

### CAFII Meetings

**Date:** Tuesday, October 27, 2015  
**Location:** ScotiaLife Financial  
20 Queen Street, 35<sup>th</sup> Floor  
Toronto, ON (Upstairs Eaton Centre)  
**Chair:** G. Grant

**Time:** 2:00 – 4:00 p.m. EOC Meeting  
4:00 – 5:15 p.m. LLQP Stakeholder Session  
**Dial-in:** 416-764-8662 or 1.888-884-4534  
Participant code: 8504948#;  
Moderator code: 2551109#

### Agenda

EOC Meeting Agenda 2:00 – 4:00 pm	Presenter	Action	Document
1. Call to Order	G. Grant	Update	
2. Approval of Agenda and Previous Minutes <ul style="list-style-type: none"> <li>a. EOC Minutes of September 22, 2015</li> <li>b. Board Minutes of October 6, 2015</li> <li>c. Summary of Board and EOC Action Items</li> </ul>	All	Approval Approval Update	✓ ✓ ✓
3. Strategy and Governance <ul style="list-style-type: none"> <li>a. Balanced Scorecard</li> </ul>	G. Grant, B. Wycks	Update	✓
4. CAFII Financial Management <ul style="list-style-type: none"> <li>a. Financial Statements as at September 30, 2015</li> </ul>	R. Rajaram (3pm)	Approval	✓
5. Regulatory <ul style="list-style-type: none"> <li>a. Consultations/Submissions Timetable               <ul style="list-style-type: none"> <li>i. BC 10-Year Review of FIA</li> <li>ii. BC “Effecting” of CGI Issue</li> <li>iii. QC Review of Distribution Act</li> <li>iv. ON Review of FSCO Mandate</li> <li>v. CCIR Review of Travel Health Insurance</li> <li>vi. SK Bill 177</li> </ul> </li> <li>b. Regulatory Update</li> <li>c. Regulator and Policy-Maker Visit Plan</li> </ul>	B. Wycks	Update        Information Update	✓ ✓ (3)        ✓ ✓
6. EOC Committee Updates <ul style="list-style-type: none"> <li>a. Research &amp; Education</li> <li>b. Media Advocacy</li> <li>c. Market Conduct</li> <li>d. Licensing Efficiency Issues</li> <li>e. Events and Networking</li> </ul>	S. Manson C. Blaquiere B. Wycks M. Gill M. Sanchez-Chung	Update Update Update Update Update	
7. Other Business			
<b>LLQP Stakeholder Information Session 4:00 – 5:15 pm</b>			
Ron Fullan, CISRO Chair, will cover administration issues related to the new LLQP Member FIs are encouraged to invite relevant administrative staff to attend.			

- Next EOC Meeting is November 17/15 in Toronto.
- Next Board Meeting is Dec 8/15 hosted by Canadian Premier Life at the National Club, 303 Bay St., Toronto, ON.

**CAFII EOC Meeting Minutes**

**Tuesday, September 22, 2015**

**Location: CIBC Insurance, Commerce Court  
199 Bay Street, 4<sup>th</sup> floor [Imperial Room], Toronto, ON**

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

**1. Call to Order**

The meeting was called to order at 10:10 am. G. Grant acted as Chair and Leya acted as Recording Secretary.

**2. Approval of Agenda and Previous Minutes**

**a. Approval of Agenda**

The agenda was approved as presented.

**b. Approval of EOC Minutes of June 23, 2015**

Approved as presented.

**c. Approval of EOC Minutes of August 25, 2015**

The title of item 2.h(i) was revised as follows: *Canadian Underwriter and the Bank Act*. The minutes were approved as amended.

**d. Summary of Board and EOC Action Items**

Brendan reviewed the action items with members and discussion occurred on the following.

- Ontario Review of FSCO Mandate. The chair of the expert panel holds a negative opinion of CCIR, to which industry participants at the roundtable meetings pushed back on. CAFII shall include commentary on the positive work of the CCIR in its follow-up letter to the panel.
- Carol Shevlin, CCIR: Updated content on CCIR's Policy Manager succession is available in today's Regulatory Update. The first of two successor appointees has been named and Carol's retirement date has been pushed forward. A relationship transition lunch meeting will be requested with Carol and her two successors before her departure and EOC members will be invited to attend (maximum of 5). Finally, as a token of appreciation, Carol has been invited as the guest of honor at CAFII's December reception. Brendan will advise members of the lunch date once it is confirmed.

**3. Strategy and Governance**

**a. Balanced Scorecard**

- BC FICOM Effecting of CGI. Kristine McTaggart Wright left FICOM's employ in August, which delayed release of the Information Bulletin. The new lead on this file is Chris Carter, Deputy Superintendent, Real Estate and Mortgage Brokers. Members acknowledged there are some serious implications to this file based on the recently released Information Bulletin.
- ON Ministry of Finance: Implementation of "Proposed Regulations Related to Parts V and VII of the Insurance Act," which are set to come into force on July 1, 2016 is being monitored closely through Paul Braithwaite of the Ministry of Finance.

**4. Regulatory Relations and Advocacy**

**a. CAFII Consultations/Submissions Timetable 2015-16**

- CCIR Review of Travel Insurance: The release of the travel insurance review discussion paper has been pushed back to the first quarter or early in the second quarter of 2016, as advised by Harry James. The survey of travel health insurers recently closed and no further updates have been provided.
- SK Bill 177: Jan Seibel has advised that progress on the Draft Regulations over the summer was slower than expected; however, they have not yet indicated whether the timelines will be pushed back. Regulations are still expected to be released for comment in November.
- 2017 Bank Act Review: To be added as a watch file.

**i. Submission Re. BC FICOM 10-Year Review of FIA**

A follow-up conference call is proposed to reiterate our key messages and find out what the Ministry of Finance's leanings are on the issues. In addition, we can confirm what they have learned through other stakeholders, particularly those views that are different to our own, and when the stakeholder meetings will be held.

The submissions haven't been posted yet; however, Brendan will continue to monitor the site in order to learn about what other perspectives were submitted.

**Action:** Follow-up with BC FICOM regarding when submissions will be posted and when they are thinking of scheduling the stakeholder meetings. *[Brendan; tba]*

**i. QC Review of Distribution Act**

The CAFII submission on the QC Distribution Act was included in the meeting materials for final review. At this time, the submission has been through a number of reviews and no additional comments have been received.

**ii. BC “Effecting” of CGI Issue**

Members discussed some potential concerns arising from the recently released Information Bulletin including the language that is used, adding that the Bulletin will have more of an impact than we initially expected. Concerns were raised by various CAFII members and it was decided that the Bulletin shall be reviewed in more detail by the Market Conduct Committee with the goal of identifying issues and concerns and proposing next steps for CAFII. Derek and John advised members that their respective legal departments are reviewing the Bulletin and they will provide a summary of what they learn from the review following this meeting. The CLHIA’s Creditors Group and Alternate Distribution Committee and Legal Committee will be discussing this during meetings this week.

**Action Items:**

- Market Conduct Committee to look at Information Bulletin and propose next steps for CAFII.
- Summary of internal legal review of Information Bulletin to be shared with EOC. *[Derek Blake and John Lewsen; tba]*

**b. Regulatory Update**

Brendan reviewed the Regulatory Update and briefly highlighted recent developments in Manitoba. Erin Pearson has advised that the launch of Restricted Insurance Agent / ISI Regime has gone smoothly. The Insurance Council’s ISI Committee met last week and will be seeking future flexibility to be able to bring new incidental seller entities under the ISI regime without having to get the government to update the Regulation each time.

**c. Regulator and Policy-Maker Visit Plan**

- BC FICOM. A follow-up teleconference meeting will be scheduled with Chris Carter, Acting Head of Market Conduct Supervision, on the Information Bulletin and on the effecting of CGI issue generally, once the Market Conduct Committee has identified CAFII’s issues and concerns.
- FSCO is hosting its annual seminar for the life and health insurance sector on Friday, November 20 at the Novotel in North York. CLHIA has announced that its 2015 Consumer Complaints Fall Seminar will take place on October 8/15 at the Delta Hotel in Toronto. The seminar will include a regulator panel that includes Joane Abram from Alberta, Izabel Scovino from FSCO, and Erin Pearson from Manitoba.

## 5. EOC Committees Updates

### d. Media Advocacy Committee

Charles, chair of the media advocacy committee, presented a document outlining the hot button issues which are being discussed and developed by the committee. During previous meetings, members agreed that the key messages are good and the next question is how do you package this in an accessible way for consumers and reporters? A plan will also be developed that enables CAFII to communicate its messages, including the creation of a home for these messages on the CAFII website. But it's not just a matter of updating the information online and meeting with journalists. The messages need to be repeated, adding stories that will provide greater context for the message, and the information needs to be refreshed more frequently and responses must be tracked. Members discussed developing a two-year tactical plan for accomplishing this, including securing additional resources. Consideration is still being given to CAFII's spokesperson in the event that media call.

## 6. CAFII Financial Management

### a. Financial Statements as at August 31, 2015

Raja reported the year-to-date net income at \$65K which is healthy compared to budget year-to-date. Some membership payments remain outstanding including AMEX Bank of Canada and KPMG, both of whom have acknowledged their continued participation in the Association. The Balance Sheet is healthy at almost \$400K and there is nothing to report on liabilities. We have a Net Assets position of \$372K.

## 7. EOC Committees Updates *Continued*

### e. Market Conduct Committee

The committee worked on a few submissions over the course of the summer in collaboration with the Licensing Committee. Through this process, they achieved the right mix of resources and expertise around the table and the submissions were ready in advance of their respective deadlines.

### f. Licensing Committee

No updates.

### g. Events and Networking Committee

Members discussed the potential for having a panel presentation at the Annual Members' Luncheon in 2016. It was suggested that we could draw upon the CCIR Travel Insurance Working Group (TIWG) members. The topic of how things are unfolding with CCIR's national market conduct framework/supervisory college approach was also suggested and members are invited to propose other suggestions for the committee to follow-up on.

**Action:** Members to be prompted for speaker suggestions for the 2016 Annual Members' Luncheon.  
[Leya; asap]

### Board Meeting, December 8, 2015

TD Insurance will be holding its year-end senior management meetings on December 8, 2015, which conflicts with the next CAFII Board meeting. However, at this time, the venue has already been

booked for December 8 and it was decided that representatives from TD shall review the timing of the respective events to identify times on that day in which they may be able to participate in some part of the CAFII meetings. In addition, CAFII will consider ordering the agenda to ensure that all Directors can participate in the discussion of key issues.

#### **h. Research & Education Committee**

##### **i. Travel Insurance Project**

Alexandra Franek, Associate Vice President, Pollara, joined the meeting to present the draft results of the Travel Medical Insurance Survey. Members were requested not to circulate the information in its current form while Pollara and the CAFII working group work on further refinements. The purpose of the project was to survey Canadians regarding their perceptions of travel medical insurance, including non-buyers, buyers and those who made claims. Overall, consumers had a positive perception of the industry and while there are no areas of great concern, there are opportunities for improvement. The team reviewed results broken down by banks, credit unions and caisses populaires; however, the sample size was too small and therefore this data was not included in the report.

Alexandra provided a concise review of the study and members were pleased with the results. Sue reported on next steps, including a review and comparison of the results against the FCA's parallel survey in the UK, which was the initial goal of conducting this survey. In terms of learnings, Alexandra indicated that one of the reasons for complaints about travel medical insurance could be addressed through simplifying the claims process. Other suggestions that arose through the survey include providing regular updates on the status of a claim, using less ambiguous wording in the policy, and providing examples of what is required.

#### **2. Other Business**

##### **a. New Directors: CPL**

EOC Members were advised that a new Director will be appointed from Canadian Premier Life Insurance at the Board Meeting on October 6, 2015.

##### **b. Website Updates: Membership Information**

**Action:** As proposed in the document included in the meeting materials, website content changes to be made unless we receive requests for adjustments or other feedback by Friday, September 25.

*[Leya; tba]*

#### **3. Termination**

There being no further business, the meeting was terminated at 12:00 p.m.

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Date

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Chair

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Recording Secretary

**CAFII Board Meeting Minutes**  
**Tuesday, October 6, 2015**  
**Location: Desjardins Financial Security**  
**150, rue des Commandeurs, 15<sup>th</sup> floor, Lévis, Québec**

**DRAFT**

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

**1. Call to Order**

The meeting was called to order at 3:00 p.m. P. McCarthy acted as Chair; J. Lewsen acted as Secretary; and L. Duigu acted as Recording Secretary.

**1.1. Approval of Agenda**

On a motion duly made, seconded and unanimously carried

**IT WAS RESOLVED that:**

The Meeting Agenda be approved as presented.

### **1.2. Appointment of New Director**

In July, CAFII was advised that I. Sananes, the longest serving Director on the CAFII Board, was no longer with Canadian Premier Life Insurance and, as such, a successor would be nominated as CPL's representative on the Board. CAFII has delivered a gift of appreciation to Mr. Sananes, in recognition of his service to the organization.

C. Blaquiére informed members that Canadian Premier Life Insurance (CPL) was nominating Nicole Benson, *President, CRI Canada* and head of the Affinity Group who is also overseeing CPL, to succeed I. Sananes as its Director on the CAFII Board.

On motion duly made, seconded and unanimously carried

#### **IT WAS RESOLVED that:**

Nicole Benson be appointed as a Director representing Canadian Premier Life Insurance on the CAFII Board of Directors, effective October 6, 2015 until the next annual Meeting in 2016.

### **1.3. Appointment of Officers**

I. Sananes was also Vice-Chair of the Board and therefore it is necessary to appoint a successor Vice-Chair of the Association. J. Bourdeau, Director from National Bank, has agreed to serve as CAFII Vice-Chair if so appointed by the Board.

On motion duly made, seconded and unanimously carried

#### **IT WAS RESOLVED that:**

Joane Bourdeau be appointed as Vice-Chair of the Association, effective October 6, 2015 until the next Annual Meeting in 2016.

## **2. Consent Items**

On a motion duly made, seconded and unanimously carried

#### **IT WAS RESOLVED that:**

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

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

#### **IT WAS FURTHER RSOLVED that:**

The Minutes of the meeting of the Board held on June 9, 2015 be and are adopted in the form presented, and that a copy of these minutes be signed and placed in the Minute Book of the Corporation.



### **3. Financial Statements as at August 31, 2015**

Treasurer Raja Rajaram was unable to attend today's meeting and therefore B. Wycks presented the financial statements on his behalf. CAFII currently has \$65K in net income year-to-date, an amount that will be offset by some large expenses that have recently come in, bringing us closer to our projected budget.

There are currently two members and one Associate with outstanding membership dues; however, all three have confirmed their continued participation in the Association and payment of the outstanding amounts is expected shortly.

On a motion duly made, seconded and unanimously carried

#### **IT WAS RESOLVED that:**

The CAFII financial statements as at August 31, 2015 be and are approved in the form presented.

### **4. Regulatory Consultations/Submissions Timetable:**

#### **4.1. ON Review of FSCO Mandate**

P. McCarthy attended the life and health insurance sector roundtable meeting with Greg Grant on July 30. There was a general consensus against forming an Insurance Council in Ontario and the Expert Panel hinted at a possible merger between FSCO and OSC but didn't address it directly. A member of the Expert Panel expressed negative views about CCIR, CISRO, and OSFI, going so far as to suggest implementing stricter guidelines for CCIR to produce something. Also discussed was the potential for introducing an industry-funded compensation fund for consumers, akin to what exists in Quebec; and some time was spent discussing segregated funds. CAFII will be submitting a follow-up letter to the Expert Panel expressing support for FSCO's participation in national co-ordinating bodies such as CCIR and CISRO, and reiterating our key messages. A position paper from the Expert Panel is expected in early November followed by a final report in March 2016.

#### **4.2. CCIR Working Group on Travel Insurance**

In the industry issues dialogue with AMF staff executives held immediately prior to this meeting, Patrick Dery, current Chair of CCIR, had confirmed that the work of CCIR's Travel Insurance Working Group had been delayed due to other CCIR priorities, such that a Discussion Paper would not be published until the first quarter or early second quarter of 2016. However, once the Paper is released, CCIR will allow for a 60 day consultation period.

#### **4.3. Quebec Review of Distribution Act**

CAFII submitted a response on September 30, which commented on those proposals in the Report on the Distribution Act that are relevant to our members. The work that produced the submission was performed by members of the Licensing and Market Conduct committees and we will continue to be proactive by reaching out to the Quebec Ministry of Finance on this.

#### **4.4. BC FICOM 10-Year Review Of FIA**

The submission to BC FICOM's 10-year review of FIA was submitted ahead of the deadline and addressed the points in the consultation paper that are relevant to CAFII.

Gerry Matier, Executive Director of the Insurance Council of BC, shared a copy of the Council's submission with B. Wycks last week. B. Wycks provided a high level summary of the Insurance Council's recommendations, highlighting pages 4 and 5 under Credit Insurance.

Members discussed strategies for countering the views of the Insurance Council, which would see credit insurance's existing exemption under the Insurance Licensing Exemptions Regulation significantly changed and limited. It was agreed that CAFII needs to raise awareness with the Ministry of Finance. In the Association's own submission, CAFII suggested a meeting with the Ministry and we are now in a position to request one. The visit to the Ministry in BC shall be made by a delegation of members including Directors.

**Action:** EOC to determine next steps and arrange a meeting with the BC Ministry of Finance. Board members to be part of the delegation, if available. *[Brendan; asap]*

#### **4.5. BC "Effecting" of CGI Issue**

A review of the recently released FICOM Information Bulletin on the effecting of creditor's group insurance in BC revealed that not all issues addressed therein apply to CAFII members. The CLHIA legal committee has formed a group to look at this, and CAFII members are participating on that CLHIA group. So perhaps there isn't a need for CAFII to delve into this issue further. However, D. Blake highlighted potential areas of concern regarding the active involvement of creditors and members agreed that the Market Conduct Committee and, subsequently, the EOC shall review this issue further to determine whether CAFII follow-up interaction with FICOM is warranted.

**Action:** *Market Conduct Committee and EOC to identify areas of concern in the CGI Information Bulletin and determine whether CAFII should arrange follow-up interaction with FICOM about it. [EOC; tba]*

#### **4.6. SK Bill 177**

Jan Seibel informed B. Wycks that progress has been steady but slower than expected. As a result, there is some uncertainty as to the timing of the release of Draft Regulations for industry consultation, which could be pushed to the first quarter of 2016. Additional information will be provided once it is available.

#### **4.7. ON Insurance Act Parts V and VII**

Regulations have now been published online and will come into force on July 1, 2016.

### **5. Committee Reports Addressing CAFII Priorities:**

#### **5.1. Research and Education Committee**

##### **5.1.1. Travel Insurance Project**

Results highlights from the Travel Medical Insurance Survey were presented by S. Manson in today's industry issues dialogue with the AMF staff executives; and the travel insurance project group is considering next steps including the development of a code of conduct. A code has been drafted and the group is looking at developing common language such as the provision of exclusions and definitions in a common place, such that there is consistency from a consumer perspective.

Members agreed that it would be beneficial to collaborate with CLHIA and THiA on the travel insurance project. To that end, the Executive Summary from the Travel Medical Insurance Survey has been provided to F. Swedlove, CEO of CLHIA, and a meeting scheduled with him, with the goal of developing a plan to leverage the information.

Directors felt that this project has produced some very positive results and wished to ensure that CAFII is not working at cross-purposes with other industry organizations such as CHLIA. Members of the travel insurance working group were thanked for their work on this initiative to date.

#### **5.2. Media Advocacy Committee**

The Media Advocacy Committee was able to leverage a laundry list of FAQs developed by the former committee, to produce the Hot Button Issues document presented in the meeting materials. The document is a collaboration of information and discussion involving Media Advocacy and Research and Education Committee members. Taking into account the feedback received today, the committee will work towards making this information accessible to consumers, reporters and regulators. Measuring our success will also be incorporated into the plan.

Directors were pleased with the document and direction presented and wished to ensure the information was revised with consumer-friendly wording, a point which had also been noted in the committee's own discussions.

#### **5.3. Market Conduct Committee**

The Market Conduct Committee was integrally involved over the summer, along with the Licensing Committee, in the drafting of responses to the recent consultations in BC and Quebec. The committee is challenged to be in a constant state of readiness to review and craft responses to consultations as they are released. The Bank Act is also coming up for review soon and that issue has become a watch/monitor file for the committee.

#### **5.4. Licensing Efficiency Issues Committee**

B. Wycks provided an update because M. Gill had to leave early, noting the Licensing Committee's collaboration with the Market Conduct Committee over the summer in the drafting of CAFII submissions to the BC Financial Institutions Act and Quebec Distribution Act consultations.

New Brunswick has just launched a beta test version of an online licensing system and invitations to test the system have been disseminated to industry stakeholders.

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

The next CAFII reception event is scheduled for December 8, 2015 at the National Club in Toronto. The next speaker forum will be the Annual Members Luncheon in February or March 2016 and the EOC is currently considering a panel or a national market conduct speaker for that event. Should members have any suggestions for speakers, they are invited to submit them to B. Wycks or L. Duigu.

### **6. In Camera Discussion**

The Board of Directors met *in camera* from 4:05 to 4:11 p.m. Following this, members of the EOC, B. Wycks and L. Duigu were invited back.

## 7. Termination

There being no further business to discuss, the meeting was terminated at 4:12 pm. The next CAFII Board of Directors meeting will be held on December 8, 2015, hosted by Canadian Premier Life Insurance at the National Club, 303 Bay St., in Toronto.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chair

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

Confidential Draft

2015 Summary of Meeting Action Items: BOARD & EOC					
	Source	Action Item	Responsible	Deadline	Status as of 21-Oct-15
<b>BALANCED SCORECARD / PERFORMANCE MANAGEMENT</b>					
		<i>no action items</i>			
<b>FINANCIAL MANAGEMENT</b>					
		<i>no action items</i>			
<b>MEMBERSHIP</b>					
		<i>no action items</i>			
<b>GOVERNANCE AND ADMINISTRATION</b>					
1	EOC Aug 25, 2015	• Investigate the potential of sending a token gift to Andre Duval for his many contributions to CAFII.	Leya	tba	Completed
2	EOC Sep 22, 2015	• As proposed in the document included in the meeting materials, website content changes to be made unless we receive requests for adjustments or other feedback by Friday, September 25.	Leya	tba	Completed
<b>REGULATOR / POLICY-MAKER RELATIONS AND ADVOCACY</b>					
		<b>Ontario Review of FSCO Mandate</b>			
		<i>no action items</i>			
		<b>Quebec Review of DWR</b>			
		<i>no action items</i>			
		<b>Eastern Canada: NB, NL, NS</b>			
		<i>no action items</i>			
		<b>Western Canada: BC, AB, SK</b>			
3	Board Apr 7, 2015	• Develop an education campaign on creditor's group insurance and the underserved market for regulators and policy-makers in the BC ministry	EOC	tba	Not started
4	EOC Aug 25, 2015	• A further review of the Alberta Miscellaneous Provisions consultation to be completed to determine if a submission should be made.	Brendan	3-Sep-15	No submission made
		<b>BC FICOM 10-Year Review of FIA</b>			
5	Board Oct 6, 2015	• EOC to determine next steps and arrange a meeting with the BC Ministry of Finance. Board members to be part of the delegation, if available.	Brendan, EOC	asap	In progress
6	EOC Sep 22, 2015	• Follow-up with BC FICOM regarding when submissions will be posted and when they are thinking of scheduling the stakeholder meetings.	Brendan	tba	Completed
7	EOA Aug 25, 2015	• Review draft submission re. BC FICOM 10-Year Review of FIA and provide feedback to Brendan. Rose and Moira shall have the authority to approve the final document in the event there are no major changes or comments to the draft.	EOC Members	4-Sep-15	Completed

	Source	Action Item	Responsible	Deadline	Status as of 21-Oct-15
8	EOC Mar 24, 2015	<ul style="list-style-type: none"> <li>Draft CAFII response to Insurance Council of BC's proposal – to be put forward during the 10-Year Review of the Financial Institutions Act -- that a dollar limit ceiling be imposed on the amount of coverage that can be sold under the province's licensure exemption for CGI; and determine how our position should be communicated and to whom.</li> </ul>	Greg, Brendan	tba	Pending
		<b>BC "Effecting" of CGI Issue</b>			
9	Board Oct 6 & EOC Sep 22, 2015	<ul style="list-style-type: none"> <li>Market Conduct Committee and EOC to identify areas of concern in the CGI Information Bulletin and determine whether CAFII should arrange follow-up interaction with FICOM about it.</li> </ul>	EOC, Market Conduct	tba	Pending
10	EOC Sep 22, 2015	<ul style="list-style-type: none"> <li>Summary of internal legal review of Information Bulletin to be shared with EOC.</li> </ul>	Derek and John	tba	Completed
		<b>Regulator and Policy-Maker Visit Plan</b>			
11	EOC May 26, 2015	<ul style="list-style-type: none"> <li>Set up lunch meeting for CAFII representatives with Carol Shevlin (and her successors) in the Fall 2015.</li> </ul>	Brendan	Fall 2015	In progress
<b>INDUSTRY RESEARCH</b>					
		<i>no action items</i>			
<b>MEDIA AND COMMUNICATIONS</b>					
		<i>no action items</i>			
<b>EVENTS AND NETWORKING</b>					
12	EOC Sep 22, 2015	<ul style="list-style-type: none"> <li>Members to be prompted for speaker suggestions for the 2016 Annual Members' Luncheon.</li> </ul>	Leya	asap	In progress

CAFII - 2015 Executive Director Balanced Scorecard - October 20, 2015					
	H = High Priority; M = Medium; L = Low				
Priority	Objectives	Measures	Timing	Status As At October 20/15	Outcome
	Regulatory and Advocacy (50% of ED and EOC focus/time)				
#1 H	Draft and deliver highly quality regulatory submissions and follow-up with regulators and policy-makers, as appropriate.	Regulatory submissions are well-written, comprehensive and produced on time; Board and EOC have sufficient time to review and provide input, which is given due and equitable consideration and included where appropriate; submissions reflect consultation with allied industry Associations where appropriate	Ongoing		
H		Bill 177, The Insurance Act (Saskatchewan)	Q1 2015 thru Q4 2016	CAFII submission sent on Feb. 23/15; follow-up teleconference on March 2/15 to address CAFII issues; CAFII follow-up letter sent May 13/15.	Bill passed May 6/15 but won't be "proclaimed in force" until Regulations drafted and a thorough consultation with industry has occurred. Some sections of Act of concern to CAFII to be amended or repaled via Regulations.
H		British Columbia Consultation on 10-Year Review of Financial Institutions Act (FIA)	Q2 2015 thru Q3 2017	CAFII submission on Initial Consultation Paper finalized and sent Sept 9/15. <b>CAFII to meet with Ministry of Finance officials in Vancouver on November 10/15.</b>	
H		BC FICOM's 'effecting' of creditor's group insurance issue	Q1 thru Q4 2015	FICOM released Information Bulletin on CGI in BC on Sept. 14/15. <b>CAFII position on Information Bulletin and regulatory relations response, if any, to be determined by Market Conduct Committee.</b>	
H		AMF's final E-Commerce in Insurance position paper	Q2 thru Q4 2015	CAFII met with AMF executives on April 29/15 and received clarification on implementation plans for "Orientations" in paper.	Final E-Commerce Report released April 2/15.
H		AMF's Distribution Guide template initiative	Q2 thru Q4 2015	Pending	Draft Regulation on Distribution Guide to be circulated to industry for brief consultation, likely in Q4 2015, with goal being to finalize it by end of 2015.
		Ontario Ministry of Finance consultation on "Proposed Regulations Related to Parts V and VII of the Insurance Act"	Q2 2015	CAFII submission sent May 19/15.	Regulations passed in October 2015, with 'in force' date of July 1, 2016.
M		Ontario government review of FSCO mandate	Q2 2015 thru Q1 2016	Awaiting imminent release of Expert Panel's Position Paper. CAFII participated in life & health sector roundtable meeting on July 30/15; had May 21/15 informal meeting with Expert Panel; and made written submission on June 5/15.	B. Wycks had debrief meeting with P. McCarthy and G. Grant following July 30/15 life & health sector roundtable, and provided summary highlights at August 25/15 EOC meeting. Followed up with D. McLean for one-on-one meeting for CAFII, but was advised that Expert Panel not holding further meetings with any stakeholders at this time.
		Quebec Ministry of Finance consultation on "Report on the Application of the Act respecting the Distribution of Financial Products and Services" (Bill 188)	Q2 thru Q4 2015	CAFII submission sent September 30/15. Approach to meeting with Ministry officials to reinforce CAFII positions being determined.	
M		Quebec government review of "An Act Respecting the AMF" (empowering and governing the AMF)	Q2 thru Q4 2015	Intention to review Act announced as part of Quebec provincial budget on March 26/15, but no consultation launched yet.	
M		Letter to Opportunities New Brunswick re changes necessary to Insurance Act and regulatory processes to facilitate efficient business operations in the province.	Q1 thru Q4 2015	Letter sent April 16/15, with copy to Superintendent of Insurance. Possible follow-up meeting with Jay Reid of Opportunities New Brunswick to be considered.	FCNB launched beta test version of online insurance licensing system in early October 2015 and invited industry feedback.
M		New Brunswick Consultation on Rule INS-001 Fees, In Relation To The Insurance Act	Q2 thru Q4 2015	CAFII submission sent May 1/15. Had follow-up teleconference with David Weir, Deputy Superintendent, on June 9/15	FCNB launched new consultation on slightly revised/corrected Rule INS-001 in August 2015, with September 25/15 deadline for submissions, but did not directly notify industry stakeholders.
M		Conditions are amenable to smooth transition by CAFII members to Manitoba's new RIA Regime	Ongoing	CAFII monitoring re follow-up issues through liaison with Erin Pearson, Insurance Council of Manitoba	New RIA/ISI regime launched June 1/15.
M		Nova Scotia Direct Sellers' Regulation Act (DRSA)	Ongoing	CAFII made submission in Dec/14 in support of proposed insurance xemption language. Monitoring and liaising with Service Nova Scotia to ensure favorable exemption is enacted.	
L		Possible Nova Scotia review of life insurance sections of Insurance Act in 2015	Q1 thru Q4 2015	Monitoring	On April 22/15, Superintendent of Insurance advised that NS unlikely to initiate this review in 2015 (continuing to monitor).
L		Possible PEI review of life insurance sections of Insurance Act in 2015	Q1 thru Q4 2015	Monitoring	On April 23/15, Superintendent of Insurance advised that PEI may initiate this review in late 2015 (continuing to monitor).
#2 H	Develop and execute on Regulator and Policy-Maker Visit Plan in support of CAFII positions on legislative and regulatory issues	CAFII investments in regulator and policy-maker visits are appropriately scheduled; well-organized and executed, including briefing/preparation of CAFII participants. These meetings successfully support and advance CAFII's positions on legislative and regulatory issues	Ongoing	On Target	
#3 H	Maintain ongoing monitoring of and liaison/communications with regulators, policy-makers, allied Associations, and other industry stakeholders for relationship-building and intelligence gathering	EOC and Board members are kept well-informed of hot button, urgent, time-sensitive issues	Ongoing	On Target	
H		CAFII "Alerts" sent to EOC and Board members on hot button, urgent, time-sensitive issues	Ongoing	On Target	
#4 H	Monitor and report key developments in CCIR's review of travel insurance (including CCIR Working Group on Travel Insurance; CISRO; CLHIA high level committee on travel insurance; and THIA) ; and support related work of CAFII internal group on travel insurance (in conjunction with Research & Education Committee)	Intelligence gathered through monitoring and work of internal group on travel insurance put CAFII in a position of readiness and strength, to make a regulatory submission or otherwise make its views known, as distributors of travel insurance, should the need arise	Ongoing	Underway	

	H = High Priority; M = Medium; L = Low				
Priority	Objectives	Measures	Timing	Status As At October 20/15	Outcome
H		CAFI internal group on travel insurance completes review; addresses issues and concerns identified by CCIR project	Ongoing	CAFI internal group on travel insurance formed and work now well-advanced, including consumer survey on satisfaction with travel health insurance	
#5 M	Secure Representation for CAFII members as Restricted Insurance Agents in Saskatchewan, Alberta, and Manitoba	CAFI's proposed model for a Restricted Insurance Agent Advisory Committee to ICS Executive Director is adopted in Saskatchewan	Ongoing	Draft 2 of CAFII letter of support re proposed Terms of Reference for Advisory Committee, to augment submission made by CLHIA on December 19/14, is in development.	
M		CAFI's interests are advanced in shaping of a model for representation of Restricted Insurance Agents with Joanne Abram, CEO of the Alberta Insurance Council	Ongoing	Pending submission of Saskatchewan letter	
M		Insurance Council of Manitoba calls upon CAFII members, as appropriate, when requiring subject matter expert advice to its ISI Subcommittee	Ongoing	Monitoring	ICM has formed new ISI Subcommittee, comprised of five Council members, but is forming a roster of subject matter experts who can be called upon on "as needed" basis
<b>Media and Communications (20% of ED and EOC focus/time)</b>					
#1 (H)	Move CAFII into a position of readiness and confidence to respond to media opportunities re Creditor's Group Insurance and Alternate Distribution	Successful execution of tactics within specified timelines	Q1 and Q2 2015	Drafts of three documents completed and currently under review by Media Communications Committee	
H	Monitor media coverage re CGI, travel insurance, and alternate distribution	Any hot button issues related to media coverage are identified and dealt with in a timely, appropriate manner	Ongoing	In process, in concert with Media Committee	
#2 H	Make CAFII web site more robust and audience-friendly for members; regulators and policy-makers; the media (pending Media Committee approval); and the public	Content and navigation of CAFII site are reviewed and overhauled; information updates are posted on a timely and consistent basis; and site becomes a "go to" resource for key audiences	Q1 thru Q4 2015	Underway	
#3 H	Monitor Consumer Interest Groups	Include intelligence on Consumer Interest Groups' issues and activities in Regulatory Updates for EOC and Board meetings	Ongoing	On Target	
#4 M	Consumer Financial Literacy (CFL): Move CAFII into a position of readiness and confidence to engage proactively with regulators, the public, and consumer interest groups in support of CFL (Medium/long term objective: CAFII and its members are seen as advocates for CFL; and a "go to" industry Association in that area)	Three-year plan developed and approved by Media Committee, EOC, and Board for CAFII to become incrementally engaged in CFL activities	Q1 thru Q4 2015	Pending	
		CAFI web site content on CFL made more specific and compelling	Q2 2015	Underway	
TBD		CAFI gets involved in Financial Literacy Month (November) in 2015 through an event or initiative; and has specific plans for continued participation in future years	Q1 thru Q4 2015	Not Started	
TBD		Plan developed and approved by Media Committee, EOC, and Board for CAFII to be involved in Fraud Prevention Month (March) in 2016, as directly related to CFL	Q1 thru Q4 2015	Pending	
<b>Association Oversight and Management (30% of ED and EOC focus/time)</b>					
#1 H	Produce an "industry intelligence" Regulatory Update monthly, for each EOC and Board meeting	Regulatory Update is produced for each EOC and Board meeting, containing outside-of-the-public-domain information on regulatory actions, pronouncements, trends and leading indicators	Ongoing	On Target	
#2 H	Efficient, effective CAFII meetings: with EOC Chair and standing committee Chairs, ensure agendas are focused and goal-oriented and meetings are well-managed	Agendas and meeting materials are distributed with appropriate lead time. Board and committee members are engaged in meeting discussions and feel meetings are productive and advance CAFII's objectives	Ongoing	In process	
#3 H	Ensure that CAFII prepares an annual operating budget that is well-grounded in approved strategic and operational plans; funds are spent according to plan; and financial control policies and procedures -- including monthly financial statements -- are adhered to	Play a leadership role in development, management, and tracking/monitoring of CAFII's annual operating budget, and committee and project budgets. Budget targets are met, except for explainable/approved variances	Ongoing	On Target	
#4 H	Provide strategic and operational support to the EOC Chair in management of CAFII priorities and activities; and accountability reporting thereon	Engaged strategic and operational support to EOC Chair; escalates appropriate matters to EOC Chair for review and decision-making	Ongoing	In process	



# CAFI

21 St Clair Ave East, Suite 802  
Toronto, ON M4T 1L9

## Balance Sheet As at September 30, 2015

ASSETS	Current 2015
<b>Current Assets</b>	
Bank Balance	\$353,720
Investments <sup>A</sup>	\$53,808
Accounts Receivable	\$51,800
Interest Receivable	\$79
Prepaid Expenses	\$3,492
Computer/Office Equipment	\$2,334
Accumulated Depreciation -Comp/Equip	(\$1,322)
Intangible Assets-Trademarks	\$0
Accumulated Amortization-Trademark	\$0
<b>Total Current Assets</b>	<b>\$463,910</b>
<b>TOTAL ASSETS</b>	<b>\$463,910</b>
<b>LIABILITIES</b>	
Current Liabilities	
Account Payable <sup>B</sup>	\$2,707
Deferred Revenue	\$106,003
Total Current liabilities	\$108,710
<b>TOTAL LIABILITIES</b>	<b>\$108,710</b>
<b>UNRESTRICTED NET ASSETS</b>	
Unrestricted Net Assets, beginning of year	\$307,036
Excess of revenue over expenses	\$48,164
Total Unrestricted Net Assets	\$355,200
<b>Total Unrestricted Net Assets</b>	<b>\$355,200</b>
<b>TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS</b>	<b>\$463,910</b>

<b>Financial Reserves Targets:</b>	
Minimum 3 months (25%) of Annual Operating Expenses =	\$ 112,139
Maximum 6 months (50%) of Annual Operating Expenses =	\$ 224,279
<b>Current Level of Financial Reserves:</b>	<b>\$355,200</b>
<b>Current Level of Financials Reserve (%):</b>	<b>79%</b>

**C A F I I**  
21 St Clair Ave east, Suite 802  
Toronto, ON, M4T 1L9  
**Balance Sheet Items**  
**As at September 30, 2015**

**Item A**

**Investment Portfolio**

Investment Type	Issue Date	Principal	Rate	Deemed Interest	Maturity Date
Cashable GIC #0087-8019718-13	June-17-15	\$53,807.97	0.50%	\$269.04	June-16-16
<b>Total</b>		<b>\$53,807.97</b>		<b>\$269.04</b>	

**Item B**

**Accounts Payable**

	<b>Total</b>
	2,486.00
	220.51
<b>Total outstanding:</b>	<b><u>2,706.51</u></b>

# CAFII

21 St Clair Ave East, Suite 802  
Toronto, ON M4T 1L9

## Statement of Operations As at September 30, 2015

	Current Month	Current YTD	Budget 2015	% Used
<b>Revenue</b>				
Membership Fees	35,333	317,997	424,000	75%
Interest Revenue	22	271	500	54%
<b>TOTAL REVENUE</b>	<b>35,355</b>	<b>318,268</b>	<b>424,500</b>	<b>75%</b>
<b>Expenses</b>				
Management Fees	20,938	193,001	249,264	77%
CAFII Legal Fees/Corporate Governan	0	249	5,000	5%
Audit Fees	0	0	14,000	0%
Insurance	437	3,906	5,368	73%
Website (incl translation)	0	7,815	6,260	125%
Telephone/Fax/Internet	0	2,811	8,000	35%
Postage/Courier	43	216	500	43%
Office Expenses	0	1,540	3,000	51%
Bank Charges	0	25	60	42%
Miscellaneous Expenses	0	0	0	
Amortization Expense	0	0	300	0%
Depreciation Computer/Office Equipm	39	350	0	
<b>Board/EOC/AGM</b>				
Annual Members Lunch	0	9,755	7,000	139%
Board Hosting (External)	0	2,597	9,000	29%
Board/EOC/Meeting Expenses	0	2,240	10,000	22%
Industry Events	0	0	805	0%
EOC Annual Lunch	0	0	2,000	0%
<b>Sub Total Board/EOC/AGM</b>	<b>0</b>	<b>14,592</b>	<b>28,805</b>	
Provincial Regulatory Visits	0	2,007	10,000	20%
Research/Studies	30,849	42,362	90,000	47%
Regulatory Model(s)	0	1,230	12,000	10%
Federal Financial Reform	0	0	2,000	0%
Media Outreach	0	0	8,500	0%
Marketing Collateral	0	0	1,500	0%
<b>Networking Events</b>				
Speaker fees & travel	0	0	3,000	0%
Gifts	0	0	1,000	0%
<b>Sub Total Networking &amp; Events</b>	<b>0</b>	<b>0</b>	<b>4,000</b>	
15th Anniversary Event	0	0	0	
<b>TOTAL EXPENSE</b>	<b>52,305</b>	<b>270,103</b>	<b>448,557</b>	<b>60%</b>
<b>NET INCOME</b>	<b>-16,950</b>	<b>48,164</b>	<b>-24,057</b>	<b>-200%</b>

### Explanatory Notes:

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

# CAFII

21 St Clair Ave East, Suite 802  
Toronto, ON M4V 2Y7

## Membership Fees

As At September 30, 2015

	<u>Jan-15</u>		<u>Jul-15</u>	
	<u>Billed</u>	<u>Received</u>	<u>Billed</u>	<u>Received</u>
BMO Bank of Montreal	\$ 23,500.00	April 24, 2015	\$ 23,500.00	
CIBC Insurance	\$ 23,500.00	Mar13,2015	\$ 23,500.00	12-Aug-15
RBC Insurance	\$ 23,500.00	Mar26,2015	\$ 23,500.00	13-Aug-15
ScotiaLife Financial	\$ 23,500.00	Mar6,2015	\$ 23,500.00	1-Sep-15
TD Insurance	\$ 23,500.00	Mar13,2015	\$ 23,500.00	12-Aug-15
AMEX Bank of Canada	\$ 11,750.00		\$ 11,750.00	22-Oct-15
Assurant Solutions	\$ 11,750.00	Mar6,2015	\$ 11,750.00	12-Aug-15
Canadian Premier Life Insurance Company	\$ 11,750.00	Mar13,2015	\$ 11,750.00	12-Aug-15
Desjardins Financial Security Life Assurance Company	\$ 11,750.00	April 24, 2015	\$ 11,750.00	01-Sep-15
National Bank Insurance Company	\$ 11,750.00	Mar13,2015	\$ 11,750.00	12-Aug-15
Cumis Group Ltd	\$ 11,750.00	April 8, 2015	\$ 11,750.00	12-Aug-15
Aimia	\$ 4,800.00	April 8, 2015		
Avalon Actuarial	\$ 4,800.00	Mar13,2015		
Collins Barrow Toronto Actuarial Services	\$ 4,800.00	June 24, 2015		
CSI Brokers Inc.	\$ 4,800.00	April 8, 2015		
KPMG	\$ 4,800.00			
Laurentian Bank of Canada	\$ 4,800.00	April 24, 2015		
Munich Re	\$ 4,800.00	June 24, 2015		
Optima Communications	\$ 4,800.00	Feb27,2015		
RGA Life Reinsurance Company of Canada	\$ 4,800.00	April 8, 2015		
The Canada Life Assurance Company	\$ 4,800.00	Mar13,2015		
<b>January Invoices</b>	<b>\$236,000</b>		<b>\$188,000</b>	
<b>July Invoices</b>	<b>\$188,000</b>			
<b>Total Membership Fees</b>	<b>\$424,000</b>			
Total amount to realocate monthly Jan-Dec	\$35,333			

## CAFII Consultations/Submissions Timetable 2015-16

Regulatory Issue	Deliverable	Deadline	Accountable
BC FICOM 10-Year Review of FIA (consultation paper released June 2, 2015)	<ul style="list-style-type: none"> <li>• <b>Response to Initial Consultation Paper</b></li> <li>• <i>Meeting with Ministry of Finance officials re CAFII and other stakeholder submissions</i></li> <li>• Public Report on submissions on Initial Consultation Paper</li> <li>• Policy Paper on proposals for change</li> <li>• <b>Response to Policy Paper</b></li> <li>• <i>Meeting with Ministry of Finance officials re CAFII response to Policy Paper</i></li> <li>• Amendments to Act and drafting of Regulations</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Sep 15, 2015</b></li> <li>• <b>Nov 10, 2015</b></li> <li>• Early 2016</li> <li>• May/June 2016</li> <li>• <b>Sept/Oct 2016</b></li> <li>• <b>Nov 2016</b></li> <li>• Early 2017</li> </ul>	<ul style="list-style-type: none"> <li>• Joint Market Conduct/ Licensing Committee</li> </ul>
BC "Effecting" of CGI Issue	<ul style="list-style-type: none"> <li>• FICOM Information Bulletin on CGI</li> <li>• <i>Meeting with FICOM officials re Bulletin's directives</i></li> </ul>	<ul style="list-style-type: none"> <li>• Issued Sep 14, 2015</li> <li>• <b>Nov 2015 (tentative)</b></li> </ul>	<ul style="list-style-type: none"> <li>• EOC, ED to monitor</li> </ul>
QC Review of Distribution Act – (consultation Report released June 12, 2015)	<ul style="list-style-type: none"> <li>• <b>Response to Report</b></li> <li>• <i>Meeting with Ministry of Finance officials re CAFII submission</i></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Sep 30, 2015</b></li> <li>• <b>Oct/Nov, 2015</b></li> </ul>	<ul style="list-style-type: none"> <li>• Joint Market Conduct/ Licensing Committee</li> </ul>
ON Review of FSCO Mandate (consultation paper released April 21, 2015)	<ul style="list-style-type: none"> <li>• <i>Life &amp; health sector stakeholder roundtable meeting</i></li> <li>• Expert Panel releases Preliminary Position Paper</li> <li>• <b>Response to Preliminary Position Paper</b></li> <li>• Panel delivers final report to Minister</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Held July 30/15</i></li> <li>• Fall 2015</li> <li>• <b>Late Fall 2015</b></li> <li>• Feb/Mar 2016</li> </ul>	<ul style="list-style-type: none"> <li>• EOC</li> </ul>
CCIR Review of Travel Health Insurance	<ul style="list-style-type: none"> <li>• CCIR TIWG releases Discussion Paper</li> <li>• <b>Response to Discussion Paper due</b></li> <li>• <i>Meeting with TIWG and/or CCIR</i></li> <li>• CCIR releases Position Paper</li> </ul>	<ul style="list-style-type: none"> <li>• March/April 2016</li> <li>• <b>May/June 2016</b></li> <li>• <i>June or Sep 2016</i></li> <li>• Fall 2016</li> </ul>	<ul style="list-style-type: none"> <li>• EOC, ED to monitor</li> </ul>
SK Bill 177	<ul style="list-style-type: none"> <li>• FCAA publishes Draft Regulations</li> <li>• <b>Response to Draft Regulations</b></li> <li>• <i>Meeting with FCAA officials re CAFII submission</i></li> </ul>	<ul style="list-style-type: none"> <li>• Early 2016</li> <li>• <b>March/April 2016</b></li> <li>• <i>April/May 2016</i></li> </ul>	<ul style="list-style-type: none"> <li>• Market Conduct Committee, ED to monitor</li> </ul>
Ontario Insurance Act Parts V and VII	<ul style="list-style-type: none"> <li>• CAFII Comments submitted</li> <li>• Regulations approved</li> <li>• Regulations comes into force</li> </ul>	<ul style="list-style-type: none"> <li>• May 19, 2015</li> <li>• Oct 2015</li> <li>• July 1, 2016</li> </ul>	<ul style="list-style-type: none"> <li>• ED to monitor</li> </ul>



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September 15, 2015

FIA & CUIA Review  
Policy & Legislation Division  
Ministry of Finance  
PO Box 9470 Stn Prov Govt  
Victoria BC V8W 9V8

VIA EMAIL: [fiareview@gov.bc.ca](mailto:fiareview@gov.bc.ca)

Dear Sirs/Mesdames:

**Re: British Columbia's Review of the  
*Financial Institutions Act and Credit Union Incorporation Act***

On behalf of Advocis, The Financial Advisors Association of Canada, we are pleased to respond to the British Columbia Ministry of Finance's Initial Public Consultation Paper released in June 2015 (the "Consultation Paper") in regards to its review of the *Financial Institutions Act* ("FIA") and *Credit Union Incorporation Act* ("CUIA", and together with the FIA, the "Acts").

#### **About Advocis**

Advocis is the largest and oldest professional membership association of financial advisors and planners in Canada. Through its predecessor associations, Advocis proudly continues over a century of uninterrupted history serving Canadian financial advisors and their clients. Our 11,000 members, organized in 40 chapters across the country, are licensed to sell life and health insurance, mutual funds and other securities, and are primarily owners and operators of their own small businesses who create thousands of jobs across Canada. Advocis members provide comprehensive financial planning and investment advice, retirement and estate planning, risk management, employee benefit plans, disability coverage, long-term care and critical illness insurance to millions of Canadian households and businesses.

As a voluntary organization, Advocis is committed to professionalism among financial advisors. Advocis members adhere to a professional Code of Conduct, uphold standards of best practice, participate in ongoing continuing education programs, maintain professional liability insurance, and put their clients' interests first. Across Canada, no organization's members spend more time working one-on-one on financial matters with individual Canadians than do ours. Advocis advisors are committed to educating clients about financial issues that are directly relevant to them, their families and their future.

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## **ENHANCING CONSUMER PROTECTION BY RE-THINKING FINANCIAL LEGISLATION**

In the 10 years since British Columbia's last review of the Acts, there has been tremendous upheaval in the financial services landscape: this past decade saw the creation of dangerous asset bubbles that collapsed with the Global Financial Crisis. The severe recession that followed resulted in an extended period of market volatility, historically low interest rates, and anemic economic growth. Consumers have experienced rising debt levels, declining savings rates and poor investment returns that have put their retirement plans at risk. In response to the malaise, the industry has shifted its focus from the sale of products to a more holistic view of how the long-term relationship between a consumer and advisor can navigate turbulent economic times.

With this as the background, British Columbia's review of the Acts provides a timely opportunity to fundamentally improve consumer protection in the province. As the Consultation Paper makes clear, "[t]he primary goal or objective of the FIA and CUIA regulatory framework for financial institutions and their intermediaries is... to maintain stability and confidence in the financial services sector by reducing the risk of failures and providing consumer protection."<sup>1</sup> The Consultation Paper also cites with approval the OECD's *G20 High-level Principles on Financial Consumer Protection*,<sup>2</sup> which, commenting on the legal, regulatory and supervisory framework for financial services, includes the principle that "[f]inancial services providers and authorised agents should be appropriately regulated and/or supervised, with account taken of relevant service and sector specific approaches."<sup>3</sup>

Effective consumer protection regulation must be crafted from the perspective of the consumer, and the reality is that advisors serve as their gateway to the financial services industry. So any fundamental review of financial services legislation that purports to prioritize the protection of consumers must recognize that the existing regulatory framework based on product sales is obsolete. The present and future of financial services regulation should acknowledge the central role of the advisor-client relationship; therefore, it is time to professionalize financial advice in Canada. With its review of the Acts now underway, British Columbia has the opportunity to take the lead and be a flag-bearer for the future of consumer protection.

### **A. Problems with the Existing Regulatory Framework**

The existing regulatory framework places British Columbians at risk: while the public should be able to place their confidence in their financial advisor, trusting that he or she meets rigorous standards of professionalism, proficiency and accountability, the reality is that this is not always the case. In fact, the public is exposed due to four major flaws in the existing framework:

- (a) Anyone can call themselves a financial advisor and offer planning and advice.

Anyone, regardless of their training, experience or education, can hold themselves out to the public as a financial advisor, financial planner, investment advisor, or countless other titles. Neither the title nor the scope of work is protected, so there is nothing that prevents someone from calling themselves a

---

<sup>1</sup> Consultation Paper, p. 5.

<sup>2</sup> OECD, *G20 High-level Principles on Financial Consumer Protection*, October 2011, <http://www.oecd.org/daf/fin/financial-markets/48892010.pdf>.

<sup>3</sup> *Ibid.* at p.5.



financial advisor and offering what they purport to be financial advice to the public, even if they have no training, experience or financial acumen.

This is a serious consumer protection risk that must be addressed; time and time again, consumer surveys have shown that most mistakenly believe that titles such as financial advisor are regulated and someone holding themselves out as such have earned the right to do so through education and experience. Consumers put their faith in the title as a proxy for expertise, but unlike doctors, lawyers or architects, anyone can claim to be an advisor or offer financial advice or planning – which could leave the public vulnerable to incompetence or outright fraud.

- (b) Existing regulation is focused on the sales of products, not the ongoing relationship of trust between financial advisors and their clients.

The existing regulatory framework does not reflect the manner in which most British Columbians seek financial advice and planning.

Existing regulation is based on the type of product sold: insurance products, mutual funds or other securities are regulated by entities including the Office of the Superintendent of Financial Institutions ("OSFI"), the Financial Institutions Commission ("FICOM"), the Mutual Fund Dealers Association of Canada ("MFDA") and the Investment Industry Regulatory Organization of Canada ("IIROC"). Each regulator has its own standards and requirements, and while they are strong at regulating their member insurance carriers and mutual fund or securities dealers, including regulating the constant product innovation in the industry, they do not have a collective focus on the retail consumer's overall advisory experience.

Looking at the issue from the consumer's perspective illustrates the problem: many advisors hold multiple licenses which allow them to provide consumers with risk management and wealth solutions from across the insurance, mutual fund and securities worlds. But in practice, most consumers do not think of the financial industry in such strict "silos". Instead, consumers work with their advisor to develop holistic financial plans, and they want their advisor to be professional, knowledgeable and accountable, so that the advisor can provide the complete coverage they need.

Most consumers are not particularly interested in knowing that product x comes from the insurance universe and product y comes from the mutual fund universe – and as product features converge, it is increasingly difficult to tell them apart. But, in the current regulatory framework based on product sales, it is often the case that the client-advisor relationship is regulated not by a single entity, but by a combination of them – and the protections that consumers receive vary based on the sector of the product's origination. We have seen the importance of this distinction coming to light if problems arise, leaving consumers confused and disappointed.

We believe that consumers should enjoy high degrees of protection throughout their advisory relationship that is not dependent on the nature of the underlying products that fulfill their financial plans. There should be an overarching code of conduct and an industry-wide requirement to maintain responsible levels of errors and omissions insurance, neither of which exists today.

This sectoral approach also highlights why existing regulators cannot effectively regulate the holistic advisory relationship. Certain stakeholders may suggest that regulation of financial advisors should fall under the auspices of existing regulatory bodies, and it is true that in recent years, some have given

greater attention to the advisory relationship (for example, through securities regulators' Client Relationship Model reforms).

Despite this laudable effort, existing regulators are structurally limited by their jurisdiction of authority; for example, even if the Insurance Council of British Columbia ("ICBC") were to completely overhaul its expectations of licensees, those changes would only impact the consumer's relationship in regards to his or her purchases of insurance products – the consumer's experience for mutual funds would be unaffected.

In an ideal world, all regulators would set comparable standards so that the client would be equally protected, regardless of the product's origination. But our century of experience and general common sense tells us that when you have multiple regulators that were created on the basis of regulating products, not advice, which already have standards that (in some cases) vary widely from each other, coordinating policies on financial advice is nearly impossible. And even if regulators did manage to agree to a uniform set of policies, those policies would do nothing to capture those individuals who are not registered at all, such as the fee-only planner who does not sell products.

(c) There is no firm and clear requirement for advisors to keep their knowledge current.

One of Advocis' core membership requirements is that advisors keep their knowledge current by completing continuing education courses each year, including courses on professionalism and ethics. But for the same reasons discussed above, the regulatory requirements for continuing education are completely variable based on the product's sector of origination.

For example, British Columbia requires that life insurance licensees holding an approved designation complete five hours of education every year, whereas some other provinces do not have any requirements at all for their licensees. And while IIROC has continuing education requirements for certain registered representatives, the MFDA only states that continuing education "should be provided" to its approved persons.<sup>4</sup> And those advisors who are not registrants with any regulator have no continuing education requirements whatsoever.

An advisor who does not keep their knowledge current is an advisor that puts their clients at risk; in this industry, competition amongst insurance carriers and distributors, and securities dealers is fierce, so product change and innovation is constant. Therefore, static knowledge quickly becomes obsolete and harms advisors' ability to act in the best interests of their clients.

Advocis believes that all individuals offering financial advice or planning to the retail consumer should be required to complete continuing education on a regular basis, which includes an emphasis on education related to professionalism and ethics.

(d) There is no effective, industry-wide disciplinary process.

The majority of advisory relationships are beneficial to the public, but some inevitably do not work out as planned and, sometimes, this is the fault of the advisor. The industry requires a strong and effective

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<sup>4</sup> On June 22, 2015, MFDA launched a consultation to consider whether it should require its approved persons to complete continuing education. See: <http://mfda.ca/regulation/bulletins15/Bulletin0644-P.pdf>.

disciplinary process to ensure that those advisors who have committed misconduct are appropriately disciplined in the interest of protecting the public and deterring others from similar behaviour.

Individually, the ICBC, MFDA or IIROC are empowered to impose a wide variety of sanctions, including stripping advisors of their license or registration. However, the limitations of the existing product-based regulatory framework are most apparent when it comes to discipline: each regulator's enforcement powers are limited to its respective sector. This means that, for example, if an advisor commits misconduct in the sales of mutual funds that is so egregious that the MFDA determines he is unfit to work in the industry and revokes his registration, there is nothing that prevents that same advisor from continuing to advise on and sell segregated funds through his insurance license.

We believe this sector-hopping represents unacceptable consumer risk. The type of serious misconduct which warrants an advisor's outright expulsion from one sector, such as fraud or gross negligence, speak to that advisor's conduct and ethics and are not sector-specific concerns; letting such an advisor continue offering "advice" to any British Columbian is a disservice to the public. And even if that advisor is eventually identified and removed by other regulators in their respective sectors, that person can simply continue offering advice on an unlicensed basis since the scope of work is not protected; for example, he could "advise" clients to invest in an affiliate's ponzi scheme.

Also currently lacking is an easy mechanism for the public to verify their advisor's credentials and disciplinary history. While regulators do maintain websites where the public can search for information on their advisor, the information returned is only applicable to the regulator's sector. As discussed above, the general public does not understand the difference between the various regulatory bodies and is not likely to canvass each one to look up their advisor. In the example above, if a prospective client were to look up the advisor on only the insurance regulator's website, the client would not see the advisor's expulsion from the mutual funds sector. The client might then mistakenly believe that the advisor's overall disciplinary history was clean.

Advocis strongly believes that consumers should have a one-stop access point for reviewing a prospective advisor's complete disciplinary history that is not limited to the domain of one sector's regulator. It must also capture those individuals who offer advice or planning without the sales of products who are therefore not registered with any existing regulator. That is, rather than being based on the archaic regulatory structure, this critical consumer tool must be designed from the consumer's point of view.

These four major shortcomings of the existing regulatory framework expose consumers to unnecessary and unacceptable risk. They arise from the fact that current regulation does not reflect the modern, holistic and cross-sectoral approach to financial advice and planning that most consumers receive.

## **B. Our Solution: Raising the Professional Bar**

Fortunately, Advocis has developed a solution that is simple, straightforward, and does not require significant government resources to implement.

Entitled *Raising the Professional Bar*, our solution elevates the provision of financial advice to a recognized profession. Simply, it requires that anyone who holds himself or herself out to the public as a financial advisor, or who is in the business of offering financial advice or planning services at the retail level, be a member in good standing of a new authority that has, as its focus, the licensing and conduct

regulation of these persons (the “Authority”). We have enclosed a copy of the proposal with this submission; the details are provided therein, but below is a summary of its key features.

The Authority would establish key criteria for its members, including: a code of professional conduct; a requirement that members maintain errors and omissions insurance; initial proficiency and continuing education requirements to maintain licensing; and a complaints and disciplinary process that empowers the Authority to suspend or cancel the advisor's membership.

The Authority would also maintain a public-facing database whereby consumers could conduct a "one-stop" check of a prospective advisor's credentials and disciplinary history. Unlike the registries maintained by existing regulators, which only contain information pertaining to the advisor's sales activities in the regulator's respective sector, the Authority's registry would be based on the conduct of offering advisory services to the retail public. It would therefore transcend product sectors. This focus on scope and nature of work would also capture those advisors and planners who are currently not registered with any regulator and would therefore not appear on any registry.

We first proposed our solution in February 2013, and we have continually refined it based on feedback from stakeholders including politicians and regulators, consumer groups, product manufacturers and distributors, and practicing financial advisors. Based on this feedback, we have determined that the best structure for the Authority is as a delegated administrative authority (“DAA”) which has been delegated its jurisdiction in statute by the Minister of Finance.

DAAs reduce the government's footprint: its employees are not public servants and they are self-financing, largely through fees paid by its members. This model has gained acceptance in several provinces: notable examples include Ontario's Travel Industry Council, Alberta's Boilers Safety Association, and the British Columbia Safety Authority.

The Authority would be established as a not-for-profit entity dedicated to financial advisor professionalism in the public interest. The silos which currently exist between the insurance and securities sectors at the product level would remain intact, in order to preserve existing product-focused regulatory expertise, but the silo approach would be removed at the level of the holistic advisor-client relationship.

It is essential that the DAA be entirely independent from financial institutions, as well as from product manufacturers and distributors. The province would retain ultimate accountability and control of the Authority, with the Authority maintaining key obligations to the government, such as through annual reports and audited financial statements, and being subject to operational reviews.

The solution provides benefits to all market participants: first and foremost, consumers would benefit from knowing that all advisors meet proficiency requirements, just as they do with their architects or engineers. They would also benefit from having a simple way to verify their advisor's credentials and disciplinary history, without having to navigate the maze that is the current regulatory landscape. Finally, they would enjoy the support of a disciplinary system with teeth: it would be a system that actually protects the public, rather than potentially off-loading one sector's problem onto another sector and a new set of unsuspecting consumers. The simplicity of having the regulatory accountability for financial advisors enshrined in one body, the Authority, empowers consumers should the need to register a complaint arise.

Financial advisors would benefit from enhanced public trust, status and confidence as true professionals, and we know that our members would be very supportive of unethical colleagues who tarnish their collective reputation being removed from the industry once and for all. The government would benefit from enhanced consumer outcomes, including reduced public financial reliance through a DAA model that is self-financing by industry. Product providers and distributors would benefit from the professionalism of the advisors who represent their companies to the public on a day-to-day basis.

This is only an introduction to our solution; there are many more details in the enclosed document and we strongly encourage the Ministry to review it as part of its current consultation. We believe that the proposal strikes a careful balance between leveraging the strengths of the existing regulatory framework and adding those elements that would truly allow for increased professionalism and consumer protection in the industry.

## **RESPONSES TO SPECIFIC QUESTIONS IN CONSULTATION PAPER**

### **A. Overall/Framework Issues**

- ***Financial Consumer Protection***

Should BC consider adopting a market conduct code for fair treatment of consumers that would apply to financial institutions? If so, should there be one code for all financial institutions or separate codes for different types of financial institution?

Yes, BC should consider adopting a code, and it should apply to all financial institutions. The purpose of such a code is to protect consumers, and at the retail level, it should not matter what type of financial institution the consumer is dealing with. Whether the consumer is engaging the services of a bank, credit union, trust company, insurance company or so on, there are certain pillars of behaviour that are relevant across the financial services industry.

The principles of the code should be expressed at a high level to ensure their universal applicability. For example, the principles could include prohibitions on deceptive or unfair practices, a commitment to proficiency through continual education, and a duty to respect both the letter and the spirit of the law. BC may wish to review *Advocis' Code of Professional Conduct*,<sup>5</sup> which all of our members agree to abide with as a condition of membership, as a potential template for its code for financial institutions.

Should BC credit unions be required to have an internal complaint handling process and to offer member access to an independent ombudservice?

Yes, BC credit unions should be required to have both an internal complaint handling process and to offer member access to an independent ombudservice. While credit unions may have, in the past, been smaller organizations that have attracted few complaints, the Consultation Paper notes that they have expanded their membership while increasing the sophistication of products offered. Consequently, from the consumer's perspective, credit unions should offer the same protections and operate on a level playing field with other financial institutions.

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<sup>5</sup> Available at <http://www.advocis.ca/forPublic/codeConduct-pub.html>.

Credit unions in other provinces have successfully implemented complaint handling procedures and ombudservice policies. As noted in the Consultation Paper, Saskatchewan's credit unions have developed a standardized process that provides a timely response to member complaints and escalates unresolved complaints, either to the Office of the Ombudsman established by the credit union system or to the federal Ombudsman for Banking Services and Investments.

Should ombudservices be mandated for addressing consumer complaints against mutual insurers and/or insurance agents and brokers?

Complaints against mutual insurers should continue to be referred to the Mutual Insurance Companies OmbudService, so long as mutual insurers are able to demonstrate to FICOM the legitimacy, neutrality and efficacy of their voluntary ombudservice.

Complaints against life insurance agents or brokers should be addressed to the ICBC, with the ICBC continuing to refer certain matters (such as unlicensed activity, rebating and tied selling) to FICOM where the latter has primary responsibility.

Should authorization requirements for financial institutions and licensing requirements for insurance agents and brokers specifically require fair treatment of consumers?

Yes, authorization and licensing requirements should specifically require the fair treatment of consumers. However, this requirement is only lip service without enforceability: it is difficult to say that BC is serious about the fair treatment of consumers when anyone can hold themselves out as a financial advisor, the key liaison between the consumer and the financial services industry.

To give the requirement substance, it must be backed up by consequences: an agent that does not attain the required proficiency to offer advice, maintain his knowledge through continuous education, or abide by a code of professional conduct is not treating the consumer fairly. An agent that commits misconduct in one sector and simply absconds to another sector, out of the reach of product-based regulation, is not treating the consumer fairly.

We believe that such an agent should be banned outright from offering financial advisory services. Our *Raising the Professional Bar* proposal, discussed above,<sup>6</sup> transforms the fair treatment of consumers from merely an aspirational concept to an actionable plan.

Should branch closure notification rules be considered in BC, perhaps as part of a market conduct code? If so, what rules would be appropriate in BC?

Yes, branch closure notification rules should apply. If the role of a credit union is to serve local communities – especially those communities under-served by traditional banks – then the role of the credit union is as important as, and arguably more important than, a traditional bank branch. Therefore, we recommend that federal “consult and notify” procedures should be mirrored. This also promotes consistency and a level playing field, from the perspective of consumers.

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<sup>6</sup> *Supra*, beginning at page 6.

Does BC have the correct framework for use of corporate and business names and logos, and the disclosure of identity for financial institutions?

We are generally supportive of the framework, as it makes it easy for consumers to understand the nature of the entity they are dealing with. The Consultation Paper states that “it is essential that the identity of financial institutions be clear to consumers” – we agree completely.

- ***Market Discipline / Public Disclosure of Key Financial Risk Information***

Should BC financial institutions be required to make additional financial and risk information available publicly, including online? If so, which types of information? What are the benefits and risks or issues associated with more stringent public disclosure requirements?

Financial and risk information should be required to be available online; this is the channel that consumers are increasingly using when seeking information, especially as information becomes an “on demand” commodity.

But the discussion should not focus on whether BC should require any particular report to be available publicly; the discussion should ask whether consumers can *understand* and *analyze* the information they need to make the decisions that are best for them. As discussed later in the Consultation Paper, the level of financial literacy amongst consumers is worryingly low. Simply requiring copious amounts of disclosure could overwhelm consumers while being burdensome to financial institutions.

Instead, BC should promote a framework that makes key financial and risk information available in a clear and concise manner, making it more accessible for consumers of varying financial literacy. Ultimately, though, many financial products are inherently complex, making it challenging to distill key information down to a simple document that is easily comprehensible. That is why BC must also promote a significant role for financial advice, as advisors are the key professionals that work with consumers, helping them understand complex financial concepts and working hand-in-hand to develop solutions that are tailored to the consumer’s individual needs.

Should FICOM be permitted to publish information it collects from financial institutions online? Are there certain types of information that should not be published or exemptions that should be provided (e.g., to particular types or sizes of institution)?

Generally, yes, FICOM should be permitted to publish its collected information online. There should be a general bias towards disclosure over non-disclosure, regardless of size of institution. As this is a broad question, however, it is reasonable that exemptions would apply, such as in regards to information that is identifiable or associable to a particular individual.

Should financial institutions in BC be required to provide information to national databases for regulatory purposes, and should FICOM be allowed to do so?

At a high level, we support regulatory cooperation amongst jurisdictions that makes financial regulation more effective and efficient. But with the authority to cooperate, regulators must also make a steadfast commitment to avoid burdensome duplication: regulators must make every effort to first obtain the information they are seeking from the shared datasets before asking financial institutions to compile

and report information. Such a commitment provides the benefits of regulatory cooperation to all market participants.

BC should also seek to join the joint complaint reporting system established by Quebec and Ontario and subsequently expanded nationwide. BC stands as the only province that has not joined the system, putting British Columbians at a disadvantage relative to consumers in other provinces in regards to consumer protection.

- ***Financial Literacy***

What role should financial institutions and intermediaries play in contributing to and fostering financial literacy? Are there any legislative impediments to their doing so? Do financial institutions need additional tools to help fight financial abuse?

Financial institutions and intermediaries have an extremely important role to play in contributing to and fostering financial literacy – they have a direct stake in having consumers that are engaged in the subject matter and interested in the products and services they offer. And of all the intermediaries, financial advisors have the most pivotal role, being the only individuals that work directly with the consumer. They represent the public face of the entire financial services industry.

To boost the financial literacy of consumers, it is critical that the advisors that consumers rely on for financial information and analysis are themselves duly qualified, proficient, and maintain the currency of their knowledge. This is why it is so incredibly important that financial advisors are true professionals – while regulators’ historic focus on the prudential and conduct regulation of financial institutions has allowed Canada to boast some of the strongest and most stable institutions in the world, all that effort is for naught if the people actually delivering the financial service to the end consumer do not achieve basic levels of proficiency or receive effective oversight. After all, a framework for consumer protection is only as strong as its weakest link.

In regards to legislative impediments, as discussed previously, the existing regulatory framework allows anyone to call themselves a financial advisor and offer what they purport to be financial advice, including those that have no financial acumen whatsoever. This includes negligent actors that act without the intent of doing harm, but also malevolent actors who engage in fraud. This untenable situation paves the way for financial abuse and must be addressed through legislative reform as envisioned in our *Raising the Professional Bar* proposal.

What role should the provincial government have with respect to promoting financial literacy? Is there a need to duplicate or complement efforts being undertaken at the federal level, particularly for provincially regulated institutions?

The provincial government can take a tremendous step forward in improving financial literacy and consumer protection by implementing our *Raising the Professional Bar* proposal and professionalizing financial advice. Since, under Canada’s constitution, professions are under provincial jurisdiction, it is the provincial governments that must take the lead – and BC can be that leader.

Should legislative changes to bolster financial literacy and/or protect consumers from financial abuse be considered?



Yes, legislative changes should be enacted to implement the *Raising the Professional Bar* proposal, improving both financial literacy and protecting consumers from financial abuse.

The federal government has tabled legislation to permit federally regulated entities to report concerns about financial abuse to next of kin in specific circumstances. Should similar and/or other changes be considered with respect to BC financial institutions?

Yes, BC should consider legislative amendments that would allow for the contacting of next of kin or authorized representatives without the knowledge and consent of the affected individual. The powers granted by the *Adult Guardianship Act* should reflect the demographic shift underway that sees seniors representing the fastest growing proportion of the population. With this shift comes unique and sensitive issues regarding elder abuse, capacity and consent.

The complexity, and growing prevalence, of senior-related issues is another reason why financial advice should be professionalized. In the coming years, advisors will increasingly find themselves in the middle of difficult situations involving suspected elder abuse, so BC must ensure that advisors are proficient in detecting these issues and trained in responding to them sensitively and professionally.

Do governments, including the BC provincial government, need to better communicate government policies in areas such as earthquake disaster relief? Are there other measures government should be taking with respect to earthquake or catastrophic loss insurance?

Yes – where the provincial government feels that there is a deficiency, or that its citizens are ill-prepared and underinsured, it should take a proactive role to communicate its policies and dispel misconceptions. Ultimately, such informational failures are a form of financial illiteracy and government should leverage the ability of professional financial advisors to deliver key messages to consumers in a face-to-face format where that information is most likely to be understood.

- ***Technological Change***

Are any changes needed to ensure consumers continue to be protected and provided with the information they need to make informed choices?

Consumers are increasingly integrating technology into all aspects of their lives, including the manner in which they access financial services. We are seeing increasing interest in tech-enabled options, such as online insurance offerings and automated advisory services, commonly known as robo-advisors. But, in our opinion, what consumers gain in convenience can quickly be offset by the risks of not seeking professional financial advice.

This is because financial products are becoming increasingly complex – in recent years, we have seen the development of products such as credit default swaps, market-linked investments with principal guarantees, and inverse and leveraged offerings, as fierce competition between manufacturers has spurred continuous innovation in the sector. But this increase in complexity moves inversely with simplicity and transparency, making it harder for the average consumer to understand the objects and risks associated with these products – and this is especially so when the average consumer lacks even basic financial literacy.

This trend in product innovation makes know-your-product, know-your-client and suitability more important for consumer protection than ever before. That is, the importance of the professional advisor's judgment and experience in assessing whether and how these products address the financial needs of consumers is enhanced, not diminished. But too often, technological "progress" in the financial services sector is equated with consumers dealing directly with manufacturers, side-stepping the advisor and foregoing professional advice.

The BC government should be mindful that such a trend would be short-sighted and not in the long term interests of the consumer's financial health – after all, studies have consistently proven that consumers derive substantial benefits from seeking professional advice.<sup>7,8</sup> Further, there are many scenarios where a consumer does not seek advice and something does go wrong – such as, for example, a consumer misunderstanding the exclusions of an insurance policy and therefore not having the coverage anticipated; this is an outcome that significantly erodes consumer protection, and it is harmed further in that in such a scenario, that consumer would not be able to look to the advisor for recourse.

Therefore, BC should support a fulsome role for advice as a critical companion to technological change. For example, BC could require that before an online transaction (such as the purchase of an insurance policy) is completed and consumers are issued a policy, the application must be reviewed by a licensed advisor who has the ability to follow up with the consumer to ask further questions or otherwise determine the veracity of the statements in the application. There are many ways that advice can co-exist with technological change and we would be pleased to discuss this item further with BC.

Are there certain financial products or services that should not be available for purchase directly by consumers online without using a professional broker or financial advisor at a regulated institution?

We believe that this question should approach the issue from the other way around: what products would be suitable for purchase directly by consumers online without using a professional advisor? We believe that technological change is ultimately about enhancing the user experience, and sometimes that means being able to purchase goods and services – including financial products – instantly, without investing significant time or effort.

However, for the reasons explained above (including product complexity and consumer financial literacy), we believe that relatively few financial products should qualify for being purchased in this manner. Therefore, we recommend that direct sales should be limited to relatively simple products, such as guaranteed investment certificates, where most purchasers will understand the benefits and limitations inherent in the product even if they do not conduct any further research or analysis.

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<sup>7</sup> In their 2012 study entitled *Econometric Models on the Value of Advice of a Financial Advisor* by the Center for Interuniversity Research and Analysis of Organizations, Professors Claude Montmarquette and Nathalie Viennot-Briot conclude that based on data compiled from over 10,000 households, advised households have up to almost three times the median assets of non-advised households. (See: <http://www.cirano.qc.ca/pdf/publication/2012RP-17.pdf>)

<sup>8</sup> The 2014 PricewaterhouseCoopers study *Sound Advice: Insights into Canada's Financial Advice Industry* shows that advised households save up to 4.2 times more than non-advised households. (See: <http://www.advocis.ca/sareport.pdf>)

- ***Out of Province Business***

Are changes or clarifications needed to BC's legislative framework for regulating extra-provincial credit unions, either for BC credit unions operating extra-provincially or for credit unions from other jurisdictions operating in BC?

What businesses require in order to thrive are rules that are predictable, stable and fair. To that extent, BC's "home and host principal regulator" rules for credit unions are working well. We agree that this approach reduces the regulatory burden and does not create unacceptable risk.

Are changes needed to BC's approach to insurance regulation? Should certain exemptions be available in respect of individuals and entities (including societies and self-insurers) seeking to purchase insurance outside BC? On what basis should exemptions be provided?

Exemptions should not be readily offered as doing so creates significant regulatory risk and potential harm to BC's consumers. We recognize that BC has resisted the granting of exemptions, having allowed only a specific exemption in 2008 to BC church groups. We understand that the province is under pressure to grant further exemptions to other organizations, but we urge BC to remain steadfast in this regard.

Ultimately, we believe that exemptions should only be considered where the insurance coverage is genuinely unique such that it is not available from a BC or Canadian provider. Such applications should be individually considered by FICOM, with exemption approvals being exceedingly rare. As noted, BC already provides a framework for licensed agents to place risk with unauthorized insurers where insurance is not otherwise available, and BC also has a flexible regulatory framework for self-insurance.

Are changes to the current legislative framework needed to address the use of technology by out of province entities providing financial products and services to British Columbians? Do the current definitions of what constitutes "carrying on business in BC" need to be revisited in light of increased e-commerce/online distribution of financial products?

The issue must be considered from the consumer's perspective: when transacting online, BC consumers may not realize that a particular entity is based from outside the province and may erroneously assume that if an entity can offer products and services within the province, it must be regulated by the province. Taking this line of reasoning further, the consumer may also assume that the entity can be held to account in accordance with the province's laws, in the case that something goes wrong.

Ultimately, determining whether a particular entity engages in "carrying on business in BC" should be premised on the location of the consumer and insured interest: we support BC's approach that property and persons situated in BC remain subject to provincial regulatory oversight, regardless of where the business activity is located.

In light of the growing prevalence of e-commerce and online distribution, there is a role for governments and regulators to play in ensuring that consumers understand that entities in this channel are not necessarily local – that is, consumers should be literate about both the product or service, and the provider behind it. This is another area where professional financial advisors can play a key role in educating the public.

- **Regulatory Powers and Guidelines**

Does FICOM have adequate tools to address current and emerging risks (at an individual and system-wide level) in a timely and effective manner?

Yes, through its combination of issuable guidelines, information bulletins and ICBC rules, FICOM does have the tools to allow it to respond quickly and effectively.

Should FICOM have the ability (i.e., with authority provided in legislation) to issue enforceable prudential and market conduct requirements and standards/rules? If so, what limits on that power and accountability mechanisms are needed (e.g., oversight/approval role for government, appeal process, etc.)?

Yes, FICOM should have the ability to issue enforceable rules, with the authority to do so stipulated in legislation. This ability should be subject to conditions, including, *inter alia*:

- FICOM publishes for public consultation the rule, explanatory notes connecting the rule to the underlying issues of concern and a cost-benefit analysis of the rule's impact;
- the public consultation period stays open for a minimum of 60 days;
- stakeholder feedback is given serious and thoughtful consideration;
- if, as a result of the feedback, the rule is changed materially, the rule is reissued for a new consultation;
- once it is finalized, FICOM must obtain approval for the rule from the Minister of Finance; and
- FICOM provides reasonable notice before bringing the rule into effect so as to give stakeholders time to adapt.

To respond to emerging risks in a timely manner, does FICOM need powers to revise conduct and solvency expectations outside of legislation or regulation? If so, what limits and accountability mechanisms are needed?

Outside of legislation or regulation, if FICOM requires powers to respond to an immediate risk, such powers should automatically expire via a sunset mechanism within a reasonable timeframe. This would allow FICOM to respond rapidly when necessary and would also force it to maintain discipline in exercising those powers lest it be unable to justify their continuance upon expiration.

## **B. Credit Union Sector**

- **Deposit Insurance**

What is the optimal and appropriate level and system of deposit insurance?

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Should a limit on deposit insurance protection be reintroduced, and if so, what limit? Should any limits be reviewed on a regular basis (e.g., every five or ten years)?

We will answer these interrelated questions together. We support the Basel Committee on Banking Supervision and International Association of Deposit Insurers' core principle that deposit insurance

should adequately cover a large majority of depositors and that the level of coverage should be limited but credible. We also support their recommendation that jurisdictions with unlimited deposit insurance transition to limited coverage as soon as their circumstances permit.<sup>9</sup>

BC introduced unlimited deposit insurance to the credit union sector to assuage consumer fears arising from the financial crisis and to make the jurisdiction an attractive place for depositors in the face of the significant capital flight at the time. Since then, the fear of institutional failure has receded. So maintaining the unlimited coverage carries unjustifiable risk to the province, as noted in a recent report by the International Monetary Fund.<sup>10</sup>

Any government deposit guarantee creates a moral hazard in regards to how a financial institution utilizes depositors' funds, and the hazard is further exaggerated in the case of unlimited guarantees where the ultimate responsibility for all deposits is taken outside the credit union and put onto the province (and ultimately, its taxpayers). Unlimited guarantees incentivize the credit union to pursue riskier, but potentially more profitable, lending decisions.<sup>11, 12</sup>

We understand the need for BC's credit unions to compete with other deposit-taking institutions, and deposit guarantees are an attractive feature for consumers. Therefore, we recommend that BC reintroduce a guarantee limit of \$100,000 per account; this would match the limit offered by the Canada Deposit Insurance Corporation, putting BC credit unions on equal footing with banks in the province. The guarantee limit could be reviewed periodically, as part of the mandatory 10-year review of the Acts.

If a limit was reintroduced, should certain exceptions be made (e.g., unlimited protection for registered retirement savings products), similar to what has been done in other jurisdictions?

Exceptions can be made for separate coverage or protection for joint deposits and retirement savings accounts (in interest-bearing accounts, but not in accounts whose value fluctuate based on market performance), to be consistent with what is offered in other jurisdictions. The policy objectives should be to foster conditions that allow most consumers to have a reasonable understanding of their rights and protections and to level the playing field amongst market participants, including other deposit-taking institutions. But for the same reasons discussed above, unlimited guarantees are unreasonable and should not be available.

Are other reforms to BC deposit insurance coverage needed? Is the scope of coverage appropriate (i.e., should certain products or types of deposit be excluded or included)?

Term deposits up to five years in length should be protected, to align BC with the policies of other provinces and federal banking institutions. Foreign currency deposits should not be included in the coverage, as these are subject to foreign currency risk, which is a market risk that is outside the

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<sup>9</sup> Basel Committee on Banking Supervision and International Association of Deposit Insurers, *Core Principles for Effective Deposit Insurance Systems*, June 2009, <http://www.bis.org/publ/bcbs156.pdf>.

<sup>10</sup> International Monetary Fund, *IMF Country Report No. 14/67 – Canada*, March 2014, <http://www.imf.org/external/pubs/ft/scr/2014/cr1467.pdf>.

<sup>11</sup> Media have reported on credit unions being involved in aggressive lending practices that are not subject to the rigorous checks and balances in the banking sector. For example: <http://business.financialpost.com/personal-finance/mortgages-real-estate/credit-unions-take-on-banks-in-mortgage-wars-with-rates-as-low-as-2-69>.

<sup>12</sup> Recently, a major BC credit union began offering what are effectively payday loans, which are amongst the riskiest lending activities, attracting the highest interest rates. See: <https://www.vancity.com/Loans/TypesOfLoans/FairAndFastLoan/>.

founding purposes of deposit insurance which centre on institutional failure. Coverage should operate on gross payout basis, which allows for clearer and faster settlement in the event of a failure and is consistent with international and intra-Canadian standards.

### **C. Insurance Sector**

- ***Insurance Retailing and Licensing Exemptions***

Are the current exemptions appropriate? Should any additional exemptions be provided?
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We believe that licensing exemptions are not appropriate and are harmful to consumer protection. Many insurance products are complex and should only be sold via an intermediary who is knowledgeable about the product's features and limitations. While it is arguable that insurance products sold incidentally to a related transaction are *generally* less complex, a commitment to consumer protection demands that those incidental salespersons still obtain some type of licensing to assure their proficiency.

The Consultation Paper states that in allowing for exempted sales, BC has relied on an assumption that “the exempted seller will act in a good faith manner with regard to the insurance because he wishes to maintain the business relationship with the consumer”. But even if the seller acts in good faith, with no ill intent, that does nothing to speak to the proficiency, knowledge or skills of the untrained salespeople in the seller's employ who are transacting in insurance products with consumers. Further, as noted, incidental sales can be associated with one time transactions, limiting the efficacy of the “good faith” argument and putting consumers further at risk.

Therefore, at a minimum, BC should abolish outright licensing exemptions and require that incidental insurance sellers obtain a restricted license, similar to what is required by its provincial colleagues in Alberta, Saskatchewan and Manitoba, and what BC itself requires for travel insurance. This entity-level license ensures a basic corporate commitment to training its salespeople on the insurance aspect and to the development of compliance procedures.

Restricted licensing results in a two-tier system where the corporate entity that holds the restricted license can be subject to regulatory discipline, but not the individuals who actually sell the incidental insurance products. To partially alleviate this concern, sales representatives of the restricted licensee should be supervised on-site by a fully-licensed individual; that individual could provide guidance and advice to the salesforce and be accountable to the regulator in the event of a consumer complaint, promoting consumer protection and institutional accountability.

Ultimately, though, the best way to protect consumers is to require the individual licensing of incidental insurance salespersons. Through an individual license, salespersons can personally be subject to proficiency and continuing education requirements, and to regulatory discipline, which encourages compliance with rules and industry best practices. Individual licensing promotes the professionalism of intermediaries and sheds greater light on the insurance aspect of the transaction.

Too often, the incidental insurance aspect is viewed as an afterthought, a throw-in to the main transaction, and a hedge against an unlikely occurrence – but if the consumer needs to call upon that credit, travel, or other insurance, its critical importance quickly comes into sharp focus at a time when

the consumer is vulnerable. Given its potential importance, consumers should have a strong understanding of exactly what the incidental insurance covers, which is best accomplished when the consumer can rely on the advice of a professional licensee.

Should insurers have more responsibility for exempt sellers? Should they be required to provide more direct oversight?

Yes, insurers should bear more responsibility if they are having unlicensed salespeople serve as agents for their products. Consumer protection could be compromised when salespeople are inadequately trained on product characteristics and the process of understanding consumer needs, so insurers using this channel should take greater steps to promote a training, compliance and accountability culture. Direct oversight by fully-licensed professionals would be a positive step forward.

Should the FIA be amended to give the Insurance Council increased powers to license and regulate incidental sellers of insurance?

Yes, the FIA should be amended to provide ICBC with those powers. Insurance products, by their nature, are relied upon by consumers at a time of need, so it really does not matter whether the initial sale of the insurance policy was a primary transaction in its own right or incidental to another transaction. The principles behind the ICBC's agent licensing and conduct regulation equally apply to incidental sellers.

Should certain insurance products only be sold by licensed agents? If so, which ones?

All incidental insurance products that are related to the life and health of the insured should require the involvement of a fully-licensed agent, such as travel medical insurance or creditor life insurance. Life, health, accident and sickness matters quickly become very complex, having many exclusions and requiring significant consumer disclosure on applications.

Should the restricted insurance agent model used by some other provinces, and applicable to travel agencies in BC, be looked at with respect to the sale of other types of incidental insurance such as credit insurance and/or product and vehicle warranties? If so, which types?

As discussed above, BC should require restricted entity-level licensing as a bare minimum, which at least creates a corporate commitment to training its salesforce and the establishment of compliance policies. Outright licensing exemptions should be eliminated.

Is the current restricted licensing regime for travel agencies effective and appropriate? Should travel agents, who are already regulated by Consumer Protection BC, be provided with an exemption under the FIA?

The restricted licensing regime is better than allowing an outright exemption, but to truly enhance consumer protection, licensing should be required at the individual level. This is particularly so as travel insurance can involve life, accident and other medical coverage. We recognize that travel agents are already regulated under the *Business Practices and Consumer Protection Act*, but given the type of incidental insurance they offer, it may be more appropriate to have them regulated under the FIA.

- ***Regulation of Insurance Intermediaries***

Should some or all members of the Insurance Council of BC be elected?

We believe that it is more important for a variety of constituencies to be adequately represented. We recommend that BC structure the ICBC in a manner similar to councils in other provinces by allowing for members to be elected by industry or appointed by major industry associations.

Does the Insurance Council have the right regulatory tools and structure for its role? Are any improvements needed to enhance coordination between the supervisory and intermediary regulatory authorities?

The ICBC has done a commendable job regarding agent licensing and conduct matters. However, it is structurally limited to what it can do, as it was established on a product-sector basis, which leaves consumers exposed. It is time to fundamentally rethink the regulation of financial services and professionalize the advice industry, as envisioned in our *Raising the Professional Bar* proposal.

Is the current oversight framework, including appeals to the Financial Services Tribunal, effective? If Insurance Council members are elected, are changes needed to other aspects of the accountability framework?

There are many salutary benefits of the oversight framework and concerns about regulatory capture can be addressed by having the appropriate accountability mechanisms in place. We believe that the current oversight framework is effective in ensuring accountability by including, in part, the right to a hearing and the requirement to issue reasons in writing. It is critical to the functioning of the system that the Financial Services Tribunal remains an independent entity.

- ***Protection of Confidential Information***

Does BC's financial institutions legislation achieve the right balance between open government and appropriate protection of confidential information relating to financial institutions? If not, what changes are appropriate?

In our view, BC's legislation does not achieve the right balance. BC should move towards the position of other provinces and the federal government, which limits disclosure when information is given in confidence. Freedom of information is about making government accountable to the public by making its operations more transparent; it is not about allowing the public to indirectly obtain confidential information about the private businesses that government regulates.

Moving in this direction could improve regulatory cooperation, and therefore, regulatory effectiveness, which enhances consumer protection. As noted in the Consultation Paper, OSFI has demonstrated reluctance to share information with FICOM out of concern that information that is protected federally may be disclosed in BC. We agree that regulatory cooperation is important for effective oversight where the entities operate in multiple jurisdictions or where there is overlapping authority, so we urge BC to consider reforming its position on the protection of confidential information.



Would insurer self-assessment privilege provide a net public benefit by enhancing internal compliance systems and confidential disclosure to the regulator? Do the benefits outweigh the costs of limiting evidence available in court proceedings?

Privilege should apply to insurer self-assessments. This will encourage insurers to be more thorough and honest with themselves and the regulator, which furthers the primary purpose of conducting self-assessments: to identify and correct potential regulatory issues at an early stage before they become serious, rather than being used as leverage for litigation. Doing so would also align BC with the 2008 Canadian Council of Insurance Regulators' recommendations on privilege and insurer self-assessments,<sup>13</sup> as well as with the legislated positions of Alberta and Manitoba.

Should the issue of privilege be addressed in the context of insurers alone, financial institutions generally or through a more comprehensive review related to all industries?

The issue of privilege should be addressed in the context of financial institutions generally, to ensure equal treatment of like participants in the industry. We are unable to comment on the specific privilege or confidentiality issues that may be important to particular industries.

- ***Long-term Disability Plans***

Does BC have the right approach to long term disability benefits?

- and -

Should employers and other plan sponsors be required to insure LTD benefit plans? Would this deter employers from providing these benefits?

In the interests of consumer protection, BC should change its approach to long-term disability ("LTD") plans. As noted in the Consultation Paper, there is considerable confusion amongst consumers and employees as to whether an LTD plan is employer-backed or backed by an insurance company, and employees do not necessarily understand the implications of one option over the other. (It would be helpful to employees if employers would consider involving professional advisors to support their employees, explain the program offered and avoid confusion at the outset.)

To remedy this situation, BC should emulate what is done by the federal and Ontario governments, both of which require LTD plans to be insured by a third-party insurer. The nature of LTD benefits is such that they provide critical financial support at times when consumers are unable to work; a disruption in LTD benefits is potentially life-altering. Therefore, they should be insulated from the potential of the employer going bankrupt. While this may increase the costs of offering LTD plans, in a competitive market for labour, we believe that most employers would continue to offer these plans.

Are there consumer protection issues related to ASO plans? How can consumer awareness be increased?

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<sup>13</sup> Canadian Council of Insurance Regulators, *Final Report on Privilege Model and Whistle Blower Protection*, July 2008, [http://www.ccir-ccra.org/en/init/Privilege/Final\\_Report\\_on\\_Privilege\\_Model\\_July08.pdf](http://www.ccir-ccra.org/en/init/Privilege/Final_Report_on_Privilege_Model_July08.pdf).

Yes, there are consumer protection issues related to ASO plans. The problem, as noted, is the potential confusion of employees thinking that ASO plans are actually backed by reputable insurance companies, when the reality is that they are merely involved for the provision of administrative services. This issue can be resolved by requiring insurer-backed LTD plans.

- ***Rebating***

Is the current FIA rebating framework effective and appropriate?

We believe that rebating (and the offering of inducements, generally) creates a risk of distorting the relationship between insurers and agents, on the one hand, and consumers on the other. It creates the possibility of tempting the consumer to purchase products for reasons other than the inherent value of the product to the consumer. For this reason, we believe that the blanket prohibition on sales inducements should be reintroduced.

We have no objection to an inducement offered to consumers for obtaining a quote, as opposed to being offered for purchasing a product. We also have no objection to “gifts” to existing clients that are not given in the context of a product purchase. Further, we would like to clarify that negotiations between licensed agents and insurers with respect to the amount of premium should not be considered rebating and therefore should not be prohibited, provided the client is not involved whatsoever in the discussion.

Is the threshold of 25 percent of the premium appropriate? Would a different level be more appropriate, and if so, what level?

We believe that rebating should be prohibited, so the threshold would be 0%. This would apply to all types of insurance, whether life, property and casualty, or accident and sickness insurance.

Are the current disclosure rules on referral payments adequate to protect consumers? Should agents also be required to disclose the amount of any referral payment?

The current disclosure rules are adequate. It is important that consumers understand that there may be a referral fee paid, thereby potentially influencing recommendations. Consumers should be made aware of the incentives in clear, plain language terms, allowing consumers to make their own choices with respect to the recommendation. However, the quantum of the referral payment need not be disclosed.

The issues discussed in this section of the Consultation Paper, including rebating, inducements and referral payments, can potentially influence consumer outcomes in a negative manner. They magnify the need for advisors to be duly qualified and to adhere to an enforceable code of conduct which stipulates (amongst other things) the primacy of the client's interests, all of which is backed up by an effective disciplinary process. This professionalization of the advisory industry is envisioned in our *Raising the Professional Bar* proposal.

#### **D. Trust Sector**

- ***Regulation of Trust Business***

Should financial institutions legislation be expanded to regulate or generally prohibit (subject to exemptions) trust business carried on by individuals or associations?

- and -

If the legislation is expanded to regulate trust business carried on by individuals or associations, what exemptions should be provided (e.g., for lawyers, real estate agents, bankruptcy trustees or individuals providing services to corporate entities)? Should a distinction be made between trust activities for personal and business related purposes?

Yes, financial institutions legislation should be expanded to cover trust services carried on by individuals or associations. It should capture those offering trust services on a commercial basis, in part or as a whole of their business. The Acts should prohibit the commercial offering of trust services without a license, subject to exemptions for individuals that are regulated by other recognized BC regulatory frameworks (such as for lawyers, real estate agents, and so on).

As noted in the Consultation Paper, electronic commerce allows individuals or associations to present a very polished “face” to consumers, even if they actually have very little experience or knowledge with the subject matter; this could lead consumers to mistakenly believing that they are dealing with an established (and regulated) intermediary. This confusion is likely to grow as the number of trust services aimed at an aging population proliferates and e-commerce becomes easier and cheaper, making the necessity for the licensing of trust businesses increasingly important.

Individuals or associations who do not offer trust services as a commercial business to the general public should be exempt from licensing. That is, the exemption should apply for trust activities done for personal purposes, with the recognition that most personal trust activities nonetheless involve remuneration for the trustee.

Given that practically all deposit-taking trust companies are now federally regulated, should BC still be requiring trust companies to obtain a business authorization? Does this remain a core element of financial institutions regulation?

Given that OSFI has emerged as the primary regulator of virtually all deposit-taking trust companies, and BC has ceased authorizing provincial deposit-taking trust companies since 2004, this no longer remains a core element of the province’s financial institutions regulation.

Should government consider adopting minimum standards, a code of conduct or another mechanism to regulate interest generated from trust funds, where the interest from the fund benefits third parties or the public?

Government should consider adopting a code of conduct that stipulates, in general terms, the use of interest that is generated from trust funds. We would recommend that the code stipulate that earned interest be used for charitable purposes or for the public benefit.

## **CONCLUSIONS AND NEXT STEPS**

The Consultation Paper highlights just how much things have changed since BC conducted its last review of the Acts: technological change moves forward at a breakneck pace, privacy and confidentiality concerns have risen in importance in a connected world, and the traditional “pillars” of financial services have become more intertwined, as product innovation and convergence mean that the lines between the banking, insurance, investment and trust sectors have blurred.

Alarming, financial literacy amongst consumers has not improved; so as product sophistication has increased, the net effect is that consumers are more vulnerable than ever. Financial institutions have consolidated and grown larger, with many credit unions outgrowing their “local community” roots to become major players in the market. And the shelf of products available on the market is more expansive and complex than ever.

We believe that regulators must approach the issues of the day foremost from the consumer’s perspective, and that is what we have attempted to do with our responses herein. We have a steadfast focus on ensuring that the state of regulation reflects what most consumers would intuitively expect the situation to be, and promoting a level playing field amongst like competitors, regardless of which traditional financial services “pillar” they originate from.

But we believe that the single most important thing that regulators can do to enhance consumer protection is to professionalize financial advice. We cannot stress enough how critical the role of the advisor is to the consumer’s experience with the entire financial services sector, so it is untenable that meaningful regulation about the quality and proficiency of advisors is lacking. We ask that BC take a leadership role and raise the bar for advisors and the millions of consumers they serve.

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We look forward to working with the Government of British Columbia as it modernizes the Acts. Should you have any questions, please do not hesitate to contact the undersigned, or Ed Skwarek, Vice President, Regulatory and Public Affairs at 416-342-9837 or [eskwarek@advocis.ca](mailto:eskwarek@advocis.ca).

Sincerely,



Greg Pollock, M.Ed., LL.M., C.Dir., CFP  
President and CEO



Caron Czorny, FLMI, ACS, CFP, CLU, CH.F.C., EPC, CHS  
Chair, National Board of Directors

**APPENDIX**

Raising the Professional Bar:  
Greater Consumer Protection Through Higher Professional Standards

(please see enclosure)

# Raising The Professional Bar

Greater Consumer Protection Through Higher Professional Standards.



**A New Way Forward**

**Advocis®**  
The Financial Advisors Association of Canada

# A Message from Ed Skwarek, Advocis Vice-President, Regulatory and Public Affairs

Dear colleague,

Financial advisors play a central role in helping millions of Canadians realize their goals and aspirations. Families and businesses across Canada rely on advisors to provide advice on and access to suitable financial products and services. Obviously, Canadians should be able to place their confidence in their advisors, trusting that he or she meets rigorous standards of professionalism, proficiency and accountability. Unfortunately, this is not always the case.

## **Let's justify Canadians' confidence in advisors**

In a country which has professionalized everything from accountants to veterinarians, it is surprising that anyone can hold themselves out as a financial advisor, regardless of training, licensing or financial acumen. What's more, important consumer safeguards on those who sell financial products such as mandatory continuing education and minimum levels of errors and omissions insurance vary widely by both province and industry sector. All too often, our current patchwork of laws and regulations leaves consumers exposed to unnecessary risks, such as incompetence and even outright fraud.

## **Let's raise the professional bar for all financial advisors**

Advocis has a straightforward, cost-effective and efficient solution to this patchwork problem: a requirement that anyone who holds himself out to the public as a financial advisor be required to maintain membership in a recognized professional association of financial advisors. The provincial government would accredit only those advisor associations which meet our proposal's strict professional criteria. Advisors would be free to choose which association they wish to join; and consumers could pick their advisor based on the reputation of the advisor, his employer, and his association.

This professional association model will significantly enhance consumer protection. Consumers will be able to easily verify their advisor's credentials and disciplinary history across industry sectors. Advisors will have to comply with rigorous proficiency requirements and obey professional and ethical standards of conduct. An effective complaints and disciplinary process will deal with "rogue" advisors. And regulators and distributors will realize a variety of efficiencies through ongoing improvements in the competencies of all advisors.

## **Let's complement existing regulation, not duplicate it**

The existing regulatory framework primarily focuses on insurance and securities products. Rather than introduce yet another layer of regulation, Advocis' proposal simply closes off current regulatory gaps. The result will be a regulatory regime which will provide effective review of the comprehensive approach to financial advice that most Canadians receive.

Given the tremendous gains our model promises to deliver to regulators, product producers and distributors, advisors and, most critically, Canadian consumers, *now* is the time to raise the professional bar.

Yours truly,



A handwritten signature in black ink, appearing to read "Ed Skwarek". The signature is fluid and cursive, with a large initial "E" and a stylized "S".

**Ed Skwarek**, BA, LL.B., LL.M.  
Vice President, Regulatory and Public Affairs  
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## Problems with the Current Regulatory Framework

Financial advisors play a critically important role for millions of Canadians. Through the provision of financial planning and investment advice, retirement and estate planning, disability coverage, long-term care and critical illness insurance, advisors help the public prepare for life's events and secure their financial futures. This is ever more important in an economic climate where governments, facing their own fiscal challenges, are expecting Canadians to be increasingly self-reliant.

Given their critical role, Canadians should be able to trust that financial advisors are proficient, up-to-date in their knowledge and in compliance with the highest standards of conduct and ethics. While this aptly describes the majority of advisors, there are inevitably some who do not meet these standards, and due to gaps in the current regulatory framework, consumers are exposed.

### **Problem #1: Anyone can call themselves a financial advisor, which means consumers face significant – and unnecessary – risk exposure.**

Anyone, regardless of their training, experience or education, can hold themselves out to the public as a financial advisor – which means that anyone can provide the public with what is purported to be “financial advice”, even with little or no financial acumen. This regulatory gap is exploited by fraudsters such as Earl Jones, who represented himself as a financial advisor despite not being registered with securities authorities. This is an extreme example, but it highlights the significant harm consumers could suffer when they place their trust in a title that they believe is regulated, but which does not actually guarantee any expertise.

### **Problem #2: Existing regulation is focused on the sales of products, not the ongoing relationship of trust between financial advisors and their clients.**

Financial advisors help clients develop comprehensive financial plans and provide advice on investments that can help achieve those plans. This is often a multi-year relationship built on the client's trust in the advisor's expertise. Advocis believes that all professionals in such positions of trust should subscribe to a code of conduct and ethics that establishes an overriding duty to their clients. They should also maintain errors and omissions insurance to protect clients in the event that the advisor fails to live up to that code.

But rather than focusing on this important relationship, existing regulation is based on the sales and distribution of financial products, and is further fragmented based on the type of product, whether it be life insurance, mutual funds or other securities. There is no industry-wide requirement that advisors subscribe to codes of conduct or maintain responsible levels of errors and omissions insurance. The result of this is that, depending on the type of product purchased, consumers could be receiving substandard levels of protection. Advocis believes that consumers should enjoy high

degrees of protection governing their entire advisory relationship, and this should not vary with the type of financial product that is needed to fulfill the consumer's financial plan.

**Problem #3: There is no firm and clear requirement for advisors to keep their knowledge current.**

Before obtaining their license to sell life insurance, mutual funds or other securities, financial advisors must demonstrate their initial proficiency in the product. Life insurance advisors are required to meet provincial licensing standards and to pass the Life License Qualification Program. The Mutual Fund Dealers Association of Canada (MFDA) designates as Approved Persons those individuals who meet the MFDA's registration standards and pass a designated mutual funds licensing exam. The Investment Industry Regulatory Organization of Canada (IIROC) designates as Registered Representatives those individuals who meet IIROC's registration standards and pass the Canadian Securities Course.

While these measures ensure the advisor's understanding of the product at the time of licensing, the industry is constantly evolving and static knowledge quickly becomes obsolete. But under the current framework, regulators' requirements for continuing education (CE) vary by product sector and even by province. In the life insurance sector, some provinces require advisors to complete several CE credit hours each year, some permit holders of educational designations to satisfy reduced requirements, and other provinces have no CE requirements whatsoever. For mutual funds, MFDA Rules speak only vaguely to CE, stating that it "should be provided". IIROC takes a clear stance and requires that advisors complete CE on both compliance and professional development matters.

Advocis believes that, regardless of product sector or province, advisors should be required to complete CE to maintain their license in good standing. Current regulations could allow advisors to become seriously deficient in their knowledge, posing a risk to consumers.

**Problem #4: There is no effective, industry-wide disciplinary process.**

Individual insurance or securities regulators are empowered to impose a variety of sanctions on advisors found guilty of misconduct, including stripping those advisors of their license or registration. However, a regulator's enforcement powers are limited to its respective sector – which does not reflect the business reality that the majority of advisors operate across sectors, and in assembling a client's financial plan, the advisor will likely recommend a combination of products that span those sectors.

This sectoral approach leaves consumers exposed. The types of serious misconduct that warrants an advisor's outright expulsion from one sector, such as fraud or gross negligence, speak to that advisor's conduct and ethics and are not sector-specific concerns. But currently, if an advisor is expelled from the mutual fund sector, for

example, that advisor can continue to sell segregated funds in the insurance sector. Advocis believes this type of “sector hopping” must be eliminated.

Also currently lacking is an easy mechanism for the public to verify their advisor’s registration credentials. Regulators maintain their own individual websites where the public can verify their advisor’s registration, but the information is valid just for that sector. Generally, the public does not understand the product-centred approach to regulation and the need to verify their advisor’s status with each individual regulator. In the example above, if the advisor’s client had only reviewed the advisor’s standing with the provincial insurance regulator, the client would not have become aware of the serious sanction in the mutual funds sector.

## **The Solution: Require that Financial Advisors belong to an Accredited Professional Association**

Fortunately, the solution to the problems identified above is simple, straightforward, and does not require significant government action or resources: anyone using the professional title of “financial advisor” should be required to maintain ongoing membership in an accredited professional association.

To be accredited, the professional association would be required to have the following characteristics:

- a code of conduct and ethics requiring, inter alia, the prioritization of the client’s best interests;
- a requirement that members maintain errors and omissions insurance;
- elevated minimum initial proficiency standards, including addressing the proficiency standards of fee-only planners who do not sell financial products;
- continuing education requirements that address both substantive and professionalism matters;
- a best practices manual or practice handbook and information resources for members;
- a governance structure that includes representation from both financial advisors and the public;
- a complaints and disciplinary process that empowers the association to suspend or cancel the advisor’s membership; and
- a public-facing database whereby clients can conduct a “one-stop” check of their advisor’s credentials and disciplinary history.

Today, many financial advisors voluntarily choose to belong to professional associations such as Advocis that feature many of the characteristics listed above. These associations help advisors maintain high professional standards in serving their clients. This proposal seeks to codify that commitment to professionalism to encompass all advisors, and builds on the current sales-focused regulatory framework.

**In essence, the proposed solution emphasizes proficiency, ethical standards, and accountability in the client-advisor relationship.**

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

- the ability to review the credentials and disciplinary history across product sectors of a prospective financial advisor in an easily-accessible format;
- greater assurance that the financial advisor they select will meet a consistently high level of professionalism and accountability;
- greater protection from unqualified and unethical financial advisors, due to both higher licensing standards and the presence of errors and omissions insurance; and
- a responsive and robust complaints and disciplinary process that can remove unscrupulous actors from the industry and prevent further harm.

## **Regulating usage of “financial advisor” is timely, appropriate and necessary**

Financial advisors are one of the last groups of specialized practitioners whose professional title is not regulated by law. While other professions such as medicine, law and engineering have had their professional titles regulated for over a century or more, in recent years many other areas of professionalized activity have become similarly regulated. For example, in Ontario, the title of Social Worker is restricted to registrants of the Ontario College of Social Workers and Social Service Workers, and in Alberta, the Alberta Boilers Safety Association, and the Petroleum Tank Management Association of Alberta is restricted to registrants of these associations.

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

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

### **a. Who will belong?**

Subject to several narrow and easily identifiable exceptions listed below, everyone who sells financial products to consumers, and everyone who offers financial advice and planning to the public, should be required to maintain membership in a recognized professional association. This would include:

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

### **b. Who will be excluded?**

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

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

### **c. Membership in a professional association as a condition of continued licensing**

Individuals who hold themselves out as financial advisors would be required to belong to a professional association. Proof of membership would be a condition of the individual’s registration or licensing (including license renewals) in the securities or insurance sectors. If an individual ceases to be a member of a professional association, his or her licensing or registration would also contemporaneously be in abeyance.

## **d. Regulators will designate associations**

The relevant regulator would publicly designate as an approved professional association any membership association which it recognizes as fulfilling the necessary criteria (as described in Section 1 of this document). This would require regulators to draft the conditions of recognition necessary for accreditation as an approved professional association, to identify existing organizations as plausible candidates for recognition, and to invite candidate organizations to apply for recognition.

To be successful in their application for accreditation, candidate associations would have to agree to the following conditions:

- a commitment to meet specific criteria, which could include guidelines for the management and governance of all aspects of the operation of the association;
- execution of a memorandum of understanding with the regulatory body whereby the candidate association agrees to meet the aforementioned criteria while maintaining its accreditation;
- a commitment to pay for periodic audits, commencing with an audit within 12 to 18 months following recognition; and
- an acknowledgment that the regulatory body may revoke recognition of the candidate association.

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

## **e. Proficiency standards for all financial advisors**

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

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

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

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

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

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

## **f. Continuing education requirements**

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

The main features of the proposed membership model with regard to continuing education include:

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

## **g. A code of professional conduct**

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

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

## **h. An errors and omissions insurance requirement**

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

## **i. A public registry of financial advisors**

Professional associations would participate in a public registry of financial advisors which would be accessible on the Internet and through other appropriate modes



of public inquiry. The public registry would enable any member of the public to conveniently access information about an individual's qualifications and registration/licensing status and professional conduct as a financial advisor.

#### **j. A best practices manual and information resources for members**

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



## Implementing The Professional Membership Requirement

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

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

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

#### **(i) self-regulatory organization**

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

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

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

#### **(ii) delegated administrative authority**

The delegated administrative authority (DAA) model is a relatively new way of obtaining recognition as a professional regulator. DAAs are not-for-profit corporations that assume the day-to-day operational responsibility for licensing, education, complaints handling, inspection and enforcement matters as described in government legislation. DAAs reduce the government's footprint: the association's employees

are not public servants and they are self-financing, largely through fees paid by the association's members. This model has gained acceptance in several provinces: notable examples include Ontario's Travel Industry Council, Alberta's Boilers Safety Association, and the British Columbia Safety Authority.

While the process of obtaining DAA recognition is less cumbersome than obtaining recognition as a self-regulatory organization, the powers granted to the DAA are more limited in scope. The province retains overall accountability and control of relevant enabling legislation; it monitors and remains accountable for the overall performance of each authority. DAAs have certain reporting obligations to the government, such as annual reports and audited financial statements, and they can be subject to operational reviews.

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

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

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

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

Most Securities Acts across the country allow that province's securities commission to prescribe rules, including criteria that an applicant must satisfy prior to registration: see, for example, sections 143 (1) and (2) of the Securities Act (Ontario) or 223 and 224 of the Securities Act (Alberta). Using this discretion, securities commissions could make membership in an association one of these criteria. Alternatively, National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations could be amended to require membership in an association as a condition of registration.

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

Most Insurance Acts across the country do not provide the province's Superintendent of Insurance with the explicit authority to prescribe licensing conditions. However, most of these acts do provide broad latitude for the Superintendent to set the standards for determining whether a candidate is "suitable" for licensing.

Using this broad latitude, the Superintendent could deem that membership in a professional association speaks to the candidate's suitability to obtain and maintain

an insurance license in the province. In provinces where the Superintendent is not granted this discretion regarding suitability, the province's Insurance Act could be amended to either give the Superintendent such discretion, or the membership requirement could directly be prescribed in the Insurance Act.

## **e. Governance, discipline, and enforcement**

### **(i) promoting the public interest**

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

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

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

### **(ii) governance issues**

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

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

An individual who has had his or her license or registration suspended, cancelled or made subject to ongoing conditions, or who has had his or her membership in an association

suspended, cancelled or made subject to ongoing conditions, would be required to disclose his or her current status when applying for membership with a recognized association.

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

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

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

### **(iii) the complaints and disciplinary process**

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

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

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

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

**Initiation of proceedings.** A professional association would be entitled to initiate disciplinary proceedings where there is reason to believe that a member has violated the code of professional conduct. Public directors of the association would participate in directing the investigation of complaints and the initiation of disciplinary proceedings. The association would be entitled to initiate disciplinary proceedings whenever it considers it appropriate to do so, and would be empowered, in the course of its disciplinary process, to suspend or terminate membership, and to impose conditions on membership.

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

#### **(iv) advisor competence and incapacity**

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

#### **(v) administrative sanctions**

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

#### **(vi) cooperation with all industry regulators**

Professional associations would cooperate with financial industry regulators with regard to complaints and disciplinary matters. Individual members would be required to consent to the sharing of information with financial industry regulators in regard to complaints and disciplinary matters. In general, a professional association would not proceed with any complaints or disciplinary proceedings in the event other

proceedings, initiated by a regulator and based on the same impugned conduct or circumstances, are already underway. As well, professional associations would cooperate with financial industry regulators with regard to continuing education programs and, when possible, participate in their policy development processes. Finally, the relevant regulators would establish a process for accrediting professional associations and monitoring their compliance with standards.

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

## a. Promoting the interests of clients and consumers

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

### (i) a mandated code of professional conduct and ethics

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

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

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

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

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

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

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

### (iii) best practices and member information resources

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



#### **(iv) professional accountability — integrated across sectors**

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

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

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

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

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

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

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

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

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

**(i) financial advisors** would benefit from:

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

**(ii) government and regulators** would benefit from:

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

**(iii) product providers and distributors** would benefit from:

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

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

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

## Advantages of professional membership over the status quo

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

## Advantages of professional membership over the status quo (continued)

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

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

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

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

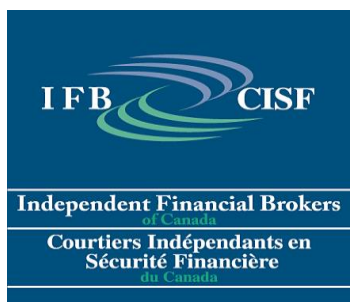
Across Canada, no organization has members who spend more time working one-on-one on financial matters with individual Canadians than us. Advocis advisors are committed to educating clients about financial issues that are directly relevant to them, their families and their future.

# Questions?

If you have questions or comments, please contact:

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September 15, 2015

Financial Institutions Act & Credit Union Incorporation Act Review  
Policy & Legislation Division  
Ministry of Finance  
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Submitted by email: [fiareview@gov.bc.ca](mailto:fiareview@gov.bc.ca)

**Subject: FIA & CUIA Review – Initial Public Consultation Paper**

Independent Financial Brokers of Canada (IFB) appreciates the opportunity to provide our comments on the initial review of the Financial Institutions Act (FIA) and Credit Union Incorporation Act (CUIA).

IFB is a voluntary, professional association with approximately 4,000 members in Canada. Our members are licensed, financial advisors who generally operate small or medium sized financial practices in their local community. The majority are licensed to provide advice and products related to life/health insurance and/or mutual funds. Many are also licensed in complementary fields such as securities, property & casual insurance, exempt market, mortgages, etc. To be eligible for IFB membership, advisors must be able to offer the products or services of more than one company.

IFB supports the financial community and its membership by sponsoring an affordable, comprehensive errors and omissions insurance program (both individual and corporate), compliance support and high quality continuing education events, held several times per year and in various locations across Canada. Our educational events are open to both members and non-members to encourage professionalism within the wider network of advisors.

Although much of the regulation that governs our members is contained in BC's *Insurance Act*, where appropriate we have developed comments to the questions posed by the Ministry of Finance review of the FIA and CUIA. Our responses follow below.

**Issue 1: Financial Consumer Protection**

*Q.1 Should BC consider adopting a market conduct code for fair treatment of consumers that would apply to financial institutions? If so, should there be one code for all financial institutions or separate codes for different types of financial institutions?*

The focus of regulators on the fair treatment of consumers (FTC) has gained prominent attention since 2009, in reaction to various failures of prudent risk management and conduct in the financial marketplace. Many financial institutions and associations adopted or revised their codes of conduct to reflect this focus on putting consumers first, and in response to agreed-upon international standards. Codes of conduct reflect a firm's culture, commitment and, ultimately, success in meeting the FTC outcome.

There may be value for BC to adopt a high level general statement that reinforces the need to consider the fair treatment of consumers as an overall desirable outcome for any financial institution. This approach is consistent with principles-based regulation, which seeks to set high-level principles, while allowing flexibility in how financial institutions meet those expectations.

We see less value in adopting a detailed code applicable to all financial institutions, or separate codes for different types of financial institutions, as many are already bound by their individual or association codes of conduct (e.g. IFB, Canadian Life and Health Insurance Association, Canadian Bankers Association, CAILBA), which have been drafted to reflect the businesses they are in.

Individual life/health insurance agents and brokers are required to adhere to the insurance company's code of conduct as a condition of representing it. IFB members are required to adhere to our voluntary code of conduct as a condition of membership, and the BC Insurance Council has a Code of Conduct applicable to all licensees.

*Q.2. Should BC credit unions be required to have an internal complaint handling process and to offer member access to an independent ombudservice?*

The banking and investment industries offer consumers recourse through individual company complaint officers as well as through the Ombudservice for Banking Services and Investments (OBSI). Similarly, the insurance industry offers consumers recourse through individual company complaint officers, as well as either the OmbudService for Life and Health Insurance (OLHI) or the General Insurance OmbudService (GIO).

We see no reason that members of a credit union should not have access to similar recourse, given that many credit unions now offer a wide range of financial products, similar to those of a bank.

*Q.3 Should ombudservices be mandated for addressing consumer complaints against mutual insurers and/or insurance agents and brokers?*

Consistent treatment for consumer complaints regardless of the financial institution seems a reasonable approach although, as noted in the paper, the mutual insurers have voluntarily established an ombudservice.

We are unclear on the intention of adding insurance agents and brokers to this question, as the reason for this was not set out in the consultation paper. However, we would draw your attention to the research the Canadian Council of Insurance Regulators (CCIR) currently has underway, to explore if there is a need for ombudservices to be extended to complaints against individual insurance agents and brokers. It may be prudent for the Ministry to wait until the CCIR has concluded its research, before considering a position on this matter.



*Q. 4. Should authorization requirements for financial institutions and licensing requirements for insurance agents and brokers specifically require fair treatment of consumers?*

In our view, the fair treatment of consumers is already protected by the legislated power given to the BC Insurance Council to maintain the standards of professional conduct for insurance salespersons, agents and adjusters, and to require licensees to comply with its Code of Conduct.

According to the Council's mission statement: "We serve the public by regulating insurance licensees under the *Financial Institutions Act* and by promoting ethical conduct, integrity and competence." We think this is sufficient and does not require further regulation.

## **Issue 2: Market Discipline/Public Disclosure of Key Financial Risk Information**

*Q.3. Should financial institutions in BC be required to provide information to national databases for regulatory purposes and should FICOM be allowed to do so?*

We support BC joining the national joint complaint reporting system. Many financial institutions conduct business in more than one jurisdiction. Sharing such information on a national database will be helpful to regulators in providing early warning signs of potential market conduct risks that could negatively impact consumers in BC and elsewhere.

IFB believes that to protect consumers, it is important for financial regulators to share information on enforcement activities, and make this information publicly available on a single, national database.

## **Issue 3: Financial Literacy**

*Q.1 What role should financial institutions and intermediaries play in contributing to and fostering financial literacy? Are there any legislative impediments to their doing so? Do financial institutions need additional tools to help fight financial abuse?*

IFB members play an active role in contributing to, and fostering, financial literacy. They work with consumers every day to explain financial concepts, products, savings strategies and to better position individuals and families to be more financially prepared for life's expected, and unexpected, events.

As an association, IFB supports financial literacy. IFB participated in the Financial Literacy Task Force consultations (which included input from our members), added a "Consumer" section on our website, and has included sessions on how to deliver meaningful financial literacy/education to clients at IFB conferences. The trend toward plain language documentation is geared to making complex financial information more accessible to consumers.

In the last number of years, IFB's educational events have included more targeted sessions on recognizing mental capacity issues and suspected financial abuse of clients – sometimes perpetrated by other family members. It's a difficult position for advisors, however, who must respect the legal and privacy rights of their client. This can present barriers to sharing information with others. Advisors need clear direction on when/how to report suspected cases of financial abuse, and the ability to do so without legal retribution. IFB would welcome guidance from BC in this regard.

*Q.2 What role should the provincial government have with respect to promoting financial literacy? Is there a need to duplicate or complement efforts being undertaken at the federal level, particularly for provincially regulated institutions?*

A great deal of information has been centralized on the Financial Consumer Agency of Canada website. BC has been very active in promoting financial literacy and recognizing financial abuse and fraud. Individual provinces may need to tailor their programs to meet the unique needs of their residents.

*Q.3 & 4 Should legislative changes to bolster financial literacy and/or protect consumers from financial abuse be considered? Should BC consider similar changes as the federal government to permit BC financial institutions to report concerns about financial abuse to next of kin in specific circumstances?*

Individual insurance advisors should have a designated authority where they can turn to report suspected cases of financial abuse or to obtain advice. Insurance advisors are not lawyers or medical professionals and, while we share the concern of unreported abuse, they need clear guidance and parameters as to how and when to act.

#### **Issue 4: Technological Change**

*Q. 2 Are any changes needed to ensure consumers continue to be protected and provided with the information they need to make informed choices?*

The CCIR undertook a study of electronic commerce in insurance and concluded that for some products and for some consumers, online purchase of insurance was convenient and accessible. IFB responded to the CCIR consultation and supported that consumers must be able to stop the transaction at any time to access advice from a licensed advisor. They should be given the option to receive a paper copy of the policy with sufficient information on the insuring company that they can follow up with any questions. It's important that consumers receive warnings to this effect throughout the process when attempting to transact such business in an online environment

*Q. 3. Are there certain financial products or services that should not be available for purchase directly by consumers online without using a professional broker or financial advisor at a regulated institution?*

IFB believes that there is no substitute for the personalized contact that licensed insurance brokers bring to clients or prospective clients. Many life/health insurance products are complicated and do not readily lend themselves to online purchase. Consumers may not understand the terminology or the importance of providing accurate information in order to prevent a claim being denied in the future, or may not have the knowledge to compare products on the basis of more than just price.

*Q. 4. Are there consumer protection and regulatory issues related to record storage or retention? Should there be limits on what kinds of data can be entrusted to a third party service provider for storage and/or processing?*

Privacy concerns are raised when a consumer's personal information, which in life insurance files often contain sensitive health information, is lost, hacked into or otherwise not securely stored.

We do not see the issue as much as needing to limit the kinds of data, but rather requiring any third party provider to have taken steps to safely store or process the data.

## Insurance Sector

### Issue 1: Insurance Retailing and Licensing Exemptions

*Q. 1 Are the current exemptions appropriate? Should any additional exemptions be provided?*

IFB does not support exemptions from licensing for anyone selling insurance products, including those sold incidental to the sale of another product, such as mortgage life/disability insurance or other forms of credit insurance sold by a financial institution or travel agent. Unlicensed sales of insurance products are not consistent with the consumer protection framework examined in this consultation.

While IFB supports full licensing of all sellers of insurance, some provinces have implemented a restricted license for incidental insurance. All sellers of insurance should be subject to some form of licensing, regulatory oversight, proficiency standards and disclosure as licensed brokers. Consumers should have access to complaint mechanisms, and agents should be required to carry E&O.

*Q. 2. Should insurers have more responsibility for exempt sellers? Should they be required to provide more direct oversight?*

Yes. Insurers should be required to ensure sellers are knowledgeable, competent, and recommend suitable products. Further conditions should include requirements to ensure transparency in the sales process, disclosure of potential conflicts of interest, and mandated steps that the seller must take to ensure the consumer understands that approval of a loan is separate from (and not dependent on) the purchase of the insurance.

Insurers should be required to ensure sellers have appropriate Errors and Omissions insurance coverage, as it provides an additional means of protection for consumers.

*Q. 3. Should the FIA be amended to give the Insurance Council increased powers to license and regulate incidental sellers of insurance?*

Yes. A consistent approach for the protection of consumers should be in place for all insurance products, regardless of how they are distributed to the public.

*Q. 4. Should certain insurance products only be sold by licensed agents? If so, which ones?*

As per our comments above, any insurance product should be sold by a licensed agent/broker. Insurance products can be complicated and consumers rely on them to reduce their own financial risk, or that of their family, in the event of death, disability or critical illness.

*Q. 5. Should the restricted insurance agent model used by some other provinces, and applicable to travel agencies in BC, be looked at with respect to the sale of other types of incidental insurance such as credit insurance and/or product and vehicle warranties? If so, which types?*

IFB supports full licensing of those who sell insurance products, regardless of how it is sold. In the absence of full licensing, a restricted insurance agent model is preferable to no license, and should apply to credit insurance and product/vehicle warranties.

Of particular concern to us is creditor insurance, such as that provided by banks to cover disability/death for mortgages, because it can extend over many years. Consumers must be aware of alternatives that

may be better suited to them, and receive full, transparent disclosure that in the event of death or disability how claims will be adjudicated.

As stated in our response to Q.2, other requirements must ensure transparency in the sales process, including disclosure of potential conflicts of interest, and mandated steps that the seller must take to ensure the consumer understands that approval of a loan is separate from (and not dependent on) the purchase of the insurance.

## **Issue 2: Regulation of Insurance Intermediaries**

*Q.1 Should some or all members of the Insurance Council of BC be elected?*

From the consultation paper, it is unclear to us how the selection process to appoint individuals takes place under the current system. There may be advantages to having a mix of elected and appointed members. Regardless of the selection system, however, members of Council should be knowledgeable about the industry, and committed to the principles of good governance, fairness (for the public and regulated entities), transparency and be accountable (based on formal measurement criteria) both for their actions, and the actions of Council staff.

*Q.2 Does the Insurance Council have the right regulatory tools and structure for its role? Are any improvements needed to enhance coordination between the supervisory and intermediary regulatory authorities?*

We are not aware of a need for different regulatory tools or for a need to change the structure.

## **Issue 5: Rebating**

*Q.1 Is the current FIA rebating framework effective and appropriate?*

IFB does not support rebating. We believe it introduces risks to consumers, even at a rate capped at 25% of the value of the premium, by encouraging the consumer to focus on the rebate rather than the suitability of the policy. Removing the rebate will simplify the financial institutions' concerns that "observing and enforcing the limit imposes unnecessary costs on both the industry and regulator".

*Q.2 Is the threshold of 25 percent of the premium appropriate? Would a different level be more appropriate, and if so, what level?*

As stated above, we do not support any level of rebating.

The life insurance market is very competitive and is no less so in the jurisdictions in Canada that prohibit rebating. Competition in pricing should focus on the price charged to the consumer for the product being sold, rather than a 'hand-back' of a premium.

*Q. 3 Are the current disclosure rules on referral payments adequate to protect consumers? Should agents also be required to disclose the amount of any referral payment?*

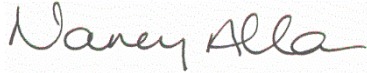
The rules requiring an insurance agent to disclose to the customer that compensation has been paid is consistent with voluntary and mandated standards in other jurisdictions. Feedback from IFB members indicate that they would disclose the actual amount of the referral upon request by the client.

As you are no doubt aware, securities regulators are requiring fee transparency for retail clients of mutual funds as part of CRM2, which will include disclosure of specific dollar amounts.

Thank you for the opportunity to provide our input, and we look forward to commenting further when the next draft becomes available.

Should you wish to discuss our comments or have questions, please contact me or Susan Allemang, Director, Policy & Regulatory Affairs, (email: [sallemang@ifbc.ca](mailto:sallemang@ifbc.ca)).

Yours truly,

A handwritten signature in dark ink, appearing to read "Nancy Alla", is written over a light grey rectangular background.

Executive Director

Email: [allan@ifbc.ca](mailto:allan@ifbc.ca)

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# **INITIAL PUBLIC CONSULTATION PAPER**

## **REVIEW OF THE *FINANCIAL INSTITUTIONS ACT***

### **BACKGROUND**

The Insurance Council of British Columbia (“Council”) is a self regulatory organization, established under the *Financial Institutions Act* (the “FIA”), to licence and regulate the activities of life and general insurance agents, general insurance salespersons, insurance adjusters, restricted travel insurance agents, and restricted vehicle warranty dealers in British Columbia.

Council’s role is best described by its mission statement:

*“We serve and protect the public by regulating insurance licensees under the Financial Institutions Act and by promoting ethical conduct, integrity, and competence.”*

Council is made up of industry and consumer representatives, with each member bringing his or her own unique background, experience, and knowledge to the task of directing Council in fulfilling its mandate.

Council has in excess of 33,000 persons licensed in British Columbia to engage in insurance activities. The vast majority (31,000) are licensed as either life insurance agents or general insurance agents and salespersons. Council handles over 4,000 new licence applications each year. During its 2014/2015 fiscal year, Council received 222 complaints, resulting in 68 investigations, it conducted 158 inspections, and 50 errors and omissions or continuing education audits, and handled approximately 19,000 telephone and written inquiries from the industry and the public.

In preparing its submission, Council reviewed the issues contained in the Insurance Section of the Initial Public Consultation Paper. Council’s comments focus on issues addressed in the Initial Public Consultation Paper.

### **1. INSURANCE RETAILING AND LICENCE EXEMPTIONS**

Council supports the concept of a level playing field when it comes to the licensing and regulation of the distribution of insurance products. In doing so, Council believes all consumers of insurance products should be afforded equal rights and protections, regardless of how, or from whom, they purchase insurance.

The *Insurance Licensing Exemptions Regulation* under the FIA contains approximately 20 exemptions from the FIA's licensing requirements. The licensing exemptions vary from the sale of specific insurance products to engaging in specific insurance activities. For those exemptions relating to the sale of specific insurance products, the terms of the exemption vary from an unconditional, unrestricted exemption (i.e. Section 2(1)(a) - *the sale of product warranty insurance by the seller of the product*; or Section 2(1)(b.1) - *the sale of credit insurance by employees of a financial institution*) to conditional or restricted exemptions (i.e. Section 2(1)(i) - *travel agents engaged in the sale of travel insurance*).

Many of the FIA's licence exemptions apply to a unique insurance product, such as the sale of product warranty insurance or forgery insurance (section 2(1)(a) and (b) of the *Insurance Licensing Exemptions Regulation*, respectively). While Council has not experienced complaints resulting from the sale of insurance under these types of licensing exemptions, Council believes that consumers should have a form of recourse similar to what is available had they used the services of an insurance licensee.

Council proposes that amendments to the *Insurance Licensing Exemptions Regulation* be considered, which establishes responsibilities relating to the sale of insurance under a licensing exemption, and creates, either directly or indirectly, a duty on the person relying on the licensing exemption and on the insurance company whose product is being sold. When insurance products are sold under a licensing exemption, the insurance company plays a role in determining who it will permit to sell its insurance product under the relevant licensing exemption.

As insurance companies are not required to rely on a licensing exemption and can elect to use insurance licensees, there should be specific obligations or requirements on an insurance company if a complaint arises as the result of the sale of insurance by a person who is exempt from the FIA's licensing requirements. Failing that, licensing exemptions should come with mandatory disclosure requirements that will ensure a consumer is aware they are dealing with an unlicensed and unregulated person and, as a consequence, are not afforded the same protections that exist if they were using the services of a licensed insurance agent or salesperson.

## **TRAVEL AGENTS AND FUNERAL DIRECTORS**

The *Insurance Licensing Exemptions Regulation* allows for the sale of travel insurance and funeral insurance by way of a licensing exemption. The licensing exemptions involving travel insurance and funeral insurance include conditions, which limit the amount of insurance sold, require disclosure, or require minimum education or training to qualify for the licensing exemptions.

For persons involved in the sale of travel insurance (travel agents) or funeral insurance (funeral directors), both are also subject to regulation of their primary business activity:

1. Travel Agents – Consumer Protection BC
2. Funeral Directors – Consumer Protection BC

With these two licensing exemptions, the persons involved are already subject to regulation because of their primary business activity. The licensing exemption limits the sale of insurance to a secondary activity arising from their primary business activity. As such, Council sees an opportunity to streamline some regulatory requirements by allowing the insurance activities of these persons to be regulated by their principle regulator.

This approach would allow for a more effective regulation of the insurance activities of these groups by reducing the overall cost of regulation (e.g. travel agencies would no longer have to obtain a licence from Council as required by their licensing exemption) and would provide consumers an opportunity to bring a concern to a regulator that has a direct interest in the suitability of the person engaged in the (exempt) insurance activity. As travel agents and funeral directors are already subject to regulation, the additional oversight of the exempt insurance activities provides an effective option for both the industry and the consumer.

## **MOTOR VEHICLE DEALERS**

Section 2(1)(g) of the *Insurance Licensing Exemptions Regulation* exempts a motor vehicle dealer, or an employee or commissioned sales representative of a motor vehicle dealer, whose only activity as an insurance agent or insurance salesperson is in connection with vehicle warranty insurance sold incidentally to the ordinary business of the motor vehicle dealer.

However, motor vehicle dealers are also engaged in the sale of a number of other insurance products which are also incidental to the sale of a motor vehicle. (Note: this does not include insurance from the Insurance Corporation of British Columbia, which can only be sold by licensed agents and salespersons).

While motor vehicle dealers are subject to regulation by the Motor Vehicle Sales Authority of B.C., in a manner similar to travel agents and funeral directors, Council believes the insurance activities of motor vehicle dealers should continue to be regulated by Council and that the exemption under section 2(1)(g) of the *Insurance Licensing Exemptions Regulation* should be removed.

Council believes that to exempt a group from licensing regarding the sale of one insurance product, but require licensing for other products, as is the case of motor vehicle dealers, is neither appropriate nor in the public's best interests. In addition, the variety of insurance products that have been developed to be sold incidental to the sale of a motor vehicle requires licensing and oversight.



Unlike the exemptions for travel agents and funeral directors, motor vehicle dealers have a variety of insurance products that can be offered to their clients, with new products being developed each year. As a result, because of the variety of the products and the opportunity for consumers to be improperly informed, or worse, misled, Council recommends that all insurance activities conducted by a motor vehicle dealer should be regulated by Council.

## **CREDIT INSURANCE**

Section 2(1)(b.1) of the *Insurance Licensing Exemptions Regulation* allows for the sale of credit insurance by employees (or service providers) of a financial institution in conjunction with the granting of a loan by the financial institution. (As well, under section 2(1)(c) of the *Insurance Licensing Exemptions Regulation*, mortgage brokers are exempt from licensing as it relates to the sale of credit insurance). This licensing exemption allows an individual to sell credit insurance to a consumer without a licence, education, or training.

Credit insurance, which is a form of life insurance and can include components of disability or critical illness insurance, is sold in conjunction with the granting of a loan or mortgage by the financial institution that provides the loan or mortgage. This licensing exemption, as mortgages can easily exceed \$1,000,000.00, allows for the sale of similar amounts of life insurance by persons who are not required to have any specific education or training.

The sale of a similar life insurance product must be sold by a licensed life insurance agent, who must first successfully complete an education program and licensing exam to qualify for a licence. Once licensed, a life insurance agent must complete annual continuing education and maintain errors and omissions insurance. In addition, as part of any insurance transaction, a licensed life insurance agent is required to conduct an appropriate level of due diligence to determine the needs of the client and make recommendations consistent with that determination.

For persons relying on this licensing exemption, that level of due diligence is not required. A client could be sold credit insurance he or she does not need and, more importantly, the needs of clients may not be the paramount consideration behind the sale. A primary beneficiary from the sale of credit insurance is the financial institution itself. If the client dies, while there may be benefits for the client's family or estate, the proceeds from a credit insurance policy go toward paying off the loan to the financial institutions. The sale of credit insurance without any regard to a consumer's overall insurance needs is counter to the principles established under the FIA, as well as the obligations of a licensed life insurance agent under Council's Rules.

In addition, consumers with complaints arising from the sale of credit insurance under the licensing exemption have nowhere to go, except the Courts, as there is no oversight of this activity.

Council is recommending a number of possible options to address its concerns with the existing licensing exemption under section 2(1)(b.1) of the *Insurance Licensing Exemptions Regulation*.

The first option is to limit the licensing exemption so that it only applies to an amount not exceeding \$50,000.00 (a similar limitation is part of the licensing exemption for the sale of funeral services insurance). For amounts over \$50,000.00, there should be no exemption and a life insurance licence should be required.

In the alternative, if no maximum dollar amount is tied to a licensing exemption for credit insurance, Council proposes including additional conditions to the licensing exemption, such as mandatory successful completion of the education program, similar to that required to hold a life insurance agent licence (a similar provision is in place for the travel insurance exemption); mandatory disclosure to a client that he/she should seek a second opinion from a licensed life insurance agent; that the exempt person is neither licensed nor qualified to sell life insurance; and/or that the client is not required to purchase insurance from the financial institution as a condition of obtaining a loan or mortgage.

Council also proposes that, if the licensing exemption for credit insurance remains (or for that matter, any exempt insurance product), there should be a prohibition on insurance that is sold on a post-claims underwriting basis. Post-claims underwriting allows an insurer to determine whether a client is insured only if a claim is made. Clients should be entitled to know, within a reasonable time after purchasing a policy, whether they have insurance in place. If financial institutions are permitted to sell credit insurance without the benefit of licensed insurance agents, then they should be required to undertake the appropriate underwriting processes upfront, not just when, or if, a client makes a claim.

*Note: if the licence exemption for the sale of credit insurance is removed or amended so that a life insurance agent licence is required in some or all circumstances, it will be necessary to review the Shared Premises Regulation, which prohibits the sale of insurance products at the location of a financial institution. If the existing credit insurance exemption is removed or revised, there would have to be provisions to allow the staff of financial institutions, who are currently engaged in this activity, to be able to obtain an insurance licence and conduct insurance activity in a branch of a financial institution. Council believes the sale of insurance products by a licensed individual from inside the offices of a financial institution does not represent a risk to the public.*

## **2. REGULATION OF INSURANCE INTERMEDIARIES**

### **COUNCIL STRUCTURE**

Council is established pursuant to section 220 of the FIA, which requires that Council consists of 11 voting members:

- two representatives from life insurance companies;
- two representatives from general insurance companies;
- two life insurance agents;
- two general insurance agents or salespersons;
- two lay persons; and
- one insurance adjuster.

All voting member appointments are by Order-in-Council (“OIC”) and voting members can serve a maximum term of six years.

The FIA allows Council to have an unlimited number of non-voting members, who are appointed by the Minister of Finance. The non-voting members assist Council with a number of its tasks (committees, hearing members, and alternates for voting members) and provides a training opportunity for potential voting members. Non-voting members are often considered when a voting position on Council becomes vacant, providing for a smoother transition.

Council’s mandate is the regulation of insurance agents, adjusters, and salespersons, but only 5 of the 11 voting members come from one of these categories (the other six being insurance company representatives or lay persons). Council is recommending that the representation of licensed insurance agents and salespersons as voting members be increased. This can be accomplished in one of two ways.

The first option involves reducing the number of insurance company representatives from four to two: one life and one general insurance company representative, and to replace these two positions with an additional life insurance agent representative and an additional general insurance agent or salesperson representative. Such a change will increase the representation of licensees on Council to 7 of 11 voting members, while maintaining appropriate representation for consumers and insurance companies. This recommendation takes into consideration the fact that Council does not regulate insurance companies and, while it believes insurance company representation is relevant and appropriate, the insurance industry and the public would be better served if the majority of voting members are insurance licensees.

The alternative is to increase the number of voting members on Council from 11 to 13 voting members by adding a life insurance agent representative and a general insurance agent or salesperson representative. This proposal would still see the majority of voting members representing licensees.

### **COUNCIL MEMBERS – APPOINTMENT VS. ELECTION**

The current process regarding voting Council members has all positions appointed by OIC. Council is proposing that the layperson and insurance company representative positions continue to be appointed by OIC, but that life, general, and adjuster licensee representatives move to an election process. The election process would have life insurance agents electing the life insurance agent representatives, insurance adjusters electing the insurance adjuster representative, and general insurance agents and salespersons electing the general insurance licensee representatives.

Council is conscious that it has become more common for self-regulatory organizations to have board members elected by its members. As an example, the Alberta Insurance Council and the Registered Insurance Brokers of Ontario elect some of their board member's positions.

Council's concern with the introduction of an election process is that election turnout for this type of process tends to be low, possibly affecting outcomes. In addition, most of Council's voting members have previously served as non-voting members, coming into a voting position with experience and a solid understanding of Council's role. To address this, if elections of voting members is considered, Council proposes that only persons who are serving, or have served, at least one two-year term as a non-voting member would be eligible for election as a voting member. Such a requirement ensures that, by first serving as a non-voting member, a level of commitment to the position exists, and only informed licensees are elected.

### **COUNCIL HEARINGS**

Part of Council's discipline process involves providing licensees the opportunity of a hearing when Council makes an intended decision. Pursuant to section 223 of the FIA, when a hearing is requested, Council can hear the matter directly, or it can establish a committee and delegate the hearing responsibility to that committee. In accordance with section 223 of the FIA, the hearing committee must consist of at least one voting Council member.

Section 223(4) of the FIA requires that when a hearing is delegated to a committee, the committee must hold the hearing and, when finished, prepare a report for Council. It is Council that will make the actual decision as it applies to penalty.

Council is proposing that section 223(4) be amended such that the hearing committee is given the authority to decide the matter, not just prepare a report to Council. Council believes that as long as a hearing committee consists of both voting and non-voting members, it is more appropriate for the hearing committee, which has heard the evidence first-hand, to be the decision-maker in such circumstances. This recommendation is consistent with how most other regulatory bodies operate.

### **SPECIAL BROKERS LICENCE**

The Insurance Section of the Initial Public Consultation Paper discussed whether a *special broker's licence* is necessary. Council is satisfied the FIA, and by extension, Council's rule-making authority, provide it the tools necessary to regulate the various models of distribution of insurance. Through licence conditions and restrictions, Council is able to tailor its regulation of different distribution models, including managing general agents, wholesalers, and sub-brokers ("special brokers").

Council recognizes the uniqueness of the different types of distribution models existing in the insurance industry, and is able to establish effective licensing models that recognize the distinctness of special brokers.

### **OUT OF PROVINCE ADJUSTERS**

Based on section 225.1 of the FIA, Council has the authority under Rule 2(9) to issue a temporary insurance adjuster licence to licensed insurance adjusters from other jurisdictions in the event of a catastrophe. An adjusting firm is only required to provide Council a list of their adjusters (name and address) coming from other provinces, and the non-resident adjuster can commence work in B.C. immediately. The necessary application process can be completed when time allows.

Council is confident the current regulatory model can accommodate the timely movement of additional insurance adjusters into B.C. when required.

### **REGULATORY TOOLS**

Council believes the FIA provides it with the regulatory tools necessary to fulfill its mandate and it does not foresee this changing if its recommendations on the change to Council's structure are adopted. However, Council has identified some specific tools or requirements that could be improved or updated. These include:

1. Section 231(k) of the FIA gives Council the authority to fine licensees and former licensees a maximum \$10,000.00 for individuals, and \$20,000.00 for corporations and partnerships. Council believes its fining authority is an appropriate tool in many disciplinary situations but the nature of some breaches can require more significant fines.

To address this need, Council is proposing an increase in its fining authority to a maximum of \$25,000.00 for individuals and \$50,000.00 for corporations and partnerships.

2. Section 241.1 of the FIA allows Council to assess investigation costs against a licensee or former licensee where it issues an order (takes disciplinary action). Where Council conducts an investigation and determines wrongdoing, but determines disciplinary action is not warranted, Council cannot assess investigation costs.

This section should be amended to allow Council to assess investigation costs against a licensee or former licensee where it determines the licensee's actions were at fault, or a contributing factor in the complaint, but determines disciplinary action is not warranted.

3. Section 227(b) of the FIA identifies a number of records that Council must maintain, which includes "... a record of every decision made by council under this Act concerning the issue, amendment, suspension, cancellation, or transfer of a licence, including the reasons for the decision ...".

Section 227(c) goes on to state that such records must be available to the public for inspection.

Council is proposing that section 227 be clarified to allow Council to publish its decisions (i.e., on its website or other websites). While Council currently publishes its decisions in different formats, it believes section 227 is limiting and would benefit from further clarity.

### **3. HOUSEKEEPING ISSUES**

Council has identified a number of opportunities to streamline or clarify some of the requirements of the FIA which would improve the overall regulatory structure. Examples of where the FIA can be amended include:

1. There are a number of provisions within the FIA involving licensees that would be better served if included in Council's rule-making authority under section 225.1 of the FIA. As examples: section 177(a) of the FIA sets out restrictions regarding the replacement of a life insurance product, which is supported by the Insurance Contracts (Life Insurance Replacement) Regulation, and the disclosure requirements under the Marketing of Financial Products Regulation. Council recommends that these provisions be moved under section 225.1 of the FIA to streamline the process, removing the need to amend both the FIA

and regulations when amendments are required. This will allow Council to respond more quickly to changes through its rule-making authority.

2. Section 2 of the *Marketing of Financial Products Regulation* allows for the rebate of up to 25% of the premium. Council believes this amount can easily exceed the amount of commission that a licensee may receive from the sale of an insurance product.

Council recommends that a rebate should be limited to the amount of commission received by a licensee for the sale of that insurance product.

Council appreciates the opportunity to comment on the Ministry of Finance's Initial Public Consultation Paper and is receptive to providing further guidance or clarification on its submission.

Any questions or comments should be addressed to:

Gerald Matier  
Executive Director  
Insurance Council of British Columbia  
Suite 300, 1040 West Georgia Street  
Vancouver, British Columbia

604-695-2001  
gmatier@insurancecouncilofbc.com

October 22, 2015

Expert Advisory Panel – FSCO/FST/DICO Mandate Reviews  
Ministry of Finance  
Financial Institutions Policy Branch & Income Security & Pension Policy Division  
Frost Building North, Room 424  
95 Grosvenor Street, 4<sup>th</sup> Floor  
Toronto, Ontario M7A 1Z1  
Email: [fipbmandatereview@ontario.ca](mailto:fipbmandatereview@ontario.ca)

Dear Messrs. Cooke, Daw, and Ritchie:

On behalf our Chair, Peter McCarthy, I am writing to thank you for providing CAFII with the opportunity to participate in the Panel's July 30 roundtable meeting regarding the FSCO/FST/DICO Reviews.

As we indicated in our original submission of June 5, 2015, CAFII believes that FSCO's regulatory framework should continue to be principles-based and foster an open marketplace where consumers are able to choose how and where to purchase insurance coverage, whether that be through traditional sales channels or alternate channels such as Branches, Call Centres, online, or mobile devices. Regarding the creation of an Insurance Council, should such a body be created, it should be "channel neutral" so that representatives of any one channel are not in a position to negatively affect a competing channel(s). CAFII also feels that the current approach to regulation of Authorized Insurance Products is working well and consumers are well-protected by our members' compliance with the CBA Code of Conduct for Authorized Insurance Activities, FCAC oversight, and compliance with relevant CLHIA Guidelines.

We would also like to reiterate our strong support for FSCO's participation in national co-ordinating bodies such as the Canadian Council of Insurance Regulators (CCIR) and the Council of Insurance Regulatory Organizations (CISRO). CAFII works closely with both organizations and has found them to be very effective in sharing knowledge and best practices, and encouraging harmonization of regulations across the country. This results in strong consumer protection and makes it more efficient for our members to conduct business and that ultimately provides consumers with better access to the valuable products our members provide.

By way of example, the CCIR conducted a comprehensive consultation on Electronic Commerce in Insurance Products and provincial jurisdictions are now aligning with CCIR's recommendations when making changes to their regulatory frameworks for insurance e-commerce. On the CISRO front, CAFII has participated in consultations regarding modernizing the Life Licence Qualification Program (LLQP) and CISRO members are now in the final stages of implementing a new, nationally harmonized LLQP for January 1, 2016.

It is critical that FSCO continue to play a significant leadership role at a national level with these organizations.

Thank you for considering the views of CAFII members. We look forward to the release of your upcoming Position Paper and to providing our Association's views on its proposals.



Should you require further information from CAFII or wish to meet with representatives of our Association, please contact our Executive Director, Brendan Wycks, at [brendan.wycks@cafii.com](mailto:brendan.wycks@cafii.com) or 647-218-8243.

Sincerely,

A handwritten signature in dark ink, appearing to read "G. Grant".

Greg Grant, MBA, FLMI, ACS  
Board Secretary and Chair, Executive Operations Committee  
Canadian Association of Financial Institutions in Insurance

c.c. David McLean, Policy Advisor, Financial Institutions Policy Branch, Ontario Ministry of Finance

## ABOUT CAFII

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

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

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

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

CAFII members offer travel, life, health, property and casualty, and creditor's group insurance across Canada. In particular, creditor's group insurance and travel insurance are the product lines of primary focus for the Association as our members' common ground. In addition, we advocate on behalf of alternate distribution of insurance – through channels such as direct mail, contact centres, and the internet including mobile devices -- and in support of regulatory structures that foster an open marketplace where consumers can freely choose how and where to purchase coverage.

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

**Regulatory Update – CAFII Executive Operations Committee, October 20, 2015**

Prepared By Brendan Wycks, CAFII Executive Director

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## **Federal/National**

### **Canadian Council of Insurance Regulators (CCIR)**

#### Travel Insurance Working Group Interested In CAFII-Sponsored Survey

In an industry issues dialogue with CAFII Board and EOC members on October 6/15, Patrick Dery, Chair of CCIR, indicated that CCIR's Travel Insurance Working Group (TIWG) would like to have access to the results of the Pollara survey, recently commissioned by CAFII, on Canadian consumers' satisfaction with travel health insurance.

He noted that the TIWG would be especially interested in a breakdown of the results between consumers who purchased coverage through a licensed representative versus those who did so without a representative.

Patrick stated that market conduct issues are what caused CCIR to make a review of travel health insurance a 2015-16 priority; and he confirmed that the timing for the TIWG's release of an Issues Paper had been pushed back to some point in the late first quarter or early second quarter of 2016.

#### CCIR To Consult On Proposal To Require Submission Of Annual Statement

In an industry issues dialogue with CAFII Board and EOC members on October 6/15, Patrick Dery, Chair of CCIR, advised that CAFII and other industry stakeholders would be hearing from CCIR soon about a consultation on a proposal that insurers will be required to complete and submit an Annual Statement to the Council.

This initiative has emerged from CCIR's recent work on a national market conduct Supervisory College framework, and to have all jurisdictions sign a related memorandum of understanding. At its most recent meeting on October 1-2/15, CCIR adopted a harmonized market conduct supervision framework, which is risk- and results-based and will govern how the provinces and territories will work together.

The impetus behind the proposed Annual Statement to be filed with CCIR is a desire to be able to demonstrate that Canada's insurance regulators have a proactive market conduct supervisory framework in place, in order to satisfy the IMF when it next comes to Canada for a Financial Sector Assessment Program review and is looking for evidence of that.

## **Provincial**

### **British Columbia**

#### Insurance Council Calls For Limits On Credit Insurance's Licensing Exemption

In its submission in response to the Initial Public Consultation Paper for the 10-year review of the province's Financial Institutions Act (FIA), the Insurance Council of BC calls for substantial limits to be imposed on creditor insurance's existing licensing exemption under the Insurance Licensing Exemptions Regulation.

The Council lays out three possible options for addressing its concerns with the current licensing exemption:

- limit the licensing exemption so that it only applies to amounts of insurance coverage under \$50,000 (a similar limitation is already in place for the licensing exemption for the sale of funeral services insurance). For amounts over \$50K, there would be no exemption and a life insurance licence would be required;
- if no maximum dollar amount is imposed upon the licensing exemption for credit insurance, additional conditions should be imposed upon the exemption such as
  - mandatory successful completion of an education program similar to that required to hold a life insurance agent licence (a similar provision is in place for the travel insurance exemption);
  - mandatory disclosure to a client that (i)he/she should seek a second opinion from a licensed life insurance agent; (ii) the exempt person is neither licensed nor qualified to sell life insurance; and/or (iii) the client is not required to purchase from the financial institution as a condition of obtaining a loan or mortgage; and
- if the licensing exemption for credit insurance remains as is (and similarly for any other exempt insurance product), there should be a prohibition on insurance that is sold on a post-claims underwriting basis. If financial institutions are permitted to sell credit insurance without the benefit of licensed insurance agents, they should be required to undertake the appropriate underwriting processes upfront, not just when, or if, a client makes a claim.

The Insurance Council puts forward three issues as alarm bell justifications for its change proposals:

- no specific education or training is required of salespersons operating under the existing licensing exemption;
- credit insurance is not sold within the context of the consumer's overall insurance needs; and
- consumers with complaints arising from the sale of credit insurance under the existing licensing exemption have nowhere to go, except the courts, as there is no oversight of this activity.

#### Advocis And IFBC Call For Abolition Of Insurance Licensing Exemptions

The submissions from Advocis and the Independent Financial Brokers of Canada (IFB) to BC's review of the FIA are remarkably harmonized in asserting that

- unlicensed sales of insurance products are not consistent with the province's consumer protection framework;
- all incidental insurance products that are related to the life and health of the insured should require the involvement of a fully licensed agent, such as travel medical insurance or creditor life insurance;
- the licensing exemption currently accorded to creditor insurance and other types of incidental sales of insurance should be abolished;
- the optimal and best way to protect consumers is to require the individual licensing of incidental insurance salespersons;

- at a minimum, incidental sellers in BC should have to obtain a restricted license, similar to what is required in Alberta, Saskatchewan and Manitoba, and what BC itself requires for travel insurance; and
- the FIA should be amended to give the Insurance Council of BC increased powers to license and regulate incidental sellers of insurance.

#### CAFII Meetings With Ministry Of Finance Set For November 10/15

CAFII has been able to confirm meetings with BC Ministry of Finance officials – related to the 10-year review of the FIA – for the morning of Tuesday, November 10/15 in Vancouver. These discussions will consist of

- a high level/political meeting for half an hour involving MLA Dan Ashton, Parliamentary Secretary for Finance; Elizabeth Cole, Executive Director, Executive Director, Strategic Projects in the BC Ministry of Finance's Policy & Legislation Division and leader of the province's 10-year review of the Financial Institutions Act and Credit Union Incorporation Act; and other Ministry staff colleagues; and
- an ensuing meeting for one hour to 90 minutes with Elizabeth Cole and Ministry staff colleagues to discuss recommendations made in submissions from other stakeholders such as the Insurance Council of BC, Advocis, and the Independent Financial Brokers of Canada.

#### BC Ministry Of Finance Deciding Whether To Publish FIA Consultation Submissions

On October 16/15, Elizabeth Cole, Executive Director, Executive Director, Strategic Projects in the BC Ministry of Finance's Policy & Legislation Division, advised Brendan Wycks that the Ministry was still deciding whether or not to publish online all submissions received in response to the Initial Public Consultation Paper.

Generally, the BC government tends not to take the approach of full publication of submissions, which is why a public report outlining a high level of summary of the submissions was promised as a next step in the Initial Public Consultation Paper. However, the Ministry has received several requests for access to all submissions received, so is reconsidering its position.

In any event, neither a summary report nor full publication of all submissions will be available prior to the stakeholder meetings that the Ministry is holding during the week of November 9-13/15.

Elizabeth advised that the Ministry received approximately 40 submissions in total, with the majority dealing with the insurance sector; a smaller but still significant number dealing with credit unions; and just a few focusing on trusts.

#### Ministry Of Finance Outlines Timetable For Completing FIA Review Process

On October 16/15, Elizabeth Cole advised Brendan Wycks that, based on past experience, completion of the FIA review process will take at least two years – from the time of its launch in June 2015 – plus at least an additional six to eight months for the development and finalization of Regulations, and a further allowance for a transition period if there are substantive changes.

When the FIA was last reviewed over a decade ago, the process took two years to complete even though no substantive changes resulted at that time.

Next steps in the current review process include

- a public report on stakeholder input received in response to the Initial Public Consultation Paper, in early 2016;
- a policy paper later in 2016 which lays out proposals for change, for which there will be a generous consultation period for industry stakeholders to provide detailed feedback; and
- if changes are adopted, amendments to the Act and development and finalization of Regulations, in late 2016 and early 2017.

In addition, the legislature's calendar will need to be factored into the timetable with respect to approval of legislative and regulatory changes. With a provincial election scheduled to occur in BC on May 9, 2017, the timetable for completion of the FIA review process will likely be further protracted.

#### Insurers No Longer Permitted To Be LLQP Course Providers In BC

On October 1/15, Gerry Matier, Executive Director of the Insurance Council of BC, advised Brendan Wycks that the Council had recently determined that it would not authorize any insurance company to serve as a Life License Qualification Program (LLQP) course provider under the new, nationally harmonized LLQP that launches on January 1/16.

### **Alberta**

#### Insurance Council Reviewing Products Suitable For Sale Under An RIA Licence

On October 19/15, Joanne Abram, CEO of the Alberta Insurance Council, provided Brendan Wycks with the following update on a Council initiative that she highlighted while participating on a regulators' panel at CLHIA's 2015 Consumer Complaints Fall Seminar:

*In 2015, the Council has undertaken a review of the products offered for sale in Alberta by the holders of a Restricted Insurance Agent Certificate of Authority. This review was prompted by the Council finding*

- *instances of "scope creep," eg. product warranty insurance morphing into gap insurance;*
- *illegitimate transference/delegation of responsibility to TPAs. In Alberta, an RIA licence allows for the employees of the licence holder to sell insurance products on the licence holder's behalf; but it does not allow TPA employees to sell insurance on behalf of the licence holder; and*
- *lack of a complaints resolution process on the part of some agencies/brokerages that hold an RIA licence.*

*To date, the review has involved obtaining from insurers copies of policies and reviewing them to ensure that the products fit within the scope of what the Life Insurance Council and the General Insurance Council had authorized to be sold under a Restricted Certificate. We do have some concerns that these products may have expanded beyond what was originally authorized in both the general insurance environment and in the creditor group environment.*

*I anticipate that the review will be completed by the end of December. At that time, we will have a better idea of whether we will be recommending any changes to the list of authorized products.*

*When the review is complete, any recommendations for changes will be sent along to CAFII and to the CLHIA to provide comments and feedback before they are brought forward to the Councils.*

## **Saskatchewan**

### Industry Consultation On Bill 177 Draft Regulations Deferred To 2016

On October 19/15, Jan Seibel, Legal Counsel with Saskatchewan's Financial and Consumer Affairs Authority, advised Brendan Wycks that the industry consultation period on the draft Regulations to implement Bill 177 (Insurance Act) will definitely be deferred into early 2016, as drafting work is still ongoing and its completion is not yet in sight.

## **Ontario**

### Release Date For Expert Panel's Preliminary Position Paper Is Imminent

On October 19/15, David McLean, Senior Policy Advisor with the Ontario Ministry of Finance and Secretary to the Expert Panel reviewing FSCO's mandate, advised Brendan Wycks that while a release date for the Panel's Preliminary Position Paper had not yet been set, that date will likely be very soon.

In September, David indicated that following completion of sectoral roundtable meetings with stakeholder groups in July, the Expert Panel's next step was to release a Preliminary Position Paper sometime this Fall.

### FSCO On-Site Examinations Of Life Agents Focusing On Product Suitability

While participating on the regulators' panel at CLHIA's 2015 Consumer Complaints Fall Seminar, Izabel Scovino, Interim Director, Market Regulation Branch, indicated that "issues around product suitability" are the top consumer protection issue for her FSCO team at this time.

She indicated that FSCO wants to complete 200 on-site examinations with life agents related to product suitability by March 31/16; and it has completed 60 thus far. These examinations will also confirm that agents have valid E&O insurance in place and have completed required continuing education (CE) credits. This project is taking up a lot of staff time, Izabel advised.

In a related area of product suitability concern, but outside of insurance, she noted that FSCO is worried about syndicated mortgages that are being sold as certain to generate an 8% risk-free return, even in today's exceedingly low interest rate environment.



### FSCO Strengthening Monitoring Of Life Agents' E&O Insurance Requirement

In an October 16/15 meeting with CAFII representatives, Shonna Neil, Director of the Licensing Branch in FSCO's Market Conduct & Licensing Division, and Allan Amos, Manager, Licensing Compliance Unit, provided an update on the Commission's recent and planned initiatives to strengthen monitoring of life insurance agent compliance with the requirement to maintain errors & omissions insurance coverage. Not having such coverage in place is an offence under the Insurance Act.

In addition to agent compliance with this requirement, insurers have an obligation to screen their sponsored agents for e&o coverage and to report to FSCO on any non-compliant agents. FSCO recently added a new report for insurers to Licensing Link, to assist them in complying with their obligation to monitor their sponsored agents' e&o coverage.

FSCO intends to introduce the following changes to strengthen its monitoring and enforcement of life insurance agent e&o insurance coverage:

- beginning in mid-November 2015, in the case of an agent who has not provided evidence of current e&o coverage and it is more than 30 days past FSCO's deadline for doing so, a notice will appear on that individual's profile on the province's public registry for agents which says "FSCO does not have current E&O insurance information for this agent." Both this negative comment and its possible subsequent removal from the registry will be auto-generated, such that immediately after the required e&o coverage information is added to the system, the comment will disappear.
- in early 2016, a new field will be added to the online application forms for new and renewing life agent applicants. That field will ask for the names of the insurers that the agent has a contract with. CAFII offered the feedback that the optimal wording for such a question, with respect to renewing agents, would be "Which insurers have you sold for in the past two years?"; and
- beginning in 2016, FSCO will move to an entirely e-mail based license renewal notice system, with a paper-based renewal option being eliminated. This will require all agents to maintain a current e-mail address in FSCO's database.

### New Ontario Regulations Prohibit Online Insurance Promotion By Credit Unions

In amendments filed on September 18/15, the Ontario government added new provisions to Regulation 237/09 under the *Credit Unions and Caisses Populaires Act* that specifically forbid credit unions and caisses populaires incorporated in Ontario from directly or indirectly promoting non-authorized types of insurance (such as auto, home and individual life insurance) on their web sites. This prohibition includes linking to any insurer, agent, or broker that deals in unauthorized types of insurance coverage.

In Ontario, credit unions and caisses populaires are not allowed to sell or promote insurance in their branches unless it is related to their core business. Acceptable, related types of coverage include products such as creditor, mortgage, travel, and group life insurance.

"The change will ensure greater consistency between the promotion of insurance products permitted online and the promotion permitted in branches," reads a notice now posted on FSCO's web site. "The changes will also align Ontario's provisions with those in effect under the federal regime for banks."

FSCO says it will begin enforcing the new rules on January 1/16 and warns the province's credit unions and caisses populaires that they may need to alter their online practices, web sites, and promotional materials in order to comply with the new rules.

## **Quebec**

### AMF To Remain Focused On Compliance With Sound Commercial Practices Guideline

In an industry issues dialogue with CAFII on October 6/15, Nathalie Sirois, the AMF's Senior Director, Supervision of Insurers and Control of Right to Practise, advised that as an outcome of the regulator's recent review of insurer compliance with its Sound Commercial Practices Guideline, the AMF will be forming an internal task force with a view to completing some follow-up work and a more comprehensive analysis by June 30/16. The AMF will then come back to the industry to consult on the findings and recommendations made in that more comprehensive report.

Nathalie noted that the AMF has become aware of some situations where insurers have relied heavily on their TPAs but have not properly overseen and controlled them. As well, they have encountered instances where the Distribution Guide was not properly provided to consumers.

She stressed that the AMF is intent on sending a message to insurers that operate in the DWR channel that they must control this line of business just as much as they do their operations involving certified representatives.

### More Than 330 Submissions Made To Consultation On Distribution Act

The Quebec Ministry of Finance has received more than 330 submissions in response to its consultation report on the province's *Act respecting the distribution of financial products and services*. Some groups in the province, including managing general agent Mica Capital and claims adjuster ClaimsPro, asked each of their individual representatives to make a submission which contributed to the exceptionally high total. That total does not include those submissions filed on a confidential basis.

The Ministry has posted all submissions that were not filed on a confidential basis to its web site at <http://www.finances.gouv.qc.ca/fr/page.asp?sectn=2&contn=580>.

### CLHIA Asks Quebec To Move DWR And Internet Sales To Insurance Act

In its submission to the Quebec Ministry of Finance's consultation on the *Report on the Application of the Act respecting the distribution of financial products and services (ARDFPS)*, CLHIA asks that distribution without a representative (DWR) be moved to the province's *Act Respecting Insurance (ARI)* from the Distribution Act where it currently resides. The CLHIA would also like internet sales to be regulated under the Insurance Act.

"With respect to distribution without a representative, we believe that it should be governed by the ARI or the Act that will replace it, as is the case in several other Canadian provinces, rather than by the ARDFPS. Any changes to the regulation of this type of distribution will be easier to bring about by amending the ARI than the ARDFPS. This way, distribution without a representative and online distribution will both fall under the same Act, supported by the AMF's guidelines," the CLHIA submission states.

### Advisor Association Asks Minister To Delay Proposed Distribution Act Changes

In its submission on Quebec's *Act respecting the distribution of financial products and services*, the Conseil des professionnels en services financiers (CDPSF) asks the Minister of Finance to delay making proposed changes that would facilitate online insurance offerings without the involvement of a representative. The Conseil argues that a licensed representative should be involved in every insurance transaction.

"The CDPSF firmly believes that there would be significant social costs if the government were to eliminate, even partially, the advisory role of the financial services industry," says CDPSF CEO Mario Grégoire. The CDPSF recognizes that the internet is an essential part of doing business, but the group says that this tool makes insurance consumers more vulnerable. In the CDPSF's view, the role the advisor plays is not just a benefit to the consumer; it acts as a safeguard.

### AMF Looking To Government To Take Position On Internet Offerings In Future Bill

In an industry issues dialogue with CAFII on October 6/15, AMF staff executives Eric Stevenson and Louise Gauthier advised that the AMF is looking for the Quebec government to take a position on internet insurance offerings in a future Bill, likely one which amends and modernizes the Insurance Act.

While the AMF feels that the government is favourable towards the Orientations set out in the regulator's April 2015 "Internet Insurance Offerings in Quebec" report, they are not certain where the government will ultimately land on the proposals made therein or when it will act to introduce legislative change.

The government may decide to move forward with a flexible framework, but the AMF would prefer to have definitive and clear regulation in this area.

### AMF To Accelerate Overhaul Of Two-Page Distribution Guide

In an industry issues dialogue with CAFII on October 6/15, Louise Gauthier, the AMF's Senior Director, Distribution Policies and Compensation advised that now that the regulator's work on the national LLQP modernization effort is nearly complete and the province's review of the Distribution Act is well underway, the AMF will try to advance the two-page Distribution Guide overhaul initiative rapidly, such that it is completed before the review of the Distribution Act is itself finished.

## **Nova Scotia**

### Nova Scotia-Resident Applicants Must Now Provide Own Criminal Record Check

On September 29/15, the Nova Scotia Superintendent of Insurance's office announced that, effective immediately, a criminal record check report must accompany all individual insurance license applications for applicants who are residents of Nova Scotia. The Superintendent's office will no longer search a criminal record and obtain a report for the applicant. The notice highlights four avenues for obtaining a criminal record check.

## CAFII Regulator and Policy-Maker Visit Plan 2015

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Oct 20/15
<b>British Columbia</b>				
Gerry Matier, Executive Director, Insurance Council of BC	-Feb. 27/15 meeting in Toronto addressed review of BC FIA; representation for banks-in- insurance on Insurance Council; new CE requirements for new licensees; LLQP support; CCIR travel insurance initiative	When Gerry is Toronto for CISRO/related meetings	-10 yr. Review of BC Financial Institutions Act (if appropriate) -LLQP modernization -Update on Council priorities -Update on CCIR travel insurance review -Communicate CAFII issues -Maintain and strengthen relationship	Pending
Carolyn Rogers , CEO, FICOM & Superintendent of Insurance (CCIR Vice-Chair)	-Lunch meeting in Quebec City on April 30/15	When Carolyn is in Toronto for CCIR/related meetings	-FICOM Information Bulletin on CGI ('effecting' of CGI in BC issue) -10 yr. Review of BC Financial Institutions Act (if appropriate) -Communicate CAFII issues; maintain and strengthen relationship	Pending
Doug McLean, Deputy Superintendent of Insurance, FICOM	-No contact/meeting for at least past two years	When Doug is in Toronto for CCIR/related meetings	-See C. Rogers above	Pending
<b>Chris Carter, Acting Head, Conduct Supervision (replaced K. Mactaggart Wright in Aug./15). Full-time job is Deputy Superintendent, Real Estate and Deputy Superintendent, Mortgage Brokers</b>	<b>-No previous contact from CAFII</b>	<b>Teleconference with C. Carter and F. Chong in November 2015, if necessary, following Mkt Conduct Ctte's determination of CAFII issues/concerns with Information Bulletin</b>	- FICOM Information Bulletin on 'effecting' of CGI in BC issue (C. Carter has leadership responsibility for this issue)	<b>Pending Oct 26/15 Mkt Conduct Ctte mtng to identify issues &amp; concerns</b>
Frank Chong, Deputy Superintendent, Regulation (named contact for questions on Information Bulletin)	-No previous contact from CAFII	-See C. Carter above	-See C. Carter above	

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Oct 20/15
Harry James, Director, Policy Initiatives, FICOM (Chair of CCIR's Travel Insurance Working Group)	-Nov. 21/14: G. Grant chatted with H. James during FIA Review roundtable discussion  -Jul 28/14: call with CAFII reps re: "effecting" CGI	When Harry is in Toronto for CCIR/related meetings	See C. Rogers above	Pending
Michael de Jong, Minister of Finance	-Nov. 21/14: G. Grant represented CAFII at FIA Review roundtable discussion hosted by Minister	<b>November 10/15 in Vancouver with MLA Dan Ashton, Parliamentary Secretary for Finance; Elizabeth Cole; and Ministry of Finance staff colleagues (two back-to-back meetings)</b>	<b>-10-year Review of Financial Institutions Act: follow-up on CAFII issues/concerns including recommendations of other stakeholders</b>	Confirmed
Dan Ashton, Parliamentary Secretary for Finance (elected MLA)				
Elizabeth Cole, Executive Director, Strategic Projects & Policy (head of 10-Year Review of FIA)	<b>-Oct 16/15 phone discussion re Nov. 10/15 mtngs; publication of submissions to Initial Consultation Paper; next steps and timelines for completion of FIA Review</b>			Completed
Heather Wood, Assistant Deputy Minister				
Marcus Gill, Executive Director				
<b>Alberta</b>				
<b>Alberta Insurance Council:</b> Joanne Abram, CEO;	<b>-Oct 19/15 e-mail exchange re AIC review of products suitable for sale under RIA licence</b> -Nov 20/14: CLHIA COSS seminar (B. Wycks); Mar 17/14; Toronto, ON	When Joanne, Anthonet, or Warren is in Toronto for CISRO/CCIR/related meetings	<b>-AIC Review of Products Suitable For Sale Under RIA Licence (to be completed in December 2015)</b> -Representation for Restricted Licence Holders -Licensing for 3 <sup>rd</sup> party providers -Canadian Insurance Participant Registry (CIPR) -LLQP modernization - Update on Council priorities -Communicate CAFII issues -Maintain and strengthen relationship	Pending
Ron Gilbertson, Chair (2012-15)	-Mar 17/14; Toronto, ON			

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Oct 20/15
<p>Anthonet Maramieri, COO (succeeded retired Tom Hampton at beginning of 2015)</p> <p>Warren Martinson, Legal Counsel (member of CISRO LLQP Ctte)</p> <p>Mark Prefontaine, Superintendent of Insurance</p> <p>David Sorensen, Deputy Superintendent of Insurance</p> <p>Laurie Balfour, Director, Financial Compliance, Insurance Regulation and Market Conduct Branch</p> <p>Robin Campbell, President of Treasury Board and Minister of Finance</p>	<p>-Feb 27/15: Toronto: B. Wycks met A. Maramieri and had get acquainted chat at CISRO LLQP Stakeholder Info Session</p> <p>-Feb 10/14: Toronto, ON</p> <p>-Sep 30/14; Fredericton, NB (informal meeting)</p> <p>No face-to-face contact to date - <i>appointed Sep 15/14; CAFII congratulatory letter sent</i></p> <p>-Sep 30/14: Fredericton, NB (informal meeting)</p> <p>-Jul 28/14: call with CAFII reps re: "effecting of CGI"</p> <p>No contact – appointed Sept 15/14</p>	<p>When Mark is in Toronto for CCIR/related meetings</p> <p>When David is in Toronto for CCIR/related meetings</p> <p>When Laurie is in Toronto for CCIR/related meetings</p> <p>TBD</p>	<p>See above</p> <p>See above - and introduce CAFII</p> <p>See above</p> <p>TBD until CAFII has a "direct ask"</p>	<p></p> <p>Pending</p> <p>Pending</p> <p>Pending</p> <p>Pending</p>
<b>Saskatchewan</b>				
<p>Ron Fullan, Executive Director, Insurance Councils of Saskatchewan and CISRO Chair</p> <p>April Stadnek, Director of Licensing</p>	<p><b>-Sept 22/15 CISRO LLQP Stakeholder Info Session in Toronto</b></p> <p><b>-Sept 22/15 CISRO LLQP Stakeholder Info Session in Toronto (B. Wycks)</b></p> <p>-Sep 30/14; Fredericton, NB (informal meeting)</p> <p>-November/13 in Toronto when April attended CLHIA CCOSS Seminar</p>	<p><b>Oct. 27/15: R. Fullan to give dedicated CISRO LLQP Stakeholder Info presentation for CAFII members following EOC mtng (opportunity to also discuss Sask. issues afterward)</b></p> <p>When April is in Toronto for CISRO/CCIR/related meetings</p>	<p>-Restricted Insurance Agents Advisory Ctte.</p> <p>-Sask RIA regime and licensure issues</p> <p>-LLQP modernization</p> <p>- Update on ICS and CISRO priorities</p> <p>-Communicate CAFII issues</p> <p>-Maintain and strengthen relationship</p>	<p><b>Confirmed</b></p> <p>Pending</p>

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Oct 20/15
Roger Sobotkiewicz, former Director of Financial Consumer Affairs Authority (FCAA)'s Legal Branch, became Interim Chairperson and Superintendent of Insurance, effective Feb. 1/15	-no previous contact; congratulatory letter on appointment sent March 4/15	<b>Teleconference in Q1 or Q2 2016, if necessary; after initial phone call(s) to Jan Seibel re explanation, clarification of Draft Regulations published</b>	-introduce CAFII and build relationship <b>-Regulations being developed following passage of Bill 177, The Insurance Act (Saskatchewan)</b> -ISI: Representation for Restricted Licence Holders -LLQP modernization - Update on Superintendent's priorities -Communicate CAFII issues	<b>Pending</b>
Ian McIntosh, Deputy Superintendent of Insurance	-Jul 28/14 call with CAFII reps re: "effecting CGI"	Same as above	See above	Pending
<b>Janette Seibel, Lawyer, FCAA, became lead on Bill 177 and Regulations file effective June 1/15</b>	<b>-Oct. 16/15 e-mail exchange (B. Wycks)</b>  -teleconference meeting, along with Jim Hall, on CAFII submission on Bill 177, on March 2/15  -(subsequent telephone discussion between J. Hall and B. Wycks on May 7/15 re passage of Bill 177; and plans for Regulations to effect changes to sections of Insurance Act via "not proclaimed in force." J. Seibel did not participate in call but received report from J. Hall)	<b>Teleconference in Q1 or Q2 2016, if necessary; after initial phone call(s) re explanation/clarification of Draft Regulations published</b>	<b>-Regulations being developed following passage of Bill 177, The Insurance Act (Saskatchewan)</b>	<b>Pending</b>

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Oct 20/15
<b>Manitoba</b>				
<b>Ministry of Finance:</b>  Jim Scalena, Superintendent <b>*Retired at end of 2014</b>  Ken Lofgren, Acting Superintendent of Insurance  Scott Moore, Deputy Superintendent of Insurance	-April 29/14; Winnipeg, MB  -Appointed Spring 2015; no previous CAFII contact  -April 15/15 teleconference with three CAFII reps re concern about amended Insurance Act's apparent residency requirement for employees of Restricted Insurance Agents  -April 29/14: Winnipeg, MB	When Ken or Scott is in Toronto for CCIR/related meetings	-Introduce CAFII and build/maintain relationship -Implementation of ISI regime -Representation for Restricted Licence Holders -Update on Insurance Act Review -LLQP modernization -Update on Superintendent's and Council's priorities -Communicate CAFII issues	Pending
Greg Dewar, Minister of Finance	No contact – appointed Nov/14	TBD	TBD until CAFII has "direct ask"	Pending
Erin Pearson, Executive Director, Insurance Council of Manitoba:	<b>-Oct. 8/15 at CLHIA CCOS Fall            Seminar (B. Wycks)</b> -Sept. 30/14: dinner in Fredericton, NB re: ISI implementation  -Apr 29/14; Winnipeg, MB	When Erin is in Toronto for CISRO/related meetings	Same as above; and Insurance Council's "ISI items for further review and development"	Pending



Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Oct 20/15
<b>Ontario</b>				
<b>FSCO:</b>				
Brian Mills, appointed Interim CEO and Superintendent on October 18/14	-January 28/15 stakeholder meeting with CCIR  -November 21/14 at FSCO Life and Health Insurance Symposium	<b>Possible meeting in conjunction with FSCO Life &amp; Health Insurance Symposium: Friday, Nov. 20/15</b>  <b>Q4 2015: get acquainted lunch or dinner meeting</b>	(i)-Introduce CAFII and build/maintain relationship (ii) Ontario government review of FSCO's mandate (iii) next steps, if any, in Life Insurance Product Suitability Review (iv)-CCIR review of travel insurance (v) LLQP modernization (vi)-enhancing the national CRS (vii)-Update on Superintendent's priorities (viii)-communicate CAFII issues	<b>Pending</b>
Anatol Monid, Interim Executive Director, Licensing and Market Conduct Division	-June 9/15: B. Wycks had informal update conversation with A. Monid at CAFII Reception  -January 28/15 stakeholder meeting with CCIR  -November 21/14 at FSCO Life and Health Insurance Symposium	<b>Possible meeting in conjunction with FSCO Life &amp; Health Insurance Symposium: Friday, Nov. 20/15</b>	<b>Same as above; and on-site examinations of life agents and life insurer compliance examination program</b>	<b>Pending unqualified appointment as CEO and Supt. Pending</b>
Isabel Scovino, appointed Director, Market Conduct Regulation Branch in Nov/14	<b>-Oct. 8/15 at CLHIA CCOS Fall Seminar (B. Wycks)</b> -Nov 21/14 at FSCO Life & Health Insurance Symposium  -Nov 13/14 re: Report on Joint Review (FSCO and AMF) of National Complaint Reporting System (CRS)	<b>Possible meeting in conjunction with FSCO Life &amp; Health Insurance Symposium: Friday, Nov. 20/15</b>	Item (v) above	<b>Pending</b>

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Oct 20/15
<b>Ministry of Finance</b>  <b>Charles Sousa, Minister</b>	-CAFII made submission to OMAF on “Proposed Regulations Related to Parts V and VII of the Insurance Act” on May 19/15			
<b>Three-member Expert Panel advising on Government’s review of FSCO’s mandate</b>	<b>-July 30/15 life &amp; health insurance sector roundtable meeting (P. McCarthy and G. Grant)</b>  <b>-May 21/15 informal meeting</b>	<b>Seek exclusive, one-on-one meeting for CAFII (Board member representation) with Expert Panel in Fall 2015, following release of Preliminary Position Paper</b>	<b>-discuss positions outlined in Position Paper; follow-up on CAFII’s written submission; ask questions; dialogue.</b>	<b>Pending</b>
<b>Quebec</b>				
<b>AMF:</b> Louis Morisset, CEO;  Patrick Dery, Superintendent, Solvency (appointed CCIR Chair effective April 1/15)  Eric Stevenson, Superintendent, Client Services and Distribution Oversight	-Apr 8/14: Montreal, QC  <b>-Liaison lunch and industry issues dialogue on October 6/15 in Levis, Quebec</b> -April 29/15 meeting in Quebec City, along with AMF staff executives Eric Stevenson, Nathalie Sirois, and Louise Gauthier <b>-Liaison lunch and industry issues dialogue on October 6/15 in Levis, Quebec</b> -January 28/15 stakeholder meeting with CCIR  -January 30/15 meeting in Toronto, along with L. Gauthier, re (i) and (ii)	When Patrick is in Toronto for CCIR/related meetings	-(i)AMF final paper on electronic commerce in insurance, setting out Orientations/expectations -(ii)Distribution Guide template and implementation timelines -LLQP modernization -enhancing the national CRS -Update on AMF priorities -Communicate CAFII issues -Maintain and strengthen relationship	Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Oct 20/15
<b>Ministry of Finance</b>  <b>Carlos Leitao, Minister</b>  <b>Richard Boivin, Assistant Deputy Minister, Financial Institution Policy and Corporate Law</b>  <b>Guillaume Caudron, Chief of Staff</b>	N/A	<b>-Q4 2015 teleconference with Ministry officials</b> <b>-Q4 2015 in-person meeting with Ministry officials, likely in Quebec City, if necessary</b>	<b>CAFII and other stakeholder submissions in response to Report on the Application of the Act respecting the distribution of financial products and services</b>	Pending
<b>Atlantic Canada</b>				
Joint Forum of Insurance Regulators (four provinces)	Oct 1/14: Fredericton, NB	Spring or Fall 2016	TBD	Deferred to 2016
<b>New Brunswick</b>				
Angela Mazerolle, Superintendent of Insurance	Oct 1/14: Fredericton, NB	None planned for 2015	TBD	Deferred to 2016
David Weir, Deputy Superintendent of Insurance	<b>-Sept. 22/15 CISRO LLQP Info Session in Toronto (B. Wycks)</b> -June 9/15 teleconference re New Brunswick licensing issues  -Oct 1/14: Fredericton, NB	When David is Toronto for CISRO/related meetings	-Development of online licensing system <b>-legislative/regulatory change to support electronic beneficiary designations</b> -other New Brunswick licensing issues	Pending
Jay Reid, Investment Attraction Officer, Opportunities New Brunswick	-Jun 3/14: Toronto, with Adam Mitton of predecessor organization Invest New Brunswick	When Jay is in Toronto; or alternatively via teleconference, as necessary	- CAFII submission re: Insurance Act and regulatory process changes necessary to support business efficiency and further inbound investment and additional jobs in New Brunswick	Pending
Ronald Godin, Consumer Advocate for Insurance	No contact		-Introduce CAFII and build relationship -Position CAFII as an information resource	Pending

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<b>Nova Scotia</b>				
<b>William Ngu, Acting Superintendent</b>	-Appointed June 2015; no previous CAFII contact	<b>When William is in Toronto for CCIR/related meetings</b>	-Review of life and accident & sickness provisions of Insurance Act (D. Murphy confirmed on April 22/15 that this is unlikely to occur in 2015) - <b>legislative/regulatory change to support electronic beneficiary designations</b> -Update on Superintendent's priorities -Communicate CAFII issues -Build and strengthen relationship	<b>Pending</b>
<b>PEI</b>				
Superintendent Robert Bradley	-Oct 1/14: Fredericton, NB	Q4 2015 or Q1 2016 in PEI or Toronto, if necessary	-Review of life and accident & sickness provisions of Insurance Act (on April 23/15, R. Bradley advised that this may get underway in late 2015) - <b>legislative/regulatory change to support electronic beneficiary designations</b> -Update on Superintendent's priorities -Communicate CAFII issues -Maintain and strengthen relationship	Pending
<b>Newfoundland</b>				
Craig Whalen, Deputy Superintendent	-Oct 1/14: Fredericton, NB	None in 2015	- <b>legislative/regulatory change to support electronic beneficiary designations</b> -Update on Superintendent's priorities -Communicate CAFII issues -Maintain and strengthen relationship	Deferred to 2016
<b>FEDERAL/NATIONAL</b>				
Carol Shevlin, Policy Manager, CCIR *Retiring at end of 2015	- <b>Oct. 8/15 at CLHIA CCOS Fall Seminar (B. Wycks)</b> -Liaison lunch with B. Wycks on Feb. 23/15 -January 28/15 stakeholder meeting with CCIR	- <b>Q4 2015 get acquainted/liaison lunch for B. Wycks with C. Shevlin and two CCIR Policy Manager successors (S. Jacobs and M. Boyle)</b>	-CCIR review of travel health insurance -Update on CCIR 2014-17 Strategic Plan and related priorities -Communicate CAFII issues; and maintain and strengthen relationship -possible CAFII webinar(s) for CCIR audience	<b>Pending</b>

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Oct 20/15
<b>Sean Jacobs, Policy Manager, appointed July 2015</b>	<b>-Oct. 8/15 at CLHIA CCOS Fall Seminar (B. Wycks)</b>	<b>-December 8/15 CAFII Holiday Season Reception</b>	-Recognition and tribute to Carol, upon her imminent retirement at end of 2015 (confirmed as agreeable to her)	<b>Confirmed</b>
<b>Martin Boyle, Policy Manager, appointed September 2015</b>	<b>-Oct. 8/15 at CLHIA CCOS Fall Seminar (B. Wycks)</b>			
Patrick Dery, Chair, CCIR (Superintendent, Solvency, AMF)	<b>-Liaison lunch and industry issues dialogue on October 6/15 in Levis, Quebec</b> -April 29/15 meeting in Quebec City, along with CCIR Vice-Chair Carolyn Rogers	When Patrick is in Toronto for CCIR/related meetings	-CCIR review of travel health insurance -Update on CCIR 2014-17 Strategic Plan and related priorities -Communicate CAFII issues; and maintain and strengthen relationship	Pending
Carolyn Rogers, CCIR Past-Chair and current Vice-Chair (CEO, FICOM & Superintendent of Insurance)	-April 29/15 in Quebec City, along with CCIR Chair Patrick Dery -January 28/15 stakeholder meeting with CCIR -Oct 7/14: Toronto, ON at CAFII Regulator Reception	When Carolyn is in Toronto for CCIR/related meetings	See above	
Harry James, Chair, CCIR Travel Insurance Working Group (TIWG) (Director, Policy Initiatives, BC FICOM)	-March 24/15 meeting with CAFII EOC re draft industry survey of travel insurance underwriters  -January 30/15 and December 10/14, CAFII participated in TIPIP meetings with CCIR Working Group on Travel Insurance	<b>Q4 2015 or Q1 2016 meeting when Harry is in Toronto for CCIR/related meetings</b>	<b>-highlights/findings of CCIR survey of travel health insurers</b> <b>-CAFII survey on consumer satisfaction with travel health insurance</b> <b>-issues/positions to be included in Issues Paper for industry consultation in Q1 or Q2 2016</b>	<b>Pending</b>

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Ron Fullan Chair (SK); G. Matier (BC); J. Abram (AB), W. Martinson (AB); D. Weir (NB) <b>CISRO</b>	-September 22/15 CISRO LLQP Stakeholder Info Session  -June 5/15 CISRO LLQP Stakeholder Info Session  -Feb 27/15: CISRO LLQP Stakeholder Info Session	<b>Oct. 27/15: R. Fullan to give dedicated CISRO LLQP Stakeholder Info presentation for CAFII members following EOC mtng</b>	-LLQP modernization -possible CISRO Strategic Plan	<b>Confirmed</b>
Jeremy Rudin, Superintendent, Office of the Superintendent of Financial Institutions	No contact – appointed June/14	None	-introduce/educate about CAFII, CGI and alternate distribution -build relationship -invite to be speaker at a CAFII Reception event	Watch/ monitor
Sarah Bradley, Ombudsman, OBSI (appointed Sept. 14/15)	None	None	TBD	Watch/ monitor
<b>Financial Consumer Agency of Canada (FCAC):</b>				
Lucie Tedesco, Commissioner	-May 1/15: B. Wycks made self-introduction and chatted with L. Tedesco, following her speech at CLHIA Conference			
Brigitte Goulard, Deputy Commissioner	-Jun 10/14			
Jane Rooney, Financial Literacy Leader	-Feb 10/15 (presentation at CAFII Annual Luncheon)			
Jeremie Ryan, Director, Financial Literacy and Consumer Education	-Feb. 10/15	Q4 2015 (either in-person in Ottawa or Toronto; or via teleconference)	-CAFII proposed enhancements to FAQs and other content on FCAC web site re creditor insurance  -CAFII involvement in consumer financial literacy initiatives, including Financial Literacy Month	Pending
Karen Morgan, Marketing Officer	-Jan 9/14			