



June 7, 2011

Philip Howell  
Chief Executive Officer and  
Superintendent, Financial Services  
Financial Services Commission of Ontario  
5160 Yonge Street, Box 85  
Toronto, ON M2N 6L9

**RE: Statement of Priorities for 2011**

Dear Mr. Howell,

I am writing to you on behalf of the Canadian Association of Financial Institutions in Insurance (CAFII) in regard to the draft 2011 FSCO Statement of Priorities. We note that FSCO has ongoing focus on auto insurance reforms and insurance fraud. Using risk-based regulation principles, where regulation should focus on areas with greatest impact on consumers, we concur that these are important priorities for FSCO to pursue. Below we will comment on initiatives that are of particular interest to CAFII.

- 1) *Consider additional tools in enforcement of insurance regulation such as administrative monetary penalties.*

CAFII recognizes the need for FSCO to have the ability to assess monetary penalties as an additional enforcement tool. We would like to discuss with FSCO the bases on which penalties would apply. CAFII recommends that a penalty be assessed only for persistent problems and not for an occasional error by an institution.

- 2) *Perform market conduct review of suitability of product recommendations for insurance.*

CAFII appreciates the complexity of this undertaking which would involve a variety of distribution channels, intermediaries and insurance products ranging from simple to extremely complex. Our members would be pleased to assist you and provide expertise as you begin the planning process for such a review. We have an initial concern that not all licensed parties are under the purview of FSCO. Consumer product goals of the review would be more fully realized if FSCO coordinates its activities and objectives with the relevant self-regulatory organizations.

- 3) *Work with Ministry of Finance to review major parts of the Insurance Act such as life insurance and accident and sickness insurance, as well as other insurance-related legislation.*

CAFII supports the review of the *Insurance Act* and looks forward to working with FSCO and the Ministry to update and modernize the legislation and regulations. In the interests of pursuing harmonization, we recommend that Ontario coordinate with other provinces such as Alberta and British Columbia which have recently updated their legislation.

In your review of the *Insurance Act*, we would like to emphasize the importance of electronic commerce. CAFII, like FSCO, offers a variety of information and services online to its stakeholders. CAFII considers electronic and telephone channels to be important in meeting customer needs and expectations for efficient and convenient service. It is therefore important that regulators and policymakers have legislation that facilitates electronic channel distribution.

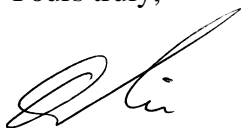
- 4) *Examine CCIR recommendations to reflect changes in distribution channels.*

CAFII would be pleased to continue working with the CCIR to ensure recommendations are consistent with industry efficiency and consumer preferences.

We note that the statement of priorities does not directly reference initiatives to simplify inter-jurisdictional licensing. As you know CAFII members need to have representatives licensed in multiple jurisdictions. In order to increase industry efficiency, we support ongoing development of electronic systems and integration with other jurisdictions. In this regard, we view a common interface for licensing systems as a step toward efficient multi-jurisdictional licensing. We are also very interested in the ongoing development and coordination of electronic licensing systems. We also support pursuing the interprovincial trade agreements (AIT and Ontario –Quebec agreement) which seek recognition for duly licensed individuals.

CAFII appreciates the opportunity to comment on FSCO's priorities and looks forward to continued communication and input on policy matters.

Yours truly,



Dave Minor, Chair

Canadian Association of Financial Institutions in Insurance