

## Regulatory Update - CAFII Executive Operations Committee, January 10, 2014

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## **British Columbia**

### Insurance Council Launches Consultation on Conflict of Interest Guidelines

As was highlighted by Gerry Matier, Executive Director of the Insurance Council of BC, during a lunch discussion with a CAFII delegation on April 15, 2013, the Council launched a consultation on Conflict Of Interest Guidelines For Insurance Agents, Adjusters, and Salespersons on December 10.

Rita Ager, 2013-14 Council Chair, indicates that the Council expects to publish a set of guidelines in the Fall of 2014. The guidelines will focus on specific conflicts that exist within each category of licence. The Council's hope is that the guidelines will provide greater clarity and increase the professionalism that the public has come to expect from its insurance agents, salespersons, and adjusters.

In its Notice about the consultation, the Council indicates that the period for stakeholder comments is 90 days, ending on March 9, 2014. The Notice can be found at <http://www.insurancecouncilofbc.com/Downloads/Publications/ICN%2013-003%20Conflict%20of%20Interest%20Guidelines%2010Dec2013.pdf>.

CAFII's Distribution and Market Conduct Committee will look at the consultation document and determine if it makes sense for the Association to make a response submission.

### Insurance Council Allocating More Resources To Consumer Education

In her *Message From The Chair*, Rita Ager advises that during her 2013-14 term, the Council will focus more resources on consumer education. While Council spends a great deal of time and resources to ensure its licensees are professional, ethical, and competent, it realizes that further consumer education is needed to assist consumers in understanding insurance products.

### FICOM Letter on Administrative Penalties

In the letter half of December 2013, Frank Chong, FICOM's Executive Director, Supervisory Support and Policy, wrote to all CEOs, General Managers, and Chief Agents of British Columbia Authorized Financial Institutions (credit unions, trust companies, and P&C and life insurers), as well as industry Associations such as CAFII, with an update on the province's new Administrative Penalties regime.

On January 30, 2013, BC's Administrative Penalties Regulation (APR) came into force. The Regulation sets out which provisions of the Financial Institutions Act (FIA) are subject to an administrative monetary penalty if contravened, and the maximum amount of penalty that can be levied for each contravention.

The primary purpose of the December letter campaign was to highlight the news that FICOM is currently working on a framework for levying penalties for late or erroneous filings. This will apply to any prescribed filing that is required to be made to FICOM -- including financial filings, information forms, and other returns -- within a set period of time. FICOM indicates that it will be consulting with stakeholders on this framework early in 2014, and expects to have it in place for the 2014 year-end annual financial returns.

Harry James, Director, Policy Initiatives ([harry.james@ficombc.ca](mailto:harry.james@ficombc.ca)), is the contact person for this initiative.

## Alberta

### Alberta Insurance Council Demo Presentation On Canadian Insurance Participant Registry (CIPR)

On Wednesday, January 8, Tom Hampton, Chief Operating Officer, and Robin Thompson, Director of Information & Business Services, with the Alberta Insurance Council gave a demo presentation of the beta test version of the new *Canadian Insurance Participant Registry* (CIPR) to a group of CAFII members at TD Insurance in Toronto.

Representatives from TD Insurance, BMO Insurance, CIBC Insurance, Assurant Solutions, and Executive Director Brendan Wycks were in attendance. All seemed thoroughly impressed with the functionality, design architecture, and user-friendliness of the CIPR that AIC is pioneering. Through the CIPR, which has been in development since August of last year, the AIC is planning to launch online registration for its first-time applicants next month. The system's development plan contemplates project completion – and moving to an entirely online, paperless registration and licensing system -- by October 2014.

The CIPR is designed to deal with all participants in the insurance industry; all will be issued a unique business identifier that will be their lone, lifetime identification number. Alberta already has a commitment from its LLQP education providers to use the unique CIPR identification number when communicating with licensees.

The CIPR is designed to be run “in the cloud”; it uses open source technology and modern development tools. AIC is currently the “host” of the system, but it has been designed to be handed off to an external host in due course.

CIPR is a back-end registration system which can facilitate a licensing system; but it is not a national licensing system in and of itself. The licensing process is still the responsibility of the individual provincial jurisdictions.

The CIPR addresses a need that CAFII has been advocating for years. If set up properly and adopted by other Canadian provinces, it can become a first step toward a national registration system. Tom and Robin advised that three or four other provinces, including New Brunswick, are working diligently to be able to join in on CIPR in the near future. They indicated that letters of encouragement from CAFII and other industry stakeholders have already been influential in prompting other jurisdictions to expedite their efforts to come on board.

In keeping with AIC's strategic plan objective to be a leader in the development of online registration and licensing, Alberta has underwritten all of the CIPR's development costs on its own. It is not seeking proportional reimbursement from the other jurisdictions as they join in on this initiative, but just a commitment to make the most of the national, online registration system as the platform for powering their own online licensing system.

Given interest in CIPR from a number of CAFII members who were unable to attend the January 8 session, Robin Thompson agreed to Brendan Wycks' request that he repeat his presentation, in a virtual meeting room using the Adobe Connect functionality that CAFII has licensed, in the near future. Robin indicated that he would like to do that presentation in about three weeks' time, once some new functionality has been added to the beta test version of CIPR.

## Superintendent of Insurance Bulletin on New Supervisory Guideline

In December 2013, Alberta Superintendent of Insurance Mark Prefontaine issued an interpretation bulletin to inform all provincially incorporated property and casualty insurers, life insurers and reciprocal insurance exchanges either formed under the *Insurance Act*, or who have transferred to Alberta such that Alberta is their primary regulator, (collectively, “provincially regulated insurance entities”) that Alberta has adopted a new supervisory guideline.

To ensure a fair and balanced regulatory approach, including consistency across the insurance industry and transparency of expectations, the Superintendent of Insurance has adopted **Guideline E19 – Own Risk and Solvency Assessment** of the federal Office of the Superintendent of Financial Institutions (OSFI Guidelines) in full, including future revisions in accordance with section 792.1 of the *Insurance Act*. The Superintendent intends to apply this OSFI Guideline with appropriate discretion having regard to the size, risk, complexity and structure of each provincially regulated insurance entity.

Laurie Balfour, Senior Manager Financial Compliance, ([Laurie.Balfour@gov.ab.ca](mailto:Laurie.Balfour@gov.ab.ca)) is the contact person for this initiative.

## **Quebec**

### Two-Page Distribution Guide

Stephane Langlois, Senior Director, Distribution Practices at the AMF, advised Brendan Wycks on November 22 that the next iteration of the two-page Distribution Guide would not be ready for release for industry consultation until late in the first quarter of 2014 at the earliest.

On August 20, 2013, Louise Gauthier of the AMF had advised that “a new version of the Distribution Guide will be circulated this fall.”

However, other priorities have intervened, Stephane advised, and work on the Distribution Guide had to be deferred.

## **Federal/National**

### **Canadian Council of Insurance Regulators**

#### CCIR Preparing Discussion Paper On Options And Issues

#### Re Compliance With International Supervision Standards

In the highlights of its October 3-4, 2013 Fall Meeting held in Ottawa, CCIR reports that the International Association of Insurance Supervisors’ (IAIS) review of the results of its recent assessment of insurance regulation in Canada – carried out via International Monetary Fund assessor visits to FSCO and AMF – is ongoing. In that connection, CCIR has asked its Insurance Core Principles Implementation Committee to draft a discussion paper to outline the continuum of options available and issues to consider, to assist jurisdictions in deciding on their position regarding building and maintaining compliance with the international standards for insurance supervision expressed in the IAIS Insurance Core Principles.

## Review of Third Party Administrators

The Agencies Regulation Committee's Review of Third Party Administrators is ongoing. The goals of the Review are to gather up-to-date information on industry use and oversight of TPAs; and to identify potential issues that could arise from the use of TPAs, including potential risks to consumers.

## CCIR Strategic Plan, 2014-17

As the term of CCIR's current strategic plan is coming to an end, the Council has begun work on its next three-year plan. Stakeholder input on possible priorities and initiatives will be sought over the winter of

## **Canadian Insurance Services Regulatory Organizations (CISRO)**

### One-on-One Stakeholder Group Meetings Re LLQP Modernization

As previously advised, CISRO's LLQP Committee, chaired by Ron Fullan, will be holding one-on-one meetings with stakeholder groups – to obtain feedback on the LLQP modernization effort thus far – at the FSCO office in North York on Monday, February 10.

The meeting slots are one hour long, and CAFII has been booked in for the first slot of the day from 9:00 to 10:00 a.m.

These CISRO meetings in Toronto, now confirmed for Monday, February 10, present an opportunity for CAFII to arrange separate liaison meetings with several provincial regulators represented on the LLQP committee.

## **Financial Consumer Agency of Canada**

### Insights Gained In Get Acquainted Meeting With FCAC

On January 9, Moira Gill and Brendan Wycks met with three key FCAC contacts at the FCAC office in Ottawa. The meeting was with Michael Olson, Consumer Education Officer; Karen Morgan, Consumer Education Officer (Moira's/CAFII's contact at FCAC previously); and Derly (first name), a Co-ordinator in her first week of a new job at FCAC, who formerly worked for FINTRAC.

This meeting was Brendan Wycks' first opportunity to meet with FCAC officials as CAFII Executive Director.

The following are highlights noted by Brendan from this one hour meeting:

- FCAC is just going into a product development planning cycle, so CAFII is very welcome to feed/chime in about information resources that it feels are gaps in what FCAC currently addresses and provides.
- FCAC is always open to input and feedback from its industry stakeholders. CAFII is a known and trusted entity, so FCAC would appreciate our feedback on such things as the insurance module within the recently launched *Your Financial Toolkit* published on the FCAC site.
- FCAC would also be open to CAFII's submission of FAQs for the FCAC site; some pertinent ones could probably be transferred directly from CAFII's site. And FCAC is open to linking to the sites of trusted stakeholder groups, including CAFII's.

- FCAC research shows that there is a clear link between consumers' lack of general literacy and numeracy, and deficiency in financial literacy.
- FCAC is doing a lot more in video these days. There are some new sections on the web site that focus on "teachable moments" or "key life events" such as Getting Separated and Divorced; Living With Disability (still to come); Losing Your Job (another excellent section for CAFII to review and provide feedback on); and Living In Retirement.
- A new Financial Literacy Portal site will be up and running by the end of March; it will include a Financial Goal Calculator with three modules: short-term savings; mid- to long-term savings; and retirement.
- Consumers are confused by the difference between individual insurance and group insurance (CAFII's FAQ content could help with clarification). They're also confused by the intricacies of flood insurance.
- In terms of CAFII's possibly getting involved in Financial Literacy Month in November 2014, Karen Morgan would recommend a public-facing event as the best option. If we do organize an event, just e-mail Karen and she will include our event in FCAC's calendar of events for the month.
- Karen could not find in her notebook the name of the person in the Agency's compliance department who is the key contact for the consultation around a Consumer Code, but she promised to locate it and e-mail it to Moira Gill and Brendan Wycks.

## **Public Interest Advocacy Centre (PIAC)**

### PIAC Exhorts Canadians To Participate In Federal Consultation On Consumer Protection Framework

On December 20, 2013, PIAC – one of the most active consumer interest groups in Canada, along with the Consumer's Association of Canada and the Consumer's Council of Canada – issued the following release on its web site:

Tell the government what you think about banking!  
WHAT DO YOU THINK OF BANKING IN CANADA?

This is the Public Interest Advocacy Centre's explanation of the federal government's document [Canada's Financial Consumer Protection Framework: Consultation Paper](#), released 3 December 2013.

You have until **28 February 2013** to reply. We really want you to. Please read on to see how!

#### *What's Happening?*

The Canadian federal government (the Department of Finance, to be exact) is asking what you think about banking, what problems you may have had with banks, and what you would like them to do about it. They are thinking of creating a "Financial Consumer Code" to tell the banks what rules consumers think they should follow to be a responsible bank in Canada.

First, please read the government's own consultation paper [Canada's Financial Consumer Protection Framework: Consultation Paper](#). This is the official consultation document and has the exact wording.

This document explains more briefly what the government is asking because we at the Public Interest Advocacy Centre want all Canadians to tell the government what they think banking rules should be, so that they get the best banking services possible. However, please read the government consultation paper for the full set of questions asked.

### *Why Should You Care?*

Because it's your money. Banking is, at its simplest, you loaning your money to the bank for safekeeping until you need it back. These are your deposits and most Canadians have a bank account for just that purpose. From there, we add the convenience of chequing so we can pay for things without the need for cash. Banks issue credit cards from major credit card systems so we can make even more payments. Many Canadians also have a major loan from the bank: their mortgage. Finally, many Canadians use electronic banking to make their bill payments and other banking affairs quicker and easier to manage.

We've all dealt with these aspects of banking, likely on a daily basis. This is an opportunity to make a real change in the banking industry. The Government wants to hear your thoughts on the system. If you've encountered problems while banking, you can tell your story and not only will you be heard, but you could make a huge difference in banking going forward.

### *So What Does the Consultation Ask?*

The consultation document is asking how the federal government can make the banks follow rules to protect consumers (their bank account holders, credit card users and payments makers) while they make money from banking services. There are some specific questions the government is asking which you can answer with your stories about banking. In particular, the government is asking about:

## **ADDRESSING THE NEEDS OF SENIORS AND VULNERABLE CANADIANS**

Banking can be challenging to understand for anyone. This consultation is particularly interested in information from and about seniors or people with vulnerabilities such as Canadians who have trouble reading. The government is concerned that they may be susceptible to issues such as financial fraud, mis-selling and poor financial outcomes.

## **RESPONSIBILITY OF FINANCIAL INSTITUTIONS TO CONSUMERS**

What is your bank's responsibility to you? Currently, Canada does not have a default standard for how financial institutions should treat consumers or a uniform level of responsibility that they owe to consumers. Instead, the standards are specific to the product or service being provided, which may vary.

The consultation is looking for ideas or opinions on what you believe the bank should be responsible to you for, and what that level of responsibility should be.

## **ACCOUNTABILITY AND ENFORCEMENT**

If a dispute were to come up in your banking, what can you do about it? The Financial Consumer Agency of Canada (FCAC) oversees some consumer aspects of banking, and this consultation wants to know what tools and powers the FCAC might need to effectively watch over the banks, should it be tasked with doing so.

## **DISCLOSURE ABOUT FINANCIAL PRODUCTS AND SERVICES**

The consultation asks if fully informed consumers will make better financial decisions that will lead to more responsible banking. Right now, the banks are required to be upfront about certain aspects of their services. This consultation wants to know the key information you believe consumers need in order to make informed decisions. They also want to know if you think there are cases where just providing the information isn't enough and whether there should be other consumer protection in place in addition to information about a financial product or service.

## **ACCESS TO FINANCIAL SERVICES**

Affordable access to banking for all Canadians is a major goal of this consultation; we want to ensure it becomes a reality. Have you ever encountered trouble in accessing services from your bank? Do you have thoughts on how those situations could be addressed?

### *A Final Note about Privacy*

This is a public consultation, so your identity, or anything you write that identifies you or others you know will be made public, unless you ask the government in your email or letter to try to keep your identity confidential. Please consider this before you send your comments.

If you have further questions about the consultation, please e-mail [piac@piac.ca](mailto:piac@piac.ca) and we will assist you as best we can. Please comment on banking in Canada!

## **Canadian Bankers Association**

### New Seminar-Based CBA Financial Literacy Program For Seniors

The Canadian Bankers Association (CBA) announced on November 1 that it will be launching a national financial literacy program for seniors. Modelled on the CBA's highly successful *Your Money Students* program, the new seminar-based program will be offered in French and English, free of charge, to seniors' groups across the country.

The program, *Your Money Seniors*, will be presented by bankers in the community volunteering their time and expertise.

Focusing on people who are retired or preparing for retirement, the non-commercial program will cover issues such as budgeting; cash management; financial abuse – with emphasis on avoiding risks associated with Powers of Attorney and joint accounts; and fraud and scams targeted at seniors.



## **International/Global**

### **Global Federation of Insurance Associations (GFIA)**

#### IAIS' Latest Iteration of ComFrame Improved, But Still Needs Work

On December 17, the Global Federation of Insurance Associations (GFIA) -- of which Frank Swedlove, CEO of the Canadian Life and Health Insurance Association, is serving as founding Chair -- issued written feedback to the International Association of Insurance Supervisors to advise that while improvements have been made in the latest draft of a common framework for the supervision of international insurance groups (ComFrame), there remain a number of issues therein that need to be addressed.

In its [response](#) to an International Association of Insurance Supervisors (IAIS) public consultation, the GFIA expressed concerns about the level of prescriptiveness of certain provisions and the structure of cooperation in supervisory colleges.

The GFIA believes that it is vitally important that ComFrame does not create an additional and prescriptive layer of regulation that disregards local regimes. Instead it should provide a principles-based framework that can promote better understanding and — through coordination and cooperation among supervisors — facilitate reliance on and recognition of the group supervision conducted by jurisdictions that meet the ComFrame standard.

The GFIA welcomed the inclusion of "cornerstones" that set out fundamental principles important to the success of ComFrame, such as proportionality, the approach to group-wide supervision, operational structures and the allocation of roles. It emphasized the importance of ensuring that ComFrame's standards, parameters and guidance are consistent with those principles.

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