



CAFII EOC Meeting
Tuesday, May 28, 2013
Location: CIBC, Commerce Court
199 Bay Street, 4th Floor, Imperial Room, Toronto, ON
1:00 – 4:00 pm

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

Chair: J. Hines

Draft Agenda

- | | |
|--|-------------------------------------|
| 1. Call to Order | J. Hines |
| 2. Approval of Agenda | All |
| 3. Minutes | All |
| a. EOC Minutes and Action Items of April 23, 2013 | |
| b. Board Minutes of April 10, 2013 | |
| 4. CAFII Financials – Review | M. Fabian |
| 5. Decision Items | |
| a. Recommendation to Board Re CAFII Project Next Steps | S. Manson/ W. Eccles/ J. Poolman |
| 6. Regulatory Update | |
| a. CCIR E-Commerce Position Paper | B. Wycks |
| b. Webinar on E-Commerce & Digital and Social Media for CCIR | B. Wycks |
| c. Regulator Visits | B. Wycks |
| i. Meeting with Joanne Abram and Ron Gilbertson, Alberta Insurance Council | M. Gill / S. Gelgor |
| ii. Meeting with Gerry Matier, BC Insurance Council | S. Gelgor / J. Lewsen |
| iii. Proposed Visit to AMF in Quebec City | B. Wycks |
| iv. Regulator Visit Plan | B. Wycks |
| v. Regulatory Newsletter | B. Wycks |
| 7. CAFII Priorities and EOC Committees | |
| a. CAFII Priorities by Committee | B. Wycks |
| b. Distribution and Market Conduct Policy Committee | S. Manson / W. Eccles |
| i. AMF Distribution Guide | |
| ii. Quebec Insurance Act Re-write | |
| iii. Project on IAIS Core Principles | |
| c. Licensing Efficiency Issues Committee | M. Gill |
| d. Media & Advocacy Strategy Committee | S. Gelgor / J. Lewsen |
| i. Communications Strategy | B. Wycks |
| ii. Logo Redesign & Rebranding Initiative | B. Wycks |
| iii. Industry Issues and Trends E-Newsletter | |
| e. Event & Networking Committee | P. Yeung / M. Sanchez- |
| i. Speaker for June 11 Regulator Reception | Chung |

J. Hines

8. Governance

- a. CAFII Bylaw Provisions Governing Decision Making Where Board
Consensus Can't Be Achieved
- b. Appointment of CAFII Vice-Chair
- c. Board Meetings and EOC Member roles

J. Hines

J. Hines

9. Other Business

- Next Board Meeting/CAFII AGM/Regulator Reception is June 11, 2013 hosted by CIBC Insurance
- Next EOC meeting is June 25, 2013, in Toronto.

CAFII EOC Meeting Minutes
Tuesday, April 23, 2013
Action Items from the Meeting

| Agenda Item | Action Item | Responsible | Deadline |
|--|--|--------------------|-----------------|
| General | Action: In future, a person(s) or group responsible and a deadline date should be included with all Action Items in Board and EOC minutes. | L. Duigu | Ongoing |
| Regulatory Update | Action: B. Wycks to send a reminder notice to members asking them to check in-house re meeting the standard of responding to FSCO-referred complaints within 30 business days. | B. Wycks | May 23 |
| Regulator Visits | Action: AMF liaison meeting in Quebec City.- B. Wycks to confirm Quebec member availability & coordinate with other CAFII Board and EOC members re availability to attend this meeting in a June time frame | B. Wycks | May 31 |
| Financial Statements | Action: Treasurer M. Fabian to direct Senait Ghebru of T•O Corporate Services to re-invest the funds in CAFII's GIC vehicle in a one-year GIC. | M. Fabian | April 30 |
| CCIR Pre-Consultation Re TPAs | Action: B. Wycks to inquire with Carol Shevlin on the expected timing of pre-consultation teleconference; | B. Wycks | |
| | Action: B. Wycks to identify & communicate Key Messages for use during this call focusing on management of TPAs. | B. Wycks | |
| FSCO's Consumer Complaint Response Time Improvement Initiative | Action: B. Wycks to explore with CLHIA (Leslie Byrnes) background regarding their perspective on the matter. B. Wycks to prepare a letter to FSCO that CAFII is supportive of its response time improvement initiative. | B. Wycks | |
| FSCO's Draft 2013 Statement of Priorities | Action: DMC, EOC and B. Wycks to draft submission, | All | |
| Inter-Association Liaison | Action: B. Wycks to investigate membership in the Global Federation of Insurance Associations (GFIA) further. | B. Wycks | May 28 |
| | Action: B. Wycks to decline the invitation for CAFII to become an Association member of ABIA, but continue to explore the opportunity to co-operate and have an open, reciprocal relationship with this U.S. counterpart Association. | B. Wycks | |

CAFII Executive Operations Committee Meeting
Tuesday, April 23, 2013
Location: TD Insurance
120 – Adelaide Street W, 2nd Floor
Toronto, ON

Present: Rose Beckford ScotiaLife Financial (*for part*)
Charles Blaquiere Canadian Premier Life Insurance Co. (*teleconference*)
Emily Brown BMO Insurance
Andre Duval Desjardins Financial Security Life Assurance
Matthew Fabian BMO Insurance (*teleconference*)
Sara Gelgor ScotiaLife Financial (*for part*)
Moirra Gill TD Insurance
Greg Grant CIBC Insurance
Jennifer Hines RBC Insurance *Chair (teleconference, for part)*
John Lewsen BMO Insurance
Sue Manson CIBC Insurance (*for part*)
John Poolman Assurant Solutions

Also Present: Pamela Smith T•O Corporate Services
Brendan Wycks CAFII

Regrets: Wayne Eccles TD Insurance
Maria Sanchez-Chung MBNA Bank of Canada
Paul Yeung RBC Insurance

1. Call to Order

The meeting was called to order at 1:03 p.m. J. Hines acted as Chair and P. Smith acted as Recording Secretary.

J. Hines advised that due to an unavoidable scheduling conflict, she needed to excuse herself for a short period, during which Executive Director Brendan Wycks would assume the role of Chair.

2. Approval of Agenda

The agenda was approved as circulated.

Action: In future, a person(s) or group responsible and a deadline date should be included with all Action Items in Board and EOC minutes.

3. (a) EOC Minutes March 26, 2013

The Minutes of the EOC meeting held March 26, 2013 were received for information and the record.

Members reviewed the Action Items from the March 26, 2013 EOC meeting noting the following:

- 5(b) Regulatory Update: B. Wycks is waiting to hear from CLHIA regarding their position re FSCO re initiative to improve response times to consumer complaints.

Action: B. Wycks to send a reminder notice to members asking them to check in-house re meeting the standard of responding to FSCO-referred complaints within 30 business days.

- 5(c) Representation of Restricted Insurance Agency Licensees in Saskatchewan: S. Gelgor and M. Gill were unable to meet with Ron Fullan in Toronto but will endeavour to do so in Vancouver during the CLHIA Compliance Conference.

- 5(d) Regulator Visits Plan: M. Gill was unable to meet with Joanne Abram when she was in Toronto for the CISRO LLQP Stakeholder Information Session, but will endeavour to do so in Vancouver during the CLHIA Compliance Conference.

- 6(b)(ii) Follow-up With AMF Re Distribution Guide: B. Wycks contacted Leslie Byrnes at CLHIA to suggest that both Associations ask the AMF to share the next iteration of the Distribution Guide (DG) with industry stakeholders as soon as possible, to allow time for consultation and response feedback.

Eric Stevenson (AMF) recently advised he has delegated the DG project to two other AMF senior staff members: Stephane Langlois and Louise Gauthier who will meet with CAFII on the DG once the next iteration of the DG is complete.

3. (b) Action Items from April 10, 2013 Board Meeting

- 6.3 Planned Regulator Meetings:
AMF - B. Wycks will arrange a summer meeting with the AMF targeting the week of June 17-21 as suggested by Eric Stevenson, and ensure Quebec-based Board members (Linda Fiset of Desjardins and Richard Hebert of National Bank) are available to attend.

Action: AMF liaison meeting in Quebec City.- B. Wycks to confirm Quebec member availability & coordinate with other CAFII Board and EOC members re availability to attend this meeting in a June time frame

4. March 2013 Financial Statements

Treasurer M. Fabian reported that CAFII's bank balance remains in a strong position; 2013 revenue is about where it should be on year-to-date basis; and the Association's reserves are above where they need to be.

M. Fabian advised that a decision needed to be made about what to do with the funds invested in CAFII's Guaranteed Investment Certificate that was due to mature on May 7, 2013. It was recommended and agreed that the GIC be renewed for a one-year term.

Action: Treasurer M. Fabian to direct Senait Ghebru of T•O Corporate Services to re-invest the funds in CAFII's GIC vehicle back into a one-year GIC.

5. (a) CCIR Pre-Consultation re TPAs

A lengthy EOC discussion unfolded on this matter related to uncertainty about how CCIR was defining the terms "Third Party Administrator." For the purposes of this review a narrow/ targeted definition of TPA would be most appropriate and it was agreed that CAFII would work with CCIR on communicating this.

Action: B. Wycks to inquire with Carol Shevlin on the expected timing of pre-consultation teleconference;

Action: B. Wycks to identify & communicate Key Messages for use during this call focusing on management of TPAs. ."

6. Regulatory Update

- a. CAFII Newsletters - B. Wycks reported that for the second issue of the Regulatory newsletter, and inaugural issue of an Industry Issue and Trends E-Newsletter would be complete & ready for distribution shortly

- b. FSCO's Consumer Complaint Response Time Improvement Initiative -

Action: B. Wycks to explore with CLHIA (Leslie Byrnes) background regarding their perspective on the matter.

B. Wycks to prepare a letter to FSCO that CAFII is supportive of its response time improvement initiative.

- c. DMC discussed FSCO's Draft 2013 Statement Of Priorities, and agreed to make a brief submission.

Action: DMC, EOC and B. Wycks to draft submission. It was noted that the statement of priorities makes minimal reference to licensing and harmonization; Accordingly the submission should provide brief comments on some general insurance issues dealt with in FSCO's Statement of Priorities, given the pervasive impact of some proposed initiatives on the business environment for the entire insurance industry.

- d. Regulator Visits:

- Gerry Matier, Executive Director, Insurance Council of BC, should be asked about the TPA initiative during CAFII reps upcoming meeting with him
- It has not been possible to arrange a meeting with Carolyn Rogers, CEO FICOM - a congratulatory letter will be sent to her

- the draft regulations associated with the Manitoba Insurance Act will be distributed for consultation shortly. The 8% provincial sales tax has just been extended to insurance policies
- there is a possibility of arranging a liaison meeting with all of the Atlantic Canada regulators -- New Brunswick, Nova Scotia, PEI and Newfoundland -- in Moncton or Charlottetown.
- There is a need to make it a priority to connect with FCAC concerning financial literacy re insurance. M. Gill to probe this when she has lunch with our FCAC contact this week.

7. CAFII Priorities and EOC Committee

- a. B. Wycks' report on CAFII Priorities by Committee dated April 2013 was received by the EOC for information.
- b. Distribution and Market Conduct Policy Committee
S. Manson presented an overview update on the Distribution and Market Conduct Policy Committee's recent initiatives:

- (i) Proposed project on the International Association of Insurance Supervisors' (IAIS) Insurance Core Principles (ICPs):

E. Brown reported the DMC intended to develop a matrix that would map out the ICPs in relation to market conduct issues relevant to CAFII members. This would be an ongoing, dynamic, regularly refreshed matrix that would focus mainly on the ICPs 18 and 19 related to "Treat the Customer Fairly."

This could facilitate development of a presentation to regulators on how ICPs are reflected in the Creditor Insurance Market Conduct in Canada, highlighting that creditor insurance products do not give rise to conflict-of-interest situations.

There was general support for both parts of this proposed project, with the recommendation that the matrix be kept very "high level" and, if possible, restricted to a single page.

- (ii) Proposed project on industry complaint statistics:

R. Beckford advised that this initiative would be largely a compilation project bringing existing sources of complaint data together in one central repository, for CAFII's regulatory advocacy use and possible related applications. There was general support for this proposed project.

- (iii) Quebec/AMF Distribution Guide:

It was agreed that with respect to the key issue, the DMC would retain "working group ownership" for this project, but that strategy development and execution of

CAFII's responses to future iterations of the DG would draw upon the entire Executive Operations Committee.

c. Licensing Efficiency Issues Committee

M. Gill updated EOC members on recent developments with respect to efforts to secure representation for restricted insurance agent licensees on the Insurance Councils of Saskatchewan. CLHIA had recently approached Ron Fullan and become involved in this issue, such that there was now a need to interact with them on it. CAFII needed to ensure that the two organizations' proposals to Saskatchewan, while separate and autonomous, would not be in opposition to each other and, thereby, neutralize and negate each other in the eyes of the Insurance Council.

d. Media & Advocacy Strategy Committee

B. Wycks advised that:

- Discussion on logos had been deferred to the May EOC meeting following further work by the designer.
- CCIR Webinar is scheduled for Thursday May 30 from 12 p.m. – 2 p.m. Proposed content outline prepared by PwC has been reviewed & further development is underway.
- Communications strategy; Under development

d. Event and Networking Committee

- In the absence of Committee Co-Chairs Paul Yeung and Maria Sanchez-Chung, the EOC debriefed on the 15th Anniversary Event, noting the event was hugely successful for CAFII from many different perspectives, and very positive feedback has been received from many attendees. It was noted that having an "Assigned Host" for each Regulator guest worked very well and is a practice that should be repeated

8. Inter-Association Liaison

B. Wycks reported that CLHIA and IBC are founding members of the new Global Federation of Insurance Associations (GFIA). Membership is open to any organization that liaises with regulators nationally and/or internationally. The EOC agreed that subject to the required annual dues, it might be worthwhile for CAFII to join the GFIA, to raise the CAFII profile even though CAFII does not have an international component.

Action: B. Wycks to investigate membership in the Global Federation of Insurance Associations (GFIA) further.

J. Hines and B. Wycks reported on the opportunity for CAFII to form a mutually beneficial, reciprocal relationship with a counterpart Association in the U.S.: the American Bankers Insurance Association (ABIA), where discussion included the opportunity for a reciprocal agreement to access the Best Practices Panel. ABIA was agreeable to allowing CAFII to become an "Association Member" for annual dues of US\$750.00. It was agreed that rather than becoming a paying member, a reciprocal partnership that does not require ABIA membership is preferred.

Action: B. Wycks to decline the invitation for CAFII to become an Association member of ABIA, but continue to explore the opportunity to co-operate and have an open, reciprocal relationship with this U.S. counterpart Association.

9. Governance

In response to a concern about what happens when the Board, EOC or other committees cannot reach consensus, B. Wycks advised that section 5.11 of the bylaws deals with that matter:

5.11 Votes to Govern

Each director is authorized to exercise one vote. At all meetings of the board, every question shall be voted on and decided by at least a two-thirds majority of the votes cast on the question. Prior to the calling for votes on a question by the chair of the meeting, a director may request to have recorded in the minutes of the meeting the number or proportion of the votes recorded in favor of or against any resolution or other proceeding in respect of the said question.

It was agreed that CAFII had not been following that Bylaw provision in practice, but rather tried to reach consensus/unanimity on all key decisions. EOC members agreed to consider this matter, which would be brought back for discussion at a future meeting.

Concerning CAFII Bylaw provisions related to Chair and Vice-Chair of the Board, B. Wycks' report was received for information.

Concerning CAFII compliance with the new Canada Not-for-profit Corporations Act (CNCA), B. Wycks reported that this legislation required that CAFII, as a federally incorporated Corporation Without Share Capital (non-profit), file Articles of Continuance with Industry Canada by October 26, 2014. While action had not yet been taken to do so, based on his understanding of the Act, Mr. Wycks said he believed that CAFII would not need to amend its fairly straightforward existing Bylaw in order to be in compliance.

8. Termination

There being no further business, the meeting terminated at 3:50 p.m. The next EOC meeting will be held on Tuesday, May 28, 2013 at 1:00 pm in Toronto.

Date

Chair

Recording Secretary

CAFII Board Meeting Minutes
Wednesday, April 10, 2013
Action Items from the Meeting

| Agenda Item | Action Item |
|--------------------------------------|--|
| 4. Board Minutes | Action: Action Items lead sheet to include columns for the party responsible and a proposed due date for each. |
| 6.3. Planned Regulator Meetings | Action: B. Wycks to contact AMF to arrange a summer meeting for a CAFII delegation with their staff executives. Action: B. Wycks to liaise with Ron Fullan regarding the exact date of CISRO's next quarterly LLQP Stakeholder Information Session, with a view to determining whether a meeting with CAFII representatives could be arranged during his visit to Toronto at that time. Action: B. Wycks to make contact with FCAC to see if we can provide them with any further information at this time. |
| 7.1. CAFII Project | Action: EOC to prepare a proposal regarding this project for approval at the June 11, 2013 Board meeting. |
| 7.3.3. CAFII Communications Strategy | Action: MAC to work on reviewing the CAFII Communications Strategy and report back at the June 11, 2013 Board meeting. |

CAFII Board of Directors Meeting
Wednesday, April 10, 2013
Location: RBC Insurance
Royal Bank Plaza,
200 Bay St., 40th Floor, Main Lounge,
Toronto, ON

Draft Minutes

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|----------------------|---------------------|--|----------------------------|
| Present: | Dave Minor | TD Insurance | <i>Acting Chair</i> |
| | Rick Lancaster | CIBC Insurance | |
| | Isaac Sananes | Canadian Premier Life Insurance Co. | |
| | Linda Fiset | Desjardins Financial Security Life Assurance | |
| | Yvonne Ziomecki | AMEX Bank of Canada | |
| | Richard Hebert | National Bank Insurance Co. | |
| | Rino D'Onofrio | RBC Insurance | |
| | Bob Zanussi | Assurant Solutions | |
| EOC Present: | Andre Duval | Desjardins Financial Security Life Assurance | |
| | Wayne Eccles | TD Insurance | |
| | Maria Sanchez-Chung | TD Insurance | |
| | Charles Blaquiere | Canadian Premier Life Insurance Co. | |
| | Paul Yeung | RBC | |
| | Greg Grant | CIBC Insurance | |
| | Sue Manson | CIBC Insurance | |
| | Jennifer Hines | RBC Insurance | <i>Secretary</i> |
| | Moirra Gill | TD Insurance | |
| | Sara Gelgor | ScotiaLife Financial | |
| | Rose Beckford | ScotiaLife Financial | |
| | John Lewsen | BMO Insurance | |
| | Emily Brown | BMO Insurance | |
| | Matthew Fabian | BMO Insurance | <i>Treasurer</i> |
| Also Present: | Brendan Wycks | CAFII | <i>Executive Director</i> |
| | Leya Duigu | T•O Corporate Services | <i>Recording Secretary</i> |
| Regrets: | Mark Cummings | ScotiaLife Financial | |
| | Julia Barker-Merz | BMO Insurance | |

1. Welcome and Call to Order

The meeting was called to order at 2:05 p.m. D. Minor acted as Chair, J. Hines acted as Secretary, and L. Duigu acted as Recording Secretary.

2. Review of CAFII Competition Guidelines

D. Minor reminded members that the Competition Guidelines provided in the package were adopted at the April 3, 2008 Board of Directors meeting. The practice of reviewing the guidelines was adopted at the start of the meetings to ensure that the CAFII Board's deliberations conform to its principles, which were briefly summarized.

3. Approval of Agenda

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The agenda be approved as circulated.

4. Minutes

4.1. Adoption of December 11, 2012 Board Meeting Minutes

The Action Items were reviewed by J. Hines and an update provided on the status of each. It was noted that a summary cover page of action items had been added to the Minutes for ease of reference.

Action: Action Items lead sheet to include columns for the party responsible and a proposed due date for each.

On motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The minutes of the meeting of the Board held on December 11, 2012 be adopted in the form presented, and that a copy of these minutes be signed and placed in the Minute Book of the Corporation.

5. Financial Update

Adoption of February 2013 Financials

M. Fabian, Treasurer, reported on the financials which were included in the meeting package. The bank balance is in a good position and membership fees are still coming in, so the balance is expected to be higher next month. Assets are looking healthy, liabilities are on track and we continue to have one GIC. We are close to 10% of budget and there isn't anything of note in the financials, as it is still early in the year.

In terms of membership dues, we received notification from the CFO of Swiss Re. that they will not be continuing their membership with the Association at this time. Therefore, membership revenue will be \$4800 less than anticipated; however, this shortfall will be more than offset by 15th Anniversary Celebration expenditures coming in at \$10K less than budgeted.

2012 Draft Audited Financial Statements

M. Fabian, Treasurer, reported that we are making some minor formatting changes to the audited statements in light of the new Accounting Standards for Non-Profit Organizations, and are going to begin reporting on cash flows.

As far as KPMG is concerned, there are no financial issues or concerns at CAFII.

It was noted that there was one typo error in the audited statements with respect to the 2011 insurance premium paid, which would be corrected.

On motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The draft 2012 audited financial statements of the Association be and are hereby approved in the form amended.

6. Regulatory Update

6.1. Regulatory Newsletter

B. Wycks reviewed the regulatory newsletter with meeting attendees and discussion occurred as follows:

- CCIR – new development. CCIR's Agencies Regulation Committee (ARC) has issued an invitation for consultation around use and oversight of Third Party Administrators (TPAs) in various lines of insurance. They would like to arrange a preliminary teleconference on this issue that will help shape their review. The goal of the call is to help CCIR define the issue further. B. Wycks has confirmed to CCIR that CAFII would like to participate in this.
- CISRO LLQP Stakeholder Information Session on April 9, 2013. Fay Coleman from TD Insurance attended with B. Wycks. New Development – they've released an agent competency profile which can be found online. There is an opportunity to provide feedback on this and they already have 700 respondents to an online survey. Over 90% of respondents are favourable towards the competency profile. CISRO is open to submissions from industry associations and B. Wycks will be reviewing to see if this is appropriate.
- Global Federation of Insurance Associations (GFIA) was established in October 2012. CLHIA and IBC are its founding Canadian members. Membership is open to any insurance industry association that deals with national and/or international insurance regulators. B. Wycks has reached out to them to enquire about membership for CAFII.

B. Wycks has received a lot of good feedback from the EOC regarding the regulatory newsletter. The plan going forward is to produce:

- a. A Regulatory Newsletter for Board and EOC Members, with more fulsome information (monthly except July and August) in hard copy.
- b. A separate version of the Regulatory Newsletter for Regulators and Associate Members (condensed version of #1).

In addition, an Industry Issues and Trends e-newsletter is in the works for CAFII Board & EOC members. This will be sent monthly, with the exception of July and August. B. Wycks will be exercising his judgement in terms of timing and urgency of news items as they occur.

6.2. Report on Regulator Meetings

6.2.1. February 14, 2013 Meeting with FSCO Re. Revised Disciplinary Procedures For Insurance Agents and Adjusters

FSCO met with CAFII and CLHIA (B. Wycks and Rosemary Troiani of RBC Insurance) on February 14 to outline its plans for modernizing disciplinary procedures for insurance agents and adjusters in Ontario. The industry is now waiting for FSCO to release its formal consultation paper on the proposed changes – to be followed by a 30 day consultation period for industry submissions -- which has been delayed until FSCO can meet with new Finance Minister Charles Sousa to advise him of this consultation.

6.2.2. March 21, 2013 Meeting with FSCO re. Improving Response Times..

G. Grant, J. Lewsen, J. Garvey (TD) and B. Wycks met with FSCO staff to discuss this. They would like to have 80% of complaints closed within 75 days and if they are able to do this they will be meeting their performance standard. They would like this new standard met by March 31, 2014 and would like the industry's co-operation and assistance in achieving it.

6.2.3. CCIR Invitation To Phone Consultation Re Third Party Administrators

Covered under 6.1.

6.3. Planned Regulator Meetings

Brendan Wycks reviewed this document briefly.

- BC – Meeting with Gerry Matier to be set up.
- Brendan was attempting to engage with some regulators while they are in town this week; however, he received polite declines as their schedules for the entire week are very full.
- Carolyn Rogers – plan is to have some volunteer leaders meet with her while in town they are in Vancouver for the CLHIA Compliance Conference in early May. Meetings still to be confirmed.
- Joanne Abram- B. Wycks had a get acquainted chat with her yesterday at the CISRO LLQP Session. S. Gelgor, J. Lewsen and M. Gill are trying to arrange a meeting with her while everyone is in Vancouver for the CLHIA Conference.

- Mark Prefontaine – will be attending the CAFII 15th Anniversary event tonight with Phil Howell. P. Yeung was able to speak with Phil who will be bringing a few Superintendents with him tonight.
- SK. Ron Fullan is in town this week and B. Wycks spoke briefly with him on LLQP issues yesterday. He will be attending the CAFII 15th Anniversary event. A meeting with Ron needs to be arranged for this year.
- MB. Jim Scalena will attending the CAFII 15th Anniversary event. Erin Pearson – a visit should be setup either for when she is in town or when a board member is travelling to MB.
- ON. P. Howell will be attending the CAFII 15th Anniversary event this evening.

Regulatory Issue: Quebec's 2-page Distribution Guide (DG). In response to B. Wycks' email to Eric Stevenson, a response was received from Stephane Langlois. It appears that Eric has delegated the DG file to Stephane and Louise Gauthier. B. Wycks has proposed a teleconference meeting for those two AMF staff members with CAFII's Distribution and Market Conduct Committee, augmented by other interested EOC members, for next Tuesday, April 16, and we are awaiting Stephane Langlois' response.

AMF – M. Gill noted that CAFII members have scheduled a regular meeting in the summer with the AMF to touch base with them. They have expressed an appreciation for these meetings and CAFII should arrange another meeting this year. There has been a fair bit of senior staff turnover there recently, and it would be highly beneficial for a delegation of CAFII representatives to attend a meeting in Quebec City. Mario Albert, AMF's CEO, has been very accommodating over the last few years and the dialogue has been very cordial and open.

Further feedback was received from CCIR that there was a perception that regulators not be perceived as being too close to industry. They also appreciate meetings being held internally within a bank rather than publicly.

Atlantic Task Force on ISI – this has been a standard item for some time on the Regulator Visits Plan. M. Gill noted that it was announced a number of years ago but we haven't heard anything since.

Atlantic Provinces – it would be ideal to arrange some visits to these provinces this year. Board members were asked if they could be available to conduct a visit to this area and to let B. Wycks know if they can and when. A few date options will be put forward and Board members will be asked to respond with their availability. Dave Minor noted that we have been doing lots of good work in covering our various jurisdictions and it would be a shame to let something fall through the cracks and be surprised by an issue.

Saskatchewan – a direct meeting with Ron Fullan in the near future is important, either in Saskatchewan or when he is visiting Toronto.

Action: B. Wycks to contact AMF to arrange a summer meeting for a CAFII delegation with their staff executives.

Action: B. Wycks to liaise with Ron Fullan regarding the exact date of CISRO's next quarterly LLQP Stakeholder Information Session, with a view to determining whether a meeting with CAFII representatives could be arranged during his visit to Toronto at that time.

OSFI – there is no particular plan to visit with them at this point.

Financial Consumer Agency of Canada -- Educational sessions were conducted with FCAC by Moira Gill, John Lewsen and Maria Sanchez-Chung. CAFII initiated the first one and was asked to attend a second. It would be good to do another visit with the FCAC. Of note is the brochure that was on their website over a year ago, which we found by chance and which contained incorrect information. Engaging them more will ensure that we are aware of any issues that arise which will affect us.

Action: B. Wycks to make contact with FCAC to see if we can provide them with any further information at this time.

Consumers Council of Canada. B. Wycks knows Ken Whitehurst, the Executive Director there, and it was noted that Leslie Byrnes (CLHIA) is on the advisory board to this organization on behalf of CLHIA.

Consumers Association of Canada. B. Wycks noted that Bruce Cran of Vancouver is the head of this organization. While Brendan, as Executive Director of the Marketing Research and Intelligence Association, has had adversarial exchanges with Mr. Cran, it was observed that he has been reasonably helpful to CAFII in the past.

Rick Lancaster reported observed that, in his opinion, it is becoming increasingly important for CAFII to cultivate beneficial relationships with industry and consumer organizations, in addition to regulators. Regulator relationships are long-term and move relatively slowly, but industry changes, etc. occur quickly. Having cordial, communicative relationships with industry and consumer organizations will ensure that we are at least in the loop when such changes are imminent.

7. Committee Reports on Addressing CAFII Priorities

7.1. Distribution & Market Conduct Committee

B. Wycks briefly summarized the preparatory meeting for this Board meeting, in which Board Chair Mark Cummings had provided the following advice: the Board hasn't yet had an opportunity to have a thorough discussion on the CAFII Project, and it would therefore be premature to have the Board make a decision at the April 10 meeting on how to wrap up the project. Instead, a discussion should be held in order to draw out the different perspectives of Board members. Based on that input, the EOC can take the feedback and develop a final proposal for approval at the June 11 Board meeting.

7.1.1. CAFII Project

The CAFII project was discussed and it was agreed that the EOC shall prepare a proposal for approval at the June 11, 2013 Board meeting.

Action: EOC to prepare a proposal regarding this project for approval at the June 11, 2013 Board meeting.

7.2. Licensing Efficiency Issues Committee

7.2.1. CLHIA Restricted Insurance Agency Licensing In SK Advisory Committee

Moira Gill recapped the Licensing Efficiency Issues Committee's work on developing a proposal for representation of restricted insurance agency licensees with the Insurance Councils of Saskatchewan. The committee had engaged a legal firm to assist in this work. The committee had reviewed an initial draft and was now close to be finalizing a polished proposal.

However, there had been an 11th hour change, in that CLHIA had recently decided to become engaged in this process. There is now a CLHIA Advisory Committee working to make a recommendation on this issue. Moira and Jennifer Hines are sitting on the CLHIA Advisory Committee, representing distributors.

CAFII has been involved in this matter for some time and Moira therefore was not at liberty to divulge our position to the CLHIA committee, given that CAFII has invested in advice from legal counsel.

It is Moira's recommendation that CAFII will and CLHIA should proceed independently and make separate submissions to Saskatchewan, which was supported by the Board. Sara Gelgor noted that there is a precedent on another issue in which both organizations worked independently.

Moira has communicated, to CLHIA, CAFII's position in favour of separate submissions to Saskatchewan. Having the benefit of chairing CAFII's LEIC and being at the CLHIA Advisory Committee table, she noted that the proposals being developed by the two organizations are not at cross-purposes and do not undermine each other.

7.3. Media & Advocacy Committee

7.3.1. Next CAFII Webinar for CCIR

B. Wycks reported that work on this is coming along very well. A teleconference on March 28 involving Debbie Dimoff and Davis Yoo of PwC, Carol Shevlin of CCIR, Jennifer Hines and himself – in which PwC's content outline for the webinar was reviewed – had been very productive.

Timing: Carol Shevlin is currently canvassing CCIR members on Thursday, May 30 and Friday, May 31 date/time possibilities for this webinar.

7.3.2. CAFII Logo Redesign & Rebranding

B. Wycks reported that this initiative is coming along quite well. He and L. Duigu have provided feedback to designer Chrissy Aitchison on her initial concepts, and we are moving toward presenting some three logo options at the next EOC meeting. This initiative will also include rebranding of newsletters, emails, regulator submissions, letterhead and envelopes.

J. Lewsen noted that the goal is to create a standard look and feel for anything we put out on behalf of CAFII.

7.3.3. CAFII Communications Strategy

B. Wycks has had an opportunity to review the Communications Strategy created by Richard Evans for the Board in 2012.

His feedback on that Communications Strategy is that based on where CAFII is today and as per member reactions to recent media communications opportunities, a “reactive but prepared” approach to media and public communication; and a concentration on proactive relationship-building and communications with regulators is appropriate for the Association at this time.

In Board discussion of this issue, the following observations were made:

Rick Lancaster noted that CAFII’s communications focus has been on regulators and that should be continued. However, he has recently come to the view that we may get blind-sided via social media and on the consumer side. As a first step, CAFII should do more relationship-building and advocacy with consumer-oriented associations with the goal of identifying high risk areas.

Dave Minor noted that a common communications used by CAFII member FIs is to use consumer polls to inform and create media and public communication opportunities. This can be used as the by CAFII as a basis for entering engaging with the media. This can be strategic in focus and relatively neutral in content, and is it’s a great vehicle for getting messages out there. The main expense is in commissioning the polls.

Paul Yeung advised that there is an inherent risk whenever CAFII or its members communicate proactively about their products or business. For every positive argument that can be made on creditor insurance, a negative argument exists as well. The risk versus reward of doing anything proactive needs to be debated. Social media is here and perhaps having a strategy with respect to it is a good idea. Before embarking on a proactive strategy, we need to be cognizant of the risk.

Yvonne Ziomecki indicated that she supports Dave Minor’s suggestion of using surveys to generate positive, low risk communication opportunities – which can stay high level and not be product-specific. In terms of social media, we don’t necessarily have six hours to respond; so there should be someone available to respond right away.

Dave Minor advised that for every decision we make in terms of external communication, whether proactive or reactive, we should go in with our eyes wide open on the risk. We need to be selective in terms of the issues and scenarios we are willing to go public on.

Greg Grant noted that we should also ensure that regulators have all the necessary collateral and information at their disposal to be able to respond to media inquiries that come to them about creditor insurance and other CAFII members' products.

Jennifer Hines indicated that Board Chair Mark Cummings had stated that CAFII should have a comprehensive, focused Communications Strategy document that will be used to inform our actions and decisions going forward.

Action: MAC to work on reviewing the CAFII Communications Strategy and report back at the June 11, 2013 Board meeting.

7.4. Networking & Eventing Hosting Committee

7.4.1. CAFII 15th Anniversary.

P. Yeung thanked B. Wycks and L. Duigu for all their work on the 15th Anniversary Celebration. There are approximately 90 attendees coming tonight. We have Benoit Huot, a Canadian Paralympic swimmer and 19-time medallist, as our guest presenter; and our entertainment is a quartet from the Royal Conservatory of Music.

B. Wycks circulated a briefing document regarding our issues with regulators at this time. He also assigned each Board and EOC member a role as "host" to a regulator guest this evening.

7.4.2. June 11, 2013 Regulator Reception Event.

B. Wycks reported we have booked a speaker for the next meeting, Doug McPhie, Ernst & Young's Canadian Insurance Practice Leader, who will be speaking on E&Y's 2013 Life Insurance Outlook.

8. Other Business

No other business was raised or discussed.

9. Termination

On motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The meeting be terminated at 4:40 p.m; and that the next meeting of the Board is to be held on Tuesday, June 11, 2013 in Toronto, hosted by CIBC Insurance.

CAFI

55 St Clair Ave West, Suite 255

Toronto, ON M4V 2Y7

Balance Sheet

As at April 30, 2013

| ASSETS | Current 2013 |
|--|------------------|
| Current Assets | |
| Bank Balance | \$237,624 |
| Investments ^A | \$52,097 |
| Accounts Receivable | \$33,100 |
| Interest Receivable | \$741 |
| Prepaid Expenses | \$237 |
| Computer/Office Equipment | \$2,334 |
| Accumulated Depreciation -Comp/Equip | (\$194) |
| Intangible Assets-Trademarks | \$0 |
| Accumulated Amortization-Trademark | \$0 |
| Total Current Assets | \$325,938 |
| TOTAL ASSETS | \$325,938 |
| LIABILITIES | |
| Current Liabilities | |
| Account Payable ^B | \$8,486 |
| Deferred Revenue | \$97,150 |
| Total Current liabilities | \$105,636 |
| TOTAL LIABILITIES | \$105,636 |
| UNRESTRICTED NET ASSETS | |
| Unrestricted Net Assets, beginning of year | \$179,424 |
| Excess of revenue over expenses | \$40,878 |
| Total Unrestricted Net Assets | \$220,302 |
| Total Unrestricted Net Assets | \$220,302 |
| TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS | \$325,938 |

Minimum Reserve = Greater of:

| | |
|--|------------|
| Reserve at 25% of Annual Operating Expense = | \$ 61,383 |
| Reserve at 6 months of Operating Expense = | \$ 121,759 |

2013 Reserve (based on 6 month Reserve):

C A F I I
55 St Clair Ave West, Suite 255
Toronto, ON, M4V 2Y7
Balance Sheet Items
As at April 30, 2013

Item A

Investment Portfolio

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

Item B

Accounts Payable

| | |
|---------------------------|-----------------|
| | Total |
| | 13.18 |
| | 180.33 |
| | 309.92 |
| | 5,367.50 |
| | 1,889.36 |
| | 69.53 |
| | 656.47 |
| Total outstanding: | 8,486.29 |

CAFII

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

Statement of Operations As at April 30, 2013

| REVENUE | Current Month | Current YTD | Budget 2013 | % Used | YTD 2012 Balance | % Used YTD 2012 |
|--|------------------|------------------|------------------|--------|------------------|-----------------|
| Membership Fees | \$34,175 | \$136,700 | \$410,100 | 33% | \$138,300 | 36% |
| Interest Revenue | \$62 | \$248 | \$750 | 33% | \$204 | 204% |
| | <u>\$34,237</u> | <u>\$136,948</u> | | | 138,504.32 | |
| TOTAL REVENUE | \$34,237 | \$136,948 | \$410,850 | 33% | \$138,504 | 36% |
| EXPENSE | | | | | | |
| Association Operating Expenses | | | | | | |
| Management Fees | \$18,697 | \$74,590 | 209,150 | 36% | \$23,539 | 34% |
| Lawrie Savage Fees | \$0 | \$0 | - | | \$58,717 | 35% |
| CAFII Legal Fees/Corporate Governance | \$0 | \$0 | 10,500 | 0% | \$0 | 0% |
| Audit Fees | \$1,617 | \$1,617 | 13,250 | 12% | \$347 | 4% |
| Insurance | \$237 | \$946 | 5,368 | 18% | \$946 | 22% |
| Website (incl translation) | \$21 | \$31 | 540 | 6% | \$183 | 34% |
| Telephone/Fax/Internet | \$1,249 | \$1,365 | 750 | 182% | \$175 | 8% |
| Postage/Courier | \$89 | \$108 | 500 | 22% | \$67 | 6% |
| Office Expenses | \$47 | \$807 | 4,500 | 18% | \$209 | 8% |
| Bank Charges | \$33 | \$70 | - | 0% | \$25 | 1% |
| Miscellaneous Expenses | \$0 | \$0 | - | 0% | \$0 | 0% |
| Amortization Expense | \$0 | \$0 | - | 0% | \$0 | 0% |
| Depreciation Computer/Office Equipm ¹ | \$39 | \$156 | 640 | 0% | \$0 | 0% |
| Sub Total Association Operating Expenses | \$22,027 | \$79,690 | | | \$84,208 | |
| Distribution & Market Conduct Committee | | | | | | |
| Provincial Regulatory Review | \$26 | \$26 | 35,000 | 0% | \$0 | 0% |
| Research/Studies | \$0 | \$0 | 42,000 | 0% | \$5,085 | 12% |
| Sub Total Distribution & Market Conduct Committee | \$26 | \$26 | | | \$5,085 | |
| Licensing Efficiency Issues Committee | | | | | | |
| Regulatory Model (s) | \$15 | \$15 | 12,000 | 0% | \$0 | 0% |
| Federal Financial Reform | \$0 | \$0 | - | | \$0 | 0% |
| Sub Total Licensing Efficiency Issues Committee | \$15 | \$15 | | | \$0 | |
| Media & Advocacy Strategy Committee | | | | | | |
| Tactical Communications Strategy | \$11 | \$11 | 25,000 | 0% | \$893 | 4% |
| Association Branding | \$0 | \$0 | 7,000 | 0% | \$0 | 0% |
| Sub Total Media & Advocacy Strategy Committee | \$11 | \$11 | | | \$893 | |
| Networking & Events Committee | | | | | | |
| Board/EOC/AGM Expense ² | \$8,752 | \$10,982 | 10,000 | 110% | \$6,891 | 33% |
| Networking Events | \$0 | \$0 | 3,500 | 0% | \$0 | 0% |
| 15th Anniversary Event | \$5,346 | \$5,346 | 30,000 | 18% | \$0 | 0% |
| Sub Total Networking & Events Committee | \$14,099 | \$16,329 | | | \$6,891 | |
| Media Relations, CAFII Consultant | | | | | | |
| Media Relations, CAFII Consultant | \$0 | \$0 | - | | \$5,910 | 49% |
| Sub Total Media Relations, CAFII Consultant | \$0 | \$0 | | | \$5,910 | |
| TOTAL EXPENSE | \$36,178 | \$96,070 | 409,698 | 23% | \$102,988 | 22% |
| EXCESS OF REVENUE OVER EXPENSES | (\$1,941) | \$40,878 | \$1,152 | | 35,516.81 | |

Explanatory Notes:

- (1) Amortization of office equipment based on 4 year straight line depreciation
(2) Board meetings and receptions, special Board or EOC lunch meetings, speaker expenses

CAFII

Toronto, ON M4V 2Y7

Membership Fees As At April 30, 2013

| | <u>Jan-13</u> | | <u>Jul-13</u> |
|--|------------------|--------------------------------------|-------------------------------|
| | <u>Billed</u> | <u>Received</u> | <u>Billed</u> <u>Received</u> |
| TD Insurance | \$23,500.00 | 8-Mar-13 | \$23,500.00 |
| Assurant Solutions | \$11,750.00 | 22-Feb-13 | \$11,750.00 |
| BMO Insurance | \$23,500.00 | | \$23,500.00 |
| Canadian Premier Life Insurance Company | \$11,750.00 | 1-Mar-13 | \$11,750.00 |
| CIBC Insurance | \$23,500.00 | 8-Mar-13 | \$23,500.00 |
| National Bank Insurance Company | \$11,750.00 | 8-Mar-13 | \$11,750.00 |
| RBC Insurance | \$23,500.00 | 7-Mar-13 | \$23,500.00 |
| ScotiaLife Financial | \$23,500.00 | 12-Apr-13 | \$23,500.00 |
| Desjardins Financial Security Life Assurance Company | \$11,750.00 | 8-Mar-13 | \$11,750.00 |
| AMEX Bank of Canada | \$11,750.00 | 15-Mar-13 | \$11,750.00 |
| Avalon Actuarial | \$4,800.00 | 26-Apr-13 | |
| CSI Brokers Inc. | \$4,800.00 | 28-Mar-13 | |
| Dion, Durrell & Associates Inc. | \$4,800.00 | 15-Mar-13 | |
| KPMG | \$4,800.00 | 12-Apr-13 | |
| Laurentian Bank of Canada | \$4,800.00 | 15-Mar-13 | |
| Oliver, Wyman Consulting Limited | \$4,800.00 | | |
| Optima Communications | \$4,800.00 | 12-Apr-13 | |
| RGA Life Reinsurance Company of Canada | \$4,800.00 | 1-Mar-13 | |
| Swiss Reinsurance Company Ltd | \$4,800.00 | Will not be renewing 2013 membership | |
| Munich Re | \$4,800.00 | 8-Mar-13 | |
| Aimia | \$4,800.00 | 15-Mar-13 | |
| The Canada Life Assurance Company | \$4,800.00 | 1-Mar-13 | |
| January Invoices | \$233,850 | | \$176,250 |
| July Invoices | \$176,250 | | |
| Total Membership Fees | \$410,100 | | |



May 23, 2013

Dear Stakeholder:

Re: Release of CCIR Position Paper

Electronic Commerce in Insurance Products

We are pleased to announce the release of a CCIR paper entitled *Position Paper: Electronic Commerce in Insurance Products* for a 60 day consultation period.

This is the second paper from the Electronic Commerce Committee (ECC). ECC's objective with this position paper is to communicate back to stakeholders what we have learned from the consultation and to set out ECC's recommendations to CCIR members regarding the issues discussed. These recommendations are intended to afford consumers with an adequate level of information and protection regardless of how the insurance is sold.

The position paper is attached to this e-mail. It is also available on the CCIR website (www.ccir-ccrra.org). CCIR encourages all interested parties to review and comment on the paper. We ask for comments to be submitted by July 26, 2013.

Electronic submissions would be preferred. Please note that CCIR intends to publicly release all submissions received pursuant to this consultation process by posting them on the CCIR web site.

All submissions should be forwarded to the CCIR Secretariat e-mail: ccir-ccrra@fscs.gov.on.ca

Sincerely,

Carolyn Rogers
CCIR Chair



POSITION PAPER

ELECTRONIC COMMERCE IN INSURANCE PRODUCTS

This document reflects the work of regulators who are members of CCIR. The views expressed should not be considered as legal opinions.

This document does not necessarily represent the official position or views of any provincial, territorial or federal government or agency.

May 2013

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1. INTRODUCTION

1.1 CCIR

The Canadian Council of Insurance Regulators (CCIR) is a forum for Canadian insurance regulators to collaborate to improve insurance regulation to serve the public interest.

CCIR adopted our *Approach to Risk-based Market Conduct Regulation* several years ago. Since then we have been implementing a risk-based approach in everything we do. We don't just react - we identify and assess risks first. We focus on the outcomes needed and how to accomplish them, not on rules and forms. We recognize that the best control is self-control, so we work with our industry stakeholders to develop industry standards so that all market participants know what is expected of them.

With a risk-based approach, regulators try first to understand what is happening in the marketplace, give industry the opportunity to respond, assess the quality of the industry response, and then determine if there are risks or gaps that may require the engagement of government policy staff to change the laws. In other words, policy-makers will intervene where problems remain unaddressed by the industry. This can also be described as a progressive approach to market conduct regulation.

If gaps or risks are identified, it is up to policy-makers in each jurisdiction to determine- based on their specific legislation and public policy objectives- what particular measures, if any, will be introduced, and in what manner, so that the regulatory goals of fair treatment of consumers and compliance with the laws can be met.

1.2 ELECTRONIC COMMERCE COMMITTEE

The use of the Internet by insurance providers has increased significantly over the past decade and should continue to grow.

While there is legislation in all Canadian jurisdictions governing electronic commerce in Canada, none applies specifically to financial products. As well, much of the insurance legislation currently in place in Canada was developed long before electronic transactions were contemplated. Both of these circumstances have been cited by some industry participants as factors in inhibiting the growth of electronic commerce for insurance products.

In CCIR's view, consumers must be afforded an adequate level of information and protection regardless of how the insurance is sold. In January 2012, CCIR's Electronic Commerce Committee (ECC) released an issues paper, entitled *Electronic Commerce in Insurance Products*, for public consultation. The goal of the issues paper was, among other things, to obtain

stakeholders' views on various issues and on how best to achieve the following consumer protection goals in the electronic commerce context:

- 1) Consumers have access to additional information/advice from a licensed intermediary;
- 2) Consumers know they are dealing with a regulated entity;
- 3) Consumers have and understand the necessary information about the products;
- 4) Consumers have the opportunity to review the accuracy of the information they provide;
- 5) Consumers are aware of the terms and conditions;
- 6) Consumers can rely on the transaction; and,
- 7) The consumer's personal information is secure.

The paper was also seeking stakeholders' comments on whether consumers are better protected if the designation of beneficiaries and the termination of an insurance policy continue to be paper transactions.

ECC met with a variety of stakeholders during the consultation period and ultimately received 25 submissions from stakeholders, the full-text of which has been posted on CCIR's website. We received responses from industry organizations representing insurers (both direct writers and others) and agents and brokers as well as individual insurers. No consumer groups were heard from, though their input was requested.

We wish to thank all of those who participated in the consultation.

1.3 PURPOSE OF THIS PAPER

ECC's objective with this position paper is to communicate back to stakeholders what we have learned from the consultation and to set out ECC's recommendations to CCIR members regarding the issues discussed.

ECC welcomes your comments on the recommendations presented in this paper.

2. RESULTS OF CONSULTATION AND RECOMMENDATIONS

CONSUMER PROTECTION OUTCOMES

The ECC was seeking several kinds of input from stakeholders with regard to the various consumer protection outcome presented in the issues paper:

- Whether the description of the topic was factually correct;
- Whether the issues identified were, indeed, significant (i.e. have the potential to negatively affect consumers);
- Whether all significant issues had been identified; and
- How the significant risks could be managed, referencing both the methods suggested as examples and other methods possible to achieve our consumer protection goals.

2.1 Consumers Have Access to Additional Information/Advice

There is a substantial information imbalance between the consumer and the insurer. It was the case before and, even though the Internet provides the consumer with much more information than before, it is still the case now. If not remedied, this gap can lead to undesirable situations that can negatively affect the consumer (invalid contract, over-insurance, etc.).

Consultation Outcome

The issues paper suggested various ways to overcome this issue of information imbalance. The majority of stakeholders gave their opinions on how to achieve the goal of protecting the consumer facing this lack of information or advice. The positions expressed were polarized:

- Generally, brokers and intermediaries are of the view that a licensed agent should be involved in each insurance transaction. They argue that a consumer who deals with such an agent to complete an application for insurance has access to appropriate, specific and suitable information from an individual who has a duty to act in the consumer's interest. Without the individualized guidance from a licensed agent, there is an increased risk of purchasing an unsuitable product, due to the consumer's lack of knowledge.

Others propose that at least the consumer be allowed to contact a licensed agent at any stage in the process.

- Insurers generally believe that the Internet allows for the same level of advice as other methods of interaction. Through the Internet, they provide consumers with products and self-assessment information and thus, there is no need to involve a licensed agent in each

transaction. They argue that Web architecture gives the insurer the ability to clarify information and present it to consumers in a logical and consistent manner.

They believe that consumers should be able to compare and access insurance products that meet their needs using the delivery channel and mode of interaction they want to choose. For insurers, the consumer's choice should prevail. Consequently, they generally support having a licensed agent available for contact at the consumer's request during business hours.

Recommendations

The mandate of insurance regulators is, among others, to make sure that the consumer's interests are adequately protected when purchasing insurance products. This mandate does not include influencing the consumer's preferred means of acquiring this product. It is indeed the consumer's right to choose which product to purchase and how to do so.

To protect the consumer's interests, the ECC believes that, regardless of the means of communication chosen, the product chosen by the consumer should suit its needs. For this goal to be reached, it is of paramount importance that consumers have access to all the information needed so they can understand the product they are offered and, ultimately, they can make an informed decision.

To be able to make this informed purchase decision, some consumers may need advice, others may not. Moreover, the level of advice needed may vary depending on the consumer. It is ECC's view that consumers should receive proper advice when needed, again regardless of how they contract the insurance product.

Some insurance products are more complex than others. By their nature, simple or generic products require less advice than more sophisticated or complex products. The level of advice needed could consequently vary depending on the product complexity. Therefore, the level of advice provided could be adjusted to the nature of the product offered. In all cases, consumers purchasing an insurance product should have access to a clear, straightforward and suitable level of advice at all time.

Finally, the ECC believes that it is not sufficient to provide the on-line consumer with information or to give passive access to advice. The consumer should also be made aware of the importance of advice. Before beginning an on-line process, the consumer should be presented with a disclosure stressing the importance of advice and how to obtain it.

On-line insurance providers, whether licensed agents, insurers or firms, have the responsibility to make sure that a consumer purchasing an insurance product makes an informed decision by:

- Providing the consumer with the information needed, in a timely and comprehensive way;
- Giving the consumer access to a suitable level of advice, taking into account, among others, the complexity of the product;
- Making the consumer aware of the importance of advice.

2.2 Consumers Know they are Dealing with a Regulated Entity

On the Internet, consumers have access to information originating from many countries and from various sources. Therefore, a consumer might have trouble determining whether the service provider is indeed registered with the regulator. For example, the consumer might buy an insurance product from a company that is not an insurer, or from an insurer that is not registered with a regulator of its jurisdiction.

Consultation Outcome

Most of the stakeholders agree with the importance for a consumer to have access to specific information with regard to the identity of the provider. However, they are of the view that this information should not necessarily be found on the website homepage of a provider.

Recommendation

To allow a consumer to verify the identity of the service provider and, if need be, to check whether it is registered with the regulator, the following information should be made easily, directly and permanently accessible on the websites of all providers that distribute insurance products online:

- Legal name of the provider;
- Geographic address of the provider;
- Telephone and electronic contact information, whereby consumers can reach the provider directly and easily;
- A statement that the provider is registered with the regulator, including its registration number and type;
- Contact information and information on how consumers can file a complaint, including a link to the regulator's website.

2.3 Consumers Have and Understand the Necessary Information about the Products

In order to make informed insurance decisions, consumers must have access to a minimum of specific information about the product they are interested in. It is important that consumers receive disclosure that can give them a basic and correct understanding of the product and costs associated with it.

It is also important that this information be presented in a simple, clear and timely manner.

Consultation Outcome

Most of the stakeholders agree with the benefits of presenting the consumer with sufficient information on the products and that timing is relevant when it comes to providing this information.

Recommendation

- Providers offering insurance products online should draw to the consumer's attention the following information before buying an insurance product, in a clear and simple language:
 - The type of consumer for whom the product is intended;
 - Main characteristics of the product;
 - Options and coverage provided by the product, as applicable;
 - Exclusions and limitations associated with the product, if any;
 - The total premium and other charges that the consumer will have to pay (including all applicable taxes) or, if an exact amount cannot be indicated, the basis for the calculation of the amount, so that the consumer can verify it;
 - The consumer's right to cancel, if applicable, as well as the duration of the cancellation period and procedures for exercising that right;
 - Any time limit on the validity of the information provided.
- Disclosure on providers' websites should meet all the legal obligations that are incumbent upon them.

2.4 Consumers Have the Opportunity to Review the Accuracy of Information They Provide

On the Internet, it is the consumer who completes the insurance application form without assistance. That process may be subject to error. To avoid such errors that would negatively affect consumers and providers, consumers should be given the opportunity to validate their answers once more.

Consultation Outcome

Stakeholders' submissions showed strong support for this proposition.

Recommendation

- Providers offering insurance products online should present to the consumer, before a contract is concluded, a summary of the information provided by the consumer in the application form.

2.5 Consumers are Aware of the Terms and Conditions

It is important that consumers have a copy of the application and the contract that they can refer back to following the transaction.

Consultation Outcome

Stakeholders' submissions showed support for this proposition.

Recommendation

- Providers offering insurance products online should provide the consumer with a copy of the application and the contract in a form that enables reproduction and storing.

2.6 Consumers Can Rely on the Transaction

Computer systems are not fault-free. A defect in a provider's computer network could have negative consequences:

- The transaction is not carried out;
- Information is not transmitted;
- Unauthorized alteration of a document.

Recommendation

- Providers offering insurance products online have the responsibility to use systems on which consumers can rely.

2.7 The Consumer's Personal Information is Secure

The Internet is an intangible medium, it is easily accessible and therefore it can be vulnerable. Using it to carry out insurance transactions has the potential to put the consumers' personal information at risk through:

- Leaking of personal information;
- Identity theft (of the insured, of the intermediary or of the insurer);
- Fraud and misappropriation;
- Money laundering.

Recommendation

- In compliance with applicable laws, providers offering insurance products online have the responsibility to make sure that consumer's personal information is secure

EXISTING PAPER TRANSACTIONS

2.8 Designation of Beneficiary

The consultation paper asked whether insurers and consumers should have the option of designating and changing beneficiaries using electronic means.

In the absence of specific legislative provisions that authorize electronic beneficiary designations, insurers continue to require designations to be made in paper form. Without a designation on paper, insurers consider there to be no designation at all and any insurance benefits are paid to the estate by default. This not only delays insurance payments to beneficiaries, but also renders the insurance proceeds both taxable and vulnerable to claims from creditors – probably not the result the consumer intended, yet our research shows that this is a very common result.

Both British Columbia and Alberta recently implemented regulatory changes that may make insurers more comfortable using electronic beneficiary designations¹. An industry best practices guideline is under consideration in Alberta which may include additional consumer protection such as written verification of change in beneficiaries.

We thank the CLHIA for giving us access to their proposed guideline/process for designating, altering or revoking beneficiaries electronically for consideration during the electronic commerce discussions.

The issues around beneficiary designation – electronic and otherwise – are all centered on whether a court will accept the designation, therefore, admissibility and related evidentiary issues should form a key component of any best practices guidelines. Evidence Acts already exist and care should be taken to follow them.

Consultation Outcome

Seven stakeholders (six insurer groups and one group of intermediaries) said electronic designations should be an option available for consumers to choose. It would be a convenient and reliable method for exercising this important right.

One group of investment planners, however, said beneficiary designations should continue to take the form of written documents.

None of the commentators would make any distinction between requirements for the initial designation vs. a change in beneficiary.

Recommendation

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

¹ See Section 547(2) of Alberta's Insurance Act and Section 5.4 of their Fair Practices Regulation

2.9 Termination of Insurance Contract by Insurer

Today, insurers give notice of termination of insurance contracts by registered mail or personal delivery. The consultation paper asked whether insurers should be able to terminate an insurance contract by electronic means, with both parties' consent.

BC and Alberta recently made significant changes in their insurance regimes but chose to continue the previous requirement that a notice of termination of insurance by the insurer be done on paper.

Consultation Outcome

Six insurer groups said that an electronic notice of termination of an insurance policy should be an option that consumers can choose, perhaps with an acknowledgement from the consumer or a "read receipt",

Three intermediary groups thought the current practice of paper notices should continue, perhaps with an additional notification by e-mail.

Recommendation

- In the interest of harmonization, the Committee does not recommend changes to existing practices at the current time.

COMPARISON SHOPPING SITES

The main function of these websites, namely, comparing various available coverage options, is similar to the advisory role normally played by brokers. However, the manner in which these entities are remunerated, and their ownership or business relationships with the insurers, raise questions about their independence, disclosure issues, and indeed, whether or not they are involved in transacting insurance and are therefore subject to regulation.

Consultation Outcome

The prevailing view is that no additional rules appear to be necessary at this time. Those sites should be held to the same obligations and bound by the same regulatory framework as other insurance entities in terms of information and advice provided.

Recommendation

- The line between simple comparisons only vs. transacting insurance must be clear. If not properly licensed, these entities must not:
 - provide advice,
 - hold themselves out as licensed insurers or firms, or
 - post insurance applications, which could mislead a consumer into thinking they are an insurance provider.
- Regulators will survey these websites and enforce the regulation when needed.

SOCIAL MEDIA

Social media are very much in vogue. As a rule, they facilitate social interconnection. They offer users a platform where they can interact, post content and share their views, thereby creating virtual communities and a sense of belonging.

There is also a commercial purpose to social media. Consumers visit sites to express an opinion about a company or product, or to read customer reviews prior to making a purchasing decision. Consumers' opinions about a company or product are now largely influenced by peer opinions.

The insurance industry is no exception: It is increasingly leveraging social media. Insurers are using social media sites to build and maintain customer relations, as a customer service tool and for marketing purposes.

Social media can benefit both providers of insurance products and consumers. However, risks are an inherent part of this communications channel: In the realm of social media, the barrier between consumers and professionals is thin and the "social" component clouds the issue by establishing a relationship of trust. Some providers could take advantage of the consumer's vulnerability, and often that leads to issues of conflict of interest and disclosure, in particular.

Recommendation

Although the issues paper did not specifically address social media, due to the growing popularity of this medium, it is important to communicate ECC's view on this topic.

- Social media are a form of communication like any other. CCIR is therefore of the view that the current legislative and regulatory framework apply. Consequently, rules pertaining to, in particular, ethics, advertising, suitability and file record-keeping, are to be followed when insurers and representatives use social media.

3. NEXT STEPS

- ECC will review the comments from stakeholders to this position paper, and will finalize its recommendations.
- Final recommendations will be presented to CCIR for adoption.
- Each jurisdiction will consider the recommendations and evaluate the circumstances in its own jurisdictions to determine what changes, if any, are necessary to implement them.
- CCIR will continue to monitor issues related to electronic commerce in insurance products.

4. HOW TO GIVE US YOUR COMMENTS

The ECC welcomes your comments on the recommendations presented in this consultation paper. This paper and all prior ECC publications are available on the CCIR's website, www.ccir-ccra.org.

We look forward to receiving your submissions by July 26, 2013, 2013.

Electronic submissions are preferred and should be forwarded to ccir-ccra@fsco.gov.on.ca.

Written submissions should be forwarded to:

CCIR Secretariat
5160 Yonge Street, Box 85
17th Floor
Toronto, Ontario M2N 6L9

CCIR intends to make the submissions received publicly available. If you indicate that you do not want your submission or specific parts of your submission to be made public, we will treat the submission, or the designated parts, as confidential to the limited extent permitted by law.



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**BRIEFING DOCUMENT FOR CAFII LIAISON MEETING WITH
JOANNE ABRAM, CEO, AND RONALD GILBERTSON, BOARD CHAIR,
ALBERTA INSURANCE COUNCIL**

MAY 7, 2013 IN VANCOUVER

This document sets out current issues, and related recent news, of interest to CAFII vis a vis the Alberta Insurance Council in particular, and also the insurance regulatory community in general.

ABOUT CAFII

CAFII's goal as an association is to foster an open and flexible marketplace that allows consumers an expanded choice in the purchase of insurance products and services.

CAFII members offer convenient and cost effective insurance alternatives for all Canadians.

- New structure with an Executive Director, and an enhanced website.
- CAFII intends to use the new structure for research, and communication. Indicate that we hope regulators will find the website a good source of information and hope they will let us know what further information they require.

Alberta Insurance Council Began Publishing Disciplinary Decisions Effective April 1, 2013: How Is This going?

On February 25, the Alberta Insurance Council announced that it will begin publishing disciplinary decisions effective April 1, 2013.

The Minister of Finance has issued an order directing the Alberta Insurance Council to publish the decisions of the General, Life and Adjusters' Insurance Councils effective April 1, 2013. There will be a link placed on the web site directing interested parties to the source of the decision.

National Database of Disciplinary Information

CCIR and CISRO have agreed in principle to move forward with an electronic form-based database as a central source for disciplinary information, and CCIR has approved a new Disciplinary Information Implementation Working Group (DIIWG) to oversee the building of the database.

The DIIWG is to be joint between CCIR and CISRO and co-chaired by Shonna Neil, FSCO's Senior Manager of Licensing, for CCIR; and a designate to be named by CISRO.

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The idea is to allow consumers, regulators and firms to search a single database to determine whether an insurance advisor has faced disciplinary action in any province across the country. The database would include listings for both life and property and casualty agents.

CAFII supports this initiative and encourages CCIR to take the national database concept even further by including not only disciplinary details but also licensing information for all insurance agents, as this information is also dispersed among different databases across the country.

From an operational standpoint, there are challenges associated with distinguishing between agents with the same name: regulators want to avoid having an advisor with a clean record mistaken for one with a history of misconduct.

To address this issue, **the Alberta Insurance Council (AIC) is pushing for each insurance advisor across the country to be assigned a unique registration number.** CAFII supports this thrust.

Alberta Superintendent's Request For Joint Review of Medical Questionnaires For Creditor and Travel Insurance (Raise with AIC Representatives only if prudent and appropriate to do so)

-See Appendix *Notes from Cathy Honor and Moira Gill meeting in January 2012 with Mark Prefontaine, Alberta Superintendent of Insurance, and Brad Geddes, Deputy Superintendent of Insurance*

CAFII (Brendan Wycks in early April 2013) has raised this with CLHIA (Leslie Byrnes), to see if CLHIA would be willing to take this under its wing, as it would be better to have the views of all relevant insurers represented in such deliberations, rather than just CAFII insurers.

(The Alberta Superintendent's raising of this issue with CAFII in January 2012 was pre-figured in CCIR's November 2008 final "Incidental Selling Of Insurance Report." The relevant excerpt is set out below:

In some situations, consumers did not fully understand or failed to appreciate the extent of the eligibility questions asked by the insurer. For example, many consumers would fail to disclose they saw a doctor in the last two years unless they were prescribed medication or had positive test results. Furthermore, consumers are not aware of the consequences of inadequate answers. The ISI WG believes that these situations do exist and may result in significant consequences (i.e.: coverage being rescinded). They therefore must be properly addressed and the consequences properly disclosed.

The ISI WG conducted a preliminary review of application forms relating to incidental insurance in order to appreciate their level of complexity. Eligibility questions and disclosure sections containing exclusions, restrictions and limitations ("ERL") of various insurers were reviewed. The ISI WG retained the Flesch reading ease test to conduct this review. The results were in line with the comments obtained from some stakeholders. Many documents reviewed were complex.

The ability of consumers to understand their eligibility, to understand ERL as well as the different elements of disclosure contained in ISI documents inevitably goes through an adjustment in the level of language used, structure of the qualification questions and the way the information is presented to consumers. Even though the bundling of medical questions⁵ can seem to be beneficial as it shortens the application forms, the ISI WG believes that it contributes to confusion of the consumer.

Over the years, the insurance industry has familiarized itself with techniques of plain language. The ISI WG believes that these techniques could be applied to the documents used in ISI. The application of these techniques would need to ensure that:

- o Plain language is used so that confusion for the consumers is significantly reduced;*
- o Consumers will be made clearly aware of consequences associated with improper filing of forms.*

The ISI WG encourages the industry to adopt plain language techniques but notes that it ultimately belongs to each regulator to determine if adoption of these techniques should be addressed solely through industry initiatives or by way of regulation.

Restricted Licensee Representation on Provincial Insurance Councils

CAFII is seeking the opportunity to have restricted licensees represented or otherwise participate on provincial Insurance Councils. The Licensing Efficiency Issues Committee identified a need for an analysis of options for BC, Alberta and Saskatchewan. This issue has been discussed with Saskatchewan and Alberta. CAFII has engaged legal assistance to assist in the analysis of options, given legislative and regulatory requirements, and preparation of a proposal, focusing on Saskatchewan in the first instance.

Insurance Act Reviews

Several provinces have made changes and several are planning changes. For major changes such as this, industry needs sufficient lead time- preferably 18 months.

Multi-Jurisdictional Licensing

Harmonized license requirements could reduce cost and complexity of licensing.

CAFII members have client contact centers and must manage licensing across a number of jurisdictions. Ideally, when agents are duly licensed in their home jurisdiction, CAFII would like this license to be recognized across all jurisdictions.

CAFII supports electronic license application and renewal systems as a means to increasing efficiency for both regulators and industry.

A national business number registration database would facilitate multi-jurisdictional licensing of intermediaries as well as assist insurers and regulators in undertaking background checks of licensees.

IAIS/IMF Audit of Canada Around Insurance Core Principles (ICPs)

The International Monetary Fund (IMF) will be conducting a financial stability assessment of Canada in 2013 under the Financial Sector Assessment Program (FSAP). The FSAP will assess Canada's adherence with international standards in the areas of insurance, banking, securities, payment/settlement systems, and fiscal transparency.

CCIR has shared with CAFII the news that, likely due to limited time and resources, the auditors/reviewers from the IMF will be taking a sample-based approach to Canada.

CCIR has learned that the IMF auditors will be looking at just Ontario and Quebec. They'll be on-site beginning in June, and working mainly out of Ottawa. They'll be looking at a wide range of financial system areas including banking, securities, clearing, solvency, and insurance.

How much time they'll have to focus on market conduct in insurance is unknown, but because the Insurance Core Principles (ICPs) are new, they may give that area a generous amount of time.

(Note ICP 18 deals with intermediaries, while ICP 19 focuses on Conduct of Business. It is in the latter that the "fair treatment of consumers" concept is embedded.)

CCIR Agencies Regulation Committee To Review Third Party Administrators (TPAs)

CCIR has approved a work plan for the second phase of its Agencies Regulation Committee (ARC)'s work. The ARC will now review the regulation of Third Party Administrators (TPAs) in group life, accident and sickness, creditor's group insurance, and travel insurance to determine potential risks to consumers. (This too was pre-figured in the Background (introduction) to CCIR's November 2008 "Incidental Selling Of Insurance Report," which states "the ISI Working Group did not review potential issues related to third party administrators since CCIR has mandated the Agencies Regulation Committee to work on this matter.")

CAFII has been asked, and has agreed, to have an initial telephone consultation with the ARC about the TPA review, in which clarity will be sought around what should be the definition of a TPA for the purposes of the review.

Harmonized Life Insurance Licensing Qualification Program

CISRO's LLQP Committee, chaired by Ron Fullan, Executive Director of Saskatchewan's Insurance Council, provided a comprehensive update on the Harmonized Life Insurance Licensing Qualification Program (LLQP) at Stakeholder Information Sessions held at the FSCO office in Toronto on January 17 and April 9, 2013.

At these information sessions, Fullan and LLQP Committee colleagues from B.C., Alberta, Ontario, Quebec, and New Brunswick updated attendees on the following:

- the harmonized LLQP's features, program governance, and development/implementation timeline;
- progress to date in developing the new program, including the just-released "Life Insurance Agent Competency Profile" and the anticipated Curriculum Design Document;
- stakeholder feedback and CISRO responses;
- their stakeholder engagement plan; and
- next steps in the process.

The recently published Life Insurance Agent Competency Profile was developed via a series of Occupational Assessment Workshops held across the country. Over 700 individuals have provided feedback on the Competency Profile via a survey link on the CISRO web site, with 90% of respondents being favourably disposed towards the Profile.

E-Commerce

CAFII made a submission to CCIR in response to its 2012 Consultation Paper on Electronic Commerce, ie. use of Internet for insurance distribution. CCIR is now preparing to release a follow-up Position Paper on E-Commerce. Its release will give rise to a 30 day consultation period, during which CAFII will deliver its second webinar for the CCIR community, on “E-Commerce and Use of Social Media in Insurance.”

Issues of interest re e-commerce are as follows:

Requirement for involvement of a licensed intermediary

Consumers should be permitted to transact in their channel of choice.

Clients self-select a channel to achieve satisfaction; consumers should not be required to use a broker as this would add redundancy and costs and go against clients’ needs and wants.

For those products that require a licensed intermediary, we recommend that a licensed intermediary be available for contact at the client’s request during business hours.

It is important to have Internet commerce available to consumers for broad access and to reach the underserved market.

Financial Literacy

A web-based offering can greatly simplify the learning process for consumers.

The web has the ability to clarify information and present it to consumers in a logical and consistent manner. Tools on websites step customers through typical scenarios, have hints, product suggestions, links, telephone access and allow for education and comparison on alternatives.

Designation of Beneficiaries/Termination of insurance

Industry would like legislation to clearly specify that electronic beneficiary designation is acceptable. This will provide clarity.

Underserved Market

Many Canadians need access to insurance

More than one third of adults in Canada have no life insurance coverage at all¹ and 47% of households find it very or somewhat difficult to find an advisor/agent². Mass market, younger and lower income households need and want access to insurance advice and simple, affordable products.

Independent insurance agents focus on higher face value and more complex products

It is difficult for a broker to make a living from the middle market with smaller needs. A broker would have to sell 7 small policies to earn the amount of commission from a single larger policy. Brokers target and develop relationships with more affluent clients.

Alternate Channels Provide Important Access to Underinsured Markets

Brokers are aging and few are entering the business. Simple, competitive and cost effective insurance solutions can be more broadly available through alternative distribution channels such as online, telephone, direct from insurers and branch distribution of creditor and travel products. It is important that regulatory regimes help to foster and support the ongoing growth and development of these channels.

Items From Alberta Insurance Council's 2011-13 Strategic Framework That Can Be Used To Start Or Continue Conversation, As Necessary

Sharing AIC Board Decisions and Industry Views

Your 2011-13 Strat Plan calls for industry trade Associations to be kept well-informed of the direction of the AIC Board; and that an "issues identification process" be utilized in seeking input from industry trade Associations. Are there any new developments on the horizon in this area?

Ongoing Education For Incidental Sellers of Insurance

Another objective in your 2011-13 Strategic Framework is to "be proactive in providing ongoing education for incidental sellers." Any new developments looming in this **area**?

Government Relations and Influencing Alberta's Policy-Makers

Another objective in your 2011-13 Strategic Framework is to "establish and maintain a collaborative relationship between the AIC Board and the Minister." How are your efforts to communicate with and influence the policy-makers and your overall Government Relations work in this area going?

Renewal of AIC's Strategic Framework

Your 2011-13 Strategic Framework is, obviously, up for renewal this year. What are your plans for developing a new Strategic Plan? Do you plan to seek industry input? Do you have any plans to publish an Annual Statement of Strategic Priorities and seek industry/stakeholder input on it, in the manner in which FSCO does that?

¹ LIMRA: 2007 Canadian Life Insurance Ownership, Person Trends, pg 10

² LIMRA: Tracking Opinions of the Public in Canada (TOPIC) 2009 pg 18

BIO PROFILE OF JOANNE ABRAM, CEO, ALBERTA INSURANCE COUNCIL



Joanne Abram commenced with the Alberta Insurance Council (AIC) in 1989 when the AIC began operations. As a crown controlled agency, the AIC is the body responsible by delegation for the licensing and regulation of insurance intermediaries in Alberta. Joanne became General Manager (later changed to C.E.O.) in December 1993. As C.E.O., she is responsible for a staff of 20 employees located in offices in both Edmonton and Calgary, dealing with all aspects of licensing and regulatory compliance for insurance intermediaries as well as investigations into complaints relating to insurance company activities. Joanne is responsible for governance – related strategy/policy setting, communications and business planning. She served as Chair of the Market Conduct Subcommittee dealing with the revision of the Alberta Insurance Act. She is past Chair of the Canadian Insurance Services Regulatory Organizations (CISRO), an organization of regulatory authorities for insurance distributors across Canada, and Chair of the Life Agent Education Committee of CISRO (responsible for development of the Life License Qualification Program).

Bio Profile of Ron Gilbertson , Chair, Alberta Insurance Council



Appointed to this role by provincial government in October 2012, for a three year term expiring October 2015

Ron Gilbertson is now semi-retired. His most recent position was the President and CEO of Edmonton Economic Development Corporation, a not-for-profit company owned by the City of Edmonton that is responsible for regional economic development and tourism marketing, and management of the Shaw Conference Centre and Edmonton Research Park.

Previous to this, he was with the Alberta Research Council (ARC) where, as Vice President, he was responsible for restructuring the technology commercialization division and investment fund, and for implementing a growth plan for the Engineered Products and Services division.

Prior to joining the ARC, Ron was President of Lacent Technologies where he helped transform the start-up company into a world leader in high speed laser cutting. He has also served as President of the Edmonton Regional Airports Authority, leading the organization through its formative years and establishing Canada's first independent airports authority.

Earlier in his career as a senior manager at Stanley Associate Engineering, Ron helped build one of Western Canada's largest economics consulting practices and Canada's second largest airports and aviation consulting group. He is an honours graduate of the University of Saskatchewan's Bachelor of Commerce program and carries a Master of Arts in Economics from the University of Manitoba.

Ron has served on the Board of Directors for the Sawridge Group of Companies, Lacent Technologies Inc., Agrigenomics Inc. and Inno-Centre Alberta Inc. A dedicated community supporter, he has also contributed volunteer time to a variety of organizations including the United Way, Edmonton Chamber of Commerce, the World University Student Games, local community leagues and the Edmonton Society for the Hearing Impaired.

Regulator: Alberta Finance

Date: January 13, 2012

Location: Wildflower Restaurant, Matrix Hotel
10640-100 Ave
Edmonton, AB T5J 3N8

Attended: CAFII: Cathy Honor (RBC & Chair), Moira Gill (TD and EOC Member)

AB Finance: Mark Prefontaine (ADM & Superintendent of Financial Institutions – Regulation & Policy Finance), Brad Geddes (Deputy Superintendent of Insurance), Alayne Brygadyr McCoy (Director Policy & Communications). *Note: Mark is also Chair of CAPSA and working on PRPP rules to respond to Federal and Quebec pension reform.*

Objective: Introduce CAFII; courtesy call to establish good working relations; inquire as to their priorities for life and creditor products.

Discussion:

- Introduction to CAFII
- Key issues from Superintendents perspective:
 1. Improve the transparency of rating Board decisions. Specify which rating factors are clearly acceptable in rate setting and which are not. Set a process up to assess new factors.
 2. Stressed the importance of stakeholder engagement and relationships and encouraged CAFII to provide proactive input.
 3. Staff Resources – very lean staffed and looking for opportunities for industry secondments or retirees.
- Surprised priority now to work on review of Auto Cap guidelines.
- Use of Credit Scores - Brad highlighted risks related to transparency:
 1. consumers mostly don't know their score
 2. "Black box" aspect means customers can't completely verify the information used.
 3. Mark concerned that use of too many variables moves us away from pooling of risks to individual risk assessment and that isn't good.

Stressed that it is very helpful for company to let them know about new products as they are launched rather than having customer services offices have to figure it out when they are faced with a customer with a question or concern.

Would welcome education on products that they do not have as much experience with (eg. critical illness insurance which they confess to have a lack of understanding on).

- They would like information on issues and regulatory trends outside of Alberta and internationally, environmental scans etc.
- Are interested in implementation of IAIS guidelines through CCIR committee.

Priorities of Deputy Superintendent:

1. Implementation of the transition regulations and issuance of new licenses to conform with the rationalized number of classes.
2. Development of a guideline to set standards for use of electronic beneficiary designation. Have been in initial stages of discussion with CLHIA, who have indicated they will work with CAFII on this file. Not to opine on the system of an individual insurer, but would like to get info on these systems to inform the guideline.
3. Creditor applications. Last year they gathered copies of creditor applications from insurers as well as collateral and reviewed them. The reason for the review was that they were getting complaints from consumers about misunderstanding the medical questions on creditor applications. He noted that there was a significant difference between a simple application, and one that was written in plain language and easy to understand. He would like to work with industry (CAFII) towards developing an application that a customer can be confident of understanding without taking it to a medical professional. Cited customer complaints that he didn't understand that having a blood pressure check equated to being treated for a heart condition (note that this actually came from Marketplace).

Said CCIR is not really about “Harmonization” as this is hard with varying rule making influence. More about identification of common risks and concerns.

Follow-up:

- Thank you letter from Cathy Honor
- Creditor application to be discussed by EOC
- Provide information on products on which they do not have as much information (eg. critical illness insurance). It is not imperative to provide a presentation on such products.



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BRIEFING DOCUMENT FOR CAFII LIAISON LUNCH MEETING WITH

GERRY MATIER, EXECUTIVE DIRECTOR,

INSURANCE COUNCIL OF BRITISH COLUMBIA

MAY 15, 2013 IN TORONTO

This document sets out current issues, and related recent news, of interest to CAFII vis a vis the Alberta Insurance Council in particular, and also the insurance regulatory community in general.

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At these information sessions, Fullan and LLQP Committee colleagues from **B.C. (Gerry Matier)**, Alberta, Ontario, Quebec, and New Brunswick updated attendees on the following:

- the harmonized LLQP's features, program governance, and development/implementation timeline;
- progress to date in developing the new program, including the just-released "Life Insurance Agent Competency Profile" and the anticipated Curriculum Design Document;
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Gerry, any update for us on the LLQP Harmonization project developments since early April? Is the Committee pleased with the feedback on the Competency Profile? How is development of the Curriculum Design Document coming along?

Insurance Council of B.C. Priorities

Gerry, we've noted from the Message from your new Council Chair, David Porter, posted on your web site (see Appendix B), that the Council will be focusing on three key issues this year: Competency, Confidentiality, and Conflicts-of-Interest.

While Competency is fairly obvious – given its connection to the LLQP Harmonization initiative – can you elaborate on the Confidentiality and Conflicts-of-Interest priorities a bit, in terms of any implications they might have for CAFII member businesses?

Insurance Council of B.C. Regulatory Update

Gerry, we've seen on the web that you're going to be giving a "Regulatory Update" at the Credit Union Insurance Services Association Conference in Victoria in early June; and you provided an "Insurance Council Update" at the Independent Financial Brokers' BC Spring Summit in April.

Can you share with us the highlights of the news that you're sharing in those presentations?

CCIR Agencies Regulation Committee To Review Third Party Administrators (TPAs)

CCIR has approved a work plan for the second phase of its Agencies Regulation Committee (ARC)'s work. The ARC will now review the regulation of Third Party Administrators (TPAs) in group life, accident and sickness, creditor's group insurance, and travel insurance to determine potential risks to consumers. (This was pre-figured in the Background (introduction) to CCIR's November 2008 "Incidental Selling Of Insurance Report," which states "the ISI Working Group did not review potential issues related to third party administrators since CCIR has mandated the Agencies Regulation Committee to work on this matter.")

CAFII has been asked, and has agreed, to have an initial telephone consultation with the ARC about the TPA review, in which clarity will be sought around what should be the definition of a TPA for the purposes of the review.

Gerry, we're aware that Harry James, who works for Carolyn Rogers at FICOM, is chairing this CCIR ARC initiative. What's your understanding of the objectives of this review? Do you have an understanding of the scope/breadth of the definition of "TPA" for this project?

Role And Responsibilities Of MGAs In Distribution Of Life Insurance In BC (Appendix C)

Gerry, what sort of feedback have you received on the Notice that you released in January 2012 on the Role and Responsibilities of MGAs in B.C., and the related duties of insurers and agents? Have any violations or enforcement actions related to the Notice arisen since its release?

Supervision Of New Life and Accident & Sickness Agents In BC

Gerry, what sort of feedback have you received on the Notice, released last year, that came into force on September 1, 2012 re Supervision of New Life and Accident & Sickness Agents? Have any violations or enforcement actions related to the Notice arisen since its release?

Recent Amendments to BC's Financial Institutions Act

In January 2013, the B.C. Government passed an Order-in-Council (OIC) to implement amendments to the province's *Financial Institutions Act* that were passed in 2010.

Two provisions of the OIC are of particular relevance to CAFII members.

First, the Order brings into force an updated administrative penalty framework set out in section 253.1 of the Act and also enacts a regulation listing provisions of the statute and related regulations for which an administrative penalty may be imposed, along with the maximum penalty for a contravention of each provision. The relevant section reads as follows:

SECTION 34: *[Financial Institutions Act, section 253.1]* replaces an administrative penalty scheme, for which regulations have not yet been enacted, with one that, among other things,

- authorizes the commission to impose monetary penalties for contraventions of prescribed provisions of the Act and regulations and of conditions of business authorizations, orders under certain sections of the Act and undertakings under section 208 and 244 (2) (g) of the Act;
- requires the person to either pay or dispute the penalty within 14 days;
- if a person disputes the penalty, requires the commission to provide an opportunity to be heard, by written submissions only for penalties below specified amounts or by written submissions or oral hearing for penalties above those amounts;
- allows a person to appeal an order, made after a hearing, confirming the penalty, in accordance with existing appeal provisions in the Act;
- authorizes the commission, if a corporation has committed a contravention, to impose, in accordance with the section, an administrative penalty on an officer, director or agent of the corporation who authorized, permitted or acquiesced in the commission of the contravention;
- changes the time limit for imposing an administrative penalty from 6 months to 2 years after the commission first becomes aware of the facts leading to the administrative penalty notice;
- establishes a maximum on the administrative penalty (\$50,000) the commission may impose under the section.

A second change relates to the exemption available for the sale of credit insurance by a lender from the obligation to use a licensed insurance agent, **which has now been expanded to include regulated insurers that themselves advance credit.**

Gerry, what sort of feedback has the Insurance Council and/or FICOM received about the recent amendments to the Financial Institutions Act?

What role, if any, will the Insurance Council play in determinations with respect to imposing AMPs on those judged to have contravened relevant provisions of the Act?

National Database of Disciplinary Information

CCIR and CISRO have agreed in principle to move forward with an electronic form-based database as a central source for disciplinary information, and CCIR has approved a new Disciplinary Information Implementation Working Group (DIIWG) to oversee the building of the database.

The DIIWG is to be joint between CCIR and CISRO and co-chaired by Shonna Neil, FSCO's Senior Manager of Licensing, for CCIR; and a designate to be named by CISRO.

The idea is to allow consumers, regulators and firms to search a single database to determine whether an insurance advisor has faced disciplinary action in any province across the country. The database would include listings for both life and property and casualty agents.

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See Appendix D for Composition and Mandate of Board of Insurance Council of B.C.

Insurance Act Reviews

Several provinces have made changes and several are planning changes. For major changes such as this, industry needs sufficient lead time -- preferably 18 months.

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CAFII members have client contact centers and must manage licensing across a number of jurisdictions. Ideally, when agents are duly licensed in their home jurisdiction, CAFII would like this license to be recognized across all jurisdictions.

CAFII supports electronic license application and renewal systems as a means to increasing efficiency for both regulators and industry.

A national business number registration database would facilitate multi-jurisdictional licensing of intermediaries as well as assist insurers and regulators in undertaking background checks of licensees.

IAIS/IMF Audit of Canada Around Insurance Core Principles (ICPs)

The International Monetary Fund (IMF) will be conducting a financial stability assessment of Canada in 2013 under the Financial Sector Assessment Program (FSAP). The FSAP will assess Canada's adherence with international standards in the areas of insurance, banking, securities, payment/settlement systems, and fiscal transparency.

CCIR has shared with CAFII the news that, likely due to limited time and resources, the auditors/reviewers from the IMF will be taking a sample-based approach to Canada.

CCIR has learned that the IMF auditors will be looking at just Ontario and Quebec. They'll be on-site beginning in June, and working mainly out of Ottawa. They'll be looking at a wide range of financial system areas including banking, securities, clearing, solvency, and insurance.

How much time they'll have to focus on market conduct in insurance is unknown, but because the Insurance Core Principles (ICPs) are new, they may give that area a generous amount of time.

(Note ICP 18 deals with intermediaries, while ICP 19 focuses on Conduct of Business. It is in the latter that the "fair treatment of consumers" concept is embedded.)

E-Commerce

CAFII made a submission to CCIR in response to its 2012 Consultation Paper on Electronic Commerce, ie. use of Internet for insurance distribution. CCIR is now preparing to release a follow-up Position Paper on E-Commerce. Its release will give rise to a 30 day consultation period, during which CAFII will deliver its second webinar for the CCIR community, on "E-Commerce and Use of Social Media in Insurance."

Issues of interest re e-commerce are as follows:

Requirement for involvement of a licensed intermediary

Consumers should be permitted to transact in their channel of choice.

Clients self-select a channel to achieve satisfaction; consumers should not be required to use a broker as this would add redundancy and costs and go against clients' needs and wants.

For those products that require a licensed intermediary, we recommend that a licensed intermediary be available for contact at the client's request during business hours.

It is important to have Internet commerce available to consumers for broad access and to reach the underserved market.

Financial Literacy

A web-based offering can greatly simplify the learning process for consumers.

The web has the ability to clarify information and present it to consumers in a logical and consistent manner. Tools on websites step customers through typical scenarios, have hints, product suggestions, links, telephone access and allow for education and comparison on alternatives.

Designation of Beneficiaries/Termination of insurance

Industry would like legislation to clearly specify that electronic beneficiary designation is acceptable. This will provide clarity.

Underserved Market

Many Canadians need access to insurance

More than one third of adults in Canada have no life insurance coverage at all¹ and 47% of households find it very or somewhat difficult to find an advisor/agent². Mass market, younger and lower income households need and want access to insurance advice and simple, affordable products.

Independent insurance agents focus on higher face value and more complex products

It is difficult for a broker to make a living from the middle market with smaller needs. A broker would have to sell 7 small policies to earn the amount of commission from a single larger policy. Brokers target and develop relationships with more affluent clients.

Alternate Channels Provide Important Access to Underinsured Markets

Brokers are aging and few are entering the business. Simple, competitive and cost effective insurance solutions can be more broadly available through alternative distribution channels such as online, telephone, direct from insurers and branch distribution of creditor and travel products. It is important that regulatory regimes help to foster and support the ongoing growth and development of these channels.

¹ LIMRA: 2007 Canadian Life Insurance Ownership, Person Trends, pg 10

² LIMRA: Tracking Opinions of the Public in Canada (TOPIC) 2009 pg 18

**BIO PROFILE OF GERRY MATIER, EXECUTIVE DIRECTOR,
INSURANCE COUNCIL OF BRITISH COLUMBIA**

GERALD D. MATIER



Gerry has been the Executive Director of the Insurance Council of British Columbia since September 1991. The Insurance Council is the primary regulator in the province, responsible for over 29,000 persons involved in the distribution of insurance products. Gerry has twice served as the Chair of the Canadian Insurance Services Regulators' Organization and sits on a number of national committees involving the insurance industry.

Personal Re Gerry Matier:

Caring for my wife with dementia
May 14, 2010

Society seeks to expand program for caregiver support

In 2001, when Gerry Matier and his wife Dede Jamieson received her diagnosis of dementia, they were in shock. Dede was forty-seven.

Like many newly diagnosed families, Gerry didn't know where to turn.

"When the doctor told me Dede had primary progressive aphasia, a form of dementia, I didn't know what it was, or how to talk to her about it," says Matier.

Gerry began doing research and found the Alzheimer Society of B.C. He received one-on-one support and joined a caregiver support group, which he attended monthly for two years. "People sometimes have the wrong idea about support groups," says Matier. "Being a caregiver can be a very lonely experience, the group was a place to learn about the disease and talk with others having a similar experience."

Currently there are over 10,000 people in B.C. under the age of 65 with dementia. As our population ages, dementia is exacting a growing toll not only on the person with the disease, but on caregivers, family and friends.

To increase access to dementia education and services, the Society is seeking funding to expand *First Link*, an early intervention program. Using referrals from physicians, the program enables us to proactively contact families and connect them with the services they need, as soon as possible after diagnosis.

“A program like *First Link* would have been wonderful,” says Matier. “To have someone phone and say, ‘There are places and people out there to help you,’ would have helped me manage stress and have more tools to support Dede.”

As a spokesperson for the Society, Gerry who is Executive Director of the Insurance Council of British Columbia, currently gives back to help others understand the caregiver role.

Dede now lives in the Delta View care facility where Gerry spends time with her.

“Dede and I hope that by sharing our story, we can help people to better plan for the challenges of this disease.”

Appendix B

Message From Chair of Insurance Council of British Columbia



Over the past few years, Council has made great strides in becoming a progressive regulator in the insurance industry. As Chair, I look forward to continuing in this direction and will seek to maintain a cooperative effort with the industry to protect the public by ensuring individuals licensed to sell insurance are competent, qualified, and trustworthy.

Over the next year, I see Council focusing on a number of key areas, specifically competency, confidentiality, and conflicts of interest.

In the area of competency, Council continues to review its educational criteria. We are currently working with the other Canadian jurisdictions to update and improve the existing qualification program for life insurance agents. We anticipate the updated LLQP program will be in place by 2015.

Council is also commencing preliminary discussions with the general insurance industry to determine whether the existing educational criteria for general insurance agents and salespersons is still appropriate and current. It is important that Council maintains a minimum educational criteria for individuals entering the industry.

With regards to confidentiality, Council is concerned with cases it has encountered where clients' confidentiality has not been properly maintained. One of the key cornerstones of the insurance industry is the maintenance of clients' information. Unfortunately, we continue to experience situations where clients' information has not been properly maintained or has been intentionally breached. The public is entitled to expect their information will be properly safeguarded and, for the insurance industry to maintain the public's trust, it must ensure confidentiality is paramount. Council is working on a paper that will articulate areas of confidentiality and the duties and obligations of licensees.

In the area of conflicts of interest, Council is developing guidelines that will specify expectations for insurance agents, adjusters and salespersons regarding issues pertaining to conflicts of interest. There are a number of ways in which conflicts of interest can be addressed; the most important being proper disclosure to the client. Council will identify conflicts of interest that licensees should avoid, as well as conflicts of interest that, at the very least, require appropriate disclosure to and consent of a client before proceeding.

In closing, I want to take this opportunity to acknowledge the departure of Ken Thom, one of the voting life insurance agent representatives on Council, and a number of non-voting members who have completed their terms. I also want to acknowledge the work done by Dan Swanlund, Council's outgoing Chair.

I look forward to working with Council members and staff over the next year to continue to enhance the professionalism of Council and to look for ways to improve upon the services we provide to the public and the industry.

As Chair, I want to continue to maintain the high quality of service that Council has established over the years. I welcome any feedback the industry wishes to provide and will always be receptive to suggestions on how Council can continue to improve the quality of service stakeholders expect.

C. David Porter, B.Comm., LL.B., FCIP, CRM

Appendix C

B.C. Regulator Lays Down Precedent-Setting Guidelines

From Insurance & Investment Journal, February 21, 2012

Managing General Agencies are a bit of an industry anomaly in that they've never really been subject to regulation specifically geared toward them, until now. Although there have been several attempts on the part of national organizations to draft guidelines or advice, most of these are still hung up in discussion and debate with stakeholders. Given that insurance regulation is a provincial responsibility, however, the Insurance Council of British Columbia decided it was past time to give MGAs a clear outline of the regulator's expectations.

“We waited to see how the CCIR (Canadian Council of Insurance Regulators) paper went, but because of a number of events, including a few issues in our jurisdiction, and because MGAs were looking for clarification, we felt it was time to publish the work we had done,” says Gerry Matier, ICBC executive director. “We think it will be complimentary to whatever comes out of the CCIR.”

The six-page notice, released in January, discusses and recognizes the duty MGAs have to the insurers they’re under contract with. It puts new onus on the companies to know about an agent’s abilities and background, and it spells out the duty life agents have to MGAs and insurers as well.

Although some provisions are somewhat obvious – that MGAs need to carry adequate errors and omissions insurance, or that they need to have any vague contract details or anomalies clarified in writing – other provisions will undoubtedly be welcomed by executives and compliance staff.

Notably, the Council draws a line in the sand, clearly stipulating that a number of insurance company responsibilities such as underwriting, policy issuance or claims cannot be “pushed down” to the MGA level.

Although such duties are not in dispute at the moment, Mr. Matier points out that responsibilities can evolve quite dramatically over time. “At some point MGAs may become involved in the claims process; it’s not unreasonable to believe that could happen,” he says. “If, down the road these things start to come up, we want to be on the record saying these are the duties of the insurer and they should remain there.”

Reporting responsibilities

New “know your agent” rules, meanwhile, address known problems in the industry where sub-par brokers are sometimes cut loose by their MGA. Oftentimes, lack of production is cited as a reason for the agent’s termination, when, in reality, the known problem is a larger question of competency or weak ethics.

“The fact that somebody has done something wrong doesn’t mean they’re going to lose their career,” says Mr. Matier. “But if they have knowledge problems, competency problems or ethical problems, whatever it is, we shouldn’t be hiding from them, we should identify them. What are the issues and how do we deal with it? How do we make sure it doesn’t happen again and how do we make sure the next consumer doesn’t get hurt by the same problems?”

In these cases traditionally, MGAs reported problem cases to insurers who in turn decided whether or not to report the problem to regulators.

“We wanted to be very clear. We think the MGAs are in an excellent position to identify issues if they do see them, and we feel they should be responsible enough to bring those to our attention.”

In the past, he says enforcement staff have encountered situations where the MGA involved could have assisted in identifying the problem before it had a chance to escalate. “I’m not saying these things would not have occurred, but they might have been identified sooner,” he says, adding that such reporting can take place formally or informally.

“I’m prepared to take a phone call from an MGA on the side, saying we can’t put our finger on it, but we think this person might benefit from an inspection.”

In addition to these provisions, the notice acknowledges that an MGA’s primary duty is to the insurer, thanks to the contractual nature of the relationship. It addresses situations where an MGA might be engaged in retail sales activity by soliciting the public directly or by servicing existing business. In these cases, it says the far more stringent know your client rules that apply to retail agents will apply to the MGA as well. (Not normally the case when the business is simply acting as an intermediary.)

The notice states that, although MGAs are required to carry out all of the responsibility outlined in their contracts, failure on the part of an MGA to meet a contractual obligation “is not a valid reason for an insurer to not address a policyholder’s complaint.” It continues, saying “insurers are ultimately responsible for all of the functions contracted to and completed by MGAs.”

Failure to conduct appropriate life agent background checks, meanwhile, will be enough to call an MGA’s suitability into question – MGAs must be satisfied that business being submitted is consistent with their understanding of the life agent’s knowledge, experience, abilities and business history. Those who fail to properly review transactions outside of an agent’s skills or abilities could face disciplinary action.

Independent advisors

Finally, the notice says life agents also have an obligation to honour their contracts as well – attempting to bypass the MGA for whatever reason, could bring an agent’s abilities and suitability into question.

“Although this paper discusses MGA distribution, I think it’s probably even more important for independent advisors to have a look at the document and read between the lines about what their responsibilities are,” says Paul Brown, CAILBA (Canadian Association of Independent Life Brokerage Agencies) and president and CEO of the IDC Worldsource Insurance Network, adding that he welcomes the paper and the clarity it brings.

As for the more obvious provisions outlined, Mr. Matier says some were included in response to circumstances in some cases or simply for the sake of clarity in others. “It’s kind of hard to hold somebody accountable when you don’t tell them what it is they should be doing,” he says.

Appendix D

Insurance Council of British Columbia

The Insurance Council of British Columbia is a self-regulatory organization constituted under British Columbia's *Financial Institution Act*. In conjunction with the Superintendent of Financial Institutions, the council administers and enforces the *Act*.

The Board...

...Composition

There are 11 voting directors, appointed by the Lieutenant Governor in Council:

- two directors represent life insurance companies;
- two directors represent life insurance agents;
- two directors represent general insurance companies;
- two directors represent general insurance agents; and,
- one director must be a licensed insurance adjuster.

The remaining two voting directors are lay directors; there are no formal requirements for these positions.

Additionally, an unlimited number of non-voting members may be appointed by the Responsible Minister to assist the voting members of the Council on industry committees, to participate on hearing committees, and to provide additional expertise to the council in carrying out its licensing and investigation responsibilities. Non-voting members may also act as alternates for the industry's voting members of the Council.

There are 42 current members.

...Mandate

The Council's mandate is to protect the public by enforcing the licencing and licensee conduct requirements of the *Financial Institution Act*. The Council is responsible for licensing insurance agents, salespersons and adjusters, enforcing entry qualifications and practice standards; for investigating complaints; and for imposing disciplinary sanctions under the *Financial Institution Act* as necessary.

What's Involved

Directors are asked to make themselves available for monthly meetings to deal with council business.

Regulatory Issues And Trends Newsletter

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PROVINCIAL ISSUES AND TRENDS

Manitoba

Manitoba Launches On-line License Renewals For Agents

In April, the Insurance Council of Manitoba announced its launch of web-based license renewal functionality. Agent licenses can now be renewed 24/7 via a new online portal. For further information, visit <http://www.icm.mb.ca/>.

Agent Code Of Conduct Quizzes Available In Manitoba

The Insurance Council of Manitoba's Life Council and General Council have developed quizzes to help agents test their practical knowledge of their appropriate Code of Conduct, using questions and typical situations that an agent might encounter.

Knowledge of the appropriate Code of Conduct – Life Insurance and Accident and Sickness Agent's Code of Conduct; or General Insurance Agent Code of Conduct – is one of the licensing requirements for insurance agents in the province.

Each quiz consists of 10 multiple choice questions with four answer options. All 10 questions must be answered correctly to complete a quiz successfully and receive one (1) continuing education credit. While completing the relevant quiz is not mandatory for licensing, there is no charge for taking a quiz and no limit on the number of attempts. For further information, visit <http://www.icm.mb.ca/>.

New Brunswick

New Brunswick Premier Appoints Acting Ombudsman

New Brunswick has a new Acting Ombudsman, whose appointment was announced just two days after the province's Consumer Advocate For Insurance argued in his Annual Report that [his office's duties should remain separate from the ombudsman's office](#).

New Brunswick's Premier David Alward recently announced that Jennifer Murray has been appointed Acting Ombudsman, effective immediately. Murray was most recently the director of legal and corporate services in the Office of the Ombudsman, which has a mandate to conduct independent investigations of complaints.

To read more, click here: <http://www.canadianunderwriter.ca/news/new-brunswick-premier-appoints-new-acting-ombudsman/1002236872/>.

Quebec

Victims Of Financial Crime Get Support From AMF

The Autorité des marchés financiers (AMF) has signed an agreement with Montreal Crime Victims Assistance Centre (CAVAC) that aims to enhance support to victims of financial crime.

The agreement allows AMF staff to refer victims directly to the CAVAC, in an effort to bolster the support offered to victims of economic crime.

Mario Albert, President and CEO of the AMF, said that "through a closer relationship with Montréal CAVAC, a recognized organization with specialized caseworkers, victims of economic crime will have better access to services and support adapted to their needs."

"Our caseworkers are trained to offer front-line psycho-socio-legal services to victims of financial crime," said Jenny Charest, the head of Montréal CAVAC. "This agreement with the AMF will allow us to reach and assist sometimes vulnerable clients who may be reluctant to ask for help despite the impacts of victimization."

British Columbia

Bullying In The Workplace - WorkSafeBC's New Policies To Take Effect November 1

In 2012, BC's [Bill 14](#) (the *Workers' Compensation Amendment Act*, 2011) introduced amendments to British Columbia's [Workers' Compensation Act](#) (the *WCA*), to specifically address bullying and harassment in the workplace.

[WorkSafeBC](#), tasked with the implementation of the *WCA*, has now approved three [Occupational Health and Safety Workplace Bullying and Harassment Policies](#) (the Policies), which will take effect on November 1, 2013.

The Policies address the general duties of employers, employees, and supervisors regarding preventing and minimizing bullying and harassment in the workplace.

To read more, click here: http://www.canadianemploymentpensionlaw.com/human-rights/bullying-in-the-workplace---worksafebcs-new-policies-to-take-effect-november-1-2013/?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+CanadianEmploymentPensionLaw+%28Canadian+Employment+%26+Pension+Law%29.

FEDERAL ISSUES AND TRENDS

Finanacial Consumer Agency of Canada (FCAC)

Ursula Menke To Step Down As FCAC Commissioner At End Of May

In the May issue of FCAC's Financial Literacy Newsletter, Commissioner Ursula Menke announces that she will be leaving her position at the end of May.

In her *Word From FCAC's Commissioner*, Menke also

- thanks all stakeholders, including members of the financial industry, for their contributions to FCAC's work during her five and a half years as Commissioner;

- lauds the federal Government for enhancing its commitment to financial literacy by expanding FCAC's mandate and resources, noting in particular the **Financial Literacy Leader Act**, which received Royal Assent on March 27. This legislation (Bill C-28) provides for the appointment of a Financial Literacy Leader within FCAC, whose mandate will be to collaborate and coordinate activities with stakeholders to support and contribute to initiatives that strengthen the financial literacy of Canadians;
- advises that the Government is working towards selecting her successor and the first Financial Literacy Leader;
- notes that FCAC's new Research Division is working on projects in the following areas: mobile payments; banking fees; the relationship between/among numeracy, literacy, and financial literacy; and a financial literacy program assessment;
- indicates that the Research Division is assessing the extent to which the current Canadian regulatory framework protects mobile payment users, such that this work will help inform the development of federal consumer protection policies; and
- invites industry organizations to add their names to the list of those willing to participate in the next Financial Literacy Month – November 2013 – by organizing related initiatives and events.

For further information, visit <http://www.fcac-acfc.gc.ca/eng/resources/newsletters/201304f/newsletter-1-eng.asp>.

Office of the Superintendent of Financial Institutions (OSFI)

OSFI Says Cyber Security A Major Concern

Julie Dickson, Canada's Superintendent of Financial Institutions, says that cyber security has become a top priority for the Office of the Superintendent of Financial Institutions (OSFI), along with more traditional risks facing banks.

In a recent speech to an industry conference in Cambridge, Ontario, Dickson said that cyber risk has become one of OSFI's top concerns. She said that a growing number of North American banks have been hit with denial of service attacks, which are both costly to deal with but, more importantly, can also presage a more serious attack.

"Our concern is growing due to the rapid evolution of cyber attacks in terms of frequency, fire power and targets," she said, stressing that all financial institutions need to focus on this threat.

To view the text of Ms. Dickson's prepared remarks, click here: http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/speeches/jd20130502_e.pdf.

OSFI Releases Results Of Satisfaction Survey On Its Work

OSFI recently released the results of its latest stakeholder satisfaction survey, which gives it generally good marks but notes that there's still room for improvement.

The Strategic Counsel, an independent research firm and member of the Marketing Research and Intelligence Association, conducted the latest review with deposit-taking institutions in the fall of 2012, to explore perceptions of OSFI's performance carrying out its mandate. It reports that the overall impressions of OSFI are extremely positive in most areas.

However, it did find some areas for improvement, including calls for: better communication of OSFI's international activities; increased timeliness in providing written supervisory reports; more consultation with small institutions when developing guidance; and, it also noted concerns about the impact of relationship manager turnover.

Outside of those concerns, the study found that OSFI is perceived as fair and reasonable to deal with; willing to engage in dialogue with individual institutions; and, focuses on appropriate areas of risk. It also concluded that OSFI is seen to be highly effective in monitoring and supervising deposit-taking institutions; that its guidance is effective; and, that most participants feel their institution is able to discuss issues of concern before OSFI makes a decision, and they believe that it is responsive to concerns raised.

OSFI says it has developed an action plan to deal with a number of the areas identified as needing improvement.

Canadian Banks Stronger Than They Appear: OSFI

Canadian banks will be enhancing disclosure in the months ahead, said a senior federal banking regulator while calling for better disclosure from banks in other jurisdictions.

In a speech on Tuesday, May 6 to an industry conference, Mark Zelmer, Assistant Superintendent with the Office of the Superintendent of Financial Institutions (OSFI), argued that the capital ratios of the Canadian banks are stronger than they may appear, as the don't rely on any transitional arrangements, which other banks may be using before fully adopting the new Basel III capital adequacy rules.

To read more, click here: http://www.investmentexecutive.com/-/canadian-banks-stronger-than-they-appear?redirect=%2Fnews%2Ffrom-the-regulators%3Futm_source%3Dnewsletter%26utm_medium%3Dnl%26utm_content%3Dinvestmentexecutive%26utm_campaign%3DINT-EN-morning.

Public Interest Advocacy Centre (PIAC)

Multiple Banking Arbitration Services Challenge Consumers: PIAC

The Public Interest Advocacy Centre (PIAC) singles out the federal Government's decision to allow banks to choose their own arbiters of client disputes as one of key consumer issues facing Canadians, and calls on consumers to become more active in public consultations on these sorts of issues.

Friday, March 15 was World Consumer Rights Day, which the PIAC says represents an opportunity to mark the improvements made on behalf of Canadian consumers over the past year, and the many challenges they still face. Among the major challenges, it points to "the evolving issue of allowing multiple consumer banking arbitration services"; along with the implementation of anti-spam rules; implementing the report of Task Force for the Payments System Review, and improving the relationship between consumers and their wireless providers.

Ombudsman For Banking Services And Investments (OBSI)

Financial Services Industry Has Many Concerns About Giving OBSI More Power And Its Campaign To "Name And Shame" Firms

The financial services industry has been critical of the **Ombudsman for Banking Services and Investments (OBSI)** and doesn't back the regulators' proposal to declare OBSI the sole dispute-resolution mechanism for all firms. Yet, there also is broad support for giving OBSI tougher enforcement powers.

Investment Executive (IE) sought the industry's views on the current state of dispute resolution in two supplemental questions in its 2013 Regulators' Report Card and found that, by and large, what the industry truly wants is a more effective ombudservice.

After operating in the background for years, OBSI has come under increasing criticism from the industry over the past couple of years - and it's facing growing resistance to its recommendations. Late last year, OBSI felt compelled to deploy its only enforcement power - publicly naming firms and detailing their cases - against several firms in cases in which it was unable to secure acceptance of its recommendations.

Around the same time, the **Canadian Securities Administrators (CSA)** proposed that all firms be required to use OBSI to resolve customer disputes. Currently, only firms that belong to the **Investment Industry Regulatory Organization of Canada (IIROC)** and the **Mutual Fund Dealers Association of Canada (MFDA)** are obliged to use OBSI.

Although some other types of securities firms (such as exempt-market dealers and scholarship plan dealers) use OBSI's services, the CSA proposal would make it mandatory for all firms. The goals are to minimize confusion for clients and shore up OBSI's status.

Yet, those surveyed by IE were split over whether this is a good idea. To read more, click here: <http://www.investmentexecutive.com/-/a-more-effective-obsi-is-much-needed?redirect=%2Fsearch>.

INTERNATIONAL/GLOBAL

National Association of Insurance Commissioners (NAIC)

U.S. And International Regulators Advance Global Framework

The National Association of Insurance Commissioners (NAIC) in the U.S. will host the 6th annual International Insurance Forum May 9-10 in Washington, D.C. The forum brings together U.S. and international insurance regulators, consumer advocates, academics and industry leadership.

Jim Donelon, NAIC President and Louisiana Insurance Commissioner, will welcome the forum's 200+ attendees. NAIC Chief Executive Officer Ben Nelson is scheduled to offer perspectives on the impact of international regulatory developments on the U.S. supervisory framework of state-based insurance regulation.

Discussion topics during the two-day forum include:

- Components of Effective Group Supervision
- Longevity Risk and the Search for Solutions
- Role of Insurance as a Disaster Risk Management Tool
- CEO Perspectives on International Developments
- Effective Resolution Regimes and the Role of Policyholder Protection Structures
- Addressing Financial Stability in the Insurance Sector

Other featured speakers and panelists include current chief state insurance regulators as well as representatives from the International Monetary Fund (IMF), the Federal Reserve Board and CEOs from internationally active insurance companies.

NAIC White Paper Series Examines State Of Life Insurance Industry

The National Association of Insurance Commissioners (NAIC) in the U.S. released the first installment of a white paper on the state of the life insurance industry and the implications of emerging trends on April 4. This is the first release in a series of three.

Written and developed by the NAIC's Center for Insurance Policy and Research (CIPR), *State of the Life Insurance Industry* explores how the industry has evolved, the nature of regulatory responses, changes in product offerings and technology, and challenges of the economic climate.

The first installment of the white paper includes "Historical Evolution of Life Insurance," which traces the history of life insurance from the 18th century to the present, and "Meeting the Risks of the New Environment," which explores risk management in the context of the changing and complex market.

"The unique nature of life insurance requires regulators to keep pace with changes and to anticipate trends in the market," said Julie Mix McPeak, Chair of the NAIC Life Insurance and Annuities Committee and Tennessee Insurance Commissioner. "The white paper provides an important framework to assist regulators in assessing which changes have been successful, identifying areas that may need improvement, and considering future needs."

The second installment will feature "Life Insurer Balance Sheets" and "Implications of Economic and Market Changes on Life Insurers" sections. The third installment will include "Current and Emerging Trends in Life Insurance Products" and "Technology." Click [HERE](#) to view the first installment of the white paper.

UK Financial Services Consumer Panel (FSCP)

UK Consumer Panel Calls For Straightforward Products That Consumers Can Trust

Britain's Financial Services Consumer Panel (FSCP) is calling on bankers to change their culture to give consumers a fair deal and restore trust in the financial industry.

The FSCP notes that it has highlighted a lack of professional ethics, and blamed an ethical failure for many of the recent banking scandals. In response, it has called for the adoption of a new set of professional standards for bankers, and stresses that there's a need for straightforward products that consumers can trust.

"Consumers need the right products at the right price. This should mean an end to inducements related to product choice and sales volumes. It should also be accompanied by firms offering straightforward outcome products that do what they say on the tin," said Mike Dailly, FSCP working group chair at a recent industry conference.

Dailly also noted that the new industry regulator, which has new consumer protection and competition duties, "will be an important driver for progressive change." However, he stressed that, "Regulation alone will not be enough."

"Only organizational leadership in the industry coupled with a commitment to cultural change and the adoption of a new set of consumer values will be key to restoring trust," he said.

UK Simple Financial Products Initiative Takes Next Step

An independent review in Britain examining the prospect for the creation of simple financial products released its final report on Wednesday, March 13, which includes a set of recommendations setting out the initiative's future.

Back in July 2010, the Financial Secretary to the UK Treasury announced the government's intention to help develop a new range of simple financial products, designed to help people take responsibility for their finances and to make better choices.

Following its initial consultation on the issue, in October 2011, the government created an independent steering group to continue work on the proposal. On Wednesday, that group published its final report, following consultation with a wide range of consumer groups and industry representatives.

The report recommends the first set of simple financial products to be developed should include: an easy access savings account; a 30-day notice savings account; a regular savings account; and a fixed term life insurance product.

It says that a whole life insurance product should be the next product added, and the Association of British Insurers (ABI) will lead further work on a simple income replacement product. Credit unions will also be invited to develop their own line of simple products.

To read more, click here: <http://www.investmentexecutive.com/-/uk-simple-financial-products-initiative-takes-next-step?redirect=%2Fsearch>.

UK Panel Launches Four Pillars To Improve Consumer Protection

The UK's Financial Services Consumer Panel (FSCP) is proposing "four pillars" of consumer protection, which it says should be used to guide policy-making, particularly in the European Union (EU).

The FSCP is marking World Consumer Rights Day by launching its new framework aimed at enabling more effective assessment of legislation, standards and supervision, based around four principles of: access, value, redress and policing, which it says could be used to test any new regulatory measures. "If applied consistently, they could enshrine the consumer perspective in new and developing legislation," it says.

In particular, the principles call for: consumers to have real, universal access to the financial services they need; financial services to offer value to the customer, and that charges and costs must be fair, transparent and proportionate; that consumers must have practical access to binding redress; and, the policing of financial services rules must be effective, with tough enforcement and appropriate penalties.

"We envisage our four pillars of consumer protection stimulating a debate on consistent thinking on consumer protection across the EU," said Adam Phillips, chair of the FSCP. "We would urge legislators and regulators to test everything they do against these four principles."

UK Financial Conduct Authority (FCA)

New UK Regulator Sets Out Its Business Plan

The new financial regulator being established in Britain, the Financial Conduct Authority (FCA), recently set out its plans to embrace a new, more activist approach to regulation.

The FCA, which is being created out of the UK's Financial Services Authority (FSA) and is due to start operations in April 2013, published a business plan and risk outlook, noting that in the year ahead it plans a renewed focus on consumers; tackling market abuse by taking strong enforcement action; building a new competition department to embed competition analysis in its work; continuing to address ongoing misconduct, and taking on existing major policy initiatives.

It said that the main risks for the coming year are: firms not designing products and services that respond to real consumer needs, or are in consumers' long-term interests; insufficient transparency for consumers; inadequate oversight of payment and product technologies; shifts toward more innovative, complex or risky funding strategies or structures that lack oversight, posing risks to market integrity and consumer protection; and, excessive consumer risk taking due to poor understanding of risk and return and the intensified search for yield.

The FCA said it will take a risk-based approach to supervision, that it will be much more proactive than the FSA, and that it will focus on issues that have wider, longer-term effects on consumers and market integrity. The new regulator will employ almost 3,000 people, and plans to spend £445.7 million in 2013-2014.

Separately, the FCA set out its approach to emergency product intervention today, which is a new power that will allow it to restrict or completely ban products that it deems as too risky. Temporary product intervention is a process that will allow it to make emergency rules to protect consumers without public consultation. This would occur in circumstances where the FCA identifies a significant risk to consumers which requires prompt action.

In practice, the rules will allow it to take action such as restricting the use of certain product features, requiring that a product not be promoted to certain types of customers, or requiring that a product not be sold altogether. It says it would consider these sorts of actions in instances where: complex or niche products are sold to the mass market; a non-essential feature of a product seems to be causing serious problems for consumers; and, products that are inherently flawed. These sorts of rules would expire after 12 months and could not be renewed, but would give the FCA time to either consult on a permanent remedy, or resolve the problem another way.

"The creation of the FCA is our opportunity to reset conduct standards. This power, along with our other new powers, helps define how we will regulate going forward," said FCA Chief Executive Martin Wheatley. "We know that some in the industry are concerned about us using this power too hastily; I want to be clear that we know proportionate judgment is needed, and that is what we will exercise. I do not expect us to use this power frequently, but both industry and consumers need to be clear that we will not hesitate to use these powers where we have serious concerns."

Advocates Welcome New UK Financial Regulator

Consumer advocates in Britain are heralding the creation of a new financial regulator, the Financial Conduct Authority (FCA), as part of a response to regulatory failures experienced during the financial crisis.

The Financial Services Consumer Panel, which is a statutory body in the UK mandated to represent consumer interests, "strongly welcomed" the introduction of the FCA.

The FCA is being created out of the UK's Financial Services Authority (FSA), which had championed lighter touch regulation in the years leading up to the crisis. The new FCA focuses entirely on firms' conduct, with the FSA's prudential regulation responsibilities spun off into another authority.

The Consumer Panel said today that it "believes that the FCA has the powers needed to introduce an era of more effective regulation as its operational objectives give it a strong consumer protection mandate."

As a result, the panel is expecting: a "renewed and meaningful focus" by the FCA on ensuring the industry treats its customers fairly; higher penalties to remove firms' incentive to engage in practices that damage consumers, and to act as a clear deterrent; greater use of analytical resources, rule-making and enforcement powers to promote effective competition; a commitment to ensuring access to financial services; and, more effective prioritization, so that the new regulator is not overstretched and can focus on key emerging risks and the root causes of consumer detriment.

To read more, click here: http://www.investmentexecutive.com/-/advocates-welcomes-new-uk-financial-regulator?redirect=%2Fsearch%3Fp_p_id%3Dsearch_WAR_search10%26p_p_lifecycle%3D0%26p_p_state%3Dnormal%26p_p_mode%3Dview%26p_p_col_id%3Dcolumn-1%26p_p_col_count%3D1%26_search_WAR_search10_search%3Dgeneric .



Volume 1, Issue 1

May 2013

Industry Issues E-News

Editor's Message

CAFII Members and Friends:

This is the first issue of a new CAFII Industry Issues E-News, intended to be a value-added service for Members and Associate Members. We hope you find its content informative and useful; and its format reader-friendly.

In keeping with its title, the primary focus of this E-News is **not** intended to be regulatory matters. CAFII Members receive a separate newsletter dealing with Regulatory Issues and Trends.

The intended frequency for this E-News is monthly, with the exception of July and August, or approximately 10 issues per year.

I'd appreciate having your feedback on this first issue: egs. what do you like and dislike about the content; the number of articles included; and the format, ie. mostly short "teaser" synopses with a link to click if you'd like to read a longer, complete story on that subject. Send me an e-mail with your feedback: brendan.wycks@cafii.com.

Brendan Wycks, BA, MBA, CAE

CAFII Executive Director and Editor

U.S. Fed Trying To Understand Differences Between Banks And Insurers

During a National Association of Insurance Commissioners' International Insurance Forum on May 9, U.S. Federal Reserve Board Director of Banking Supervision and Regulation Michael Gibson said the Fed is still "in the learning phase" of understanding the structural differences between insurance and bank holding companies and how they manage risks across their various businesses.

The Fed continues to work with state insurance regulators to learn about the safeguards already in place to minimize risk exposure posed by insurers, compared to those used by banks, Gibson said. "There are things we would expect to see at bank holding companies that we often don't see in insurance savings and loan companies. We're trying to understand those differences and understand whether those are things we're comfortable with or whether those are things we're not comfortable with."

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Prudential Regulation Reforms Won't Impact Insurers' Credit Ratings

Possible reforms in prudential regulation for insurance companies won't directly affect firms' credit ratings, but individual company responses to those changes could, says Moody's Investors Service in a new report.

Efforts to improve solvency regimes for global insurers are supportive of the interests of insurance company creditors, the rating agency says. It notes that reforms aim to address risks that are missing under the current rules, encourage insurers' to improve risk management, and to improve disclosure of certain financial data.

To read more, click here: http://www.investmentexecutive.com/-/prudential-regulation-won-t-impact-credit-ratings-on-insurers-moody-s-says?redirect=%2Fnews%2Fresearch%3Futm_source%3Dnewsletter%26utm_medium%3Dnl%26utm_content%3Dinvestmentexecutive%26utm_campaign%3DINT-EN-morning.

Life Insurer Merger & Acquisition Activity To Heat Up: Fitch

Canadian and European insurers expected to further rationalize their participation in the U.S. life insurance market

Fitch Ratings says it expects merger and acquisition activity in the life insurance sector to accelerate this year, as the industry continues to undergo strategic restructuring.

The rating agency notes that there has been a series of transactions in the life insurance business lately, which reflects what it sees as an ongoing trend in the industry for firms to refocus operations, and discontinue or divest businesses that have underperformed and/or no longer provide a strategic fit.

Some of this rationalization is being driven by persistently low interest rates, which has lowered the relative profitability of some traditional products, while also lowering the cost of borrowing if debt is used to finance the acquisition of these businesses, it notes. And, likely regulatory changes may be having an impact on these sorts of strategic decisions too, it suggests.

In particular, Fitch says that it expects Canadian and European insurers to further rationalize their participation in the U.S. life insurance market due to ongoing underperformance, and concerns over pending capital regime changes in their local markets, which could lead to an increase in required capital associated with having U.S. life insurance operations.

To read more, click here: <http://www.investmentexecutive.com/-/life-insurer-m-a-activity-to-heat-up-fitch?redirect=%2Fsearch>.

Insurers More Optimistic About Investment Opportunities This Year

While last year was challenging for the insurance industry in terms of economic uncertainty and persistent low interest rates, insurers are optimistic about investment opportunities and many are willing to take on more portfolio risk, according to a recent survey.

Still, results from the survey by Goldman Sachs Asset Management suggest that chief investment officers (CIOs) and chief financial officers (CFOs) differ in their opinions on investment risk.

To read more, click here: http://www.canadianunderwriter.ca/news/insurers-growing-more-optimistic-about-investment-opportunities-this-year/1002266847/1s4w30wMnl2zrW20588M2vx/?ref=enews_CU&utm_source=CU&utm_medium=email&utm_campaign=CU-EN05012013

U.S. Banks Face Increased Anti-Money Laundering Compliance Burden

With U.S. banking regulators ramping up their efforts to enforce anti-money laundering (AML) rules, banks are facing the prospect of higher compliance costs and heftier fines, Fitch Ratings says in a new report.

The rating agency notes that the US Federal Reserve Board, the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corp. (FDIC) have "recently increased the visibility of regulatory actions against banks" to enforce anti-money laundering laws.

To read more, click here: http://www.investmentexecutive.com/-/u-s-banks-face-increased-anti-money-laundering-compliance-burden-fitch?redirect=%2Fsearch%3Fp_p_id%3Dsearch_WAR_search10%26p_p_lifecycle%3D0%26p_p_state%3Dnormal%26p_p_mode%3Dview%26p_p_col_id%3Dcolumn-1%26p_p_col_count%3D1%26_search_WAR_search10_search%3Dgeneric.

Financial Industry Must Reduce Risk Of Complex Products Being Mis-sold

The financial industry should be looking for innovative ways of avoiding product mis-selling, as it creates increasingly innovative and complex products, says the Chairman of the International Organization of Securities Commissions (IOSCO).

In a speech in early May to the Australian Shareholders' Association, Greg Medcraft, Chairman of both the Australian Securities and Investments Commission (ASIC) and IOSCO, said the financial industry has to reduce the risk of complex products being mis-sold to investors, particularly at a time when returns are low and investors are searching for yield.

To read more, click here: http://www.investmentexecutive.com/-/mis-selling-investment-products-not-sustainable-iosco-head-says?redirect=%2Fnews%2Ffrom-the-regulators%3Futm_source%3Dnewsletter%26utm_medium%3Dnl%26utm_content%3Dinvestmentexecutive%26utm_campaign%3DINT-EN-morning.

No Need To Adopt Fiduciary Duty, Compliance Officers Hear

Canada's investment industry has no need to adopt a fiduciary duty standard of care, according to panelists speaking at the Association of Canadian Compliance Professionals (ACCP) Compliance Forum in Toronto on Monday, because the current best interest standard is sufficient and the current debate is only confusing market participants.

"We have had common law evolving with respect to what is a fiduciary obligation for years and in that evolution it has always been clear and consistent," said Laura Paglia, partner, Torys LLP.

Currently, the Investment Industry Regulatory Organization of Canada (IIROC) already has a rule, said Paglia, which states that advisors have an obligation to know their clients and understand their personal and financial circumstances and to act in their best interest.

Moving from this established standard to a fiduciary duty is troublesome, she said, because it suggests that clients are vulnerable and completely dependent on advisors for advice, yet the fact is that people trust and rely on their advisors to different degrees and the legal analysis should reflect that.

To read more, click here: <http://www.investmentexecutive.com/-/no-need-to-adopt-fiduciary-duty-compliance-officers-hear?redirect=%2Fsearch>.

Many Canadians Not Confident Businesses Protecting Personal Information

Many Canadians are not very confident about their ability to protect personal information when using new technologies, and want organizations to inform them of how they use such information, results from a [poll by the Office of the Privacy Commissioner of Canada](#) suggest.

In a phone survey of 1,513 residents across Canada conducted last fall, 56% reported that they aren't confident in understanding how new technologies affect their privacy, the OPC said.

The number of Canadians who aren't confident about privacy risks has been steadily rising since 2000, and 70% of those polled also reported feeling they have less protection of their personal information in their daily lives than they did a decade ago, the OPC noted.

To read more, click here: <http://www.canadianunderwriter.ca/news/many-canadians-arent-confident-businesses-are-protecting-their-personal-information/1002233256/>.

CIP Society Speakers Discuss Impact Of Direct Writers In P&C

Property & casualty insurance brokers in Canada are losing market share to direct writers while customers are demanding more web and mobile services, but an executive with RSA predicts the decline of brokers' market share will slow down.

"We're quite bullish on the broker channel," said Shawn DeSantis, executive vice president of RSA Insurance. Brokers have 91% of the Canadian commercial market, he added, noting this creates opportunities to cross-sell personal insurance to existing customers.

DeSantis made his remarks during a presentation at the CIP Society Symposium 2013, held Thursday at the Toronto Region Board of Trade office by the Insurance Institute. His session, dubbed "The Direct Writing Landscape," included executives from DAS Canada and Desjardins General Insurance Group.

To read more, click here: <http://www.canadianunderwriter.ca/news/cip-society-speakers-discuss-impact-of-direct-writers/1002258875/>.

Guarantee CEO Shares Theories On Decline Of Foreign P&C Carriers In Canada

When he started his insurance career in 1985, Canadian-based carriers had about 33% of the Canadian P&C market, while today their combined share has risen to nearly two-thirds, said Alister Campbell, CEO of the Guarantee Company of North America, who was luncheon keynote speaker at the recent Chartered Insurance Professional (CIP) Society Symposium 2013 in Toronto.

Alluding to an increase in cross-border trade and the decline in manufacturing in Ontario, Campbell suggested, the trend in Canadian P&C is "exactly the opposite" of what is happening with other financial services and in other industries.

Another factor is Ontario's auto regulations.

"I suspect Queen's Park has something to do with this," Campbell said of the decline of foreign carriers' market share. "Ontario auto is one of the things that insurance people know about Canada when they think of Canada. They know its breathtaking lack of profitability."

To read more, click here: <http://www.canadianunderwriter.ca/news/guarantee-ceo-shares-theories-on-decline-of-foreign-p-c-carriers-in-canada/1002259271/>.

Investors Moving Online

BMO study finds that the number of Canadians investing online could triple within a decade

As Canadians spend more time online the number of people deciding to do their investing online will increase substantially within the next five to 10 years, according to a study released by Toronto-based BMO InvestorLine.

The study found that that 20% of Canadians invest online today and suggests that the number could triple within a decade given the large number of young Canadians interested in online brokerages.

This jump to virtual investing makes sense to BMO given that many Canadians already do their personal banking online. Personal banking tied for first in the survey for online activities with 77% of Canadians saying they pay their bills over the Internet. Banking tied with reading the news for online activities, followed by keeping in touch with family and friends at 75%.

To read more, click here: http://www.investmentexecutive.com/-/investors-moving-online?redirect=%2Fnews%2Fresearch%3Futm_source%3Dnewsletter%26utm_medium%3Dnl%26utm_content%3Dinvestmentexecutive%26utm_campaign%3DINT-EN-morning.

69% Of Surveyed Canadian Businesses Experienced Cyber Attack In 12-Month Period

Preparedness against cyber crime among Canadian businesses is lacking despite seven in 10 polled organizations being the victim of a cyber attack, suggests a survey by the International Cyber Security Protection Alliance (ICSPA).

“Across business communities, there is a general lack of strategy, procedures and trained personnel to combat cyber crime,” notes the survey report, *Study of the Impact of Cyber Crime on Businesses in Canada: Fighting Cybercrime Together*.

The report suggests two factors could be responsible for the lack of preparedness: the damages (financial or reputational) caused by cyber attacks have not been significant enough to merit shifts in attitudes and behaviour; and/or organizations do not have enough awareness and knowledge of what strategies they should be implementing to minimize their vulnerability to such attacks.

To read more, click here: http://www.canadianunderwriter.ca/news/69-of-surveyed-canadian-businesses-experienced-cyber-attack-in-a-12-month-period-report/1002297405/1s4w30wMnl2zrW20588M2vx/?ref=enews_CU&utm_source=CU&utm_medium=email&utm_campaign=CU-EN05102013.

Gartner Warns Insurers Not To Focus On Different Tech Strategies In Isolation

Information technology executives at insurance companies are working on strategies for mobile computing, social media services like Facebook, cloud computing and the increase in the volume of data, but computer research firm Gartner Inc. suggests chief information officers need to consider how these strategies will affect one another.

“Most insurers have focused on - and built strategies around - each of these forces in isolation,” according to a recent report from Gartner Inc. of Stamford, Conn. “However, pairing two, three or even four of these forces will ultimately allow P&C and life insurers to innovate (including support of new insurance products), obtain new data in ways not previously possible.”

The report, titled “[The Nexus of Forces Supports Industry Transformation, but Insurers Are Not Ready to Seize the Opportunity](#),” refers to four information technology and telecommunications trends.

To read more, click here: <http://www.canadianunderwriter.ca/news/gartner-warns-insurers-not-to-focus-on-different-tech-strategies-in-isolation/1002288261/>.

What Insurers Can Learn From Starbucks

(from the blog of Stuart Rose, Global Insurance Marketing Principal at SAS)

There are many people who think that insurance is fast becoming a commodity, with little differentiation between products, and where consumers choose their insurer purely on the basis of price. However a cup of coffee is a commodity, and yet Starbucks can sell a cup of coffee for \$4 or more. The reason for Starbucks' success is often cited as the customer experience. Thus, could an insurance company create a unique customer experience to differentiate itself from its peers?

Customer-centricity is not a new concept, but it has taken on increasing importance in today's business environment, marked by empowered consumers who want to interact with a brand on their own terms.

For many organizations, the challenge lies in finding innovative ways to capture the "voice of the customer" and infuse customer insights across all business functions, from the point of sale to the call center, in order to create business value. But most insurance companies continue to be product focused, rather than customer or segment-focused.

So to create a customer experience that competitors cannot match requires three overarching elements:

To read more, click here: <http://blogs.sas.com/content/insurance/2013/05/01/what-insurers-can-learn-from-starbucks/>.

Global Insurance Advisory Leader Discusses Key Challenges Facing Insurers

In the video clips at the link below, Dave Hollander, E&Y's Global Insurance Advisory Leader, discusses the following key challenges and important changes facing insurers:

- Importance of security, cost-efficiency and the CIO as change agent
- Regulatory change, shifting to a customer centric model and increasing profitability
- How insurers are responding to multiple changes in the business environment

Click here to watch the [video clips](#).

To read *Insurance & Technology's* recap of a recent interview with Hollander, go to [4 Major Challenges for Insurance CIOs: E&Y's Hollander](#).

How Insurance Companies Can Better Incorporate Web Channel in End-to-end Distribution System: Insurance Podcast

http://feeds.accenture.com/~r/insurancepodcasts/~3/2Q2eazPrsV4/Bests_Review_Direct_Insurance_Accenture_Michael_Costonis_May_27_2009.mp3

Prospects Not Looking For Personal Connection: Study

While most advisors think it's a personal connection that closes a deal with a prospect, clients disagree

Finding a personal connection is far less important in the decision-making process for prospective clients than advisors tend to think, according to a recent study by Toronto-based Upside Consulting Group Inc.

The study, titled [*Closing the Gap: Aligning Client and Advisor Needs to Grow the Wealth Management Firm*](#), found that while 94% of surveyed advisors believe a personal connection is a key reason as to why clients chose to work with them, only 66% of clients agreed.

"That's the big sort of wake-up call for advisors," says Amelia Young, principal with Upside Consulting. "Clients, particularly post-financial crisis, are just that much more skeptical and getting warm and fuzzy with a person is not enough."

To read more, click here: http://www.investmentexecutive.com/-/prospects-not-looking-for-personal-connection-study?redirect=%2Fsearch%3Fp_p_id%3Dsearch_WAR_search10%26p_p_lifecycle%3D0%26p_p_state%3Dnormal%26p_p_mode%3Dview%26p_p_col_id%3Dcolumn-1%26p_p_col_count%3D1%26_search_WAR_search10_search%3Dgeneric.

Risk Readiness Among Organizations Declined Last Year: Global Survey

Organizations worldwide are showing a decline in risk readiness, with only three industries showing the same or an improved level of preparedness for major risks, suggests a new study from Aon Risk Solutions.

On average, readiness for the top 10 risks declined from 66% in 2011 to 59% in 2012, according to the [2013 Aon Global Risk Management Survey](#). Reported loss of income related to the top 10 risks increased 14%, the report says.

The top 10 risks (out of 50) globally, include:

1. Economic slowdown/slow recovery
2. Regulatory/legislative changes
3. Increasing competition
4. Damage to reputation/brand
5. Failure to attract or retain top talent
6. Failure to innovate/meet customer needs
7. Business interruption
8. Commodity price risk

9. Cash flow/liquidity risk
10. Political risk/uncertainties

The top three risks globally are also the top three in 24 or the 28 industries identified in the report.

To read more, click here: <http://www.canadianunderwriter.ca/news/risk-readiness-among-organizations-declined-last-year-global-survey-says/1002242766/>.

Risks For Directors And Officers Higher Than Ever, But Often Not Understood

The risk for directors and officers to be in hot water is especially high right now, as regulators and other authorities are increasingly scrutinizing those at the top of the ladder, according to a new report from Willis.

In a survey of 120 individuals from both the public and private sector, more than one in four said they had experienced a claim or investigation involving a director with their company, notes [the report](#), conducted by Willis and international law firm Allen & Overy.

“Directors and high-ranking officers in public and privately-held corporations are under scrutiny like never before as they conduct business in an increasingly regulated and complex global business environment,” Andrew Barton, counsel at Allen & Overy noted in a statement on the report.

“As regulatory authorities have responded to public and shareholder pressure in the wake of the credit crisis with more rules, heightened vigilance and tougher enforcement powers, corporate leaders find themselves exposed to even greater risks on a daily basis in going about their roles,” he added.

In the poll, 89% of respondents said regulatory and other investigations were a risk for directors and officers, making it the top ranked threat. That was followed by criminal and regulatory fines and penalties, anti-corruption legislation (58%), securities and/or shareholder claims (51%), and the risk of being sued abroad (50%).

To read more, click here: <http://www.canadianunderwriter.ca/news/risk-for-directors-and-officers-higher-than-ever-but-often-arent-fully-understood-report/1002252443/>.

Agenda Item 8(a)
May 28, 2013 EOC Meeting

CAFII's Bylaw No. 2009-5, enacted December 8, 2009, does not contain any provision related to decision situations where a consensus of its Board of Directors cannot be reached.

In fact, the Bylaw contains only one clause that is pertinent in this area, as follows:

5.11 Votes to Govern

Each Director is authorized to exercise one vote. At all meetings of the Board, every question shall be voted on and decided by at least a two-thirds (2/3) majority of the votes cast on the question. Prior to the calling for votes on a question by the Chair of the meeting, a Director may request to have recorded in the minutes of the meeting the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question.

From: Brendan Wycks [mailto:brendan.wycks@cafii.com]
Sent: May-23-13 1:40 PM
To: 'PAMELA SMITH'
Cc: 'Leya Duigu'; 'Pamela Smith (TOCS)'; 'Hines, Jennifer' (jennifer.hines@rbc.com)
Subject: RE: Options for decision-making by consensus for CAFII bylaws

Thanks for this helpful info and advice, Pamela.

Two follow-up questions for you:

- What is the "Act" that is referred to below? Is it the new Canada Non-Profit Corporations Act (CNCA) or is it some older legislation such as the Canada Corporations Act (CCA)?
- Even though the first section in italics refers specifically to Board Meetings and the second italicized section pertains to Meetings of Members (Annual General Meetings or Special General Meetings) – and these two types of meetings are quite distinct beasts – it does seem to fit that the Member Voting guidance offered with respect to Meetings of Members is transferable to the situation of Directors voting at Board Meetings.

Right now, the CAFII Bylaws stipulate that – in the case of both Board Meetings and Meetings of Members – a two-thirds majority vote is required for a resolution to be carried. However, to the best of my knowledge, CAFII has not been following that in practice. Rather, the Association has always tried to govern itself by consensus/unanimity on key decisions.

So the two key questions that need to be revisited, in my view, are:

- Does CAFII want to retain the high threshold of two-thirds majority support for a resolution to be carried, or should that be changed to a simple majority of members?; and
- What rules do we want to have in place for the voting of the Chair at a Board Meeting and at a Meeting of Members? Given CAFII's nature/make-up as an Association, it perhaps goes without saying that the Chair of a General Meeting, who is almost certain to be a Director from one of the 10 Voting Members, would cast a vote; but it's less clear in the situation of a Board Meeting.

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From: PAMELA SMITH [<mailto:pamelaj001@rogers.com>]
Sent: May-22-13 10:50 PM
To: Brendan.Wycks@cafii.com
Cc: Leya Duigu; Pamela Smith (TOCS)
Subject: Options for decision-making by consensus for CAFII bylaws

Hi Brendan - I'm not sure if you received my previous email - I don't seem to have a receipt of email notice - so I am trying again from my home email address. At the last EOC the question of how to governing by consensus could be incorporated into the CAFII bylaws. Hope this will help.

Voting - Subsection 137(1) of the Act permits the by-laws to specify that the directors will make decisions by consensus, with certain exceptions. If consensus decision making is desired, the following may be used:

"Unless otherwise required by the Act or the articles of the Corporation, questions arising at any meeting of the board shall be decided by a consensus of the directors present at the meeting. A consensus will be considered to have been reached when no director objects to the question on the floor before the meeting. Should the chair of the meeting determine, after a reasonable effort to achieve consensus has been made, that a consensus will not be reached regarding a particular question, then the chair shall refer the question to be decided by a majority vote of the directors. In that event, each director is authorized to exercise one vote".

Tie-Vote – Where there is a tie vote, the example provided in the precedent gives the chair a second or casting vote to break a tie. There are other variations possible, such as stating that the chair shall not exercise a vote except to break a tie.

Organizations that do not make decisions by consensus are directed to the following options:

Votes to Govern at Members' Meetings

Option 1- the default rule in the Act.

At any meeting of members every question shall, unless otherwise provided by the articles or by-laws or by the Act, be determined by a majority of the votes cast on the questions. In case of an equality of votes either on a show of hands or on a ballot or on the results of electronic voting, the chair of the meeting in addition to an original vote shall have a second or casting vote.

Option 2 - Write your own by-law governing how votes are to be determined at meetings of members.

Most of the organizations I have worked with have used, *At any meeting of members every question shall, unless otherwise provided by the articles or by-laws or by the Act, be determined by a majority of the votes cast on the questions. In case of an equality of votes either on a show of hands or on a ballot or on the results of electronic voting, the chair of the meeting **shall not** have a second or casting vote and the motion is defeated.*

I haven't done the quick review of the CAFII bylaws to determine how much time will be required to transition the bylaws. I'll get back to you on that in June.

Let me know - hit reply all- if you need anything else prior to that.

Pamela Smith
Governance Officer
TO Corporate Services
pamela@tocorp.ca

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