



CAFII EOC Meeting
Tuesday, June 26, 2012
Location: Royal Bank Plaza, South Tower
Capital Markets, 4th Floor, Richardson Room
Toronto, ON
1:00 – 4:00 pm

Agenda

1. Call to Order J. Lewsen
2. Approval of Agenda All
3. In Camera Session (1-2pm) All
4. Media and Advocacy Strategy Committee S. Gelgor/J. Lewsen
a. Communications Plan S. Gelgor/J. Lewsen
5. Minutes All
a. EOC Minutes May 29, 2012
b. Action Items not otherwise addressed in this agenda
6. Financials M. Fabian
a. May 2012 financials
7. Regulatory Update
a. Lawrie Savage Report A. Riley
8. CAFII Priorities and EOC Committees
a. Regulator Visits A. Riley
b. Distribution and Market Conduct Policy Committee S. Manson/J. Hines
 - Proposed Education Curriculum J. Hines / G. Grant
 - UK PPI S. Manson / J. Hines
c. Licensing Efficiency Issues Committee M. Gill
d. Event & Networking Committee P. Yeung/M. Sanchez-Chung
 - Speaker presentation – October 9
 - December Reception & 15th Anniversary Celebration
 - Speaker presentation – February 2013
9. Other Business
a. New Canadian Not-for-Profit Corporations Act J. Lewsen

Next Board Meeting is October 9, 2012 hosted by National Bank.

Next EOC meeting is September 25, 2012, in Toronto. There is also a tentative conference call on August 7, 2012.

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

CAFII EOC Meeting Minutes

Tuesday, May 29, 2012

**Location: Royal Bank Plaza, South Tower, Capital Markets
200 Bay St., 4th Floor, Richardson Room
Toronto, ON**

Present:	Rose Beckford Charles Blaquerie Andre Duval Matthew Fabian Sara Gelgor Moira Gill Jeff Gladwish Greg Grant Jennifer Hines John Lewsen Sue Manson Paul Yeung	ScotiaLife Financial Canadian Premier Life Insurance Co. (<i>teleconference</i>) Desjardins Financial Security Life Assurance BMO Insurance <i>Treasurer (teleconference)</i> ScotiaLife Financial TD Insurance American Express CIBC Insurance RBC Insurance BMO Insurance <i>Chair</i> CIBC Insurance RBC
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Also Present:	Leya Duigu Anne Riley	T•O Corporate Services Lawrie Savage and Associates
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Regrets:	Emily Brown Francois Cholette Wayne Eccles John Poolman Maria Sanchez-Chung	BMO Insurance Desjardins Financial Security Life Assurance TD Insurance Assurant Solutions MBNA Bank of Canada
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1. Call to Order

The meeting was called to order at 1:15 pm. J. Lewsen acted as chair and L. Duigu acted as recording secretary.

2. Approval of Agenda

The agenda was approved as presented.

3. Minutes

a. Board Minutes April 10, 2012

Edits were put forward by members at the meeting.

b. EOC Minutes April 24, 2012

Members put forward changes at the meeting.

c. Action Items not otherwise addressed in this agenda

4. Financials

M. Fabian reported that the bank balance is high at the moment and will remain this way in order to cover upcoming priorities. We are at the same % spent now as compared to last year. With respect to membership fees we received notifications from two associate members that they will not be renewing this year and we will be leaving them on the membership fees list to account for the \$9600 shortfall this year as a result.

Audit. The audit is finalised and signed off on by C. Honor, J. Lewsen and M. Fabian. The audit findings will be released in the coming weeks and the auditor will be reporting at the Annual General Meeting via phone since it will be held in Quebec City.

5. New Canadian Not-for-Profit Corporations Act – Implications to CAFII

This item has been raised by Faskens and T.O Corporate Services as CAFII will need to re-incorporate under the new act before October 2014. While not a pressing issue members felt the process should be initiated sooner rather than later.

6. Regulatory Update

a. Lawrie Savage Report

A. Riley provided highlights of the regulatory update to members and discussion occurred as follows:

- FSCO Statement of Priorities Submission.
Action: L. Duigu to finalize document based on comments and send to J. Lewsen and J. Hines.
- FSCO Trade Agreement meeting. M. Gill attended this meeting which was called at the last minute. The priorities for Canada and Europe were discussed as well as the Ontario-Quebec trade agreement. Meeting notes will be provided shortly.
- CCIR MGA Paper. The paper included a few concerning statements and it may be worthwhile for CAFII to make a short submission on it. Responses are due on June 30, 2012. It would be worth seeking clarification from CCIR before submitting a response.
Action: Members to raise this question in their meeting with C. Shevlin next week.
- AMF Ecommerce Submission. Members discussed the process pros and cons, noting that the final submission was of great quality.

The process and distribution of work to committees was discussed and where responsibility begins and ends between the EOC and committees.

b. FSCO Statement of Priorities

7. CAFII Priorities

a. Regulator Visits

CCIR Meeting. The webinar information will be provided in a 1-pg document.

Action: Education Curriculum to be sent to A. Riley in word.

AMF Meeting, June 19. M. Albert will be attending along with additional representatives from the AMF. The schedule was outlined and discussion points will be provided to meeting attendees in advance including key issues in Quebec, Distribution Guide, ON/QC Trade Agreement and Ecommerce.

Action: A. Riley to prepare speaking notes.

Ontario. Phil Howell's EA was reassigned recently and therefore a meeting wasn't scheduled with him. It was noted that A. Monid would like the opportunity to start making connections with senior industry groups and is currently in the process of hiring more staff. Once his team is in place a meeting should be arranged.

Action: Meet and Greet to be arranged with A. Monid and his staff this summer.

Action: L. Duigu to add new FSCO Representatives to the receptions list.

b. Reports on Regulator Visits

AB Meeting: Meetings notes were included in the package for review.

Action: A. Riley to draft letter, under J. Lewsen's signature, following up with AIC regarding business numbers.

AMF Meeting: A meeting was held recently in Quebec and summary notes were included in the meeting materials for review. Members discussed following up on a few key issues. There isn't a deadline for this but they would like something before the end of the process.

c. Distribution and Market Conduct Committee

Education Curriculum

J. Hines and G. Grant have been developing the education curriculum over the last few weeks and will provide an update at the next Board Meeting. A trial account has been setup on Adobe Connect to deliver the webinars and should be tested at some point. J. Hines and G. Grant volunteered to test Adobe Connect.

UK PPI

A draft of the survey was circulated for comment recently. S. Manson provided an overview noting that this is a self-assessment survey. Members discussed including a preamble about the risks and how this information will be collated. Focus should just be on card insurance. Potential legal firms were discussed and two potentials were put forward.

The committee was congratulated on the work they have done on the survey to date.

Action: S. Gelgor to discuss approach to potential legal council with J. Hines and G. Grant, before reaching out to firms.

Action: Members to provide feedback on survey to S. Manson by Friday, June 1.

CCIR & AMF Ecommerce Submission (final)

d. Media and Advocacy Strategy Committee

S. Gelgor reported that the committee will be meeting with the board communications committee next week to work on action items from the last board meeting.

Action: P. Yeung to book meeting room at RBC for June 4.

New Website: The website is live and members were requested to provide feedback and comments to L. Duigu.

Action: L. Duigu to resend login details to each member.

e. Licensing Efficiency Issues Committee

Restricted Licensee Representation on Council

CAFI met with Saskatchewan last summer and requested an opportunity to have representation on the council, which they appeared open to. This request has been raised in Manitoba and British Columbia as well. When it came to how we want to be represented, it was determined that legal advice was needed to gain a better understanding of the options and help identify how members wish to proceed. Three documents have been provided including two background document and a matrix of possible approaches and M. Gill provided a brief overview of them.

Members discussed the possible approaches and consensus was reached on concepts 3, 4 and 5. The matrix should be included in the board materials.

f. Event & Networking Committee

Speaker presentation – October 9

An invitation will be extended to J. Dickson to speak at the next reception and the speaker from AMEX will be the back.

8. Other Business

a. Associate Members Not Renewing

9. Termination

With nothing further to discuss the meeting was terminated at 4:05 pm. The next EOC meeting will be held on Tuesday, June 26, 2012 at 1:00 pm in Toronto.

Date

Chair

Recording Secretary

CONFIDENTIAL DRAFT

CAFII

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

Balance Sheet As at May 31, 2012

ASSETS	Current 2012
Current Assets	
Bank Balance	\$209,375
Investments ^A	\$52,097
Accounts Receivable	\$0
Interest Receivable	\$50
Prepaid Expenses	\$0
Intangible Assets-Trademarks	\$6,245
Accumulated Amortization-Trademark	(\$6,245)
Total Current Assets	\$261,521
TOTAL ASSETS	\$261,521
LIABILITIES	
Current Liabilities	
Account Payable ^B	\$15,839
Deferred Revenue	\$62,975
Total Current liabilities	\$78,814
TOTAL LIABILITIES	\$78,814
UNRESTRICTED NET ASSETS	
Unrestricted Net Assets, beginning of year	\$137,319
Excess of revenue over expenses	\$45,388
Total Unrestricted Net Assets	\$182,707
Total Unrestricted Net Assets	\$182,707
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$261,521

RESERVE RATIO:	
Minimum Reserve for 2012	\$71,258
Maximum Reserve for 2012:	\$435,177
Current Reserve Ratio (CAFII policy requires min. 3 months reserve)	7.7 Months

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

Item A

Investment Portfolio

Investment Type	Issue Date	Principal	Rate	Deemed Interest	Maturity Date
Cashable GIC #0087-8019718-11	May-07-12	\$52,096.99	1.45%	\$755.41	May-07-13
Total		\$52,096.99		\$755.41	

Item B

Accounts Payable

	Total
	58.02
	201.23
	14,679.19
	900.72
Total outstanding:	15,839.16

CAFII

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

Statement of Operations As at May 31, 2012

REVENUE	Current Month	Current YTD	Budget 2012	% Used	YTD 2011 Balance	% Used YTD 2011
Membership Fees	\$32,575	\$170,875	\$419,700	41%	\$174,625	46%
Interest Revenue	\$62	\$266	\$750	35%	\$327	327%
TOTAL REVENUE	\$32,637	\$171,141	\$420,450	41%	\$174,952	45%
EXPENSE						
Management Fees	\$5,885	\$29,424	\$70,617	42%	\$28,870	42%
Lawrie Savage Fees	\$14,679	\$73,396	\$171,289	43%	\$71,957	43%
Fasken Martineau Fees ¹	\$0	\$0	\$10,467	0%	\$0	0%
Audit Fees	\$0	\$347	\$11,594	3%	\$0	0%
Board/EOC/AGM Expense ²	\$201	\$7,093	\$21,000	34%	\$8,624	41%
Insurance	\$237	\$1,183	\$4,320	27%	\$1,176	27%
Website (incl translation)	\$1,130	\$1,314	\$540	243%	\$352	65%
Telephone/Fax/Internet	\$50	\$225	\$1,000	22%	\$367	17%
Postage/Courier	\$94	\$161	\$500	32%	\$80	7%
Office Expenses	\$150	\$360	\$2,700	13%	\$842	31%
Bank Charges	\$0	\$25	\$0	0%	\$0	
Miscellaneous Expenses	\$0	\$0	\$0	0%	\$0	
Amortization Expense	\$0	\$0	\$0	0%	\$0	
Regulatory Model (s)	\$0	\$0	\$2,940	0%	\$0	0%
Tactical Communications Strategy ⁷	\$0	\$893	\$22,250	4%	\$509	2%
Media Relations, CAFII Consultant	\$0	\$5,910	\$12,000		\$2,287	19%
Research/Studies ⁴	\$0	\$5,085	\$42,000	12%	\$27,318	65%
Federal Financial Reform ⁵	\$0	\$0	\$2,160	0%	\$0	0%
Provincial Regulatory Review ⁶	\$338	\$338	\$54,000	1%	\$7,949	15%
Provincial Networking Strategy ³	\$0	\$0	\$5,800	0%	\$17	0%
TOTAL EXPENSE	\$22,765	\$125,753	\$435,177	29%	\$150,347	29%
EXCESS OF REVENUE OVER EXPENSES	\$9,871	\$45,388	(\$14,727)		24,604.76	

Explanatory Notes:

(1) Legal work relating specifically to CAFII

(2) Board meetings and receptions, special Board or EOC lunch meetings, speaker expenses

(3) Speaker lunches such as the one we did in BC and other events where we invite provincial regulators

(4) Research for the creditor issues committee and any new issue that may come up

(5) Placeholder

(6) Faskin Martineau work: costs associated with regulation changes, insurance act updates, and issues related to restricted licensing regimes.

(7) Fees for PR, media and communications firm

CAFII
 Toronto, ON M4V 2Y7
Membership Fees
As At May 31, 2012

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

Regulatory Update for CAFII Board of Directors, June 19, 2012

By Lawrie Savage & Associates

International

Commission Disclosure in the UK

The British Insurance Brokers' Association (BIBA) warned that Europe could require mandatory commission disclosure from brokers by 2019 through revisions to the Insurance Mediation Directive. There is significant political pressure for mandatory disclosure. The BIBA has called for “disclosure on request” and does not believe that a case to mandate disclosure has been made.

National

Canadian Bankers Association (CBA) Announces Guidelines for Point of Sale Mobile Payments

On May 16, the banking industry and credit union system announced a set of voluntary, secure, open guidelines for the development of mobile payments at the point-of-sale in Canada. The guidelines, known as the Mobile Reference Model, include how information is exchanged among various parties to a transaction including financial institutions, payment card companies, telecommunications companies and merchants. These guidelines are intended to create a path to help all market participants move forward in developing mobile payment solutions to meet the growing demand for mobile payments in Canada. These guidelines were developed as an outcome of the federal government’s Task Force for the Payments System Review in 2011, and provide definition for a fair, transparent, and competitive Canadian market for emerging payment options with mobile devices. By developing a set of guidelines that all participants in the payments marketplace can work within, the goal is to ensure safety, security and ease of use for merchants and consumers while allowing for innovation and competition among market participants.

British Columbia

New Organizational Structure in the Financial Institutions Commission (FICOM)

FICOM has implemented a new structure effective June 1. They have established a risk surveillance and analytics unit whose role is to identify upstream risks. They have also established a policy group of three staff who will be preparing and issuing guidance documents. The Ministry of Finance will retain their policy group (Jill Sinkwich and Brian Dillon) who will focus on policy related to legislative and regulatory changes.

New Supervisory Framework

BC will continue to incorporate provincial companies and regulate them for solvency. There is a project underway to self-assess BC’s supervisory requirements to International Association of Insurance

Supervisors (IAIS) standards. BC has implemented a new supervisory framework which will mirror OSFI supervisory requirements and incorporate the new IAIS standards.

Agent Supervision Changes

The BC Insurance Council is reviewing supervision of agents. Currently, a newly licensed life agent could begin selling insurance policies on his own immediately upon passing the certifying examination (LLQP). The proposal in place is for new life agents to be supervised for 2 years by a qualified agent, ie an agent who has 5 years experience in the last 7 years. The supervisor would be responsible for overseeing the new agent- from product recommendations to filing applications with insurers. The province is looking to have documentation developed for supervision requirements by the end of June to be effective for licensees after September 1, 2012.

On the P&C side, the Insurance Council has had supervision requirements in place for a number of years. As most P&C insurance is done through agencies, supervision is done by the agency and the agency nominee is accountable for all activity. The nominee can delegate the responsibility for supervision as he/she sees fit. A level I licensee must be under direct supervision of level 2 or 3. Level I cannot leave the office and cannot sign the policy. The strictness of these conditions will likely be reviewed by Council this year.

Alberta

Political Changes

The Deputy Minister for Finance is now Annette Trimbee (appointed in May). Doug Horner, Minister of Finance, is no longer also Deputy Premier. The Deputy Premier is Thomas Lucaszuk. The Ministry is in the process of assessing priorities.

General Insurance Supervision Changes

Alberta Insurance Council is changing the Agent regulation and expects to have it finalized this summer. Proposals include removing the requirement for general agents to move from Level 1 to level 2 within 3 years. 90 day Probationary certificates could be issued prior to official certification (one time only per individual). Each Level 1 and Probationary Licensee must be supervised. It is the responsibility of the firm's designated representative (DR) to determine what constitutes adequate supervision of each individual license. A new level 3 certificate is proposed for management level licensees (ie supervisors of agents) who could be the designated representative for an agency.

Implementation of IAIS Standards

This has been identified as a key project area (along with automobile insurance reforms). Alberta will be a solvency regulator province so must implement all the Insurance Core Principles (ICPs) of the IAIS. Alberta will work with CCIR which has two committees; one for solvency standards and one for market conduct (ICPs 18 and 19).

Saskatchewan

Insurance Act Review Update

Jim Hall, who retired in January 2012 as Superintendent of Insurance, is working on a contract basis with the Saskatchewan Financial Services Commission to undertake the *Insurance Act* review. The province intends to harmonize with Alberta, BC, Ontario and Manitoba. Work is just starting so there is no timing or next steps yet for the review.

Manitoba

Insurance Amendment Act Introduced

Bill 27, the *Insurance Amendment Act* was introduced on May 9, 2012. Many of the Act's provisions, including virtually all of Parts V and VI (life insurance and accident and sickness insurance), are harmonized with the *Insurance Act* of Alberta.

Consumer protection enhancements include:

- better access for claimants to documents and information about life insurance and accident and sickness insurance contracts;
- protection for innocent persons from loss of coverage for intentional acts of co-insureds and other persons;

The bill includes changes to permit self-evaluative privilege and Electronic Commerce but the province is waiting for further direction from the CCIR Ecommerce paper on how to deal with beneficiary designations and contract termination. Regulations may be made about how insurers may use information about the credit status of policy holders and applicants for property insurance relating to a residence. The Bill includes legislative authority to license incidental sellers of insurance. Regulations have yet to be drafted but they would like be ready for fall 2012. The province does not expect a long transition period.

The Bill can be found at <http://web2.gov.mb.ca/bills/40-1/b027e.php>

Budget adds retail sales tax on Insurance products

Retail sales tax of 7% is to apply to insurance premiums effective **July 15, 2012** (with the exception of health, Autopac, and individual life insurance.) Group insurance is taxable with the exception of group health. Creditor's insurance, disability, critical illness, and accidental death and dismemberment insurance, property and casualty insurance, trip cancellation insurance, baggage insurance and land titles insurance. The tax will apply where the insured is a person resident in Manitoba or the premiums are paid in respect of property located in Manitoba. The tax bulletin outlining this change can be found at <http://www.gov.mb.ca/finance/taxation/bulletins/061.pdf> The bulletin issued shows an expanded list of products over what was included in the budget bill.

Ontario

Insurance Act Review Update

Details of changes to the *Insurance Act* were included as Schedule 31 of Budget Bill 55. The changes deal with life and accident & sickness sections of the Act. The changes have mirrored those made in Alberta and BC with some exceptions. The limitation period notification is harmonized to other Ontario statutes ie it references the Ontario *Limitations Act 2002*. Ecommerce has been intentionally omitted as Ontario feels that there is too much grey area on written versus electronic beneficiary designation and termination to make specific changes. Self-evaluative privilege has not been included in the changes. An Administrative Monetary Penalty (AMP) regime has been put into the *Insurance Act* under section 441 which is the Unfair and Deceptive Acts and Practices section. It applies to companies, agents, and brokers in all areas of insurance. Regulations are not ready and timing is not known. Regulations will be subject to 45 days notice in the provincial regulations register. Ontario will likely not have a wider or more formal industry consultation.

Changes to Solvency Regulation of Ontario Insurers

Unlike BC and Alberta, FSCO does not intend to be a solvency regulator. FSCO has issued a consultation paper entitled *Improving Solvency Supervision of Insurers in Ontario*. Given that most insurers operating in Ontario are federally-incorporated and regulated by Office of the Superintendent of Financial Institutions (OSFI), the paper proposes that FSCO exit the area of solvency regulation and focus on market conduct regulation. Since 2008, regulators around the world, co-ordinated by the IAIS, have been enacting stronger solvency standards. In Canada, OSFI has adopted provisions that meet IAIS standards while provincial regulators in the process of implementing the new standards .

The proposals are to:

1. Cease providing for the provincial incorporation of new insurers;
2. Require as a condition of licensing that insurers are incorporated in a jurisdiction that complies with international solvency standards; and
3. Provide a transition period for insurers incorporated in Ontario to transfer their incorporation to jurisdictions in compliance with these standards.

Interested parties will have until **July 9, 2012** to make comments on the policy proposals outlined. The paper can be found at <http://www.fSCO.gov.on.ca/en/insurance/Pages/improving-solvency-supervision.aspx>.

Financial Services Commission of Ontario (FSCO) Statement of Priorities

FSCO has released a draft Statement of Priorities for 2012. CAFII submitted comments prior to the due date of June 6, 2012. The document can be found at http://www.fSCO.gov.on.ca/en/about/annual_reports/Documents/SOP-march2012-draft.pdf

Private Member's Bill to Ban Credit Score Usage for Homeowner's Policies

On June 11, Liberal MPP Mike Colle introduced private member Bill 108, Homeowners Insurance Credit Scoring Ban Act. The bill would expand the ban on credit score usage now in place for automobile insurance underwriting and rating. The Bill amends the definition of "unfair or deceptive acts or practices" in section 438 of the Act to prohibit insurers from using, in respect of rating or underwriting personal property insurance, a person's credit history or rating. There is a link on Mike Colle's website to CBC's Marketplace documentary on credit score and a link to the IBAO's online petition called "Soaring Insurance Rates". Mike Colle had previously introduced a similar bill in November 2010. The bill can be found at http://www.ontla.on.ca/web/bills/bills_detail.do?locale=en&Intranet=&BillID=2658

Office of the Integrity Commissioner Annual Report

The 2011-2012 Annual Report of the Office of the Integrity Commissioner has been released and can be found at [http://www.oico.on.ca/web-att.nsf/vw/2012/\\$FILE/OIC_Annual_Report_2011_2012_Eng.pdf?OpenElement](http://www.oico.on.ca/web-att.nsf/vw/2012/$FILE/OIC_Annual_Report_2011_2012_Eng.pdf?OpenElement). The Annual report includes information about the registry and questions and answers from MPP inquiries. On May 24, the the Integrity Commissioner, Lynn Morrison, called for a review and consultation with stakeholders on Ontario's *Lobbyists Registration Act*. Among the changes recommended are:

1. Provide the Registrar with investigation powers and the power to issue penalties
2. Introduce a restriction to prevent persons who lobby from being paid to provide advice to government
3. Eliminate the "significant part of duties" threshold Clarify that "grass-roots communications" (a type of indirect communication)

Quebec

Staff Changes at AMF

Danielle Boulet is no longer part of the AMF. The Interim Superintendent of Solvency is Nathalie Drouin, Executive Director Enforcement and Legal Affairs. Ms. Boulet's departure also creates a vacancy in the role of Chair of CCIR.

AMF posts Strategic Plan 2012-2017

The AMF has posted its strategic plan for the next 5 years. Specific goals include consumer support, collaboration with industry, deterring financial fraud and innovative oversight practices. In its plan, the AMF notes the need to enhance financial literacy of consumers. It calls for the launch of its own financial literacy index based on simple concepts to measure the knowledge and behaviour of consumers. It will measure the behavior of consumers in relation to the index and set improvement targets. The plan can be found at http://www.lautorite.qc.ca/files/pdf/publications/autorite/plan-strategique_2012-2017_ang.pdf

Internet Insurance Offerings in Québec

In May, CAFII made a submission to the AMF consultation on Internet Insurance Offerings in Québec.

Rendez-Vous with the AMF

The AMF is once again holding the “**Rendez-vous with the AMF**” as a venue for exchange between Quebec regulators and industry on the latest issues and challenges. The event will be held on Monday, October 15 at the Palais des congrès de Montréal.

Canadian Council of Insurance Regulators

CCIR Ecommerce Position Paper

CAFII responded to the CCIR Ecommerce consultation in May 2012.

Position Paper - Managing General Agencies (MGAs) Distribution Channel in the Life Insurance Industry

The CCIR has posted a position paper to communicate back to stakeholders the key findings from the submissions CCIR received from their issues paper of April 2011 and to set out recommendations to enhance and harmonize best practices in the MGA distribution channel. The paper notes “consensus that certain functions, including product development (although MGAs may collaborate with the insurer), claims handling, and underwriting are not currently, and should not in the future, be outsourced to MGAs. The general view is that these core insurer functions should never be delegated to MGAs as this could result in conflicts of interest and unequal treatment of customers.”

The paper contains a number of recommendations as follows:

- 1:** Insurer Relationship with MGAs - Insurers must have in place effective systems and controls whenever they use the services of an MGA. The CCIR has developed a document “Best Practices for Insurer-MGA Relationships” which is based on the principle that insurers remain ultimately accountable.
- 2:** Agent Supervision- Insurers should incorporate the principles in CLHIA Guideline G8 - *Screening Agents for Suitability and Reporting Unsuitable Agents* into all of their business across Canada, including any contracts involving the outsourcing of these functions to an MGA.
- 3:** Product Suitability- Regular market conduct reviews should be undertaken by regulators to determine if insurers and their agents are providing consumers with adequate information to make informed decisions and suitable product recommendations.
- 4:** Information needs of regulators- Regulators will develop options and an action plan to make sure that adequate information on life agents and MGAs is obtained in a timely manner. The CCIR has formed a Disciplinary Information Committee to look into the feasibility of a centralized

cross-Canada database documenting misconduct. This would assist both insurers as they consider the suitability of new applicants for contracts as well as assisting consumers to make informed decisions about their advisors.

Comments from industry are due **June 30**. The paper can be found on the CCIR website at http://www.ccir-ccra.org/en/init/Agencies_Reg/MGA%20position%20paper%20final%20EN.pdf

Presentation by Danielle Boulet to the CLHIA Conference May 9, 2012

Ms. Boulet, as Chair of the Canadian Council of Insurance Regulators, delivered a presentation on regulatory and supervisory initiatives. Key points follow.

Fair Treatment of Customers

Ms Boulet noted that when the CCIR adopted a risk-based approach to regulation in 2008, it changed regulatory focus from rules to goals and outcomes. International standards in market conduct regulation are emphasizing the fair treatment of customers. This is consistent with the CCIR's recommendations for industry handling conflict of interest which requires industry to incorporate three principles, Priority of Client Interest, Disclosure of Conflict or Potential Conflict of Interest, and Product Suitability. Fair Treatment of Customers is an overarching principle which provides regulators with a framework for analysis of emerging issues:

- What fair outcomes for consumers are we looking for,
- What are the potential risks to consumers, and,
- How can those risks be minimized?

IAIS ICPs have two principles that deal with Fair Treatment of Customers. ICP 18 deals with intermediaries, while ICP 19 focuses on Conduct of Business. It is in the latter that the FTC concept is embedded in the new set of requirements that will have to be implemented by regulators. Collaboration with the industry will therefore be necessary.

CCIR Strategic Initiatives

CCIR has a number of strategic initiatives underway.

- Market conduct ICP Implementation Committee

This committee is working to ensure that ICPs 18 and 19 are implemented across Canada.

- Disciplinary Information

Develop online capacity to search out disciplinary action against a licensed intermediary wherever the action may have been taken.

- Issues and Position Papers

An Issues Paper purpose is to stimulate debate and build a common understanding of a topic for both regulators and stakeholders, and present a well-rounded picture of the topic and issues. An Issues paper may lead to a Position Paper, to lay out policy, or proposed actions, on the issue of concern. Both are consultation papers with stakeholders. The CCIR has recently issued an “Issues Paper” on Electronic Commerce and a “Position” paper on Managing General Agencies. CCIR will be proactively researching and considering trends, risks, and issues as they arise.

CAFII Regulator Visit Plan 2012

updated June, 2012

Jurisdiction	Regulator	Annual Courtesy Call	Purpose	Attendees	Org	Date/Venue	Status
British Columbia	Insurance Council of BC: Gerry Matier, Exec. Dir.	X	Update on Council priorities			TBD Toronto	
Alberta	Alberta Insurance Council : Joanne Abram, CEO, Tom Hampton, Chief Operating Officer	X	Update on Council priorities Council Representation Licensing for 3 rd party providers			May 8 Montreal	complete
	Alberta Insurance Council :		Present to CAFII AIC's Business number registration system				
	Ministry of Finance: Mark Prefontaine, Superintendent		Courtesy call to introduce New Chair	Cathy Honor Moira Gill	RBC TD	Jan 13 12:30 – 2pm Edmonton	complete
	Council: Joanne Abram		Council representation, other issues to be determined	Cathy Honor Moira Gill	RBC TD	Jan 13 10:30 AM Edmonton	complete
	New Minister of Finance					after the election	
Saskatchewan	Sask. Insurance Council: Ron Fullan, Chair	X	Review Council priorities Council Representation			TBD Toronto	Offer extended
	Consultant (ex Superintendent) Jim Hall		Insurance Act review			Conference call	On hold until review starts
Manitoba	Ministry of Finance: Jim Scalena, Superintendent	X	Update on Insurance Act review. ISI regime			Conference call	
	Manitoba Insurance Council: Erin Pearson, Exec Director;	X	Review Council priorities Restricted cert holder representation on council			TBD Winnipeg	
	Ministry of Finance Minister Stan Struthers		Letter of introduction sent, include on a visit of Chair to Manitoba			(J Hines to confirm avail of chair)	

Jurisdiction	Regulator	Annual Courtesy Call	Purpose	Attendees	Org	Date/Venue	Status
Ontario	FSCO: Phil Howell, CEO & Superintendent	X				Toronto	To be set up
	FSCO: Anatol Monid, Director, Market Conduct; Grant Swanson, Exec Dir Licensing & Market Conduct		Discuss ISI consultation follow up ISI presentation Anatole hiring new staff, call to offer to meet and update staff			TBD Toronto	To be set up
	Ministry of Finance : Paul Braithwaite		Update on trade negotiations/agreements (e.g. Canada-EU, ON-QB)			May 28	Complete- notes required
Quebec	AMF: Mario Albert, CEO; Superintendents and key directors	X				June 19, Quebec City Board lunch	
	AMF:		ECommerce consultation paper meeting			April 4	Part of CCIR meeting
	AMF: Patrick Dery, Superintendent; Eric Stephenson, Director, SROs and Distribution Practices		Meeting to discuss DWR distribution guide format , compensation disclosure	Moira Gill Andre Duval John Lewsen Greg Grant Rose Beckford Jennifer Hines	TD Des	May 10 Montreal, lunch at RBC place Ville Marie	complete
	AMF: Superintendent, Solvency	X				with M Albert June 19	

Jurisdiction	Regulator	Annual Courtesy Call	Purpose	Attendees	Org	Date/Venue	Status
New Brunswick	Superintendent		Review priorities Discuss /educate on creditor's group insurance (CGI) and Avalon; Licensing issues, electronic licensing; Insurance Act Review Status ; David Weir (Deputy Super)- Atlantic Taskforce on ISI (chair)	Check board member travel plans		TBD Fredericton	
	Consumer Advocate		Review priorities, Discuss /educate on creditor's group insurance (CGI) and Avalon;	Check board member travel plans		TBD Fredericton	
Nova Scotia	Superintendent		Review priorities, Discuss /educate on creditor's group insurance (CGI) and Avalon; Atlantic Taskforce on ISI	Check board member travel plans		TBD Halifax	
PEI?	Superintendent		Courtesy- Low priority for 2012 (if member is in Charlottetown)	Check board member travel plans		Charlottetown	
Newfoundland and	Superintendent		Review priorities, Discuss /educate on creditor's group insurance (CGI) and Avalon; Atlantic Taskforce on ISI	Check board member travel plans		TBD St John's	
CCIR	Carol Shevlin, Policy Manager	X	Review CCIR Priorities CAFII webinar curriculum	Greg Grant Jennifer Hines John Lewsen Anne Riley		May 31	complete
	Ecommerce Committee		Review issues paper			April 4	complete
	CCIR members		Webinar presentation To be confirmed with CCIR			Conference call mid august	education plan drafted
Federal	Federal Finance		Educational – marketing of CGI				

Jurisdiction	Regulator	Annual Courtesy Call	Purpose	Attendees	Org	Date/Venue	Status
	OSFI: Julie Dickson, Superintendent		Guest speaker at CAFII event				Offer extended
	OBSI: Doug Melville Ombudsman		Educational – marketing of CGI				
	Financial Consumer Agency of Canada (FCAC)		Financial Literacy re insurance	John Lewsen Moira Gill Maria Sanchez chung	BMO TD TD	January	complete
	FCAC compliance group		Financial Literacy re insurance (at FCAC request)	John Lewsen Moira Gill	BMO TD	April 4	complete

CAFII Priorities by Committee –June 2012

Executive Operations Committee

Membership: As per CAFII Bylaw 6.01. Sub-committees may strike taskforces drawing on expertise of other individuals associated with member companies.

Mandate	Activities	Issues of Interest
Recommend budget and priorities to Board	Draft and review Financial Reports	
Keep environment open to key products	Be aware of current and emerging issues (Regulatory Update).	
	Develop responses to regulatory initiatives. Forward to board for approval as necessary. Oversight of Distribution and Market Conduct Policy Committee (DMC)	Regulation of ISI
		International regulation of creditor products
		Market Conduct Regulation
		Electronic Commerce
Keep environment flexible /efficient	Identify barriers to efficient operations. Oversight of Licensing Efficiency committee	Provincial Insurance Act Reviews
		Licensing Irritants
		Provincial Insurance Councils and CISRO issues
		Electronic licensing
Develop communication plans and tools	Oversight of Media and Advocacy Strategy Committee(MAC)	Multi-jurisdictional licensing/mutual recognition
		Communications strategy Media Response Plan Website
Build relationships with key stakeholders	Connect with regulators. Manage and conduct regulator visits. (Manage Regulator Visit Schedule) Approve attendees at regulator meetings, review meeting notes and manage follow-up actions	
	Oversight of Networking and Events committee	
Other items	Continuance under new Not for Profit Corporations Act	Changes to be made before 2014

CAFII Priorities by Committee –June 2012

Distribution and Market Conduct Policy Committee

Membership: The committee will have 4 permanent members including 2 co-chairs all of whom are members of the EOC.

Co-Chairs:1) Sue Manson CIBC 2) Jennifer Hines RBC **Other members:** 3)Wayne Eccles TD 4)Emily Brown BMO 5) John Poolman, Assurant 6) Andre Duval, DSF 7) John O’Hoski Cdn Prem **Resource:** A. Riley

Mandate: Oversee development of CAFII policy positions as directed by EOC. Oversee taskforces as required

Activities: Draft CAFII submissions Manage and interpret industry research projects as approved by EOC

Priorities	Issues	Currently Active Issues	Status
Regulation of ISI	Manitoba ISI regime in 2011/2012		Included in Insurance Act spring 2012
	Quebec DWR, distribution guide review	√	Input provided on Guide (signature, remuneration) letter sent June 2012
	Alberta – review of medical questions on applications		Project for review required by CAFII, response to Superintendent required
	ISI recommendations-industry response		Consultation expected in 2012-Ontario only
	AML/ATF paper	√	Response sent March 1, 2012, follow up questions answered
International regulation of creditor	PPI –develop member questions, seek legal opinion on privilege	√	<ul style="list-style-type: none"> · Board to review survey at meeting in June 2012. · Completion and results due by August/September 2012. · Recommendations presented at board meeting Dec ‘12 · 2 legal firms being interviewed re privilege
	IAIS core principles		Watch file - CCIR committee announced
Market Conduct Regulation	Quebec Commercial Practices Guideline		Awaiting re-release by March 31 for comment
	MGA CCIR consultation		Letter of input drafted – due June 30 2012
	Input to provincial strategic plans and priorities	√	FSCO priorities submitted May 2012
Electronic Commerce	CCIR consultation released Feb 2012		Submission made May 2012
	AMF consultation released Feb 2012		Submission made May 2012
Provincial Insurance Act Reviews	BC and Alberta regulations		Now final, BC revising final regulations
	Manitoba Insurance Act Review	√	Insurance act changes made spring 2012
	Ontario Insurance Act review		Insurance act changes made with budget bill
Webinars	Develop and test webinar capability	√	Done, webinar testing ongoing
	Education program	√	Webinar series designed, CCIR to advise of priority, first webinar for CCIR in mid August -underserved market material being developed (with MAC)

AMF Distribution Guide Task Force
(Task Force of Distribution and Market Conduct Policy Committee)

Members: Emily Brown, John Poolman, Rose Beckford (ScotiaLife Financial), Moira Gill

Purpose: Recommend changes to the AMF Distribution Guide based on the Mutual Fund Guide, customized for exclusion disclosure

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CAFII Priorities by Committee –June 2012

Media and Advocacy Strategy Committee

Membership: The committee will have 4 permanent members including 2 co-chairs, all of whom are members of EOC. EOC chair is co-chair.

Co-Chairs: 1) Sara Gelgor 2) John Lewsen

Members: 3) Paul Yeung, 4) Moira Gill 5) Greg Grant

Resources: A. Riley, L. Duigu, Media Advisor (currently Ian Blair), Rick Evans

Mandate: Identify key stakeholders and develop, recommend and implement media and advocacy strategy.
Oversight of Media Response taskforce.

Areas of Interest: Underserved market, Creditor Insurance(value proposition, disclosure), Counter broker lobby messages

Priorities	Issues	Currently Active Issues	Status
Media Strategy	Develop a CAFII communications strategy	√	Developed , revised strategy for board review June 2012
	Manage new CAFII website , collect testimonials, refresh CAFII description, expand tabs, create tab for regulators , develop tagline	√	Website live –updates to web materials in progress
	Media protocol – develop and manage protocol for media requests	√	Complete , pilot test complete
	Develop list of key media contacts		
	Notify member media staff when key messages are ready		
Advocacy Strategy	Key messages Development <ul style="list-style-type: none"> Identify issues and develop key messages for audiences, feed into submissions, develop 2 or 3 scenarios , Regulator kit (formerly media kit), develop booklet and soft marketing materials Manage research to support messaging Keep current industry statistics 	√	Messages prepared, review stock messages 3 questions for Pollara omnibus survey complete
	CCIR Complaints- Respond to any issues identified		
	Industry Statistics Identify and keep current statistics from LIMRA and CAFII research		

Media Response Taskforce Membership: Taskforce consists of any 2 members of the Media and Advocacy Strategy committee plus Rick Evans. Purpose: Deal with media issues as they arise. Make recommendation to Board communications committee (Members: Cathy Honor, RBC; Mark Cummings, Scotia; Dave MinorTD; Rick Lancaster, CIBC, Gord Henderson, BMO)

Licensing Efficiency Issues Committee

Membership – 1 Chair who is a member of EOC and 3 members from representative companies.

Chair: Moira Gill TD 2) John O’Hoski Cdn Premier 3)Sara Gelgor , Scotialife Financial 4) John Poolman, Assurant 5)Greg Grant CIBC

Resources: A Riley

Mandate: Identify and manage licensing efficiency issues for restricted and individual licensing processes.

Priorities	Issues	Currently active issues	Status
Licensing operation issues Streamlining and harmonizing licensing requirements (training, CE, other)	Request for restricted certificates for 3 rd parties Alberta	v	CAFII letter to the Council (2011). Council responded that they did not support the request. Committee decision to address the issue with the Council again in 2012.
	Licensing process -streamlining and harmonization		Identification of issues on going.
Provincial Insurance Councils and CISRO issues	Opportunities to have restricted licensees represented or otherwise participate on Council discussed with Saskatchewan and Alberta. Committee identified a need for an analysis of options for BC, Alberta & Saskatchewan council representation needed	v	Legal assistance engaged and analysis of options underway. Meeting with AIC Jan 2012.
Electronic licensing	Promote use of electronic licensing systems by provincial regulators Possible use of “business numbers” to link		Letter of support sent to CISRO May 2012
Multi-jurisdictional licensing/ mutual recognition	Trade Agreements - promote mutual recognition (Ontario – Quebec, New West Partnership)		Attended trade agreement update meeting May 2012

CAFII Priorities by Committee –June 2012

Networking and Events Committee

Membership: 1 Chair - 2 members , EOC chair is an ex-officio member

Chair: Paul Yeung RBC 2) Maria Sanchez –Chung TD 3)

Ex-officio: John Lewsen Resources: Leya Duigu

Mandate : Operate CAFII events and receptions to maintain contact with regulators, associate members and other key stakeholders.

Priority	Activities	Status
Plan Quarterly Speaker and reception events, and member-only event	February Speaker Event (members only)	Derek Yoo PWC on Ecommerce
	March/April	April 10 John Collins
	June AGM	no speaker
	October	OSFI invited
	December Reception	
Keep current lists of key contacts		
Christmas cards to key contacts?		
Seek out other opportunities to meet with contacts (eg corporate table)		

CAFII Regulator Meeting Report

Regulator: AMF
Date: June 19, 2012
Location: Quebec City

Attendees: **AMF:** Mario Albert, President and Chief Executive Officer, Autorité des marchés financiers

Nathalie Drouin, Executive Director Enforcement and Legal Affairs (Interim
Superintendent of Solvency)

Patrick Déry, Superintendant, Client Services, Compensation and Distribution

CAFII: Board and EOC

Location: Domaine Cataraqui

Discussion

Patrick Dery began the presentation, for which handouts were distributed at the meeting and briefly summarized the 6 areas of focus. Additional comments and discussion occurred as follows:

DWR Consultation

-The consultation was 1.5 years ago, 20 submissions were received. The reception to the changes was good and they feel they are nearly there in terms of completing changes. AMF currently doesn't have the power to investigate distributors.

-The distribution guide should be a simple 2 page document. If more space is needed then they question whether this should require advice and a representative.

-Currently in Quebec, you have to disclose any remuneration received over 30%. The issue is how do you calculate this. It was noted that banks don't work on commission and that total compensation can be affected by the length of the distribution chain ie if MGAs are used or not.

-Use of telemarketing - AMF acknowledged receipt of CAFII's recent letter on the distribution guide. CAFII noted the concern that in non face-to-face channels, it would not be possible to obtain a signature. AMF response - If the sale was done on the phone then recordings are sufficient: on the Internet, a button click is sufficient. The agent doesn't have to read the whole document but they should explain the intention of the contents to consumers so they understand. They are looking for some form of confirmation from the consumer so that they will be able to demonstrate to the consumer that they acknowledged receiving the necessary information.

-Telemarketing scripts. In the consultation, they indicated they want scripts to be filed with the AMF. M. Albert noted that they have not decided on this issue. The purpose of the request was to be sure the content remained simple. They really want the appropriate consumer disclosure. CAFII noted that most phone calls are inbound and can cover many areas and it's almost impossible to create and file the number of scripts required. A solution offered by CAFII would be to make recordings available. Another alternative offered was to include a representation of sufficient disclosure in the compliance return.

-Timing of offer -M. Albert noted that the sale of the incidental product should be made when the underlying transaction is made to be in compliance with the letter of the law. He notes that often

telemarketing calls are made months after the original product, which is not the spirit of DWR. CAFII advised that sometimes consumers are not eligible for the product until a later time; also consumer needs may change eg, children / dependants arrive after a mortgage is acquired. M Albert acknowledged such situations but noted that the timeframes are getting stretched and there needs to be a balance.

The next step is for legislative and regulatory change. The AMF believes their recommendations will make it easier for DWR and it will be clearer for consumers. P. Dery noted that they really appreciate the support of the industry. M Albert advised that AMF only makes recommendations to government. The final decision is not in AMF's control. There is a political side. Brokers have a powerful lobby and have different views. Brokers are portraying the changes as a reduction in consumer protection.

The AMF expects to sort out other DWR issues (eg telemarketing scripts) by the end of the summer.

Internet

Current laws date back to the 1990s- insurance distribution has changed in the time. There were 2 consultation done recently in May – AMF and CCIR. There are opposite views in the industry. Brokers are calling for a human being/representative to be involved in every transaction, others say that consumers doing transactions over the internet independently is sufficient. At this time they want to bring more clarity. No matter which channel is used, the consumer protection should be at a similar level. The AMF has been asked to provide PRPP (federal public pension plan) by Internet. The solution on Internet should be applicable to all products. It was noted by CAFII that private pension plans are all offered online with no intermediary.

-CCIR received 25 submissions. The next step is to present the information to the CCIR.

- Time Line – The AMF expressed that this file should have been closed 3 or 4 years ago. The government will have to prioritize the file as laws will need to be changed. Next 6-12 months is the perceived time frame.

Commercial Practices Guideline (CPG)

They have been working on the CPG for 2 years now. They have changed the approach and narrowed the scope of it. Currently they are waiting for comments from the government and they suspect they will get feedback that the guideline is not accomplishing much. They believe that most international standards are fulfilled by the Distribution Act. (The Act may need to go a bit farther in some areas to meet international standards.) The AMF is not viewing the CPG as good tool to fulfill international standards. They noted in particular that manufacturers give incentives and AMF may need to make sure that such incentives are appropriate. More information on this may be available soon.

Ontario- Quebec Trade Agreement

This large agreement was signed in September 2009 and contained a chapter on the financial sector. Patrick Dery outlined what was agreed to as listed in their presentation. The ministries have been finalizing the work plans which are expected to be published online in June or July. Implementation is due to start this year. An announcement will be forthcoming that CAFII members should like.

Financial Literacy Index (Education of Consumers)

AMF focus is on helping consumers make informed decisions s i.e. that consumers will know what to do in particular situations. Their concern is that theoretical knowledge is not always linked to responsible behaviour. The education campaign that was aired last spring encouraged consumers to ask themselves some basic questions to become more informed about the process (e.g. Is it too good to be true?). A financial literacy survey of consumers (40 questions) shows about half are well advised and act accordingly. 30 % are aware of financial issues but do not act accordingly and 20% were not aware and do not care. CAFII indicated that this information would be very interesting to know particularly for all those who are under-insured. The survey is a tool to help the AMF target groups who are open and will benefit from receiving financial education. There was no indication about why consumers are ambivalent about insurance. It appears that consumers do not absorb information unless they are in the buying situation. Since FIs know who is buying, a partnership could help, however a regulator is criticized if he is seen to be partnering / endorsing a company. M. Albert indicated that the AMF has an education component with a good budget. A partnership would need to involve no conflict of interest (no money, no endorsement). CAFII offered assistance.

Wrap up

CAFII noted the common goal of improving consumer literacy to make the industry stronger. CAFII appreciates Quebec's leadership and innovation. CAFII offered to be part of the solution and thanked AMF for their presence at the meeting. AMF noted that this type of meeting with CAFII is done every year and the interaction is valuable.