

CCIR

Canadian
Council of
Insurance
Regulators

Conseil
canadien
des responsables
de la réglementation
d'assurance

Canadian Council of Insurance Regulators

Strategic Plan

2008-2011

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Canadian Council of Insurance Regulators Strategic Plan 2008-2011

Foreword

On behalf of all members of the Canadian Council of Insurance Regulators (CCIR), it is my pleasure to present our Strategic Plan for the period April 1, 2008 to March 31, 2011.

Over the last three years, we have accomplished many of the objectives set out in our last strategic plan, including:

- Implementing a new governance model for the operation of the automobile statistical plan
- Developing and facilitating the implementation of a model for a reciprocal licensing standard for insurance agents
- Developing and facilitating the implementation of a complaint reporting system
- With CISRO, completing the review of insurance practices regarding the relationship between intermediaries and insurance companies and developing principles for managing conflicts of interest.

CCIR has been very active in fulfilling our mandate to facilitate and promote an efficient and effective insurance regulatory system in Canada to serve the public interest. We are confident that this will continue as we pursue the strategic priorities outlined in our new strategic plan.

We have a full and exciting strategic agenda, and I would like to once again stress our commitment to working collaboratively with all stakeholders in achieving our goals over the next three years.



Michael Grist
Chair

Mandate

CCIR is an inter-jurisdictional association of insurance regulators that facilitates and promotes an efficient and effective insurance regulatory system in Canada to serve the public interest.

The CCIR brings together insurance regulatory authorities from every province and territory, and the federal government. Together we work to develop solutions to common regulatory issues with the overall goal of facilitating and promoting an efficient and effective insurance regulatory system to serve the public interest.

Mission

To work co-operatively with other financial services regulators and stakeholders to address common regulatory issues.

We fulfill our mandate by working co-operatively with other financial services regulators and stakeholders to address common regulatory issues.

We then either implement the solutions for which we have regulatory authority or make recommendations to our respective governments to implement the solutions that require legislative or regulatory change.

Vision

A harmonized and effective regulatory system that protects consumers and enhances confidence in the Canadian insurance marketplace.

We work to promote a harmonized and effective regulatory system that protects consumers and enhances confidence in the Canadian insurance marketplace. Having a common vision of the results we hope to achieve assists us both in choosing and prioritizing work to be undertaken and in assessing regulatory issues and developing appropriate solutions.

Values

Organizations are driven by the shared values of their members. We have a shared commitment to:

- Integrity
- Accountability
- Responsiveness
- Cooperation
- Accessibility
- Creativity
- Respect

In keeping with our values, CCIR is particularly pleased with the advances we have been able to make in our consultative processes to involve all stakeholders – consumers and consumer organizations, agents, brokers, insurers and industry organizations – in our strategic initiatives. We make every effort to ensure that all voices have a chance to be heard and all positions are considered before we move forward on a course of action.

The Environment

In setting our overall direction and strategic priorities for the next three years, we have taken a number of challenges inherent in the regulatory environment into account:

Changes in Demographics and Consumer Expectations

There is a changing demographic in Canada that is affecting who the insurance industry is trying to serve and who regulators are trying to protect. Insurance regulators need to be cognizant of demographic changes and what they mean to the business that we regulate.

As the majority of Canadians get older, their tolerance for risk and their preference for what and how they buy is changing. For these Canadians, the next few years will see a shift from accumulation to disbursement phase as well as a shift from life to health related insurance. Consumers are also becoming more accepting of non-traditional providers and more comfortable with alternative delivery methods, including electronic channels. Regulators must ensure that consumers are made aware of the risks these new areas might pose and that adequate protections are maintained.

Another effect of these changing demographics is that the average age of agents and brokers is rising, adding further pressure on companies to develop alternative distribution channels.

Insurance regulators are faced with the challenge of fully understanding changing consumer expectations. The public policy environment is complex and consumer expectations are not always clearly expressed. Consumers are increasingly looking to government (and its regulators) as a resource for information to minimize the information gaps that exist between the provider and consumer of financial products.

Marketplace changes

The face of the insurance marketplace is changing rapidly with continuing consolidations and mergers of financial institutions, globalization of the marketplace, and convergence of the financial services industry and regulatory structures.

There is increasing cross-sector cohesion between Life & Health and Property & Casualty Insurance and with deposit Institutions. The continuing trend towards globalization and consolidation in the insurance market place and convergence of the financial services industry is blurring jurisdictional lines. This may create regulatory gaps between jurisdictions, which could harm consumer confidence in the system.

As well, a technological revolution in computing and communications is spawning dramatic changes in the insurance industry. Declining costs coupled with rising computing power are enabling technological advances in the development and delivery of new insurance products and services. This has enabled a variety of new delivery mechanisms that permit access anywhere, anytime, to an increasing array of innovative insurance products and the outsourcing of key insurer functions. On the darker side,

criminals are using the new technologies and causing harm to insurers and other financial institutions, and their clients, in never seen before scams.

The challenge for insurance regulators is to be able to react to these changes in time to identify and mitigate risks.

Changes in Regulatory Environment

Canada no longer has the fundamentally homogeneous and slow to change financial services marketplace that the traditional rules-based approach to regulation was based upon. The volatility of the marketplace has resulted in higher expectations on regulators to react quickly. There is pressure to follow International trends to move from the rules-based approach to a more principles-based regulatory approach to encourage and respond to marketplace innovation and development.

The Canadian regulatory environment is experiencing rapid and wide-ranging externally driven calls for regulatory reform. International accounting, actuarial, solvency and regulatory reforms will impose changes on the Canadian regulatory framework. There are concerns that if the Canadian system does not keep up to international changes, it may result in unnecessary regulatory burden on participants in the industry.

Increased industry expectations

Concern in the industry that the current regulatory system in Canada imposes unnecessary regulatory burden on participants has led to expectations of movement toward more efficient and effective regulation.

As diversity in the marketplace expands, the need to establish common principles and standards in jurisdictions across Canada is increasing. There is a need for a clearer definition of the goals that insurance regulators are trying to achieve and for reevaluation of the methods used to achieve those goals. Insurance regulators need to collectively consider what the role of regulators is and to learn from the best practices of other jurisdictions around the world looking at other approaches to regulation and key outcomes for regulation. Where possible, regulation should be simplified and harmonized to reduce the cost of compliance without sacrificing consumer protection.

The regulatory system must work efficiently in the enforcement of market conduct regulation in order to maintain confidence in the insurance sector and to provide adequate levels of protection to consumers.

There is also a continuing need for insurance regulators to coordinate with securities and pension regulators to address cross-jurisdictional, cross-sectoral issues facing the financial services industry as a whole.

Strategic Priorities

In setting our overall direction and strategic priorities for the next three years, we have considered the relative risks among all the environmental challenges we have identified and used this assessment to focus our efforts and make best use of our finite resources.

As a result, we have established four equally important strategic priorities:

- **Facilitating informed consumer decision-making**
- **Facilitating the development and implementation of harmonized regulation**
- **Eliminating unnecessary regulatory burden**
- **Actively collaborating with financial services regulators and other stakeholders to respond to changes in the financial marketplace.**

Strategic Initiatives

In order to pursue our strategic priorities, we will work with stakeholders to undertake or to continue the following initiatives over the next three years:

Facilitating informed consumer decision-making:

- Develop and facilitate the implementation of consumer friendly disclosure documents for Individual Variable Insurance Contracts (IVICs) and other insurance products.
- Review the use of electronic communications and transactions within the insurance industry to identify and address risks to consumers, regulatory gaps, and legislative and regulatory barriers to industry providing products by electronic means.

Facilitating the development and implementation of harmonized regulation:

- Identify issues around sales and claims processes related to incidental selling of insurance and develop and facilitate implementation of solutions to address the issues.
- Review the various definitions of terms such as “insurance business,” “solicitation,” and “unlicensed insurance” to identify and address risks to consumers, regulatory gaps, and legislative and regulatory barriers to industry resulting from differences in definitions.

Eliminating unnecessary regulatory burden:

- Develop and facilitate the implementation of a framework for Risk-based Market Conduct Regulation and of a national complaint reporting system.
- Encourage industry's efforts in the development and implementation of sound governance practices, standards and guidelines.
- Undertake a review of the Power of Attorney and Undertaking (PAU) system.

Actively collaborating with financial services regulators and other stakeholders to respond to changes in the financial marketplace:

- Complete the initiatives with the Canadian Securities Administrators (CSA) and the Joint Forum of Financial Market Regulators to establish improved Point of Sale disclosure requirements for IVICs and mutual funds and the review of licensing requirements for intermediaries who sell both IVICs and mutual funds.
- Review, with CISRO, the regulation of managing general agencies, wholesale agencies and insurance adjusters to identify and address risks to consumers, regulatory gaps, and legislative and regulatory barriers.
- Collaborate with the federal Office of the Superintendent of Financial Institutions to share information on technical standards and training under the solvency framework, changes in the insurance marketplace, critical emerging issues and cross jurisdictional financial crime and enforcement issues.

Ongoing CCIR Responsibilities

As part of actively collaborating with financial services regulators and other stakeholders to respond to changes in the financial services marketplace, we are one of the three founding organizations of the Joint Forum of Financial Market Regulators. We provide significant input into all the strategic initiatives of the Joint Forum as outlined in its strategic plan (available on its website www.jointforum.ca).

As well, we work closely with CISRO on an ongoing basis on matters of mutual interest.

We also pursue our mission and vision by providing harmonized Canada-wide handling of:

Emerging Issues

Through the CCIR, member jurisdictions share information on emerging issues and develop coordinated responses to issues that affect multiple jurisdictions.

Regulatory responses to Assuris and PACICC

In accordance with the governance bylaws of both Assuris and PACICC, the compensation corporations for life and general insurers respectively, any regulator may reject a proposed bylaw change but must register its objection in a timely manner. Our Assuris-PACICC Committee ensures that all such changes are reviewed on a timely basis and all regulators have the information they need to make appropriate decisions.

The Committee also advises Assuris and PACICC of any changes that we would like to see them make.

Liaison with the Facility Association

Our Facility Association Standing Committee has been established to streamline the communications between regulators and the Facility Association, the provider of automobile insurance to drivers who are unable to obtain automobile insurance through the voluntary insurance market.

Forms and Instructions

We maintain the templates of the annual and interim return forms and instructions for both P&C (P&C1 and P&C2) and Life (Life1 and Life2) required from every insurer registered in Canada. The Forms Committee is charged with updating the forms as required.

Minimum Capital Test (MCT)

We ensure that the MCT remains a risk-based test appropriate for the P&C industry, and recommend fine-tuning as needed. For example, changes in accounting rules may necessitate changes to the MCT.

Powers of Attorney and Undertakings (PAUs)

The CCIR Secretariat maintains and provides access to the repository of PAUs filed by insurance companies all over North America. This function means that insurers filing PAUs with respect to private automobile insurance do not have to file that document in each province or territory the policyholder might visit.

International Monitoring

The CCIR Secretariat monitors the initiatives of the National Association of Insurance Commissioners, the International Association of Insurance Supervisors and other regulators and international organizations in order to proactively keep our members apprised of new developments in the financial services marketplace.