

NEWSLETTER

Winter 2001-2002

This newsletter is published by the Canadian Council of Insurance Regulators – Conseil canadien des responsables de la réglementation d'assurance (CCIR -CCRRA) for the purpose of keeping interested insurance stakeholders informed about key cross-jurisdictional developments and initiatives in Canada.

CCIR is an inter-jurisdictional association of insurance regulators that facilitates and promotes an effective regulatory system in Canada to serve the public interest. CCIR continues to work on the development of harmonized insurance regulations and policy to enhance consumer protection.

This edition provides updates on the projects and initiatives since the release of the last CCIR Newsletter in the Summer of 2001.

Saskatchewan's Superintendent of Insurance Elected New CCIR Chair

At the CCIR Fall 2001 Meeting, held on September 27 and 28 in Fredericton, CCIR members decided on a new Executive Committee. Jim Hall, Superintendent of Insurance in Saskatchewan, was elected Chair of CCIR. He succeeds Winston Morris, Superintendent of Insurance in Newfoundland and Labrador, who has served as Chair since 2000. Mr. Hall begins his appointment on April 1, 2002.

Catherine Smith, Superintendent of Financial Services in Nova Scotia, is a Vice-Chair, and replaces Lucy Couture, Manitoba's Deputy Superintendent of Financial Institutions - Insurance. Philip Howell, Acting Superintendent of Financial Services in Ontario, continues as a Vice-Chair.

Life License Qualification Program

Following the endorsement of a new national harmonized standard for life agent education, referred to as the Life Licence Qualification Program (LLQP), CCIR and the Canadian Insurance Services Regulatory Organizations (CISRO), many regulators are shortly planning to accept the LLQP as an optional equivalency to the existing level I and level II licensing examinations. Full implementation of the new harmonized life agent proficiency standard is expected to be phased in over the next four years, subject to final ratification by individual jurisdictions. During this time, representatives of the industry will prepare a report on business impacts for consideration by regulators.

Following extensive consultation with the life insurance industry, CCIR and CISRO approved the new life agent proficiency standard in September 2001. The model ensures a harmonized approach to core practice standards and competencies. It will provide for a one-step licensing system, a mandatory pre-licensing

training course and an enhanced regulatory licensing examination. The new exam requires individuals to demonstrate their ability to apply the knowledge they have gained in the mandatory pre-licensing training course. This initiative will reduce regulatory complexity and enhance internal trade while ensuring consumers are protected throughout Canada. Regulators are working to obtain amendments to regulations and bylaws to implement the LLQP.

With the exception of Quebec, where a similar program already exists, the new model will replace existing provincial or territorial examination processes.

Classes of Insurance Harmonization Being Implemented by Individual Jurisdictions

With the goal of reducing the number of classes of insurance, harmonizing the definitions and streamlining the process for approving new classes, CCIR announced on March 22, 2002, that CCIR's Steering Committee on Classes of Insurance had completed its work.

The CCIR Steering Committee worked with industry associations to develop 16 harmonized classes of insurance (15 in Québec). This is a reduction from the more than 50 previously defined classes of insurance across Canada. A key component of this new scheme is the introduction of the "other approved

products" class. This class will more readily allow insurers to introduce innovative products into the Canadian insurance marketplace.

To accompany the new classes of insurance, the Insurance Bureau of Canada (IBC) endorsed two guidelines designed to expedite the process for companies that are adding a new class to an existing licence or a new insurance product. The guidelines will assist insurance regulators in evaluating applications from companies (life and property and casualty) for new classes within existing licences or new products under the "Other Approved Products" class.

Most CCIR jurisdictions expect to have the new classes of insurance operational for industry use within the next three years.

Canada-wide Survey of Internet Sales

CCIR established the E-Commerce Committee to identify areas where legislation and regulations can be improved to better protect consumers purchasing insurance electronically. A working group of the Committee developed a survey to canvass Canadian insurance companies:

- about their current and projected use of electronic transactions for sales and the servicing of clients;
- about their views on issues related to electronic commerce

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- (e-commerce); and to probe on improvements for consumer protection.

A survey was developed with input from insurance industry associations including the Canadian Association of Direct Response Insurers, Canadian Association of Financial Institutions in Insurance, Canadian Life and Health Insurance Association, Corporation des assureurs directs de dommages du Québec, Insurance Bureau of Canada and Regroupement des assureurs de personnes à charte du Québec. These associations also identified a pilot group of insurers that have completed and commented on the draft survey.

Based on comments from the pilot group, the survey was finalized and was released nationally to all insurance companies on February 28, 2002. All companies were asked to complete the survey by March 15, 2002. Once tallied, the results of the survey will serve to inform the E-Commerce Committee on its recommendations to CCIR.

CCIR's New Website Holds National Repository of Power of Attorney and Undertakings (PAU)

On March 22, 2002, CCIR launched a redesigned website to improve its communication with stakeholders and the general public. The enhanced website, www.ccir-ccrra.org, which replaces www.ccir.org, contains more information, is more user friendly and

allows visitors to find information more quickly.

New on CCIR's website is the "Power of Attorney & Undertakings (PAU)" section. This area contains the listing of signatories to the Canada Non-Resident Inter-Province Motor Vehicle Liability Insurance Power of Attorney & Undertakings. The PAU form is filed primarily by American automobile insurers whose policyholders drive their private passenger vehicles in a Canadian jurisdiction where the insurer is not licensed or authorized to do business. There are approximately 2,000 signatories on file. Since 1964, the Office of the Superintendent of Financial Institutions in British Columbia has served as the national repository for the PAU. In November 2000, CCIR took over this responsibility. CCIR routinely receives calls for information to file a PAU and to confirm signatories to the PAU. This section will enable those seeking this type of information to access it on-line.

The CCIR website also hosts an Intranet with a password protected feature that is designed exclusively for communication among CCIR members and working groups. This will facilitate the flow of information across jurisdictions and between both internal and external working group members.

CCIR Builds Ties with NAIC Through Information Sharing

CCIR continues to build ties with the National Association of Insurance Commissioners (NAIC) and other international financial services regulators to foster a better network for sharing information. This is particularly important as the marketplace regulated by CCIR members becomes more closely integrated globally and with other financial services markets.

NAIC is comprised of insurance regulators from the 50 states, the District of Columbia and the four U.S. territories. In keeping with CCIR's strategic priority to forge working relationships with other financial services regulators, CCIR will continue to attend NAIC National Meetings, which serve to highlight the similarities in the two countries. For example, NAIC has launched national initiatives in areas such as agent licensing, speed-to-market for insurance products and market conduct reviews.

At the CCIR Spring 2001 Meeting, the keynote speaker was Ms. Kathleen Sebelius, the then NAIC President and Insurance Commissioner for the State of Kansas. A CCIR contingent subsequently met with Ms. Sebelius and NAIC staff in June 2001. The discussions concerned matters of mutual interest, including the establishment of a PAU system for Canadian insurance companies in the United States, privacy requirements,

market conduct audits, and intermediary licensing. The NAIC will again be represented at the CCIR Spring 2002 Meeting.

Through the NAIC, CCIR will continue to monitor insurance issues and initiatives in the United States which could potentially impact the Canadian insurance marketplace and which could inform projects and issues in Canada.

CCIR Spring 2002 Meeting in Montreal

Along with other national associations of financial services regulators, CCIR will be in Montreal during the week of April 8, 2002, for the Spring 2002 meetings.

Meetings of members of CCIR, the Canadian Securities Administrators (CSA), the Canadian Association of Pension Supervisory Authorities (CAPSA) and the Joint Forum of Financial Market Regulators (of which CCIR, CSA and CAPSA are constituent members) will take place throughout the week.

At the Joint Forum meeting on April 10, 2002, representatives of CCIR, CSA and CAPSA will continue to work together on harmonizing regulatory regimes for insurance, pensions and securities.

At the CCIR meetings to be held April 11 and 12, members will hear from various industry representatives and will reassess projects and priorities.