

FINANCIAL SERVICES COMMISSION OF ONTARIO

BRIEFING NOTE

CISRO HARMONIZED LIFE AGENT EDUCATION INITIATIVE: IMPLICATIONS FOR ONTARIO

ISSUE

To (i) advise the Superintendent about the implications for Ontario of the proposed agreements for a national harmonized life licence qualification program; and (ii) recommend that the Superintendent sign the Participation and Service Agreements so that FSCO can join the program. ~~Signatures on or before March 28, 2013 are requested.~~

BACKGROUND

In 2012, all CISRO members signed an MOU agreeing to enter into a process to establish a truly national, harmonized program for life insurance agent qualification, including a funding model. CISRO is targeting September 2015 for the program's implementation. An interim governance committee ("Committee") was established to create the framework for the program.

The Autorité des marchés financiers (AMF) will act as the program's service provider to develop, implement and oversee the program on behalf of all participating regulators. This was a condition of Quebec's participation, and was acceptable to the other regulators as the AMF has considerable experience and expertise in preparing licensing education materials. BC agreed to underwrite development work done by the AMF until March 31, 2013.

In the context of the harmonized program, the AMF will therefore be both a participating regulator and the service provider, with separate agreements governing each role. The Participation Agreement is to be signed by all participating regulators. The Service Agreement is to be signed between the AMF (in its capacity as service provider) and each of the other participating regulators. In order to be effective, both agreements must be signed by at least 6 regulators representing at least 70% of the projected exam writers. Quebec requires that the agreements be in place by March 31, 2013 (when BC stops underwriting the work).

This program will be self-sustaining through licensing fees charged to approved course providers for the use of study materials produced by the AMF. The licence Fee amounts will be set yearly and all revenues will be put back into the program. The licence fee is projected to be approximately \$140 per student.

Comment [s1]: Pls add BC, ALTA, SASK have made verbal commits to sign, MAN has made a written commitment, leaving Ontario and Que to form the 6 required to make the agreements effective.

ISSUES:

The purpose of this note is to request the Superintendent's approval and signature on a non-binding Memorandum of Understanding (MOU) expressing FSCO's interest in helping to develop and participating in a national life agent qualification program.

It also is to advise the Superintendent of the currently known and potential cons and risks associated with joining the new national life insurance agent education program (Program) and how they could be managed, as FSCO continues to work with other regulators in the development and implementation of the Program.

CONTEXT:

At the June 4, 2012 CISRO meeting, the CISRO Life Licence Qualification Program (LLQP) Review Committee (Committee) will ask seek confirmation from CISRC members whether they intend to participate in the new Program proposed by the Committee. The commitment sought is in the form of a non-binding MOU that the autorite des marches financiers (AMF) has developed (See Appendix 1) and which has been reviewed and approved by the Committee, including FSCO staff and which has been shared with all a few other CISRO members²²² and FSCO staff, legal.

Participating jurisdictions have until June 15, 2012 to sign the MOU. Regulators who sign the MOU will be expected to participate in development and enter into a more formal and legally binding participation agreement to be developed by participating jurisdictions within 90 days following the June 15th deadline. Each jurisdiction is obligated to assign a representative to take part in developing the participation agreement and governance structure.

The signed MOU will assure the AMF of other regulators' intent to participate in the new program before it begins incurring costs on behalf of the other jurisdictions. A significant amount of good faith is associated with signing the MOU and, therefore, FSCO needs to be aware of the potential risks associated with the Program and how best to manage these risks, if the Superintendent signs the MOU. It should also be noted that there is also a significant risk if FSCO chose not to sign the MOU since it would effectively mean an end to the proposal and other options for managing the education program of life insurance agents would need to be considered.¹

To date, the Alberta Insurance Council has signed the MOU. Other regulators have been given the MOU for review???

The purpose of this note is to advise the Superintendent before entering into the MOU, of the substantive risks identified to date and how they can be managed.

CONDITIONS OF AMF'S PARTICIPATION:

The AMF's participation in the Program is conditional on AMF being the education service provider for the delivery and maintenance of the Program. AMF has undertaken to act as the Education Development Specialist to develop the curriculum, develop program manuals for exam preparation, create all exam questions as well as update the program as required.

¹ Ontario comprises approximately 46% of the total number of individuals licensed in Canada and the sale of exam manuals – the proposed funding mechanism for the Program.

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