

CAFII Board of Directors Meeting

Tuesday, June 9, 2015

Location: ScotiaLife Financial

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

2:00 – 4:45 pm

Conference call dial-in information: 416.764.8662 or 1.888.884.4534

participant passcode: 8504948#, moderator passcode: 2551109#

Agenda

Item	Presenter	Document	Action
1. Call to Order and Welcome: 1.1. CAFII Competition Guidelines 1.2. Approval of Agenda 1.3. Appointment of Officers	R. D'Onofrio	✓ ✓	Information Approval Approval
2. Consent Items 2.1. Draft Board Meeting Minutes, April 7, 2015 2.2. Summary of Board & EOC Action Items 2.3. Regulatory Update 2.4. Regulator and Policy-Maker Visit Plan	R. D'Onofrio	✓ ✓ ✓ ✓	Approval Receipt Receipt Receipt
3. Balanced Scorecard	B. Wycks, G. Grant	✓	Update
4. Financial Statements as at April 30, 2014	R. Rajaram	✓	Approval
5. Regulatory: 5.1. CCIR Working Group on Travel Insurance 5.2. BC 10-Year Review of Financial Institutions Act 5.3. BC "Effecting" of CGI Issue 5.4. Ontario Review of FSCO Mandate	B. Wycks, G. Grant B. Wycks, G. Grant B. Wycks, G. Grant B. Wycks, G. Grant	✓	Update Update Update Update
6. Committee Reports Addressing CAFII Priorities: 6.1. Media Advocacy Committee 6.2. Market Conduct Committee 6.2.1. Saskatchewan Bill 177 6.2.2. Ontario: Regulations to Insurance Act Consultation 6.3. Research & Education Committee 6.3.1. Travel Insurance Project 6.4. Licensing Efficiency Issues Committee 6.4.1. New Brunswick Proposed Rule INS-001 Fees 6.5. Events and Networking Committee	C. Blaquiere B. Wycks, R. Beckford B. Wycks, R. Beckford S. Manson B. Wycks, M. Gill M. Sanchez-Chung	✓ ✓	Update Update Update Update Update Update
7. Other Business			
8. In-Camera Session	R. D'Onofrio		

Next Board Meeting: Tuesday, October 6, 2015 hosted by Desjardins in Levis, QC.

Document Owner:	CAFII Executive Operations Committee
Practice Applies to:	CAFII Members
Process Responsibility:	CAFII Secretary
Final Accountability:	CAFII Board of Directors

DEFINITION:

"Competition Act" means the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

COMPETITION LAW POLICY

1. Competition Law Policy Statement

It is the Corporation's policy that it, and all of its members, fully comply with the Competition Act in respect of any activity undertaken for or on behalf of the Corporation. Responsibility for such compliance rests with the Board and with each member.

2. Guidelines for Competition Act Compliance

At each Annual and Special Meeting of members of the Corporation, members shall be furnished with the Corporation's Guidelines for Competition Act Compliance ("Competition Law Policy") and a summary of the policy shall be read into the record at the beginning of the meeting as a reminder of members' undertakings with respect to Competition Act compliance. At meetings of the Board of Directors of the Corporation and of its Executive Operations Committee, this policy shall be referenced and acknowledged at the beginning of each meeting.

3. Consequences for Failure to Comply with Policy and Guidelines

Failure by a member to comply with this policy or the Guidelines is grounds for removal of that member from the register of the Corporation in accordance with section 9.06.

4. Annual Review of Guidelines

The Guidelines shall be reviewed annually by the Corporation and shall be amended from time to time, as necessary or considered desirable by the Board of Directors.

Any changes to the Competition Law Policy may not be ratified by electronic means.

If you have any questions, comments or suggestions regarding this document, contact the Executive Director, Brendan Wycks at Brendan.wycks@cafii.com.

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

GUIDELINES FOR *COMPETITION ACT* COMPLIANCE

Trade association meetings present a risk of interactions among competitors that in and of themselves may contravene, or may lead to a contravention of, Canada's competition laws. Depending on the circumstances, an inference may be drawn by the Competition Bureau of an improper agreement among competitors resulting from such interactions. In addition to rules of general application to all industries, there are also specific provisions in the *Competition Act* (the "**Act**") dealing with agreements or arrangements between federal financial institutions.¹

Consequently, the Canadian Association of Financial Institutions in Insurance ("**CAFII**"), and its members, should be cognizant of the importance of compliance with the Act and committed to such compliance. In fulfilling the mandate of CAFII, and working towards the achievement of its objectives, members of CAFII are expected to adhere to the guidelines that follow and CAFII's competition law policy to promote and respect the spirit and the letter of the law.

1. Prohibited Activities²

(a) **Anti-Competitive Agreements or Understandings**

Neither CAFII nor any committee or activity of CAFII shall be used for the purpose of bringing about or attempting to bring about any agreement, written or oral, formal or informal, express or implied, among competitors regarding:

- (i) the amount or kind of prices, premiums, service charges, interest rates, or other terms or conditions of any products or services to be offered for sale by insurance companies;
- (ii) the amount or kinds of products or services to be offered to customers or classes of customers;
- (iii) the customers or classes of customers to whom any insurance company product or service may be sold or withheld; or
- (iv) the territories in which an insurance company product or service may be sold.

(b) **Sharing Information Posing Anti-Competitive Risk**

No CAFII activity, including any activity undertaken by a CAFII committee or group, shall involve discussion, exchange, collection or dissemination among competitors, for any purpose or in any fashion, information on those matters identified in subparagraphs (i) to (iv) in paragraph (a) above.

¹ For the purposes of the relevant provisions of the Act, "federal financial institution" means a bank or authorized foreign bank within the meaning of section 2 of the *Bank Act*, a company to which the *Trust and Loan Companies Act* applies or a company or society to which the *Insurance Companies Act* applies.

² The activities captured by these guidelines include any activities undertaken for or on behalf of CAFII, including but not limited to, CAFII meetings, formal or informal CAFII-sponsored events, and advocacy and lobbying initiatives.

Where projects involve the collection of individual firm statistical data, such collection shall involve only aggregate data from past transactions and shall include effective steps to protect against disclosure of individual product-pricing or interest-payment information.

(c) Exchange of Cost Information – Anti-Competitive Purposes

No CAFII activity shall include any discussion of costs or any exchange of cost information for the purpose or with the probable effect of:

- (i) increasing, maintaining, or stabilizing prices, premiums, service charges, interest rates, or other terms or conditions of insurance company products or services;
- (ii) reducing competition with respect to the range or quality of products or services offered by insurance companies; or
- (iii) promoting agreement among insurance companies with respect to their selection of products or services for purchase, their choice of suppliers, or the prices they will pay for such products or services, including commissions for the services of commissioned agents.

(d) Published Papers

Papers published by or on behalf of CAFII or presented in connection with CAFII programs should not discuss or refer to the amount or kind of prices, premiums, service charges, interest rates, or other financial terms or conditions of insurance products or services offered for sale by insurance companies. Additionally, reference to costs in such papers should not be accompanied by any suggestion, express or implied, that prices, premiums, interest rates, service charges or other terms or conditions of insurance company products or services should be raised, adjusted, or maintained in order to reflect such costs. To ensure compliance, authors of conference papers shall be informed of CAFII's Guidelines for Competition Act Compliance and CAFII's competition law policy and the need to comply with these rules in the preparation and presentation of their papers.

(e) No Attempt at Product Standardization

Neither CAFII nor any CAFII committee or group shall make any effort to bring about the standardization of any insurance product or service for the purpose or with the effect of preventing the development or sale of any product or service not conforming to a specified standard.

(f) Independent Dealings with Suppliers

No CAFII activity or communication shall include any agreement, or any discussion which might be construed as an agreement, to collectively refrain from purchasing any products or services from any supplier.

(g) No Exclusion from CAFII Activities

No person shall be arbitrarily or unreasonably excluded from participation in any CAFII committee or activity where such exclusion may impair such person's ability, or the ability of his or her employer, to compete effectively in the insurance industry or as a supplier to the insurance industry.

2. Permissible Activities

The Act expressly permits certain activities among competitors and, as a result, within trade associations. These permitted activities include:

- the exchange of statistics;
- the defining of service or product standards;
- the exchange of credit information;
- the definition of industry terminology;
- co-operation in research and development; and
- agreements on environmental protection measures.

However, the usefulness of these exemptions is **very limited**. These activities become illegal if the result is that competition is unduly decreased, or if entry into an industry or expansion of a business within that industry is unduly restricted. For example, although “the exchange of statistics” is permitted, that does not mean that any and all forms and kinds of statistics and numbers, such as price lists or market-share data, may be exchanged among trade association members. Likewise, the defining of service or product standards may become criminal conduct if there is an agreement that CAFII members will restrict the range of services or products they offer to certain specified customers, or they agree to standards in terms of quality, range or quantity of products or services they offer with the aim of eliminating low price competitors.

3. Efforts to Influence Governmental Action

In general, one has a right to meet and to make joint presentations with respect to governmental activities of common interest. However, this right should not be used jointly by competitors for an anti-competitive purpose such as, for example, the lobbying for a legislative or regulatory change having the objective of impeding entry of new competitors, increasing insurance premiums, or restricting insurance services to certain classes of customers or geographic regions. Caution should be exercised where a particular lobbying initiative pertains to subject-matter that has competitive overtones or may be perceived as a concerted effort to lessen or prevent competition. In such cases, legal advice should be sought before proceeding with the initiative.

CAFII Board Meeting Minutes

Tuesday, April 7, 2015

Location: CIBC Insurance

Commerce Court, 199 Bay Street, 56th Floor, Toronto, ON

DRAFT

Present:	Rino D'Onofrio	RBC Insurance	<i>Chair</i>
	Linda Fiset	Desjardins Financial Security Life Assurance	
	Chris Knight	TD Insurance	
	Todd Lawrence	CIBC Insurance	
	Isaac Sananes	Canadian Premier Life Insurance Co.	
	Kelly Tryon	The CUMIS Group	
EOC Present:	Carol Allen	Assurant Solutions	
	Rose Beckford	ScotiaLife Financial	
	Derek Blake	RBC Insurance	
	Charles Blaquiére	Canadian Premier Life Insurance Co.	
	Emily Brown	BMO Insurance	
	Andre Duval	Desjardins Financial Security Life Assurance	
	Moirá Gill	TD Insurance	
	Greg Grant	CIBC Insurance	<i>Secretary</i>
	Sue Manson	CIBC Insurance	
	Rosemary Pulla	BMO Insurance	
	Diane Quigley	The CUMIS Group	
	Maria Sanchez-Chung	TD Insurance	
	Jodi Skeates	The CUMIS Group	
Also Present:	Leya Duigu	T•O Corporate Services	<i>Recording Secretary</i>
	Brendan Wycks	CAFII	<i>Executive Director</i>
Regrets:	Joane Bourdeau	National Bank Insurance Co.	
	Darrell Bruce	ScotiaLife Financial	
	Eleanore Fang	TD Insurance	
	John Lewsen	BMO Insurance	
	Peter McCarthy	BMO Insurance	
	Raja Rajaram	CIBC Insurance	<i>Treasurer</i>
	Robert Zanussi	Assurant Solutions	

1. Call to Order

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

Members were advised that board member Vivianne Gauci is no longer with AMEX Bank of Canada and is therefore no longer on the CAFII Board. We expect AMEX to nominate a successor in due course.

1.1. Approval of Agenda

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The Meeting Agenda be approved as circulated.

2. Adoption of Minutes:

2.1. Draft Board Meeting Minutes, December 2, 2014

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The Minutes of the meeting of the Board of Directors held December 2, 2014 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.

2.2. Summary of Board and EOC Action Items

Greg provided the Board with an update on the summary of Board and EOC action items highlighting hot button issues on the horizon including the AMF Ecommerce paper that was recently released. Progress has also been slower than expected with the Media Advocacy Committee initiatives due to losing many of its members since the first meeting and it is anticipated that this will change in the coming months with new appointments from member organizations.

3. Financial Update:

3.1. Financial Statements as at February 28, 2015

Brendan presented the financial statements as at February 28, 2015, as CAFII Treasurer Raja Rajaram was unable to attend. We are at 13% of the budgeted expenses year-to-date and have exceeded our budgeted allocation in the Members Annual Luncheon due to additional audiovisual costs and hosting the event at a more expensive venue. First instalments of 2015 membership dues are still being collected with additional cheques having been received at the office recently. The Balance Sheet shows that we have a reserve of 72% of annual operating expenses.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The financial statements for CAFII as at February 28, 2015 be and are approved in the form presented.

3.2. 2014 Draft Audited Financial Statements

On the Statement of Financial position, CAFII's assets grew by \$45,490 year-over-year, and unrestricted net assets grew by almost \$20,000 which is in line with the Statement of Operations on page 2. An adjustment was made to the opening paragraph of the Notes to the Financial Statements to reflect the date on which CAFII's filing for continuance under the Canada Non-Profit Corporations

Act was approved in 2014. The other Notes to the Statements are boilerplate content as per the accounting profession's auditing standards.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The 2014 Draft Audited Financial Statements be and are hereby approved in the form presented and will be presented to the membership for approval at the Annual Meeting in June.

4. Strategy and Governance

4.1. Balanced Scorecard

The Balanced Scorecard has been broken up as per Brendan's three main areas of deliverables and the details can be found in the measures column. Brendan's time is divided between regulatory and advocacy, media and communications and association oversight activities as indicated in the Balanced Scorecard document. The last four months have been challenging due to the number of regulatory submissions that have come up.

The number one priority is to draft high quality submissions so regulators are listening to us and taking our position into consideration. A number of submissions have already been made this year including one on Saskatchewan Bill 177 and next will be a submission to British Columbia's 10-year review of the Financial Institutions Act (FIA). It's important to keep our regulatory relationships up-to-date, using the opportunity to speak to our key messages and receive information ahead of time. Brendan also has regular touch points with CLHIA staff.

Travel insurance has become a focal point this year and Brendan is regularly monitoring the industry, other Associations and regulators on this issue. Providing a regular update newsletter is a deliverable that was relocated within the Balanced Scorecard from the regulatory section to Association oversight.

5. Regulatory:

5.1. CCIR Working Group on Travel Insurance

The CCIR 2014-2017 Strategic Plan was included in today's meeting materials as a reminder of their priorities which are relevant to members, including travel insurance. It was recently confirmed that the Travel Insurance Pan Industry Project Group (TIPIP) will no longer be meeting. Instead, CLHIA has formed a high level group on travel insurance. CAFII also formed an internal working group on travel insurance ahead of receiving the news about TIPIP, and have established a focused group with well-defined priorities. Some overlap exists in membership between the CLHIA and CAFII groups, and Brendan will continue to work closely with CLHIA staff to ensure that the work proceeds in a complementary manner.

Members of the EOC and CAFII's travel insurance project group recently met with Harry James, Chair of the CCIR Working Group on Travel Insurance, to discuss the industry survey that CCIR is proposing. Members were able to impress upon Harry the enormity of the survey and the information it is seeking, such that it may not improve their understanding of the industry and issues. It was also suggested that CCIR start the process by contacting the ombudsman organizations which will likely

improve the survey's focus. The feedback was well-received and Harry indicated he would be proposing a slightly different approach for information gathering and the survey, and will likely be in contact with CAFII members again.

Action: Determine the goals of the CCIR Working Group on Travel Insurance and propose a strategy on how to proceed with the travel insurance issue. *[Brendan, EOC; tba]*

CCIR Executive Succession

Brendan also reported that Carolyn Rogers (BC FICOM) was recently succeeded by Patrick Dery (AMF) as CCIR Chair and members were informed that Patrick looks forward to working on harmonization between the provinces. CAFII will be requesting a meeting with Patrick during the CLHIA Conference in Quebec City later this month. It is clear that CCIR is doing some fact-finding and the Board requested additional information on the goals or end game for its review of travel health insurance.

5.2. BC 10-Year Review Of Financial Institutions Act

As a follow-up to the roundtable meeting that Greg attended last November, it was reported that as part of the upcoming review of BC's Financial Institutions Act, the Insurance Council will be proposing that a dollar limit be imposed upon the amount of CGI that can be sold under the licensure exemption that this type of insurance currently has in the province. There is a supervisory issue here and how they are choosing to address it is of concern, as they don't appear to be familiar with how the industry works. This is an area that will need to be monitored closely. A presentation will be received shortly on CAFII's Value Proposition Project which may provide some helpful information.

Action: Develop an education campaign on creditor's group insurance and the underserved market for regulators and policy-makers in the BC ministry. *[EOC; tba]*

5.3. Ontario Review of FSCO Mandate

Since the Board last meeting, Ontario has launched a review of FSCO's mandate and a three-member expert panel has been appointed to lead the review. Moira advised that this is intended to be a fundamental review and recommendations are likely to include a self-regulatory licensing counsel. The consultation paper is expected to come out in June and the panel's final report is due in the Fall, providing us with a narrow window of opportunity for advocacy. Possible next steps include having the Licensing committee discuss the three scenarios likely to come out of this review and what CAFII can put forward ahead of time.

Action: Develop list of potential issues, important to CAFII members, which could come forward in the Ontario Review of FSCO's mandate and draft the industry's position for board consideration. *[LEIC; tba]*

5.4. Regulatory Update

The Regulatory Update was tabled in the meeting and Brendan highlighted recent developments in New Brunswick relating to the Financial and Consumer Services Commission releasing a proposed Insurance Act-related rule for consultation.

5.5. Regulator and Policy-Maker Visit Plan

CAFII will be meeting with Carolyn Rogers in Quebec City, during the CLHIA Conference later this month, to discuss regulatory issues in British Columbia such as the 10-Year Review of the Financial

Institutions Act. The October Board meeting will be held in Quebec City where CAFII members will have an opportunity to meet with Louis Morisset and his team from the AMF.

6. Committee Reports Addressing CAFII Priorities:

6.1. Media Advocacy Committee

The Media Advocacy Committee almost has a full complement of members now, thanks to recent appointments by Desjardins, TD and RBC. In the interim, members have focused their attention on short-term deliverables including leveraging the existing documentation through cataloguing it by key issues and formulating responses to these issues. In terms of a time line, the short-term deliverables will be rolled out first so we can leverage the expertise of the individuals on the committee.

6.2. Market Conduct Committee

6.2.1. Saskatchewan Bill 177

CAFII submitted comments to Saskatchewan Bill 177 in February and held a conference call with the Ministry of Justice's leaders of the Bill on March 2, so they could address the concerns raised in our submission. Jim Hall and Janette Seibel from Saskatchewan provided reassurance to CAFII, asserting that the revised Insurance Act is not tampering with the province's existing RIA/ISI regime in the slightest and that there will be thorough consultation with the industry around the regulations that will be drafted over the summer of 2015 to support the Act. Jim Hall outlined the expected legislative timetable for the Bill, noting that they want to see the legislation passed by May 8, 2015, the last day of the legislature's current session, with final proclamation of the Bill expected to occur in the latter half of 2016.

6.3. Research and Education Committee

6.3.1. CAFII Value Proposition Project

Towers Watson, an independent actuarial firm, was engaged by the Research and Education Committee in 2014 to compare the customer value proposition of Creditors Group Insurance to individual insurance. Board members were provided with the preliminary results of the project in today's meeting materials.

Helene Pouliot from Towers Watson provided a summary presentation of this preliminary report, noting that neither the report nor her presentation slides should be distributed to anyone outside of CAFII member organizations.

Following Helene's presentation and discussion with the Board, it was noted that the final Towers Watson report shall be provided shortly.

6.3.2. Travel Insurance Project

Emily reported that the travel insurance committee was formed recently with members from most member FIs. The group was first surveyed on what they perceive the hot button issues to be, and while there were some differences between the channels it is clear that some are hot button issues across the industry. The group reviewed the issues at an initial meeting,

following which a list of key priorities/action items were developed and this list was included in the meeting materials for Board consideration. Emily reviewed the priorities briefly. Board members requested information regarding the hot button issues identified to date.

Action: Board members to be provided with the list of “hot button” issues identified during the initial consultation phase with members of CAFII’s travel insurance committee. [Brendan; asap]

6.4. Licensing Efficiency Issues Committee

6.4.1. Invest New Brunswick

In follow-up to a meeting with Invest New Brunswick last year, the licensing committee is working on a submission in support of CAFII’s position on licensing issues in that province. Recently, we have learned that the province’s new Premier has replaced Invest New Brunswick with a new organization, with a new name but much the same mandate. Moira connected with Opportunities New Brunswick recently and they expressed an interest in receiving a submission from CAFII and in particular our views on electronic licensing.

6.5. Networking and Event Hosting Committee

Maria reported on today’s guest speakers from KPMG, Elizabeth Murphy and David Pelkola, presenting on the Evolution of Market Conduct Expectations. Seventy one people have confirmed their attendance tonight including regulators and staff from allied association CLHIA. The next two CAFII Board meetings will not have speaker presentations including: June 9 due to the meeting space; and October 6 which will be held in Quebec City. Therefore, a speaker presentation will be considered following the December 8 meeting and FSCO’s interim CEO and Superintendent of Financial Institutions, Brian Mills, has been proposed as the potential speaker.

7. Other Business

7.1. CAFII Website and Regulatory Issues & Perspectives

Greg reported that previous CAFII consultant Lawrie Savage provided a regulatory newsletter for the industry which has since been discontinued. We have also heard from regulators that they don’t always know what’s going on in other jurisdictions and they are interested in receiving this news. To fill this gap, a bi-monthly regulatory newsletter, based on Brendan’s Regulatory Update, is being proposed with the help of an outside contractor. The regulatory newsletter shall be posted online as part of the regulatory news section, and news will also be posted in the News & Media section. All this activity is designed to create value for regulators, keep CAFII top-of-mind and create information and drive traffic to the CAFII website. Brendan and Leya were thanked for their work on this initiative to date.

7.2. Manitoba Residency Requirement

Directors discussed a concern about a clause in Section 380.1(3) of the recently amended Manitoba Insurance Act which reads as follows:

Subject to the regulations, a restricted insurance agent licence authorizes the holder, through its employees in Manitoba, to act or offer to act as an agent in respect of the class or type of insurance specified in the licence.

The concern relates to the province's intent behind its use of the words "through its employees in Manitoba." A literal interpretation of these words would be problematic for CAFII members' call centre operations, as that would mean that employees must be resident in Manitoba.

However, call centres are typically staffed by financial institutions' own employees and are located in different jurisdictions throughout the country. If these words are interpreted to mean that employees must reside in Manitoba, call centre employees would not be able to offer and enroll Manitoba consumers in creditor's group insurance.

Neither of the RIA/ISI regimes on which Manitoba's is modeled, namely Alberta and Saskatchewan, imposes such a residency requirement. And throughout the consultation process on the establishment of a Manitoba RIA/ISI regime, it was never indicated or suggested that a residency requirement was being contemplated, so we hope that you will be able to confirm that our concern is misplaced.

It was suggested and agreed that CAFII should make a confidential phone call to Scott Moore, Manitoba's Deputy Superintendent of Insurance, to seek clarification on this issue.

Action: CAFII to conduct an informal call with Scott Moore in Manitoba seeking clarification on the apparent residency requirement for employees of Restricted Insurance Agents found in 380.1(3) of the amended Insurance Act. [Brendan, Greg, Derek; tba]

7.3. LLQP Harmonization Efforts

Earlier this year, CAFII issued a follow-up letter of support for LLQP modernization to Ministers across the country responsible for insurance regulation; and some members have subsequently received a direct request from a regulator for their individual FI to provide a similar letter. Following Board discussion of this matter, it was decided that since not all members have received such a direct invitation, no further action will be taken by CAFII at this time.

8. *In Camera* Discussion

The Board of Directors met *in camera* from 4:15 to 4:55 p.m. Following this, members of the EOC, B. Wycks and L. Duigu were invited back.

9. Termination

There being no further business to discuss, the meeting was terminated at 4:56 pm. The next CAFII Board of Directors meeting will be held on June 9, 2015, in Toronto.

Date

Chair

Recording Secretary

2015 Summary of Meeting Action Items: BOARD & EOC					
	Source	Action Item	Responsible	Deadline	Status as of 21-May-15
BALANCED SCORECARD / PERFORMANCE MANAGEMENT					
FINANCIAL MANAGEMENT					
MEMBERSHIP					
GOVERNANCE AND ADMINISTRATION					
REGULATOR / POLICY-MAKER RELATIONS AND ADVOCACY					
		Central Canada: MB, ON, QC			
1	Board April 7, 2015	• CAFII to conduct an informal call with Scott Moore in Manitoba seeking clarification on the apparent residency requirement for employees of Restricted Insurance Agents found in 380.1(3) of the amended Insurance Act.	Brendan, Greg, Derek	tba	Completed
2		• <u>Ontario Review of FSCO Mandate</u> : Develop list of potential issues, important to CAFII members, which could come forward in the Ontario Review of FSCO's mandate and draft the industry's position for board consideration.	LEIC	tba	In progress
3	EOC Mar 24, 2015	• <u>Ontario Review of FSCO Mandate</u> : Draft a preliminary plan regarding the ON Review of FSCO's Mandate for board consideration.	Moira, EOC	28-Apr-15	See above
		Eastern Canada: NB, NL, NS			
4	EOC- June 19, 2014	• Submit a letter on the potential changes to the New Brunswick Insurance Act to Opportunities-New Brunswick.	LEIC	Jan 2015	Completed
		Western Canada: BC, AB, SK			
5	Board April 7, 2015	• Develop an education campaign on creditor's group insurance and the underserved market for regulators and policy-makers in the BC ministry	EOC	tba	pending
6	EOC April 27, 2015	• SK Bill 177: Prepare a follow-up letter to Saskatchewan on Bill 177 on the items identified in the March 2/15 teleconference with Jim Hall and Jan Seibel as requiring further comment from CAFII.	Brendan, Market Conduct Cmtee	tba	Completed
7	EOC Mar 24, 2015	• Draft CAFII response to Insurance Council of BC's proposal – to be put forward during the 10-Year Review of the Financial Institutions Act -- that a dollar limit ceiling be imposed on the amount of coverage that can be sold under the province's licensure exemption for CGI; and determine how our position should be communicated and to whom.	Greg, Brendan	15-May-15	In progress
8		• Investigate potential regulatory visit opportunities with licensing regulators from CISRO members during the CISRO LLQP Stakeholder Information Sessions that will be held in Toronto in June and September 2015, and add them to the Regulator and Policy-Maker Visit Plan.	Brendan	21-Apr-15	Completed

	Source	Action Item	Responsible	Deadline	Status as of 21-May-15
		Regulator and Policy-Maker Visit Plan			
INDUSTRY RESEARCH					
		Travel Insurance			
9	EOC April 27, 2015	• Contact Harry James about the following questions: Is there an opportunity to comment on the revised survey before it is released; has CCIR consulted with complaint bodies?	Brendan	tba	pending
10	Board April 7, 2015	• Determine the goals of the CCIR Working Group on Travel Insurance and propose a strategy on how to proceed with the travel insurance issue.	Brendan, EOC	tba	In progress
11		• Board members to be provided with the list of “hot button” issues identified during the initial consultation phase with members of CAFII’s travel insurance committee.	Brendan	asap	Completed
12	EOC Mar 24, 2015	• The Travel Insurance Action Items/Priorities to be presented to the board of directors on April 7th and members advised that the EOC will be proceeding under the existing subcommittee structure, working through the issues on the list.	Emily, Sue	7-Apr-15	Completed
13	EOC Feb 17, 2015	• CAFII to form an internal travel insurance project group, led by the Research & Education committee. Travel insurance resources and expertise to be sourced from Desjardins, CIBC, TD, RBC and a request to be issued to the remaining member companies by email.	Sue	tba	Completed
		CAFII Value Proposition Project			
14	EOC Oct 28, 2014	• An interim report to be presented to the EOC (November 18) and Board (December 2) at their upcoming meetings. The final results to be presented at the Board meeting in April 2015.	DMC	2-Dec-14	Completed
MEDIA AND COMMUNICATIONS					
		Media Outreach			
15	EOC July 22, 2014	• A plan to be developed leading to a future lunch meeting with Ms. Roseman, including documenting key messages and collecting data and, if appropriate, recommending an alternate media contact(s) to engage.	Brendan, Charles	30-Jul-14	Under review
16	Ad Hoc	• Schedule and hold additional media outreach sessions with other media, e.g. Ellen Roseman, Toronto Star; Rob Carrick, Globe and Mail; Gary Marr, National Post; Gail Vaz-Oxlade, independent consumer financial literacy writer, etc.	Brendan, Charles	TBD	Under review
EVENTS AND NETWORKING					

Regulatory Update – CAFII Executive Operations Committee, May 19, 2015

Prepared By Brendan Wycks, CAFII Executive Director

Introduction

Federal/National

- **CCIR:**
 - Travel Insurance Working Group Plans To Send Out Insurer Survey In Early June **(page 2)**
 - CCIR Happy With Formation Of CLHIA High Level Committee On Travel Insurance **(page 2)**
 - Article Provides Insights Into CCIR Mindset On Travel Health Insurance **(page 2)**
 - CCIR Making Progress With MOU For Market Conduct Supervisory Framework **(page 3)**
 - Financial Literacy Initiative In CCIR Strategic Plan A Low Priority **(page 3)**
 - CCIR To Expand Secretariat Resources By Hiring Two New Policy Managers **(page 4)**
- **FCAC:**
 - Jane Rooney To Launch Financial Literacy Month 2015 At Toronto Conference **(page 4)**
 - FCAC Commissioner Exhorts Life Insurers To Strengthen Plain Language **(page 4)**
- **OSFI:**
 - Financial Institutions Turn Down Regulatory Updates From OSFI Via Twitter **(page 4)**
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Federal/National

Canadian Council of Insurance Regulators (CCIR)

Travel Insurance Working Group (TIWG) Plans To Send Out Insurer Survey In Early June

On May 19/15, Harry James, Chair of CCIR's Travel Insurance Working Group (TIWG), advised Brendan Wycks that the TIWG has nearly completed the process of revising its survey of travel health insurers and expects to be in a position to send it out in early June. He indicated that the TIWG may not have sufficient time to vet the revised survey with relevant industry Associations again before disseminating it.

CAFII has also learned that Harry James shared the following information about the TIWG's plans during a recent CLHIA standing committee meeting:

- The industry will have 45 to 60 days to complete and submit the insurer survey. CCIR will also be asking for industry-gathered consumer satisfaction data, if available. CCIR will share the survey results with the relevant industry stakeholder Associations.
- CCIR will prepare a Discussion Paper based on the data from the insurer survey and open-ended input from the public by the Fall of 2015 (likely October).
- CCIR will seek submissions on the Discussion Paper in the Fall and, if necessary, issue a Position Paper in the May/June 2016 timeframe, following the April 2016 CCIR quarterly meeting.
- the Position Paper is likely to include content that addresses the following:
 - consumer education (involving the industry and the FCAC)
 - control and oversight of distribution channels and training by insurers
 - application process enhancements (eligibility screening and improving "certainty of coverage")
 - product enhancements (both coverage and clear language disclosure)
 - complaint process enhancements (ensure TPAs are escalating to insurers and making consumers aware of an efficient complaint resolution process).

CCIR Happy With Formation Of CLHIA High Level Committee On Travel Insurance

On April 29/15, CCIR Chair Patrick Dery and Vice-Chair Carolyn Rogers advised CAFII that CCIR was pleased with the formation of CLHIA's high level committee on travel health insurance, given that the industry had itself decided that such a group would be more responsive and able to make quicker progress than the Travel Insurance Pan-Industry Project Group it had replaced.

Carolyn Rogers noted that Frank Swedlove, Chair of the CLHIA high level committee, had informed her that the committee was hoping to get ahead of the anticipated timelines for completion of CCIR's review of travel health insurance, by having recommendations for reforms and enhancements to travel health insurance in the hands of the TIWG before the end of 2015.

Article Provides Insights Into CCIR Mindset On Travel Health Insurance

On May 11/15, the Insurance & Investment Journal published an article on CCIR's review of travel health insurance, quoting extensively from Carolyn Rogers as Vice-Chair of CCIR; Stephen Frank, CLHIA's Vice-President, Policy and Secretary to its high level committee; and Alex Bittner, President of the Travel Health Insurance Association (THiA). The following excerpt is particularly germane to CAFII:

"Our intention is to hear from the public about their concerns," says Carolyn Rogers, CEO and superintendent of the British Columbia Financial Institutions Commission, and vice chair of the CCIR. "This is

a product which generates more complaints from consumers than other products. You can have an increase in complaints (that is) not necessarily an indication of systemic issues. But when those complaints seem to have a consistent theme, that indicates there may be a systemic issue.”

“Every member of the CCIR identifies this as something we should spend resources on,” Rogers says. “Consumers seem to not understand the coverage they’ve bought, and there are too many times where the consumers seem surprised about the outcome. It’s important that we gather the facts.”

The review will include a look at product design and the sales process – the product is often sold through exempt channels attached to other products like credit cards or association memberships.

“We have not formed a view on the issues,” she adds. “This is why we have phase one (the invitation to submit comments). We have anecdotal evidence and the headlines, but that’s not something you can regulate on.” Next steps of that process will be to publish comments, and perhaps pose questions, in a discussion paper, due out this fall.

CCIR Making Progress With MOU For Market Conduct Supervisory Framework

On April 29/15, CCIR Chair Patrick Dery and Vice-Chair Carolyn Rogers advised CAFII that the Council’s six largest members are expected to sign a recently drafted Memorandum of Understanding (MOU) among provincial insurance regulators this Spring.

Arising from the work of CCIR’s IAIS Insurance Core Principles Implementation Committee (ICPiC), the MOU relates to ICPiC’s work plan for a new Co-operative Market Conduct Supervisory College framework. The purpose of the framework is to assist CCIR member jurisdictions in improving their compliance with the International Association of Insurance Supervisors’ Insurance Core Principles (ICPs).

The MOU will enable CCIR members to take a nationally co-ordinated approach to supervisory issues, led by a cross-jurisdictional team, but it will not fetter the regulatory discretion of any province or territory. CCIR is not requiring each jurisdiction to sign the MOU in order to gain the benefits of the Supervisory College, “but rather just not to get in the way.”

Financial Literacy Initiative In CCIR Strategic Plan A Low Priority

On April 29/15, CCIR Chair Patrick Dery and Vice-Chair Carolyn Rogers informed CAFII that the financial literacy initiative in the Council’s 2014-17 Strategic Plan is a low priority, given limited resources. At this time, CCIR does not plan to do anything on a nationally co-ordinated basis related to consumer financial literacy and sound decision-making with respect to insurance.

The CCIR leaders noted that financial literacy is a space where a lot of organizations are already active. CCIR will therefore take a more passive approach in this area by promoting such fundamental principles as plain language and clear communication among industry participants.

In a related development, Patrick Dery advised CAFII that Singapore’s insurance regulator, the Monetary Authority of Singapore (MAS), had recently launched a Web-Aggregator in which all life insurers are required to participate. He praised this new industry aggregation and direct purchase web site, which also refers the consumer to a licensed representative.

CCIR To Expand Secretariat Resources By Hiring Two New Policy Managers

On April 29/15, Patrick Dery and Carolyn Rogers informed CAFII that CCIR expects to announce the hiring of two new Policy Managers shortly. These individuals, who will work out of FSCO's offices, will succeed Carol Shevlin who is retiring at the end of 2015. The new Policy Managers will have a half year period of overlap with Carol, for orientation, training, and introductions to industry stakeholders.

At their March 26/15 meeting, CCIR members agreed to expand their Secretariat resources, to enable the Council to move forward better with its many current initiatives; and, in particular, to resource the work of its IAIS Insurance Core Principles Implementation Committee (ICPic).

Financial Consumer Agency of Canada

Jane Rooney To Launch Financial Literacy Month 2015 At Toronto Conference

National Financial Literacy Leader Jane Rooney will launch Financial Literacy Month 2015 on Monday, November 2 at the *ABLE Financial Empowerment Conference* at the Allstream Centre in Toronto. The ABLE conference is a biannual national conference for all stakeholders interested in fostering financial empowerment for people who live on low incomes. The theme of this year's two day conference, *Aligning for Impact*, will engage stakeholders from all sectors around a common vision for financial empowerment.

FCAC Commissioner Exhorts Life Insurers To Strengthen Plain Language

FCAC Commissioner Lucie Tedesco devoted a significant portion of her remarks to CLHIA's 2015 Compliance and Consumer Complaints Conference to the "Industry's Role In Financial Literacy." The following is an excerpt.

"... When consumers have a clear idea of what they are getting into, of what they are entitled to and what they are responsible for, there will likely be fewer complaints and compliance issues downstream. Clear communication and disclosure—through plain language means better communication and disclosure in the end. If it's easier for consumers to understand what's being sold, it may be that it's easier and faster for them to buy it."

"Federally regulated financial institutions are required by law to use plain language in their disclosure documentation for consumers. As I said before I believe this is good for your business. Better than any advertisement, you signal to prospective customers that you care about their interests."

"I know that the financial sector, including many insurers, is working toward making it easier to read and understand information about their products. I also know that there is room for improvement."

Office of the Superintendent of Financial Institutions (OSFI)

Financial Institutions Turn Down Regulatory Updates From OSFI Via Twitter

Financial institutions that follow the Office of the Superintendent of Financial Institutions (OSFI) web site have informed the regulator that, given the choice between email and Twitter, email remains their preferred method of receiving information. OSFI notes that social media has aroused little interest among financial institutions, and very few of them believe that it would be useful to receive opinions by Twitter.

These findings come from OSFI's *Financial Institutions Survey*, which asked financial institutions to assess its performance as a prudential regulator and supervisor. The survey also revealed that financial institutions would like to be able to submit information to the regulator on-line.

CLHIA Publishes Advertorial Supplement In The Globe and Mail

The Canadian Life and Health Insurance Association published an advertorial supplement in The Globe and Mail on April 27/15. The supplement provided a range of articles focused mainly on insurance and financial security advice for Canadians. One article headlined "Investing in financial literacy an investment in Canadians' financial well-being" describes how the life and health insurance industry has taken a leading role in a multi-sector drive to help improve Canadians' financial literacy.

Provincial

British Columbia

FICOM To Issue Bulletin On "Effecting Of CGI" By June 1/15

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

Ms. Rogers noted, as a side issue, that FICOM has learned that some of the CGI policies it has concerns about are being sold as "portable," so long as the consumer remains with the same mortgage broker. This particular issue will be dealt with either in the same Information Bulletin or in a separate communique.

FICOM Expects 10-Year Review Consultation Paper To Be Released By End Of May

On April 30/15, Carolyn Rogers advised CAFII that she expects the Ministry of Finance's Financial and Corporate Sector Policy Branch (FCSPB) to release the consultation paper that will launch the formal phase of the 10-year review of the province's Financial Institutions Act by the end of May.

She indicated that the consultation paper will lay out several big questions that the government believes should be addressed; and industry stakeholders will have 90 days to make a submission.

She expressed some surprise when told that the Insurance Council of BC intends to make a recommendation, as part of its submission, that a dollar amount limit be imposed upon the amount of creditor's group insurance that can be sold under the existing licensure exemption that CGI currently has in the province. However, she stated that a review of the exempt channels definitely needs to be part of the review of the overall Act, noting that some of the concern that FICOM has around CGI relates to lack of oversight, albeit not with respect to the financial institutions' CGI space in which CAFII members operate.

She advised that to prepare for the 10-year review, FICOM engaged an outside consultant, KPMG, to do a gap analysis; and the results of that analysis were provided to the Ministry a year ago. With respect to the review, FICOM sees its role as being part of the policy advisor team, alongside Ministry officials, but the Commission may decide to make a submission itself.

Insurance Council Publishes Confidentiality Guidelines

The Insurance Council of BC has published guidelines to help advisors understand the steps they must take to keep client information private and confidential. In a notice published May 13/15, the Council said it

continues to uncover instances where insurance advisors have collected, used, or disclosed clients' personal information contrary to Council rules. The new confidentiality guidelines have been incorporated as an appendix to the Council's Code of Conduct.

Saskatchewan

Bill 177 Passed But Won't Be Proclaimed In Force Until Regulations Finalized

On May 7/15, Jim Hall, Senior Crown Counsel, Legislative Services with Saskatchewan's Ministry of Justice and Attorney General, advised Brendan Wycks that

- Bill 177, The Insurance Act (Saskatchewan) and approximately 38 House Amendments received Third Reading in the legislature on May 6/15 and were passed.
- However, the legislation will not be "proclaimed in force" until all of the Regulations have been developed (over the summer and fall of 2015), and a thorough, comprehensive consultation with the industry on the Regulations has occurred.
- the expected timeline from this point on is

– May 6, 2015	Bill 177 and House Amendments Passed
– Spring/Summer/Early Fall 2015	Regulations Drafted By Saskatchewan FCAA
– Late Fall 2015 and Winter 2016	Consultation With Industry On Draft Regulations
– Spring/Summer 2016	Regulations Finalized and Passed
– Latter Half of 2016	Industry Transition Period
– Late 2016 or Early 2017	Revised Act and Regulations Proclaimed Into Force
- There is an important distinction to be made between passage of the Act, on the one hand, and its proclamation into force, on the other. Even though legislation has been passed, it is of no force and effect until it has been proclaimed. That distinction is key to the approach that Saskatchewan will be taking to deal with some of the changes that CAFII and other industry stakeholders have highlighted as necessary.

For example, re Section 5-79, *Recommendations for Restricted Licensee – Life Insurance*, part of which seems to limit a Restricted Insurance Agent to selling insurance solely on behalf of the sponsoring insurer, thereby requiring a financial institution to place all of its creditor's group insurance business with one insurer: subsection 5-79(2) **will not** be proclaimed in force; it will be repealed via the Regulations. This subsection that will **not** be proclaimed reads as follows: "A restricted licensee for life insurance may act as a restricted insurance agent only for the licensed life company that recommended that the licensee be issued a restricted insurance agent's licence."
- In the version of the revised Act which comes out shortly from the Queen's Printer, it will still show 5-79(2) as part of the Act. However, that will be of no force and effect because the legislation has not yet been proclaimed. When a subsequent version of the Act is published, after the Regulations have been finalized, it will show that 5-79(2) has been repealed.

Jim thanked CAFII for its submission on Bill 177, for following up, and for being a pleasant and co-operative industry Association to work with. He noted that any further or clarifying comments that CAFII wants to

make will be taken into account in the development of the Regulations. Jim will be retiring from the Ministry at the end of May; and leadership of the Insurance Act and related Regulations file will then transfer to Jan Seibel, Lawyer with the Financial and Consumer Affairs Authority.

Ontario

Advocis Wants To Take Over Life Insurance Agent Regulation From FSCO

Advocis is hoping the Ontario government's review of FSCO's mandate will lead to a shakeup of life insurance regulation.

Greg Pollock, CEO of Advocis, has said that "what we might see is the government divesting itself of the responsibility of day to day oversight of these insurance agents and Advocis could certainly take on that kind of responsibility. So that would relieve governments of that responsibility. Obviously they would audit an organization like Advocis to ensure that we're carrying out those responsibilities appropriately. We think at the end of the day that would be more efficient in terms of this oversight."

FSCO came under fire in late 2014 in a scathing report from the Auditor General of Ontario that found issues with the regulator around licensing and E&O insurance for life insurance advisors.

"In that report, the auditor general did suggest there might be some opportunities for government to download some of the responsibilities that currently exist within FSCO to some of the established professional associations currently in existence," Pollock said.

Ontario Superior Court Allows Primerica Case Against FSCO To Proceed

The Ontario Superior Court of Justice has rejected a bid by the Financial Services Commission of Ontario (FSCO) to dismiss a case brought against it by Primerica Life Insurance Company of Canada, which seeks declaratory relief from the court.

According to the decision released in late April, Primerica alleges that FSCO breached its commitment to "consult and communicate with course providers" before making changes to curriculum or exams required to licence life insurance agents. It also seeks a declaration that FSCO acted without authority when entering certain agreements related to CISRO's current Life Licence Qualification Program (LLQP) modernization effort.

The allegations have not been proven but the court ruled that the case can go ahead. The court found that, without assessing the merits of the case, Primerica is entitled to seek declaratory relief. Declaratory relief is typically sought to clarify status; it does not involve awarding damages.

Quebec

AMF Will Not Prescribe "Importance Of Obtaining Advice" Disclosure In Online Sales

In a meeting between CAFII representatives and AMF executives on April 29/15, Eric Stevenson, the AMF's Superintendent, Client Services and Distribution Oversight, provided a clarification on a component of Orientation 2 in *"Internet Insurance Offerings In Quebec: Presentation of Consultation Findings and Orientations,"* which is of direct interest to CAFII members.

He advised that the AMF will allow providers some discretion as to how they inform the consumer of the importance of obtaining the advice of a certified representative, and will not be prescriptive on this point.

He agreed that this consumer disclosure does not necessarily have to be 'in your face' on the provider's web site pages; nor repeated on each and every screen.

In a related observation, he indicated that the AMF's final e-commerce paper, published April 2/15, will probably not be the end of the debate on internet insurance offerings in Quebec, as the brokers will probably want to raise the issues again.

The formal review of the province's Distribution Act, expected to be announced by the Ministry of Finance in the near future, may give the brokers a forum for rehashing objections to internet sales of insurance without a representative; but it will also provide an opportunity for supporters of the final e-commerce paper to submit a letter to the Minister.

AMF Updates Plans To Develop Regulation On Distribution Guide Template

On April 29/15, Louise Gauthier, the AMF's Director, Distribution Practices and Self-Regulatory Organisations, advised CAFII that within the next 12 months, she expects to develop a draft Regulation on the Distribution Guide – under the auspices of the current Distribution Act if necessary. The draft Regulation will then be put out to the industry for a brief consultation period.

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

She also confirmed that when the new Distribution Guide template comes into effect, the AMF will continue its current "file and use" approach to industry monitoring.

AMF Fines Foresters For CGI Distribution Violations

The AMF recently imposed fines totaling \$25,000 on the Foresters Life Insurance Company for violations related to the distribution of creditors group mortgage insurance products in Quebec.

The AMF sanctioned Foresters for selling creditors group mortgage insurance through a distributor in Quebec without having furnished the regulator with its distribution guide for these products. The regulator is reprimanding the insurer for having sold between 241 and 264 of these products over a period of three years and nine months. The AMF also rebuked Foresters for either failing to meet its demands or for not having done so adequately, for having given responses that were late, incomplete, incorrect, or inconsistent.

As a result, Foresters has withdrawn its distribution guides for creditors group mortgage insurance and general leasing creditors group insurance. The insurer has agreed with the AMF that it should file new distribution guides that comply with the applicable laws and regulations if it wishes to distribute these new products in Quebec.

CAFII Regulator and Policy-Maker Visit Plan 2015

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 19/15
British Columbia				
Gerry Matier, Executive Director, Insurance Council of BC	Feb. 27/15 meeting in Toronto addressed review of BC FIA; representation for banks-in- insurance on Insurance Council; new CE requirements for new licensees; LLQP support; CCIR travel insurance initiative	When Gerry is in Toronto for CISRO/CCIR/related meetings	-10 yr. Review of BC Financial Institutions Act (FIA) -LLQP modernization -Update on Council priorities -Update on CCIR travel insurance review -Communicate CAFII issues -Maintain and strengthen relationship	Pending
Carolyn Rogers , CEO, FICOM & Superintendent of Insurance (CCIR Vice-Chair)	Lunch meeting in Quebec City on April 30/15	When Carolyn is in Toronto for CCIR/related meetings	-10 yr. Review of BC Financial Institutions Act (FIA) -"Effecting" of CGI in BC issue -Update on CCIR travel insurance review -Communicate CAFII issues; maintain and strengthen relationship	Pending
Doug McLean, Deputy Superintendent of Insurance, FICOM	No contact/meeting for at least past two years	When Doug is in Toronto for CCIR/related meetings	See above	Pending
Harry James, Director, Policy Initiatives, FICOM (Chair of CCIR's new Working Group on Travel Insurance)	Nov. 21/14: G. Grant chatted with H. James during FIA Review roundtable discussion Jul 28/14: call with CAFII reps re: "effecting" CGI	When Harry is in Toronto for CCIR/related meetings	See above	Pending
Michael de Jong, Minister of Finance	Nov. 21/14: G. Grant represented CAFII at FIA Review roundtable discussion	If necessary, Q2 or Q3 2015	- follow up on CAFII issues/concerns re: 10-year Review of Financial Institutions Act; announcement re formal consultation phase of FIA Review expected imminently	Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 19/15
Alberta				
Alberta Insurance Council: Joanne Abram, CEO; Ron Gilbertson, Chair (2012-15) Anthonet Maramieri, COO (succeeded retired Tom Hampton at beginning of 2015) Warren Martinson, Legal Counsel (member of CISRO LLQP Ctte)	Nov 20/14: CLHIA COSS seminar (B. Wycks); Mar 17/14; Toronto, ON Mar 17/14; Toronto, ON Feb 27/15: Toronto: B. Wycks met A. Maramieri and had get acquainted chat at CISRO LLQP Stakeholder Info Session Feb 10/14: Toronto, ON	When Joanne, Anthonet, or Warren is in Toronto for CISRO/CCIR/related meetings	-Representation for Restricted Licence Holders - - Licensing for 3 rd party providers: business number registration system -LLQP modernization - Update on Council priorities -Communicate CAFII issues -Maintain and strengthen relationship	Pending
Mark Prefontaine, Superintendent of Insurance	Sep 30/14; Fredericton, NB (informal meeting)	When Mark is in Toronto for CCIR/related meetings	See above	Pending
David Sorensen, Deputy Superintendent of Insurance	No face-to-face contact to date - <i>appointed Sep 15/14; CAFII congratulatory letter sent</i>	When David is in Toronto for CCIR/related meetings	See above - and introduce CAFII	Pending
Laurie Balfour, Director, Financial Compliance, Insurance Regulation and Market Conduct Branch	Sep 30/14: Fredericton, NB (informal meeting) Jul 28/14: call with CAFII reps re: "effecting of CGI"	When Laurie is in Toronto for CCIR/related meetings	See above	Pending
Robin Campbell, President of Treasury Board and Minister of Finance	No contact – appointed Sep 15/14	TBD	TBD until CAFII has a "direct ask"	Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 19/15
Saskatchewan				
Ron Fullan, Executive Director, Insurance Councils of Saskatchewan and CISRO Chair	February 27/15 CISRO LLQP Stakeholder Info Session	When Ron is in Toronto for LLQP Stakeholder Info Sessions on June 5/15 and in September 2015	-Restricted Insurance Agents Advisory Cttee. -Sask RIA regime and licensure issues -LLQP modernization - Update on ICS and CISRO priorities -Communicate CAFII issues -Maintain and strengthen relationship	Pending
April Stadnek, Director of Licensing	Sep 30/14; Fredericton, NB (informal meeting) November/13 in Toronto when April attended CLHIA CCROSS Seminar	When April is in Toronto for CISRO/CCIR/related meetings		Pending
Roger Sobotkiewicz, former Director of Financial Consumer Affairs Authority (FCAA)'s Legal Branch, became Interim Chairperson and Superintendent of Insurance, effective Feb. 1/15	-no previous contact; congratulatory letter on appointment sent March 4/15	Q4 2015 or Q1 2016 meeting in Regina, if necessary	-introduce CAFII and build relationship -Regulations being developed following passage of Bill 177, The Insurance Act (Saskatchewan) -ISI: Representation for Restricted Licence Holders -LLQP modernization - Update on Superintendent's priorities -Communicate CAFII issues	Pending
Ian McIntosh, Deputy Superintendent of Insurance	Jul 28/14 call with CAFII reps re: "effecting CGI"	Same as above	See above	Pending
Consultant (ex-Superintendent) Jim Hall and Janette Seibel, Lawyer, FCAA, are point persons for review of SK Insurance Act J. Hall slated to take full retirement at end of May 2015. Jan Seibel becomes lead on Bill 177 and Regulations file, effective June 1/15	-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" -teleconference meeting on CAFII submission on Bill 177, on March 2/15	Q4 2015 or Q1 2016 meeting in Regina, if necessary	-Regulations being developed following passage of Bill 177, The Insurance Act (Saskatchewan)	Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 19/15
Manitoba				
Ministry of Finance: Jim Scalena, Superintendent <i>*Retired at end of 2014</i> Scott Moore, Deputy Superintendent, currently serving as Interim Superintendent of Insurance	April 29/14; Winnipeg, MB April 15/15 teleconference with three CAFII reps re concern about amended Insurance Act's apparent residency requirement for employees of Restricted Insurance Agents April 29/14: Winnipeg, MB	When successor or Scott is in Toronto for CCIR/related meetings	-Introduce CAFII and build/maintain relationship -Implementation of ISI regime -Representation for Restricted Licence Holders -Update on Insurance Act Review -LLQP modernization -Update on Superintendent's and Council's priorities -Communicate CAFII issues	Pending
Greg Dewar, Minister of Finance	No contact – appointed Nov/14	TBD	TBD until CAFII has "direct ask"	Pending
Erin Pearson, Executive Director, Insurance Council of Manitoba:	Sept. 30/14: dinner in Fredericton, NB re: ISI implementation Apr 29/14; Winnipeg, MB	When Erin is in Toronto for CISRO/related meetings	Same as above	Pending
Ontario				
FSCO: Brian Mills, appointed Interim CEO and Superintendent on October 18/14	January 28/15 stakeholder meeting with CCIR November 21/14 at FSCO Life and Health Insurance Symposium	Q2 or Q3 2015: follow-up lunch or dinner	(i)-Introduce CAFII and build/maintain relationship (ii) -"Agency Review" of FSCO's mandate (iii) next steps, if any, in Life Insurance Product Suitability Review (iv)-LLQP modernization (v)-enhancing the national CRS (vi)-Update on Superintendent's priorities (vii)-communicate CAFII issues	Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 19/15
FSCO Cont'd: Anatol Monid, Interim Executive Director, Licensing and Market Conduct Division	January 28/15 stakeholder meeting with CCIR November 21/14 at FSCO Life and Health Insurance Symposium April 9/14 re: Interim Report of Life Insurance Product Suitability Review	To be determined, as required	Item (iii) above	Pending
Isabel Scovino, appointed Director, Market Conduct Regulation Branch in Nov/14	Nov 21/14 FSCO Life & Health Insurance Symposium Nov 13/14 re: Report on Joint Review (FSCO and AMF) of National Complaint Reporting System (CRS)	To be determined, as required	Item (v) above	Pending
Ministry of Finance three member Expert Panel advising on Government's review of FSCO's mandate	CAFII made submission to OMAF on "Proposed Regulations Related to Parts V and VII of the Insurance Act" on May 19/15	May 21/15 informal meeting	-provide Panel with early input on issues it should be aware of, from CAFII's perspective; ask questions; dialogue.	Confirmed
Quebec				
AMF: Louis Morisset, CEO;	Apr 8/14: Montreal, QC	October 2015 CAFII Board meeting to be hosted by Desjardins in Quebec City	-(i)AMF final paper on electronic commerce in insurance, setting out Orientations/expectations -(ii)Distribution Guide template and implementation timelines -LLQP modernization -enhancing the national CRS -Update on AMF priorities -Communicate CAFII issues -Maintain and strengthen relationship	Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 19/15
AMF cont'd: Patrick Dery, Superintendent, Solvency (appointed CCIR Chair effective April 1/15) Eric Stevenson, Superintendent, Client Services and Distribution Oversight	April 29/15 meeting in Quebec City, along with AMF staff executives Eric Stevenson, Nathalie Sirois, and Louise Gauthier January 28/15 stakeholder meeting with CCIR January 30/15 meeting in Toronto with E. Stevenson and L. Gauthier re (i) and (ii)			
Atlantic Canada				
Joint Forum of Insurance Regulators (four provinces)	Oct 1/14: Fredericton, NB	Spring or Fall 2016	TBD	Deferred to 2016
New Brunswick				
Angela Mazerolle, Superintendent of Insurance	Oct 1/14: Fredericton, NB	None planned for 2015	TBD	Deferred to 2016
David Weir, Deputy Superintendent of Insurance	Oct 1/14: Fredericton, NB	When David is in Toronto for June 5/15 or September 2015 LLQP Stakeholder Info Sessions	-New Brunswick licensure issues, including development of online licensing system	Confirmed for June 5/15 (lunch meeting)
Jay Reid, Investment Attraction Officer, Opportunities New Brunswick	Jun 3/14: Toronto, with Adam Mitton of predecessor organization Invest New Brunswick	Q2 or Q3 2015 when Jay is in Toronto; or alternatively via teleconference	- highlight and discuss CAFII submission re: Insurance Act and regulatory process changes necessary to support business efficiency and further inbound investment and additional jobs in New Brunswick	Pending
Ronald Godin, Consumer Advocate for Insurance	No contact		-Introduce CAFII and build relationship -Position CAFII as an information resource	Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 19/15
Nova Scotia				
Doug Murphy, Superintendent (at March 26/15 CCIR meeting, D. Murphy's imminent retirement announced)	January 28/15 stakeholder meeting with CCIR Oct 1/14: Fredericton, NB	To Be Determined	-Review of life and accident & sickness provisions of Insurance Act (D. Murphy confirmed on April 22/15 that this is unlikely to occur in 2015)	Pending
PEI				
Superintendent Robert Bradley	Oct 1/14: Fredericton, NB	Q4 2015 or Q1 2016 in PEI or Toronto, if necessary	-Review of life and accident & sickness provisions of Insurance Act (on April 23/15, R. Bradley advised that this may get underway in late 2015) -LLQP modernization -Update on Superintendent's priorities -Communicate CAFII issues -Maintain and strengthen relationship	Pending
Newfoundland				
Craig Whalen, Deputy Superintendent	Oct 1/14: Fredericton, NB	None in 2015	N/A	Deferred to 2016
FEDERAL/NATIONAL				
Carol Shevlin, Policy Manager, CCIR *Retiring at end of 2015	-Liaison lunch with B. Wycks on Feb. 23/15 -January 28/15 stakeholder meeting with CCIR	-Q3 or Q4 get acquainted/liaison lunch for B. Wycks with C. Shevlin and two CCIR Policy Manager successors (hiring announcement imminent) -December 8/15 CAFII Holiday Season Reception	-CCIR review of travel health insurance -Update on CCIR 2014-17 Strategic Plan and related priorities -Communicate CAFII issues; and maintain and strengthen relationship -possible CAFII webinar(s) for CCIR in 2015 - Recognition and tribute to Carol, upon her imminent retirement at end of 2015 (confirmed as agreeable to her)	Pending Confirmed
Carolyn Rogers, CCIR Past-Chair and current Vice-Chair (CEO, FICOM & Superintendent of Insurance)	April 29/15 in Quebec City, along with new CCIR Chair Patrick Dery January 28/15 stakeholder meeting with CCIR Oct 7/14: Toronto, ON at CAFII Regulator Reception		-CCIR review of travel health insurance -Update on CCIR 2014-17 Strategic Plan and related priorities -Communicate CAFII issues; and maintain and strengthen relationship	

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 19/15
Harry James, Chair, CCIR Working Group on Travel Insurance (Director, Policy Initiatives, BC FICOM)	March 24/15 meeting with CAFII EOC re draft industry survey of travel insurance underwriters January 30/15 and December 10/14, CAFII participated in TIPIP meeting with CCIR Working Group on Travel Insurance	When Harry is in Toronto for CCIR/related meetings	-CCIR review of travel health insurance	Pending
Ron Fullan Chair (SK); G. Matier (BC); J. Abram (AB), W. Martinson (AB); D. Weir (NB) CISRO	Feb 27/15: CISRO LLQP Stakeholder Info Session Feb 10/14: Toronto, ON	When Ron is in Toronto for LLQP Stakeholder Info Sessions on June 5/15 and in September 2015	-LLQP modernization -possible CISRO Strategic Plan	Pending
Jeremy Rudin, Superintendent, Office of the Superintendent of Financial Institutions	No contact – appointed June/14	Q3 or Q4 2015 “get acquainted” meeting in Ottawa or Toronto	-introduce/educate about CAFII, CGI and alternate distribution -build relationship -invite to be speaker at a CAFII Reception event	Pending
Doug Melville, Ombudsman, OBSI (resignation announced March 2015: departs OBSI at end of May 2015 for similar position in Channel Islands)	None	None	TBD	Watch/ monitor

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 19/15
Financial Consumer Agency of Canada (FCAC):				
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	Q2 or Q3 2015 (either in-person in Ottawa or Toronto; or via teleconference)	-CAFII proposed enhancements to FAQs and other content on FCAC web site re creditor insurance -CAFII involvement in consumer financial literacy initiatives, including Financial Literacy Month	Pending
Karen Morgan, Marketing Officer	Jan 9/14			

CAFII - 2015 Executive Director Balanced Scorecard - May 19, 2015

	H = High Priority; M = Medium; L = Low				
Priority	Objectives	Measures	Timing	Status As At May 19/15	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 Q3 2016	CAFII submission sent on Feb. 23/15; follow-up teleconference on March 2/15 to address CAFII issues; CAFII follow-up letter sent May 13/15.	Bill passed May 6/15 but won't be "proclaimed in force" until Regulations drafted and a thorough consultation with industry has occurred. Some sections of Act of concern to CAFII to be amended or repaled via Regulations.
H		British Columbia Consultation on 10-Year Review of Financial Institutions Act (FIA)	Q1 thru Q4 2015	Monitoring	Formal consultation paper finalized. Approval from Ministry of Finance to release is pending.
H		BC FICOM's 'effecting' of creditor's group insurance issue	Q1 thru Q4 2015	CAFII met with Carolyn Rogers on this issue on April 30/15; and had teleconference meeting with Harry James and regulator representatives from Alberta and Saskatchewan in July 2014.	File transferred from Harry James to Kristine Wright, FICOM's new Executive Director responsible for market conduct supervision. Information Bulletin to industry on 'effecting' issue to be sent out by June 1/15.
H		AMF's final E-Commerce in Insurance position paper	Q2 thru Q4 2015	CAFII met with AMF executives on April 29/15 and received clarification on implementation plans for "Orientations" in paper.	Final E-Commerce Report released April 2/15.
H		AMF's Distribution Guide template initiative	Q2 thru Q4 2015	Pending	Draft Regulation on Distribution Guide to be circulated to industry for brief consultation, likely in Q3 2015, with goal being to finalize it by end of 2015.
		Ontario Ministry of Finance consultation on "Proposed Regulations Related to Parts V and VII of the Insurance Act"	Q2 2015	CAFII submission sent May 19/15.	
M		Ontario government review of FSCO's mandate	Q2 thru Q1 2016	CAFII to have May 21/15 informal meeting with expert panel appointed to assist in review.	Consultation paper posted online on April 23/15 for public comment by June 5/15. Review to be completed early in winter of 2015-16.
M		Quebec government review of "An Act Respecting the AMF" (empowering and governing the AMF)	Q2 thru Q4 2015	Monitoring	Announced as part of Quebec provincial budget on March 26/15
M		Letter to Opportunities New Brunswick re changes necessary to Insurance Act and regulatory processes to facilitate efficient business operations in the province.	Q1 2015	Letter sent April 16/15, with copy to Superintendent of Insurance. Possible follow-up meeting with Jay Reid of Opportunities New Brunswick to be considered.	
M		New Brunswick Consultation on Rule INS-001 Fees, In Relation To The Insurance Act	Q1 and Q2 2015	CAFII submission sent May 1/15. Possible follow-up meeting with David Weir, Deputy Superintendent, being pursued for June 5/15.	
M		Conditions are amenable to smooth transition by CAFII members to Manitoba's new RIA Regime	Ongoing	In process	
M		Nova Scotia Direct Sellers' Regulation Act (DRSA)	Ongoing	CAFII made submission in Dec/14 in support of proposed insurance exemption 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
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
#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 = High Priority; M = Medium; L = Low				
Priority	Objectives	Measures	Timing	Status As At May 19/15	Outcome
H		CAFIL "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		CAFIL internal group on travel insurance completes review; addresses issues and concerns identified by CCIR project	Ongoing	CAFIL internal group on travel insurance formed, and work now underway	
#5 M	Secure Representation for CAFII members as Restricted Insurance Agents in Saskatchewan, Alberta, and Manitoba	CAFIL'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		CAFIL'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 and submission of Saskatchewan letter	
M		Insurance Council of Manitoba calls upon CAFII members, as appropriate, when requiring subject matter expert advice to its ISI Subcommittee	Ongoing	Monitoring	ICM has formed new ISI Subcommittee, comprised of five Council members, but is forming a roster of subject matter experts who can be called upon on "as needed" basis
	Media and Communications (20% of ED and EOC focus/time)				
#1 (H)	Move CAFII into a position of readiness and confidence to respond to media opportunities re Creditor's Group Insurance and Alternate Distribution	Successful execution of tactics within specified timelines	Q1 and Q2 2015	Drafts of three documents completed and currently under review by Media Communications Committee	
H	Monitor media coverage re CGI, travel insurance, and alternate distribution	Any hot button issues related to media coverage are identified and dealt with in a timely, appropriate manner	Ongoing	In process, in concert with Media Committee	
#2 H	Make CAFII web site more robust and audience-friendly for members; regulators and policy-makers; the media (pending Media Committee approval); and the public	Content and navigation of CAFII site are reviewed and overhauled; information updates are posted on a timely and consistent basis; and site becomes a "go to" resource for key audiences	Q1 thru Q4 2015	Underway	
#3 H	Monitor Consumer Interest Groups	Include intelligence on Consumer Interest Groups' issues and activities in Regulatory Updates for EOC and Board meetings	Ongoing	On Target	
#4 M	Consumer Financial Literacy (CFL): Move CAFII into a position of readiness and confidence to engage proactively with regulators, the public, and consumer interest groups in support of CFL (Medium/long term objective: CAFII and its members are seen as advocates for CFL; and a "go to" industry Association in that area)	Three-year plan developed and approved by Media Committee, EOC, and Board for CAFII to become incrementally engaged in CFL activities	Q1 thru Q4 2015	Pending	
		CAFIL web site content on CFL made more specific and compelling	Q2 2015	Underway	
TBD		CAFIL gets involved in Financial Literacy Month (November) in 2014 through an event or initiative; and has specific plans for continued participation in future years	Q1 thru Q4 2015	Pending	
TBD		Plan developed and approved by Media Committee, EOC, and Board for CAFII to be involved in Fraud Prevention Month (March) in 2016, as directly related to CFL	Q1 thru Q4 2015	Pending	
	Association Oversight and Management (30% of ED and EOC focus/time)				
#1 H	Produce an "industry intelligence" Regulatory Update monthly, for each EOC and Board meeting	Regulatory Update is produced for each EOC and Board meeting, containing outside-of-the-public-domain information on regulatory actions, pronouncements, trends and leading indicators	Ongoing	On Target	
#2 H	Efficient, effective CAFII meetings: with EOC Chair and standing committee Chairs, ensure agendas are focused and goal-oriented and meetings are well-managed	Agendas and meeting materials are distributed with appropriate lead time. Board and committee members are engaged in meeting discussions and feel meetings are productive and advance CAFII's objectives	Ongoing	In process	
#3 H	Ensure that CAFII prepares an annual operating budget that is well-grounded in approved strategic and operational plans; funds are spent according to plan; and financial control policies and procedures -- including monthly financial statements -- are adhered to	Play a leadership role in development, management, and tracking/monitoring of CAFII's annual operating budget, and committee and project budgets. Budget targets are met, except for explainable/approved variances	Ongoing	On Target	
#4 H	Provide strategic and operational support to the EOC Chair in management of CAFII priorities and activities, and accountability reporting thereon	Engaged strategic and operational support to EOC Chair; escalates appropriate matters to EOC Chair for review and decision-making	Ongoing	In process	

CAFII

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

Statement of Operations As at April 30, 2015

	Current Month	Current YTD	Budget 2015	% Used
Revenue				
Membership Fees	35,333.00	141,332.00	424,000.00	33%
Interest Revenue	35.10	140.40	500.00	28%
TOTAL REVENUE	35,368.10	141,472.40	424,500.00	33%
Expenses				
Management Fees	22,463.65	88,155.41	249,264.00	35%
CAFII Legal Fees/Corporate Governan	0.00	0.00	5,000.00	0%
Audit Fees	0.00	0.00	14,000.00	0%
Insurance	432.00	1,728.00	5,368.00	32%
Website (incl translation)	2,271.00	6,348.37	6,260.00	101%
Telephone/Fax/Internet	501.55	2,093.32	8,000.00	26%
Postage/Courier	30.84	111.94	500.00	22%
Office Expenses	22.58	378.06	3,000.00	13%
Bank Charges	0.00	25.00	60.00	42%
Miscellaneous Expenses	0.00	0.00	0.00	
Amortization Expense	0.00	0.00	300.00	0%
Depreciation Computer/Office Equipm	38.89	155.56	0.00	
Board/EOC/AGM	0	0		
Annual Members Lunch	0.00	9,754.99	7,000.00	139%
Board Hosting (External)	0	0	9,000.00	0%
Board/EOC/Meeting Expenses	872.93	1,604.44	10,000.00	16%
Industry Events	0.00	0	805.00	0%
EOC Annual Lunch	0.00	0	2,000.00	0%
Sub Total Board/EOC/AGM	872.93	11,359.43	28,805.00	
Provincial Regulatory Visits	1,802.48	2,007.01	10,000.00	20%
Research/Studies	213.18	213.18	90,000.00	0%
Regulatory Model(s)	0.00	0.00	12,000.00	0%
Federal Financial Reform	0.00	0.00	2,000.00	0%
Media Outreach	0.00	0.00	8,500.00	0%
Marketing Collateral	0.00	0.00	1,500.00	0%
Networking Events	0.00	0.00		
Speaker fees & travel			3,000.00	0%
Gifts			1,000.00	0%
Sub Total Networking & Events	0.00	0.00	4,000.00	0%
15th Anniversary Event	0.00	0.00	0.00	
TOTAL EXPENSE	28,649.10	112,575.28	448,557.00	25%
NET INCOME	6,719.00	28,897.12	-24,057.00	-120%

Explanatory Notes:

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

CAFII

Toronto, ON M4V 2Y7

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

CAFI

55 St Clair Ave West, Suite 255

Toronto, ON M4V 2Y7

Balance Sheet

As at April 30, 2015

	Current 2015
ASSETS	
Current Assets	
Bank Balance	\$393,656
Investments ^A	\$53,381
Accounts Receivable	\$26,150
Interest Receivable	\$376
Prepaid Expenses	\$432
Computer/Office Equipment	\$2,334
Accumulated Depreciation -Comp/Equip	(\$1,128)
Intangible Assets-Trademarks	\$0
Accumulated Amortization-Trademark	\$0
Total Current Assets	\$475,200
TOTAL ASSETS	\$475,200
LIABILITIES	
Current Liabilities	
Account Payable ^B	\$43,944
Deferred Revenue	\$94,668
Total Current liabilities	\$138,612
TOTAL LIABILITIES	\$138,612
UNRESTRICTED NET ASSETS	
Unrestricted Net Assets, beginning of year	\$307,691
Excess of revenue over expenses	\$28,897
Total Unrestricted Net Assets	\$336,588
Total Unrestricted Net Assets	\$336,588
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$475,200

Financial Reserves Targets:

Minimum 3 months (25%) of Annual Operating Expenses =	\$ 112,139
Maximum 6 months (50%) of Annual Operating Expenses =	\$ 224,279

Current Level of Financial Reserves:	\$336,588
Current Level of Financials Reserve (%):	75%

C A F I I
55 St Clair Ave West, Suite 255
Toronto, ON, M4V 2Y7
Balance Sheet Items
As at April 30, 2015

Item A

Investment Portfolio

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

Item B

Accounts Payable

	Total
	30.84
	159.84
	2,881.52
	2,271.00
	13,560.00
	40.54
	25,000.00
Total outstanding:	<u>43,943.74</u>



343673

June 2, 2015

Dear Stakeholder:

The Ministry of Finance has commenced a broad review of the *Financial Institutions Act* (FIA) and the related *Credit Union Incorporation Act* (CUIA). The FIA provides the regulatory framework for credit unions, insurance companies and intermediaries, and trust companies, and the CUIA provides the framework for incorporation and corporate governance of credit unions.

The goal of this regulatory framework is to maintain stability and confidence in the financial services sector by reducing the risk of failures and providing consumer protection. To ensure that the regulatory framework continues to be effective, efficient and modern, both statutes contain a requirement that a review of the legislation be initiated every 10 years.

The review of the FIA and CUIA will consider the regulatory tools British Columbia has to oversee credit unions, insurers and intermediaries, and trust companies, and whether changes to the regulatory framework are needed. This review forms part of the Ministry of Finance's ongoing revision of important framework statutes in the corporate, real estate, pensions and financial services sectors. In recent years this process has resulted in several pieces of new or revised legislation.

The initial public consultation paper (attached) identifies and describes a number of important issues on which government is seeking input, and poses a series of questions related to each issue. Its purpose is to seek input from stakeholders in the financial services sector, and other interested parties and members of the public, for consideration as part of the review of the FIA and CUIA. Stakeholders are also invited to provide comments on other issues with the regulatory framework they would like considered as part of the review.

The deadline for feedback is **September 15, 2015**, to enable the Ministry to proceed with the next phase of the review. Submissions and comments may be transmitted electronically to fiareview@gov.bc.ca.

.../2

Submissions and comments may also be mailed to:

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

Please note that this is a public consultation process and, unless confidentiality is specifically requested, comments and submissions may be summarized or attributed in a public report, and may also be disclosed to other interested parties or made publicly available on the Ministry of Finance website at <http://www.gov.bc.ca/fin/>.

If certain comments should not be posted publicly or shared with other parties, please clearly indicate that in the submission or covering letter. However, please note that all submissions received are subject to the *Freedom of Information and Protection of Privacy Act* and, even where confidentiality is requested, this legislation may require the Ministry to make information available to those requesting such access.

Ministry staff will be reviewing the submissions and may follow up with stakeholders for further information or details as needed. In addition, should you wish to meet with Ministry of Finance staff to discuss the contents of your written comments or submission, please indicate that when submitting your written comments and provide the appropriate contact information.

Thank you for your participation in this important review.

Sincerely,



Peter Milburn
Deputy Minister

Attachment

*Financial Institutions Act &
Credit Union Incorporation Act*
Review
Initial Public Consultation Paper



Ministry of
Finance

June 2015

FINANCIAL INSTITUTIONS ACT & CREDIT UNION INCORPORATION ACT REVIEW

INITIAL PUBLIC CONSULTATION PAPER

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INTRODUCTION

The Ministry of Finance has commenced a broad review of the *Financial Institutions Act* (FIA) and the related *Credit Union Incorporation Act* (CUIA). The FIA provides the regulatory framework for credit unions, insurance companies and intermediaries, and trust companies, and the CUIA provides the framework for incorporation and corporate governance of credit unions.

The goal of this regulatory framework is to maintain stability and confidence in the financial services sector by reducing the risk of failures and providing consumer protection. To ensure that the regulatory framework continues to be effective, efficient and modern, both statutes contain a requirement that a review of the legislation be initiated every ten years.

Purpose of Initial Public Consultation Paper

The purpose of this initial public consultation paper is to seek input for the review of the FIA and CUIA. The paper sets out a number of key issues and specific areas on which input and comments are being sought. Stakeholders are also invited to provide comments on other issues with the regulatory framework they would like considered as part of the review.

How to Provide Input

Submissions and comments must be received by September 15, 2015 and may be transmitted electronically to fiareview@gov.bc.ca.

Submissions and comments may also be mailed to:

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

Public Nature of Consultation Process

Please note that this is a public consultation process and, unless confidentiality is specifically requested, comments and submissions may be summarized or attributed in a public report, and may also be disclosed to other interested parties or made publicly available on the Ministry of Finance website at <http://www.gov.bc.ca/fin/>.

If certain comments should not be posted publicly or shared with other parties, please clearly indicate that in the submission or covering letter. However, please note that all submissions received are subject to the *Freedom of Information and Protection of Privacy Act* and, even where confidentiality is requested, this legislation may require the Ministry to make information available to those requesting such access.

BACKGROUND / CONTEXT

British Columbia's Financial Services Sector

Credit Unions

British Columbia has 42 independent credit unions with more than 1.9 million members and over 8,400 employees.¹ BC credit unions hold more than \$50 billion in insured deposits and have more than \$60 billion in assets (as of the end of 2014).² BC's credit unions range in membership from roughly 1,400 to over 500,000, and their assets range from just over \$10 million to approximately \$18.5 billion.³

Credit unions are financial cooperatives owned by their members. They offer a full range of financial services, similar to those offered by Canadian banks. Credit unions play an important role in BC communities, including in underserved small and remote communities, and contribute to local economic and social development.

Insurance Sector

The insurance sector in BC is comprised of a number of local and national insurance companies. There are six BC incorporated insurance companies offering property and casualty insurance and two offering life insurance. They primarily serve British Columbians, although some also have operations in other provinces. In addition, there are 222 extra-provincial insurers authorized in the province. Extra-provincial insurers serve 97 percent of the BC property and casualty market and 93 percent of the BC life insurance market (by premium value).

Insurance intermediaries are an important part of the insurance sector. Insurance agents and brokers sell automobile, life, health, home and other types of insurance to individuals and businesses. An insurance agent generally represents a specific insurer, whereas a broker can represent a number of different companies. BC has more than 800 property and casualty insurance brokerages that employ over 8,400 British Columbians, and an estimated 13,300 life and/or health insurance agents working from branch offices and agencies across the province.^{4, 5}

Trust Companies

There are five trust companies incorporated in BC. They provide trust-only services in the province. There are 40 federally incorporated and two provincially incorporated extra-provincial trust companies operating in the province. Most offer both deposit-taking and trust services.

¹ Central 1 Credit Union, <http://www.central1.com/about-us/credit-union-system>.

² Credit Union Central of Canada, *National System Review*, Fourth Quarter, 2015, http://www.cucentral.ca/FactsFigures/4Q14SystemResults__5-Mar-15.pdf.

³ Central 1 Credit Union.

⁴ Insurance Brokers Association of BC, <http://www.ibabc.org/get-to-know-us/about-ibabc.html>.

⁵ Canadian Life and Health Insurance Association, *Life and Health Insurance in BC*, <http://clhia.uberflip.com/i/395998-life-and-health-insurance-in-british-columbia-2014-edition/5?>

Rationale for Regulating the Financial Services Sector

Financial sector stability and consumer protection are important public policy objectives for government. Although there are other sectors that represent a greater portion of gross domestic product (GDP) and employment, governments dedicate significant time and resources to regulation of the financial services sector because issues in the sector can have disproportionately large impacts on the economy and society in general.

An effective regulatory framework helps to ensure that British Columbians continue to benefit from a financial services sector that is strong, stable, and inspires public confidence and trust. Regulation of financial institutions and intermediaries should be balanced, so that it is both effective and efficient, and does not place an undue burden on financial institutions, stifle innovation, or create barriers to new institutions.

Financial sector regulation in BC has proven effective, and BC's financial sector remained stable and strong, even through the global financial crisis. Credit unions, insurers and insurance intermediaries, and trust companies continue to make significant contributions to British Columbia's economy and to communities throughout the province.

Although much has changed in the decade since the previous review, government remains committed to providing an effective and balanced regulatory framework which protects the interests of depositors, policyholders, beneficiaries, members and the public, while ensuring the financial services sector is able to innovate, take reasonable risks, and compete effectively.

Financial Services Sector Legislative and Regulatory Framework

The *Financial Institutions Act* (FIA) provides the regulatory framework for credit unions, insurance companies and intermediaries, and trust companies, and the related *Credit Union Incorporation Act* (CUIA) provides the framework for incorporation and corporate governance of credit unions.⁶ The goal of this regulatory framework is to maintain stability and confidence in the financial services sector by reducing the risk of failures and providing consumer protection.

Financial Institutions Commission

The Financial Institutions Commission (Commission), along with the Superintendent of Financial Institutions (Superintendent), is responsible for regulating and supervising financial institutions in British Columbia – credit unions, insurance companies, and trust companies – to determine whether they are in sound financial condition and complying with their governing laws (the FIA and CUIA) and supervisory standards.

The Commission is established under the FIA and its members are appointed by the Lieutenant Governor in Council. The Commission must comply with policy directions issued by the Minister of Finance with respect to the exercise of its powers and performance of its duties. The Superintendent is appointed by the Lieutenant Governor in Council, after consultation with the Commission Chair, and the Commission provides oversight and direction to the Superintendent.

⁶ Not all provisions governing the insurance industry are contained in the FIA. The *Insurance Act* provides part of the consumer protection regulatory framework for the insurance sector. It was reviewed and updated in 2009.

The Commission may delegate most of its powers and duties to the Superintendent, with the exception of major regulatory decisions such as consent to incorporation, amalgamation, etc., and, in practice, the Superintendent undertakes the day-to-day regulatory functions (and may in turn delegate certain powers and duties to staff).

While the acronym “FICOM” is used to refer both to the Commission itself and to the organization headed by the Superintendent which supports the Commission, for purposes of this paper a reference to FICOM is a reference to the Commission as it is the Commission which has the statutory authority for the regulation of financial institutions in BC.^{7, 8}

Review of the *Financial Institutions Act* and *Credit Union Incorporation Act*

To ensure that the regulatory framework continues to be effective, efficient and modern, both the FIA and CUIA contain a requirement that a review of the legislation be initiated every ten years.

The review will consider the regulatory tools BC has to oversee credit unions, insurers and intermediaries, and trust companies, and whether changes to the regulatory framework are needed.

This review forms part of the Ministry of Finance’s ongoing revision of important framework statutes in the corporate, real estate, pensions and financial services sectors. In recent years this process has resulted in several pieces of new or revised legislation.

Initial Public Consultation Paper

This initial public consultation paper identifies and describes a number of important issues on which government is seeking input, and poses a series of questions related to each issue. Its purpose is to seek input from stakeholders in the financial services sector, and other interested parties and members of the public, for consideration as part of the review of the FIA and CUIA.

Next Steps and Further Public Consultations

A public report on the input received will be prepared and released after the consultation period has ended.

Further public consultation will be undertaken in a later phase of the review. After analysis of the issues and input received during the initial consultation period, and development of proposed policy and legislative changes, the Ministry plans to prepare and release a second consultation paper which identifies the proposed policy and legislative changes and seeks further public input.

⁷ The Superintendent also holds certain powers under the FIA that are separate and apart from those held by the Commission.

⁸ In a few cases when discussing issues related to specific powers and duties that may not be delegated by the Commission, “the Commission” will be used instead of “FICOM”.

Objectives of the Legislative and Regulatory Framework

The objectives will help to guide the analysis of issues during the review (i.e., government will consider whether a proposed change helps to ensure that the regulatory framework as a whole meets these objectives).

The 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.

There are also a number of important complementary and supporting objectives:

- To create an environment where the financial services sector, and the entities within it (i.e., financial institutions and intermediaries), can continue to grow and prosper.
 - For example, does the proposed change help to reduce red tape and unnecessary regulations that hinder economic development?
- To promote sound risk management and appropriate/responsible risk-taking.
 - For example, does the proposed change help to foster good governance and a comprehensive risk management process in regulated institutions?
- To enable early detection and timely intervention and resolution of issues.
 - Does the proposed change help to ensure that the legislation provides the regulator with an adequate range of supervisory tools so that problems can be detected early, and intervention made in a timely matter to resolve issues?
- To reflect international standards, while respecting the particular needs and circumstances of BC's financial sector and taking into account the nature, structure, size, scope and complexity of institutions.
 - Does the proposed change take into account international standards and best practices, while also considering significant differences in the size and complexity of organizations to ensure the approach is appropriate for all entities in BC's financial sector?
 - Do structural and ownership differences among financial institutions (e.g., cooperative or mutual organizations) necessitate different approaches?
- To foster member engagement in cooperative and mutual financial institutions.
 - Does the proposed change help to encourage member involvement and engagement and provide members with the information they need about issues that impact them?

DISCUSSION OF KEY ISSUES AND AREAS FOR PUBLIC INPUT

Overview

The remainder of this paper identifies and briefly describes the key areas and issues about which government is seeking input for consideration as part of the FIA and CUIA review. The intent of this initial paper is not to present conclusions about the issues, or to propose specific policy changes. The intent is to raise a number of important issues for discussion, and to provide an opportunity for everyone in the financial services sector, and all other interested parties, to comment and provide input.

The issues are grouped into four main sections: a general section which contains the issues that likely impact all financial service sectors (i.e., credit unions, insurers and insurance intermediaries, and trust companies); and a separate section for each of the credit union, insurance and trust sectors which contains the issues that primarily, or exclusively, apply to that sector. A series of related questions are posed after each issue is described to help identify the specific areas and issues about which input is being sought.

Stakeholders are also invited to provide additional input and comments on the issues (e.g., if they would like to comment on issues other than those specifically raised in the questions), and are encouraged to provide comments and input on any other issues or concerns with the regulatory framework (i.e., those not identified in the paper) they would like considered in the review.

OVERALL / FRAMEWORK ISSUES

Issue 1: Financial Consumer Protection

Consumer confidence and trust are essential for an efficient financial market. Governments provide financial consumer protection through laws designed to prevent fraud and unfair practices and protect the most vulnerable members of society. Voluntary and industry codes can provide additional consumer protection.

In recent years regulators have increasingly focused on ensuring consumers of financial products and services are treated fairly. In 2011, the Organisation for Economic Co-operation and Development (OECD) published financial consumer protection principles.⁹ The federal government is considering and consulting on a similar set of principles, and the Quebec financial services regulator recently released a guideline which sets out expectations for financial institutions' commercial practices.^{10, 11}

BC does not have a specific market conduct code for fair treatment of consumers, although the FIA has some provisions that deal with the market conduct of BC's financial institutions, including prohibitions on coercive tied selling and requirements for disclosure of conflicts of interest. In addition, consumer protection rules under the *Business Practices and Consumer Protection Act* apply generally (though not specifically) to the provision of financial services. The *Insurance Act* also regulates market conduct of insurers through requirements respecting the insurance contract.

Related Issues:

Ombudservices

Canadian jurisdictions, including BC, require insurers to implement internal processes for the resolution of consumer complaints, and most insurers are also required to belong to an ombudservice (e.g., the General Insurance OmbudService for property and casualty insurers and the OmbudService for Life & Health Insurance). These ombudservices provide a second line of recourse for unsatisfied consumers, by offering free assistance to help resolve disputes.

While some BC credit unions have published complaints procedures, BC credit unions are not currently required to have internal dispute resolution processes and there is no standard complaint handling process or access to an independent ombudservice. Government has rarely received complaints about credit union conduct, and credit union consumers are members with the ability to influence organizational governance. However, as credit unions continue to expand their membership and increase the sophistication of products offered, the implementation of more structured rules on dispute resolution may be beneficial.

⁹ OECD, *G20 High-level Principles on Financial Consumer Protection*, October 2011, <http://www.oecd.org/daf/fin/financial-markets/48892010.pdf>.

¹⁰ Department of Finance Canada, *Canada's Financial Consumer Protection Framework: Consultation Paper* (archived), <http://www.fin.gc.ca/activty/consult/fcpf-cpcpsf-eng.asp>.

¹¹ Autorité des marchés financiers, *Sound Commercial Practices Guideline*, http://www.lautorite.qc.ca/files/pdf/reglementation/lignes-directrices-assurance/g_scp_2013.pdf.

In Saskatchewan, credit unions follow an industry standard process for complaint handling that provides a timely response to member complaints, designates a compliance officer or senior executive who will be responsible for handling complaints, and escalates unresolved complaints to an Office of the Ombudsman established by the credit union system. The Saskatchewan credit union system has also joined the Ombudsman for Banking Services and Investments, an external impartial organization, to help with matters that are not resolved by the credit union or credit union ombudservice.

Branch Closures

In 2002, the federal government adopted regulations which require banks to give up to six months' prior notice and consult with affected communities about the closure of a bank branch. The regulations do not prohibit closures. Adoption of similar regulations in BC was not contemplated at that time as credit union branch closures are rare and credit unions have often stepped in to fill the place of other financial institutions leaving smaller communities. However, concerns have been raised recently about credit union branch closures.

Use of Corporate and Business Names

The CUIA requires that credit unions have a legal name which includes “credit union” and requires that legal name to be displayed and used in certain circumstances. The FIA requires every financial institution to clearly state its identity in all advertising, correspondence, etc. Business branding is important, and the legislation does not prohibit the use of a business name, trade name or logo by a credit union as part of its business branding strategy. However, it is essential that the identity of financial institutions be clear to consumers.

Questions:

- 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 institution?
- 2) Should BC credit unions be required to have an internal complaint handling process and to offer member access to an independent ombudservice?
- 3) Should ombudservices be mandated for addressing consumer complaints against mutual insurers and/or insurance agents and brokers?¹²
- 4) Should authorization requirements for financial institutions and licensing requirements for insurance agents and brokers specifically require fair treatment of consumers?
- 5) 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?
- 6) Does BC have the correct framework for use of corporate and business names and logos, and the disclosure of identity for financial institutions?

¹² Although there is no BC requirement to do so, mutual insurers have established an ombudservice for their industry, the Mutual Insurance Companies OmbudService.

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

Consumers and investors can play an important role in imposing market discipline. The disclosure by financial institutions of comprehensive financial and risk information on a timely basis reduces uncertainty and allows consumers and investors to make more informed decisions about which institutions to do business with. Market discipline can promote safety and soundness in financial systems by reinforcing minimum capital standards and supervisory processes.¹³

The internet is the primary tool many consumers use to find information, including information about financial institutions. Regulators in a number of jurisdictions require financial institutions to disclose key financial and risk information, and some regulators (e.g., Alberta and Quebec) also provide this information on their own websites. The information the FIA requires financial institutions to make publicly available is limited (i.e., only the audited financial statements and auditor's report), and there is no requirement for information to be published electronically or available online.

Related Issues:

Information Sharing

Many financial institutions such as trust companies and insurance companies operate in multiple jurisdictions. The ability of a regulator to collect and share relevant market conduct information (e.g., aggregate complaint data) with other supervisors and authorities is an important component of a proactive risk-based market conduct regulatory regime as it helps regulators to identify and address potential conduct issues.

In 2005, insurance regulators in Quebec and Ontario developed a joint complaint reporting system to reduce duplication and harmonize regulatory reporting. The system has since been expanded nationwide, providing other regulators with access and enabling companies to enter and disclose information to regulators in other provinces. BC is the only province that has not joined the system.

The FIA contemplates the exchange of information and gives FICOM broad powers to make agreements with other jurisdictions. However, it is not clear whether the FIA allows FICOM to share information with non-regulatory entities which collect and aggregate data on a national basis, or whether FICOM can compel financial institutions to do so.

Questions:

- 1) 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?

¹³ Basel Committee on Banking Supervision, *Working Paper on Pillar 3 – Market Discipline*, September 2001, pg. 1, http://www.bis.org/publ/bcbs_wp7.pdf.

- 2) 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)?
- 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?

Issue 3: Financial Literacy

Financial literacy is “having the knowledge, skills and confidence to make responsible financial decisions.”¹⁴ Financial literacy can benefit consumers by helping to improve their personal financial situation, and can potentially reduce the impact on government financial safety net programs. Consumer financial literacy complements the regulatory framework by increasing private sector and consumer oversight of financial institutions and their products.

Governments in Canada and around the world are focusing on ways to increase consumer financial literacy, and improving financial literacy has been on the agenda of Finance Ministers across Canada over the past five years. The Task Force on Financial Literacy established by the federal government recommended a national strategy to strengthen Canadians’ financial literacy and “believes strongly that financial literacy is critical to the prosperity of Canadians and the nation.”¹⁵ BC has been a leader in this area, and the British Columbia Securities Commission (BCSC) in particular has introduced a variety of programs designed to increase consumer awareness of the importance of financial literacy. The BC government also has initiatives focused on protecting and improving the lives of seniors, who are a key target group for financial literacy, including the “Together to Reduce Elder Abuse – BC’s Strategy” (TREA Strategy).¹⁶

A number of initiatives are being undertaken by financial institutions, including banks, credit unions and caisses populaires, to train and assist front line staff to detect and address abusive situations.¹⁷ Credit Union Central of Canada’s scan of financial literacy initiatives lists a significant number of credit union initiatives across Canada, including in BC.¹⁸

In the insurance sector, insurance organizations, companies and intermediaries support financial literacy with various online programs, community events, partnerships with other stakeholders and public outreach. Similar to front line staff at deposit-taking institutions, insurance agents

¹⁴ Task Force on Financial Literacy (Canada), *Canadians and Their Money: Building a brighter financial future*, <http://www.financialliteracyincanada.com/pdf/canadians-and-their-money-1-report-eng.pdf>.

¹⁵ Task Force on Financial Literacy (Canada), *A National Strategy on Financial Literacy: Overview of Recommendations*, <http://www.financialliteracyincanada.com/pdf/canadians-and-their-money-2-summary-eng.pdf>.

¹⁶ British Columbia Ministry of Health, *Together to Reduce Elder Abuse – BC’s Strategy*, March 2013, <http://www2.gov.bc.ca/gov/DownloadAsset?assetId=A272C645C0BE4BC69FD41DC0EB0CCC2F>.

¹⁷ Financial Consumer Agency of Canada, *National Strategy for Financial Literacy Phase 1: Strengthening Seniors’ Financial Literacy*, October 2014, pg. 7, <http://www.fcac-acfc.gc.ca/Eng/financialLiteracy/financialLiteracyCanada/Documents/SeniorsStrategyEN.pdf>.

¹⁸ Credit Union Central of Canada, *Canadian Credit Union Scan of Financial Literacy Initiatives*, December 2010, http://www.cucentral.ca/CUSR/resources/financial%20scan_final_rv_dec.2010.pdf. Credit Union Central of Canada is the national trade association for the Canadian credit union system.

and brokers have direct contact with consumers, which provides opportunities to increase consumer financial literacy through education about the benefits of managing risk through insurance, and which may also enable agents and brokers to detect potentially abusive situations.

Some financial literacy initiatives also include disaster preparedness. Although BC take-up rates for earthquake insurance are among the highest in the world (other than jurisdictions where it is mandated by law), there are still many consumers, even in very high risk areas, who do not purchase earthquake insurance. Surveys undertaken by the insurance industry suggest a number of factors may be involved, including a mistaken belief that government disaster relief funds would be available to compensate for losses. Both insurers and brokers have indicated governments should better communicate the non-availability of government disaster relief in situations where insurance can be purchased.

Related Issues:

Reporting Financial Abuse

In April 2014, the federal government tabled legislative amendments to broaden the powers of federally regulated entities to report suspected financial abuse, including to next of kin, and to disclose information without knowledge and consent of the affected individual.

Financial organizations have indicated that this provision will help them address some abusive situations by providing them with clearer authority to report suspected cases of financial abuse and also providing them with the option of contacting the next of kin or authorized representative of the individual who may have been the victim of financial abuse. BC legislation (*Adult Guardianship Act*) clearly permits any person to report suspected abuse or neglect to a designated agency, but there is no parallel authority to contact next of kin.

Questions:

- 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?
- 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?
- 3) Should legislative changes to bolster financial literacy and/or protect consumers from financial abuse be considered?
- 4) 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?
- 5) 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?

Issue 4: Technological Change

Continuing advances in technology have significantly impacted how consumers access financial services and the way many businesses, including those in the financial services sector, operate. They have enabled financial institutions to offer new products and services (e.g., online sales and distribution of products) and access new markets, and have greatly increased choice and convenience for consumers. Technology also offers enhanced opportunities for member and consumer engagement.

While technological change has created many new opportunities, it also has the potential to create new risks for consumers and financial institutions. For example, in the past financial products and services were sold through brokers, agents or other regulated individuals, with personal interaction between the client and the seller where expert advice could be provided. The purchase of financial products and services online changes the manner in which consumers obtain information and advice, and the amount and quality of information obtained about products and services before decisions are made can vary greatly among consumers.

Technological change has also increased competitive pressures on local businesses (e.g., impact on pricing) as they face increased competition from online businesses in other jurisdictions. In addition, consumers may be storing and transmitting highly confidential information in new, potentially less secure ways and both consumers and financial institutions need to ensure that confidential data and information is protected and stored/transmitted securely.

Related Issues:

Access to Regulatory Information

The FIA requires financial institutions to file certain information with the Superintendent of Financial Institutions on a regular basis and requires other information to be maintained and immediately accessible to the Superintendent. The increased use of electronic data storage, including cloud computing, often with vendors outside of Canada, may either assist financial institutions with meeting these requirements (e.g., quicker compilation of information) or create impediments (e.g., cross-jurisdictional issues and delays). FICOM may not have timely access to critical records and data due to the manner in which it is stored, location of storage (e.g., out of country), or the use of proprietary data systems, and may have no immediate way to compel third party data storage providers to release necessary data. Additionally, data stored in proprietary formats may not be readable by FICOM or other parties.

Questions:

- 1) Are there any barriers or impediments to using new technology in the current legislative and regulatory framework (e.g., for member engagement, provision of products and services, etc.)? What changes are needed to ensure the regulatory framework continues to enable and accommodate technological change, now and in the future?
- 2) Are any changes needed to ensure consumers continue to be protected and provided with the information they need to make informed choices?

- 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?
- 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?

Issue 5: Out of Province Business

Credit Unions

In 2004, the FIA was amended to permit retail credit unions to operate extra-provincially on a reciprocal basis.¹⁹ Prior to that, they were generally prohibited from doing business outside BC.²⁰ The CUIA requires that BC credit unions first obtain FICOM and Credit Union Deposit Insurance Corporation (CUDIC) approval, but does not provide any specific framework for exercising this discretion, other than that the credit union may only carry on such approved business “to the extent permitted under the laws of another jurisdiction.”

The BC framework uses a “home and host principal regulator” approach, with primary regulation and deposit insurance (for all deposits, including in respect of branches in other provinces) provided by the home jurisdiction.²¹ This approach was adopted to reduce the regulatory burden by permitting host provinces to apply lighter and less costly regulatory oversight to credit unions from another jurisdiction.

In 2010, the federal government implemented changes to the *Bank Act* and the *Canada Deposit Insurance Corporation Act* to permit the creation of federal credit unions. These entities can operate across Canada (i.e., across provincial borders) subject only to federal regulation. To date, no federal credit unions have been incorporated under the new framework and no provincial credit union has applied to continue federally.

Insurance

The federal and provincial governments share jurisdiction over foreign insurers in Canada, and BC and the federal government have different approaches to regulating insurance and determining whether licensing is required for particular insurance transactions.

¹⁹ This means that BC credit unions are able to operate in other jurisdictions, if permitted by the laws of that jurisdiction, and credit unions from other jurisdictions are able to operate in BC if the laws of their original jurisdiction permit operating extra-provincially, and the credit union is compliant with the statutory framework in BC and receives approval from FICOM and CUDIC. BC is currently the only province that has implemented a legislative framework for extra-provincial credit unions. While Saskatchewan and Ontario have legislation, regulations are still needed, either to bring into force the legislation or provide essential elements of its operation.

²⁰ There were exceptions relating to the capacity to perfect and register notes, mortgages, liens, etc. outside BC, and credit union subsidiaries were permitted to undertake certain prescribed types of business out of the province, including trust, insurance and deposit business, portfolio management and information services.

²¹ That is, BC credit unions – whether operating in BC or elsewhere – are primarily regulated by BC, and other credit unions – whether operating in BC or elsewhere – are primarily regulated by their home jurisdiction (e.g., the province where the credit union is incorporated).

In 2010, the federal government changed from regulating insurance based on the “location of the insured risk or residence of the policyholder” to regulating based on the “location of the insurance business activities.” Because of concerns about consumer protection, BC adjusted its legislation to clarify that the insurance of property and persons situated in BC remains subject to provincial regulatory oversight, regardless of where the business activity (e.g., sale of the insurance product, underwriting, claims processing) is located. A variety of approaches are taken in other jurisdictions.

BC provided a specific exemption in 2008 to allow an unlicensed entity undertaking business outside the country to provide insurance to BC churches and organizations as part of a self-insurance program covering related member organizations in various jurisdictions, and other organizations have now requested similar exemptions.

While the insurance regulatory regime under the FIA is generally meant to ensure that consumers buying insurance are protected (e.g., insurers remain solvent, contracts are clear, insurance advisors are competent), it may be that those seeking to buy insurance offshore (e.g., multi-national corporations with property and risks in many countries) are sophisticated enough in financial matters that they do not need protection. However, there are also broader public policy objectives served by insurance regulation. For example, having insurance placed locally means that there are licensed insurers who can be more easily taken to court in BC in respect of claims by third parties (e.g., by a person injured on insured property). Broad exemptions for consumers purchasing insurance offshore could also impact the competitiveness of BC businesses.

It should also be noted that the FIA 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: captive insurers and reciprocal exchanges are permitted as regulated entities that organizations can use to reduce insurance costs and/or provide better claims management.

Related Issues:

New Technology

Issues related to new technology are generally discussed in the previous section. However, there may be additional issues related specifically to the use of technology by out of province entities (e.g., online sales by foreign companies to British Columbians). The current framework was developed prior to the development of online forms of business in the financial service sector.

Questions:

- 1) 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?
- 2) 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?

- 3) 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?

Issue 6: Regulatory Powers and Guidelines

FICOM supervises and regulates financial institutions (credit unions, insurers and trust companies) to determine whether they are in sound financial condition and complying with their governing laws (i.e., the FIA and CUIA) and supervisory standards. FICOM uses a risk-based supervisory framework. Risk assessment is forward-looking and facilitates the early identification of issues or problems, and timely intervention where corrective actions need to be taken, so that there is a greater likelihood of a satisfactory resolution of issues.

International regulatory standards, particularly with respect to governance, risk management and fair treatment of consumers, have evolved over time. International regulatory standards have increasingly focused on regulators having the appropriate regulatory tools to review and evaluate financial institutions, and their risks and governance, and the ability to intervene on a timely basis to address problems at an early stage. International standards recommend that laws, regulations and prudential standards be updated as needed to ensure they remain effective.

Guidelines issued by the regulator can be an important supervisory tool as they clarify supervisory expectations in relation to statutory provisions that are typically very technical in nature and allow for proactive and timely direction to financial institutions to address emerging risks. The use of guidelines can also help to ensure that prudential and market conduct standards are up-to-date and flexible so that standards remain effective and relevant to changing industry practices and structure.

Currently FICOM can – and does – issue guidelines/information bulletins. The guidelines do not replace legislative or regulatory requirements, but rather reflect what is in the legislation, clarify supervisory expectations, and inform supervisory assessments. The existence in BC of both regulations (e.g., the capital and liquidity requirements regulations) and additional supervisory guidelines may lead to uncertainty about what specific obligations apply to financial institutions.

Regulatory Powers of Similar Organizations

The federal regulator, the Office of the Superintendent of Financial Institutions (OSFI), issues prudential guidelines intended to ensure compliance with the legal framework for federal financial institutions. While the guidelines themselves are not directly enforceable in law, they reflect and provide further clarification about the requirements set out in legislation, which are enforceable. In addition, as OSFI has sufficient tools to compel compliance, its guidelines are indirectly enforceable and are generally viewed by industry as equal to regulations.²²

Some supervisory authorities have specific authority to issue legally binding regulatory guidance on prudential and, in some cases, business conduct requirements for financial institutions. This

²² International Monetary Fund, *Canada Financial Sector Assessment Program: Intensity and Effectiveness of Federal Bank Supervision in Canada – Technical Note*, March 2014, pg. 8, <http://www.imf.org/external/pubs/ft/scr/2014/cr1470.pdf>.

guidance allows principles-based and risk-based expectations to be applied according to the risk profile, size, scope and complexity of the institution.

The Quebec regulator has the authority to issue both prudential and market conduct guidelines, after consultation with the Minister of Finance, and in some cases stakeholders, and uses this authority to issue a comprehensive set of guidelines governing most aspects of the regulation of financial institutions.²³ Under the legislation, failure to comply with the guidelines is deemed to be a failure of the institution to adhere to sound and prudent management practices and the regulator can issue binding compliance orders requiring an institution to remedy the situation.

The FIA does grant authority to the Insurance Council of British Columbia to make legally enforceable requirements or standards in the form of Council rules (e.g., rules respecting licensing, supervision, education, conduct, etc.). Similarly, the *Securities Act* provides the BCSC with the authority to make legally enforceable rules for some purposes (e.g., regulating trading in securities or exchange contracts). In both cases, the proposed rule must be published for public comment and the Minister of Finance can either consent or reject a proposed rule.

Related Issues:

Winding Up of Entities

The CUIA sets out the process by which FICOM can order that a credit union be wound up. To do this, the credit union must be under the supervision and administration of FICOM and its capital base must be less than a prescribed amount. Alternatively, FICOM can apply under the CUIA for a court ordered wind-up. Where a credit union is insolvent, FICOM as administrator of the credit union can bring an application under the federal *Winding up and Restructuring Act* (WURA). It is unclear whether FICOM would have standing under the WURA without being the administrator. Similar concerns arise with respect to insurance and trust companies.

The FIA and *Business Corporations Act* (BCA) set out the process for winding up an insurance or trust company. FICOM can only order wind-up where an insurance company has not obtained a business authorization after being incorporated. Otherwise, FICOM must bring an application under the BCA. If the company is insolvent, proceedings for winding up must be brought under the WURA. It is also unclear whether FICOM has the ability to intervene in a troubled institution's operations to help resolve issues and avoid proceeding to wind-up or liquidation.

Role of the Financial Institutions Commission in Consenting to Major Transactions

Financial institutions are required to seek written approval of the Commission for certain significant transactions, including amendments to the common bond, rule changes, business acquisitions and amalgamations. However, the FIA and CUIA do not set out clear criteria for the approval of major transactions. Additionally, major portfolio acquisitions or divestitures undertaken by financial institutions (e.g., acquisition or divestiture of an insurance, leasing or

²³ *An Act respecting insurance*, R.S.Q., c. A-32, ss. 325.0.1 and 325.0.2; *An Act respecting trust companies and savings companies*, R.S.Q., c. S-29.01, s. 314.1; and *An Act respecting financial services cooperatives*, R.S.Q., c. C-67.3, s. 565.

venture capital subsidiary, or the purchase of a significant portfolio of business) do not currently require consent of the Commission.

Regulation of Other Insurance Entities (including Reciprocal Exchanges, Mutual Insurers and Societies)

The FIA includes regulatory frameworks for a number of entities other than insurance companies. Some of these frameworks are not as fulsome as the framework for regulating insurance companies. The frameworks for reciprocals and mutual insurers, along with BC captive insurance company legislation, provide important alternative options to insurance coverage in certain situations. Due to market changes, and regulatory developments in other jurisdictions, there may be a need to review whether the FIA provides an effective regulatory framework for reciprocals and mutual insurers.

With respect to societies offering insurance, the FIA includes a broad prohibition on any societies obtaining a business authorization to conduct insurance business. (The FIA has included this prohibition since its implementation in 1990, although a few existing societies already licensed under previous legislation were deemed to have a business authorization under the FIA, and other existing societies then offering limited types of coverage were provided with an exemption.) This approach has been in place for 25 years and it may be appropriate to review the effectiveness of the existing regulatory framework.

Solvency Regulation of Insurers

In Canada, provinces are responsible for market conduct regulation and both provincial and federal governments are responsible for solvency regulation, depending on where the company is incorporated. BC incorporated insurers are subject to provincial oversight for solvency and extra-provincial insurers authorized in BC are subject to solvency oversight by both the incorporating jurisdiction and BC (as a secondary regulator). Most insurance companies in BC are federally incorporated. Generally provincial regulators have harmonized their solvency standards with federal standards so that all insurers are subject to similar requirements regardless of where they are incorporated.

Questions:

- 1) Does FICOM have adequate tools to address current and emerging risks (at an individual and system-wide level) in a timely and effective manner?
- 2) 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.)?
- 3) 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?
- 4) What major transactions should be subject to Commission approval? Should the FIA set out criteria for approval of major transactions?

- 5) Do the FIA frameworks for reciprocals, mutual insurers and societies offering insurance need to be reviewed? If so, what issues need to be addressed?
- 6) Are any changes to solvency regulation of insurance companies in BC required?

CREDIT UNION SECTOR**Issue 1: Deposit Insurance**

Deposit insurance contributes significantly to consumer confidence and market stability and is an important component of the financial system. There are a number of factors to take into consideration when determining the appropriate level and scope of deposit insurance coverage.

The International Association of Deposit Insurers (IADI) indicates that, while deposit insurance coverage was traditionally set to balance financial stability and depositor protection with incentives for depositors to exercise market discipline, the last two decades have shown that most depositors are unable to exercise effective market discipline and that low deposit insurance coverage limits can undermine financial stability because “most depositors, if not adequately protected, will indiscriminately run from both sound and weak banks.”²⁴ IADI indicates that a different view of deposit insurance coverage is emerging in which “the predominant function of coverage is to promote confidence, financial stability and prevent chaotic depositor runs.”²⁵

Recently, international regulatory organizations have begun to caution against unlimited deposit insurance because of the potential incentive for increased risk-taking by financial institutions. The Basel Committee on Banking Supervision and IADI released a set of core principles which address all aspects of deposit insurance.²⁶ They recommend that deposit insurance adequately cover a large majority of depositors and that the level of coverage be limited but credible. They also recommend that jurisdictions with unlimited deposit insurance transition to limited coverage as soon as their circumstances permit, with careful planning of the transition due to the importance of deposit insurance in maintaining public confidence. Jurisdictions have generally reintroduced limits on coverage only where financial market and general economic stability have been achieved and the change is unlikely to impact public confidence in financial institutions.

In 2008, in response to the global financial crisis, the BC government implemented unlimited deposit insurance coverage for deposits held by BC credit unions (the previous limit was \$100,000).²⁷ One of the reasons for this change was to bring coverage in line with Alberta, Saskatchewan and Manitoba, all of whom provide unlimited deposit insurance (BC provides a

²⁴ International Association of Deposit Insurers, *Enhanced Guidance for Effective Deposit Insurance Systems: Deposit Insurance Coverage*, March 2013, pgs. 7-8, http://www.iadi.org/docs/IADI_Coverage_Enhanced_Guidance_Paper.pdf.

²⁵ Ibid.

²⁶ 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>.

²⁷ All money on deposit and money invested in non-equity shares with a BC credit union, regardless of whether it is placed directly with the credit union or through a broker, is 100 percent guaranteed by CUDIC (a statutory corporation of the BC government administered by FICOM). Personal and business accounts that are guaranteed include: savings accounts; chequing accounts; joint accounts; trust accounts; term deposits (with no limit on the length of the term to maturity); GICs (that are in the form of money on deposit with a BC credit union); foreign currency deposits; registered and tax-free savings accounts. Accrued interest on deposits is also guaranteed. With the exception of Stabilization Central and Central 1, all BC credit unions are covered. Credit union equity shares and investments such as mutual funds or RRSP equity plans are not covered by deposit insurance.

higher level of deposit coverage than federally regulated Canadian banks and credit unions in central and eastern Canada). While the vast majority of BC credit union members hold deposits of less than \$100,000, there are a significant number of individual members who have deposits above that amount (e.g., those selling their home or with registered retirement savings of more than \$100,000 held with one institution). In addition, larger deposits are an important source of funds for credit unions' lending activities (e.g., mortgage lending).

Related Issues:

Additional Special Coverages

If limits on deposit insurance coverage were to be reintroduced, consideration may need to be given to exceptions. While limited deposit insurance coverage usually applies to all accounts held by an individual with one financial institution (i.e., the individual is covered for \$100,000 in total, not \$100,000 for each separate account they hold), most jurisdictions in Canada provide exceptions such as separate coverage or protection for joint deposit and retirement savings accounts – that is, a joint account or retirement savings account may have coverage that is in addition to the coverage for an individual's other accounts. Some provinces – Ontario and Prince Edward Island – provide unlimited deposit insurance protection for all registered retirement savings products held with credit unions. Consideration may also need to be given to coverage for public sector deposits (e.g., municipalities, schools, universities/colleges, hospitals).

Net vs. Gross Payout

A gross deposit insurance payout would be based solely on the amount of the deposit itself and a net deposit insurance payout would subtract any loans owing to the institution from the payout amount. International standards favour gross deposit insurance payouts and deposit insurance protection available in respect of Canadian banks is on a gross basis. This allows for clearer and faster settlement, although the gross payout basis also expands the obligations of the deposit insurer. The FIA expressly provides CUDIC with the authority, but not the obligation, to proceed with payouts on a net basis. Reviewing the FIA payout rules in light of international standards may be appropriate.

Potential Limitations on Coverage

Foreign currency: BC provides coverage for foreign currency deposits which can create particular risks for deposit insurers and significantly increase the cost of a deposit insurance payout. This coverage is not provided for federal banks.

Term deposits: BC and several other jurisdictions (Alberta, Manitoba and Ontario) provide protection for any demand or term deposit, while Quebec, New Brunswick, Prince Edward Island and Newfoundland match federal deposit insurance and only provide coverage for term deposits up to five years.

Interbank deposits: Many jurisdictions do not offer protection for deposits of other financial institutions, although Australia, Canada and the United States do provide coverage for one bank depositing in another. In addition, BC credit unions do not have any restrictions on institutional and brokered deposits, either from within the province or from other jurisdictions.

Questions:

- 1) What is the optimal and appropriate level and system of deposit insurance?
- 2) 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)?
- 3) 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?
- 4) 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)?

Issue 2: Credit Union Governance

Director Suitability and Board Composition

The basic governance framework for credit unions is set out in the CUIA, supplemented by rules in the FIA. The legislation imposes requirements with respect to directors (e.g., minimum numbers, residency requirements, certain prohibitions, requirement for training), and FICOM has the discretion to remove directors and officers that have been convicted of certain offences, have conflicts of interest or are otherwise unsuitable.

The CUIA is primarily based on the older *Company Act* corporate law framework, with modifications to reflect cooperative law principles. The business corporate law framework generally has been significantly updated and, as the credit union sector becomes increasingly sophisticated and credit union boards face greater governance responsibilities, the regulatory and corporate governance framework for credit unions may also need to be updated.

The effectiveness of a board is based on its ability to set appropriate strategic plans, oversee management and understand business risks, and its accountability and transparency to its members. FICOM has issued a guideline that outlines expectations for governance practices at BC credit unions.²⁸ Areas of focus include the role of the board, the board's relationship with FICOM, and the board's role in strategic planning and performance, risk governance, and accountability and disclosure. The guideline also requires each director to be financially literate, as demonstrated by their ability to understand the relationship between the credit union's strategic plan and financial outcomes.

Member Engagement

Under cooperative law principles, credit union members are expected to be engaged in significant operational or strategic changes. However, both credit unions and their members have expressed some frustration with the current framework for member proposals, meeting requisitions and overall member engagement. Credit unions have expressed concern that the current thresholds for initiating member proposals are too low, impede decision making, add

²⁸ Financial Institutions Commission, *Governance Guideline*, September 2013, <http://www.fic.gov.BC.ca/pdf/creditUnionsTrusts/GovernanceGuidelineCUs.pdf>.

costs, and require credit unions to expend resources on what may be the interests of very few members.

Members have expressed concern about the lack of opportunity/ability to provide meaningful input into significant changes being contemplated by the credit union (e.g., mergers and acquisitions, branch closures, discontinuation of services, geographic expansions, board compensation, and common bond). In some cases, further information beyond what is mandated in the CUIA has been requested by members. There is increased interest in the decision making process undertaken by credit unions to pursue mergers by amalgamation and business acquisitions by asset transfer (currently members of all credit unions have the right to vote on an amalgamation, but only members of the credit union being acquired have the right to vote on an acquisition).

Voting

Currently, the CUIA establishes the basic framework for voting and meetings, including the “one member, one vote” principle and the prohibition on proxy voting of membership shares. In practice, most requirements around who is eligible to vote and director elections are determined by individual credit unions.

Some credit unions and members have expressed a desire to improve the voting process for election of directors and other special resolutions to increase participation, and some members have expressed concern about credit unions’ endorsement of board candidates (and other motions) and about ballots being confusing.

Related Issues:

Common Bond Requirement

Historically, credit union membership was defined by a common bond. The CUIA sets out the different types of credit union common bond. As credit unions continue to grow and enter new markets, some credit unions have questioned the relevance of requiring a common bond.

Questions:

- 1) Are changes to the credit union governance framework needed?
- 2) Are changes needed to foster member engagement and/or deter frivolous proposals? If so, what changes are needed? How can member engagement be increased?
- 3) Do CUIA rules on mergers and acquisitions provide appropriate disclosure and approval mechanisms?
- 4) Are changes to the voting process for election of directors and other special resolutions needed? Should there be more clarity around endorsement of nominees or proposals by a credit union? Should member thresholds and other voting processes be in legislation or credit union rules?
- 5) Should credit unions be required to have a common bond? Should the criteria for what can be a common bond be changed?

Issue 3: Capital Requirements

Capital adequacy requirements set out the amount of capital a financial institution has to hold. Holding capital helps a financial institution ensure it has the financial resources to operate successfully and, if not, helps to ensure the firm's depositors and creditors do not incur losses by enabling repayment of the amounts/investment they are owed.

Historically, capital requirements were simply a fixed dollar amount of initial investment by shareholders. In 1988, the Basel Committee on Banking Supervision established an international risk-based capital adequacy framework for deposit-taking institutions (Basel I) which required an institution to hold sufficient capital to support its particular business activities (i.e., a financial institution with riskier investment and lending must hold proportionately more capital). BC was one of the first adopters of Basel I (through the FIA).

Over the past two decades, international standards for financial sector regulation have evolved by increasing regulation to promote stability in the financial system, in particular by addressing regulatory weaknesses revealed during the 2008 financial crisis. The Basel Committee developed enhanced standards: Basel II and then Basel III, which was developed in light of the financial crisis and increases capital standards and strengthens supervisory and disclosure requirements.²⁹ In Canada, the federal regulator, OSFI, has moved to adopt the Basel III framework through guidelines for all federal deposit-taking institutions. Work is continuing nationally and internationally and further reforms are likely to be developed (e.g., a Basel IV).

Currently, some provinces have credit union capital requirements based on Basel I or II, and others are in the process of implementing elements of Basel III. BC's legislative framework is still primarily based on Basel I. The Credit Union Prudential Supervisors Association, an interprovincial association composed of credit union deposit insurers and prudential supervisors across Canada that works toward maintaining a sound and sustainable credit union sector through joint actions, has supported the adoption of international capital standards across Canada. In Quebec, the Desjardins Group complies with Basel III rules, but individual *caisses populaires* (which are all small, local institutions) are not subject to the new standards. The Ontario government has commenced a review of its credit union legislation, and one of the issues it is consulting about is whether to update its capital requirements framework, and specifically whether to adopt Basel III standards.

The credit union system in BC has grown significantly since the current (Basel I based) capital requirements were introduced. Growth, consolidation and increased interconnectivity in the sector have resulted in greater complexity of operations and a greater concentration of assets into a few large credit unions. While credit unions in BC delivered strong financial results and remained stable during the financial crisis and in subsequent years, credit unions are operating in an environment with increasingly complex risks. Failure to benchmark the latest standards in BC could reduce confidence in the regulatory oversight of credit unions and in the credit union system itself.³⁰ Failure to apply similar standards among all financial institutions operating in

²⁹Basel Committee on Banking Supervision, *International regulatory framework for banks (Basel III)*, <http://www.bis.org/bcbs/basel3.htm>.

³⁰ Since 2004, BC has directly applied federal (essentially international) insurance capital standards to provincial insurers.

the same marketplace can also lead to more risky investments gravitating to one tier of participants.

It is important, however, to balance financial stability considerations with the cost that increased regulation would impose, as overly onerous requirements could impact the competitiveness of BC credit unions and have a negative impact on financial sector innovation. The particular circumstances of the BC credit union system also need to be taken into account – while credit unions do provide many of the same products and services as banks, they are different, and the size of credit unions varies greatly, both within the BC system and in comparison to banks.

Related Issues:

Commercial Lending

Business loans often have higher rates of return than personal loans, and a balanced portfolio of personal and commercial lending can help diversify the assets of a credit union. Under the FIA, credit unions are not prohibited from entering into commercial loans, but the capital required in respect of the loan may be higher (i.e., double risk weighting applicable to commercial loans above the 30 percent threshold).³¹ This special risk weighting requirement is not imposed under the Basel standards and is not imposed on Canadian banks. In addition, it does not take into account the complexity or nature of a particular loan.

Double risk weighting was adopted in BC in recognition that commercial lending is particularly risky for regional financial institutions (like credit unions) that invest in regional economies. In the United States, there is evidence that many regional bank failures have resulted directly from commercial real estate losses. Experience with failures of deposit-taking institutions in Canada, while very rare, has also shown that commercial loan losses, particularly when concentrated in specific regions, can be a major factor in failures.

Share Capital

Credit unions have, in practice, limited means to raise capital and capital growth is primarily achieved by retaining and reinvesting profits. While BC credit union legislation does permit credit unions to issue various classes of equity shares and other securities, this has rarely been done.

A further issue relates to the CUIA rules respecting redemption of membership and other equity shares when members withdraw their membership. This redemption reflects basic cooperative principles, but means that credit union shares may not meet the “permanency of capital” requirements set out in Basel III. The standards recognize that some flexibility should be provided to mutual or cooperative financial institutions, and consideration could be given to legislative reforms to enhance the permanency of this capital for regulatory purposes while still reflecting cooperative principles.

³¹ The Capital Requirements Regulation provides that where the aggregate value of a credit union’s commercial loans and leases exceeds 30 percent of the value of the credit union’s assets, an additional weighting factor (effectively doubling the capital requirements) shall be applied for the proportion of value exceeding 30 percent.

Questions:

- 1) Is BC's current capital framework for credit unions adequate or are changes needed?
- 2) Should BC's capital requirements benchmark national and international capital standards and be more principles/risk-based? Should different capital standards be applied depending on the size and complexity of financial institutions?
- 3) Are there issues with the commercial lending threshold, and should it be re-evaluated? Should BC consider adopting a more risk sensitive approach to commercial loans (i.e., rather than assigning all commercial lending a 100 percent risk weighting)?
- 4) Credit unions have less access to capital markets and may be at a disadvantage compared to other financial institutions when it comes to raising capital. Are there other innovative capital instruments available to credit unions that are not contemplated under BC's current framework and, if so, should they be?
- 5) Do the CUIA rules on membership and equity share redemption need to be revised?

Issue 4: Liquidity Requirements

Deposit-taking institutions generally face a mismatch between their investments and their obligations to depositors, as their investments are often locked into longer term assets such as mortgage loans whereas they are required to pay out money to depositors on demand. Liquidity regulation is intended to help ensure that financial institutions maintain a cushion of readily available funds (cash or other assets easily convertible to cash) to respond to changes in customer demands, such as an unusually high level of withdrawals. Maintaining consumer confidence in an institution's ability to pay out deposits when demanded is vital.

Credit unions are required under the FIA to hold liquidity reserves equal to 8 percent of their deposits and other debt liabilities. Most credit unions must hold all required liquidity with Central 1.³² Large credit unions (those with assets over a certain size) must hold a significant portion of their required liquidity reserves in deposits with Central 1, with the remainder held in other prescribed types of liquid assets (i.e., cash, deposits in banks, treasury bills, etc.).³³

When adopted in September 1990, the regulations required a higher level of liquidity deposits to be held in Central 1 (10 percent) but this amount was reduced in 2004 to the current 8 percent requirement, benchmarking rules applicable to credit unions in other Canadian jurisdictions. Since the adoption of the liquidity requirement in 1990, no BC credit union has drawn on its statutory liquidity. The FIA also provides that “whether or not the financial institution is complying with the regulations,” FICOM may order the financial institution to acquire additional liquid assets if FICOM considers that the liquid assets of a financial institution are, or will be within one year, inadequate in relation to the business carried on by it.

The regulatory frameworks in other provinces include direction on how liquidity funds must be held by centrals and allow for regulations in areas such as the return that a central must provide to credit unions depositing their funds. The BC legislative framework does have broad regulation making power respecting the adequacy of liquid assets, but no regulations have been prescribed setting out the details of the liquidity deposits framework (e.g., what types of pooling arrangements and investments should be permitted).

The last financial crisis exposed weaknesses in the liquidity regulation and risk management of financial institutions as a number of institutions around the world experienced stresses to their liquidity. To address that issue, one of the key features of the Basel III standards is the introduction of a principles-based approach to liquidity management, with a focus on high quality liquid assets.³⁴ A number of supervisory tools have been developed to monitor liquidity and replace the use of prescribed metrics often outlined in regulation.

³² This requirement applies to credit unions where 8 percent of their deposits and other debt liabilities represents less than 1.5 percent of total credit union system assets.

³³ The largest credit unions must each hold an amount equal to at least 1.5 percent of total credit union system assets with Central 1, with the balance of the required 8 percent held in other prescribed types of liquid assets.

³⁴ Two new liquidity standards for supervisory purposes were developed: the liquidity coverage ratio which focuses on short term liquidity (the financial institution's liquidity over a period of a month) and the net stable funding ratio which takes a longer perspective (up to a 12 month time horizon).

Questions:

- 1) Are the current legislated liquidity requirements for credit unions appropriate or are changes needed? If so, what changes?
- 2) Should BC's liquidity requirements reflect national and international liquidity standards and be more principles/risk-based? Should different standards and rules be applied depending on the size and complexity of financial institutions?

Issue 5: Responsibility and Regulation of Central Credit Unions

Central credit unions – Stabilization Central Credit Union and Central 1 Credit Union – are critical components of the BC credit union system.

The role of Stabilization Central is to identify and assist credit unions facing governance, operational or financial challenges and to manage a stabilization fund that can be used to help credit unions experiencing difficulties meet supervisory expectations. Stabilization Central works closely with FICOM where needed to assist troubled and distressed credit unions.

Central 1's key legislated role is as the BC credit union system's liquidity provider. All BC credit unions are required to be members of Central 1 and hold statutory liquidity with Central 1.³⁵ In addition to its statutorily defined role as liquidity provider, Central 1 has other roles and responsibilities: it provides liquidity support to Ontario credit unions; acts as the Canadian credit union system's primary payments provider (outside of Quebec); and acts as a trade association providing services to its credit union members.

Central 1 is currently jointly regulated by BC (FICOM) and federal (OSFI) regulators. In October 2014, the federal government tabled legislation (Bill C-43) which proposed that the federal government cease supervising all provincially regulated central credit unions, including Central 1. The federal government indicated that there would be a two year transition period to allow credit unions and provinces to prepare for sole oversight of their respective centrals. Bill C-43 received Royal Assent in December 2014, and the federal government has now fixed the coming into force date for the provision related to the withdrawal of OSFI supervision of provincial credit union centrals as January 15, 2017.^{36, 37} Bill C-43 also clarifies the Bank of Canada's current policy that any emergency liquidity support provided through a central credit union will have to be backed by a provincial government guarantee.

³⁵ FICOM has identified Central 1 as a "Domestic Systemically Important Financial Institution" (D-SIFI) due to its essential role. D-SIFIs are financial institutions whose disorderly failure could cause significant disruption to the wider financial system and economic activity. As a result, Central 1 is subject to additional capital and liquidity requirements and enhanced supervision by FICOM.

³⁶ Government of Canada, *Economic Action Plan 2014 Act, No. 2*, <http://www.parl.gc.ca/LegisInfo/BillDetails.aspx?Language=E&Mode=1&billId=6732518>.

³⁷ Government of Canada, Privy Council Office, <http://www.pco-bcp.gc.ca/oic-ddc.asp?lang=eng&Page=&txtOICID=&txtFromDate=&txtToDate=&txtPrecis=Economic+Action+Plan&txtDepartment=&txtAct=&txtChapterNo=&txtChapterYear=&txtBillNo=&rdoComingIntoForce=&DoSearch=Search+%2F+List&viewattach=30767&blnDisplayFlg=1>.

FICOM will become the sole prudential regulator of Central 1 and, accordingly, the sole prudential regulator of the primary payments and clearing provider for Canadian credit unions (outside Quebec). The rules in the CUIA and FIA were not developed in contemplation of FICOM regulating a central credit union whose role has expanded beyond the traditional business of a provincial central credit union, and the FIA did not contemplate Central 1 having an expanded role as the credit union system's payments and clearing provider and supporting credit unions outside the province.

Questions:

- 1) Are changes or clarifications to Stabilization Central's mandate/role, powers or corporate governance structure needed?
- 2) Are changes or clarifications to Central 1's mandate/role, powers or corporate governance structure needed?
- 3) Are any changes needed in light of the removal of federal oversight and regulation of central credit unions?

INSURANCE SECTOR

Issue 1: Insurance Retailing and Licensing Exemptions

Insurance products are generally sold by licensed agents who provide advice and help consumers to understand products. Licensed agents who fail to comply with requirements under the FIA, or those set out in Insurance Council rules, may face disciplinary action.

However, the FIA provides a number of exemptions from the requirement that insurance be sold by a licensed agent. These exemptions generally relate to insurance to cover a good or service the consumer is acquiring from the seller (e.g., where credit insurance is sold incidentally to the arranging of credit by a financial institution). The assumption is 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, although this may not always be the case as the exemptions are fairly broad and also allow for incidental sales where the relationship is a one-time transaction (e.g., a travel agent selling travel insurance for a trip).

While some exempted sellers receive training, and may in some cases be highly trained, exempt sellers usually have no mandatory education requirements and may not have the same knowledge of products that a licensed insurance agent or broker would have. Exempt sellers are also generally not under the direct oversight of the insurer and often are not accountable to regulatory bodies.

Some provinces (e.g., Alberta, Saskatchewan and Manitoba) allow certain entities, such as motor vehicle dealers and financial institutions, to obtain a restricted insurance agent licence which allows them to sell insurance where it is sold incidentally to their ordinary business. The licence is typically a corporate licence issued to the dealer or financial institution which holds the corporate licensee responsible for the insurance activities of its employees.

Travel agencies in British Columbia that sell travel insurance operate on a restricted insurance agent model, whereby the travel agency obtains a licence that allows travel agents to sell travel insurance if they have met education requirements.

Questions:

- 1) Are the current exemptions appropriate? Should any additional exemptions be provided?
- 2) Should insurers have more responsibility for exempt sellers? Should they be required to provide more direct oversight?
- 3) Should the FIA be amended to give the Insurance Council increased powers to license and regulate incidental sellers of insurance?
- 4) Should certain insurance products only be sold by licensed agents? If so, which ones?
- 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?

- 6) 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?

Issue 2: Regulation of Insurance Intermediaries

The Insurance Council of British Columbia is established under the FIA and its mandate is to provide a robust level of protection to the public respecting the sale of insurance products and services by licensed insurance agents. The Insurance Council has the power to conduct investigations and to discipline licensees when warranted, and is also responsible for regulation of licensed insurance adjusters.

In 2004, the FIA was amended to give the Insurance Council authority to adopt rules respecting licensing, supervision, nominees, education, codes of conduct, licensing conditions, procedures respecting disciplinary hearings and suspensions, and maximum fees for licensing. The Insurance Council consists of eleven voting members appointed by the Lieutenant Governor in Council.³⁸ The Minister of Finance may also appoint an unlimited number of non-voting members.

Like BC, a number of other provinces have both a financial institutions commission or regulator and an insurance council (or several councils/similar bodies) acting as an intermediary regulator.³⁹ However, while all Insurance Council members are appointed by government in BC, councils in some other provinces have members elected by industry (e.g., agents, brokers, etc.) or appointed by major industry associations such as the Canadian Life & Health Insurance Association and the Insurance Bureau of Canada. Most BC professional self-regulatory bodies in other industries have elected members, or a mix of elected and appointed members.

Related Issues:

Accountability Framework

Although members are appointed by government, the Insurance Council is essentially a self-regulatory organization (SRO). Concerns are sometimes raised about self-regulation, including that SROs may have an incentive to protect industry members rather than the public and that they may unfairly limit competition by barring new entrants.

However, there are accountability frameworks, including the one to oversee the Insurance Council, which are designed to ensure that the public is appropriately protected. For example,

³⁸ The FIA requires that voting members be: two agents or salespersons licensed in at least one class of general insurance; two agents licensed in respect of life insurance; two officers or employees of insurers authorized in respect of life insurance plus two from general insurers; one licensed insurance adjuster; and two members at large.

³⁹ For example, Alberta has four insurance councils: the Alberta Insurance Council (which looks after the financial matters of the councils and provides investigative and administrative services to them); the Insurance Adjusters' Council; the General Insurance Council; and the Life Insurance Council.

disciplinary decisions of the Insurance Council and refusals to issue a licence must be in writing, are subject to a hearing requirement, and may be appealed to the Financial Services Tribunal.⁴⁰

It is also important to note that FICOM continues to oversee the broader insurance market and supervise insurance companies, and to have jurisdiction over insurance intermediary regulation in certain respects. The Insurance Council's authority only extends to licensees (and in some cases former licensees) and responsibility respecting all unlicensed activity falls to FICOM.

Special Brokers

In BC, special brokers – agents who place contracts of insurance with unlicensed insurers – are subject to both requirements imposed by the Insurance Council and government regulations requiring specific reporting to FICOM. However, in several other provinces these brokers are licensed directly by the financial institutions regulator or government, not by the insurance council, as this business involves heightened consumer and regulatory risk. Often these insurance contracts cover risks that are unique and cannot be placed with a licensed insurer in the province.

Access to Insurance Adjusters from Other Provinces

The insurance intermediary framework also provides for the regulation of insurance adjusters. Concerns have been raised regarding impediments to cross-jurisdictional licensing and access to adjusters from another province (e.g., concerns about the ability to utilize additional adjusters from other provinces in the event of a large scale natural disaster).

Questions:

- 1) Should some or all members of the Insurance Council of BC be elected?
- 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?
- 3) 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?
- 4) Should special brokers in BC be required to obtain licences directly from FICOM?
- 5) Are changes needed to the licensing framework for insurance adjusters?

⁴⁰ The Financial Services Tribunal was established in 2004 under the FIA and consists of members appointed by the Lieutenant Governor in Council. The tribunal hears appeals from individuals and institutions who want to contest enforcement decisions made by the Superintendent of Financial Institutions, the Superintendent of Real Estate, the Superintendent of Pensions, and the Registrar of Mortgage Brokers, as well as the Real Estate Council and Insurance Council of BC. It provides an avenue of appeal for resolving disputes between financial sector regulators and those they regulate.

Issue 3: Protection of Confidential Information

Risk-based regulatory models rely on companies implementing a self-assessment system that identifies risk and reports compliance to the regulator. To regulate effectively, regulators need adequate information from regulated entities. In addition, cooperation and sharing of information among financial sector regulators is important for effective oversight of financial institutions which operate in multiple jurisdictions and/or where there is overlapping regulatory authority.

Regulated entities also want to be certain that information supplied in confidence to regulatory authorities will be appropriately protected. Concerns have been raised that information provided in relation to regulation under the FIA may not be adequately protected. This may impact the quality and timeliness of disclosure and, consequently, the ability of the regulator to protect the public interest.

Insurer Self-Assessment Privilege

Insurers have expressed concern that self-assessments prepared by insurers for internal risk management and/or provided to regulators may provide evidence for plaintiffs in legal proceedings. The concept of privilege arises when another public purpose (e.g., solicitor-client privilege respecting the ability of a person to obtain legal advice in confidence) outweighs the importance of the courts having all relevant information. In May 2008, the Canadian Council of Insurance Regulators recommended implementation of privilege for insurance compliance self-assessment documents and indicated that: “regulators have been told by insurers that the potential for litigants to access the results of insurer self-assessments of their operations is a disincentive to full and open disclosure in self-assessments.”⁴¹

Insurers believe that self-assessment privilege will result in more thorough and honest self-assessments, which will lead to more effective internal trouble-shooting, fewer consumer complaints, greater openness with regulators about potential problems, and quicker resolution of issues. The Canadian Bar Association, however, has argued that insurer self-assessment privilege would prevent insurance customers who sue their insurance company from obtaining relevant information, and that it is inconsistent with insurance companies’ duties of good faith and fair dealing.

In November 2008, Alberta became the first Canadian jurisdiction to provide privilege for the self-assessment programs of insurance companies. Alberta’s *Insurance Act* contains provisions protecting from disclosure any document prepared in connection with an “insurance compliance self-evaluative audit.”⁴² Manitoba recently adopted similar provisions, and a number of states in the United States also have privilege provisions for insurers.

⁴¹ Canadian Council of Insurance Regulators, *Final Report on Privilege Model and Whistle Blower Protection*, pg. 7, http://www.ccir-ccra.org/en/init/Privilege/Final_Report_on_Privilege_Model_July08.pdf.

⁴² “Insurance compliance self-evaluative audit” for purposes of Alberta’s *Insurance Act* means “an evaluation, review, assessment, audit, inspection or investigation conducted by or on behalf of a licensed insurer or fraternal society, either voluntarily or at the request of the Minister or the Superintendent, for the purpose of identifying or preventing non-compliance with, or promoting compliance with or adherence to, statutes, regulations, guidelines or industry, company or professional standards.”

In BC, the FIA contains a confidentiality provision that applies to information submitted to the regulator. It states that information submitted in accordance with the FIA cannot be disclosed for purposes other than administering the Act except for prosecution or as required by law. This provision does not protect any documents or information retained by the insurer.

Freedom of Information

One of the goals the *Freedom of Information and Protection of Privacy Act* (FOIPPA) is to make government more accountable to the public by giving the public a right of access to records. FOIPPA permits government to refuse to disclose information received confidentially from a third party, but requires a finding that the disclosure of the confidential information would “significantly harm the competitive position” of the third party providing the information. The few disclosure decisions by BC’s Information and Privacy Commissioner relating to financial sector information have suggested that the discretion available to FICOM to refuse to disclose information received in confidence is limited.

Concerns about the protection of information are also relevant to cooperation and sharing of information among regulators. Other regulators such as the federal regulator, OSFI, with whom FICOM must cooperate in the regulation of financial institutions operating in BC, may be reluctant to share information with FICOM because information protected in their jurisdiction may be released in BC.

Legislation in other jurisdictions provides for greater protection of confidential financial services information. For example, the federal financial institutions regulator may withhold information under the federal *Access to Information Act* where the information is supplied in confidence; there is no obligation to prove significant harm. Alberta’s *Insurance Act* provides strict rules on the protection of insurer information (information the government obtains or creates for the purpose of administering or enforcing the legislation) and expressly states that the Alberta freedom of information legislation does not apply to insurer information. The legislation also prohibits disclosure of information received from other governments or regulatory bodies without their consent.

Disclosure of Confidential Information Held by FICOM in Court Proceedings

As noted above, the FIA provides for disclosure of regulatory information “as required by law,” including under a court order respecting disclosure of documents relevant to a legal proceeding against an insurer. Recent court decisions have concluded that a statutory promise of confidentiality does not rule out the production of documents and information in court proceedings.

Questions:

- 1) 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?
- 2) 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?

- 3) 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?

Issue 4: Long-term Disability Plans

The provision of long-term disability (LTD) benefits by an employer is optional, and employers (and other benefit plan sponsors) in BC are not required to insure their LTD benefit plans.

LTD plans insured by a licensed insurance company are regulated as an insurance product, and require reserve funds to be established and the insurance provider to hold regulatory capital in relation to the plans, so insured benefits will continue to be paid even if the employer becomes bankrupt. However, LTD benefit plans managed directly by the employer are not subject to regulation. In those plans, the employer generally pays benefits from cash reserves or existing cash flows, so benefits are only paid if the employer remains solvent (i.e., does not go bankrupt). As a result, there are significant differences in the risk profiles of insured LTD plans and plans managed by employers.

BC requires that employers disclose to employees that an LTD plan is not insured and not subject to the regulatory requirements of the FIA. The intent is to create awareness of the risks of an employer managed plan, so the employee could choose to purchase further protection from a licensed insurer if desired. However, it is not clear that consumers/employees are aware of the risks. Notification is usually made at the start of employment and the implications may not be fully understood.

In addition, some employers contract a third party insurance company to administer their direct benefits under an Administrative Services Only (ASO) plan, where the insurance company adjudicates claims and administers benefits on behalf of the employer. This could create the misperception that the employer managed benefit is a product offered by the insurance company, with the expectation that the benefit would survive an employer bankruptcy.

The federal and Ontario governments require LTD benefit plans to be insured to protect these benefits if an employer becomes insolvent.

Questions:

- 1) Does BC have the right approach to long term disability benefits?
- 2) Should employers and other plan sponsors be required to insure LTD benefit plans? Would this deter employers from providing these benefits?
- 3) Are there consumer protection issues related to ASO plans? How can consumer awareness be increased?

Issue 5: Rebating

Rebating refers to the practice of giving money or other items of value to a customer to induce the sale of an insurance product. The FIA formerly had a very broad prohibition on rebating for insurance products, and during the previous review of the FIA it was proposed that the prohibition be eliminated entirely.

At that time, financial institutions generally indicated that the prohibition was unnecessary and a hindrance to competition and product development. However, insurance brokers and other intermediaries indicated that they viewed it as a critical consumer protection provision, because allowing rebates of a substantial amount of the premium could pressure sales agents to engage in the practice and affect service quality. Ultimately, the legislation was amended to eliminate the blanket prohibition and allow rebating up to a prescribed maximum of 25 percent of the value of the premium.

Financial institutions have expressed concern that observing and enforcing this limit imposes unnecessary costs on both industry and the regulator. However, property and casualty (P&C) insurance brokers continue to raise concerns that the current rebate level has negative impacts on the quality of insurance products. They indicate that, while 25 percent may be an appropriate amount in respect of life insurance where a significant amount or all of the first year's premium may be paid to the agent, it is not an appropriate threshold in respect of P&C insurance as P&C brokers rarely receive a commission as large as 25 percent of the premium.

Related Issues:

Third Party Payments

In addition to any rebating to customers, payments can be made to third parties. While commissions or compensation may not be paid to persons acting as an insurance agent unless they are licensed, insurance agents may pay fees to persons whose only action is to refer a client to the agent. The FIA requires an insurance agent to disclose to a customer that compensation has been paid for the referral, but does not require the amount of the payment to be disclosed.

Concerns have been raised that strata managers have been seeking payments for insurance referrals respecting strata properties they manage and, in particular, that payments are being made without any notice to the strata corporations. The Insurance Council issued a notice in 2011 reminding agents of their obligation to inform the client, namely the strata corporation purchasing the insurance, of any referral payments being made.

Questions:

- 1) Is the current FIA rebating framework effective and appropriate?
- 2) Is the threshold of 25 percent of the premium appropriate? Would a different level be more appropriate, and if so, what level?
- 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?

TRUST SECTOR**Issue 1: Regulatory Framework for Trust Companies**

Historically, Canada's financial services sector was separated into four distinct pillars: chartered banks; insurance companies; trust companies; and investment dealers. Changes to the legal framework and marketplace beginning in the 1980s resulted in a less regulated environment and removed the clear distinction between the pillars, leading to integration and consolidation in the financial sector.

With cross-ownership permitted, most large deposit-taking trust companies were purchased by banks, and trust company regulation in BC has received little focus since this market consolidation. Since 2004, the incorporation of provincial deposit-taking trust companies has not been permitted by the FIA (existing provincial companies were grandfathered).

BC regulates provincially incorporated trust-only trust companies, but the primary solvency regulator of extra-provincial trust companies in BC (including all deposit-taking trust companies) is the regulator in the home jurisdiction.⁴³ The primary regulator is the regulator responsible for registration, authorization, solvency requirements and regulation, etc. Provinces remain responsible for the market conduct of all trust companies in their jurisdiction (both trust-only and deposit-taking trust companies).

For provincial trust-only trust companies, the FIA imposes a minimum capital requirement. It is the amount determined by multiplying the total value of the assets that the company holds in trust by 0.5 percent. This level has been in place since the adoption of the FIA in 1990 and has not been reviewed.

Government has received very few complaints about trust companies, and because the law of trust has been well developed by the courts and supplemented by general law applicable to all trustees (corporations and individuals), the FIA has limited provisions relating to trust companies and their fiduciary duties.⁴⁴

However, recently concerns were raised about potential conflicts of interest and lack of provincial oversight in relation to trust companies that are subsidiaries of deposit-taking financial institutions. Specifically – in the case of trust assets associated with registered plans held in deposit accounts – whether the use of the trust assets for the benefit, at times exclusive, of the financial institution that owns the subsidiary acting as trustee means, or creates the appearance, that the fiduciary's trust obligation is not being met. While the enforcement of general trust law obligations is not the role of the FIA, the issue is whether there should be additional regulatory oversight to deal with potential conflicts of interest and fair treatment of consumers.

⁴³ Most of the deposit-taking trust companies in BC are incorporated federally, so OSFI is the primary regulator.

⁴⁴ The fiduciary duty imposed on trustees, including trust companies, is a very high standard of care and often higher than standards imposed on other financial service sector market participants.

Questions:

- 1) Are there concerns with potential conflicts of interest between financial institutions and subsidiary trust companies? Is further regulation needed in this area? If so, how should the problem be addressed (e.g., through specific trust company regulations, a code of market conduct, or regulation of the primary entity)?
- 2) Do the capital requirements for provincial trust-only trust companies need to be updated?
- 3) Are there other issues with the current provincial framework for oversight of trust companies?

Issue 2: Regulation of Trust Business

Historically, financial services sector legislation has only regulated trust business undertaken by corporations. Individuals (and other entities/associations not captured by the definition of a corporation) offering trust services are not subject to licensing under financial institutions statutes in BC or other jurisdictions, and, unlike for deposit and insurance business, there is no general prohibition against individuals and non-corporate entities undertaking trust business.

Some individuals conducting trust business may be regulated under other frameworks (e.g., lawyers and real estate or bankruptcy trustees) and subject to legal duties and powers set out in legislation and in common and equity law. However, although statutory, common and equity law respecting trusts and trustees may apply to their activities, other persons seeking to undertake trust business are not subject to regulatory requirements.

Through the use of electronic commerce, individuals and associations are able to engage with consumers and offer trust services more easily than before, and, as BC's population ages, there will likely be growth in the provision of trust services aimed at seniors. In addition, government has become aware of situations where employers have used unregulated private individuals to set up employee benefit trusts for their employees. Where trust services are provided by unregulated entities, there are potential risks and consumer protection issues.

A separate potential issue relates to certain organizations which administer trust funds, the interest from which benefits third parties. Concerns have been raised with government about the low returns being generated from those funds.

Questions:

- 1) Should financial institutions legislation be expanded to regulate or generally prohibit (subject to exemptions) trust business carried on by individuals or associations?
- 2) 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?
- 3) Are further exemptions needed in respect of trust business undertaken by corporate entities (e.g., broker dealers)?

- 4) 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?
- 5) 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?

GLOSSARY

“Basel” refers to the Basel Committee on Banking Supervision, the primary international standard setter for the prudential regulation of banks. Its mandate is to strengthen the regulation, supervision and practices of banks worldwide to enhance financial stability. It has international membership, including from Canada, the United States and the European Union. It has developed a series of standards (Basel I in 1988, Basel II in 2004, and Basel III in 2010-11).

“Central 1 Credit Union” is the primary liquidity manager, payments processor, and trade association for credit unions in BC and Ontario. Central 1’s key legislated role is as the BC credit union system’s liquidity provider, and all BC credit unions are required to be members of and hold statutory liquidity with Central 1.

“Commission” is the Financial Institutions Commission (also referred to as FICOM). It has statutory authority for the regulation of financial institutions in BC. It is established under the FIA and its members are appointed by the Lieutenant Governor in Council.

“CUDIC” is the Credit Union Deposit Insurance Corporation, a statutory corporation of the BC government administered by FICOM. CUDIC is responsible for administering and operating a deposit insurance fund and guarantees all deposits and non-equity shares of BC credit unions.

“CUIA” is the *Credit Union Incorporation Act*, the BC legislation that provides the framework for incorporation and corporate governance of credit unions.

“FIA” is the *Financial Institutions Act*, the BC legislation that provides the regulatory framework for credit unions, insurance companies and intermediaries, and trust companies.

“FICOM” is the Financial Institutions Commission appointed by the Lieutenant Governor in Council which has statutory authority for the regulation of financial institutions in BC. (While FICOM is also used to refer to the organization headed by the Superintendent which supports the Commission, for purposes of this paper “FICOM” is a reference to the Commission itself.)

“Financial institution” means a credit union, insurance company, or trust company.

“Insurance Council of British Columbia” is the regulatory body responsible for licensing and discipline of insurance agents (life and general), insurance salespersons, insurance adjusters, and restricted travel insurance agents.

“OSFI” is the Office of the Superintendent of Financial Institutions, the Canadian federal regulator of financial institutions subject to federal oversight.

“Stabilization Central Credit Union” is a central credit union whose role is to identify and assist credit unions facing governance, operational or financial challenges, and to manage a stabilization fund that can be used to help credit unions experiencing difficulties meet supervisory expectations. BC credit unions are required to be members of Stabilization Central.

“Superintendent” is the Superintendent of Financial Institutions. The Financial Institutions Commission may delegate most of its powers and duties to the Superintendent, who undertakes the day-to-day regulation and supervision of financial institutions in BC.

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**Regulatory Visit Report On
Preliminary/Informal Meeting Between
CAFII Representatives and Expert Advisory Panel On FSCO Mandate Review;
Wednesday, May 21, 2015, 4:30 p.m.
Frost Building - 7 Queen's Park Crescent, Toronto**

Attendees

Expert Advisory Panel/Ontario Government

James Daw, freelance personal finance writer; panel member

Larry Ritchie, Partner, Osler, Hoskin & Harcourt LLP; panel member

David McLean, Policy Advisor, Financial Institutions Policy Branch, Ministry of Finance

Absent: George Cooke, Board Chair, Omers Administration Corp.; panel member

CAFII

Greg Grant, CAFII EOC Chair, CIBC Insurance

Moiria Gill, TD Insurance

John Lewsen, BMO Insurance

Brendan Wycks, Executive Director

Expert Advisory Panel Workplan and Timetable

David McLean outlined the following high level work plan and timetable for the Expert Advisory Panel:

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

Preliminary Dialogue On FSCO's Future Mandate And Consultation Document

CAFII's dialogue with the Panel focused on “Future of the Financial Services Sector” and “Structural Models” as highlighted under “additional issues and questions” on pages 10 through 13 of the consultation document.

In conversation, Panel members provided the following feedback:

- FSCO's mandate really hasn't been previously reviewed since its inception in 1998, from the viewpoint of coherence with the government's needs.

- FSCO's structure is not easy to understand and is not nimble. We recognize that our challenge as an advisory panel, especially when it comes to FSCO, is to try to find and fit the best possible mandate model into an evolving world.
- We're not rejecting the status quo as an option out-of-hand, but our initial assessment is that change is needed to make things better.
- We'd like to have your input on a possible merger between FSCO and the Ontario Securities Commission, to create a fully integrated regulator akin to the AMF. If the benefits of being a fully integrated regulator include having more money and resources; and having internal policy expertise that enables the regulator to be more proactive, to be an involved participant in international developments, and to be a true leader in national co-ordination and harmonization efforts, then this option is something to think about seriously. There are some strong arguments for this model.
- We recognize that the OSC is regarded as taking a more draconian approach to things, whereas a risk- and principles-based approach to regulation appears to be working in insurance and certain other financial services sectors. So that distinction would definitely have to be taken into account if the final model is that of a fully integrated regulator.
- In your submission, don't give us platitudes and generalities. Rather, give us specifics as to what model would work best for your members and for consumers. Lay it out for us as to how it should work. Specify what the pros and cons of the model are; and why, all things considered, you favour it.
- We'd like to have your input on the current Ontario government initiative re regulation of financial planners, whether that be as a short appendix to your consultation submission or just verbally in the follow-up meeting that you'll be invited to attend in the summer.
- This mandate review – with the help of your Association and other stakeholders – is essentially a transparent, intellectually honest exercise of trying to make Ontario the model for efficiency and effectiveness in financial services regulation.
- Let's start with what you see as ideal, but something that is also do-able. We (the Panel) are prepared to recommend radical change, if and to the degree necessary.



**Review of the Mandates of the
Financial Services Commission of Ontario,
Financial Services Tribunal and the
Deposit Insurance Corporation of Ontario**

**Consultation Paper
April 21, 2015**

Ontario Ministry of Finance

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Ontario Undertakes a Mandate Review of Financial Services Regulators

The Government of Ontario has undertaken to review the role, structure and efficacy of all its agencies, many of which have been assigned to protect the public, and deliver programs and services.

As part of this broad Mandate Review, the government announced a review of the mandates of the Financial Services Commission of Ontario (FSCO), the Financial Services Tribunal (FST) and the Deposit Insurance Corporation of Ontario (DICO) – all agencies under the jurisdiction of the Ontario Minister of Finance.

The Minister of Finance has appointed a three-member Expert Advisory Panel (“Panel”) to consult relevant industry representatives, licensed market participants, and consumers and their advocates, and to make workable recommendations to the government by early next winter.

The members of the Panel are:

George Cooke – former president and CEO of The Dominion of Canada General Insurance Company, and current chair of the board of directors of OMERS Administration Corp.

James Daw – former Toronto Star personal finance columnist who has written extensively about all facets of Ontario’s financial system

Lawrence Ritchie – Osler, Hoskin & Harcourt LLP partner and former vice-chair of the Ontario Securities Commission.

FSCO has a wide range of responsibilities, and currently regulates the insurance sector; pension plans; loan and trust companies; credit unions and caisses populaires; the mortgage brokering sector; co-operative corporations in Ontario; and service providers who invoice auto insurers for statutory accident benefits claims. The Commission is also responsible for the Financial Services Tribunal – a body that adjudicates cases involving compliance issues arising in the sectors regulated by FSCO.

The Deposit Insurance Corporation of Ontario provides insurance for certain deposits held in Ontario credit unions and caisses populaires and oversees credit unions and caisses populaires operating in Ontario.

The broad field of financial services is among the fastest-growing sectors in Ontario, generating jobs directly, and enabling growth and jobs in other sectors. The financial services sector is vital to the well-being and performance of the economy, contributes to a strong business climate, and is entrusted with managing the savings and investments of Ontarians.

The financial services sector is also evolving. Credit unions continue to consolidate, and co-operative corporations increasingly include much larger and more complex enterprises. New technology, new service providers and new distribution channels have also increased options for consumers of all financial services, while supplementing traditional methods. In some instances, there are concerns that the regulation of financial services products, or those who sell them, has not kept pace with these changes.

In addition, the economic conditions under which pension plans operate have changed since 2008, creating concerns regarding the affordability and sustainability of some workplace pensions.

Through the questions outlined below, the Panel will be looking for fresh ideas on how to: 1) protect consumers of financial services; 2) promote efficient financial markets that connect savers and investors in the economy; 3) maintain an appropriate balance between protecting consumers and promoting efficient markets; and 4) provide efficient and effective regulatory oversight of pension plans to increase security for pension benefits.

Panel's Terms of Reference

The Panel has been asked to advise the Government of Ontario on potential changes to the mandates of the three agencies, and suggest ways to modernize the regulation of current and emerging related financial services, as well as pension plans.

Key issues that the Panel must address include:

1. Whether, and to what extent, each agency's mandate continues to be relevant to Ontario's goals and priorities?
2. Whether the agency is carrying out the activities and operations as required in its mandate?

3. Whether all or part of the functions of the agency are best performed by the agency, or whether they might be better performed by a ministry, another agency or entity?
4. Whether changes to the current governance structure/associated accountability mechanisms are necessary to improve mandate alignment and/or accountability?

Public Consultation

Through this consultation paper, the Panel seeks the views of Ontarians. This input will be an important component of the Panel's research and analysis. The Panel encourages individuals and organizations to communicate their views on the issues identified in this document, as well as other issues that may help inform the work of the Panel. The public is encouraged to raise concerns, propose solutions and relay first-hand experiences that may be helpful and relevant to the objectives and goals of these mandate reviews.

Please note that these are public consultations. All submissions received will be made available to the public to ensure the transparency of the consultation and policy-making process. All submissions will be posted to the Ministry of Finance website at www.fin.gov.on.ca. Any comments or other materials received, or summaries of them, may be disclosed to other interested parties during and after the consultation through Freedom of Information requests. Personal information will not be disclosed without prior consent.

If for any reason you feel your submission should not be posted publicly or shared with other parties, please indicate this in your covering letter. Please note that all submissions received are subject to the *Freedom of Information and Protection of Privacy Act*.

If you have any questions about this consultation or how any element of your submission may be used or disclosed, please contact FIPBmandatereview@ontario.ca.

Written comments can be provided by mail, fax, or email:

Expert Advisory Panel – FSCO/FST/DICO Mandate Reviews
Ministry of Finance
Financial Institutions Policy Branch (FIPB) &
Income Security & Pension Policy Division
Frost Building North, Room 424
95 Grosvenor Street, 4th Floor
Toronto, Ontario
M7A 1Z1

Fax: 416-325-1187

Email: FIPBmandatereview@ontario.ca

Submissions are requested by June 5th, 2015

FINANCIAL SERVICES COMMISSION OF ONTARIO

FSCO was established on July 1, 1998 and is governed by the *Financial Services Commission of Ontario Act, 1997* (FSCO Act). It was created by merging the operations of the former Ontario Insurance Commission, the Pension Commission of Ontario, and the Deposit Institutions Division of the Ministry of Finance. The FSCO Act is not subject to a mandatory periodic statutory review, and has not been significantly amended since it came into force.

Currently, FSCO has over 500 full-time employees and a budget of approximately \$102.8 million. The majority of FSCO's costs are recovered from the sectors it regulates through a combination of assessments and fees. Shortfalls arising primarily from the regulation of the co-operatives sector have historically been funded by the government.

Governance

In order to support FSCO's legislative mandate, the FSCO Act sets out a three-part structure for FSCO, which includes the Commission; the Superintendent of Financial Services and staff; and the FST.

The Commission consists of a Chair and two Vice-Chairs, appointed by the Lieutenant Governor in Council, the Superintendent of Financial Services appointed under the *Public Service of Ontario Act, 2006* and the Director of Arbitrations appointed under the *Insurance Act*.

The Superintendent is responsible for supervising the regulated sectors and administering and enforcing the FSCO Act as well as related acts. The Superintendent is also the chief executive officer and is responsible for the financial and administrative affairs of the Commission.

Current Mandate

FSCO's current mandate, as set out in the FSCO Act is to

- provide regulatory services that protect the public interest and enhance public confidence in the regulated sectors;
- make recommendations to the Minister of Finance about the regulated sectors; and

- provide resources necessary for the proper functioning of the FST.

FSCO is responsible for regulated sectors that encompass individuals, businesses and pension plans. The regulated sectors are comprised of: co-operative corporations, credit unions and caisses populaires, insurance, service providers who invoice auto insurers for statutory accident benefit claims, loan and trust corporations, mortgage brokering, and pension plans.

As of March 31, 2015, FSCO regulated or registered:

- 1,785 co-operative corporations
- 114 credit unions and caisses populaires
- 332 insurance companies, 5,322 corporate insurance agencies, 49,282 insurance agents, and 1,617 insurance adjusters
- 3,883 accident benefit service providers that invoice auto insurers directly
- 51 loan and trust corporations
- 1,185 mortgage brokerages, 2,611 mortgage brokers, 9,988 mortgage agents, and 133 mortgage administrators
- 7,191 pension plans

Primarily, FSCO provides services through two types of regulation. The first is the regulation of market conduct, which is the relationship between consumers and licensed businesses or individuals. The second is the regulation of solvency, which addresses the financial stability and long-term ability to meet financial obligations.

FSCO advises the government on emerging trends and policy issues in the regulated sectors and provides input on legislative and regulatory initiatives. FSCO gathers market information not only through its monitoring and compliance activities, but also through its membership in national regulatory organizations, many of which are hosted at FSCO as secretariats.

FINANCIAL SERVICES TRIBUNAL

One of the purposes of the Commission is to provide the resources necessary for the proper functioning of the FST. The FST is an expert tribunal that adjudicates cases involving compliance issues arising in the regulated sectors. Certain decisions, or proposed decisions of the Superintendent, may be challenged in proceedings brought before the Tribunal. It has the power to make its own rules regarding the practice and

procedures of hearings and the power to summon witnesses, on the request of a party, or order the payment of costs of the FST or of another party. It has exclusive jurisdiction to determine all questions of fact or law that arise in any proceeding before it.

The Chair and the Vice Chairs of FSCO are also the Chair and Vice Chairs of the FST. Between six and up to 12 additional members with experience and expertise in the regulated sectors are appointed to the FST by the Lieutenant Governor in Council. Generally, proceedings before the FST are held before one or three person panels.

Operationally, the FST is supported by a Registrar and Assistant Registrar. The FST has also established the Financial Services Tribunal Legal Advisory Committee which provides confidential advice to assist the FST in fulfilling its responsibilities. Members of this committee have experience in litigation or administrative law and have argued cases before the courts or the FST. The committee is guided by terms of reference set by the FST.

DEPOSIT INSURANCE CORPORATION OF ONTARIO

DICO was established in 1977 to insure deposits held in Ontario's credit unions and caisses populaires. It is constituted and governed by the *Credit Unions and Caisses Populaires Act, 1994* (CUCPA).

DICO has approximately 45 full-time employees and revenues of about \$28.7 million. Its primary source of income is the deposit insurance premiums charged to Ontario incorporated credit unions operating in the province. The premiums are set by regulation under the CUCPA. DICO does not receive any funding from the government; however it has access to a \$400 million revolving credit facility through the Ontario Financing Authority to address extraordinary liquidity needs that cannot be met by the Deposit Insurance Reserve Fund (DIRF). The DIRF is established by DICO and mandated by the CUCPA to pay deposit insurance claims, the costs of continuance or orderly winding up of credit unions in financial difficulty, and DICO's operational costs. The DIRF is approximately \$185 million, which represents less than one per cent of insured deposits at credit unions.

Governance

DICO is governed by a Board consisting of up to nine members appointed by the Lieutenant Governor in Council, one of whom is appointed as Chair. The board manages or supervises the management of DICO's affairs and performs additional duties set out in the CUCPA such as regulatory approvals and compliance orders.

Current Mandate

The statutory objects of DICO as set out in the CUCPA are to:

- provide insurance against the loss of part or all of deposits with credit unions;
- promote and otherwise contribute to the stability of the credit union sector in Ontario with due regard to the need to allow credit unions to compete effectively while taking reasonable risks;
- pursue the above objects for the benefit of persons having deposits with credit unions and in such manner as will minimize the exposure of the Corporation to loss;
- collect, accumulate and publish such statistics and other information related to credit unions as may be appropriate;
- perform the duties provided under the CUCPA or the regulations or do anything the Corporation is required or authorized to do under the act or the regulations; and
- carry out such other objects as the Minister may specify in writing or as may be prescribed.

DICO or a licensed trustee in bankruptcy may be appointed as liquidator of a credit union. As liquidator, DICO may exercise various powers necessary for the winding up of a credit union. The costs and expenses of the winding-up of a credit union by DICO are payable out of the property of the credit union.

In addition, and subject to the approval of the Lieutenant Governor in Council, DICO may make by-laws, including those prescribing standards of sound business and financial practices for credit unions. Through this power, DICO sets enforceable standards on corporate governance and risk management for credit unions.

In 2009 many of the functions of the Superintendent of Financial Services under the CUCPA were transferred to DICO in order to reduce regulatory overlap and promote

more efficient regulatory oversight. These functions included regulatory oversight and approvals related to capital adequacy, restrictions on borrowing, and lending and investing. Related amendments were made to enforcement powers to enable DICO to exercise powers that the Superintendent may also exercise. Certain decisions or proposed decisions of DICO may be challenged in proceedings before the FST.

The President and Chief Executive Officer of DICO is responsible for the financial and administrative affairs of the Corporation; is appointed by the Board; but is not a member of Board.

As of March 31, 2015, there were 114 credit unions and caisses populaires operating in the province.

The deposit insurance limits are set out in regulations under the CUCPA. The current insured limit is \$100,000 for aggregate deposits by a depositor at each credit union, excluding deposits in registered accounts such as Registered Retirement Savings Accounts and Tax-Free Savings Accounts, which are insured without limit.

MANDATE REVIEW QUESTIONS

As noted earlier, key issues that the Panel has been asked to address include:

1. Whether, and to what extent, each agency's mandate continues to be relevant to Ontario's goals and priorities?
2. Whether the agency is carrying out the activities and operations as required in its mandate?
3. Whether all or part of the functions of the agency are best performed by the agency, or whether they might be better performed by a ministry, another agency or entity?
4. Whether changes to the current governance structure and associated accountability mechanisms are necessary to improve mandate alignment and/or accountability?

The purpose of the FSCO, FST and DICO mandate reviews is to review the agencies themselves, rather than the legislation or regulations enforced by the agencies. For example, the review will consider FSCO's role in the regulation of automobile insurance in Ontario, but it will not review or comment on the benefit structure. Similarly, it will review whether FSCO effectively monitors pension plan funding, but not the specific

requirements for funding as stipulated in the *Pension Benefits Act*. The review will also consider DICO's role in the regulation of credit unions and caisses populaires in Ontario, but it will not consider deposit insurance limits.

In soliciting the public's input on the above questions, the Panel believes it is important to take into consideration the following additional issues and questions.

Future of the Financial Services Sector

The financial services sector has been evolving rapidly, and the pace of change is expected to continue at an accelerated rate. Technological advancements, structural changes in distribution channels, emerging new products, and increased competition are expected to significantly change how the financial services sector meets the future needs of consumers. This in turn, will have an impact on the ability of regulatory structures to effectively and efficiently protect consumers and respond to the needs of the sector.

5. *What are your views on the future of the financial services sector over the next 10 to 15 years and how should the mandates and functions of FSCO, the FST, and DICO be adapted to address the market transformation to come?*

Consumer Protection and Promoting a Strong Financial Services Sector

Consumer protection is a key goal of financial services regulation. This goal is achieved by setting market conduct standards and regulating solvency. However, the current legislative mandates of FSCO, the FST, and DICO do not explicitly articulate that their goal is to provide consumer protection. At the same time, the mandates do not address that consumer protection goals must be balanced against the goal of fostering a strong and innovative business environment. Currently, only DICO, under the CUCPA, is required to promote and otherwise contribute to the stability of the sector it regulates with due regard to the sector's need to compete effectively by taking reasonable risks.

6. *Should the legislated mandates of the agencies explicitly refer to the goal of consumer protection, and should that goal be balanced with the goal of promoting a strong financial services sector? If yes, how?*

Structural Models

Across Canada, different jurisdictions have adopted different structural models for the regulation of financial services. Some jurisdictions have opted for an integrated regulator that is responsible for all sectors, including providing deposit insurance. Other jurisdictions deliver regulatory services through a combination of agencies, self-regulatory organizations, and government departments.

Although Ontario combined the former Insurance Commission of Ontario, Pension Commission of Ontario and Deposit Institutions Division of the Ministry to create FSCO, the province continues to have four agencies responsible for the financial sector in Ontario. They include the FST, the regulators DICO, FSCO, and the Ontario Securities Commission, as well as a number of self-regulatory organizations, such as the Registered Insurance Brokers of Ontario, which is responsible for the administration of the *Registered Insurance Brokers Act* in Ontario. Since the creation of FSCO, some have advocated a further integration of all financial services regulators into a single regulator, while others, as recommended to the government in *A Fine Balance*, the Report of the Expert Commission on Pensions, have suggested introducing a stand-alone pension regulatory body.

7. *Should FSCO continue to exist as an integrated regulator? If not, what model is more appropriate for the regulation of financial services in Ontario?*
8. *Should DICO continue to be a separate agency? If not, what model is more appropriate for the provision of deposit insurance and regulation of credit unions in Ontario?*
9. *Are there any regulated financial services entities or sectors that would be suited to a self-regulatory regime?*

Scope of Responsibility

Over the years, changes in the marketplace and government goals and priorities have led to changes in the scope and areas of responsibility for FSCO and DICO.

For example, in order to eliminate overlap and duplication in the regulation of the loan and trust sector, Ontario no longer incorporates loan or trust corporations as a result of reforms implemented several years ago. Loan and trust corporations must now be federally incorporated and regulated in order to conduct business in the province.

A decline in the number of Ontario-incorporated insurance companies is causing the province to consider exiting from the solvency regulation of this sector as well.

Conversely, FSCO is now responsible for licensing a new sector: accident benefit service providers who invoice auto insurers directly.

It may be appropriate to question whether some areas of responsibility currently assigned to FSCO should continue to fall within FSCO's mandate. These could include: approval of automobile insurance rates and risk classification systems; administration and oversight of the Motor Vehicle Accident Claims Fund; administration of the Pension Benefits Guarantee Fund; and the incorporation, registration and oversight of co-operative corporations.

On the other hand, some activities related to financial services not within FSCO's mandate are regulated by another government ministry or not regulated in Ontario despite being regulated in other jurisdictions. It may be appropriate to consider if the scope of activities should be expanded for FSCO in some areas.

FSCO continues to play a role in the market conduct regulation of the credit union sector. It is also responsible for approving: new incorporations, amalgamation agreements, offering statements, and applications by credit unions to continue under the laws of another jurisdiction. Given the transfer of solvency responsibility to DICO in 2009, the sector is questioning whether it is appropriate to further consolidate regulatory responsibility from FSCO to DICO, or whether deposit insurance functions should be separate and apart from solvency regulation.

10. What areas of responsibility could be removed from/or added to the mandates of FSCO or DICO?

11. Should DICO continue to act as liquidator of failed credit unions?

Corporate Governance

The three agencies under review carry out their mandates within the governance structures set out in legislation. In order to fully consider whether changes are necessary to improve mandate alignment and agency accountability, consideration should be given to their corporate governance structures. Some have raised the following questions:

- 12. Is the commission structure of FSCO effective, or should consideration be given to establishing a clearer board-governed framework? Should there be a separation of the Superintendent and CEO functions? Should the Superintendent/ CEO be a member of the Board?*
- 13. Should there be a clearer separation of governance of the FST from FSCO to improve independence and avoid perceived conflict of interest?*
- 14. Should the cross appointments of the FSCO Chair and Vice Chairs as the FST Chair and Vice Chair be removed and an independent board for the FST established?*
- 15. Is the board governed structure of DICO effective? If not, what alternate governance structure should be given consideration? Should the President/CEO of DICO be a member of the Board?*

Additional Issues

If there are any other issues that should be considered beyond what is included in this paper, you are encouraged to share your views.

SUMMARY OF CONSULTATION QUESTIONS

1. Whether, and to what extent, each agency's mandate continues to be relevant to Ontario's goals and priorities?
2. Whether the agency is carrying out the activities and operations as required in its mandate?
3. Whether all or part of the functions of the agency are best performed by the agency, or whether they might be better performed by a ministry, another agency or entity?
4. Whether changes to the current governance structure/associated accountability mechanisms are necessary to improve mandate alignment and/or accountability?

ADDITIONAL QUESTIONS FOR CONSIDERATION

Future of the Financial Services Sector

5. *What are your views on the future of the financial services sector over the next 10 to 15 years and how should the mandates and functions of FSCO, the Tribunal and DICO be adapted to address the market transformation to come?*

Consumer Protection and Promoting a Strong Financial Services Sector

6. *Should the mandates of the agencies explicitly refer to the goal of consumer protection, and should that goal be balanced with the goal of promoting a strong financial services sector? If yes, how?*

Structural Models

7. *Should FSCO continue to exist as an integrated regulator? If not, what model is more appropriate for the regulation of financial services in Ontario?*
8. *Should DICO continue to be a separate agency? If not, what model is more appropriate for the provision of deposit insurance and regulation of credit unions in Ontario?*
9. *Are there any regulated financial services entities or sectors that would be suited to a self-regulatory regime?*

Areas of Responsibility

10. *What areas of responsibility could be removed from or added to the mandates of FSCO or DICO?*
11. *Should DICO continue to act as liquidator of failed credit unions?*

Corporate Governance

12. *Is the commission structure of FSCO effective, or should consideration be given to establishing a clearer board governed framework? Should there be a separation of the Superintendent and CEO functions? Should the Superintendent/ CEO be a member of the Board?*
13. *Should there be a clearer separation of the governance of the FST from FSCO to improve independence and avoid conflict of interest?*
14. *Should the cross appointments of FSCO and Tribunal Chair and Vice Chairs appointments be removed and an independent board for the Tribunal established?*
15. *Is the board governed structure of DICO effective? If not, what alternate governance structure should be given consideration? Should the President/CEO of DICO be a member of the Board?*

ADDITIONAL RESOURCES

Financial Services Commission of Ontario

<http://www.fSCO.gov.on.ca>

Corporate Reports (Agency Business Plan, Annual Reports, Statement of Priorities, and Superintendent's Report on Insurance)

http://fSCO.gov.on.ca/en/about/annual_reports/Pages/default.aspx

Memorandum of Understanding with Minister of Finance

<http://www.fSCO.gov.on.ca/en/about/Documents/FSCO-MOU.pdf>

Financial Services Tribunal

<http://financialservicestribunal.on.ca>

Deposit Insurance Corporation of Ontario

<https://www.dico.com>

Accountability Reports (Memorandum of Understanding with Minister of Finance, Business Plan, and Annual Report)

https://www.dico.com/design/4_20_Eng.html

Publications (Advisories, Sector Notices, By-Laws)

http://www.dico.com/design/4_17_Eng.html

Legislation

Financial Services Commission of Ontario Act, 1997 http://www.e-laws.gov.on.ca/html/statutes/english/elaws_statutes_97f28_e.htm

Credit Unions and Caisses Populaires Act, 1994 http://www.e-laws.gov.on.ca/html/statutes/english/elaws_statutes_94c11_e.htm

Other

A Fine Balance, Safe Pensions, Affordable Plans, Fair Rules

http://www.fin.gov.on.ca/en/consultations/pension/report/Pensions_Report_Eng_web.pdf

Office of the Auditor General of Ontario's 2014 Annual Report – Chapter 3.03 – *Financial Services Commission of Ontario - Pension Plan and Financial Service Regulatory Oversight*

http://www.auditor.on.ca/en/reports_en/en14/303en14.pdf

May 13, 2015

Mr. J.M. Hall
Senior Crown Counsel
Legislative Services
Ministry of Justice and Attorney General
601 – 1919 Saskatchewan Drive
Regina, Saskatchewan S4P 4H2

Dear Mr. Hall:

Re: Follow-up To CAFII Feedback On Bill 177, The Insurance Act (Saskatchewan)

This letter is a follow-up to our March 2 call where we committed to provide elaboration of our concerns with Clauses 8-103 and 8-159 as well as Clause 8-165.

We thank you for providing further information to Brendan Wycks, our Executive Director, concerning *Clause 5-79 (2) and (3), Recommendations for Restricted Licensee – Life Insurance* on May 7 and await your feedback on Clause 5-38.

Clauses 8-103 and 8-159, Issuance of Policy

You indicated that 8-103(8) covers off the consumer privacy exemption that CAFII believes is missing from this section. You noted that claimants' access to documents extends only to information that is relevant under the contract. You asked that CAFII consider this further and get back to you as to whether we agree that 8-103(8) suffices; or, if not, why not.

Response: CAFII continues to believe that 8-103(8) does not suffice. In our view, the federal *Personal Information Protection and Electronic Documents Act (PIPEDA)* is not sufficient to restrict access to privileged and confidential information because PIPEDA includes an "unless required by law" provision, which means that a province's Insurance Act will override PIPEDA. Therefore, it is important that these exclusions are included in Saskatchewan's insurance legislation.

Alberta and BC insurance regulations have addressed this issue and we encourage Saskatchewan to harmonize its Insurance Act with those two provinces. Neither BC nor Alberta allows the insured access to confidential commercial information between the group policyholder and insurer; and document access is restricted to the class of insurance to which the group person insured or debtor belongs.

In Appendix A, we have provided examples from both the Alberta and BC regulations concerning the exclusion of privileged and confidential information.

Clause 8-165, Exclusions, Exceptions or Reductions

You asked CAFII to provide the rationale for our desire to include an exclusion for group insurance and creditor's group insurance modelled on Alberta and BC. You noted that there is no such exclusion in the current Saskatchewan Insurance Act and the proposed Bill 177 clause is identical to Ontario's.

Response: We acknowledge that Ontario's Insurance Act is not currently harmonized with Alberta and BC. However, the Ontario Ministry of Finance is currently engaged in a consultation with the industry on "Regulations for Parts V and VII of the Insurance Act."

While none of the four new Regulations being proposed deals with exclusions, exceptions or reductions, the Ministry's consultation document expressly states that "the proposed regulations are intended to harmonize with regulations already adopted by Alberta and British Columbia so as to provide similar rights to insured persons and policyholders in different jurisdictions. The harmonization is also intended to eliminate the cost to insurance companies of needing to comply with a multitude of different regulatory requirements."

The rationale for the revised subsection 704(5) in Alberta's Bill 11, enacted in 2008, was to remove impediments to the offering of simple insurance policies. British Columbia's Bill 40, subsection 88(5) is identical to Alberta's Bill 11, subsection 704(5) and was enacted in 2008 for the same purpose.

Under both the Alberta and BC legislation, group insurance contracts and creditor's group insurance contracts are exempted from the provision which requires an individual insurance policy to contain all exceptions or reductions affecting the amount of insurance proceeds payable. This is necessary because group insurance and creditor's group insurance are sold to institutions or associations but insure their members, not the entity. A group policy or creditor's group policy does not include details of the coverage for the insured person, as it is intended to outline the terms of coverage being provided to the group as a whole. Instead, the details of the insured person's coverage are disclosed in the certificate of insurance provided to them.

We trust that the information above will be helpful in your further consideration of Bill 177.

5-38, Representative's Duty of Disclosure

In our call, a CAFII member outlined the Association's issue with the expectation of written disclosure. This clause stipulates that the "in writing" part must be provided in advance, potentially before an individual has even purchased the product and before he/she is even a customer. You indicated that you now had a better understanding of CAFII's concern in this area and would review the clause again and get back to us on it.

CAFII looks forward to hearing back from you on this matter and to further consultation on the ensuing Regulations.

Should you require further information from CAFII or wish to meet with our Association at any time, please contact Brendan Wycks at brendan.wycks@cafii.com or 647-218-8243.

Sincerely,



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

c.c. Janette Seibel, Lawyer, Financial Consumer Affairs Authority

Appendix A

Alberta Regulation 120/2001: Prescribed information re group and creditor group insurance

3.3 The prescribed information for the purposes of sections 642(8)(b) and 699(8)(b) of the Act is information in a policy of group insurance or creditor group insurance that, if disclosed, would reveal

- (a) confidential commercial information that a reasonable person would think could harm the competitive position of the insurer or insured, or
- (b) plan design and benefits information relating to different classes of debtor insured, group life insured or group persons insured covered in the same policy.

Insurance Regulation (B.C.) [Revised Regulation]: Confidential information disclosure limits — group contracts

8 (1) In this section, "**confidential commercial information**" means information in a policy of group insurance or creditor's group insurance the disclosure of which

- (a) could reasonably be expected to harm the competitive position of the insurer or insured, or
- (b) would reveal plan design and benefits information relating to a different class of group life insured, group person insured or debtor insured than the group life insured, group person insured or debtor insured to whom or in respect of whom the disclosure is being made.

8 (2) For the purposes of sections 41 (8) (b) *[issuance and furnishing of policy]* and 96 (8) (b) *[issuance and furnishing of policy]* of the Act, the insurer may withhold confidential commercial information that

- (a) does not relate to the rights, responsibilities or coverage of the group life insured, group person insured or debtor insured under the contract, and
- (b) the insurer did not rely on to determine the rights, responsibilities or coverage of the group life insured, group person insured or debtor insured under the contract.

May 19, 2015

Insurance Policy Branch, Ministry of Finance
Frost Building North, 4th Floor
95 Grosvenor Street
Toronto, Ontario M7A 1Z1

Re: Parts V and VII, Insurance Act Consultation

Dear Sir or Madam:

The Canadian Association of Financial Institutions in Insurance (CAFII) appreciates the opportunity to provide input on four proposed regulations related to Parts V and VII of the Insurance Act. We have organized our input in accordance with the three questions posed in the consultation paper.

1. Based on the goal of harmonization, are the changes in the four proposed regulations sufficient to adhere to this intent?

Overall, we believe that the proposed regulations will go a long way towards achieving their intent of providing similar rights to insured persons and policyholders in different jurisdictions. It will also make it easier and less costly for our members to do business in multiple jurisdictions.

However, we offer the following comments on two areas in which we believe the regulations fall short of the harmonization objective.

Prescriptive Language Re Ontario Limitations Act, 2002

In subsections 175(2)(7), 176(8), 177(1)(7), 294(6), 296(8), and 298(7) of the amended Ontario Insurance Act, language is set out which will require that "the following statement" be included in an insurance policy:

"Every action or proceeding against an insurer for the recovery of insurance money payable under the contract is absolutely barred unless commenced within the time set out in the Limitations Act, 2002."

You may be aware that in other jurisdictions, the time limits are set out in various documents: the Insurance Act (BC, AB, MB, NB, NS, PE, YK NT, NU – the title of the Act may vary by province), Limitations Act (SK, NF), and Civil Code (QC). As a result, the prescribed language would require us to produce customized documents for Ontario insureds.

Instead, we recommend that the phrase "the following statement" be changed to "a statement to the following effect" (similar to the phrase found at s. 302, Notice of Statutory Conditions) so that insurers can use a national statement along the following lines:

Every action or proceeding against an insurer for the recovery of insurance money payable under the contract is absolutely barred unless commenced within the time set out in the Insurance Act (BC, AB, MB, NB, NS, PE, YK, NT, NU – title of act may vary by jurisdiction), Limitations Act (SK, NF), Limitations Act 2002 (ON), Civil Code (QC), or other applicable legislation.

Gap in Ontario Insurance Act Re Group Life Insured, Enforcing Rights

We believe that there is a gap in the amended Ontario Act re *Enforcement of right re creditor's group insurance* in subsection 201.1(3): "Where the debtor insured provides evidence satisfactory to the insurer that the insurance money exceeds the debt then owing to the creditor, the insurer may pay the excess directly to that debtor insured."

This provision fails to contemplate a situation where the debtor insured is deceased or otherwise incapable of enforcing his/her rights. We recommend that Ontario harmonize with Alberta as follows:

736(3) If satisfactory evidence is provided to the insurer that the insurance money exceeds the debt then owing to the creditor, the insurer may pay the excess directly to the debtor insured or to a debtor who is jointly liable for the debt with the debtor insured.

This would accommodate situations where the debtor insured is not able to give discharge for the excess insurance money and allow payment of any excess to a debtor who is jointly liable for the debt.

2. In regard to the proposed regulations extending confidentiality, are there any other circumstances for which confidentiality should be provided?

CAFII is pleased with the wording of the proposed regulations related to additional confidential information for group life and group accident and sickness policies and does not have recommendations for additional circumstances for which confidentiality should be provided.

3. Should the amendments to Parts V and VII be proclaimed on July 1, 2015; January 1, 2016; or some other date in order for an adequate transition period; and why is the length of transition period required?

When provinces are finalizing new regulations, CAFII requests that lead time of 12 to 18 months be provided to facilitate our members' implementation of changes. These changes inevitably become major projects within our member organizations and it takes time to ensure that necessary systems changes are made, forms revised, staff trained, and consumers notified of how the changes affect them.

Therefore, we recommend that the amendments to Parts V and VII be proclaimed into force on January 1, 2017; or on July 1, 2016 at the earliest.

Closing Remarks

CAFII strongly supports harmonization of regulations across jurisdictions and commends the Ontario Ministry of Finance for working toward this objective and for consulting with the industry prior to finalization of the new regulations.

Should you require further information from CAFII or wish to meet with our Association at any time, please contact Brendan Wycks, our Executive Director, at brendan.wycks@cafii.com or 647-218-8243.

Sincerely,



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

ABOUT CAFII

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

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

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

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

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

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

May 1, 2015

Secretary
Financial and Consumer Services Commission
85 Charlotte Street, Suite 300
Saint John, NB E2L 2J2

Dear Sir or Madam:

The Canadian Association of Financial Institutions in Insurance (CAFII) appreciates the opportunity to offer comments on proposed FCNB *Rule INS-001 Fees* in relation to the Insurance Act.

Overall, we support the thrust of the proposed changes. We are pleased to see that there will be no distinction in the licensing process and related fees between resident and non-resident applicants.

We also enthusiastically support the FCNB's efforts to develop an on-line licensing system and we encourage the Commission to develop the system with a view to eventual integration with a national licensing system. A national online system would facilitate multi-jurisdictional licensing as well as assist insurers and regulators in undertaking background checks and criminal record checks on license applicants.

That said, we have a few particular concerns which we have outlined below.

1. Section 10 "Coming into force of deadline for filing a renewal application" and Section 11 "Coming into force of the late filing fee".

We recommend a one-year phase-in/transition period for the changes rather than three months as outlined in these sections. Further, during that one-year transition period, we recommend that any renewal application not filed at least one month prior to the expiry date should give rise to a warning/reminder communicate rather than a late fee penalty.

2. Sections 2(3), 7(1) and 7(2)

We would like refunds of license fees, in the circumstances specified, to be routine and automatic, rather than at the Superintendent's discretion. Making a refund automatic in those circumstances is only fair and reasonable, and necessary to provide some balance and an offset to the introduction of a provision, in 2(3), that licence application fees paid are completely non-refundable "regardless of whether the application is abandoned, issued or denied by the Superintendent."

On a related point, we have significant concerns about the timeframe for license renewals outlined by the Insurance Division in its Information Bulletin of March 24, 2015.

The Division indicated that it intends to mail out a renewal package eight (8) weeks in advance of a licensee's expiry date and that renewal applications must be received by the Division four(4) weeks prior to the license renewal date to ensure the licensee receives a new license before the expiry date of the existing license.

That leaves licensees only four (4) weeks to complete and return the application and that simply isn't enough time to complete all of the requirements of the renewal process, i.e. completing the application; sending the application to the insurer to complete its requirements (confirming no errors or omissions); sending the application from the insurer back to the licensee; and, finally, mailing the application to the Insurance Division. As a result, we recommend that the renewal package be sent out ten (10) to twelve (12) weeks prior the license expiry date.

CAFII thanks the Financial and Consumer Services Commission for the opportunity to submit our comments on *Rule INS-001 Fees*. If you require further information or clarification on any of our points, please contact Brendan Wycks, our Executive Director, at brendan.wycks@cafii.com or 647-218-8243 to arrange a mutually convenient time for a follow-up discussion.

Sincerely,

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

Gregor Grant, MBA, FLMI, ACS
Secretary and Chair, Executive Operations Committee

c.c. Angela Mazerolle, Superintendent of Insurance
David Weir, Deputy Superintendent of Insurance

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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.