

## NEWSLETTER

Winter 2003-4

### Achieving our vision

As we turn our fiscal calendars to the new year and focus on the priorities ahead, it is important to pause for a moment and take note of our accomplishments to date since the last three-year strategic plan.

Throughout 2000-03, the CCIR undertook a number of initiatives that enabled it to make tangible progress towards achieving its vision – a harmonized, effective and efficient insurance regulatory system in Canada.

A short list of the CCIR's milestones include:

- Establishing the CCIR Secretariat to coordinate the activities of the Council, in May 2000.
- Laying the foundation for improved protection for insurance policyholders by articulating a set of generic, high-level standards or benchmarks to apply to all CCIR consumer protection projects, in June 2000.
- Launching a new web site for the Council at [www.ccir-ccrra.org](http://www.ccir-ccrra.org), in March 2002.
- Announcing a revised set of classes of insurance and definitions that are both harmonized and flexible to meet the needs of the industry, in March 2002.
- Commencing development of a Canada-wide practice standard that would apply to all financial services intermediaries and certain employees of deposit-taking institutions, in conjunction with the Joint Forum, in 2002.
- Launching the LLQP, a national standard for life agent education, effective January 2003 in most provinces, in conjunction with the Canadian Insurance Services Regulatory Organizations (CISRO).
- Developing and facilitating the implementation of a revised set of minimum capital test requirements, which became effective for the first quarter returns of 2003.

### The Canadian Council of Insurance Regulators (CCIR)

CCIR is an inter-jurisdictional association of insurance regulators from each of the Canadian provinces, territories and the federal government.

Through CCIR, members work to develop solutions to the common regulatory issues they face as insurance regulators. They make recommendations to their governments to implement these solutions.

The overall goal of CCIR is to promote simplification, coordination and harmonization of

## **New Strategic Plan released to stakeholders**

Released to stakeholders in December, CCIR's new plan for 2004-06 responds to the ongoing changes in the industry since the first Strategic Plan was developed in 2000. The plan outlines the issues and challenges facing the Canadian insurance industry, which place great resource constraints on the CCIR.

As a result, an ongoing need for collaboration on strategic initiatives remains a priority. The CCIR is looking forward to continue working with interested parties to achieve the initiatives in the Strategic Plan. See the plan on the CCIR website at [www.ccir-ccrra.org](http://www.ccir-ccrra.org).

## **The continuing focus**

The Strategic Plan calls for a continuing focus on a range of priorities. Numerous projects are already underway, and more are currently under development.

This is a particularly busy time for the CCIR. Committees are being struck or re-mandated. Teams are looking at models, listening to stakeholders. Terms of Reference are being drafted and vetted. Most importantly, CCIR committees are meeting regularly with stakeholders, listening to their issues and concerns.

According to its vision statement, the CCIR is working to develop a harmonized approach to the regulation of insurance. But one aspect of our mandate of which we must constantly remind ourselves is that agreeing on *what* to do is still only part of our challenge. This is especially true in cases where legislative changes are required. It is up to individual governments to put such legislative change on their already full agendas.

And in instances where CCIR members do have the authority to implement regulatory change, our common challenge is to implement solutions that affect a range of stakeholders and involve a large contingent of industry participants. Sharing experience with the implementation phase is, therefore, important to us all as well.

## **Meeting the regulatory burden head-on**

A priority across the industry – risk-based market conduct and prudential regulation – is an area in which the need for change has been clearly identified. Stakeholders have communicated extensively regarding proposals to eliminate the regulatory burden on companies and intermediaries, as well as a range of solutions.

The CCIR responded by asking the Risk-Based Regulation Committee to look at risk based market conduct regulation. As well, the Regulatory Filings Committee is exploring the feasibility of harmonizing and streamlining prudential and corporate filing requirements for insurers licensed in more than one Canadian jurisdiction. This work is in response to previous consultations with the insurance industry.

## **Insurance licensing issues round-up**

Industry and regulator representatives have been working closely together to develop and implement a model for a reciprocal licensing standard for insurance agents and brokers. Its two

working groups are property and casualty-based and life-based. An immediate priority is to find solutions to three issues:

- 1) *Harmonizing errors and omissions insurance coverage requirements.* There are differences in the amount of insurance required, the nature of restrictions and the extent of coverage that must be included in a policy.
- 2) *Continuing education requirements.* The aim is to harmonize current differences across jurisdictions, such as the number of hours and the type of education that qualifies. This will expedite non-resident licensing.
- 3) *Standardize the life agent application form.* A common form will help facilitate licensing across jurisdictions.

The joint industry-regulator team will make recommendations to CCIR at the spring meeting in Quebec City. If CCIR approves, then CCIR members could recommend them for the approval of their own provincial/territorial governments, as appropriate.

### **Discussion invited on referral arrangements**

Earlier this year, the License Considerations Committee released a paper that explores options that would permit referral fees on a broader payment arrangement basis, while providing appropriate consumer protection measures. Comments, suggestions and ideas are welcome from consumers and industry stakeholders. The paper can be found on the CCIR website at [www.ccir-ccrra.org](http://www.ccir-ccrra.org). The deadline for submission: Friday, March 5, 2004. The Committee intends to make recommendations to CCIR. If confirmed, these measures then may be recommended by CCIR members for the approval of their own provincial/territorial governments.

### **Using test results to fine tune courses**

Early last year, together with members of CISRO, CCIR implemented the Life License Qualification Program (LLQP), a national standard for life licensing that remains one of the CCIR's most significant harmonization achievements. The LLQP Integrity Committee continues to ensure the program functions as intended, focussing on the pre-qualifying course that agents must take before the examination. The Committee is working to ensure there is a bank of exam questions always available for rotation and that course providers are delivering as expected.

Using test score results, the Committee is now able to provide course providers with feedback about their effectiveness in teaching the course. The data allows them to drill down to specific topic areas within the courses and show how well information is being retained by students at exam time. Using this information, course providers can fine tune their materials and effectiveness.

LLQP course provider results will be available on an aggregate basis by the middle of the year. The Committee reports that the results have been good and it is pleased that the program is raising standards and obtaining positive results.

## Discussion invited on inducements, rebating and tied selling

In March 2004, the CCIR Working Group on Market Conduct and Other Issues releases a consultation paper seeking input on various options related to the issues of inducements, rebating and tied selling or bundling of financial services products. The paper outlines an industry proposal for each issue, along with lists of other possible options. The Working Group wants to hear stakeholders' concerns related to various models, and will consider other options. Look for the paper on the CCIR website at [www.ccir-ccrra.org](http://www.ccir-ccrra.org).

## Practice standards project

This winter, the Joint Forum asked for stakeholder feedback on proposed practice standards for all financial services intermediaries.

A summary of stakeholder comments as well as the consultation paper, *Principles and Practices for the Sale of Products and Services in the Financial Sector*, can be found on the CCIR website at [www.ccir-ccrra.org](http://www.ccir-ccrra.org).

The constituent organization members of the Joint Forum plan to introduce the practice standards as national guidelines, not legal requirements, and will encourage industry associations and individual firms to adopt them on a voluntary basis.

## Update on consultation paper: "Rethinking Point of Sale Disclosure"

As part of its work to harmonize the regulation of individual variable insurance contracts (known as IVICs or segregated funds) sold by the insurance industry and mutual funds sold by the securities industry, the Joint Forum last year released a consultation paper on proposals to revise and harmonize point of sale requirements for these similar products. This spring, the Joint Forum will release a summary of stakeholder comments. For background information, see "Joint Forum News" on [www.ccir-ccrra.org](http://www.ccir-ccrra.org).

## Spring into action

CCIR's spring meeting will take place in Quebec City on Thursday and Friday, April 1<sup>st</sup> and 2<sup>nd</sup>, 2004. High on the agenda will be the approval of Terms of Reference for a number of new and re-mandated committees. In addition, CCIR will hear from a variety of interested parties. Shortly following the meeting, highlights will be available on the CCIR web site at [www.ccir-ccrra.org](http://www.ccir-ccrra.org).

### The Joint Forum of Financial Market Regulators

Was created in 1999 by:

- the Canadian Council of Insurance Regulators (CCIR),
- the Canadian Securities Administrators (CSA) and
- the Canadian Association of Pension Supervisory Authorities (CAPSA).

It also includes representation from the Canadian Insurance Services Regulatory Organizations (CISRO).

The Joint Forum's mission: pro-actively facilitate and coordinate the development of harmonized, cross-sectoral and cross-jurisdictional solutions to financial services regulatory issues.