

## NEWSLETTER

Summer 2003

The Canadian Council of Insurance Regulators (CCIR) is an inter-jurisdictional association of insurance regulators from each of the Canadian provinces and territories and the federal government. Through CCIR, members work to develop solutions to the common regulatory issues they face as insurance regulators and make recommendations to their governments to implement the solutions with the overall goal of promoting simplification, coordination and harmonization in insurance regulation across Canada.

This is an update on the current activities of CCIR.

### **New Strategic Plan Under Development**

As a result of the evolution of the financial services marketplace, the challenges facing both regulators and stakeholders are changing. CCIR's first strategic plan was developed in May 2000. To achieve its vision of a harmonized, effective and efficient regulatory system, CCIR reviews its work initiatives on an on-going basis.

A CCIR committee has commenced a more comprehensive review of CCIR's strategic plan to ensure that going forward, CCIR's priorities continue to be aligned with the environment. In establishing CCIR's future priorities and initiatives, the committee is considering these and other factors:

- the need to protect consumers;
- the need to promote a

healthy and competitive marketplace; and

- on-going constraints on CCIR members to provide necessary resources to fulfill their regulatory mandate and support the national initiatives.

The committee will present a three year strategic plan to CCIR members at the upcoming CCIR Fall 2003 Meeting.

### **CCIR Streamlining and Harmonization Working Groups**

A key CCIR priority, the Committee on Streamlining and Harmonization was established to survey industry stakeholders to identify areas where they believed streamlining and harmonization could lead to improvements. Based on the proposals the Committee received, CCIR established three working groups. What follows are updates on their work since the Spring meeting.

#### *Agent and Broker Licensing Issues*

The Working Group on Agent and Broker Licensing Issues met with stakeholders to review their proposals in greater detail. During these meetings, a number of recommendations were made regarding mutual recognition and/or reciprocity for agent and broker licenses. In some cases, stakeholders offered differing alternatives as to how this could best be accomplished.

CCIR agreed that mutual recognition is a worthy goal as it will eliminate

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duplication for those intermediaries that wish to transact business across the country. The priorities of the Working Group were established based on moving towards this goal. The harmonization of continuing education requirements, errors and omissions insurance requirements, and application forms will be the first three areas of focus. Chaired by Grant Swanson of the Financial Services Commission of Ontario (FSCO), the Working Group will continue to involve stakeholders in its discussions.

### *Market Conduct Issues*

As previously reported, stakeholders made a number of recommendations pertaining to market conduct. For instance, there were various requests related to inducements, bundling of financial products and varying premiums based on distribution. These are significant policy issues. Under the leadership of Jim Scalena, Manitoba's Superintendent of Financial Institutions, the Working Group will be examining various options and intends to release a discussion paper as soon as possible.

### *Company Licensing, Solvency and Information Filings*

Numerous submissions were received pertaining to streamlining the various corporate and financial filings by insurers. The majority of proposals related to federal filings will be facilitated with the implementation of the Business System Integration Initiative (BSII) by the federal Office of the Superintendent of Financial Institutions (OSFI). BSII is expected to automate and enable conversion into electronic form of a number of corporate filings. The BSII has received support from various industry associations.

Other proposals, related to provincial filing requirements, were also received. Michael Grist, Deputy Superintendent of Financial Institutions in British Columbia is leading a working group during this phase of the review. In many instances, progress is underway to eliminate duplications. Other proposals will require further study. Organizations who sent proposals have been contacted.

### **LLQP**

The new national harmonized standard for life agent education, the Life Licence Qualification Program (LLQP), has been implemented in all jurisdictions except Quebec which already had a modernized program. The LLQP, a joint effort of CCIR and Canadian Insurance Services Regulatory Organizations (CISRO), significantly upgrades qualification standards for life insurance agents entering the business to better reflect the realities of today's insurance marketplace and consumers.

CCIR and CISRO believe the transition to the LLQP has been smooth, in large part due to the industry's active involvement. Across Canada, the pass rate is 78% for the full examination and 58% for the restricted licence examination. This exceeds the pass rate under the previous examination. This success speaks to the importance of the pre-licensing course.

The Brondesbury Group recently completed a comprehensive review of the LLQP examination. The consultant concluded that the examination is well constructed. Some recommendations to fine tune the exam were also included in the review. As noted by Catherine Smith, Nova Scotia's Superintendent of Financial Institutions and Chair of the

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CCIR LLQP Integrity Committee, such fine tuning is expected upon the introduction of a new program. The LLQP Integrity Committee is reviewing the recommendations more closely and will work on implementation.

For a copy of the consultant's report and more information on the LLQP, visit CCIR's website: [www.ccir-ccrra.org](http://www.ccir-ccrra.org).

### **Joint Forum of Financial Market Regulators**

Together with the Canadian Pension Supervisory Authorities (CAPSA) and the Canadian Securities Administrators (CSA), CCIR is a constituent organization member of the Joint Forum of Financial Market Regulators (Joint Forum). The goal of the Joint Forum is to work on initiatives which could affect two or more of the sectors. The following describes three initiatives which may be of interest to CCIR stakeholders.

#### *Practice standards project*

CCIR Chair, Jim Hall, leads the Joint Forum Sub-committee on Practice Standards. The Sub-committee is working to develop common principles and practices which could apply to the sale of products and services by all financial intermediaries. The goal is to ensure that consumers receive a consistent level of service and protection across the financial services sector.

In March 2003, the Sub-committee released a consultation package to various industry and consumer groups. The package included the draft principles and practices, as well as a draft consumers' guide developed to explain what consumers should expect during a

financial services transaction. The comment period closed in May. The comment letters received were generally supportive and are available on the CCIR website at [www.ccir-ccrra.org](http://www.ccir-ccrra.org). The Sub-committee is reviewing the submissions more closely to determine the next steps.

#### *Regulatory Harmonization of IVICs and Mutual Funds*

This Joint Forum project's goal is the implementation of comparable regulatory standards for mutual funds and individual variable insurance contracts (IVICs) or segregated funds. Grant Swanson of FSCO is the insurance lead of the Joint Forum Sub-committee on Regulatory Harmonization of IVICs and mutual funds.

For the past year, the Sub-committee has focussed on point of sale disclosure, based on concerns that disclosure systems had become disconnected from industry practice and consumer needs. This led to the development of a system designed to bring information to consumers when they need it, in a form they can use, and in a cost-effective practical manner. This proposed approach was outlined in the Joint Forum consultation paper *Rethinking Point of Sale Disclosure for Segregated Funds and Mutual Funds* released for comment in February 2003.

One of the cornerstones of the new approach is a consumers' guide that contains objective educational information about segregated funds and mutual funds. The guide was

developed by industry stakeholders, working together with the Sub-committee.

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The comment period for the consultation paper closed on April 30, 2003 and nearly 30 submissions were received. These are available on CCIR's website at [www.ccir-ccrra.org](http://www.ccir-ccrra.org).

The Committee is currently reviewing the submissions to see what improvements might be made in the model.

#### *Straight through processing for Securities Sales*

The Canadian Capital Markets Association (CCMA) is spearheading an initiative for Canada's securities markets to move to Straight Through Processing (STP) for securities sales. It would mean trades would happen almost instantaneously, rather than taking three days from settlement to complete a securities transaction. STP is considered crucial to keeping Canada's securities markets competitive in the global marketplace.

In May of this year, members of the CSA surveyed securities industry participants on STP-readiness. The objectives of the survey were to:

- assess the degree of support for in-house initiatives required for STP;
- identify the relative significance of the issues that need to be addressed to achieve STP;
- assess the current commitment of resources to STP; and
- provide a baseline against which to measure progress towards STP through subsequent surveys.

As there may be some implications for insurance industry participants, the CSA has been keeping CCIR apprised of

developments. Full implementation of STP is targeted for mid-2005. For more information, visit the CCMA's website at [www.ccma-acmca.ca](http://www.ccma-acmca.ca).

#### **CCIR Fall 2003 Meeting**

CCIR's Fall Meeting will take place in Newfoundland on October 2 and 3, 2003. A number of working groups and committees are expected to make recommendations for future CCIR work.

Meeting highlights will be available on the CCIR website at [www.ccir-ccrra.org](http://www.ccir-ccrra.org), shortly following the meeting.