



Frank Swedlove  
President and CEO

May 31, 2016

Mr. Brian Mills  
Chief Executive Officer and Superintendent of Financial Services (Interim)  
Financial Services Commission of Ontario  
5160 Young Street, Box 85  
Toronto, ON M2N 6L9

Dear Mr. Mills,

Re: FSCO's draft 2016 Statement of Priorities

The Canadian Life and Health Insurance Association is pleased to respond to your request for comments on FSCO's draft 2016 Statement of Priorities.

We appreciate that this is a time of change, in terms of marketplace and technological innovation, insurance regulatory harmonization with the IAIS Insurance Core Principles, and within FSCO itself as the government reviews FSCO's mandate and structure. Our comments focus on effective collaboration both with other regulators across the country and with stakeholders, and on the importance of taking a customer-focused approach, and will, we believe, apply regardless of any structural changes made to FSCO.

Comments are organized according to the questions set out in your draft.

**1. Influence the development of provincial, national and international regulatory policy**

**a. How can FSCO strengthen its role as a leader in this area in relation to your industry?**

*FSCO plays an important role through its participation and leadership with the Canadian Council of Insurance Regulators. Insurance marketplace regulators are strengthening their ability to be informed, risk-based regulators through the implementation of a new market conduct regulatory framework that reflects international principles and standards. Maintaining a key presence around this table is more important than ever.*

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- b. Are there specific regulatory coordination initiatives that FSCO should lead or join that would enhance consumer protection across jurisdictions and help foster a balanced and healthy competitive marketplace? Please describe.**

*We believe that real opportunities exist to build on market conduct Insurance Core Principles and standardize good practices that serve customers well. Two key examples are requiring a needs analysis before an advisor recommends a product and documenting how a policy is suitable to the consumer by providing a brief "reason why" letter after the sale. Currently, only Quebec requires a needs analysis and no province requires a "reason why" letter. CCIR action to set out specific regulatory expectations in these areas would be an excellent first step, and could lead to the adoption of regulations in other provinces. We urge FSCO to lead such a project within CCIR.*

**2. Enhance the collection, use and sharing of market intelligence**

- a. FSCO currently gathers annual information returns from three sectors, namely pensions, mortgage brokering and insurance. Should we consider requiring all other regulated entities to submit an annual information return at a minimum?**

*FSCO is already working with CCIR in the development of an Annual Market Conduct Statement that would apply to life and health insurers. We believe this fits the objective of collecting market intelligence and would not recommend an additional, stand-alone project by FSCO.*

- b. What role, if any, do you feel industry or stakeholders should play in helping enhance FSCO's market intelligence?**

*In addition to the completion of the Annual Market Conduct Statement, there are other alerts that insurers could provide to FSCO and to CCIR regarding unusual developments. CLHIA had provided a submission to CCIR suggesting parameters for this approach, which FSCO could adopt.*

- c. How can we create additional opportunities for the exchange of information between FSCO and industry -- particularly information that could help FSCO better understand the marketplace - and what would be the best mechanisms for sharing that information?**

*Industry events provide an opportunity for both formal and informal exchange of information. FSCO regularly attends and presents at life and health insurance industry events, and should continue to seek out such opportunities.*

**3. Raise awareness of FSCO's actions in the financial services marketplace**

- a. How do you feel about FSCO's current methods and frequency of communication? What other things could we do to ensure you get the information you require? What type of information do you find relevant to receive on a regular basis?**

*Over the past year, FSCO has started making more use of newsletters, but they seem to be issued on an as-needed basis, especially those directed to companies. It may be more effective to schedule a regular release, perhaps quarterly.*

**b. What role should industry trade associations play in educating their members on regulatory requirements?**

*CLHIA plays a key role in keeping members informed of new or developing regulatory requirements, and in reinforcing existing requirements. We establish working groups who can review draft regulation and provide useful input to that process. And we seek ways to assist FSCO in getting out messages as needed, for instance, by inviting FSCO to make presentations at committee meetings or industry events, or sending out notices to bring attention to FSCO communications.*

**4. Provide adequate disclosure of information to enable informed decisions by consumers and pension plan members**

**a. FSCO is considering expanding the information it currently provides on its enforcement actions to better inform the public (e.g., proactively sharing details of actions taken against non-compliant entities with media outlets and/or on social media). What are your thoughts on this direction?**

*We would caution FSCO to be conscious of unintended consequences. There is a potential that reports could be taken out of context and create an environment where consumers might avoid services and products that are sound and in their interests.*

**b. How can FSCO and industry work together to improve the financial literacy of consumers and pension plan members?**

*We fully support cooperation in this area. Industry and regulators have shared objectives in this area -- a commitment to contributing to improved financial literacy for insurance and pension consumers. A great deal of industry work to date has focused on clear communication and improving the understandability of customer-facing material. This includes the development of a consumer-friendly glossary of insurance terminology. In addition to industry work, FSCO and other regulators also provide consumer information and tips on their websites. There are some linkages between sites, but more could be done to ensure that we're all providing access to good information to consumers. As an excellent example of existing cooperation, FSCO will be contributing an article to the next issue of CLHIA's newsletter, *The Clear Communicator* (July/August). We would welcome the opportunity to sit down with FSCO and explore other opportunities.*

**c. How can FSCO improve transparency in how it undertakes its regulatory services?**

*Explaining general policy directions and specific decisions could be one of the purposes of newsletters.*

Thank you for the opportunity to comment. We look forward to working constructively with FSCO over the coming year.

Sincerely,

*Original signed by*

Frank Swedlove