this Notice.

Development of Interim Fee Rule

The Interim Fee Rule was developed by FSRA from FSCO’s existing assessment regulations and fee schedules. It incorporates FSCO’s existing fees and assessments as follows:

- fees established by Minister’s Fee Schedules for the credit unions sector, the insurance sector, health service providers (**HSPs**), the loan and trust sector and the pension sector, as well as fees made under the *Financial Services Commission of Ontario Act, 1997* (the **FSCO Act**) for matters such as certificates and photocopies;
- fees for the mortgage brokering sector established under a Minister’s fee regulation (Ontario Regulation 7/18, Application, Renewal and Regulatory Fees – Mortgage Brokerages, Mortgage Brokers, Mortgage Agents and Mortgage Administrators (**Ontario Regulation 7/18**)); and
- assessment provisions established by regulation under the FSCO Act (Ontario Regulation 11/01, Assessment of Expenses and Expenditures (**Ontario Regulation 11/01**)). In summary, the assessment provisions under this regulation involve an annual reconciliation of invoiced amounts *versus* actual costs incurred by FSCO. This differs from the assessment process currently applied by DICO, as more particularly described below.

As noted further below, some existing fees have been eliminated.

Substance and Purpose of the Interim Fee Rule

The substance and purpose of the Interim Fee Rule is to ensure that FSRA is funded by the regulated sectors and to enable FSRA to carry out its legislated mandate, without delay of launch or reliance on funding from the Consolidated Revenue Fund, if the adoption of the Proposed Fee Rule is delayed. FSRA only intends to adopt the Interim Fee Rule if there is insufficient time to adopt the Proposed Fee Rule prior to FSRA’s launch date.

The Interim Fee Rule takes substantially the same assessment approach as the approach currently used by FSCO, but differs from the approach currently used by DICO. More detail with respect to the Interim Fee Rule, and a comparison of the fee and assessment changes from FSCO’s and DICO’s approach, is set out below under the headings “Summary of the Interim Fee Rule” and “Comparison to FSCO/DICO Approach”.

Summary of the Interim Fee Rule

Part 1 – Purpose, Authority and General Approach

This Part defines the terms used in the Interim Fee Rule. This Part also sets out the purpose of the Interim Fee Rule, the legal authority for it, the general approach taken in developing the interim fee rule and the effective date.

In particular:

- section 1.2 provides that the purpose of the Interim Fee Rule is to provide an interim funding structure for the Authority until a permanent funding structure is established;

- subsection 1.4(1) provides that the general approach for interim funding of the Authority is to continue the cost-recovery structure that funded and was administered by FSCO;
- subsection 1.4(2) provides, among other things, that a number of filing fees have been eliminated;
- subsection 1.4(3) provides, among other things, that regulated sector assessments allow the Authority to recover the expenses and expenditures incurred and made in carrying out its objects and regulatory functions; and
- subsection 1.4(4) provides that the Authority's expenses and expenditures recovered through assessments may also include amounts assessed by the Lieutenant Governor in Council in respect of the Ministry's expenses and expenditures referred to in section 15 of the FSRA Act and the FST's and the Ministry's expenses and expenditures referred to in section 15 of the *Financial Services Tribunal Act, 2017* (the **FST Act**).

Part 2 - Fees

This Part sets out the fees for the credit unions sector, the insurance sector (including for HSPs), the loan and trust sector, the mortgage brokering sector and the pension sector, as well as general fees.

In particular:

- section 2.3 sets out fees charged to HSPs (a licence application fee, regulatory fee for applicants and an annual regulatory fee for licensees based on locations and number of statutory accident benefit claimants); and
- section 2.5 sets out licence, renewal and regulatory fees charged to the mortgage brokering sector (for a mortgage brokerage licence, a mortgage broker's licence, a mortgage agent's licence and a mortgage administrator's licence).

Part 3 – Regulated Sector Assessments

This Part sets out the assessment for the credit unions sector, the insurance sector, the loan and trust sector and the pension sector.

In particular:

- section 3.2 addresses the assessment of the regulated sectors and the share of the assessment payable by an entity that forms part of a regulated sector;
- subsection 3.2(4) provides that an assessment may include any amount the Authority has been assessed in respect of a regulated sector by the Lieutenant Governor in Council under subsection 15(1) of the FSRA Act, or under subsection 15(1) of the FST Act; and
- subsections 3.3 – 3.6, inclusive, set out the more detailed sectoral assessment provisions.

Part 4 - Transition

This Part sets out transitional provisions.

Subsection 4.1(1) provides no fee set out in Part 2 of the Interim Fee Rule is payable to the Authority in respect of any matter where the same fee was previously paid to the Crown in respect of the same

matter prior to the effective date of the Interim Fee Rule, provided the Authority has received value for such pre-paid fee.

Subsection 4.2(1) sets out certain defined terms.

Subsection 4.2(2) provides for the crediting of a portion of the annual premium charged by DICO prior to FSRA's first assessment period, that relates to FSRA's first assessment period and which is paid under the *Credit Unions and Caisses Populaires Act, 1994* and for which the Authority has received value, all on the terms set out therein. The Interim Fee Rule does not cover premiums in respect of the Deposit Insurance Reserve Fund (**DIRF**), which will remain separately funded under section 276.1 of the *Credit Unions and Caisses Populaires Act, 1994*.

Comparison to FSCO/DICO Approach

Fees

The Interim Fee Rule makes only the minimum changes necessary to consolidate the various fee and assessment provisions used by FSCO into a Rule to be adopted under the FSRA Act. Most changes simply reflect terminology, for example, "Authority" instead of "Commission", "Chief Executive Officer" instead of "Superintendent", etc.

Fees that are charged under the *Co-operative Corporations Act* are not included in the Interim Fee Rule since responsibility for this sector is expected to be transferred to another area of the Government of Ontario, and not to FSRA. Correspondingly, the co-operative sector is not included as a regulated sector in the amendments to the FSRA Act.

A number of fees have been eliminated on input from FSCO. The fees have been updated to reflect current regulatory activities and to remove out of date statutory references.

One separate fee in the credit unions sector has been added to reflect current practice (i.e. that a fee is charged for an application by an extra-provincial credit union for registration). The same fee is charged by FSCO but under a broader fee authority.

Section numbering and some formatting has also been updated for purposes of the Interim Fee Rule.

Aspects of the Minister's Fee Schedule relating to HSPs have been revised to eliminate transition provisions that are no longer required and to ensure the wording better reflects actual practice.

Similarly, transition provisions included in Ontario Regulation 7/18 for the mortgage brokering sector were eliminated as they are no longer applicable.

The descriptions of the fees and the fees themselves set out in the Interim Fee Rule were developed from fees approved by the Minister in a Minister's Fee Schedule or in a regulation in the case of the mortgage brokering sector. These fees are currently summarized on FSCO's website at:

http://www.fSCO.gov.on.ca/en/about/Pages/fee_schedule.aspx

Separate fees under each regulated sector statute for generic certificates to be issued by the Superintendent, now Chief Executive Officer, have been eliminated, as they were duplicative, given that there is a separate certificate fee under section 20.1 of the FSRA Act that applies. FSCO's practice has been to rely on the equivalent FSCO Act certificate power, instead of that in the separate regulated sector statutes.

Finally, none of the fees have been increased in the Interim Fee Rule, and in the case of the fees for the Life Licence Qualification Program (LLQP) for life insurance agents, the fees in the Interim Fee Rule have been updated to reflect the current costs of the Autorité des marchés financiers, which administers the LLQP.

Assessments

The assessments section of the Interim Fee Rule incorporates subsections 25(1) and (2) of the FSCO Act in that it establishes that entities in a regulated sector can be assessed with respect to all expenses and expenditures incurred and made in respect of the regulated sector, and also adds some new provisions for clarity (see subsection 3.2(2) of the Interim Fee Rule).

Ontario Regulation 11/01 does not specifically address invoicing so additional phrases have been included (see subsection 3.2(3) of the Interim Fee Rule) to make it explicit that assessments may include estimated, interim, periodic, annual and final installments, as the Authority considers appropriate.

The Interim Fee Rule also has new provisions (subsections 1.4(4) and 3.2(4)) to clarify that, in calculating the assessment of a regulated sector, FSRA is to include amounts charged by the Ministry and FST for the expenses and expenditures that they may assess to FSRA. These amounts have been included in FSCO's common costs.

The FSCO approach (and the approach taken in the Interim Fee Rule) is different from the approach currently used by DICO for the assessment of credit unions and caisses populaires (collectively, **credit unions**) in that:

- DICO charges credit unions on a prospective basis for premiums under the *Credit Unions and Caisses Populaires Act, 1994*; there is no annual reconciliation of invoiced amounts against actual expenses incurred by DICO; and
- while FSCO currently uses market share of total assets (excluding off book assets) (and the Interim Fee Rule continues to do so), DICO currently funds prudential activity through the collection of deposit insurance premiums that are also used to fund the DIRF; the DICO formula uses "Total Insured Deposits" as the premium base, and a formula is set out in regulations under the *Credit Unions and Caisses Populaires Act, 1994* to determine the rate paid based on an assessment of the credit union's capital and governance, in accordance with DICO's "Differential Premium Score Determination Document".

The Interim Fee Rule intends to use the FSCO approach to assessing credit unions to fund FSRA's prudential and market conduct regulatory activities in respect of the credit unions sector.

The Interim Fee Rule also varies from the approach used by FSCO for the pension sector, in that the date on which the number of members, former members, retired members and other beneficiaries of a pension plan is determined for assessment purposes will change from the 31st of December that falls within the assessment period to a date to be determined by FSRA. This will enable FSRA to send the preliminary assessments to pension plan administrators prior to the beginning of the assessment period rather than towards the end of the assessment period, as is presently the case.

Authority for the Interim Fee Rule

Subsection 21(2) of the FSRA Act authorizes the Authority to make rules governing fees, levies, sector assessments and other charges that the Authority may impose, including, but not limited to, (a) for filing; (b) for applications for licences or registration; (c) in respect of compliance reviews and audits made by the Authority; and (d) in connection with the work described in sections 4 and 6 of the FSRA Act, and

other work that relates to the objects of the Authority under section 3 of the FSRA Act, including any assessment that the Authority is required to pay under this Act or any other Act.

Unpublished Materials

In proposing the Interim Fee Rule, the Authority has not relied on any significant unpublished study, report, decision or other written materials.

Alternatives Considered

In developing the Interim Fee Rule, FSRA considered the Proposed Fee Rule and the alternatives considered in relation to the Proposed Fee Rule. FSRA only intends to adopt the Interim Fee Rule if delays are encountered, e.g. there is insufficient time to adopt the Proposed Fee Rule prior to FSRA's launch date.

Anticipated Costs and Benefits

The principal benefit of the Interim Fee Rule is that it ensures that, in the event that FSRA proposes material changes to the Proposed Fee Rule such that the Proposed Fee Rule cannot be implemented by the date that FSRA assumes its regulatory mandate contemplated by the FSRA Act, an interim fee rule can be put into place on or before such date to ensure that FSRA is financially able to commence its mandate without reliance on additional government funding.

Regulations to be Revoked

FSRA is not currently making any recommendations with respect to the amendment or revocation of a regulation or provision in a regulation that relates to the implementation of the Interim Fee Rule. FSRA expects that in due course certain regulations or provisions in regulations will be amended or revoked in a manner consistent with the intent of the Interim Fee Rule.

Comments

Interested parties are invited to make written representations with respect to the Interim Fee Rule. Submissions received by January 4, 2019 will be considered.

Submissions should be submitted through the submission system on FSRA's website at:

<http://fsrao.ca/en/consultations/form?rule=fees-and-assessments-interim>

FSRA will be pleased to answer questions concerning the Interim Fee Rule to assist the public in submitting written representations. Questions may be submitted at:

<http://fsrao.ca/en/consultations/form?form=question&rule=fees-and-assessments-interim>

All answers to questions will be posted at <http://fsrao.ca/en/consultations/fees-and-assessments-interim?view=answers>. FSRA may edit or conform questions to provide better feedback to the public.

Under the FSRA Act, the Authority is required to make all written representations available for public inspection during the normal business hours of the Authority. As a result, all submissions received by January 4, 2019 will be posted on FSRA's website at <http://fsrao.ca/en/consultations/fees-and-assessments-interim?view=comments> at the time they are received.

The Authority is permitted to hold written representations in confidence so long as the Authority is of the opinion that the representations so held disclose sensitive financial, personal or other information and that the desirability of avoiding disclosure thereof in the interests of any person affected outweighs the desirability of adhering to the principle that representations made to the Authority be available to the public for inspection. Even if the Authority determines to hold submissions in confidence, freedom of information legislation may require the Authority to make such submissions available. Persons making submissions should be aware of this. The Authority is also of the view that personal information should not be included in submissions.

Appendix X

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO RULE 2019 – 001B FEES AND ASSESSMENTS (INTERIM)

PART 1 PURPOSE, AUTHORITY AND GENERAL APPROACH

1.1 Definitions

- (1) In this Rule,
 - (a) “Act” means the *Financial Services Regulatory Authority of Ontario Act, 2016*;
 - (b) “Ministry” has the same meaning as applies to that term in the Act; and
 - (c) “the Crown” has the same meaning as set out in section 87 of the *Legislation Act, 2006*.
- (2) Words and phrases defined in section 1 of the Act have the same meaning in this Rule.

1.2 Purpose

- (1) The purpose of the Rule is to provide an interim funding structure for the Authority until a permanent funding structure is established.

1.3 Legal Authority

- (1) The legal authority for the Rule is set out in subsection 21(2) of the Act.

1.4 General Approach

- (1) The general approach for interim funding of the Authority is to continue the cost-recovery structure that funded and was administered by FSCO consisting of a combination of fees and regulated sector assessments.
- (2) The interim fees in this Rule consolidate and update the fees contained in the various Minister’s Fee Schedules and Fee Regulations applicable to the regulated sectors. A number of filing fees are eliminated.
- (3) The sector assessment provisions in this Rule substantively follow the assessment provisions set out in Ontario Regulation 11/01 (*Assessment of Expenses and Expenditures*), made under the *Financial Services Commission of Ontario Act, 1997*. Regulated sector assessments allow the Authority to recover the expenses and expenditures incurred and made in carrying out its objects and regulatory functions in the credit unions, insurance, loan and trust and pension sectors.
- (4) The Authority’s expenses and expenditures recovered through assessments may also include amounts assessed by the Lieutenant Governor in Council in respect of,

- (a) the Ministry's expenses and expenditures referred to in section 15 of the Act; and
- (b) the Financial Services Tribunal's and the Ministry's expenses and expenditures referred to in section 15 of the *Financial Services Tribunal Act, 2017*.

1.5 Effective Date

- (1) This Rule comes into force on ●, 2019.

PART 2 FEES

2.1 Credit Unions Sector

- (1) The fees payable with respect to matters under the *Credit Unions and Caisses Populaires Act, 1994* are listed opposite the description in the following table:

DESCRIPTION	FEE
Application for incorporation of a credit union or caisse populaire – <i>Credit Unions and Caisses Populaires Act, 1994</i> , section 15	\$2,500 per application
Approval of the articles of incorporation - <i>Credit Unions and Caisses Populaires Act, 1994</i> , subsection 16(1)	\$2,500 per approval
Application for receipt for an offering statement based on face amount - <i>Credit Unions and Caisses Populaires Act, 1994</i> , subsection 77(1)	Lesser of: <ul style="list-style-type: none"> • \$2,500 plus 50 basis points (i.e., \$2,500 + 0.50% of the maximum aggregate dollar amount of securities offered); and • \$25,000 per application
Application by extra-provincial credit union for registration – <i>Credit Unions and Caisses Populaires Act, 1994</i> , section 332	\$500 per application

2.2 Insurance Sector

- (1) The fees payable with respect to matters under the *Insurance Act* are listed opposite the description in the following table:

DESCRIPTION	FEE
Licence application for a new Ontario incorporated insurer – <i>Insurance Act</i> , subsection 42(1)	\$4,000 per application
Agent and adjuster licence fees:	
a) Agent licence fee - <i>Insurance Act</i> , subsection 392.3(1)	a) \$150 per 2-year licence

b) Corporation agent licence fee - <i>Insurance Act</i> , subsection 400(1)	b) \$400 per 2-year licence
c) Partnership agent licence fee - <i>Insurance Act</i> , subsection 399(1)	c) \$200 per 2-year licence
d) Adjuster licence fee - <i>Insurance Act</i> , section 397	d) \$75 per 1-year licence
e) Adjuster licence fee for a partnership (<i>Insurance Act</i> , subsection 399(1)), or a corporation (<i>Insurance Act</i> , subsection 400(1))	e) \$200 per 1-year licence
Certificate issued by the Chief Executive Officer - <i>Insurance Act</i> , subsection 25(2)	\$25 per certificate
Photocopying: rate manuals per category of automobile insurance	\$100
Life Licence Qualification Program (LLQP) fees in respect of the purchase of LLQP course material for the LLQP course and examination under Ontario Regulation 347/04	a) \$31 per student registered in a life insurance agent course b) \$19 per student registered in an accident and sickness insurance agent course c) \$6 per student registered in only the ethics and professional practice portion of an LLQP course

2.3 Insurance Sector (Service Providers)

- (1) The fees payable with respect to matters under sections 288.1 to 288.7 of the *Insurance Act* relating to service providers are the amounts determined according to this section 2.3.
- (2) Definitions – In this section 2.3,
 - (a) “fiscal year” means April 1st to March 31st;
 - (b) “listed expenses” means listed expenses in connection with statutory accident benefits within the meaning of section 288.1 of the *Insurance Act*;
 - (c) “number of claimants” means the total number of persons in respect of whom the applicant for a service provider’s licence or the licensee, as applicable, received payment for one or more listed expenses in the calendar year prior to the year in which payment of the applicant’s regulatory fee or the licensee’s annual regulatory fee is required, calculated per accident; and
 - (d) “number of locations” means,
 - (i) in respect of an applicant for a service provider’s licence, the number of physical locations at which the applicant intends to operate a business that could give rise to listed expenses;
 - (ii) in respect of a licensed service provider that was licensed and operated a business in the calendar year prior to the year in which

payment of the annual regulatory fee is required, the number of physical locations at which the licensee operated the business, while licensed, that gave rise or could have given rise to listed expenses in that calendar year; or

(iii) in respect of any other licensed service provider, the number of physical locations in respect of which the licence was issued.

(3) Service provider licence application fee – A person or entity who applies for a service provider’s licence shall pay a licence application fee of \$337.00 when the licence application is submitted to the Chief Executive Officer.

(4) Applicant’s regulatory fee – A person or entity who applies for a service provider’s licence shall pay a pro-rated applicant’s regulatory fee when the licence application is submitted to the Chief Executive Officer, calculated using the formula,

$$(A + B) \times (X/12)$$

in which,

“A” is \$128.00 multiplied by the number of locations of the applicant,

“B” is \$15.00 multiplied by the number of claimants of the applicant, if any, and

“X” is the number of whole and partial calendar months remaining in the fiscal year, calculated from the date application is made until March 31st.

(5) Licensees’ annual regulatory fee -- A licensed service provider shall pay a regulatory fee annually when the service provider’s annual information return is submitted to the Chief Executive Officer, calculated using the formula,

$$A + B$$

in which,

“A” is \$128.00 multiplied by the number of locations of the licensee, and

“B” is \$15.00 multiplied by the number of claimants of the licensee.

2.4 Loan and Trust Sector

(1) The fees payable with respect to matters under the *Loan and Trust Corporations Act* are listed opposite the description in the following table:

DESCRIPTION	FEE
Application for initial registration - <i>Loan and Trust Corporations Act</i> , subsection 31(5)	\$2,500 per application

2.5 Mortgage Brokering Sector

- (1) The required fees with respect to matters under the *Mortgage Brokerages, Lenders and Administrators Act, 2006* are the amounts determined according to this section 2.5.
- (2) Definition – In this section 2.5,
 - (a) “two-year cycle” means the two-year period that began on April 1, 2018 and ends on March 31, 2020 and each successive two-year period thereafter.
- (3) Words and phrases defined in section 1 of the *Mortgage Brokerages, Lenders and Administrators Act, 2006* have the same meaning in this section 2.5.
- (4) Mortgage brokerage licence – The applicable fee for an application for a mortgage brokerage licence is the following:
 - (a) For a licence that is to take effect at the beginning of a two-year cycle, \$1,156.
 - (b) For a licence that is to take effect at any other point during a two-year cycle, the amount calculated using the formula,

$$\$100 + (A \times \$44)$$

in which,

“A” is the number of whole and partial calendar months between the date on which the application is submitted and the beginning of the two-year cycle that immediately follows.

- (4.1) On or before the day on which each two-year cycle ends, a corporation, partnership, sole proprietorship or other entity that has a mortgage brokerage licence shall pay a regulatory fee in respect of the next two-year cycle of \$1,056.
- (5) Mortgage broker’s licence – The applicable fee for an application for a mortgage broker’s licence is the following:
 - (a) For a licence that is to take effect at the beginning of a two-year cycle, \$1,156.
 - (b) For a licence that is to take effect at any other point during a two-year cycle, the amount calculated using the formula,

$$\$100 + (A \times \$44)$$

in which,

“A” is the number of whole and partial calendar months between the date on which the application is submitted and the beginning of the two-year cycle that immediately follows.

- (5.1) The applicable fee for an application to renew a mortgage broker’s licence is \$1,056.

- (5.2) An applicant is not required to pay the fee described in subsection 2.5(5) if, on the date the individual submits the application in respect of a period described in that subsection, the individual is a mortgage agent and has paid all applicable fees for mortgage agents under the *Mortgage Brokerages, Lenders and Administrators Act, 2006* in respect of that period.
- (5.3) An applicant is not required to pay the fee described in subsection 2.5(5) or (5.1) if, before the application is submitted, the mortgage brokerage on whose behalf the individual is authorized to deal or trade in mortgages in Ontario notifies the Chief Executive Officer that the individual will be designated as its principal broker when the individual's licence takes effect.
- (5.4) Subsection 2.5(5.3) does not apply if the mortgage brokerage has previously designated another individual as its principal broker in respect of the same two-year cycle.
- (6) Mortgage agent's licence – The applicable fee for an application for a mortgage agent's licence is the following:
- (a) For a licence that is to take effect at the beginning of a two-year cycle, \$1,156.
 - (b) For a licence that is to take effect at any other point during a two-year cycle, the amount calculated using the formula,

$$\$100 + (A \times \$44)$$

in which,

“A” is the number of whole and partial calendar months between the date on which the application is submitted and the beginning of the two-year cycle that immediately follows.

- (6.1) The applicable fee for an application to renew a mortgage agent's licence is \$1,056.
- (7) Mortgage administrator's licence – The applicable fee for an application for a mortgage administrator's licence is the following:
- (a) For a licence that is to take effect at the beginning of a two-year cycle, \$1,156.
 - (b) For a licence that is to take effect at any other point during a two-year cycle, the amount calculated using the formula,

$$\$100 + (A \times \$44)$$

in which,

“A” is the number of whole and partial calendar months between the date on which the application is submitted and the beginning of the two-year cycle that immediately follows.

- (7.1) On or before the day on which each two-year cycle ends, a corporation, partnership, sole proprietorship or other entity that has a mortgage administrator's licence shall pay a regulatory fee in respect of the next two-year cycle of \$1,056.
- (8) Fees not refundable – A fee paid by a person or entity under this section 2.5 is not refundable and may not be credited toward any subsequent fee payable by the person or entity.

2.6 Pension Sector

- (1) The fees payable with respect to matters under the *Pension Benefits Act* are listed opposite the description in the following table:

DESCRIPTION	FEE
Application fee for registration of a pension plan – <i>Pension Benefits Act</i> , subsection 9(2)	\$250 per application

2.7 General Fees

- (1) The fees payable with respect to matters under the Act are listed opposite the description in the following table:

DESCRIPTION	FEE
Certificates issued by the Chief Executive Officer – FSRA Act, section 20.1	\$25 per certificate
Photocopies of documents except where a photocopying fee is specifically provided under another section of this Rule	\$0.50 per page (\$5.00 minimum)

PART 3 REGULATED SECTOR ASSESSMENTS

3.1 Definitions

- (1) In this Part,
- “assessment period” means the period of time with respect to which the Authority makes an assessment under this Part.

3.2 Assessment of Regulated Sectors

- (1) The Authority may assess all entities that form part of a regulated sector with respect to all expenses incurred and expenditures made by the Authority in respect of the regulated sector in connection with work described in sections 3, 4 and 6 of the Act and in carrying out its regulatory functions in respect of the regulated sector under any act that confers powers on or assigns duties to the Chief Executive Officer or the Authority.
- (2) If an assessment is made under this Part, the share of the assessment in respect of the regulated sector and the share of the assessment payable by an entity that forms part of the sector shall be determined in the manner set out in this Part.

- (3) An assessment of a regulated sector or an entity that forms part of a regulated sector may be made in such manner and at such times as the Authority considers appropriate in the circumstances, and may include estimated, interim, periodic, annual and final installments.
- (4) In this Part, the “total of all expenses incurred and expenditures made by the Authority” in respect of a sector for an assessment period referred to in paragraph 1 of subsections 3.3(2) and in subsections 3.4(4), 3.5(2) and 3.6(9) of this Part may include any amount the Authority has been assessed in respect of the sector by the Lieutenant Governor in Council under subsection 15(1) of the Act, or under subsection 15(1) of the *Financial Services Tribunal Act, 2017*.

3.3 Credit Unions Sector

- (1) Definitions – In this section 3.3,
 - (a) “assets” means, with respect to a credit union, the amount shown as the credit union’s total assets in the last Monthly Information Return that was required to be filed by the credit union under section 225 or 226 of the *Credit Unions and Caisses Populaires Act, 1994*;
 - (b) “credit union” means a credit union or caisse populaire to which the *Credit Unions and Caisses Populaires Act, 1994* applies;
 - (c) “credit unions sector” means the sector referred to in clause (a) of the definition of “regulated sector” in section 1 of the Act;
 - (d) “league” means a league to which the *Credit Unions and Caisses Populaires Act, 1994* applies.
- (2) A credit union’s share of an assessment of the credit unions sector under this Part for an assessment period is the greater of \$200 or the amount calculated using the formula,

$$(A - B) \times C/D$$

in which,

“A” is the total of all expenses incurred and expenditures made by the Authority in respect of the credit unions sector for the assessment period,

“B” is the total of all amounts recovered or recoverable during the assessment period through fees and additional assessments paid or payable by the credit unions sector to the Authority in respect of the *Credit Unions and Caisses Populaires Act, 1994* for the assessment period,

“C” is the amount of the total assets of the credit union, and

“D” is the amount of the total assets of the credit unions sector excluding the total assets of all leagues.

- (3) Subject to subsection 3.3(4), a league’s share of an assessment of the credit unions sector under this Part for an assessment period is zero.

- (4) If the Authority does work during an assessment period in response to a request by a league and the work is not related to an examination, investigation or inspection conducted under section 229 of the *Credit Unions and Caisses Populaires Act, 1994*, the league's share of an assessment of the credit unions sector under this Part for the assessment period is the sum of any expenses incurred and expenditures made during the assessment period by the Authority for the work done.

3.4 Insurance Sector

- (1) Definitions – In this section 3.4,
- (a) “insurance sector” means the sector referred to in clause (b) of the definition of “regulated sector” in section 1 of the Act;
 - (b) “property and casualty insurance” means insurance other than accident and sickness insurance and life insurance.
- (2) Words and expressions defined in section 1 of the *Insurance Act* and in an order made under section 43 of the *Insurance Act* have the same meaning in this section.
- (3) For the purpose of this section 3.4,
- (a) an insurer's direct premiums for a class of insurance in a year are the premiums paid to the insurer in the year for that class of insurance, other than premiums for that class of insurance paid to the insurer in the year under agreements for reinsurance; and
 - (b) an insurer's net premiums for a class of insurance in a year are the premiums paid to the insurer in the year for that class of insurance, including premiums for that class of insurance paid to the insurer in the year under agreements for reinsurance, less premiums for that class of insurance paid by the insurer in the year under agreements for reinsurance.
- (4) An insurer's share of an assessment of the insurance sector under this Part shall be determined in accordance with the following:
- (a) The total amount to be used in determining shares of the assessment shall be equal to the total of all expenses incurred and expenditures made by the Authority in respect of the insurance sector for the assessment period.
 - (b) Calculate the expenses incurred and expenditures made in respect of automobile insurance, in accordance with the following formula:

$$D = F + (G \times 0.85) + (H / 2)$$

in which,

“D” is the expenses incurred and expenditures made in respect of automobile insurance,

“F” is the expenses incurred and expenditures made by the Authority during the assessment period in respect of activities

relating to automobile insurance policy and compliance matters, as applicable,

“G” is the expenses incurred and expenditures made by the Authority during the assessment period in respect of insurance rates, classifications and actuarial activities,

“H” is the expenses incurred and expenditures made by the Authority during the assessment period for the Office of the Insurance Ombudsman.

- (c) Calculate the insurer’s automobile insurance share of the assessment, in accordance with the following formula:

$$S = (T / U) \times D$$

in which,

“S” is the insurer’s automobile insurance share of the assessment,

“T” is the insurer’s direct premiums for automobile insurance in Ontario in the year beginning on the January 1 immediately preceding the beginning of the assessment period,

“D” is the expenses incurred and expenditures made in respect of automobile insurance, calculated under paragraph 3.4(4)(b),

“U” is the total, for all insurers licensed for automobile insurance during the assessment period, of all direct premiums for automobile insurance in the year beginning on the January 1 immediately preceding the beginning of the assessment period.

- (d) Calculate the amount to be recovered with respect to activities other than automobile insurance, in accordance with the following formula:

$$V = A - D - W$$

in which,

“V” is the amount to be recovered with respect to activities other than automobile insurance,

“A” is the total amount to be used in determining shares of the assessment, as set out in paragraph 3.4(4)(a),

“D” is the expenses incurred and expenditures made in respect of automobile insurance, calculated under paragraph 3.4(4)(b),

“W” is the total revenue collected during the assessment period by the Authority in respect of the *Insurance Act* and the *Prepaid Hospital and Medical Services Act*, other than taxes paid under section 74.4 of the *Corporations Tax Act* and assessments paid under section 14.1 of the *Insurance Act*.

- (e) If the insurer is licensed for property and casualty insurance during the assessment period, calculate the property and casualty insurer assessment rate for insurers that are members of the Fire Mutuals Guarantee Fund or are incorporated or organized under the laws of foreign jurisdictions, in accordance with the following formula:

$$X = \frac{(0.7 \times V) - (0.0004 \times Y)}{Y + Z}$$

in which,

“X” is the property and casualty insurer assessment rate for insurers that are members of the Fire Mutuals Guarantee Fund or are incorporated or organized under the laws of foreign jurisdictions,

“V” is the amount to be recovered with respect to activities other than automobile insurance, calculated under paragraph 3.4(4)(d),

“Y” is the total, for all insurers that are licensed for property and casualty insurance during the assessment period and that are incorporated or organized under the laws of Ontario and are not members of the Fire Mutuals Guarantee Fund, of all net premiums for property and casualty insurance in the year beginning on the January 1 immediately preceding the beginning of the assessment period,

“Z” is the total, for all insurers that are licensed for property and casualty insurance during the assessment period and that are members of the Fire Mutuals Guarantee Fund or are incorporated or organized under the laws of foreign jurisdictions, of all net premiums for property and casualty insurance in the year beginning on the January 1 immediately preceding the beginning of the assessment period.

- (f) If the insurer is licensed for property and casualty insurance during the assessment period and is a member of the Fire Mutuals Guarantee Fund or is incorporated or organized under the laws of a foreign jurisdiction, calculate the insurer’s property and casualty insurance share of the assessment, in accordance with the following formula:

$$AA = BB \times X$$

in which,

“AA” is the insurer’s property and casualty insurance share of the assessment,

“BB” is the insurer’s net premium for property and casualty insurance in Ontario in the year beginning on the January 1 immediately preceding the beginning of the assessment period,

“X” is the property and casualty insurer assessment rate for insurers that are members of the Fire Mutuals Guarantee Fund or are incorporated or organized under the laws of foreign jurisdictions, calculated under paragraph 3.4(4)(e).

- (g) If the insurer is licensed for property and casualty insurance during the assessment period, is incorporated or organized under the laws of Ontario and is not a member of the Fire Mutuals Guarantee Fund, calculate the insurer's property and casualty insurance share of the assessment, in accordance with the following formula:

$$CC = DD \times (X + 0.0004)$$

in which,

"CC" is the insurer's property and casualty insurance share of the assessment,

"DD" is the insurer's net premiums for property and casualty insurance in Ontario in the year beginning on the January 1 immediately preceding the beginning of the assessment period,

"X" is the property and casualty insurer assessment rate for insurers that are members of the Fire Mutuals Guarantee Fund or are incorporated or organized under the laws of foreign jurisdictions, calculated under paragraph 3.4(4)(e).

- (h) If the insurer is licensed for accident and sickness insurance or for life insurance during the assessment period, calculate the assessment rate for insurers incorporated or organized under the laws of foreign jurisdictions that are licensed for accident and sickness insurance or for life insurance, in accordance with the following formula:

$$EE = \frac{(0.3 \times V) - (0.0004 \times FF)}{FF + GG}$$

in which,

"EE" is the assessment rate for insurers incorporated or organized under the laws of foreign jurisdictions that are licensed for accident and sickness insurance or for life insurance,

"V" is the amount to be recovered with respect to activities other than automobile insurance, calculated under paragraph 3.4(4)(d),

"FF" is the total, for all insurers incorporated or organized under the laws of Ontario that are licensed for accident and sickness insurance or for life insurance during the assessment period, of all net premiums for accident and sickness insurance and life insurance in the year beginning on the January 1 immediately preceding the beginning of the assessment period,

"GG" is the total, for all insurers incorporated or organized under the laws of foreign jurisdictions that are licensed for accident and sickness insurance or for life insurance during the assessment period, of all net premiums for accident and sickness insurance and life insurance in the year beginning on the January 1 immediately preceding the beginning of the assessment period.

- (i) If the insurer is incorporated or organized under the laws of a foreign jurisdiction and is licensed for accident and sickness insurance or for life insurance during the assessment period, calculate the insurer's share of the assessment for accident and sickness insurance and life insurance, in accordance with the following formula:

$$HH = II \times EE$$

in which,

"HH" is the insurer's share of the assessment for accident and sickness insurance and life insurance,

"II" is the insurer's net premiums for accident and sickness insurance and life insurance in Ontario in the year beginning on the January 1 immediately preceding the beginning of the assessment period,

"EE" is the assessment rate for insurers incorporated or organized under the laws of foreign jurisdictions that are licensed for accident and sickness insurance or for life insurance, calculated under paragraph 3.4(4)(h).

- (j) If the insurer is incorporated or organized under the laws of Ontario and is licensed for accident and sickness insurance or for life insurance during the assessment period, calculate the insurer's share of the assessment for accident and sickness insurance and life insurance, in accordance with the following formula:

$$JJ = KK \times (EE + 0.0004)$$

in which,

"JJ" is the insurer's share of the assessment for accident and sickness insurance and life insurance,

"KK" is the insurer's net premiums for accident and sickness insurance and life insurance in Ontario in the year beginning on the January 1 immediately preceding the beginning of the assessment period,

"EE" is the assessment rate for insurers incorporated or organized under the laws of foreign jurisdictions that are licensed for accident and sickness insurance or for life insurance, calculated under paragraph 3.4(4)(h).

- (k) Calculate the sum of the following amounts that apply to the insurer:

- (i) The insurer's automobile insurance share of the assessment, calculated under paragraph 3.4(4)(c).
- (ii) The insurer's property and casualty insurance share of the assessment, calculated under paragraph 3.4(4)(f) or (g).

- (iii) The insurer's share of the assessment for accident and sickness insurance and life insurance, calculated under paragraph 3.4(4)(i) or (j).
- (l) The insurer's share of the assessment under the Act is equal to the greater of the amount calculated under paragraph 3.4(4)(k) and,
 - (i) \$1,000, if the insurer is not a fraternal society, or
 - (ii) \$100, if the insurer is a fraternal society.

3.5 Loan and Trust Sector

- (1) Definitions – In this section 3.5,
 - (a) “loan or trust corporation” means a corporation registered under the *Loan and Trust Corporations Act*;
 - (b) “loan and trust sector” means the sector referred to in clause (c) of the definition of “regulated sector” in section 1 of the Act.
- (2) A loan or trust corporation's share of an assessment of the loan and trust sector under this Part for an assessment period is the amount calculated using the formula,

$$(A - B)/C$$

in which,

“A” is the total of all expenses incurred and expenditures made by the Authority in respect of the loan and trust sector for the assessment period,

“B” is the total of all fees paid or payable during the assessment period by the loan and trust sector to the Authority in respect of the *Loan and Trust Corporations Act*, and

“C” is the number of loan or trust corporations registered under the *Loan and Trust Corporations Act* at any time during the assessment period.

3.6 Pension Sector

- (1) Definitions – In this section 3.6,
 - (a) “assessable pension plan” means a pension plan,
 - (i) for which an application for registration under section 9 of the *Pension Benefits Act* has been filed, or
 - (ii) for which a certificate of registration has been issued under section 16 of the *Pension Benefits Act*;
 - (b) “discontinued plan” means a pension plan for which an annual information return has been filed under section 29.1 of Regulation 909 of the Revised Regulations of Ontario, 1990 (*General*) made under the *Pension Benefits Act*

Act at any time before the beginning of the applicable assessment period;
and

- (c) “pension sector” means the sector referred to in clause (e) of the definition of “regulated sector” in section 1 of the Act.
- (2) Words and expressions relating to pension plans have the same meaning in this section 3.6 as they have under the *Pension Benefits Act*.
- (3) An entity’s share of an assessment of the pension sector under this section 3.6 for an assessment period is the following:
 - (a) For the administrator of an assessable pension plan, other than a discontinued plan, the share calculated in accordance with subsection 3.6(4).
 - (b) For the administrator of a discontinued plan, zero.
 - (c) For any other entity in the pension sector, zero.
- (4) For the purposes of paragraph 1 of subsection 3.6(3), the share of the assessment payable by the administrator of an assessable pension plan for an assessment period is calculated by,
 - (a) determining the preliminary amount of the assessment for the pension plan under subsections 3.6(5), (6), (7) and (8) for the assessment period;
 - (b) determining the adjustment amount for the pension plan under subsection 3.6(9) for the assessment period; and
 - (c) adding the adjustment amount to the preliminary amount of the assessment.
- (5) Subject to subsections 3.6(6) and (7), the preliminary amount of the assessment for an assessable pension plan for an assessment period is the amount calculated using the formula,

$$(A \times \$6.15) + (B \times \$4.25)$$

in which,

“A” is the number of members of the pension plan in respect of the assessment period, determined as specified in subsection 3.6(8), and

“B” is the number of former members, retired members and other beneficiaries of the pension plan in respect of the assessment period, determined as specified in subsection 3.6(8).

- (6) If the amount calculated under subsection 3.6(5) is less than \$250, the preliminary amount of the assessment for the pension plan is \$250.
- (7) If the amount calculated under subsection 3.6(5) is greater than \$75,000, the preliminary amount of the assessment for the pension plan is \$75,000.

- (8) The number of members and the number of former members, retired members and other beneficiaries of a pension plan in respect of the assessment period is the number of each indicated in the most recent annual information return filed under the *Pension Benefits Act* on or before a date determined by the Authority or, in the absence of such a return, the number of each indicated in the application for registration of the pension plan submitted under the *Pension Benefits Act*.
- (9) The adjustment amount for an assessable pension plan for an assessment period is the amount calculated using the formula,

$$(C - D - E) \times F/E$$

in which,

“C” is the total of all expenses incurred and expenditures made by the Authority in respect of the pension sector for the assessment period, other than the reasonable expenses charged to the Pension Benefits Guarantee Fund by the Chief Executive Officer under subsection 82(3) of the *Pension Benefits Act*,

“D” is the total of all amounts recovered or recoverable during the assessment period by the pension sector to the Authority under the Act or to the Chief Executive Officer under the *Pension Benefits Act* for the assessment period, excluding the assessments calculated under this Rule,

“E” is the sum of the preliminary amount of the assessment for every assessable pension plan for the assessment period, as determined under subsections 3.6(5) through (8) for each pension plan, and

“F” is the preliminary amount of the assessment for the particular pension plan for the assessment period, as determined under subsections 3.6(5) through (8).

- (10) The adjustment amount for a pension plan may be a negative number.

PART 4 TRANSITION

4.1 Fees

- (1) Notwithstanding any other provision of this Rule, no fee set out in Part 2 of this Rule is payable to the Authority in respect of any matter where the same fee was previously paid to the Crown in respect of the same matter prior to the Effective Date of this Rule, provided, however, that in the case of each such fee, the Authority has received value for such fee from its predecessor, the Financial Services Commission of Ontario or the Deposit Insurance Corporation of Ontario.

4.2 Assessments

- (1) Definitions – in this section 4.2,
- (a) “annual premium charged by DICO” means an annual premium charged by DICO to a credit union under section 276.1 of the *Credit Unions and Caisses Populaires Act, 1994* prior to the commencement of the Authority’s first assessment period and that relates, in whole or in part, to the period covered by the Authority’s first assessment period;

- (b) “assessment period” means the period of time with respect to which the Authority makes an assessment under Part 3;
 - (c) “DICO” means the Deposit Insurance Corporation of Ontario;
 - (d) “DIRF” means the Deposit Insurance Reserve Fund referenced in subsection 276(1) of the *Credit Unions and Caisses Populaires Act, 1994*; and
 - (e) “regulatory costs of DICO” means, in respect of a period, the costs of DICO in or in respect of that period that are chargeable to the DIRF pursuant to paragraph 276(2)4 of the *Credit Unions and Caisses Populaires Act, 1994*, as determined by the Authority.
- (2) Notwithstanding any other provision of this Rule, in respect of the first assessment period of the Authority, each credit union shall receive a credit in an amount equal to that portion of the annual premium charged by DICO and paid by the credit union that:
- (a) relates to the regulatory costs of DICO; and
 - (b) the Authority determines relates to the period (or part thereof) covered by such first assessment.

Any such credit may be granted by the Authority on an estimated basis in the original assessment invoice issued by the Authority to a credit union, with an adjustment (positive or negative) to be made on a date determined by the Authority. The Authority shall only provide such credit to a particular credit union if the Authority has received value from DICO for the annual premium charged by DICO in respect of such credit union, on or prior to the commencement of the Authority’s first assessment period.

***Agenda Item 4(b)(ii)
October 23/18 EOC Meeting***

***Feedback and Input from FSRA Industry Advisory Group – Life and Health Insurance on
Proposed Funding Model and Fee Rule Approach***

Excerpt From Preliminary Draft of Final Submission

Thank you for giving us the opportunity to provide initial feedback and input regarding the development of FSRA's funding model and fee rule for the life and health insurance sector. We are happy to provide FSRA with any support that it may need during this foundational period and we support the consultative approach being taken.

The CLHIA represents life and health insurers accounting for 99% of the business in Canada. With 65 companies headquartered in the province of Ontario, including two ranked among the top 15 in the world, the life and health insurance industry is a major contributor to the provincial economy. The industry plays a strong role in the economy by employing over 70,000 Ontarians and holding investments of \$296 billion in the province. The industry also provides a strong social safety net for Ontarians, paying almost \$40 billion in benefits each year to those who live in the province through life and health insurance products including annuities, RRSPs, disability insurance, and supplementary health plans.

CAFII is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. The Association was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels. Our members provide insurance through client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the internet. CAFII's 12 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.

Overall, we agree with and support the Vision and the six Guiding Principles that FSRA is using to structure its funding model and fee rules for the regulated sectors.

Below are our responses to the seven key questions on which we have been asked to provide specific feedback and input:

1. How would you change the proposed fee rule as outlined (e.g. Fixed and Variable Rates) and does it change depending on where FSRA's budget is in its estimated \$90m to \$115m range?

Without more specific detail about the financial needs of FSRA, it is difficult for the life and health insurance industry to comment on the specific amounts presented in the Proposed Fee Rule deck provided by FSRA management.

We can only suggest that FSRA's budget should be developed using the current FSCO budget as a benchmark.

Overall, regardless of the funding model and fee rule chosen, the fee structure should be reasonably stable and the variability of fees year-to-year should be modest, so that insurers can plan accordingly for regulatory fees when developing their own operating budgets.

In that connection, basing fees upon direct written premiums, rather than upon net premiums as FSCO does at present, will result in a very substantial increase in fee assessments for some insurers. We recommend that such a significant change – given its very material impact upon some life and health insurers -- should only be implemented in a graduated manner over multiple years (at least two) in order to smooth out and ease the impact upon those companies affected (e.g. limit any increase to 50% of the prior year's assessment in Year 1 or some similar logic).

Board, EOC, and CAFII Committee Members:

Earlier today members of CAFII's Media Advocacy Committee met to discuss the proposed strategy in response to a CBC Marketplace story on credit card balance protection insurance.

Since I wrote those on this distribution list about this issue, the situation has evolved, and so has our proposed strategy, because now CBC Marketplace has directly approached at least three of our members – TD, CIBC, and BMO – asking for an on-camera interview in response to alleged evidence of concerns with credit card balance protection insurance. Specifically, CBC Marketplace has said:

- it has statements from customers that they were signed up for credit card balance protection insurance without their knowledge or consent;
- a customer has said they were denied a claim unjustifiably;
- a former employee has said that there is pressure to sell this product and it is a "scam";
- they have conducted (likely with a hidden camera) mystery shopping where a customer was signed up for the product involuntarily, and had to ask to have the product removed.

Each of the CAFII members who has been approached will decline an on-camera interview, but consideration is being given to individual members sending CBC Marketplace a written statement which could include a reference to CAFII as the industry Association that can speak to the product. If we are then contacted by CBC Marketplace, and we expect we would be, CAFII Media Advocacy Committee members agreed that we should decline an on-camera interview, but would send a written statement.

We are currently working with the Media Advocacy Committee members on the wording for the reference to CAFII; and on the written statement we would send to CBC Marketplace if they contacted us. We expect to have this finalized by Monday, 22 October, 10am. After the final version of the statement is complete, it will be shared with Board members directly through their Media Advocacy representative.

As further details become available I will share them with those on this distribution list. Our understanding is that the CBC Marketplace story will air on Friday, 9 November, at 8pm.

Thank you,

Keith Martin

Co-Executive Director / Co-Directeur général

Canadian Association of Financial Institutions in Insurance

L'association canadienne des institutions financières en assurance

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From: Keith Martin

Sent: October 12, 2018 5:19 PM

To: 'McCarthy, Peter' <Peter.Mccarthy@bmo.com>; 'Benson, Nicole' <Nicole.Benson@valeyo.com>; 'Grant, Bob' <bob.grant@scotiabank.com>; 'Rondzik, Sandra' <Sandra.Rondzik@CIBC.com>; 'Sarah J deGruchy' <sarah.j.degruchy@aexp.com>; 'Lobbezoo, Chris' <chris.lobbezoo@rbc.com>; 'Chris Knight' <chris.knight@td.com>; 'Kelly Tryon' <kelly.tryon@cumis.com>; 'Mastroianni, Marisa' <MARISA.MASTROIANNI@bmo.com>; 'Notter, Lesly' <lesly.notter@scotiabank.com>; 'Fernandes, Rachel' <Rachel.Fernandes@CIBC.com>; 'Dela Cruz, Nancy' <nancy.dela.cruz@td.com>; 'Beattie-Sycko, Kathie' <kathie.beattie-sycko@rbc.com>; 'Jaimee Romans' <Jaimee.Romans@assurant.com>; 'Thorn, Peter' <Peter.Thorn@td.com>; 'Pergola, Antonio' <tony.pergola@scotiabank.com>; 'Bedford, Laura' <laura.bedford@rbc.com>; 'Isabelle Choquette' <isabelle.choquette@dsf.ca>; 'Charles Blaquiere' <Charles.Blaquiere@valeyo.com>; 'Rob Dobbins' <rob.dobbins@assurant.com>; 'Easthope, Dana' <dana.easthope@canadianpremier.ca>; 'Dominique Julien' <dominique.julien@cibc.com>; 'MacLean, Charles' <charles.macleam@rbc.com>; 'Diane Quigley' <diane.quigley@cumis.com>; 'Gill, Moira' <moira.gill@td.com>; 'Lewsen, John' <john.lewsen@bmo.com>; 'Manson, Sue' <Sue.Manson@cibc.com>; 'Jerome Savard' <jsavard2@dsf.ca>; 'Anuraj Bains' <anuraj.bains@cibc.com>; 'Shawna Sykes' <Shawna_Sykes@cooperators.ca>; 'Scott Kirby' <scott.kirby@td.com>; 'Bradley Kuiper' <bradley.kuiper@scotiabank.com>; 'Boyle, Martin' <Martin.Boyle@bmo.com>; 'Monika Spudas' <Monika_Spudas@manulife.com>; 'Wally Thompson' <wallace_thompson@manulife.com>; 'Christopher Donnelly' <christopher_donnelly@manulife.com>; 'Nina Desai' <nina_desai@manulife.com>; 'Leena Khan' <leena_khan@manulife.com>; 'Sandy Zeidenberg' <Sandy_Zeidenberg@manulife.com>; 'Sandy Prokop' <sandy.prokop@rbc.com>; 'Coleman, Fay' <Fay.Coleman@td.com>; 'Liliana Ripandelli' <liliana_ripandelli@cooperators.ca>; 'Tara Clemens' <tara_clemens@manulife.com>; 'Katia Umtoniwase' <Katia_Umtoniwase@manulife.com>; 'Casandra Litniansky' <casandra.litniansky@cumis.com>; 'Pabani, Huma' <Huma.Pabani@td.com>; 'Cecillia Xiao' <cecillia.xiao@assurant.com>; 'Brian Wise' <brian.wise@assurant.com>; 'Noel Brackney' <noel.brackney@bmo.com>; 'McKendrick, Craig' <Craig.McKendrick@cibc.com>; 'Aneta Murphy' <aneta.murphy@scotiabank.com>; 'Johane Lachapelle' <Johane_Lachapelle@cooperators.ca>; 'Johnson, Sarah' <Sarah.Johnson@valeyo.com>; 'darija.aksin@scotiabank.com' <darija.aksin@scotiabank.com>; 'Crystal Jongeward' <crystal.jongeward@td.com>; 'Nadine Roy' <nadine.roy@assurant.com>; 'Henderson, Neil' <Neil.Henderson@td.com>; 'Martin Plante' <mplante2@dsf.ca>; 'Voisin, Lisa (RBC Insurance)' <lisa.voisin@rbc.com>; 'Veronica Lewis' <veronica.lewis@cumis.com>; 'Fear, David' <david_fear@canadalife.com>; 'Georgakis, Louie' <Louie_Georgakis@canadalife.com>; 'Ewen, Dallas' <dallas.ewen@GWL.CA>; 'Greg Skinner' <greg.skinner@rbc.com>; 'Paul Cosgrove' <Paul.Cosgrove@assurant.com>; 'christian.dufour@dsf.ca' <christian.dufour@dsf.ca>; 'Zack Fuerstenberg' <zack.fuerstenberg@scotiabank.com>; 'Mukherjee, Anita' <anita.mukherjee@rbc.com>; 'Vivek Sahni' <vivek.sahni@rbc.com>; 'Mindy Tarantelli' <mindy.tarantelli@scotiabank.com>;
Cc: Natalie Hill <Natalie.Hill@cafii.com>; Brendan Wycks <brendan.wycks@cafii.com>; 'david@strategy2communications.com' <david@strategy2communications.com>

Subject: CAFII Update -- CBC Marketplace to Run Story on Credit Card Balance Protection Insurance
Importance: High

EOC, Board, and CAFII Committee Members,

This note is to provide an update on an issue that several members have been in touch about.

Background

The Canadian Bankers Association (CBA) has recently been approached by CBC Marketplace about a story they are planning on running on credit card balance protection insurance. The email from CBC Marketplace made it clear what direction the story was going to take, stating that “Consumer advocates have told us that this kind of insurance is “useless” for most consumers” and “They tell us that this kind of insurance is expensive, doesn’t cover a lot of situations, and will only pay out a very small amount most of the time, if at all.” The note also makes reference to FCAC Commissioner Lucie Tedesco identifying credit card balance protection insurance as a “problematic, high risk” product, adding that “FCAC also warns that consumers may be given misleading advice or inappropriate explanations about credit card balance protection insurance.” The email then continues by saying that “...we would like to know why the CBA continues to condone a product that many call “problematic”, “useless” and not in the best interest of the consumer.”

CBC Marketplace has requested an on-camera interview between their host, David Common, and CBA President and CEO Neil Parmenter.

In response, the CBA spoke on background and off the record with the producer for CBC Marketplace, and in response to the question “Why the CBA continues to condone a product (creditor insurance) that many call “problematic”” the CBA stated that it does not recommend or approve products for its member banks to distribute. Therefore, the CBA stated that they have neither condoned nor condemned any product – and would never do so.

In terms of the second question, “What the CBA is doing to ensure bank employees are giving appropriate advice on this product” the CBA stated that they do not have a mandate to train bank employees on any aspect of their roles.

The CBA therefore felt that they were in no position to respond to CBC’s questions, and declined the interview; and they did not suggest the names of any organizations or companies that the CBC should contact.

The CBC Producer agreed that the CBA was not the proper entity for this line of inquiry, and pledged that the Marketplace story would **not** say, “The CBA refused to appear on camera to answer questions.”

The CBA was also invited to offer a written comment which might be used in the online version of the story, and sent the following quote: **“Banks in Canada are fundamentally customer-focused institutions that are dedicated to serving clients across the country to help them achieve their financial goals. As such, banks offer a range of products and services to suit the diverse needs of customers in a variety of circumstances.”**

Next Steps

How CAFII should respond to this emerging story is a question we are now examining. On Monday morning Co-Executive Directors Keith Martin and Brendan Wycks; media consultant David Moorcroft; and Media Advocacy Chair Charles Blaquiere will have a meeting to discuss options and develop recommendations.

The recommendations from that meeting will first be run past the **Media Advocacy Committee**, which includes representatives from our members with a media or communications expertise. We will then share options and recommendations more broadly with the EOC and Board.

In the interim, please share with Brendan and Keith any views you may have on how CAFII should best respond; and I will be following up with further information next week.

Thank you

--Keith

Keith Martin

Co-Executive Director / Co-Directeur général

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Email Comments from CAFII Board Members on the Possible Response to the CBC Marketplace Story on Credit Card Balance Protection Insurance

Sandra Rondzik, Vice-President, CIBC Insurance

My view is that an industry response would be helpful.

It would help if CAFII can provide some context/data points/facts/testimonials to CBC to **help balance the story** (not an easy thing to do given they already appear to have an unfavorable agenda).

Other perspectives welcome.

Have a great weekend,

Sandra

Peter McCarthy, President and CEO, BMO Insurance

Thanks Sandra, I concur.

Peter

Kelly Tryon, VP Creditor Insurance and Retail Distribution, CUMIS Life Insurance Company

Also agree

Regards,
Kelly Tryon

Chris Knight, Senior Vice President, Life, Health and Creditor Products, TD Insurance

I agree that we should be prepared with an industry response, one that helps them get their facts straight – balance the story. But we should only engage if we are asked for a response. And we should be cautious in our response as we don't want to give too much credence to the story, which may or may not die depending on the timing and other activity that day.

Also, let's not forget...CBC has a definite lean here, so our efforts may be lost and being quoted could only help add substance to their article.

Point being, be ready, but tread very carefully. Guidance from media / communication expertise is critical.

Chris

Chris Lobbezoo, VP, Creditor Products and Sales Distribution, RBC Insurance

I support this approach of being ready but responding only if necessary given CBC has a stated bias. These media reports are opinion based versus fact based. Our involvement could give the story more traction.

Thanks

Chris

Media Advocacy	Charles Blaquiere*	Vice President, Canadian Market, Business Partner Group	Canadian Premier	charles.blaquiere@valeyo.com
	Brian Smith	Senior Advisor Corporate Communications, Government & Investor Relations	BMO	brianj.smith1@bmo.com
<i>Public Advocacy</i>	Kim Johnson	Relationship Manager, Media Relations	BMO	Kim1.Johnson@bmo.com
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	Crystal Jongeward	Manager, Corporate & Public Affairs	TDI	crystal.jongeward@td.com

Confidential

<p style="text-align: center;">CAFII STANDBY STATEMENT CBC MARKETPLACE STORY ON CREDIT CARD BALANCE PROTECTION</p>
--

Draft 2a, October 19, 2018

Background:

CBC Marketplace contacted the Canadian Bankers Association in early October about a story they are planning to run on credit card balance protection insurance. The email from CBC Marketplace made it clear the story would be negative.

The note also made reference to FCAC Commissioner Lucie Tedesco identifying credit card balance protection insurance as a “problematic, high risk” product, adding that “FCAC also warns that consumers may be given misleading advice or inappropriate explanations about credit card balance protection insurance.”

CBC Marketplace requested an on-camera interview between their host, David Common, and CBA President and CEO Neil Parmenter. In response, the CBA spoke on background and off the record with the producer for CBC Marketplace, and in response to the question “Why the CBA continues to condone a product (creditor insurance) that many call “problematic”” the CBA stated that it does not recommend or approve products for its member banks to distribute. Therefore, the CBA stated that they have neither condoned nor condemned any product – and would never do so.

In terms of the second question, “What the CBA is doing to ensure bank employees are giving appropriate advice on this product” the CBA stated that they do not have a mandate to train bank employees on any aspect of their roles. The CBA therefore felt that they were in no position to respond to CBC’s questions, and declined the interview; and they did not suggest the names of any organizations or companies that the CBC should contact.

Since then, at least three CAFII members (TD, CIBC and BMO) have been approached for on-camera interviews and have been told the CBC has found clients who claim to have been miss-sold the product, and an employee who said he/she was pressured to sell the product. We believe CBC may have sent a reporter to bank branches pretending to be a client applying for a credit card and secretly video- taped conversations with employees trying sell them credit card balance protection insurance.

The banks contacted by the CBC will likely decline on camera interviews, but may provide a written statement. They may also refer the CBC to CAFII for further information, and if they wish to, we recommend the following wording:

“Should you wish to learn more about how financial institutions in Canada are making insurance simple, accessible, and affordable for Canadians, please visit the website of the Canadian Association of Financial Institutions in Insurance at www.cafii.com.”

The episode on credit balance protection insurance, which will be negative, is expected to air November 9.

Communications Strategy:

CAFII has decided not to participate in an on camera video interview with CBC Marketplace for the following reasons:

- The Financial Consumer Association of Canada (FCAC) and the Department of Finance are expected to release a report this fall recommending new protections for consumers. Finance has asked the industry to remain in a "no noise" mode about consumer protection issues until after the report is issued.
- Participating in an interview with the CBC will add fuel to the fire by giving Marketplace an opportunity to create on air conflict and controversy between the industry and its critics. We suspect FCAC may not participate for the same reason.
- Credit card balance protection insurance is not the product that the industry should make the poster child for creditor insurance. If we want to win an argument about the value of creditor insurance, there are better products to hang our hat on.

Potential statement from CAFII:

If approached by CBC Marketplace for comment, CAFII will decline an on camera interview, but will offer to provide a written statement as follows:

"CAFII members provide a range of competitively priced creditor insurance products that help consumers and their families cover their mortgage, loan and credit card debt obligations against a number of risks such as death, disability, critical illness, and job loss. Our members monitor consumer acceptance of and satisfaction with all of their creditor insurance products, including credit card balance protection, and will continue to make product improvements going forward based on customer research.

In addition, CAFII provides helpful consumer information about creditor insurance products on its website at www.cafii.com."

CAFII media contact:

David Moorcroft (416-727-1858) has been designated the media quarterback for this issue, and he will handle all media requests to CAFII. He will speak off the record on background in an effort to diffuse follow up interest in the story by providing helpful information, namely the content in the written statement. If David decides the media call needs to be escalated, he will contact Keith and Brendan to determine the best strategy.

As of October 19, 2018

For more information, contact David Moorcroft, 416-727-1858.

From: david@strategy2communications.com <david@strategy2communications.com>

Sent: October 15, 2018 10:10 AM

To: Brendan Wycks <brendan.wycks@cafii.com>; Keith Martin <Keith.Martin@cafii.com>; Charles Blaquiere <Charles.Blaquiere@valeyo.com>

Subject: Discussion with Aaron Boles of CBA about CBC Marketplace

Just had a good phone call with Aaron, the VP of CBA communications.

The main reasons for the CBA not doing an interview with CBC Marketplace are:

- The FCAC and the Department of Finance are expected to release a report this fall recommending new protections for consumers. Finance has asked the industry to remain in a "no noise" mode about consumer protection issues until after the report is issued. This is why the CBA also refused interviews about Scotiabank dropping out of the arbitration program run by the Ombudsman for Banking Services and Investments.
- Participating in an interview would have "stoked" the story by giving Marketplace an opportunity to create on air conflict and controversy between the industry and its critics. They suspect FCAC may not participate for the same reason and for the above reason.
- Credit card balance protection insurance is not the product that the industry should make the poster child for creditor insurance. If we want to win an argument about the value of creditor insurance, there are better products to hang our hat on.

Some other interesting insights from Aaron:

- CBC Marketplace is struggling for reasons and on air participants to make this story different and an advancement from a story they did in 2009. They complained to him that they are having trouble getting anyone to come on air besides insurance agents and brokers. He feels that unless they can uncover some disgruntled users of credit card protection insurance, the story won't have much excitement.
- He has not and will not mention CAFII to CBC Marketplace.
- The story will likely run in the next 3 to 4 weeks.
- Aaron promised to keep us informed on any developments on this story, and to inform me of any future media enquiry about other creditor insurance product stories.

- David

What is Credit Card Insurance?

Credit Card Insurance, sometimes known as balance protection insurance, pays out your outstanding balance (subject to any limits in the policy) or makes monthly payments on your behalf to your credit card issuer if your income is interrupted by unforeseen events.

What are the benefits of Credit Card Insurance?

Credit Card Insurance can reduce the burden of making payments to your credit card issuer and help protect your good credit rating, should your income be interrupted by unplanned circumstances such as job loss, disability, critical illness, or death.

What does Credit Card Insurance Cover?

The specific range of benefits provided by this insurance will vary with the financial institution that issued your credit card, but benefits generally include coverage for disability, critical illness, job loss and accidental death and/or dismemberment. There are also plans tailored for specific client segments (e.g. students and spouses of the primary insured cardholder). The benefit amount also varies by credit card, with some paying the minimum monthly payments on your credit card if you lose your job or are disabled, and paying out the entire credit card balance if you are diagnosed with a critical illness, are dismembered or die.



Is Credit Card Insurance Worth It?

If you already have enough term life insurance, disability insurance, job loss insurance, critical illness insurance, and rainy day funds in place, you may not need Credit Card Insurance. However, if you

wouldn't have enough money to continue making your minimum monthly payments on your credit card if your income was reduced or interrupted by unforeseen circumstances, Credit Card Insurance is something you should consider.



How much does Credit Card Insurance Cost?

The premium you pay for this type of insurance is based on how much you owe on your credit card, and the type of coverage you have. There is usually a maximum limit on the amount of debt that can be covered (in many cases, a maximum of \$25,000). Typically, the monthly cost for this type of insurance is about 99 cents (plus taxes) per \$100 of your average daily credit card balance; or 59 cents per \$100 of your average daily credit card balance if you're 66 years of age or older.

All types of credit protection insurance coverage, including Credit Card Insurance, are provided under a group policy rather than being individually underwritten. This means that more Canadians can be insured at economical standard group rates.

CONFIDENTIAL TO CAFII MEMBERS; NOT FOR WIDER DISTRIBUTION

Options for CAFII around Follow up with Financial Consumer Agency of Canada (FCAC)
Post 14 September, 2018 CAFII Special Purpose Board Meeting with Deputy Commissioner Brigitte Goulard

EDUCATION OF FCAC

- ➡ Send a written submission to the FCAC outlining how the financial institutions in insurance industry works, including information on controls and monitoring re sales and Fair Treatment of Consumers (FTC) related to Authorized/Creditor's Group Insurance Products; compensation; suitability versus eligibility; restrictions on offering advice due to the Bank Act and Insurance Business (Banks and Bank Holding Companies) Regulations
- ➡ Request an opportunity to present to FCAC on how industry the financial institutions in insurance industry works, including information on controls and monitoring re sales and Fair Treatment of Consumers related to Authorized/Creditor's Group Insurance Products; compensation; suitability versus eligibility; restrictions on offering advice due to the Bank Act and Insurance Business (Banks and Bank Holding Companies) Regulations
- ➡ Request an opportunity to present to the FCAC on CAFII's current Credit Protection Insurance Consumer Research; leverage this opportunity to deliver key messages about the financial institutions in insurance industry

LICENSING AND TRAINING

- ➡ Collect data from each CAFII Member on the training given to their employees, particularly customer service representatives (CSRs), who are involved in sales of Authorized/Creditor's Group Insurance Products and aggregate these; then send to the FCAC as a written response to questions raised about employee knowledge and FTC practices in this area
- ➡ Develop a CAFII-operated "light" training course, building on what our Members already offer to their employees (particularly customer service representatives), and have a twice-per-year or annual online training across all appropriate Member employees; let FCAC know we developed this in response to their concerns
- ➡ Develop a CAFII-operated formal certification program that would be made available to all Member employees, particularly customer service representatives involved in sales of Authorized/Creditor's Group Insurance Products. This would cover product eligibility, appropriate sales techniques, and FTC best practices; and Member employees who pass the program would receive a CAFII-branded certification/designation
- ➡ Develop on the CAFII website "is this product right for you" checklists, to which individual Members could refer customers; these would provide information on what customers should consider in deciding whether or not to purchase a specific Authorized/Creditor's Group Insurance product. Or, these could be developed by CAFII and made available to individual Members to share with their customers.

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Subject: CAFII - Membership Badge

EOC Members:

As Co-Executive Directors, we are pleased to recommend a new and effective vehicle through which member companies can help elevate our Association's profile and cachet, while at the same time driving more traffic to our consumer-focused CAFII website by enhancing its competitive credibility and improving its display rankings when individuals search for information on insurance, particularly the products and services offered by our members.

RankHigher, our website and Search Engine Optimization advisory firm, has provided compelling evidence that one of the most effective ways for an organization to improve its internet search results is by having its website/organization "validated" by other, credible organizations.

The new and effective vehicle we are proposing would involve CAFII members discreetly placing a "membership badge" on a section of their corporate websites. Search engines look favourably on such links between websites, and this simple gesture will be of great help in building positive momentum for our Association.

The process would involve having your web-team upload the badge attached to this email to your site, using the instructions provided below. The goal is to allow the CAFII badge to be seamlessly integrated into your website, without intruding on your primary insurance product pages. As such, RankHigher recommends that the CAFII membership badge be placed on one of the following page types:

1. Creditor-insurance page(s)
2. General resources page(s)
3. Helpful links page(s)
4. FAQ page

We will be putting this recommendation on the agenda for discussion at the September 25/18 Executive Operations Committee meeting; and are providing this information, along with the associated instructions, as background information prior to that discussion.

Warm Regards,



Keith Martin
Co-Executive Director



Brendan Wycks
Co-Executive Director



INSTRUCTIONS FOR BADGE UPLOAD FOR WEB-TEAM:

Please have your web-team upload the badge to your site, using the following code:

``

Note: where the src in the img tag (/images/cafii_badge.png) is replaced with the path to the image on the corresponding site.



Travel Insurance Working Group

Update Meeting with Canadian Association of Financial Institutions in Insurance (CAFII)

October 24th, 2018 | 1:00pm – 2:00pm ET

AGENDA

**Dial in: 416-212-8012
Toll Free: 1-866-633-0848
Passcode: 2494889#**

	Item	Lead
1.	Welcome	SEC
2.	CAFII Update	CAFII
3.	Preliminary Data Discussion	Chair
4.	Other Business	All

Materials:

- I. Agenda
- II. Excel Spreadsheet - Baseline Data for Travel Health Insurance Products
- III. Email Confirmation from Secretariat

Baseline Data for Travel Health Insurance Products				
	Individual Insurance	Group Insurance		
		Credit Card	Employer Benefit	Other
Total number of policies sold (excluding cooling-off period cancellations/including voided policies)				
Gross written premium (\$) net of cancellations				
Number of applications selected for underwriting				
Number of applications declined/repriced by insurer				
Total number of certificates in force on January 1, 20XX				
Total number of certificates in force on December 31, 20XX				
Total number of claims presented (including voided policies)				
Number of claims paid (in full/part)				
Number of claims denied (in full / excluding voided policies)				
Number of policies voided by the insurer				
Total value of claims presented (\$)				
Amount paid in benefits (\$)				
Number of complaints received by internal ombudsman				
Percentage of THI products offered that have been reviewed to ensure they meet the recommendations outlined in the CCIR Travel Health Insurance Products Position Paper				



August 8, 2018

Mr. Brendan Wycks
Executive Director
Canadian Association of Financial Institutions in Insurance (CAFII)
21 St. Clair Ave. West, Suite 802
Toronto ON M4T 1L9

Brendan.wycks@cafii.com

Dear Mr. Wycks:

Re: 2018 CCIR Stakeholder Dialogue

The Canadian Council of Insurance Regulators (CCIR) is inviting your organization to participate in the 2018 CCIR Stakeholder Dialogue ("Dialogue") in Toronto, Ontario on Thursday, October 25, 2018.

The CCIR Stakeholder Dialogue provide industry representatives with an opportunity to discuss concerns and emerging issues in the country's insurance sector directly with the provincial and territorial regulatory authorities. CCIR members view the meetings as a valuable opportunity for our key stakeholders to provide input, insight and context around emerging regulatory issues and priorities affecting Canada's insurance market.

Stakeholders interested in participating in-person will be allotted a timeslot of about 40 minutes. For stakeholders that are unable to attend in-person, CCIR will also accept feedback in writing.

An agenda and additional details, including the meeting location will be provided soon. The CCIR expects participating stakeholders to present or speak to issues, concerns and trends that may be of interest to the regulators. This would include developments affecting consumers and the insurance market and other areas where your organization considers regulatory attention is required.

If your organization have materials for the meeting, including specific questions for CCIR, please provide them in advance. As the time allocated to each stakeholder is limited, CCIR recommends you focus your time on the issues and concerns you wish to discuss during this dialogue.

We ask that you please RSVP by August 31, 2018 by contacting Tony Toy, Senior Policy Manager at Tony.Toy@fscs.gov.on.ca or by phone at 416-590-7257, to confirm your organization's intention.

We greatly appreciate your organization's contribution and look forward to meeting with you.

Sincerely yours,

Original signed by

Patrick Déry, Chair
Canadian Council of Insurance Regulators

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