

CCIR Annual Statement on Market Conduct

INSURANCE CONSUMER AFFAIRS EXCHANGE

- PITTSBURGH, PA

Framework for Cooperative Market Conduct Supervision

1. EVOLVING INSURANCE
LANDSCAPE
2. INSURANCE CORE
PRINCIPLES
3. COOPERATIVE
FRAMEWORK

Evolving Insurance Landscape

- ▶ Key drivers of change
 - ▶ Product innovation
 - ▶ Consumer expectations
 - ▶ Emphasis on “Fair Treatment of Customers”

Insurance Core Principles

- ▶ Developed by the International Association of Insurance Supervisors
- ▶ Establish standards for insurer conduct, supervisors and the supervisory framework
- ▶ Revised in 2011: emphasize fair treatment of consumers
- ▶ Regulatory framework must be comprehensive to address risk to consumers throughout the product lifecycle

Insurance Core Principles

- ▶ ICP 19: Conduct of Business
 - ▶ Fair Treatment of Consumers
 - ▶ Developing and marketing products with regard to the interests of customers
 - ▶ Providing customers with clear information before, during and after the point of sale
 - ▶ Reducing the risk of sales which are not appropriate to customers' needs
 - ▶ Ensuring that any advice given is of a high quality
 - ▶ Dealing with consumer complaints and disputes in a fair manner
 - ▶ Protecting the privacy of information obtained from customers
 - ▶ Managing the reasonable expectations of customers

Insurance Core Principles

- ▶ 2013 IMF assessment of Canada's insurance regulatory model
- ▶ Assessed alignment with the Insurance Core Principles (ICPs)
- ▶ Findings:
 - ▶ High degree of observance of ICPs
 - ▶ Supervisory authorities must be proactive in enhancing consistency

Cooperative Framework

- ▶ Address IMF recommendation to be proactive in enhancing consistency
- ▶ Establish a coordinated approach to insurance supervision and consumer protection
- ▶ Increased information sharing and cooperation among supervisory authorities
- ▶ Proactive identification and response to risks – increased consumer protection

Cooperative Framework

- ▶ CCIR members will working together “on the ground” to
 - ▶ Conduct cooperative market analysis
 - ▶ Develop cooperative supervisory plans for common concerns, risks & priorities
 - ▶ Conduct cooperative insurer-specific reviews
 - ▶ Conduct cooperative thematic reviews
- ▶ Includes sharing & leveraging resources in supervisory activities across provincial and territorial borders

Harmonized Annual Statement on Market Conduct

1. BACKGROUND & INTRODUCTION
2. DEVELOPMENT PROCESS
3. SECTION-BY-SECTION OVERVIEW
4. IMPLEMENTATION
5. NEXT STEPS

Background & Introduction

- ▶ Annual statement will assist in risk-based supervision and furthering the fair treatment of consumers
- ▶ Data collected measures outcomes related to fair treatment of consumers:
 - ▶ Developing & marketing products with due regard to the customers;
 - ▶ Providing customers with clear information before, during and after the point of sale;
 - ▶ Ensuring quality of advice;
 - ▶ Dealing with customer complaints and disputes in a fair manner;
 - ▶ Protecting the privacy of consumer information; and
 - ▶ Managing the reasonable expectations of customers.

Background & Introduction

- ▶ One harmonized form for use across all provinces and territories
 - ▶ Reduce duplication and regulatory burden for insurers
- ▶ Separate Annual Statements for P&C and life & health insurance industries
 - ▶ Language and questions tailored for each
- ▶ To be completed by all insurers once each year
- ▶ Data to be shared among CCIR members

Development Process

- ▶ Industry consultations
 - ▶ Fall 2015
 - ▶ Summer 2016
- ▶ Industry working groups
 - ▶ Fall 2015 – Fall 2016
- ▶ Targeted implementation: Spring 2017

Section-by-section Overview

- ▶ Data sought in following areas:
 - ▶ Governance
 - ▶ Policies
 - ▶ Products
 - ▶ Premiums, Commissions and Benefits Paid by Distribution Channel
 - ▶ Distribution Channels
 - ▶ Sales and Incentives
 - ▶ Claims
 - ▶ Complaints
 - ▶ Protection of Personal Information

Section-by-section Overview

- ▶ Governance:
 - ▶ Structure of compliance function
 - ▶ Priority of fair treatment of consumers within the organization
 - ▶ Processes and practices in the market to ensure fair treatment of consumers
 - ▶ Practices related to advertising
- ▶ Policies:
 - ▶ Number of new policies for the reporting period
 - ▶ Non-renewals and cancellations

Section-by-section Overview

- ▶ Products:
 - ▶ Occurrence of product reviews
 - ▶ Products currently available
 - ▶ Material changes during reporting period
- ▶ Premiums, Commissions and Benefits Paid by Distribution Channel:
 - ▶ Direct written premiums
 - ▶ Commissions and remuneration
 - ▶ Claims
 - ▶ Telesales/call centre and Internet sales

Section-by-section Overview

- ▶ Distribution Channels:
 - ▶ Top firms
 - ▶ Relationship with firms
 - ▶ Audits of firms

- ▶ Sales and Incentives:
 - ▶ Compensation methods and ranges
 - ▶ Sales force performance measures
 - ▶ Lapses

Section-by-section Overview

- ▶ Claims:
 - ▶ Data on claims opened and closed during year by coverage
 - ▶ Closed claims statistics
 - ▶ Reasons for denial of Claims
- ▶ Complaints:
 - ▶ Complaint handling structure
 - ▶ Complaint statistics and trends
- ▶ Protection of Personal Information:
 - ▶ Processes and procedures for breaches
 - ▶ Breach record

Implementation

- ▶ Implemented in spring 2017
 - ▶ Insurers provided access to file on March 28, 2017
 - ▶ Reporting deadline May 1, 2017
- ▶ Compliance Rates
 - ▶ 90% required filing received by May 1, 2017
 - ▶ 100% compliance by June 19, 2017

Next Steps

- ▶ Improve content for year two
 - ▶ Increase clarity / reduce ambiguity
 - ▶ Bolster instructions
 - ▶ Address issues and concerns identified by filing insurers
- ▶ Improve filing system
 - ▶ Address issues and concerns identified by filing insurers
- ▶ Review and analyze reports
 - ▶ Insurer-specific, P&C industry and life and health insurance industry reports
 - ▶ Identify trends, patterns and potential “red flags”

Questions

