

Under the proposed model, the AMF would assume the Program's financial administration and management as well as the initial development and ongoing maintenance costs of the Program.

The Program itself must consist of open book modular exams and the sale of exam manuals (one for each exam module). AMF will use the revenue from the sale of the manuals to offset the development and ongoing maintenance costs of the Program.

AMF has prepared a comprehensive work plan for the development of the Program by 2015. AMF has already begun a functional job analysis review with stakeholders in its jurisdiction. This review is a critical step in the development of the curriculum design document. The next step would be to conduct similar reviews in other jurisdictions commencing in September. However, before it incurs the costs for this work, AMF requires written assurance from participating jurisdictions beginning first with a signed expression of interest (i.e. the MOU) and a signed participation agreement by September.

The Alberta Insurance Council (AIC) currently offers oversight for the Life Licence Qualification Program for which Ontario pays \$50,000 per year in accordance with a contract with the AIC. The AIC has indicated a willingness to continue the current service until 2015 when the new national model is expected to launch.

#### **RISK THAT PROGRAM MAY NOT BE NATIONAL:**

FSCO's Ontario's decision to participate in the Program is critical to the success of the Program since approximately 46% of all life and health insurance agent exams are written in Ontario. Quebec is the second largest jurisdiction at 20% followed closely by both British Columbia and Alberta each at 13%. Regulators in other jurisdictions, with the possible exception of BC, could likely not afford to develop and implement a separate program. Their only option would be to continue to use outdated LLQP material which could result in challenges under the AIT.

#### **RISKS RELATED TO DEVELOPMENT COSTS AND CONTROLS: OF CONTINGENT LIABILITY:**

Using the services of another regulator as opposed to a third party commercial provider means that FSCO would have less control over the work and the associated costs of services.

The AMF seeks to recover its costs, and the costs it incurs on behalf of the regulators in other participating jurisdictions, through the sale of the exam manuals across Canada. Consequently, there is always the risk that the projected sales revenue may not be sufficient to cover the initial and ongoing costs of the program and that the AMF Québec would ask regulators in the participating jurisdictions to contribute their portion of the costs.

There are controls contemplated to address these risks:

- A formal governance structure around the Program consisting of a "CISRO" board of the participating jurisdictions that will make key decisions around the development and implementation of the Program including approval of the budget proposed by the CISRO Governance Committee after consultation and discussions with AMF's team of education specialist.



- It is expected that the Participation Agreement will clearly set out the roles and obligations of the CISRO "Board", the CISRO Governance Committee and the AMF's Team of Education Specialists.
- It is expected that the Participation Agreement will clearly set out Quebec's role and responsibilities as Trustee of the fund to hold monies received from the sale of the exam manuals and maintain records in accordance with acceptable financial standards.
- It is expected that the Participation Agreement will clearly set out the obligations of each participating jurisdiction in the event that revenue from the sale of the exam manuals is insufficient to cover the costs AMF has incurred developing and maintaining the Program. Costs of materials could be adjusted by AMF as needed if the assumptions by AMF such as the number of manuals sold, is less than expected.

At this point it is unclear what financial obligations AMF might require from other regulators, if any, in a Participation Agreement. For example, it is not clear whether AMF would require an undertaking to be reimbursed by other jurisdictions for any funding shortfall.

AMF has developed three budgetary projections based on assumed sales revenue and based on all jurisdictions participating in the Program (see Appendix 2). The three projections are based on 50%, 40% and 30% of first time exam writers (approximately 10,000 individuals across Canada, 46,000-4,600 individuals in Ontario) each purchasing 5 exam manuals (\$82.77 for each manual per exam module).

AMF's own experience to date is that approximately 50% of the individuals writing the exams in Quebec purchase the exam manuals while the remaining half rely upon recycled exam manuals that they obtain either through their sponsoring insurer or course providers.<sup>2</sup> AMF has estimated that even if sales revenue were at the 40% or 30% range, the revenue would still exceed expenditures, albeit it would take longer.

The MOU states that if the costs incurred by the AMF are not reimbursed by 2017, the participants will work together and re-examine the scope and strategy of the program in accordance with the terms to be set out in the partnership agreement. The Committee identified a number of strategies that could be implemented to fund shortfalls in expected book revenue including:

- Increasing the cost of training manuals ,
- Scale back ongoing Program maintenance work ,
- Increase the provincial exam fee.

Depending on the terms set out in the Participation agreement, FSCO may need to seek Minister approval under Section 28 of the Financial Services Administration Act, e.g. if there is any financial commitment that would increase contingent liabilities of Ontario. 4.

Should FSCO be required to contribute to the ongoing costs of the Program, the most streamlined and efficient way could be to require its third party exam delivery provider (currently Durham College???) to charge and collect a special fee at the time an individual enrolls for an exam and transfer the amount directly to the AMF. ??? However further analysis of this would be required to determine whether FSCO has the authority in law to impose such a fee and also

Comment [s1]: I suspect fee would just be built into fee invisible to the candidate

<sup>2</sup> In Quebec, individuals are currently not required to successfully complete a course approved by the AMF. However, with the new Program, AMF will be imposing this requirement to harmonize with the rest of Canada