

Gill, Marcus A FIN:EX

From: Dillon, Brian FIN:EX
Sent: Tuesday, December 8, 2015 9:10 AM
To: Gill, Marcus A FIN:EX; Toovey, Kari FIN:EX
Cc: Wong, Gina G FIN:EX
Subject: FW: Insurance Council of B.C. - LLQP
Attachments: LLQP BC course provider CLHIA ltr 15oct15.pdf; Letter to Frank Swedlove CLHIA - 5Nov15.pdf; TOR01-#6115546-v5-Letter_to_Matier.pdf; Letter to Jill McCutcheon.pdf

FYI. I have not read the materials in detail but I note that the last letter, page 3, responds specifically to your (Marcus) question of an Alberta licensed agent (BC will recognize under labour mobility obligations).

Gina, can you please cliff the materials and assign to Kari and me.

Brian

From: Gerry Matier [<mailto:gmatier@insurancecouncilofbc.com>]
Sent: Tuesday, December 8, 2015 7:38 AM
To: Dillon, Brian FIN:EX
Subject: Insurance Council of B.C. - LLQP

Hi Brian

I thought I should update you on how things have unfolded since Council's decision not to approve insurance companies as LLQP course providers.

CLHIA expressed its concerns in October, and I have attached its letter and Council's response. It is my understanding CLHIA has no plans at this time to comment further.

s.13,s.16

s.13,s.16

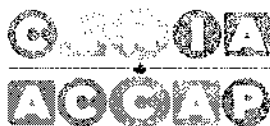
The other, Primerica, has raised concerns and is questioning Council's decision and its authority. Attached is Primerica's position and Council's initial response. Council has also invited Primerica to meet with it directly, which is happening today's monthly Council meeting.

I will let you know what comes of the meeting.

Gerald Matier | Executive Director| **Insurance Council of British Columbia**
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Frank Swedlove
President and CEO

October 15, 2015

Brett Thibault
Chairperson
Insurance Council of British Columbia
Suite 300 - 1040 West Georgia Street
Vancouver, BC V6E 4H1

Dear Mr. Thibault:

I am writing regarding the Council's decision to only recognize independent educational institutions as course providers for the Life Licence Qualification Program (LLQP). CLHIA has serious concerns about both the stated rationale for this decision as well as the practical effect that the timing of this decision will have for insurers who planned to act as LLQP course providers.

By way of background, four life insurance companies currently act as LLQP course providers in British Columbia. These companies have been training prospective advisors since the LLQP was introduced in January 2003 and their performance during this period is a matter of public record. With the introduction of the new LLQP, a fifth insurance company plans to begin acting as an LLQP course provider. At the time the Council's decision was announced, all five companies had successfully applied for national accreditation and were in the process of seeking provincial recognition.

In its explanation for its decision, the Council suggests that, since an educational institution's reputation is linked to the performance of the candidates it trains, it has an interest in placing the interests of its students and the Council first. It is difficult to see how the same reasoning does not apply to insurance companies. If anything, insurance companies have even more at stake than these independent organizations. In the vast majority of situations, individuals trained by an insurance company will continue to represent that company as a licenced agent after they have passed the LLQP exam. The reputation of insurance companies, therefore, is linked not just in the short term with how well their students perform on the exam but also over the longer term in how they continue to perform as professional advisors.

The Council also notes that the practice of life insurance companies training potential advisors for the purposes of licensing or registration is unique within the financial services industry. While this may be true, the position of life insurance companies vis-à-vis their advisors is also unique. At least in the common law provinces, it is generally understood that an advisor carrying out duties assigned to him or her by an insurer to, among other things, solicit applications for insurance and give advice about that insurance is deemed to be acting as an agent of the insurer.

Canadian Life and Health Insurance Association
79 Wellington St. West, Suite 2300
P.O. Box 99, TD South Tower
Toronto, Ontario M5K 1G8
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Toronto • Montréal • Ottawa

Finally, the Council notes that there are obstacles to auditing the training programs of life insurance companies that do not arise with independent, educational institutions. While enrolling students in the program of a life insurance company may not be feasible, CLHIA submits that Council has a variety of equally effective options for ensuring the quality of an insurer's program. Beginning with the LLQP course provider accreditation process, each course provider is required to document how its program covers the full scope of the LLQP curriculum. It is our understanding that the Council would have access to this by virtue of its participation in CISRO and the LLQP Governance Committee. We note further that section 2.16 of the LLQP licensing agreement requires that a "LICENSEE shall provide its Derivative Works to LICENSOR on request." As well, detailed statistical analysis of how well LLQP candidates do in each of the competency areas assessed in the LLQP exam provides empirical evidence of the effectiveness of the course provider's instructional practices.

For all these reasons, we respectfully submit that the Council's concerns about potential conflicts of interest associated with life insurance companies acting as LLQP course providers are unfounded. Accordingly, we strongly encourage the Council to reverse its decision to not recognize life insurance companies as LLQP course providers.

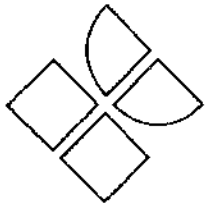
With respect to the timing of the decision, life insurance companies seeking recognition were only advised of the Council's decision at the end of September. The LLQP National Accreditation Criteria for course providers was finalized and published in January 2015. It is our understanding that the Council would have been involved developing and approving these criteria. Life insurance companies intending to act as LLQP course providers would have relied on these criteria, and the licensing agreement that was published at the same time, when they developed their business plans and finalized decisions to act as course providers. If the Council decides to continue this policy about life insurance companies, CLHIA respectfully submits that there should be appropriate grandfathering for companies that initiated requests for recognition before the decision was announced.

Yours sincerely,

Original signed by

Frank Swedlove

FS:241



November 5, 2015

Mr. Frank Swedlove
President
Canadian Life and Health Insurance Association Inc.
Suite 2300, 79 Wellington Street West
P.O. Box 99, TD South Tower
Toronto, Ontario
M5K 1G8

Dear Mr. Swedlove:

Subject: The Insurance Council of British Columbia ("Council")
Life Licence Qualification Program ("LLQP")

I am writing in response to your letter dated October 15, 2015, regarding Council's decision to recognize only independent educational institutes as LLQP course providers in British Columbia effective January 1, 2016. Council considered your comments at its October 20, 2015 meeting.

By way of background, it is important to stress the importance Council has placed on developing appropriate educational requirements for prospective life and/or accident and sickness insurance agents ("life agent"). Even before the introduction of the LLQP in 2003, Council was engaged in reviewing its life agent licensing requirements, having determined the existing educational criteria was grossly inadequate and out of date. In 1998, Council determined that improved licensing education requirements were required and was proposing that all life agents be required to obtain their Chartered Life Underwriter (or equivalent) designation within five years of obtaining a licence. Council's initial work to improve the licence education requirements in British Columbia lead to the development of the LLQP.

After the implementation of the LLQP, Council continued to improve the educational requirements in British Columbia with changes to its exam format, including spending over \$400,000.00 on the development of new LLQP exam questions.

In 2011, Council commenced a process to update the LLQP and its licensing exam in British Columbia. Shortly afterwards, other Canadian jurisdictions indicated an interest in moving forward on a review of the LLQP on a harmonized basis, and, when Quebec expressed an interest in being a part of a harmonized LLQP, Council agreed to participate.

.../2

For the past 18 years, Council has been committed to ensuring the educational requirements for obtaining a life agent licence meets the standard expected by British Columbians. Since 1998, Council has favoured a higher educational standard, development of specific study material, and the use of a modular exam format. Council is pleased that specific study material and modular exams will be introduced in 2016. Council's decision to limit LLQP course providers to independent educational institutions is a reflection of Council's commitment to ensuring prospective life agents receive the appropriate level of training and education prior to obtaining an insurance licence.

With this in mind, Council does not dispute your comment that life insurance companies have an interest in the knowledge and training of perspective life agents. However, life insurance companies do not all operate on the same business model. Some life insurance companies offer a wide range of insurance products, while others offer only a limited range of insurance products. On this basis alone, life insurance companies' interest in the level of training required by life agents can differ significantly, and do not necessarily share common objectives regarding the appropriate level of knowledge and training required to hold a life agent licence.

Since before the LLQP was introduced in 2003, life insurance companies have argued against improved licence education standards, suggesting that insurance companies may not necessarily have the same objectives as that of Council, or the insurance buying public, as to what constitutes properly trained life agents. Council believes an insurance company's business model can have a bearing on the level of training that would be provided by an insurance company approved as an LLQP course provider, which does not exist with independent educational institutions.

This opinion can be highlighted by a response provided in Part 4, question 4, of the National Accreditation Form, completed as part of the national approval process for potential LLQP course providers. Question 4 asked: *What are the requirements to act as a trainer for your organization?*

In reviewing one insurer's response it stated, in part:

"The ideal candidate will hold at least a high school diploma and one year experience as a licensed life agent."

This criteria for who would be considered qualified to instruct potential life agents may be appropriate if the purpose is just to help prepare a person to write Council's licence exam, but Council does not believe it is adequate to properly train a potential life agent on all the material contained in the LLQP.

Council is pleased to hear Canadian Life and Health Insurance Association Inc. affirm the position that life insurance companies are responsible for the actions of life agents contracted with them. However, accepting responsibility for the actions of contracted life agents is not, in itself, sufficient to meet Council's mandate of public protection. Council's mandate is to ensure that life agents are properly educated to provide the correct, knowledgeable advice to the consumer at the time of the insurance transaction. Knowing that a life insurance company may step up if a life agent provides the wrong insurance advice or product is helpful, but does not replace ensuring that life agents are properly trained to provide a client with the correct advice at the time of the transaction.

Council noted your comments regarding the timeliness of notifying insurance companies seeking to be LLQP course providers in British Columbia of its decision. Council originally notified interested LLQP course providers as early as July 2, 2015, that it would not be making a decision until September 2015. At no time did any of the applicants seeking to be LLQP course providers communicate that this was an issue.

As for Council's decision not to recognize life insurance companies that had received national accreditation as harmonized LLQP course providers, industry stakeholders were advised throughout the consultation process that while the Canadian Insurance Services Regulatory Organizations would establish criteria governing the national accreditation of LLQP course providers, the authority and ultimate responsibility for determining who would qualify as an LLQP course provider rested with each jurisdiction.

Council appreciates your feedback, but is confident that its decision to limit LLQP course providers to independent educational institutions is not only consistent with the practice in all other financial services sectors, but serves the best interests of all individuals seeking to become life agents, as well as the insurance buying public.

Yours truly



Brett Thibault, FCIP, CRM
Chairperson
Insurance Council of British Columbia

BT/ig

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November 12, 2015

By Email

Gerry Matier
Executive Director
Insurance Council of British Columbia
300 - 1040 West Georgia Street
P.O. Box 7
Vancouver, BC
V6E 4H1

Mr. Matier:

Re: Primerica Life Insurance Company of Canada

We are solicitors for Primerica Life Insurance Company of Canada ("Primerica"). Thank you for speaking with me earlier in the week and for agreeing to grant Primerica an opportunity to meet with Council about some areas of concern. As promised, we provide a brief summary of the issues below.

Primerica's main concern relates to Council's recent decision to deny insurance companies an opportunity to be course providers with respect to the new Life Licence Qualification Program ("LLQP") scheduled to come into effect on January 1, 2016. The other area of concern, which we also summarize below, relates to certain privacy practices of Council.

A. Council's Decision to Reject Primerica's Application to be an LLQP Course Provider

On September 30, 2015 you wrote to Mr. Salvatore Chine, VP, Training and Development at Primerica. In that letter you communicated Council's decision to restrict course providers for the LLQP to established independent educational institutions and further communicated that Council had determined that it is not prepared to recognize insurance companies as approved course providers, including those that have received national approval as an Approved LLQP Course Provider from the Canadian Insurance Services Regulatory Organizations ("CISRO"). Council's stated position is a departure from current course provider criteria. Moreover, Council's

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determination is without regard to the fact that life insurance companies will be acceptable LLQP course providers in all other provinces of Canada.

We are of the view that Council cannot act to disqualify insurers from being LLQP course providers without the adoption of a rule (a “Rule”) in accordance with the *Insurance Council Rule-Making Procedure Regulation (the “Regulation”)*. Under this Regulation, Council must publish the text of any proposed Rule and give notice inviting comment from the public. The Minister of Finance must be provided with a copy of the proposed Rule, a written explanation as to the need for and the expected effect of the proposed Rule, and a copy of the written comments received from the public about the Rule.

Council’s decision to depart from what is otherwise a uniform approach to the LLQP in all other common law provinces is, in our view, of substantive importance and properly the subject matter of a Rule. Council cannot enforce and administer a Rule that is not adopted in accordance with the Regulation.

Also, Council’s September 29th letter suggests that Council’s decision is in retaliation to Primerica having brought legal action against the licensing bodies in Ontario and Saskatchewan, also on the subject matter of the LLQP. Council must exercise its discretion in a manner that is founded in its enabling legislation, the related regulations and based on its Rules, as properly adopted, and not on collateral factors.

I have raised with you that there are issues under the *Labour Mobility Act, SBC 2009, c 20*. In response, you have conveyed that Council will accept applications for life agent licenses where the applicant is licensed in another province and the applicant’s LLQP course was conducted through a course provider that is an insurer. Again, we would have thought that this also would be part of a Rule addressing the varied approach to the LLQP to be adopted and applied by Council in the Province of British Columbia.

B. Privacy Practices of Council

Primerica has also become aware that applicants for a life agent’s license who presently hold part-time employment outside the insurance industry (the “Applicants”) are now permitted to be asked by Council to submit both a job description and a letter from each Applicant’s current employer (the “Employer”) confirming that the Employer is aware of the Applicant’s application for an insurance agent’s license (the “Requested Letter”). As many Primerica agents are part-time, this issue is of particular importance to Primerica.

The requirement for the Requested Letter does give rise to a number of concerns under the *Freedom of Information and Protection of Privacy Act, RSBC 1996, c 165* (the “FOIPP Act”) which applies to Council and which concerns can be summarized as follows:

- The Requested Letter is a collection of information that is not authorized under a legal authority as is required by the FOIPP Act;
- The Requested Letter is not directly related to nor is it necessary for the activities of Council, as is required by the FOIPP Act;

- As it is not open to an Applicant to decline to provide the Requested Letter and still complete the process to obtain a license, the Applicants cannot be taken to consent to the collection, use and disclosure of personal information which necessarily results in providing to Council the Requested Letter¹. Consent is required under these circumstances under the FOIPP Act;
- Council is not authorized under any Act or any rule of Council to conduct the indirect collection of personal information that necessarily results from the submission of the Requested Letter. The applicant cannot be taken to consent to this indirect collection and the associated disclosure to the Employer of their personal information for the reasons set out above;
- Under the FOIPP Act, a public body must ensure that an individual from whom it collects personal information is told the purpose for collecting it, the legal authority for collecting it, and the title, business address and business telephone number of an officer or employee of the public body who can answer the individual's questions about the collection. In our view Council has not met all these requirements of the FOIPP Act in respect of the Requested Letter; and
- The only information we could find on Council's website about privacy is about website privacy. No privacy officer is identified. The FOIPP Act requires that a privacy officer for a public body must be appointed and made known to individuals who shall provide personal information to the public body. Council does not appear to have done or be doing these things.

C. Request for a Meeting

We think it makes sense for us to discuss these important issues with you and members of Council in person as soon as possible and in no case later than the end of this month. Kindly do advise forthwith as to the earliest opportunity for such a meeting. Given the proposed implementation of the new LLQP on January 1, 2016 there is urgency and as such, to expedite a meeting, we have copied the Chair of Council on this letter.

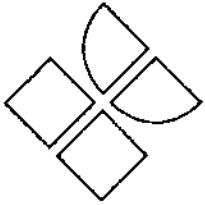
Sincerely,



Jill E. McCutcheon

c.c. Brett Thibault, Chairperson, Insurance Council of British Columbia

¹ Obviously, in requiring the Requested Letter there is a disclosure to the employer of the fact that the applicant is seeking to obtain a life agent's license and this is personal information to the applicant.



November 26, 2015

PRIVATE AND CONFIDENTIAL

VIA EMAIL

Ms Jill McCutcheon
Borden Ladner Gervais LLP
Scotia Plaza
40 King Street West, 44th Floor
Toronto, Ontario
M5H 3Y4

Dear Ms McCutcheon:

Subject: Primerica Life Insurance Company of Canada ("Primerica")

I am writing in response to your November 12, 2015 letter, regarding Primerica's concerns relating to the Insurance Council of British Columbia's ("Council") decision to not recognize life insurance companies as course providers, with respect to the Life Licence Qualification Program ("LLQP"), commencing January 1, 2016.

As per our subsequent telephone conversation, I want to confirm that Council has invited Primerica to attend its December 8, 2015 Council Meeting. As discussed, Council has put Primerica on its agenda for 9:30 a.m. The meeting will take place at Council's office located at Suite 300, 1040 West Georgia Street, Vancouver, British Columbia.

LLQP Course Provider Status

In anticipation of the meeting, clarification to some issues addressed in your letter may be appropriate.

In regard to the position that Council cannot disqualify life insurance companies from being LLQP course providers without first adopting a rule in accordance with the Insurance Council Rule-Making Procedure Regulation ("Rule"), further information would be appreciated.

Under Council Rule 2(1)(a), it states:

- (1) An individual applying for a life insurance agent licence must:*
 - (a) successfully complete:*
 - (i) the LLQP course; and*
 - (ii) within 1 year of completing the LLQP course and within the 1 year preceding the application date, have successfully completed Council's LLQP qualifying exam;*

.../2

Under the Definitions section of Council Rules, LLQP course is defined as:

“... the Life Licence Qualification Program course based on the LLQP Design Document adopted by the Canadian Insurance Self-Regulatory Organization and approved by Council.”

While Council Rules defines the LLQP course, and requires that applicants for a life and accident and sickness insurance agent (“life agent”) licence must first successfully complete the LLQP course, there are no limitations on who Council can recognize as an LLQP course provider. Other than for the purposes of defining LLQP, where the Canadian Insurance Self-Regulatory Organization (now known as the Canadian Insurance Services Regulatory Organizations) (“CISRO”) is referenced in regard to the LLQP design document, Council Rules makes no reference to a uniform approach or an LLQP course provider approval process. In proposing that Council requires a Rule before it can exclude an entity from being an LLQP course provider, is Primerica proposing that Council requires a Rule relating to the process in British Columbia for recognizing LLQP course providers, or just that Council cannot prevent an entity from being an LLQP course provider unless a specific Rule is in place?

Council acknowledges that it has agreed to act in concert with the other provincial jurisdictions, and not permit an entity to be an LLQP course provider in British Columbia, unless that entity has first been recognized by the CISRO LLQP Governance Committee. However, the decision as to which nationally recognized LLQP course provider is approved in British Columbia rests with Council, which is consistent with all the other Canadian jurisdictions.

With regard to Council’s reference to the legal action commenced by Primerica in its capacity as an LLQP course provider as a factor for limiting LLQP course providers to independent educational institutions, it is not clear as to how it can be interpreted as “retaliation”. As set out in its letter of September 30, 2015 to Mr. Chine at Primerica, Council’s decision to limit LLQP course providers in British Columbia is based on its mandate to ensure public protection, and to ensure that life agents are properly educated to provide correct and knowledgeable advice to consumers. In Council’s view, an insurance company’s business model can have a bearing on the level of training provided by an insurance company approved as an LLQP course provider, which does not exist with independent educational institutions. Council believes an independent education institution’s effectiveness as an LLQP course provider has a bearing on its credibility as an educator generally and, as a consequence, it is in the best interests of an educational institution, Council, and the students, to put the students and Council’s interests first.

With regard to the reference to the *Labour Mobility Act, SBC, 2009* ("LMA") and a need for a Rule, further clarification is necessary. Council acknowledges that it is bound by the LMA. Council will recognize licensed life agents, who are residents of other provinces, having qualified for a life agent licence in their home jurisdiction by completing the LLQP course through a course provider not recognized in British Columbia. Under the current LLQP program, there are LLQP course providers operating in other jurisdictions that are not recognized in British Columbia. Council has, and continues to accept, licence applications from individuals who have used such course providers and gone on to obtain a life agent licence in their home jurisdiction without a specific Rule. As long as Council continues to operate in compliance with the LMA, it is not clear as to the nature of the Rule being requested.

Council's Privacy Practices

Primerica has also requested clarification on Council's practice to require applicants for a life agent licence, who are also employed outside the insurance industry, to provide a letter from their non-insurance employer, confirming knowledge of, and agreement to, the applicant also being licensed as a life agent (the "Requested Letter").

Section 174(3) of the *Financial Institutions Act* (the "Act"), states:

- (3) *Before issuing a licence to an applicant or consenting to a transfer of a licence, the Council may*
 - (a) *conduct an investigation, and*
 - (b) *require the applicant to provide the Council with additional information, documents or verification that the Council considers necessary for evaluation of the application.*

In addition, Council Rule 3(2)(e) states:

- (2) *If an applicant satisfies Council that the applicant:*
 - (e) *does not hold other business interests or activities which would be in conflict to the duties and responsibilities of a licensee, or give rise to the reasonable possibility of undue influence,**then the Council may consent to issuing a licence.*

Based on the above, it is within Council authority to require the Requested Letter and that such a request, based on the Act and Council's Rules, is not contrary to the *Freedom of Information and Protection of Privacy Act, RSBC, 1996, c 165* ("FOIPPA").

It should be noted that an applicant is open to decline to provide the Requested Letter and still complete the licence application process. While providing the Requested Letter may facilitate a speedier licence application process, failure to provide the Requested Letter does not prevent an applicant from pursuing his or her licence application.

If an applicant elects not to provide the Requested Letter, Council must still make a decision, pursuant to Part 6 Division 2 of the Act, on whether to grant or decline the licence application. The applicant is then entitled, pursuant to section 237 of the Act, to request a hearing, and if unsuccessful at the hearing, has the right of appeal to the Financial Services Tribunal, pursuant to section 242 of the Act.

In regard to concerns with Council's compliance with FOIPPA, I can advise that Council has updated its website to provide greater details regarding its privacy policies. This information can be found at the bottom of its home page, under the heading "*Privacy Policy*".

My comments above have been provided to assist Primerica in its preparation for its meeting with Council on Tuesday, December 8, 2015. It is not necessary to respond in advance of the meeting, but if any additional information is required prior to the upcoming meeting, please let me know.

Yours truly,



Gerald Matier
Executive Director
604-695-2001
gmatier@insurancecouncilofbc.com

GM/ig

Dillon, Brian FIN:EX

From: Gill, Marcus A FIN:EX
Sent: Tuesday, October 6, 2015 3:57 PM
To: Dillon, Brian FIN:EX; Toovey, Kari FIN:EX
Cc: Wong, Gina G FIN:EX
Subject: RE: Briefing Note LLQP Course Providers October 6

Okay, thanks. Over to you Gina.

Marcus Gill
Executive Director
Financial and Corporate Sector Policy Branch
BC Ministry of Finance
250 387-7567

From: Dillon, Brian FIN:EX
Sent: Tuesday, October 6, 2015 3:47 PM
To: Gill, Marcus A FIN:EX
Cc: Toovey, Kari FIN:EX; Wong, Gina G FIN:EX
Subject: RE: Briefing Note LLQP Course Providers October 6

Kari and I think your changes look good. Given your comments/question, I have removed the words "written in an applicant's home province" from the sentence in the background at page 2 that "The LLQP has two components, a pre-licensing course and an exam written in an applicant's home province." We could specifically ask Gerry the question, I suppose. And yes harmonization involves the exam too, I have clarified that the national approval is preliminary and I have added a colon after the reference to "one change" on page 4. Brian

J:\FCSP\Brian\Brian 2015\LLQP\Briefing Note LLQP Course Providers.doc

From: Gill, Marcus A FIN:EX
Sent: Tuesday, October 6, 2015 1:15 PM
To: Dillon, Brian FIN:EX
Subject: Briefing Note LLQP Course Providers October 6

See what you think. File is back in your mail slot. s.13,s.16
s.13,s.16

Ministry of Finance
BRIEFING DOCUMENT

To:	Kim Henderson Deputy Minister	Date Requested: September 30, 2015 Date Required:
Initiated by:	Heather Wood Assistant Deputy Minister Policy and Legislation	Date Prepared: October 6, 2015
Ministry Contact:	Marcus Gill Executive Director Financial and Corporate Sector Policy Branch	Phone Number: 250 387-7567 Email: marcus.gill@gov.bc.ca Cliff #: 346204

TITLE: Life Licence Qualification Program (LLQP) Course Providers

PURPOSE:

(X) FOR INFORMATION

COMMENTS:

- On September 30, 2015, the Insurance Council of British Columbia (Insurance Council) advised the five insurance companies seeking recognition as LLQP course providers that it will only consider applications from independent educational institutions. s.13,s.16
s.13,s.16
- All other provinces are expected to permit life insurance companies to be course providers.
- s.13,s.16

Executive Director approval: _____

ADM approval: _____

DATE PREPARED: October 6, 2015

TITLE: Life Licence Qualification Program (LLQP) Course Providers

ISSUE: Insurance companies will likely raise concerns about a recent decision of the Insurance Council of British Columbia respecting the LLQP

BACKGROUND:

Current LLQP: In BC, persons seeking a life insurance agent's licence must complete the LLQP course from a LLQP course provider recognized by the Insurance Council of British Columbia (Insurance Council). The current LLQP educational requirement for a life insurance agent's licence was implemented in 2001-2002 in co-operation with other Canadian jurisdictions except Quebec. These requirements were adopted by regulations made under the *Financial Institutions Act* (FIA). In 2004, the FIA was amended to give the Insurance Council rule-making authority over educational, experience and other qualifications for license applications. The Insurance Council is a self-regulatory organization governed by industry members, including independent agents and agents who work for insurance companies, appointed by the Lieutenant Governor-in-Council.

The LLQP has two components, a pre-licensing course and an exam. The pre-licensing course covers materials that are not included in the exam but are within the scope of an agent's role. The LLQP pre-licensing course is based on a curriculum design document developed by the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organization (CISRO). A number of educators and life insurance companies are currently approved by regulators to offer the LLQP course. Some course providers prepare their own materials while others purchase course materials from other companies.

s.13,s.16

s.13,s.16

Last year, CISRO announced its decision to implement the proposed changes to the LLQP in January 2016. One insurer, Primerica, has been adamantly opposed to the

initiative, claiming that the changes will significantly undermine its ability to recruit and license new agents. Primerica lobbied governments, commenced a letter writing campaign by its agents, published advertisements in some regional BC newspapers and commenced legal action against licensing bodies in two other provinces (Ontario and Saskatchewan). Other insurers and insurance industry organizations ended up largely supporting the proposed LLQP changes and in particular the move to full harmonization across Canada, s.13,s.16

s.16

BC Insurance Council decision to not recognize insurance company course providers: On September 30, 2015, the Insurance Council advised the five insurance companies seeking recognition to be LLQP course providers that it will only consider applications from independent educational institutions. s.13,s.16

s.13,s.16

s.13,s.16 All other provinces are expected to permit insurance companies to offer the course.

s.13,s.16

s.13,s.16 Finally, Council referred to concerns about “one insurance company LLQP course provider [Primerica], which used its status as an LLQP course provider to commence legal action against licensing bodies in Ontario and Saskatchewan.”

DISCUSSION:

s.13,s.16

Two of the changes announced last year were particularly opposed by Primerica because the company believes that they would raise costs and impede their ability to recruit new agents. First, instead of each course provider being able to develop or purchase course materials from any source, CISRO decided to develop the basic study material to be used by LLQP course providers. A second key change is to move to a modular learning/testing system, which is intended to improve the core knowledge level of candidates wanting to enter the profession.

s.13,s.16

s.13,s.16

Interprovincial relations: s.13,s.16
s.13,s.16

s.13,s.16

|

Trade Agreements: s.13,s.16
s.13,s.16

s.13,s.16

Government oversight: Government oversees the activities of the Insurance Council, including through appointments of its members and Ministerial approval of rule changes, but generally does not get involved in the details of the regulatory program. The government also has the authority to override any rule through a regulation passed by Cabinet. In this case, the Insurance Council does not need to change the rules in order to implement the adjustments to the LLQP.

Dillon, Brian FIN:EX

From: Gill, Marcus A FIN:EX
Sent: Tuesday, October 6, 2015 2:46 PM
To: Dillon, Brian FIN:EX; Toovey, Kari FIN:EX
Subject: RE: Insurance Council of B.C. - LLQP

Do you think it is a good idea to call^{s.13,s.16}
s.13,s.16

Marcus Gill
Executive Director
Financial and Corporate Sector Policy Branch
BC Ministry of Finance
250 387-7567

From: Dillon, Brian FIN:EX
Sent: Tuesday, October 6, 2015 10:25 AM
To: Gill, Marcus A FIN:EX
Cc: Wong, Gina G FIN:EX; Toovey, Kari FIN:EX
Subject: FW: Insurance Council of B.C. - LLQP

Marcus:

Here is link to updated BN with a few changes as suggested by Harry.

<J:\FCSP\Brian\Brian 2015\LLQP\Briefing Note LLQP Course Providers October 6.doc>

s.13,s.16

Cheers,

Brian

Gina: This will need to be cliffed and the front page updated, etc., after Marcus has signed off. Can you include the email from Gerry and attachment as background material for the file. Thanks, Brian

From: Gerry Matier [<mailto:gmatier@insurancecouncilofbc.com>]
Sent: Wednesday, September 30, 2015 2:15 PM
To: James, Harry FIN:EX; Dillon, Brian FIN:EX
Subject: Insurance Council of B.C. - LLQP

Hi Harry/Brian

I want to provide you with a heads up of a decision recently made by Council regarding the upcoming changes to the Life Licensing Qualification Program (LLQP), which is the licensing requirement for obtaining a life insurance agent's licence.

s.13,s.16

s.21

s.13,s.16

cheers

Gerry

Gerald Matier | Executive Director | **Insurance Council of British Columbia**
Suite 300, 1040 West Georgia Street, PO Box 7, Vancouver, BC V6E 4H1
T: 604-688-0321 ext. 311 | D: 604-695-2001
Toll Free Within BC: 1-877-688-0321
gmatier@insurancecouncilofbc.com | www.insurancecouncilofbc.com

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Dillon, Brian FIN:EX

From: Dillon, Brian FIN:EX
Sent: Tuesday, October 6, 2015 10:06 AM
To: Gill, Marcus A FIN:EX; Toovey, Kari FIN:EX
Subject: LLQP
Attachments: Re: ICoBC Crse Prdrs; Re: Insurance Council of B.C. - LLQP

Attached are two emails from Harry, one with comments on the note (which I will input and send you a link to the revised version) and the second a copy of Harry's reply to a person at FSCO asking where things are at in BC. Any thoughts on the latter email; I am not sure what we would say to FSCO assuming we even want to do so. Brian

Dillon, Brian FIN:EX

From: James, Harry FIN:EX
Sent: Tuesday, October 6, 2015 9:37 AM
To: Anatol Monid
Cc: Dillon, Brian FIN:EX; Chong, Frank FIN:EX
Subject: Re: ICoBC Crse Prdrs

Hi Anatol

I understand our policy people are aware of the issue s.22
happening.

so I'm not sure what if anything is

Sent from my iPhone

On Oct 5, 2015, at 12:01, Anatol Monid <Anatol.Monid@fsco.gov.on.ca> wrote:

Hi harry,

s.22

Any developments with respect to the Councils decision on insurers as course providers.

We are meeting with Primerica on Wednesday and would like to understand the lay of the land out there.

Thanks, Anatol

Sent from my BlackBerry 10 smartphone on the Rogers network.

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Si vous avez reçu ce message par erreur, veuillez nous en aviser immédiatement et détruire ce courriel ainsi que toute pièce jointe en vous abstenant d'en faire une copie, d'en divulguer ou d'en diffuser le contenu.

Dillon, Brian FIN:EX

From: James, Harry FIN:EX
Sent: Tuesday, October 6, 2015 8:30 AM
To: Dillon, Brian FIN:EX
Subject: Re: Insurance Council of B.C. - LLQP

Hi Brian

I don't have edit access do can only offer comments.

In your opening bullet points I would suggest changing individual companies to life insurers.s.13,s.16
s.13,s.16

I'd try to shorten the background on the LLQP and I don't think there was any spelling out what the acronym stands for.
I'd also emphasize earlier in the background the intent of harmonization.

Other than that I think it is ok

Sent from my iPhone

> On Oct 5, 2015, at 19:00, Dillon, Brian FIN:EX <Brian.Dillon@gov.bc.ca> wrote:

>

> Harry:s.22

Here is a draft of the

BN on the LLQP. Can you review and let me know of any changes you would suggest; I have not provided anything on FICOM's views but feel free to add in if you would like. As this is an info note, I expect there will be a desire to send up soon so please review and comment quickly. Thanks, Brian

>

>

> -----Original Message-----

> From: Gerry Matier [mailto:gmatier@insurancecouncilofbc.com]

> Sent: Thursday, October 1, 2015 5:17 PM

> To: Dillon, Brian FIN:EX

> Subject: Re: Insurance Council of B.C. - LLQP

>

> Hi Brian

>

> There should be no problem. As BC is approving providers that are approved in the other jurisdictions, there is no issue with regards to BC licensees.

>

> Council will not have an issue with non-resident licensees who were certified by an insurer. There are already many similar examples already with general and adjusters. The licensing requirement vary across canada and is accepted that licensees are entitled to an equivalent licence in other jurisdictions. This will be no different.

>

> Sent from my BlackBerry 10 smartphone on the TELUS network.

> From: Dillon, Brian FIN:EX

> Sent: Thursday, October 1, 2015 4:51 PM

> To: Gerry Matier

> Cc: Gill, Marcus A FIN:EX; Toovey, Kari FIN:EX

> Subject: RE: Insurance Council of B.C. - LLQP

>
>
> Gerry: Thanks for the info during the call. Marcus had another question. s.13,s.16
s.13,s.16

>
> From: Gerry Matier [mailto:gmatier@insurancecouncilofbc.com]
> Sent: Wednesday, September 30, 2015 3:13 PM
> To: Dillon, Brian FIN:EX
> Subject: RE: Insurance Council of B.C. - LLQP
>
> Hi Brian
>
> 2:15 tomorrow will work for me. The work by Quebec has not changed, it has to do with who can be the educator of individuals who are planning to write Council's licensing exam and subsequently apply for a life licence. I can provide a more detailed explanation tomorrow.

>
> cheers

>
> Gerry
>
> From: Dillon, Brian FIN:EX [mailto:Brian.Dillon@gov.bc.ca]
> Sent: September-30-15 3:13 PM
> To: Gerry Matier
> Cc: James, Harry FIN:EX; Gill, Marcus A FIN:EX; Toovey, Kari FIN:EX
> Subject: RE: Insurance Council of B.C. - LLQP
>

> Gerry: Marcus has suggested we set up a call to discuss the background to this decision. Are you free tomorrow at say 2:15 for a half hour? Marcus noted that the original plan was for Quebec to prepare the course materials; is the plan now for the first five entities to produce these materials? Cheers, Brian

>
> Harry: not sure about your timing but we could get a conference number for a dial in if you are available.

>
> From: Gerry Matier [mailto:gmatier@insurancecouncilofbc.com]
> Sent: Wednesday, September 30, 2015 2:15 PM
> To: James, Harry FIN:EX; Dillon, Brian FIN:EX
> Subject: Insurance Council of B.C. - LLQP
>

> Hi Harry/Brian
>
> I want to provide you with a heads up of a decision recently made by Council regarding the upcoming changes to the Life Licensing Qualification Program (LLQP), which is the licensing requirement for obtaining a life insurance agent's licence.

>
s.13,s.16

s.21

> cheers

>

> Gerry

>

> Gerald Matier | Executive Director| Insurance Council of British Columbia Suite 300, 1040 West Georgia Street, PO Box 7, Vancouver, BC V6E 4H1

> T: 604-688-0321 ext. 311 | D: 604-695-2001 Toll Free Within BC: 1-877-688-0321

> gmatier@insurancecouncilofbc.com<mailto:gmatier@insurancecouncilofbc.com> |
www.insurancecouncilofbc.com<http://www.insurancecouncilofbc.com>

>

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>

> <Briefing Note LLQP Course Providers.doc>

Gill, Marcus A FIN:EX

From: Dillon, Brian FIN:EX
Sent: Thursday, October 1, 2015 4:40 PM
To: Wood, Heather FIN:EX
Cc: Toovey, Kari FIN:EX; Gill, Marcus A FIN:EX
Subject: RE: Insurance Council of B.C. - LLQP

Heather: we spoke to Gerry and he indicated, with respect to you questions that:

1. In terms in timing, the original request for applicants was only a few months ago and the applications were only received in June/July. So the timing of their decision is not out of line with the process. More generally, it has been a long standing Insurance Council goal to not have individual companies as course providers, going back to the original implication of the LLQP in the early 2000s. Therefore, the Council position should not, in Gerry's view, be of great surprise to the companies.

s.13,s.16

Gerry feels that for most of the companies, this will not be a major change in their program, nor increase costs, as they already obtain course materials from these independent providers and they already generally provide a certificate to the students about completion of the course s.13,s.16

s.13,s.16

We will prepare a draft information note for you to brief the DM with. s.13,s.16

s.13,s.16

Brian

From: Wood, Heather FIN:EX
Sent: Wednesday, September 30, 2015 3:35 PM
To: Dillon, Brian FIN:EX
Cc: Toovey, Kari FIN:EX; Gill, Marcus A FIN:EX
Subject: RE: Insurance Council of B.C. - LLQP

Hi Brian,

Yes please and we will brief Kim, since I think we know now that she at least (if not the MO) will be receiving requests from Primerica and perhaps other insurance companies for meetings. s.13,s.16

s.13,s.16

Heather

From: Dillon, Brian FIN:EX
Sent: Wednesday, September 30, 2015 3:05 PM
To: Wood, Heather FIN:EX
Cc: Toovey, Kari FIN:EX; Gill, Marcus A FIN:EX
Subject: FW: Insurance Council of B.C. - LLQP

Heather: It appears that the LLQP may well raise significant interest again. Marcus has suggested we talk to Gerry and get further background but I imagine you would like an IN or BN or some N for the Minister's information. Brian

From: Gerry Matier [<mailto:gmatier@insurancecouncilofbc.com>]
Sent: Wednesday, September 30, 2015 2:15 PM
To: James, Harry FIN:EX; Dillon, Brian FIN:EX
Subject: Insurance Council of B.C. - LLQP

Hi Harry/Brian

I want to provide you with a heads up of a decision recently made by Council regarding the upcoming changes to the Life Licensing Qualification Program (LLQP), which is the licensing requirement for obtaining a life insurance agent's licence.

s.13,s.16

s.21

s.13,s.16

Gill, Marcus A FIN:EX

From: Dillon, Brian FIN:EX
Sent: Thursday, October 1, 2015 9:12 AM
To: Gill, Marcus A FIN:EX; Toovey, Kari FIN:EX
Subject: LLQP
Attachments: Fwd: Insurance Council of B.C. - LLQP; Re: Insurance Council of B.C. - LLQP; Re: Insurance Council of B.C. - LLQP

Harry's emails

Gill, Marcus A FIN:EX

From: James, Harry FIN:EX
Sent: Thursday, October 1, 2015 7:55 AM
To: Dillon, Brian FIN:EX
Subject: Fwd: Insurance Council of B.C. - LLQP

FYI

Sent from my iPhone

Begin forwarded message:

From: Gerry Matier <gmatier@insurancecouncilofbc.com>
Date: October 1, 2015 at 11:49:13 NDT
To: "James, Harry FIN:EX" <Harry.James@ficombc.ca>
Subject: Re: Insurance Council of B.C. - LLQP

Hi Harry

The letters went out to the companies yesterday.

Gerry

Sent from my BlackBerry 10 smartphone on the TELUS network.

Original Message

From: James, Harry FIN:EX
Sent: Thursday, October 1, 2015 4:34 AM
To: Gerry Matier
Subject: Re: Insurance Council of B.C. - LLQP

I see Brian is trying to arrange a call. I'd suggest waiting on the release until after that call. I think they will want a chance to brief the Ministers office before it goes out

Sent from my iPhone

On Sep 30, 2015, at 19:41, Gerry Matier <gmatier@insurancecouncilofbc.com> wrote:

I cc'd Brian Dillon, so I assumed he would. Is there someone you believe I should contact directly?

Gerry

-----Original Message-----

From: James, Harry FIN:EX [<mailto:Harry.James@ficombc.ca>]

Sent: September-30-15 2:58 PM
To: Gerry Matier
Cc: Dillon, Brian FIN:JEX
Subject: Re: Insurance Council of B.C. - LLQP

Thanks Gerry. Has anyone given a heads up to the Ministers office?

Sent from my iPhone

On Sep 30, 2015, at 18:48, Gerry Matier
<gmatier@insurancecouncil.bc.com> wrote:

Hi Harry/Brian

I want to provide you with a heads up of a decision recently made by Council regarding the upcoming changes to the Life Licensing Qualification Program (LLQP), which is the licensing requirement for obtaining a life insurance agent's licence.

s.13,s.16

s.21

s.21

s.13,s.16

cheers

Gerry

Gerald Matier | Executive Director| Insurance Council of British

Columbia Suite 300, 1040 West Georgia Street, PO Box 7,
Vancouver, BC

V6E 4H1

T: 604-688-0321 ext. 311 | D: 604-695-2001 Toll Free Within BC:
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gmatier@insurancecouncilofbc.com <<mailto:gmatier@insurancecouncilofbc.com>> |
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Gill, Marcus A FIN:EX

From: James, Harry FIN:EX
Sent: Thursday, October 1, 2015 6:02 AM
To: Dillon, Brian FIN:EX
Cc: Toovey, Kari FIN:EX
Subject: Re: Insurance Council of B.C. - LLQP

Brian

I'm at CCIR today. s.13,s.16
call at our afternoon break time. We are 4 1/2 hrs ahead of BC

I'll try to

Sent from my iPhone

On Sep 30, 2015, at 19:43, Dillon, Brian FIN:EX <Brian.Dillon@gov.bc.ca> wrote:

Gerry: Marcus has suggested we set up a call to discuss the background to this decision. Are you free tomorrow at say 2:15 for a half hour? Marcus noted that the original plan was for Quebec to prepare the course materials; is the plan now for the first five entities to produce these materials? Cheers, Brian
Harry: not sure about your timing but we could get a conference number for a dial in if you are available.

From: Gerry Matier [<mailto:gmatier@insurancecouncilofbc.com>]

Sent: Wednesday, September 30, 2015 2:15 PM

To: James, Harry FIN:EX; Dillon, Brian FIN:EX

Subject: Insurance Council of B.C. - LLQP

Hi Harry/Brian

I want to provide you with a heads up of a decision recently made by Council regarding the upcoming changes to the Life Licensing Qualification Program (LLQP), which is the licensing requirement for obtaining a life insurance agent's licence.

s.13,s.16

s.21

s.13,s.16

cheers

Gerry

Gerald Matier | Executive Director | **Insurance Council of British Columbia**

Suite 300, 1040 West Georgia Street, PO Box 7, Vancouver, BC V6E 4H1

T: 604-688-0321 ext. 311 | D: 604-695-2001

Toll Free Within BC: 1-877-688-0321

gmatier@insurancecouncilofbc.com | www.insurancecouncilofbc.com

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Gill, Marcus A FIN:EX

From: James, Harry FIN:EX
Sent: Thursday, October 1, 2015 7:57 AM
To: Dillon, Brian FIN:EX
Subject: Re: Insurance Council of B.C. - LLQP

s.13,s.16,s.21

Sent from my iPhone

On Sep 30, 2015, at 19:43, Dillon, Brian FIN:EX <Brian.Dillon@gov.bc.ca> wrote:

Gerry: Marcus has suggested we set up a call to discuss the background to this decision. Are you free tomorrow at say 2:15 for a half hour? Marcus noted that the original plan was for Quebec to prepare the course materials; is the plan now for the first five entities to produce these materials? Cheers, Brian
Harry: not sure about your timing but we could get a conference number for a dial in if you are available.

From: Gerry Matier [<mailto:gmatier@insurancecouncilofbc.com>]

Sent: Wednesday, September 30, 2015 2:15 PM

To: James, Harry FIN:EX; Dillon, Brian FIN:EX

Subject: Insurance Council of B.C. - LLQP

Hi Harry/Brian

I want to provide you with a heads up of a decision recently made by Council regarding the upcoming changes to the Life Licensing Qualification Program (LLQP), which is the licensing requirement for obtaining a life insurance agent's licence.

s.13,s.16

s.21

s.13,s.16

cheers

Gerry

Gerald Matier | Executive Director | **Insurance Council of British Columbia**

Suite 300, 1040 West Georgia Street, PO Box 7, Vancouver, BC V6E 4H1

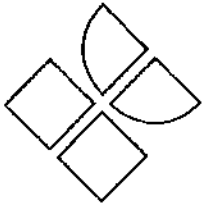
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September 30, 2015

PRIVATE AND CONFIDENTIAL

Mr. Roger McCullagh
Training Specialist, Training, Product Development & Translation
Combined Insurance
Suite 400, 1100 Burloak Drive
Burlington, Ontario
L7L 6B2

Dear Mr. McCullagh:

Subject: The Insurance Council of British Columbia ("Council") – Approval of Course Providers for the Life Licence Qualification Program ("LLQP") in British Columbia

I am writing further to your application to be recognized as an LLQP course provider in British Columbia, commencing January 1, 2016.

Council has completed its review of the criteria for determining both who and how it will approve prospective LLQP course providers. In doing so, Council has determined that, effective January 1, 2016, it will only consider applications from established, independent educational institutions, with a preference given to those educational institutions specializing in the financial services sector. In addition to being an independent educational institution, it will be a requirement that any applicant to be an LLQP course provider have first received approval as an Approved LLQP Course Provider from the Canadian Insurance Services Regulatory Organizations ("CISRO").

In reaching its decision, Council has determined it is not prepared to recognize insurance companies, including those that have received national approval from CISRO. It reached this decision based on the following factors.

Independent educational institutions are first and foremost educators and the applicants currently seeking Council's approval to be LLQP course providers are all established independent educational institutions in the financial services sector. Council believes an independent educational institution's effectiveness as an LLQP course provider has a bearing on its credibility as an educator generally and, as a consequence, it is in their best interests, as well as Council's and the students', to put their students' and Council's interests first.

.../2

By restricting LLQP course providers to independent educational institutions, Council will be in a better position to audit an LLQP course provider's program to ensure it is meeting Council's objectives. With independent educational institutions this can be accomplished by simply enrolling an individual in their LLQP course and paying the applicable fee. An independent educational institution is not harmed as it is compensated and is not penalized if Council's "person" does not complete the LLQP course.

The same cannot be said with an insurance company approved LLQP course provider. Students using an insurance company LLQP course provider have been recruited by the insurance company, and insurance company LLQP course providers do not accept individuals who "just walk in off the street." An insurance company LLQP course provider can only be audited by requesting permission to attend, which defeats the purpose of the audit, or by arranging for someone to get recruited and then take the LLQP course. The idea of having someone get recruited solely to audit the LLQP course is not appropriate as it would cause an insurance company to incur costs related to the recruitment process.

Council noted that most of the insurance companies that are currently approved as LLQP course providers rely on one of the independent educational institution LLQP course providers for their educational material. The insurance companies use the third party LLQP material, combined with product specific material relevant to that insurance company, to train their recruits.

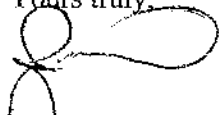
Council is still prepared to allow insurance companies to employ this model, but with the one change being that insurance companies will be required to use the material provided by an approved independent educational institution, and the approved independent educational institution will be the one to certify the student has completed the LLQP course and is prepared to write Council's licensing exam. The independent educational institution approved LLQP course provider will be evaluated on the performance of the students being trained by the insurance company. As Council intends to continue to monitor the effectiveness of LLQP course providers based on students' success rates on the first attempt at Council's licensing exam, a failure by an insurance company to properly prepare students for Council's licensing exam will reflect poorly on the independent educational institution's overall results.

Council was concerned by the actions of one insurance company LLQP course provider, which used its status as an LLQP course provider to commence legal action against the licensing bodies in Ontario and Saskatchewan. Council views this legal action as having little to do with its status as an LLQP course provider and more to do with its role and business model as an insurance company. While Council recognizes an insurance company's right to protect its role as an insurance company, it is not prepared to grant additional status that may hamper Council's role in ensuring the consumer is properly protected.

Lastly, Council noted that in no other area of the Canadian financial services sector are industry participants authorized or recognized as educational providers for the purposes of obtaining a related licence or registration.

Council believes the issues identified above represent the potential for conflicts of interest that could impact how well students are trained, which has a bearing on Council's responsibility to ensure licensees are properly trained and the public's expectation that life agents in British Columbia are properly trained.

Yours truly,



Gerald Matier
Executive Director
604-695-2001
gmatier@insurancecouncilofbc.com

GM/cp

Gill, Marcus A FIN:EX

From: Gerry Matier <gmatier@insurancecouncilofbc.com>
Sent: Tuesday, August 19, 2014 10:03 AM
To: Gill, Marcus A FIN:EX
Subject: RE: Recent Hearing at Insurance Council June 9th
Attachments: Primerica-07242014152145.pdf

Hi Marcus

s.13,s.16

cheers

Gerry

From: Gill, Marcus A FIN:EX [mailto:Marcus.Gill@gov.bc.ca]
Sent: August-18-14 2:51 PM
To: Gerry Matier
Cc: Dillon, Brian FIN:EX; Wood, Heather FIN:EX
Subject: RE: Recent Hearing at Insurance Council June 9th

Gerry, thanks for the illuminating clarification.

Marcus Gill
Executive Director
Financial and Corporate Sector Policy Branch
BC Ministry of Finance
250 387-7567

From: Gerry Matier [mailto:gmatier@insurancecouncilofbc.com]
Sent: Friday, August 15, 2014 10:45 AM
To: Gill, Marcus A FIN:EX
Cc: Dillon, Brian FIN:EX; Wood, Heather FIN:EX
Subject: RE: Recent Hearing at Insurance Council June 9th

Hi Marcus

In reading the e-mails below that address some issues raised by Primerica, I feel you may benefit from some clarification.

s.13,s.16

Just thought this may be helpful.

cheers

Gerald Matier | Executive Director| **Insurance Council of British Columbia**
Suite 300, 1040 West Georgia Street, PO Box 7, Vancouver, BC V6E 4H1
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From: Gill, Marcus A FIN:EX [<mailto:Marcus.Gill@gov.bc.ca>]
Sent: August-08-14 1:10 PM
To: 'Barry Andruschak'
Cc: Dillon, Brian FIN:EX; 'hande.bilhan@primerica.com'; Wood, Heather FIN:EX; Gerry Matier
Subject: RE: Recent Hearing at Insurance Council June 9th

Barry: Thanks for the update. We are pleased that the parties could come to an agreeable result.

Marcus Gill
Executive Director
Financial and Corporate Sector Policy Branch
BC Ministry of Finance
250 387-7567

From: Barry Andruschak [<mailto:s.22>]
Sent: Friday, August 8, 2014 12:21 PM
To: Gill, Marcus A FIN:EX

Cc: Dillon, Brian FIN:EX; hande.bilhan@primerica.com; Wood, Heather FIN:EX; Gerry Matier
Subject: Re: Recent Hearing at Insurance Council June 9th

Hello Heather, Marcus, Brian and Hande

The insurance council decided to let the nurses (as well as other health care professionals) get their insurance licences.

We are pleased with this result. Again, many thanks to you all and Gerry Matier for expediting the hearing towards a positive conclusion.

Regards,

Barry Andruschak
National Sales Director
Primerica
Victoria, BC

On Jun 20, 2014, at 11:31 AM, "Gill, Marcus A FIN:EX" <Marcus.Gill@gov.bc.ca> wrote:

Thank you for the update Barry. We hope the outcome of the hearing is acceptable to all parties. Please do keep us posted.

Marcus Gill
Executive Director
Financial and Corporate Sector Policy Branch
BC Ministry of Finance
250 387-7567

From: Barry Andruschak [<mailto:s.22>]
Sent: Thursday, June 19, 2014 6:33 PM
To: Dillon, Brian FIN:EX
Cc: hande.bilhan@primerica.com; Wood, Heather FIN:EX; Gill, Marcus A FIN:EX
Subject: Recent Hearing at Insurance Council June 9th

Hello Brian, Heather, Marcus and Hande.

Quick follow up for you on the Insurance council hearing regarding the licensing restrictions of Nurses and other health care workers. Thanks to Gerry Matier, the hearing was moved from September to June the 9th. The board listened to presentations by lawyers for both sides. The board hopes to have a decision by their July 15th council meeting. It is my hope that the long wait for these worthy applicants to receive their licenses will soon be over.

We will keep you posted on the outcome.

Thank you again for your assistance.

Barry Andruschak
National Sales Director
Primerica Canada
Victoria, BC
2508121934

On May 8, 2014, at 5:00 PM, "Dillon, Brian FIN:EX" <Brian.Dillon@gov.bc.ca> wrote:

Hande:

It was a pleasure meeting with you and your colleague, Barry Andruschak, this afternoon. As requested, I am sending you further information on the current Insurance Council Rules concerning conflict of interest.

As you know, in December 2013, the Council published for a 90 day comment period proposed draft "Conflict of Interest Guidelines for Insurance Agents, Adjusters, and Salespersons". The draft Guidelines provide definitions and examples of conflict of interests. They also provide more detailed guidance on a number of core issues, including general duties, disclosure of conflicts, client consent, other employment and disclosure of compensation. Council staff have indicated that the Council received 9 submissions from insurance organizations, companies and individuals. The submissions will be posted online and the Council plans to review the submissions before making any decision on issuing final Guidelines.

The purpose of the Guidelines is to clarify how Council interprets existing rules and exercises its powers; guidelines are not themselves legally binding. The Council believes that the proposed Guidelines will assist insurance agents in understanding current legal obligations imposed under the legislation, regulations, rules and code of conduct, and Council's exercise of its powers.

Legislation enacted in 2004 authorizes Council to adopt legally binding rules respecting applications for licenses, impose conditions on licensees and establish codes of conduct for insurance agents (see section 225.1 generally and specifically s. 225.1(2)(a),(d), (e) and (g) of the *Financial Institutions Act* available at: http://www.bclaws.ca/civix/document/id/complete/statreg/96141_07).

In accordance with its statutory authorities, Council has adopted rules and a Code of Conduct (Code). The Code includes broad principles respecting conflicts of interest (see in particular section 7(3) available at <http://www.insurancecouncilofbc.com/PublicWeb/CodeofConduct.html>).

With respect to employment conflicts of interest, British Columbia rules generally permit insurance agents to work part time (unlike some other jurisdictions) and have other employment. However, under the current rules (made by Council in 2004 and approved by the government at that time), the Council must be satisfied that any applicant for an insurance agent's licence "does not hold other business interests or activities which would be in conflict to the duties and responsibilities of a licensee, or give rise to the reasonable possibility of undue influence" (see Rule 3(2)(e) available at: <http://www.insurancecouncilofbc.com/Downloads/PdfForms/Rules%2020July2012.pdf>).

Council has made a number of rulings respecting other employment by insurance agents. My understanding is that for example Council has refused in the past to issue an insurance agent license application to a police officer because of concerns about the influence a police officer would have in relation to potential clients. In other circumstances, Council has imposed conditions on licensees to manage the potential conflicts of interest.

The draft Guideline specifically lists 8 occupations, including: immigration consultant, teacher, priest/pastor, doctor and politician, which Council has determined create or have the potential to create a conflict of interest. The draft Guidelines indicate that an agent, before engaging in any occupation that may include real or perceived positions of power or trust, should discuss the occupation with Council to determine if any limitations would be appropriate.

It is important to note that any person dissatisfied with a decision of the Council respecting a refusal to issue a licence or the issuance of license subject to conditions may appeal the decision to the Financial Services Tribunal.

Please let me know if you need any further information on this.

Regards,

Brian

Brian Dillon
Financial and Corporate Sector Policy Branch
Ministry of Finance
Room 012
617 Government Street
Victoria BC V8V 1X4

Mailing address:

PO Box 9418 Stn Prov Govt
Victoria BC V8W 9V1

Ph: 250-356-0539
Fax: 250-387-9093



July 24, 2014

Reply To: Nicholas M. Cann
Direct Dial: (306) 565-6526
Email: n.cann@mckercher.ca

Assistant: Joyce
Direct Dial: (306) 565-6574

Life Insurance Council of Saskatchewan
310, 2631 - 28th Avenue
Regina, SK S4S 6X3

VIA COURIER

Dear Sir/Madam:

Re: Primerica Life Insurance Company of Canada v. Insurance Councils of Saskatchewan and Life Insurance Council of Saskatchewan

Further to the above, enclosed for service upon you, please find the following documents:

1. Originating Application on behalf of Primerica Life Insurance Company of Canada, filed July 24, 2014; and
2. Acknowledgment of Service.

Kindly complete the enclosed Acknowledgment of Service and return it to our waiting courier.

Should you have any questions or concerns, please do not hesitate to contact the writer.

Yours truly,

McKercher LLP

Per: 
for: **Nicholas M. Cann**

NMC/jhb

Encls. Originating Application, filed July 24, 2014
Acknowledgment of Service

PLEASE REPLY TO:

MCKERCHER LLP BARRISTERS & SOLICITORS
800 - 1801 Hamilton Street Regina, SK S4P 4B4 Canada
(306) 565-6500 F(306) 565-6565
LEGAL OFFICES IN SASKATOON & REGINA

Our File Reference:
114550.1

mckercher.ca
MEMBER OF RISK MANAGEMENT COUNCIL OF CANADA
MEMBER OF LAWYERS ASSOCIATED WORLDWIDE
MEMBER OF EMPLOYMENT LAW ALLIANCE

21st DAY OF July 2014

COURT FILE NUMBER Q.B. No. 1591 of 2014

COURT OF QUEEN'S BENCH FOR SASKATCHEWAN

JUDICIAL CENTRE REGINA

APPLICANT PRIMERICA LIFE INSURANCE COMPANY OF
CANADA

RESPONDENTS INSURANCE COUNCILS OF SASKATCHEWAN
and LIFE INSURANCE COUNCIL OF
SASKATCHEWAN

J. Webster
Deputy Local Registrar Stamp
Judicial Centre of Regina

ORIGINATING APPLICATION

NOTICE TO THE RESPONDENTS

This application is made against you. You are a respondent.

You have the right to state your side of this matter before the Court. To do so, you must be in Court when the application is heard as shown below:

Where	Court of Queen's Bench, 2425 Victoria Avenue, Regina, Saskatchewan
Date	Monday, December 15, 2014
Time	10:00 a.m.

Go to the end of this document to see what you can do and when you must do it.

MATERIAL FACTS GIVING RISE TO THIS CLAIM:

The Parties

1. Primerica Life Insurance Company of Canada ("**Primerica**") is a duly incorporated life insurance company that carries on business as such across Canada and, *inter alia*, provides middle-income consumers access to affordable life insurance. Primerica is one of only a few insurance companies which service middle-income consumers, and is the largest provider of life insurance to this market. Primerica is also a course provider under the current regime for qualification of life insurance agents, as described further below.

2. The Insurance Councils of Saskatchewan operates under an authority delegated by the Superintendent of Insurance (the "**Superintendent**") pursuant to s. 466.1 of *The Saskatchewan Insurance Act*, R.S.S. 1978, c. S-26 (the "**Insurance Act**"), and consists of the Life Insurance Council of Saskatchewan, the General Insurance Council of Saskatchewan and the Hail Insurance Council of Saskatchewan, which are established by *The Saskatchewan Insurance Councils Regulations*, R.R.S. c. S-26 Reg 2 as amended (the "**Insurance Councils Regulations**"). The respondents the Insurance Councils of Saskatchewan and the Life Insurance Council of Saskatchewan will be collectively referred to herein as "**ICS**".

3. ICS is a member of the Canadian Insurance Services Regulatory Organizations ("**CISRO**"), together with other provincial/territorial regulators of the life insurance industry across Canada (collectively with ICS, the "**Regulators**").

The Life Insurance Industry in Canada

4. The life insurance industry in Canada offers a wide variety of products with a growing and pronounced focus on wealth management. As a result of the complexity of these products and limited access to life insurance agents, low and middle-income consumers are often left without needed life insurance.

5. Primerica's business focuses on term life insurance products designed to address this underserved middle-income market. Primerica's licensed agents are themselves middle market Canadians whose life insurance sales efforts are directed towards their own communities. Primerica's business recognizes that expanding and diversifying the number of life insurance agents is necessary to ensure that this middle market has adequate access to appropriate life insurance.

The Life Licensing Qualification Program

6. For a number of years, ICS and the other Regulators worked together with stakeholders in the life insurance industry, like Primerica, to harmonize the industry, and specifically, to harmonize the standards for life insurance agent qualification.
7. On June 1, 2002, ICS approved the life licensing qualification program (the "LLQP") for qualifying life insurance agents. In Saskatchewan, the LLQP was authorized by changes to the Life Insurance Council Bylaws. The other participating Canadian provinces, likewise enacted regulations or by-laws to adopt the program.
8. The LLQP was a Canada-wide replacement program for individual provincial examinations then in place. The LLQP was adopted as the method of qualification for life insurance agents by all provinces except Quebec. As of approximately 2003, it is the only program through which one can become licenced to sell life insurance in Saskatchewan.
9. The LLQP is a one-step licensing system that requires completion of a mandatory pre-licensing course and passing a qualification examination. Course providers in Saskatchewan, such as Primerica, are approved by ICS to provide course materials and administer the course. The examination itself is set and administered by an administrator approved by ICS.
10. This straightforward system has allowed Primerica to target and sustain the necessary objectives of recruiting and training agents to service middle market Canadians.

The Letter of Intent

11. In or around the time that ICS approved the LLQP as the new agent qualification program in 2002, ICS entered into a letter agreement with then-approved course providers, including Primerica (the "LOI").

12. The LOI sets out basic obligations of ICS and of course providers such as Primerica. In exchange for Primerica agreeing to be bound by the provisions governing course providers, ICS agreed, among other things, that it would:

“Consult and communicate with course providers, *prior to* making any changes to the curriculum design document or to the examination format or content.” [emphasis added]

13. The LOI was executed on May 24, 2002. At all materials times thereafter, Primerica and ICS conducted themselves in accordance with the terms of the LOI.

New CISRO Life Licensing Qualification Regime

14. In or about July, 2012, CISRO held a stakeholder information session and for the first time announced to industry, including Primerica, that it was replacing the LLQP with a new licensing regime (the “**CISRO Program**”).

15. By that time, unbeknownst to anyone, including Primerica, ICS and all the other Canadian Regulators, had already entered into a Co-operative Memorandum of Understanding Targeting the Implementation of a Canada-Wide Insurance of Persons (Life and Health) Qualification Program (the “**MOU**”). The Regulators deliberately kept all discussions regarding the CISRO Program and the agreements entered into between them, secret.

16. The MOU was an agreement in writing among the Regulators that included, among other things, the adoption of the Quebec regulator's (Autorité des marchés financiers, the “**AMF**”) modular exam format, and giving to the AMF a lucrative service provider contract for production of educational materials, with an associated revenue stream and related fees:

2.1 The Program's objective is to modify the Life Licence Qualification Program, which is in effect in all Canadian provinces and territories other

than Quebec, and the qualification process in effect in Quebec, for the targeted insurance intermediaries.

2.2 Program implementation would include four phases, beginning June 2012 through to September 2015...

...

3.1 The Participants acknowledge that, for the purpose of Program implementation, a participation agreement should be entered into as soon as possible and no later than 90 days after the present MoU takes effect, and they agree to make reasonable efforts necessary to do so...

...

3.3 ...In particular, the participation agreement should make provisions for:

3.3.1. The AMF assuming the project's financial administration and management as well as initial costs for Program development. The participation agreement will ensure that, once the Program is implemented, the costs assumed by the AMF will be reimbursed to it through the sale of exam manuals across Canada and that, provided the AMF is reimbursed in this way, no financial contribution will be required from Participants that adhere to the present MoU...

4.2 The Participants acknowledge that information relating to the Program's implementation and its content should be treated as confidential information and they agree only to disclose it according to the communication plan that will be established by the Participants' representatives...

17. ICS executed the MOU on June 1, 2012, before any public disclosure of the idea that the LLQP was being replaced. It came into effect on June 15, 2012, again prior to any public disclosure of the new program.

18. Notably, the MOU itself was not publicly disclosed until well after Primerica submitted a request for information in Saskatchewan pursuant to *The Freedom of Information and Protection of Privacy Act*, S.S. 1990-1991, c. F-22.01, and similar information requests based on similar statutes in other provinces (together, the "**Freedom of Information Requests**"). Then, on or around the time the documents requested under Primerica's Freedom of

Information Requests were to be released (i.e. September/October, 2013, approximately one year after the MOU was entered into) CISRO for the first time posted the MOU on its website.

19. Accordingly, for almost a year, ICS and the other Regulators hid the fact that a new program had already been agreed to between the CISRO members, and given their contractual obligations, no changes to the key features of the CISRO Program, including the format of the exam, could be made.

20. Primerica made extensive efforts to communicate with ICS and enforce its right to consultation under the LOI. All of its efforts were thwarted, and ICS refused to engage in any consultation. It was only later, through the information disclosed in the Freedom of Information Requests, that Primerica learned the reason ICS and the Regulators would not consult with it: because they had already made binding commitments to a new exam format and program structure, and therefore no meaningful consultation was possible.

21. By executing the MOU, ICS contractually bound itself to undertake a wholesale restructuring of the licensing process, including restructuring the LLQP in accordance with a new modular, open-book exam format, and new content. Despite the contractual terms of the LOI which required it to consult with Primerica prior to changing the LLQP, as set out above, at no time did ICS engage in consultation with Primerica, and in particular no consultation occurred prior to ICS entering into the MOU.

22. As required by the terms of the MOU, ICS entered into a Participation Agreement Regarding the Implementation of a Canada-Wide Insurance of Persons (Life and Health) Qualification Program (the "**Participation Agreement**") and a Service Agreement in Respect of the Implementation of a Canada-Wide Insurance of Persons (Life and Health) Qualification Program (the "**Service Agreement**"). The Participation Agreement and Service Agreement set out in detail the LLQP restructuring, the funding arrangement, and the governance

structure of the new CISRO Program which requires that certain key aspects of the Program, including the modular, open book format of the exam, cannot be altered without unanimous approval of all of the Regulators. Both the Participation Agreement and the Service Agreement became effective on or about April 8, 2013.

23. The effect of the MOU, the Participation Agreement and the Service Agreement is a complete overhaul of the current process for qualifying life insurance agents. For example:

- (a) Under the new life licencing regime, the AMF will be tasked with developing and maintaining the exam for all provinces;
- (b) Without regard to the fact that course providers developed their own training materials at significant expense, which materials were reviewed and approved by ICS, under the new regime compulsory educational materials are now mandated to be purchased under a licence agreement and used in the training of all candidates seeking licensure;
- (c) The single exam has been replaced with four separate modular examinations; and
- (d) Fees related to licensing previously set by each Province are now set by the AMF and are significantly increased.

24. All of these changes were effected without *any* consultation with stakeholders, including Primerica.

ICS Breached the LOI Agreement

25. By its agreement to the terms of the LOI, ICS committed to engage in meaningful consultation with Primerica prior to making, or committing to make, any changes to the LLQP.

ICS did not engage in any consultation with Primerica before contractually agreeing to change the LLQP.

26. Meaningful consultation, as mandated by the LOI, required any and all **proposed** changes be raised with Primerica prior to any decision or agreement as to changes. Comments received, including Primerica's, then ought to have been taken into account by ICS in formulating change.

27. Instead, in contravention of the LOI and in breach of its duties to Primerica, ICS engaged in secret negotiations with the Regulators which resulted in the MOU. ICS then attempted to conceal the extent and binding nature of the commitment it had made by agreeing not to release the MOU to the public. In so doing, ICS acted in a manner entirely contrary to its contractual duty to consult with Primerica.

ICS Breached the Doctrine of Legitimate Expectations

28. The doctrine of legitimate expectations provides that where a government official makes a representation within the scope of his/her authority about an administrative process and the representation gives rise to legitimate expectations, the government may be held to its word.

29. In entering into the LOI, ICS represented and agreed that it would consult and communicate with Primerica prior to making any changes to the curriculum design document or to the examination format or content. This was wholly within the scope of its authority and gave rise to legitimate expectations by Primerica that it would be consulted prior to any decisions being made, and that the consultation would be meaningful.

30. By failing to engage in meaningful consultation with Primerica prior to negotiating and entering into the MOU (as set above in paras. 24 to 26 above), and instead deliberately

choosing to engage in secret negotiations that excluded stakeholders, ICS violated Primerica's legitimate expectations.

The CISRO Program Detrimentially Impacts the Middle Market

31. The CISRO Program includes, *inter alia*, a new modular and open-book examination format.

32. A modular examination format has the known consequence of increasing the number of "false fails", i.e. when an otherwise qualified applicant will erroneously fail the licensure examinations. This occurs because the modular format is not reliable in testing proficiency. The consequence of "false fails" is exacerbated where each module test is based only on a small number of test questions, as is the case under the new exam format.

33. Further, where an exam already has an adverse-effect on minorities and test takers for whom English is a second language (which groups represent a large portion of Primerica's sales force), the impact of false fails is magnified by the modular format. The result is that the adverse impact on these communities is multiplied.

34. While linguistic and cultural minorities are desirable in a sales force because these communities tend to buy insurance from their own members, the open book format disproportionately disadvantages these very communities. For instance, an open-book exam structure impacts linguistic minorities since candidates whose first language is not English or French require more time to review the reference material. Given that the examination is a timed exam, provision of reference material adversely impacts the performance of candidates taking the test in a second language, with the result that fewer of these candidates are able to pass the exam.

35. Modular exams are only routinely used in professional licensure, i.e. law, medicine, accounting. They are not routinely used for credentialing licensure, such as for insurance agents. The CISRO Program is idiosyncratic in using a modular format open-book exam in a credentialing context, with ICS offering no evidence or rationale to justify such a departure from established norms.

36. The result of the new modular open-book examination format agreed to by ICS is that fewer candidates will be licenced as agents under the new regime. This in turn will have a significant impact on the availability of affordable insurance, in particular to the middle market.

37. Underinsurance is a widespread problem in Canada. It impacts all demographic segments but with particular detrimental effect on the middle-income market and the middle-age demographic, who is more likely to have young dependants and fewer financial resources to rely on in the event of the death of a household wage-earner.

38. Despite the availability of a range of alternative life insurance distribution methods, studies confirm that without the involvement of a face-to-face insurance professional, most people either do not buy life insurance or do not buy enough life insurance. Accordingly, if there are fewer licenced agents, the problem of underinsurance will be exacerbated.

39. None of these factors were considered by CISRO, when it unilaterally, without the benefit of any consultation with industry, contractually agreed to replace the LLQP.

40. Given the detrimental impact of the CISRO Program, consumers in the underinsured middle-market group will have even less access to affordable insurance, contrary to ICS's public interest mandate.

41. ICS was obliged to consult with Primerica prior to replacing the LLQP, pursuant to the terms of the LOI, and as informed by the Regulatory Initiative. Further, pursuant to obligations

arising from the Accountability Directive, ICS was also obliged to take stakeholders' views into account when finalizing regulatory changes.

42. Having failed to comply with its obligations to consult with stakeholders, including Primerica – the largest service provider to the middle-income market – ICS did not have, nor did it consider and take into account, information regarding market impact prior to the contractual commitments it entered into with other Regulators, commencing with the MOU.

ICS Actions are Contrary to Law

A. Unlawful Procurement

43. ICS is bound by the *Financial Management and Administration* policy number 4515 Procurement of Services and policy number 4510 Contracts for Services (collectively, the “**Procurement Policy**”).

44. Among the requirements mandated by the Procurement Policy, government agencies (including ICS) must use formal open competitive procurement process for all non-construction services procurements with a procurement value of \$75,000 or more. Ultimately, the Ministries of Saskatchewan are responsible for ensuring services are awarded in a fair, open and transparent manner.

45. The contract described above with the AMF is for non-construction services, and is of a value of over \$75,000. CISRO has confirmed that in providing services under the Services Agreement, the AMF is acting strictly as a service provider and not in its capacity as a Regulator. The Services Agreement therefore ought to have been subject to an open competitive procurement process.

46. Despite being bound by the Procurement Policy, ICS did not follow the Procurement Policy in selecting the AMF as the entity to develop and administer the new exams. There was no public process, no competing bids, and no approvals obtained prior to ICS executing the contract with the AMF.

47. The selection by ICS of the AMF as developer and administer of the new exam is in violation of the Procurement Policy and unlawful. The MOU, the Participation Agreement and the Service Agreement, in that each provide the AMF will be a vendor of services for the development and administration of the CISRO Program, should therefore be declared null and void.

B. Unlawful Fees

48. ICS does not have the lawful authority to sets the fees that they are obliged to set pursuant to the Service Agreement.

49. Section 100(1) of the *Insurance Act* provides fees payable under the *Insurance Act* to the Superintendent must be prescribed by the regulations:

100(1) The fees payable to the superintendent by an insurer or other person mentioned in this Act shall be prescribed by the regulations.

50. ICS does not have the authority to establish regulations.

51. Similarly, ICS does not have the authority to establish the necessary fees pursuant to the *Insurance Councils Regulations*. Section 23 provides ICS with power to establish fees, but not the power to establish fees payable to another party:

Any council may, by bylaw, establish and provide for the collection of fees that are payable to that council by applicants and licensees in connection with licensing and any other service provided by that council.

52. Therefore, ICS does not have the authority to establish fees, payable to AMF, in respect of services under the *Insurance Act*. In particular, ICS may not establish any fees for the issuance or renewal of licences, and in respect of the LLQP and education courses under the LLQP, as these are matters provided for pursuant to section 420 of the *Insurance Act* and *Saskatchewan Insurance Regulations, 2003*, R.R.S. c. S-26 Reg 8.

53. Under the existing LLQP regime, the licencing fees for life insurance agents are set pursuant to section 100. No other fees are set or required in respect of the life insurance licencing scheme under the *Insurance Act*. Rather it was agreed when the LLQP was first developed, that the educational course component of the LLQP would be provided by approved course providers on a commercial basis.

54. In contrast to the existing licencing scheme, pursuant to the MOU, Participation Agreement and Service Agreement, ICS is **obliged** to establish fees, which must be paid in respect of various aspects of the life insurance licencing scheme provided for under the *Insurance Act* to a third party, AMF. ICS does not have this authority and therefore the MOU, Participation Agreement and Service Agreement should be declared null and void.

55. In particular, Section 3.1 of the Service Agreement provides:

The Service Provider [AMF] will provide the examination preparation manuals (the "Study Material") to the Course Providers in accordance with a licence agreement to be entered into between the Service Provider and each Course Provider (the "Licence"). A single model of the Licence will be used for all Course Providers (a term sheet of the Licence is set out in Appendix D). Licenced Course Providers will have to apply to and obtain approval from the Regulator [ICS] in order to provide the Course in the jurisdiction of the Regulator.

56. "Course Provider" is defined under the Service Agreement as a third party course provider approved by ICS.

57. Appendix E to the Service Agreement sets out the funding terms and conditions of the new LLQP program. It stipulates that:

A. 7) The initial Investment and the Maintenance Cost incurred by the Service Provider will be recovered through a funding model approved by the Board. ***The funding model will require each Course Provider to pay to the Service Provider a licensing fee based on individual student enrollment as set out in Appendix D.***

8) ***The licensing fee to be paid for the Study Materials by Course Providers will be determined by the Board*** [of CISRO, including ICS] before the date the Program is implemented.

58. These provisions require ICS to establish a fee to be paid, by course providers on behalf of applicants, for "Study Materials." In other words, for every person who wishes to obtain a license in Saskatchewan, a set fee is required to be paid by Course Providers to the AMF.¹ ICS has thereby agreed to establish a fee that must be paid to obtain a license under the *Insurance Act*, or alternatively to act as a Course Provider under the *Insurance Act*. ICS does not have the authority to set such a fee.

59. Similarly, by signing the Service Agreement ICS undertook to require all examination providers (administrators) to purchase examinations directly from AMF:

B. 8) In particular, and subject to the foregoing, the Regulator undertakes to require the examination provider to purchase examinations directly from the Service Provider and ***to include that cost in the examination fees charged by the examination provider.***

60. ICS undertook to do something that it cannot. Requiring the purchase of examinations at a particular price establishes a fee which must be paid, the AMF, to obtain a license, the ICS does not have the authority to set such a fee.

¹ For clarity, the "license fee" agreed to under the Service Agreement refers to an intellectual property licencing fee to use the Study Materials developed by the AMF. As such, the required fee is in respect of the life insurance agent licencing scheme under the *Insurance Act* and ICS does not have the authority to set this fee, or any other fee.

61. Further, there is only one way in which a fee may be required to be paid to the AMF, without an amendment to the *Insurance Act*. If the government desires that licencing fees be paid to an entity other than the Superintendent, s. 466.1(4)(f) of the *Insurance Act* provides that the Lieutenant Governor in Council allows for the establishment of an Insurance Council or council, and those councils may make regulations to:

fix and collect licence, registration or other annual and special fees from applicants, registrants and licensees in occupational groups in the insurance industry that are necessary to allow the council to finance the exercise of its assigned powers.

62. Licencing fees may therefore only be paid to a council formally "recognized" under the *Insurance Act*. The ICS, and its associated councils, are examples of councils that have been formally recognized. AMF has not been formally recognized and it cannot be formally recognized.

63. Any council must carry out all of the following functions under the *Insurance Act*.

466.1(4) Without limiting the generality of subsection (3), the Lieutenant Governor in Council may make regulations granting to a council, on any terms and conditions that he considers appropriate, the power to:

(a) accept and exercise powers, functions and responsibilities delegated to it by the superintendent;

(b) establish the educational, training and other standards and qualifications required for the licensing or registration of members of the occupational groups in the insurance industry;

(b.1) establish, with respect to persons or categories of persons to whom the council has issued a licence, standards of conduct, competence and proficiency and standards of training and education, including additional and continuing training and education requirements;

(c) establish and enforce ethical, operational and trade practices for members of occupational groups in the insurance industry;

(d) investigate complaints and adjudicate or mediate disputes regarding services provided by any member of an occupational group in the insurance industry;

(d.1) assess and collect the costs of investigations and hearings conducted by it and suspend licences for the licensee's failure to pay these costs;

(e) make recommendations to government;

(f) fix and collect licence, registration or other annual and special fees from applicants, registrants and licensees in occupational groups in the insurance industry that are necessary to allow the council to finance the exercise of its assigned powers;

(f.1) assess and collect fines to be paid and penalties for late payment of fines and suspend licences for the licensee's failure to pay fines and penalties assessed;

(g) initiate and engage in programs of consumer protection;

(h) subdelegate its powers to subcouncils or committees;

(i) make bylaws necessary for its efficient functioning.

64. AMF cannot meet these requirements. Therefore it is not a "recognized" organization, nor can it qualify as one.

65. As a result, the purported delegation by ICS to have fees paid to the AMF in relation to licencing is unlawful. For this reason as well the MOU, the Participation Agreement and the Service Agreement should be declared null and void.

Statutory Grounds

66. Primerica will rely on Rule 3-49 of *The Queen's Bench Rules*.

67. Primerica will rely on sections 100, 426, 466.1 and 467 of the *Insurance Act*.

68. Primerica will rely on section 23 of the *Insurance Councils Regulations*.

69. Primerica will rely on such further and other grounds as counsel may advise and this Honourable Court permit.

DATED at the City of Regina, Saskatchewan, this 24th day of July, 2014.



Agent for Service for
Primerica Life Insurance Company of
Canada

NOTICE

You are named as a respondent because you have made or are expected to make an adverse claim with respect to this originating application. If you do not come to Court either in person or by your lawyer, the Court may make an order declaring you and all persons claiming under you to be barred from taking any further proceedings against the applicant(s) and against all persons claiming under the applicant(s). You will be bound by any order the Court makes, or another order might be given or other proceedings taken, which the applicant(s) is(are) entitled to make without any further notice to you. If you want to take part in the application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of this form.

The rules require that a party moving or opposing an originating application must serve any brief of written argument on each of the other parties and file it at least 3 days before the date scheduled for hearing the originating application.

If you intend to rely on an affidavit or other evidence when the originating application is heard or considered, you must serve a copy of the affidavit and other evidence on the originating applicant at least 10 days before the originating application is to be heard or considered.

CONTACT INFORMATION AND ADDRESS FOR SERVICE

Name of firm:	McCarthy Tétrault LLP
Name of lawyer in charge of file:	F. Paul Morrison / Julie K. Parla
Address of legal firm:	Suite 5300, P.O. Box 48 Toronto Dominion Bank Tower Toronto, ON M5K 1E6
Telephone number:	(416) 601-7887/8190
Fax number:	(416) 868-0673
E-mail address:	pmorriso@mccarthy.ca / jparla@mccarthy.ca

Whose address for service in Saskatchewan is:

Name of firm:	McKercher LLP
Name of lawyer:	Nicholas M. Cann
Address of legal firm:	800 - 1801 Hamilton Street Regina, SK S4P 4B4
Telephone number:	(306) 565-6526
Fax number:	(306) 565-6565
E-mail address:	<u>n.cann@mckercher.ca</u>
File number:	114550.1

COURT FILE NUMBER Q.B. No. 1591 of 2014
COURT OF QUEEN’S BENCH FOR SASKATCHEWAN
JUDICIAL CENTRE REGINA
APPLICANT **PRIMERICA LIFE INSURANCE COMPANY OF
CANADA**

RESPONDENTS **INSURANCE COUNCILS OF SASKATCHEWAN
and LIFE INSURANCE COUNCIL OF
SASKATCHEWAN**

ACKNOWLEDGMENT OF SERVICE

You are asked to fill out and sign this form without delay, and to mail it in the accompanying postage prepaid envelope addressed to Nicholas M. Cann of McKercher LLP or to return it by fax to the attention of Nicholas M. Cann of McKercher LLP at (306) 565-6565. If you do not return this signed and completed Acknowledgment of Service without delay, you may not receive notice of any further proceedings or any documents may be personally served on you and you will be required to pay the costs of service.

I acknowledge service on me of a copy of the following document:

- 1. Originating Application on behalf of the Applicant, Primerica Life Insurance Company of Canada, dated July 24, 2014.

(Signature)

(Date of Service)

My name is: _____
(full legal name)

My address for service is (address in Saskatchewan where Court documents may be mailed to or left for you):

Life Insurance Council of Saskatchewan
310, 2631 – 28th Avenue
Regina, SK S4S 6X3

My telephone number is: _____

My fax number is (optional): _____

My e-mail address is (optional): _____

NOTICE

- (1) You must include an address in Saskatchewan where documents may be mailed to or left for you if you wish to receive notice of subsequent proceedings in this matter.
- (2) It is optional to include your fax number and e-mail address. If you include your fax number or e-mail address, documents may be served on you by fax or electronic transmission.
- (3) The address, fax number or e-mail address that you give on this form will be used to serve you with documents until you serve on the other parties and file with the court written notice of a new address for service.

CONTACT INFORMATION AND ADDRESS FOR SERVICE

Name of firm: McCARTHY TÉTRAULT I.L.P.
Name of lawyer in charge of file: F. Paul Morrison/Julie K. Parla
Address of legal firm: Suite 5300, P.O. Box 48
Toronto Dominion Bank Tower
Toronto, ON M5K 1E6
Telephone number: (416) 601-7887
(416) 601-8190
Fax number: (416) 868-0673
E-mail address: pmorriso@mccarthy.ca
jparla@mccarthy.ca

WHOSE ADDRESS FOR SERVICE IN SASKATCHEWAN IS:

Name of firm: McKERCHER I.L.P.
Name of lawyer in charge of file: Nicholas M. Cann
Address of legal firm: 800 - 1801 Hamilton Street
Regina, SK S4P 4B4
Telephone number: (306) 565-6500
Fax number: (306) 565-6565
E-mail address: n.cann@mckercher.ca
File number: 114550.1

Gill, Marcus A FIN:EX


From: Dillon, Brian FIN:EX
Sent: Friday, July 25, 2014 9:38 AM
To: James, Harry FIN:EX
Cc: Gill, Marcus A FIN:EX; Toovey, Kari FIN:EX
Subject: FW: LLQP Update - Primerica Legal Action in Ontario
Attachments: Primerica - Notice of Claim.pdf; Primerica.pdf

Harry: Thanks. Brian

From: James, Harry FIN:EX
Sent: Friday, July 25, 2014 8:58 AM
To: Wilkinson, Sandra JAG:EX; Dillon, Brian FIN:EX
Cc: Chong, Frank FIN:EX; Withnell, Kiah FIN:EX
Subject: FW: LLQP Update - Primerica Legal Action in Ontario

FYI

Harry James
Director, Policy Initiatives
Financial Institutions Commission
2800-555 West Hastings Street
Vancouver, BC V6B 4N6
Phone 604 660-1935 | Fax 604 660 3365
www.fic.gov.bc.ca

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From: Carol Shevlin [<mailto:Carol.Shevlin@fsco.gov.on.ca>]
Sent: Friday, July 25, 2014 8:36 AM
To: Angela Mazerolle; Carol Shevlin; Rogers, Carolyn FIN:EX; Charles Johnston; Dan Carlson; Doug Doak; McLean, Doug B FIN:EX; Doug Murphy; Fiona.Charbonneau; Grant Swanson; Ian McIntosh; Jim Scalena; Julien Reid; Laurie Balfour; Mark Prefontaine; Nathalie Sirois ; Patrick Dery; Penny Lee; Peter Blandy; Phil Howell; Robert Bradley
Cc: Alayne Brygadyr-McCoy ; Alex Lambrecht; Anatol Monid; Andrew Willett; Ann Baksh; Bartosz Chrostowski; Bev Blakesley; CCIR-CCRRA; Craig Whalen; Darlene Hall; Darrell Leadbetter; David Weir; Dawn Madassa; Denis Poirier ; Eric Stevenson ; Chong, Frank FIN:EX; James, Harry FIN:EX; Heidi Davison; Jackie Grant; Janice Callbeck; Jean-Francois Routhier; Jennifer Calder; Julie Demers; Karen Steele; Withnell, Kiah FIN:EX; Lesley Thomson; Letitia Miciescu; Louise Gauthier; Maria Masliwec; Marie-Claude Mailhot; Mario Beaudoin ; Martha Desouza; Martin Ship; Burns, Molly FIN:EX; Nelly Ching; Nicole Beaulieu; Nurez Jiwani; Peter Burston; Phillip McInnis; Rachel Olaso-Pezeshkian; Ron Fullan; Saveria Villanti; Scott Moore; Seta Singh; Shonna Neil; Stephane Langlois; Sussana Lecusay; Sylvia Parsons; Tom Golfetto; Usha Anandarajah; William Ngu
Subject: FW: LLQP Update - Primerica Legal Action in Ontario

CCIR Members,

Forwarding from Ron Fullan.

Carol

From: Fullan, Ron (ICS) [mailto:Ron.Fullan@skcouncil.sk.ca]
Sent: July-09-14 12:45 PM
To: CISRO
Cc: Carol Shevlin
Subject: LLQP Update - Primerica Legal Action in Ontario

TO: All CISRO members
c.c.: Carol Shevlin for distribution to CCIR Members

I pass on the attached as an FYI to all CISRO and CCIR members.

As an LLQP Course provider, Primerica has signed a Letter of Intent with all jurisdictions that currently use LLQP. This week, Primerica filed a *Notice of Claim* in Ontario based on the Course provider Letter of Intent it has with FSCO. A copy of the *Notice of Claim* is attached.

They have also filed a Form 8-K with the United States Securities and Exchange Commission informing them of the legal action. A copy of the Form 8-K is also attached.

If you would like any further information regarding this subject, please contact me.

Ron Fullan
Chair, CISRO

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SERVICE OF A COPY
ADMITTED THIS 7th DAY OF JULY 2014
Crown Law Office (Civil Law)
MINISTRY OF THE ATTORNEY GENERAL
FOR ONTARIO
Per [Signature] Time 2:12 PM
720 BAY STREET
TORONTO, ONTARIO M7A 2S9

McCarthy Tétrault LLP
PO Box 48, Suite 5300
Toronto-Dominion Bank Tower
Toronto ON M5K 1E6
Canada
Tel: 416-362-1812
Fax: 416-868-0673

Julie K. Parla
Partner
Direct Line: (416) 601-8190
Email: jparla@mccarthy.ca

Assistant: Katie Leavitt
Direct Line: 416-601-8200 (542746)
Email: kleavitt@mccarthy.ca

July 7, 2014

Via Personal Service

Her Majesty the Queen in Right of Ontario
c/o Ministry of the Attorney General
Legal Service Division
Crown Law Office Civil
720 Bay Street 8th Floor
Toronto ON M7A 2S9

ATTN: Sandra Nishikawa

Dear Ms. Nishikawa

Re: Primerica Life Insurance Company of Canada – Notice of Claim pursuant to Section 7(1) of the *Proceedings Against the Crown Act*, RSO 1990, c P 27

We are retained as counsel to Primerica Life Insurance Company of Canada ("**Primerica**").

Primerica has advised the Financial Services Commission of Ontario ("**FSCO**") of significant concerns regarding the new life licence qualification program ("**LLQP**") developed by the Canadian Insurance Services Regulatory Organizations ("**CISRO**"), in respect of which the insurance regulator members of CISRO, including FSCO, have entered into binding agreements. In particular, the process by which the new LLQP licensing scheme has been adopted is in breach of obligations owed by FSCO to Primerica in contract and at common law, and features of the program are contrary to law.

Despite the fact that it was FSCO who entered into the agreements in question, you have advised that FSCO takes the position that any claim in respect of these issues is properly brought against the Crown.

In light of FSCO's position, Primerica hereby provides notice of a claim, should such notice be required, under section 7 of the *Proceedings Against the Crown Act* RSO 1990, c P 27. Particulars of the claim, which will be issued as an Application pursuant to Rule 14.05 of the *Rules of Civil Procedure* after the 60 day notice period has expired, are as follows:

1. FSCO and Primerica are parties to a Course Provider Letter of Intent ("**LOI**"), which establishes contractual obligations as between them. Pursuant to its terms, FSCO is obliged to "Consult and communicate with course providers, **prior to** making any changes to the curriculum design document or to **the examination format or content**." [emphasis added] In breach of this provision, FSCO and the regulator members of CISRO, contractually agreed to a wholesale restructuring of the LLQP, including to the format of the exam, prior to any disclosure of the new program, and without any

consultation with industry and Primerica in particular. FSCO is thereby in breach of the LOI.

The contractual agreements referred to as having been entered into without any consultation, are as follows:

- a. Co-operative Memorandum of Understanding Targeting the Implementation of a Canada-Wide Insurance of Persons (Life and Health) Qualification Program (the "**MOU**")
- b. Participation Agreement Regarding the Implementation of a Canada-Wide Insurance of Persons (Life and Health) Qualification Program (the "**Participation Agreement**"); and
- c. Service Agreement in Respect of the Implementation of a Canada-Wide Insurance of Persons (Life and Health) Qualification Program (the "**Service Agreement**").

Collectively (the "**Agreements**")

2. In entering into the LOI, FSCO represented and agreed that it would consult and communicate with Primerica prior to making any changes to the examination format or content. This was wholly within the scope of its authority and gave rise to legitimate expectations by Primerica that it would be consulted prior to any decisions being made, and that the consultation would be meaningful. By failing to engage in meaningful consultation with Primerica prior to negotiating and entering into the Agreements, FSCO violated Primerica's legitimate expectations.
3. FSCO, as an agency of the Ontario government, is bound by the Management Board of Cabinet Procurement Directive, dated April 2011 (the "**Procurement Directive**"). The terms of the Procurement Directive require that the service provider under the Service Agreement be selected pursuant to a public procurement process. FSCO did not follow the Procurement Directive in selecting the Quebec insurance regulator, the Autorité des marchés financiers ("**AMF**") as the entity to develop and administer licencing examinations in respect of the new LLQP. Further, there is no exemption at law applicable to selecting the AMF as the vendor of services. Accordingly, the selection by FSCO of the AMF as developer and administer of the new exam is in violation of the Procurement Directive and unlawful.
4. By virtue of the funding mechanism agreed to pursuant to the Agreements, namely that each course provider will be required to pay an intellectual property licencing fee in respect of materials developed by the AMF, which fee will be paid directly to the AMF, FSCO has established fees in relation to matters under the *Insurance Act*, and in particular in respect of insurance agent licencing and the licencing program. FSCO does not have the jurisdiction to set fees. Fees may only be set by the Minister, pursuant to section 121.1 of the *Insurance Act*. The provisions of the Agreements in respect of the funding mechanism, are therefore also contrary to law.
5. Further, FSCO is bound by the Service Agreement to make the AMF whole in the event the revenue from licence fees applicable to the "Study Materials" falls short of what the

AMF expects to recover. This arrangement creates a contingent liability which, under s. 28 of the Financial Administration Act, RSO 1990, c F.12, requires the approval of the Minister of Finance. In an attempt to avoid a contingent liability, FSCO contracted with the AMF to require its exam administrator (currently Serco) to purchase examinations directly from the AMF in order to counter any shortfall in revenue. However, no such terms were in fact agreed to as between FSCO and Serco. The Service Agreement with the AMF therefore created a contingent liability, which required Ministerial approval. No such approval was sought or provided. Accordingly, the Service Agreement is invalid and should be declared null and void.

6. In the alternative, and in any event, as the funding mechanism agreed to pursuant to the Agreements, requires that any shortfall in the financial recovery owing to the AMF be paid by way of an exam fee to be levied through the third-party exam administrator, this too represents a fee which FSCO does not have the authority to set, and which is unlawful.
7. Section 393(21)(d7) of the *Insurance Act* provides that if the government requires that licencing fees be paid to an entity other than FSCO, the Lieutenant Governor in Council may make regulations providing that part or all of the fees paid to obtain or renew licences be paid to an organization recognized under subsection 393(14). The AMF is not an organization "recognized" under the *Insurance Act*, nor can it qualify to be, given the legislative requirements applicable to a "recognized organization". As the funding mechanism under the Agreements requires payments to be made directly to the AMF, the Agreements are contrary to law and in breach of the provisions of the *Insurance Act*.

As a result of these significant breaches, Primerica will seek various declaratory relief, including a declaration that the MOU, the Participation Agreement and the Service Agreement, be declared null and void.

Yours very truly,



Julie K. Parla

JKP/jp
Doc#13563892

cc: Ministry of Finance, via courier
ec: Peter Schneider (Primerica)
Karen Sukin (Primerica)
David Grad (Primerica)
Paul Morrison (McCarthy Tétrault)

From: Dillon, Brian FIN:EX
Sent: Thursday, June 5, 2014 4:14 PM
To: Gretes, George FIN:EX
Cc: Wood, Heather FIN:EX; Gill, Marcus A FIN:EX; Toovey, Kari FIN:EX
Subject: LLQP
Attachments: Doc May 22, 2014, 140 PM.PDF

George:

Further to you question about job impacts if any flowing from the LLQP changes, below is the information provided by Gerry Matier, ED with the Council, along with the attachment he sent (it is poor quality so I found more or less the same add (different MLAs listed) in the Kamloops This Week paper and that is copied below).

Gerry's response seems pretty comprehensive, but let me know if you need any further information.

Brian

Information from Gerry:

“Whether we are talking about the current LLQP program or the "new" LLQP program there is no impact on B.C. jobs. s.13,s.16
s.13,s.16

All other providers are in Alberta (1) and Ontario (8) and none of them are likely to lose jobs as a result of the introduction of the revised LLQP.

Exam question development was originally done by a U.S. contractor hired by B.C., Alberta and Ontario back in 2000/01 when the LLQP was originally developed. Since then Council has developed additional exam questions (for use in B.C. only) and we used LOMA, which is located in Atlanta, Georgia. We used LOMA because the resources we would normally have turned to (Advocis, ILS, etc) are all LLQP course providers and would have been in a conflict.

Council hosts all the exams in B.C. and does the marking. Nothing is going to change with that process.

I want to be clear, there are no jobs moving to Quebec and Quebec is not taking over the exam process. B.C., in conjunction with all other jurisdiction is using Quebec's (AMF) education department to develop the new material and exam questions, which is being done under our (CISRO) direction. The first time around, as I mentioned above, we used an American contractor to do the same thing. The only difference is that Quebec is doing the work for free and will recoup it in licence fees once the revised LLQP program commences in 2016 (unlike the first time round when we paid the contractor up front and never recouped any of the costs.

s.13,s.16

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Dillon, Brian FIN:EX

From: FIN EA Minister PREM:EX
Sent: Friday, June 6, 2014 8:37 AM
To: Dillon, Brian FIN:EX
Cc: Wood, Heather FIN:EX; Gill, Marcus A FIN:EX; Toovey, Kari FIN:EX
Subject: RE: LLQP

Brian:

Thank you for the clarification.

Cheers,

George Gretes

Executive Assistant | **Office of the Honourable Michael de Jong**
Minister of Finance & House Leader | Province of British Columbia

Office: 250.387.2214 | Fax: 250.387.5594 | website: <http://www.gov.bc.ca/fin/>

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Sent: Thursday, June 5, 2014 4:14 PM
To: Gretes, George FIN:EX
Cc: Wood, Heather FIN:EX; Gill, Marcus A FIN:EX; Toovey, Kari FIN:EX
Subject: LLQP

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s.13,s.16

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Dillon, Brian FIN:EX

From: Dillon, Brian FIN:EX
Sent: Thursday, June 5, 2014 4:32 PM
To: 'Gerry Matier'
Subject: RE: LLQP

Gerry: Thanks for the quick response. I will let you know if there are any follow up questions but your information seems pretty comprehensive and clear. Brian

From: Gerry Matier [mailto:gmatier@insurancecouncilofbc.com]
Sent: Thursday, June 5, 2014 3:29 PM
To: Dillon, Brian FIN:EX
Subject: RE: LLQP

Hi Brian

Whether we are talking about the current LLQP program or the "new" LLQP program there is no impact on B.C. s.13,s.16
s.13,s.16

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s.13,s.16

Let me know if you have any questions - I can be reached at 604 790-0146.

Gerald Matier | Executive Director| **Insurance Council of British Columbia**
Suite 300, 1040 West Georgia Street, PO Box 7, Vancouver, BC V6E 4H1
T: 604-688-0321 ext. 311 | D: 604-695-2001
Toll Free Within BC: 1-877-688-0321
gmatier@insurancecouncilofbc.com | www.insurancecouncilofbc.com

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From: Dillon, Brian FIN:EX [<mailto:Brian.Dillon@gov.bc.ca>]
Sent: June-05-14 2:48 PM
To: Gerry Matier
Subject: LLQP

Further to my voicemail, perhaps doing it in table form would be clearest, something like:

	Current	Where produced/done	Proposed	Where produced/done
Course Materials	Prepared by various companies and course providers	Most materials are produced in Ontario and other provinces. One		
Exam Materials /Questions				
Marked				
??				
??				

In summary, the expected impacted from changes on BC jobs will be: [none to minimal because currently ... if that is the case which I think it is but we should be very accurate here.]

I also have another completely separate question. Can you tell me whether non-voting members have any involvement in the administration of the Council (appointment of staff, job classifications, salaries, etc.) or is it just the voting members? Just not sure how the process works in terms of administration with the voting and non-voting members.

Thanks very much,

Gill, Marcus A FIN:EX

From: Peter Tzanetakis <PTzanetakis@advocis.ca>
Sent: Thursday, May 29, 2014 6:47 AM
To: Gill, Marcus A FIN:EX; Dillon, Brian FIN:EX
Subject: RE: Advocis LLQP Briefing Note

Marcus,
s.13,s.16

Regards,

Peter Tzanetakis
Vice President, Government and Corporate Relations

Advocis
The Financial Advisors Association of Canada
390 Queens Quay West, Suite 209
Toronto, ON M5V 3A2
D: 416.342.9813
T: 800.563.5822 ext. 9813
F: 416.444.8031
ptzanetakis@advocis.ca
www.advocis.ca

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From: Gill, Marcus A FIN:EX [mailto:Marcus.Gill@gov.bc.ca]
Sent: Wednesday, May 21, 2014 1:46 PM

To: Peter Tzanetakis; Dillon, Brian FIN:EX
Subject: RE: Advocis LLQP Briefing Note

Thanks for sending the link Peter. s.13,s.16
s.13,s.16

Marcus Gill
Executive Director
Financial and Corporate Sector Policy Branch
BC Ministry of Finance
250 387-7567

From: Peter Tzanetakis [<mailto:PTzanetakis@advocis.ca>]
Sent: May-21-14 7:43 AM
To: Dillon, Brian FIN:EX; Gill, Marcus A FIN:EX
Subject: FW: Advocis LLQP Briefing Note

Guys,

Here is a sample of the lobbying campaign being spearheaded by Primerica. It is happening across Canada.

<http://communitylifeinsurance.ca/>

As discussed and in my follow up note below, we are not part of this. We hope that we can continue to work with the regulators to ensure this rolls out effectively and to ensure there are no artificial barriers to getting people into the life insurance business.

s.13

Please keep me informed on any action or direction you plan with your regulators.

Regards,

Peter Tzanetakis
Vice President, Government and Corporate Relations

Advocis
The Financial Advisors Association of Canada
390 Queens Quay West, Suite 209
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From: Peter Tzanetakis
Sent: Friday, April 11, 2014 4:38 PM
To: Brian Dillon (Brian.Dillon@gov.bc.ca); Marcus.Gill@gov.bc.ca
Cc: Kathy Kaskiw
Subject: Advocis LLQP Briefing Note

Brian, Marcus,

It was great meeting with you last week to discuss the changes happening in the industry.

As requested, attached is a briefing note on the LLQP CISRO revamp project and some of the issues and concerns we have raised during this process. We continue to work with members of CISRO to ensure that we can continue to offer this program and to bring more and higher quality individuals into the life and health insurance industry.

Kathy Kaskiw, VP Education and Member Services is the lead on this for us, so if you have any questions do not hesitate to contact her.

Regards,

Peter Tzanetakis
Vice President, Government and Corporate Relations

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The Financial Advisors Association of Canada
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Gill, Marcus A FIN:EX

From: Peter Tzanetakis <PTzanetakis@advocis.ca>
Sent: Wednesday, May 21, 2014 11:39 AM
To: Gill, Marcus A FIN:EX; Dillon, Brian FIN:EX
Subject: RE: Advocis LLQP Briefing Note

I will get back to you with a formal response as the lead on this file is our VP of Education. My comments below are some initial thoughts.

s.13,s.16

Peter Tzanetakis
Vice President, Government and Corporate Relations

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s.13,s.16

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BC Ministry of Finance
250 387-7567

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Vice President, Government and Corporate Relations

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Sent: Friday, April 11, 2014 4:38 PM

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Kathy Kaskiw, VP Education and Member Services is the lead on this for us, so if you have any questions do not hesitate to contact her.

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Vice President, Government and Corporate Relations

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Toronto, ON M5V 3A2
D: 416.342.9813
T: 800.563.5822 ext. 9813
F: 416.444.8031
ptzanetakis@advocis.ca
www.advocis.ca

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Gill, Marcus A FIN:EX

From: Peter Tzanetakis <PTzanetakis@advocis.ca>
Sent: Wednesday, May 21, 2014 7:43 AM
To: Dillon, Brian FIN:EX; Gill, Marcus A FIN:EX
Subject: FW: Advocis LLQP Briefing Note
Attachments: 140514 CLIWE Ads.pdf

Guys,

Here is a sample of the lobbying campaign being spearheaded by Primerica. It is happening across Canada.

<http://communitylifeinsurance.ca/>

As discussed and in my follow up note below, we are not part of this. We hope that we can continue to work with the regulators to ensure this rolls out effectively and to ensure there are no artificial barriers to getting people into the life insurance business.

s.13

Please keep me informed on any action or direction you plan with your regulators.

Regards,

Peter Tzanetakis
Vice President, Government and Corporate Relations

Advocis
The Financial Advisors Association of Canada
390 Queens Quay West, Suite 209
Toronto, ON M5V 3A2
D: 416.342.9813
T: 800.563.5822 ext. 9813
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ptzanetakis@advocis.ca
www.advocis.ca

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From: Peter Tzanetakis
Sent: Friday, April 11, 2014 4:38 PM
To: Brian Dillon (Brian.Dillon@gov.bc.ca); Marcus.Gill@gov.bc.ca
Cc: Kathy Kaskiw
Subject: Advocis LLQP Briefing Note

Brian, Marcus,

It was great meeting with you last week to discuss the changes happening in the industry.

As requested, attached is a briefing note on the LLQP CISRO revamp project and some of the issues and concerns we have raised during this process. We continue to work with members of CISRO to ensure that we can continue to offer this program and to bring more and higher quality individuals into the life and health insurance industry.

Kathy Kaskiw, VP Education and Member Services is the lead on this for us, so if you have any questions do not hesitate to contact her.

Regards,

Peter Tzanetakis
Vice President, Government and Corporate Relations

Advocis
The Financial Advisors Association of Canada
390 Queens Quay West, Suite 209
Toronto, ON M5V 3A2
D: 416.342.9813
T: 800.563.5822 ext. 9813
F: 416.444.8031
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Copyright

Gill, Marcus A FIN:EX

From: McLean, Doug B FIN:EX
Sent: Friday, May 16, 2014 11:01 AM
To: Gill, Marcus A FIN:EX; Dillon, Brian FIN:EX
Subject: Fwd: LLQP Communication
Attachments: LLQP Stakeholder Letter - April 2014-EN.pdf; ATT00001.htm; LLQP Stakeholder Letter - April 2014-FR.pdf; ATT00002.htm

FYI

Sent from my iPad

Begin forwarded message:

From: "Carol Shevlin" <Carol.Shevlin@fsco.gov.on.ca>
To: "Angela Mazerolle" <Angela.Mazerolle@fcnb.ca>, "Brad Geddes" <brad.geddes@gov.ab.ca>, "Carol Shevlin" <Carol.Shevlin@fsco.gov.on.ca>, "Rogers, Carolyn FIN:EX" <Carolyn.Rogers@ficombc.ca>, "Charles Johnston" <cjohnst@osfi-bsif.gc.ca>, "Dan Carlson" <dcarlson@gov.nu.ca>, "Doug Doak" <doug_doak@gov.nt.ca>, "McLean, Doug B FIN:EX" <Doug.McLean@ficombc.ca>, "Doug Murphy" <murphydh@gov.ns.ca>, "Fiona Charbonneau" <Fiona.Charbonneau@gov.yk.ca>, "Grant Swanson" <Grant.Swanson@fsco.gov.on.ca>, "Ian McIntosh" <ian.mcintosh@gov.sk.ca>, "Jim Scalena" <Jim.Scalena@gov.mb.ca>, "Julien Reid" <Julien.Reid@lautorite.qc.ca>, "Mark Prefontaine" <mark.prefontaine@gov.ab.ca>, "Nathalie Sirois" <nathalie.sirois@lautorite.qc.ca>, "Patrick Dery" <patrick.dery@lautorite.qc.ca>, "Penny Lee" <penny.lee@osfi-bsif.gc.ca>, "Peter Blandy" <peter.blandy@gov.ab.ca>, "Phil Howell" <Phil.Howell@fsco.gov.on.ca>, "Robert Bradley" <rabadley@gov.pe.ca>
Cc: "Alayne Brygadyr-McCoy" <Alayne.Brygadyr-McCoy@gov.ab.ca>, "Alex Lambrecht" <Alex.Lambrecht@gov.nt.ca>, "Anatol Monid" <Anatol.Monid@fsco.gov.on.ca>, "Ann Baksh" <Ann.Baksh@fsco.gov.on.ca>, "Bartosz Chrostowski" <Bartosz.Chrostowski@fsco.gov.on.ca>, "Bev Blakesley" <bblakesley@gov.mb.ca>, "CCIR-CCRRRA" <ccir-ccrra@fsco.gov.on.ca>, "Craig Whalen" <cwhalen@gov.nl.ca>, "Darlene Hall" <Darlene.Hall@fsco.gov.on.ca>, "Darrell Leadbetter" <Darrell.Leadbetter@osfi-bsif.gc.ca>, "David Weir" <david.weir@fcnb.ca>, "Dawn Madassa" <Dawn.Madassa@fsco.gov.on.ca>, "Denis Poirier" <denis.poirier@lautorite.qc.ca>, "Eric Stevenson" <eric.stevenson@lautorite.qc.ca>, "Chong, Frank FIN:EX" <Frank.Chong@ficombc.ca>, "James, Harry FIN:EX" <Harry.James@ficombc.ca>, "Heather Grace" <heather.grace@gov.ab.ca>, "Heidi Davison" <Heidi.Davison@fsco.gov.on.ca>, "Jackie Grant" <Jacqueline.grant@fcnb.ca>, "Janice Callbeck" <jccallbeck@gov.pe.ca>, "Jean-Francois Routhier" <Jean-Francois.Routhier@lautorite.qc.ca>, "Jennifer Calder" <CALDERJL@gov.ns.ca>, "Julie Demers" <julie.demers@lautorite.qc.ca>, "Karen Steele" <STEELEKA@gov.ns.ca>, "Withnell, Kiah FIN:EX" <Kiah.Withnell@ficombc.ca>, "Laurie Balfour" <Laurie.Balfour@gov.ab.ca>, "Lesley Thomson" <Lesley.Thomson@gov.sk.ca>, "Letitia Miclescu" <Letitia.Miclescu@fsco.gov.on.ca>, "Louise Gauthier" <louise.gauthier@lautorite.qc.ca>, "Marie-Claude Mailhot" <marie-claude.mailhot@lautorite.qc.ca>, "Mario Beaudoin" <mario.beaudoin@lautorite.qc.ca>, "Martha Desouza" <martha.desouza@osfi-bsif.gc.ca>, "Martin Ship" <Martin.Ship@fsco.gov.on.ca>, "Grist, Michael FIN:EX" <Michael.Grist@ficombc.ca>, "Nelly Ching" <Nelly.Ching@fsco.gov.on.ca>, "Nicole Beaulieu" <Nicole.Beaulieu@lautorite.qc.ca>, "Nurez Jiwani" <Nurez.Jiwani@fsco.gov.on.ca>, "Wangkhang, Pamela FIN:EX" <Pamela.Wangkhang@ficombc.ca>, "Peter Burston" <Peter.Burston@fsco.gov.on.ca>, "Phillip McInnis" <pjmccinnis@gov.pe.ca>, "Rachel Olaso-Pezeshkian" <Rachel.Olaso-Pezeshkian@fsco.gov.on.ca>, "Ron Fullan" <Ron.Fullan@skcouncil.sk.ca>, "Sandra Maietta" <Sandra.Maietta@fsco.gov.on.ca>, "Saveria Villanti"

<Saveria.Villanti@fSCO.gov.on.ca>, "Scott Moore" <SMoore@gov.mb.ca>, "Seta Singh"
<Seta.Singh@fSCO.gov.on.ca>, "Shonna Neil" <Shonna.Neil@fSCO.gov.on.ca>, "Stephane Langlois"
<stephane.langlois@lautorite.qc.ca>, "Sussana Lecusay" <Sussana.Lecusay@fSCO.gov.on.ca>, "Tom
Golfetto" <Tom.Golfetto@fSCO.gov.on.ca>, "Usha Anandarajah" <Usha.Anandarajah@fSCO.gov.on.ca>,
"William Ngu" <NGUWN@gov.ns.ca>

Subject: FW: LLQP Communication

CCIR Members,

Forwarding from Ron Fullan.

Carol

From: Fullan, Ron (ICS) [<mailto:Ron.Fullan@skcouncil.sk.ca>]

Sent: May-16-14 8:41 AM

To: Carol Shevlin

Subject: LLQP Communication

Carol

We have just completed a stakeholder communication piece summarizing the LLQP project, including what the project entails, and why we are doing it. The English and French versions of the communication are attached.

Can you share these with CCIR members?

They have been posted to our CISRO website.

Thanks.

Ron

If you have received this message in error, please notify me immediately and delete this e-mail and any attachments without copying, distributing or disclosing their contents.

Si vous avez reçu ce message par erreur, veuillez nous en aviser immédiatement et détruire ce courriel ainsi que toute pièce jointe en vous abstenant d'en faire une copie, d'en divulguer ou d'en diffuser le contenu.

April 28, 2014

Subject: Life Licence Qualification Program (LLQP) updating project

Dear LLQP Stakeholders:

As you may be aware, Canadian insurance regulators, working together through the Canadian Insurance Services Regulatory Organizations (CISRO) are in the process of updating the Life Licence Qualification Program (LLQP) to ensure that it remains an effective entry level qualification program for individuals entering the life insurance industry in Canada. The 13-jurisdiction membership of CISRO, through their individual authorities to set educational requirements for their jurisdictions, have launched this national harmonization initiative.

With a project of this nature, there are often misconceptions concerning some of the details of the project. CISRO members would like to take this opportunity to reiterate the key aspects of the updating project.

A Truly National Program

Currently there is one Curriculum Design Document that is the basis of the entrance course and exam in all common law jurisdictions. There are some differences in exam questions between jurisdictions. Quebec has its own life qualification program which is based on a Curriculum Design Document that is very similar to the one used in the common law provinces.

The revised LLQP will include all jurisdictions across Canada in a single life qualification program in line with the requirements of the Agreement on Internal Trade. The project is integrating the best elements of the current LLQP and Quebec programs to evolve the LLQP into a program that is consistent throughout Canada.

Changes for Quebec candidates will include the implementation of a mandatory pre-examination course, merging of group insurance and taxation into product specific modules, and elimination of their educational prerequisite. Candidates in other jurisdictions will see a new open-book modular examination and course material developed under the direction of the CISRO membership that will ensure consistency among course providers. The course will be delivered by independent certified course providers in all jurisdictions.

An Effective Governance Model

The full membership of CISRO will be responsible for all key decisions on maintaining and safeguarding the integrity of the program. A Governance Committee, made up of representatives from several jurisdictions, will be responsible for the day to day operation of the LLQP, including addressing stakeholder questions and concerns. The inaugural Governance Committee which will oversee the update project is made up of representatives from British Columbia, Alberta, Saskatchewan, Ontario, Quebec and New Brunswick.

A Properly Funded Program

The updated LLQP includes a user pay funding mechanism to cover ongoing maintenance of the program. This will significantly reduce the risk to the program and ensure its long term integrity. The development costs relating to this project will be incurred by future applicants taking an LLQP course.

...2

This differs from the original implementation of the LLQP in 2002, where the costs were born by the licensees in three jurisdictions only. Overall, a single program for all jurisdictions will greatly increase the cost efficiency compared to trying to maintain separate programs. The costs will be reasonable compared to the cost to candidates for other financial industries in Canada. While the exact amount is not yet known, it will not exceed \$140 per candidate.

Program Experts

The program will involve the services of two distinct sets of experts, both of whom will be acting under the direction of the LLQP Governance Committee.

Educational Experts

CISRO members chose to take advantage of the educational expertise that exists within its membership. The educational team at the Autorité des marchés financiers (AMF) is acting as the Educational Development Experts for the project. They will be responsible for, among other things, the creation and maintenance of the Curriculum, standardized course material, the exam question database and exam.

Subject Matter Experts

CISRO members have also engaged Subject Matter Experts from the insurance industry in all parts of Canada to participate in the design, drafting and review of the Curriculum, course material and exam questions. Drawing Subject Matter Experts who are active agents or trainers helps to ensure that the LLQP remains relevant to professional practice.

Standardized Course Material

CISRO members, with the assistance of the Education Experts and the Subject Matter Experts, will create standardized course material. This ensures that the terminology used in the course material and on the examination will be consistent. Standardized course material also fulfills an important consumer protection need, as it defines the minimum breadth of knowledge required by regulators for a new licensee, rather than having that minimum standard determined by others. Current exam results by course provider indicate that there is a wide variance in the quality of exam preparation. Current exam first time pass rates range from a low of 62% to a high of 95+%. The course material will also provide licensed agents with a resource for their practice. Course providers will augment the course material through such things as study guides and practice exams.

A New Exam Format

The exam will test a candidate's knowledge and understanding of the key aspects that an agent is expected to know to enter the industry. As the exam is modular, candidates will be required to demonstrate that they are proficient in each of the identified areas of the life insurance industry. The proposed modules are as follows:

Life Insurance: Individual and Group, including tax issues related to Life Insurance products;

Accident & Sickness Insurance: Individual and Group, including tax issues related to Accident & Sickness Insurance products;

Segregated Funds and Annuities: including tax issues related to Segregated Funds and Annuities;

Ethics and Professional Practice: This module will have two versions, one for Common Law and one for Civil Code.

The modular exam will enhance the protection of consumers by ensuring that an agent demonstrates competency in each area. As the exam is an open book exam, it will be more reflective of the reality of an agent's practice.

The modular exam will benefit students as well, allowing them to focus their study efforts for the initial exam, as well as any modular rewrites. CISRO members see this change as a significant benefit to applicants. Instead of having to sit a four hour exam with no breaks, applicants will now benefit from breaks during the exam and the modular format will allow students to tailor their exam experience. In addition, if an applicant is not successful on one module, the applicant only needs to re-write that section, and not the whole exam. Development of the exam questions will be the last step in the project. That work is scheduled to begin in early 2015.

Stakeholder Consultation

CISRO has engaged in significant consultation with stakeholders. The project commenced with in person Occupational Analysis Workshops involving over 80 agents from across the country. Online stakeholder surveys were conducted for drafts of the Competency Profile and the Curriculum. As indicated above, stakeholders have also provided expertise as Subject Matter Experts.

CISRO members are very pleased with the level of stakeholder engagement and the project has truly benefited from the input obtained through this extensive consultation process. As examples, stakeholder input has resulted in changes to the method of distribution of course material, the approach to teaching and testing tax related concepts, and the timing of implementation. CISRO is optimistic that this engagement will continue in the remaining phases of the project.

Implementation

The implementation date for the updated LLQP is January 1, 2016. Course material is expected to be ready for distribution to course providers in the first quarter of 2015.

CISRO members would like to thank all stakeholders for their input in this important project. Together we are ensuring the long term integrity of the program and enhancing consumer protection.

The CISRO website (<http://www.cisro-ocra.com/>) is regularly updated in order to provide access to key program analyses, documents, and forms, such as survey results, the Curriculum, and the request for access to detailed plans. Please visit the Publications and Initiatives pages periodically in order to stay informed about the latest developments in the implementation of the updated LLQP.

Sincerely,



Ron Fullan
Chair, Canadian Insurance Services Regulatory Organizations (CISRO)

Dillon, Brian FIN:EX

From: Hande Bilhan, Principal <hande@sagepublicaffairs.com>
Sent: Tuesday, May 13, 2014 6:47 AM
To: Gill, Marcus A FIN:EX; 'Barry Andruschak'; Wood, Heather FIN:EX
Cc: Dillon, Brian FIN:EX
Subject: Re: Insurance Council Hearing for Nurse Occupation

Excellent news indeed. We are looking forward to positive developments and reasonable compromises on the proposed new license exam as well.

Many thanks again for meeting with us. Your interest in and understanding of our issues is much appreciated.

Best regards,

Hande Bilhan

Hande Bilhan | Principal
SAGE PUBLIC AFFAIRS AND RESEARCH
Office: 416-900-1132
Mobile: 416-276-5966
ca.linkedin.com/in/handebilhan
@HandeInToronto
www.sagepublicaffairs.com

Original Message
From: Gill, Marcus A FIN:EX
Sent: Monday, May 12, 2014 12:29 PM
To: 'Barry Andruschak'; Wood, Heather FIN:EX
Cc: 'Hande Bilhan'; Dillon, Brian FIN:EX
Subject: RE: Insurance Council Hearing for Nurse Occupation

Good news Barry. Thank you for the update.

Marcus Gill
Executive Director
Financial and Corporate Sector Policy Branch BC Ministry of Finance
250 387-7567

-----Original Message-----
From: Barry Andruschak [<mailto:s.22>]
Sent: Monday, May 12, 2014 9:26 AM
To: Wood, Heather FIN:EX
Cc: Gill, Marcus A FIN:EX; Hande Bilhan; glenn.williams@primerica.com; Peter Schneider; Rosie Orlando; Brad Girard; Arleigh; s.22; RMcGowan@blg.com; Dillon, Brian FIN:EX
Subject: Insurance Council Hearing for Nurse Occupation

Hello Heather, Marcus, Brian, and everyone,

Thank you for your time and expertise at our meeting last Thursday May 8th.

One of the issues arising from our discussion was to get a hearing with the insurance council of BC regarding occupation restrictions for nurses sooner than Sept 18th, as was currently proposed.

Gerry Matier has been able to arrange the hearing for June 9th.

We will keep you informed of the results.

Thank you again,

Barry Andruschak
National Sales Director
Primerica Canada
Victoria,BC
Cell:2508121934

Dillon, Brian FIN:EX

From: Hagar, Vanessa A. FIN:EX
Sent: Wednesday, May 7, 2014 3:50 PM
To: Wood, Heather FIN:EX; Gill, Marcus A FIN:EX; Dillon, Brian FIN:EX
Subject: FW: Meeting with Heather Wood on May 8

These are the attendees for tomorrow's meeting with Primerica:

Barry Andruschak, National Sales Director, Victoria Hande Bilhan, Government Relations Liaison Local colleague (tentative)

-----Original Message-----

From: Barry Andruschak [mailto:s.22]
Sent: Wednesday, May 7, 2014 3:24 PM
To: Hagar, Vanessa A. FIN:EX
Subject: Re: Meeting with Heather Wood on May 8

Hello Heather,

At this point it will just be myself and our Government Relations liaison, Hande Bilhan. There may be one more local colleague of mine joining us at the most.

Barry

> On May 7, 2014, at 9:54 AM, "Hagar, Vanessa A. FIN:EX" <Vanessa.Hagar@gov.bc.ca> wrote:

>

> Hi Barry,

>

> Just confirming your meeting with Heather Wood tomorrow, May 8 at 1:30 pm. Could you kindly let me know if anyone will be in attendance with you?

>

> Thank you,

>

> Vanessa Hagar

> Executive Assistant to Heather Wood, ADM

> Policy and Legislation Division

> Ministry of Finance

> T: 250-356-9911

>

>

>

> -----Original Message-----

> From: Barry Andruschak [mailto:s.22]

> Sent: Monday, April 28, 2014 9:29 AM

> To: Hagar, Vanessa A. FIN:EX

> Subject: Re: Disregard last email

>

> Thank you Vanessa. I will let you know this Friday.or Monday at the latest, who will be attending with me.
>
> Barry Andruschak.
>
>> On Apr 28, 2014, at 11:59 AM, "Hagar, Vanessa A. FIN:EX" <Vanessa.Hagar@gov.bc.ca> wrote:
>>
>> Hi Barry,
>>
>> This will confirm your meeting with Heather Wood and staff on May 8 at 1:30 pm. Please call me upon arrival to the building and i will show you to the boardroom. My number is 250-356-9911 or alternate is Melissa Morgan at 250-356-5928.
>>
>> If you could also let me know who will be attending with you, it would be appreciated.
>>
>> Thank you,
>>
>> Vanessa Hagar
>> Executive Assistant to Heather Wood, ADM Policy and Legislation
>> Division Ministry of Finance
>> T: 250-356-9911
>>
>>
>> -----Original Message-----
>> From: Barry Andruschak [mailto:s.22]]
>> Sent: Friday, April 25, 2014 4:59 PM
>> To: Hagar, Vanessa A. FIN:EX
>> Cc: Rosie Orlando
>> Subject: Re: Disregard last email
>>
>> Hi Vanessa
>>
>> Yes May 8 at 130 would work better. Thank you.
>>
>>
>> Barry Andruschak
>>
>>> On Apr 25, 2014, at 2:29 PM, "Hagar, Vanessa A. FIN:EX" <Vanessa.Hagar@gov.bc.ca> wrote:
>>>
>>> Hi Barry,
>>>
>>> I heard from Melissa Morgan this morning and she said that you may need to reschedule the April 30 meeting with Heather. Could you let me know if a meeting on May 8 at 1:30 pm would be better?
>>>
>>> Thank you,
>>>
>>> Vanessa Hagar
>>> Executive Assistant to Heather Wood, ADM Policy and Legislation
>>> Division Ministry of Finance
>>> T: 250-356-9911
>>>
>>>
>>> -----Original Message-----

>>> From: Barry Andruschak [mailto:s.22
>>> Sent: Friday, April 25, 2014 9:10 AM
>>> To: Hagar, Vanessa A. FIN:EX
>>> Cc: Rosie Orlando
>>> Subject: Disregard last email
>>>
>>> Sorry Vanessa and Rosie,
>>>
>>> Last email sent in error.
>>>
>>> Barry
>>>
>>>> On Apr 14, 2014, at 7:02 PM, "Hagar, Vanessa A. FIN:EX" <Vanessa.Hagar@gov.bc.ca> wrote:
>>>>
>>>> Dear Mr. Andruschak,
>>>>
>>>> This will confirm your meeting with Heather Wood and staff on Wednesday, April 30 at 2:00 pm, s.15
s.15 . As the boardroom is located in a secured area on the 1st floor, you will
need to call me upon arrival to the building and I will come down to meet you. The easiest access is through the main
doors off s.15 where you will find a courtesy telephone located on the lobby wall next to the elevators.
My number is 250-356-9911 or alternate is Melissa Morgan at 250-356-5928.
>>>>
>>>> Heather will be joined by Marcus Gill (Executive Director, Financial and Corporate Sector Policy Branch) and Brian
Dillon (Director, Financial Institutions).
>>>>
>>>> If you could kindly confirm who will be in attendance with you, it would be appreciated.
>>>>
>>>> Kind regards,
>>>>
>>>> Vanessa Hagar
>>>> Executive Assistant to Heather Wood, ADM Policy and Legislation
>>>> Division Ministry of Finance Room 105 - 617 Government Street
>>>> Victoria, BC V8W 9V8
>>>> Phone: (250) 356-9911 / Fax: (250) 387-9061
>>>>
>>>>
>>>> -----Original Message-----
>>>> From: Barry Andruschak [mailto:s.22
>>>> Sent: Monday, April 14, 2014 12:11 PM
>>>> To: Hagar, Vanessa A. FIN:EX
>>>> Cc: Rosie Orlando
>>>> Subject: Re: Meeting with Heather Wood
>>>>
>>>> Hello Vanessa,
>>>>
>>>> A meeting for April 30th at 2pm would work well. Thank you.
>>>>
>>>> Barry Andruschak
>>>>> National Sales Director
>>>>> Primerica Canada
>>>>> 3-415 Dunedin St
>>>>> Victoria, BC.

>>>> Cell: 2508121934

>>>>

>>>> *****

>>>>

>>>>

>>>> Begin forwarded message:

>>>> From: Barry Andruschak <s.22 >

>>>> Date: March 28, 2014 at 1:33:15 PM PDT

>>>> To: Juanita Cusack <s.22 >

>>>> Subject: Request for Urgent meeting with Asst Deputy Minister, Finance et al.

>>>> March 28th, 2014

>>>>

>>>> Mr. Jim Hopkins

>>>> Asst. Deputy Minister, Finance

>>>> Victoria, BC

>>>>

>>>> Dear Mr. Hopkins,

>>>>

>>>> We are a part of an Insurance industry coalition that has been meeting with numerous MLA's across BC and Canada. Our local meeting, yesterday, was with our MLA Lana Popham because we live in her riding. Our other colleagues live in Mike Farnsworth's riding and met with him this morning, Friday March 28th.

>>>>

>>>> However we do not want you, or the Minister of Finance to be blind sided by the opposition before you have a chance to hear about this important and urgent issue in your sector.

>>>>

>>>> We are life insurance agents/branch managers representing 1200 agents and thousands of clients in BC in our company alone. (10,000 agents across Canada). We have serious concerns about a proposed bureaucratic change to the way life insurance agents are qualified that will make the current problem of the rising number of underinsured families in BC worse, not better.

>>>>

>>>> This May, the Insurance Council of BC is preparing to restrict current agents and applicants from renewing/receiving their licenses by discriminating against their current occupation. In particular, not allowing people in the health care field, such as nurses from obtaining a part time license.

>>>>

>>>> Fewer life insurance agents mean less life insurance coverage for the people of BC. This poses a significant threat to the financial health of BC households. Life insurance agents are critical to providing consumers the opportunity and motivation to protect their household income and their family's financial well-being. Our company alone paid over 10.9 million dollars of death claims to BC families in 2013. Without this coverage many families would have been forced to sell their homes, up root their children, possibly declare bankruptcy, which would create a larger burden on the social systems in the province.

>>>>

>>>> The second matter is a Canada wide concern. In July of 2012, the Canadian Insurance Services Regulatory Organizations (CISRO) announced that it was changing the Life License Qualification Program (LLQP). The LLQP is the exam life insurance agents must take and pass if they wish to be qualified to sell life insurance. CISRO wants to replace the current exam that is used in nine provinces across Canada, excluding Quebec, in favour of a new exam made in Quebec, and run by the Quebec regulator - Autorité des marchés financiers (AMF). The Quebec exam will significantly increase the cost and the barriers to entry for new life insurance agent recruits outside Quebec, and will result in fewer life insurance agents qualified to work in BC. In our company alone, our agent numbers in Quebec have dropped from 800 to 400 in the last few years.

>>>>

>>>> More agents are needed in communities like ours, but the CISRO/Insurance Council of BC proposal will result in fewer agents being qualified. The proposal will seriously harm our business and our ability to recruit and provide

employment opportunities to those in our community at a time when most of our community members need more income and employment opportunities - not less.

>>>>

>>>> We would like the opportunity to discuss this important issue with you in-person as soon as possible. I would ask also that you bring our concerns to the attention of Michael de Jong and discourage the Insurance Council of BC's plan to restrict certain occupations from obtaining a license and to reconsider the CISRO plan for a BC exam run out of Quebec, for the benefit of Quebec.

>>>>

>>>> Thank you in advance for the opportunity to meet you, and/or the deputy and/or the Minister himself at a place and time of your convenience. The license restriction by occupation will affect current licensees this May 2014. This will disallow a significant number of current agents the opportunity to renew their licenses, and prevent current applicants who have already passed the provincial exam from obtaining their licenses at all.

>>>>

>>>> Best Regards,

>>>>

>>>> Barry Andruschak

>>>> National Sales Director Primerica Canada Victoria, BC

>>>> s.22

>>>>

>>>>

>>>> Brad Girard

>>>> National Sales Director Primerica

>>>> Coquitlam, BC

>>>>

>>>> Mike McCreesh

>>>> Senior Vice President Primerica

>>>> Ken Stuart

>>>> Regional Vice President Primerica

>>>> Juanita Cusack

>>>> Regional Vice President Primerica

>>>>

>>>>

>>>> Barry

Gill, Marcus A FIN:EX

From: Dillon, Brian FIN:EX
Sent: Tuesday, April 29, 2014 2:19 PM
To: Gerry Matier
Cc: Gill, Marcus A FIN:EX
Subject: FW: LLQP
Attachments: LLQP Stakeholder Letter-Apr '14-Version 2.docx

Thanks.

From: Gerry Matier [<mailto:gmatier@insurancecouncilofbc.com>]
Sent: Tuesday, April 29, 2014 1:50 PM
To: Dillon, Brian FIN:EX
Subject: LLQP

Hi Brian

I am attaching one more information document that CISRO has prepared regarding the work relating to the revisions to the LLQP.

Gerry

Gerald Matier | Executive Director| **Insurance Council of British Columbia**
Suite 300, 1040 West Georgia Street, PO Box 7, Vancouver, BC V6E 4H1
T: 604-688-0321 ext. 311 | D: 604-695-2001
Toll Free Within BC: 1-877-688-0321
gmatier@insurancecouncilofbc.com | www.insurancecouncilofbc.com

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April 28, 2014

TO: LLQP Stakeholders

As you may be aware, Canadian insurance regulators, working together through the Canadian Insurance Services Regulatory Organizations (CISRO) are in the process of updating the Life Licence Qualification Program (LLQP) to ensure that it remains an effective entry level qualification program for individuals entering the life insurance industry in Canada. The 13-jurisdiction membership of CISRO, through their individual authorities to set educational requirements for their jurisdictions, have launched this national harmonization initiative.

With a project of this nature, there are often misconceptions concerning some of the details of the project. CISRO members would like to take this opportunity to reiterate the key aspects of the updating project.

A Truly National Program - Currently there is one Curriculum Design Document that is the basis of the entrance course and exam in all common law jurisdictions. There are some differences in exam questions between jurisdictions. Quebec has its own life qualification program which is based on a Curriculum Design Document that is very similar to the one used in the common law provinces.

The revised LLQP will include all jurisdictions across Canada in a single life qualification program in line with the requirements of the Agreement on Internal Trade. The project is integrating the best elements of the current LLQP and Quebec programs to evolve the LLQP into a program that is consistent throughout Canada.

Changes for Quebec candidates will include the implementation of a mandatory pre-examination course, merging of group insurance and taxation into product specific modules, and elimination of their educational prerequisite. Candidates in other jurisdictions will see a new open-book modular examination and course material developed under the direction of the CISRO membership that will ensure consistency among course providers. The course will be delivered by independent certified course providers in all jurisdictions.

An Effective Governance Model – The full membership of CISRO will be responsible for all key decisions on maintaining and safeguarding the integrity of the program. A Governance Committee, made up of representatives from several jurisdictions, will be responsible for the day to day operation of the LLQP, including addressing stakeholder questions and concerns. The inaugural Governance Committee which will oversee the update project is made up of representatives from British Columbia, Alberta, Saskatchewan, Ontario, Quebec and New Brunswick.

A Properly Funded Program – The updated LLQP includes a user pay funding mechanism to cover ongoing maintenance of the program. This will significantly reduce the risk to the program and ensure its long term integrity. The development costs relating to this project will be incurred by future applicants taking an LLQP course. This differs from the original implementation of the LLQP in 2002, where the costs were born by the licensees in three jurisdictions only. Overall, a single program for all jurisdictions will greatly increase the cost efficiency compared to trying to maintain separate programs. The costs will be reasonable compared to the cost to candidates for other financial industries in Canada. While the exact amount is not yet known, it will not exceed \$140 per candidate.

Program Experts – The program will involve the services of two distinct sets of experts, both of whom will be acting under the direction of the LLQP Governance Committee.

- **Educational Experts** – CISRO members chose to take advantage of the educational expertise that exists within its membership. The educational team at the Autorité des marchés financiers (AMF) is acting as the Educational Development Experts for the project. They will be responsible for, among other things, the creation and maintenance of the Curriculum, standardized course material, the exam question database and exam.
- **Subject Matter Experts** – CISRO members have also engaged Subject Matter Experts from the insurance industry in all parts of Canada to participate in the design, drafting and review of the Curriculum, course material and exam questions. Drawing Subject Matter Experts who are active agents or trainers helps to ensure that the LLQP remains relevant to professional practice.

Standardized Course Material – CISRO members, with the assistance of the Education Experts and the Subject Matter Experts, will create standardized course material. This ensures that the terminology used in the course material and on the examination will be consistent. Standardized course material also fulfills an important consumer protection need, as it defines the minimum breadth of knowledge required by regulators for a new licensee, rather than having that minimum standard determined by others. Current exam results by course provider indicate that there is a wide variance in the quality of exam preparation. Current exam first time pass rates range from a low of 62% to a high of 95+%. The course material will also provide licensed agents with a resource for their practice. Course providers will augment the course material through such things as study guides and practice exams.

A New Exam Format – The exam will test a candidate's knowledge and understanding of the key aspects that an agent is expected to know to enter the industry. As the exam is modular, candidates will be required to demonstrate that they are proficient in each of the identified areas of the life insurance industry. The proposed modules are as follows:

- Life Insurance – Individual and Group, including tax issues related to Life Insurance products
- Accident & Sickness Insurance – Individual and Group, including tax issues related to Accident & Sickness Insurance products
- Segregated Funds and Annuities – including tax issues related to Segregated Funds and Annuities
- Ethics and Professional Practice – This module will have two versions, one for Common Law and one for Civil Code.

The modular exam will enhance the protection of consumers by ensuring that an agent demonstrates competency in each area. As the exam is an open book exam, it will be more reflective of the reality of an agent's practice.

The modular exam will benefit students as well, allowing them to focus their study efforts for the initial exam, as well as any modular rewrites. CISRO members see this change as a significant benefit to applicants. Instead of having to sit a four hour exam with no breaks, applicants will now benefit from breaks during the exam and the modular format will allow students to tailor their exam experience. In addition, if an applicant is not successful on one module, the applicant only needs to re-write that section, and not the whole exam. Development of the exam questions will be the last step in the project. That work is scheduled to begin in early 2015.

Stakeholder Consultation – CISRO has engaged in significant consultation with stakeholders. The project commenced with in person Occupational Analysis Workshops involving over 80 agents from across the country. Online stakeholder surveys were conducted for drafts of the Competency Profile and the Curriculum. As indicated above, stakeholders have also provided expertise as Subject Matter Experts.

CISRO members are very pleased with the level of stakeholder engagement and the project has truly benefited from the input obtained through this extensive consultation process. As examples, stakeholder input has resulted in changes to the method of distribution of course material, the approach to teaching and testing tax related concepts, and the timing of implementation. CISRO is optimistic that this engagement will continue in the remaining phases of the project.

Implementation – The implementation date for the updated LLQP is January 1, 2016. Course material is expected to be ready for distribution to course providers in the first quarter of 2015.

CISRO members would like to thank all stakeholders for their input in this important project. Together we are ensuring the long term integrity of the program and enhancing consumer protection.

The CISRO website (<http://www.cisro-ocra.com/>) is regularly updated in order to provide access to key program analyses, documents, and forms, such as survey results, the Curriculum, and the request for access to detailed plans. Please visit the Publications and Initiatives pages periodically in order to stay informed about the latest developments in the implementation of the updated LLQP.

Sincerely

Ron Fullan
Chair, Canadian Insurance Services Regulatory Organizations (CISRO)

Dillon, Brian FIN:EX

From: Dillon, Brian FIN:EX
Sent: Monday, April 28, 2014 9:21 AM
To: Wood, Heather FIN:EX
Subject: Accepted: Meeting with Primerica (Heather, Marcus, Brian)

Gill, Marcus A FIN:EX

From: Dillon, Brian FIN:EX
Sent: Thursday, April 24, 2014 4:44 PM
To: Edwardson, Jamie GCPE:EX
Cc: Gill, Marcus A FIN:EX
Subject: FW: Primerica - IN
Attachments: IN_LLQP changes - insurance council - DRAFT.docx

Looks good. One small possible tweak shown in redline in the attached; we originally intentionally did not include a bullet on the substantive value of the changes from the perspective that the Minister's role is one of oversight of the Council, not delving into specific reforms. However, we can appreciate that a more positive substance comment on the proposals is warranted; however, we have suggested softening the statement as the Council/CCIR are still working with the industry on the specifics of the proposal. Cheers, Brian

From: Edwardson, Jamie GCPE:EX
Sent: Thursday, April 24, 2014 2:59 PM
To: Dillon, Brian FIN:EX
Cc: Gill, Marcus A FIN:EX
Subject: Primerica - IN

Hi Brian – I made a few edits to the response points and background. Sounds like we mostly need bullets to help address the letter-writing and occasional phone call. Can you take a look at the attached and see if I've miss-stated or missed anything?

Thanks,
Jamie

ADVICE TO MINISTER

<p style="text-align: center;">CONFIDENTIAL DRAFT ISSUE NOTE</p> <p>Ministry of Finance Date: March 31, 2014 Minister Responsible: Michael de Jong</p>	<p style="text-align: center;">Reforms to the Life Licence Qualification Program (LLQP)</p>
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ADVICE AND RECOMMENDED RESPONSE:

- The Insurance Council has been working with its counterparts across Canada to improve the Life Licence Qualification Program to better protect consumers purchasing life insurance.
- The goal of nNew and improved education materials willis to better prepare agents for their roles. Improving the training and testing of prospective agents should improve consumer protection.
- The Canadian Insurance Services Regulatory Organizations (CISRO) is leading the development of consistent Canadian standards of qualifications and practice for insurance intermediaries.
- I'm advised that CISRO is conducting ongoing consultations with industry that started in 2012 and will continue through to the implementation in 2016.
- Concerns about enhancements to the LLQP should be raised through participation in consultations with the Insurance Council and its counterparts.
- The Insurance Council is a self-regulatory organization with the authority to make rules and establish educational requirements. It is made up of industry members who participate in the development of the regulatory requirements.
- Government oversees the activities of the Insurance Council, including through appointments of its members and Ministerial approval of rule changes, but generally does not get involved in the details of the regulatory program.

KEY FACTS REGARDING THE ISSUE:

Some representatives in the B.C. life insurance industry are raising concerns about proposed changes to the Life Licence Qualification Program (LLQP), which prospective life insurance agents must complete in order to sell life insurance products. ^{s.13}

ADVICE TO MINISTER

s.13

The current LLQP educational requirement for a life insurance agent’s licence was implemented in 2001-2002 in co-operation with other Canadian jurisdictions except Quebec.

s.13

The Insurance Council of BC considers that changes to the LLQP are warranted to enhance consumer protection. The council is a self-regulatory organization with the authority to make rules and establish educational requirements. It is a member of the Canadian Insurance Services Regulatory Organizations (CISRO), whose role is the development of consistent Canadian standards of qualifications and practice for insurance intermediaries.

CISRO met with all interested stakeholders in July 2012 to advise that it was undertaking this project and gave January 2016 as the date the changes will be implemented. Since then there have been meetings with all stakeholders every 90-120 days. CISRO held individual meetings in February 2014 with all interested stakeholders and course providers, except Primerica which refused to participate. CISRO intends to continue this level of consultation with the industry right through to implementation in 2016.

s.13

Communications Contact:	Jamie Edwardson	250 356 2821
Program Area Contact:	Marcus Gill	250 387-7567
File Created:	March 14, 2014	
File Updated:		
File Location:		

ADVICE TO MINISTER

Program Area	Comm. Director	Deputy	Minister's Office
BD/MG/HW	JE		

Gill, Marcus A FIN:EX

From: Edwardson, Jamie GCPE:EX
Sent: Thursday, April 24, 2014 2:59 PM
To: Dillon, Brian FIN:EX
Cc: Gill, Marcus A FIN:EX
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ADVICE TO MINISTER

Program Area	Comm. Director	Deputy	Minister's Office
BD/MG/HW	JE		

Gill, Marcus A FIN:EX

From: Dillon, Brian FIN:EX
Sent: Thursday, April 24, 2014 11:07 AM
To: Edwardson, Jamie GCPE:EX; Gill, Marcus A FIN:EX
Cc: Wood, Heather FIN:EX
Subject: RE: Primerica

While other companies and organizations have concerns about the LLQP, they appear to be willing to work with the regulators to address the concerns and are not likely at least at this stage to approach government with these concerns.

Primerica appears to be largely on its own in terms of insurance companies and others seeking to have the LLQP reforms stopped, s.13,s.16
s.13,s.16

s.13,s.16

Brian

From: Edwardson, Jamie GCPE:EX
Sent: Thursday, April 24, 2014 10:34 AM
To: Dillon, Brian FIN:EX; Gill, Marcus A FIN:EX
Cc: Wood, Heather FIN:EX
Subject: RE: Primerica

Hi Brian, are any other firms raising concerns, or is it just Primerica? Is there support from the rest of the industry for the changes?

From: Dillon, Brian FIN:EX
Sent: April-23-14 9:12 AM
To: Wood, Heather FIN:EX; Edwardson, Jamie GCPE:EX; Gill, Marcus A FIN:EX
Subject: FW: Primerica

Fyi.

From: Gerry Matier [<mailto:gmatier@insurancecouncilofbc.com>]
Sent: Tuesday, April 22, 2014 7:05 PM
To: Dillon, Brian FIN:EX
Subject: Primerica

Hi Brian

Further to Primerica's meeting next week, attached is a letter that appeared in the Richmond News a couple of weeks ago and our response.

Gerald Matier | Executive Director| **Insurance Council of British Columbia**
Suite 300, 1040 West Georgia Street, PO Box 7, Vancouver, BC V6E 4H1
T: 604-688-0321 ext. 311 | D: 604-695-2001
Toll Free Within BC: 1-877-688-0321
gmatier@insurancecouncilofbc.com | www.insurancecouncilofbc.com

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Gill, Marcus A FIN:EX

From: Dillon, Brian FIN:EX
Sent: Wednesday, April 23, 2014 9:12 AM
To: Wood, Heather FIN:EX; Edwardson, Jamie GCPE:EX; Gill, Marcus A FIN:EX
Subject: FW: Primerica
Attachments: 20140416093203469.pdf; richmond news.docx

Fyi.

From: Gerry Matier [<mailto:gmatier@insurancecouncilofbc.com>]
Sent: Tuesday, April 22, 2014 7:05 PM
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Gerald Matier | Executive Director| **Insurance Council of British Columbia**
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Toll Free Within BC: 1-877-688-0321
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RICHMOND news

Outsourcing can lose money, jobs

Michael Brevner / Richmond News

April 4, 2014 12:00 AM

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I am writing further to the April 4th letter from Mr. Brevner titled "Outsourcing can lose money, jobs" that appeared in your paper. As the Executive Director of the Insurance Council of British Columbia ("Council"), I found Mr. Brevner's comments to be misinformed and, therefore, may be misleading to your readers.

Mr. Brevner stated that to obtain a life insurance agent licence in 1989, "... (he) wrote a B.C. test, based on B.C. standards". In fact, when he wrote his licensing exam in 1989, it was based on material that was developed by an Ontario based organization and the licensing exam was, at that time, the same one used by most jurisdictions in Canada.

Between 1999-2002, Alberta, British Columbia and Ontario lead the move to develop a more comprehensive and up-to-date pre-licensing course, commonly referred to as the Life Licensing Qualification Program ("LLQP") and licensing exam. Council funded approximately 35% of the overall development costs and a U.S. education consultant was used. The result was an education program that significantly improved an applicant's success rate (from approximately 40% to over 70%, based on first exam attempts of the new LLQP exam.)

After being in place for over 12 years, it was time to review the LLQP program at a high level to ensure it continued to be current, relevant and accurate. As part of this review, an opportunity arose for all jurisdictions in Canada to harmonize the educational requirement for a life agent's licence. The decision to use the education resources available from our sister regulator in Quebec (AMF) was an easy decision as the AMF has the resources, qualifications and experience relating to development of insurance education material. Resources that no other insurance regulator possesses. To the best of my knowledge no B.C. jobs were created with the introduction of the LLQP and there is no evidence to suggest, as Council moves forward with updating the LLQP, that any jobs will be lost in B.C. as a result.

Mr. Brevner also stated that Council is moving ahead without industry or public consultation. In fact industry consultation began in 2012. Some of the consultation that has taken place includes occupational analysis workshops; a public on-line survey for those that could not attend the workshops; 7 public meetings with industry groups and a number of individual meetings with industry stakeholders. In addition subject matter experts from across Canada have assisted in developing the first draft of the updated curriculum. This level of industry consultation is expected to continue right up to implementation of the updated LLQP in 2016.

Finally, Mr. Brevner suggests " ... the new testing will be more expensive and more complicated". In fact, the LLQP review will result in a common set of study materials used by all Canadian jurisdictions (which is a first in the field of insurance in Canada) that students will be permitted bring into and use in the exam. In addition, the current exam, which consists of a four hour, 140 multiple choice exam with no breaks, will be replaced with four modular exams. The time allotted per exam will be one hour, for a total of four hours for all modules. All four modules combined will consist of the same number of multiple choice questions. There are key benefits to this format: If the student chooses to write all exams in one day, there will be a break between each one and if unsuccessful, only the failed module(s)

will have to be rewritten. Students will also have the option to spread out writing the exams over multiple days should they so choose.

Council believes the current efforts to improve the LLQP and licensing exam will represent a significant benefit to applicants seeking to become life insurance agents by ensuring common study material is available to all applicants and by providing a better exam process. This will be accomplished at a per student cost that is less than or equivalent to the educational entry criteria for other segments of the financial services sector (i.e. securities, real estate and general insurance).

Yours truly,

Gerald Matier
Executive Director
Insurance Council of British Columbia

Dillon, Brian FIN:EX

From: Gervais, Monica MIT:EX
Sent: Monday, April 14, 2014 3:22 PM
To: Dillon, Brian FIN:EX
Cc: Quiring, Janel MIT:EX; Ewing, Rebecca J MIT:EX
Subject: FW: LLQP & Primerica

Hi Brian,

Thank you for contacting the Trade Policy and Negotiations Branch. Contacts for potential NAFTA disputes are Robert Musgrave and Rebecca Ewing.

As always, please contact me if you have any questions.

Regards,
Monica
Tel. 250-952-0702

From: Dillon, Brian FIN:EX
Sent: Tuesday, April 1, 2014 11:52 AM
To: Gervais, Monica MIT:EX
Cc: Gill, Marcus A FIN:EX
Subject: FW: LLQP & Primerica

Monica: Not sure who in your group is interested in these types of issues (potential NAFTA dispute) but if it is not you perhaps you can send it on to those who would be interested. Essentially, an American insurance company Primerica does not like some changes to course and exam requirements for life insurance agents being developed in Canada and has suggested it is a NAFTA issue. s.13,s.16
s.13,s.16

At the moment it is really just a heads up, but I will keep you posted as to any further developments. If you/colleagues need more information let me know. Brian

From: Gerry Matier [<mailto:gmatier@insurancecouncilofbc.com>]
Sent: Thursday, March 27, 2014 3:54 PM
To: Dillon, Brian FIN:EX
Subject: LLQP & Primerica

Hi Brian

Just an FYI , Primerica is trying to make the proposed changes to the life licensing qualification course an exam an issue under NAFTA. For you your information, I am attaching Primerica's White Paper which it submitted to NAFTA, along with CISRO's and Quebec's responses.

s.13,s.16

cheers

Gerald Matier | Executive Director| **Insurance Council of British Columbia**
Suite 300, 1040 West Georgia Street, PO Box 7, Vancouver, BC V6E 4H1
T: 604-688-0321 ext. 311 | D: 604-695-2001
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Dillon, Brian FIN:EX

From: Gill, Marcus A FIN:EX
Sent: Monday, April 14, 2014 3:10 PM
To: Edwardson, Jamie GCPE:EX
Cc: Dillon, Brian FIN:EX
Subject: RE: CLIFF Referral 335175 - Advice

okay

From: Edwardson, Jamie GCPE:EX
Sent: Monday, April 14, 2014 3:03 PM
To: Gill, Marcus A FIN:EX
Cc: Dillon, Brian FIN:EX
Subject: RE: CLIFF Referral 335175 - Advice

Hi Marcus, I've reviewed this and don't think it's a public issue, more a stakeholder matter and can be managed through correspondence. The bullets you've put forward would likely work fine for those purposes.

As a matter of process, I'd appreciate if the briefing note template be used for matters arising, rather than the issues note template (the one with the boxes at the top). The issues note format is for use by GCPE issue management responses, and is only to be used for media and public issue-management documents. If the template gets used for other assorted documents, it loses its signal purpose.

For occasions when an issues note is required to advise the MO, contact us with the information and we'll take the lead on developing it.

Thanks,

Jamie Edwardson
Communications Director | Ministry of Finance | Province of British Columbia
P: (250) 356-2821 | M: (250) 888-0021 | jamie.edwardson@gov.bc.ca

From: Gill, Marcus A FIN:EX
Sent: April-11-14 4:22 PM
To: Edwardson, Jamie GCPE:EX
Cc: Dillon, Brian FIN:EX
Subject: FW: CLIFF Referral 335175 - Advice

Jamie: A couple of weeks ago, Vanessa sent you the attached IN on proposed changes to educational requirements for insurance agents. Agents, all so far from Primerica Financial, are now engaged in a letter writing campaign. So far I would guess we have had six or seven direct or indirect requests for the government to intervene. I don't know if you informed the MO about the issue but if you haven't it might make sense to let someone over there know about the issue and that we are responding to it in case a Primerica agent contacts the MO directly.

Marcus

From: Hagar, Vanessa A. FIN:EX
Sent: Monday, March 31, 2014 4:33 PM
To: Edwardson, Jamie GCPE:EX
Cc: Gill, Marcus A FIN:EX; Dillon, Brian FIN:EX; Allen, Leanne V FIN:EX; Wong, Gina G FIN:EX
Subject: FW: CLIFF Referral 335175 - Advice

Jamie,

Attached is a draft Issue Note on Reforms to the Life Licence Qualification Program (LLQP). This has now made the press in TO (see attached news article) and staff have advised that we could expect some lobbying in BC to follow. Forwarding for your thoughts on next steps. The Issue Note has been approved by Heather.

Thank you,

Vanessa Hagar

Executive Assistant to Heather Wood, ADM
Policy and Legislation Division
Ministry of Finance
T: 250-356-9911

From: leanne.allen@gov.bc.ca [<mailto:leanne.allen@gov.bc.ca>]
Sent: Monday, March 31, 2014 3:44 PM
To: Hagar, Vanessa A. FIN:EX
Cc: Wong, Gina G FIN:EX
Subject: CLIFF Referral 335175 - Advice

Vanessa, further to Heathers email, please find attached the final version ready to go. Redline changes have been excepted and reformatted. Over to you for forwarding.

Please let me know if you need me to walk a copy up or can you print it.

2014/03/26T15:42 lvalen (PLD-FCSP) Marcus has approved to ADM for approval
2014/03/26T15:44 Email notification for PLD-ADM to Vanessa.Hagar@gov.bc.ca;
bcc:leanne.allen@gov.bc.ca
2014/03/31T15:40 lvalen (PLD-FCSP) Back to ADM for forwarding

Gill, Marcus A FIN:EX

From: Dillon, Brian FIN:EX
Sent: Friday, April 11, 2014 4:44 PM
To: Edwardson, Jamie GCPE:EX
Cc: Gill, Marcus A FIN:EX
Subject: RE: CLIFF Referral 335175 - Advice
Attachments: FW: NEED INFO: Insurance BC - Conflict of Interest Guidelines

s.13

From: Edwardson, Jamie GCPE:EX
Sent: Friday, April 11, 2014 4:27 PM
To: Gill, Marcus A FIN:EX
Cc: Dillon, Brian FIN:EX
Subject: Re: CLIFF Referral 335175 - Advice

Thanks Marcus, I didn't see it earlier, but will take a look.
(one suggestion, it would be good to send things like this to my staff or Janet, or at least include them in the CCs. I don't miss much that comes in, but if it's a busy day I might not catch it.)

On Apr 11, 2014, at 4:22 PM, "Gill, Marcus A FIN:EX" <Marcus.Gill@gov.bc.ca> wrote:

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2014/03/31T15:40 lvallen (PLD-FCSP) Back to ADM for forwarding

Ministry of Finance CLIFF Log 335175					
First Name	Marcus		Written	2014/03/19	Log ID 335175
Last Name	GILL		Received	2014/03/19	Type Other
Title	Executive Director		Due	2014/03/28	Action Advice
Division	Financial and Corporate Sector Policy Branch		Interim		Office PLD-FCSP
Company	Ministry of Finance		Signed		Sign By
Address	PO Box 9418 Stn Prov Govt		Closed		Entered By GGWONG
	Room 012 - 617 Government Street		File No.		
City	Victoria	Postal V8W 9V1	Batch		
Province	BC	Phone 250 387-7567	Confidential:Yes Frequent Writer:No Elected Official:No		
Country	Canada	Fax 250 387-9093	Email	Marcus.Gill@gov.bc.ca	
Subject	Reforms to the Life Licence Qualification Program (LLQP)				
Responsibility					
Copied To					
Addressed To	Michael de Jong		Drafter	Brian Dillon	
Issue	FICOM		MLA	James, Carole (BC NDP)	
X-Ref			Electoral Dist	Victoria-Beacon Hill	
Attachments for Log 335175					

MSG: 335175 Incoming.msg
Document: 335175 IN_LI.QP Draft March 31 Final.docx

Referrals for Log 335175

Sent By	PLD-FCSP	Sent	2014/03/26	Received	Status	ADM Approval
Sent To	PLD-ADM	Due	2014/03/28	Active for 3 days	State	Active
Action	Advice	Completed		File No.		

Comments From Sending Office2014/03/26T15:42 lvallen (PLD-FCSP) Marcus has approved to ADM for approval
2014/03/26T15:44 Email notification for PLD-ADM to Vanessa.Hagar@gov.bc.ca; bcc:leanne.allen@gov.bc.ca
2014/03/31T15:40 lvallen (PLD-FCSP) Back to ADM for forwarding
2014/03/31T15:43 Email notification for PLD-ADM to Vanessa.Hagar@gov.bc.ca; cc:gina.wong@gov.bc.ca; bcc:leanne.allen@gov.bc.ca
Comments From Receiving Office2014/03/27T08:39 vahagar (PLD-ADM) To Heather for approval.

<335175_335175 IN_LI.QP .docx>
<National Harmonized Life Agent Proficiency Initiative NP Article.pdf>

Gill, Marcus A FIN:EX

From: Peter Tzanetakis <PTzanetakis@advocis.ca>
Sent: Friday, April 11, 2014 1:38 PM
To: Dillon, Brian FIN:EX; Gill, Marcus A FIN:EX
Cc: Kathy Kaskiw
Subject: Advocis LLQP Briefing Note
Attachments: 140411 Advocis Notes on LLQP Harmonization 11April 2014.pdf

Brian, Marcus,

It was great meeting with you last week to discuss the changes happening in the industry.

As requested, attached is a briefing note on the LLQP CISRO revamp project and some of the issues and concerns we have raised during this process. We continue to work with members of CISRO to ensure that we can continue to offer this program and to bring more and higher quality individuals into the life and health insurance industry.

Kathy Kaskiw, VP Education and Member Services is the lead on this for us, so if you have any questions do not hesitate to contact her.

Regards,

Peter Tzanetakis
Vice President, Government and Corporate Relations

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April 11, 2014

Briefing Note On: The Harmonized LLQP

Questions on this report should be directed to:

Kathy Kaskiw, FLMI
Vice President, Education & Member Services, Advocis
416 342 9863 / 1 800 563 5822 x9863
kkaskiw@advocis.ca

I: Current Situation for obtaining a Life Insurance License

In all provinces except Quebec: the Life Insurance License covers all insurance products including Group Insurance

- Candidate must complete an education program approved by The Canadian Insurance Services Regulatory Organizations (CISRO). This program is called the Life License Qualification Program (LLQP).
- There are a number of approved providers; not-for-profit, for-profit and insurance companies who hire life insurance agents.
- The provider is responsible for certifying successful completion of the program and providing the candidate with documentation that the province accepts as part of his/her application agreement to write the Provincial Exam
- The Provincial Exam is 4-hours, closed book (no breaks), and 140 multiple-choice questions covering all insurance areas.
- If the candidate does not achieve a 60% pass rate on the exam s/he must re-write the full exam.
- First time Pass Rate statistics can be found here: <http://www.cisro-ocra.com/publications.html>

Current costs to candidate outside Quebec:

1. LLQP program: varies from insurance company delivery of the program to ~\$495 for a third-party program, + additional costs, to re-write, purchase of optional additional resources such as preparation seminar
2. Current Provincial Exam Application: varies by province:

Province	Life Insurance License Exam
Ontario	\$65.00
N.B.	\$125.00
Yukon	\$134.25
MB	\$110.00
B.C.	\$100.00
Alberta	\$100.00

N.S	\$64.40
Sask	\$90.00
PEI	\$50.00
NFL/Lab	\$100.00

In Quebec: the Life Insurance Licenses covers Individual Life Insurance and Accident & Sickness only. Group Insurance License is separate.

- Candidates must have successfully completed a post secondary education program or years of experience or some combination in order to be eligible to apply to write the provincial exams.
- While there is no mandatory education program in place such as the LLQP, there are texts that can be purchased from the Autorité Des Marchés Financier (AMF) in order to prepare for the exams.
- There are 5 Provincial 1-hour open-book Exams (no breaks) on: Law, Taxation, Life Insurance, Disability Insurance, Financial Products
- Each exam includes 25 multiple-choice questions
- The candidate must achieve 60% on all 5 exams, but only needs to re-write those exams where 60% was not achieved.

Current costs to candidate in Quebec:

1. The purchase of all 5 books from AMF is \$425.00
2. The current exam application fee is \$135 (for all 5 exams or just one)

II: Background on the LLQP

- The LLQP was introduced by CISRO in 2003 for all provinces except Quebec.
- CISRO provided a 'design document' for course providers to develop their programs from.
- Unlike the AMF CISRO did not develop or distribute course content.
- The Provincial Exams were developed from one exam bank and at outset all provinces were using the same or similar exam from the same bank of questions
- Since introduction no significant changes were made to the bank or the design document and no capital investment was made in the program
- At one point (not certain of the exact date), BC decided to invest in their own exam bank. Gerry Matier (a member of CISRO), will have the details.

III: LLQP Harmonization – development of the new program

- In 2012 the AMF which, unlike other provincial insurance regulators, is resourced for education program development ear-marked funding to begin a review of their insurance license bank including their supporting text books.

- At the same time CISRO determined that a review of the LLQP and provincial exam bank was overdue and the provincial governments made a decision to work together towards a harmonized outcome.

July 2012 CISRO Announcement

- CISRO announced to the industry and LLQP stakeholders that the AMF was appointed the lead on curriculum development and the outcome would be a modular exam approach for all provinces.
 - To Advocis' knowledge CISRO did not submit a Request For Proposal for the development of the content. Could other organizations have developed the content? Definitely, but whether or not they could have done it within CISRO's budget is hard to say because a detailed budget has never been fully disclosed

Cost Implications

- A decision had also been made that CISRO would provide the content, not just the design document. The implication here is that the existing Intellectual Property of the LLQP providers can no longer be used and course providers wishing to stay in the LLQP market place will be required to 'license' the content from CISRO. Currently costs to maintain the content according to the design document are relatively modest each year. However, under the new program course providers will be required to pay \$140 - \$170 per candidate (final cost has yet to be announced). This is a new 'additional' cost to course providers.
- There are also other ongoing costs to course providers such as the 'delivery' of the curriculum and the proprietary certification exam bank. As well course providers will still be required to 'certify' that the candidate has mastered the curriculum to the extent necessary to pass the Provincial Exams, administration etc. These 'existing' costs vary by provider but will remain as fixed costs under the new program. .
- Course providers could decide to 'absorb' the new costs or pass them along to all the LLQP candidates (not just those writing the provincial exam). Today this is a very price sensitive marketplace.
- Bottom line on cost: for those course providers wishing to remain in the LLQP delivery market, this extra cost to license the content from CISRO will eat into current margins. In addition, course providers will need to make an initial capital investment into their offering in order to re-vamp or re-develop the evaluation aspects and other resources to ensure alignment with the new curriculum. This will draw down on overall revenues and may also be a contributing factor towards increasing the LLQP registration fee.
- These cost implications are also present for those insurance companies who certify their own candidates under the current LLQP.
- Based on the factors outlined above, there's a general belief that candidates seeking a life insurance license will be paying more for the LLQP under the new program. However, to what extent this will be more costly is unknown at this time.
- Once CISRO confirms the final cost to license the new content, Advocis will assess the viability of remaining in the LLQP marketplace. Consideration will be given to pricing sensitivities, market share impact and projected net revenue implications for the association.

Advocis and CISRO

As The Financial Advisors Association of Canada, Advocis has been in steady consultation with CISRO to try and mitigate any potential barriers to entry and as an approved LLQP course provider we have also tried to protect some market value for our program. During this period of time we have had several meetings, informal and formal exchanges with Ron Fullan and with CISRO.

Although we have not agreed on everything Advocis has been pleased with CISRO's willingness to listen and we appreciate the areas we have been able to make some headway on. We remain on good terms with CISRO and work to keep a productive dialogue going.

For your reference we have included a copy of two formal letters to CISRO:

- See page 7 of this report for a copy of our November 12, 2012 letter
- See page 11 of this report for a copy of our March 8, 2013 letter

Advocis remains in active dialogue with CISRO on the Harmonized LLQP.

IV: The New LLQP: Effective January 2016

1. The Life Insurance Licence Exam will be delivered by all provinces from a common exam bank, in four 1-hour exams on: Law & Ethics, Life Insurance, Annuities & Segregated Funds and Accident & Sickness Insurance
2. CISRO will be exercising greater governance over the ongoing oversight of the LLQP
3. Approved course providers (it's expected that the existing course providers will be grandfathered) will be required to meet certain standards (under development by CISRO) to deliver the curriculum, and certify understanding in order to pass the provincial exams.
4. Course providers will pay a licensing fee (exact amount to be determined) to CISRO for use of the content
5. Course providers can utilize their existing intellectual property or augment it with new material in order to maintain or capture a competitive advantage in the market place which will now include Quebec
6. A transition period from the existing program to the new program will be put in place (this is under development with CISRO)

V: Key Questions about the new LLQP: Advocis perspectives

1. Were changes to the LLQP necessary?

The short answer is yes. As a provider of recognized industry designation programs Advocis is well aware of the cost and necessity to regularly invest in its programs. The LLQP was overdue. However, Advocis is not convinced that CISRO needed to go to the extent of developing the actual program content. Our recommendation to CISRO was to provide a glossary of terms, update the design document and exercise stronger standards for ongoing course provider status.

While this would still likely have resulted in some additional costs to course providers it would not have been as costly and course providers would have been in a better position to continue to use existing intellectual property. Granted, some of this may still be salvageable, but that will not be known for sure until the new content is provided.

In fairness to CISRO, it would be remiss not to mention that Advocis has commended their adherence to recognized curriculum development standards, openness to listen to our concerns, and their willingness to involve and take advantage of the vast expertise of industry stakeholders in program development.

2. Modular vs. Single Provincial Life Insurance Exam - which is better?

There are strong arguments for and against each approach. With respect to life insurance licensure, time will tell if candidates fair better on four 1-hr exams or one 4-hr exam.

Advocis proposed a model similar to the Securities licence exam, two 2 ½ - hour exams: all areas related to Life Insurance and all areas related to Annuities and Segregated Funds. However, CISRO's approach is to move to four 1-hr exams.

There are benefits and challenges with each approach as outlined below:

Current: One 4-hour exam

Benefits:

- one exam,
- half-day

Challenges:

- hard for some candidates to sit through a 4-hour exam
- less than 60% means writing another 4-hour exam
- Potential consumer risk as a candidate could do very well in one area (ie. Insurance) and poorly on another area (ie. Annuities & Segregated Funds) and still pass.

New: Four 1-hour exams

Benefits:

- Potential increase in consumer protection as candidate will need to demonstrate a minimum proficiency in all four areas
- Candidates will only need to re-write those exams not passed

Challenges:

- Will take a full day to write all four exams – although schedules have yet to be shared, it is anticipated that it will be challenging for smaller centres to be responsive to demand especially where demand is low. This may require candidates to travel greater distances and incur more costs in order to pass all four exams
- Will likely be more costly

3. Will the new program be a barrier to entry into the career of a Life Insurance Agent?

Advocis believes that anyone holding a Life Insurance license should demonstrate initial proficiency in all areas that the license covers. This is important even in those situations where the agent may not be actively practicing in all areas covered by the license. There is a potential risk to consumers whenever insurance products are sold in isolation without consideration of full financial needs. While all advisors may not actively practice in all areas, it's important that a level of understanding exists in all areas to know when to bring in other professionals or specialists.

Those who today may be seeking a life insurance license to focus on a specific product sale and only study that area in preparation for their life insurance license exam will likely find the new program more difficult to pass. A greater investment in time and learning may be required and for some, that might be a deterrent to the pursuit of a life insurance license.

4. If there are fewer life insurance licensed agents will the Canadian consumer be underserved?

The industry has struggled for years to attract and retain financial advisors. Turn over, especially in the first five years, remains high. Given our current demographic and economic landscape the need for professional financial advisors has never been greater.

Holding a license to sell life insurance products, means that a financial advisor can exercise greater oversight in the implementation of the agreed upon recommendations that lead to achievement of financial goals. As a result, this remains an important element for future financial advisors.

Based on what we know to date about the new LLQP, it stands to reason that it will be more costly and more time consuming to obtain a life insurance license than it is today. In addition to the LLQP program cost implications, the potential increase in the provincial license fees also needs to be taken into consideration. Today some of the less populated areas are challenged to run one exam in a timely way, how will they run four?

If there are steps that can be taken to mitigate the costs that will be passed down to candidates seeking a life insurance license, these steps should be taken now as the program is moving into its final development phase. As noted in the two letters Advocis sent to CISRO, cost is an element that was raised both times.

Advocis remains steadfast in its opinion that all industry stakeholders have an accountability to ensure that Canadian consumers continue to have access and choice when it comes to the financial advice they need.



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November 12, 2012

Ron Fullan,
Chair, CISRO

Dear Ron,

RE: Harmonized LLQP – October 9, 2012 request for proposal

Thank you very much for the opportunity to provide the Canadian Insurance Services Regulatory Organization (CISRO) our observations and recommendations with respect to the Harmonized LLQP direction which is to become effective September 2015.

Advocis firmly supports the need for:

1. The completion of a consistent, mandatory education program prior to attempting the provincial life insurance license exam(s).
2. A common provincial life insurance license exam bank and exam blueprint that must be used by all provincial insurance regulators.
3. An efficient and cost effective process for candidates to become life insurance licensed that meets defined proficiency standards without creating any artificial barriers to the growing consumer demand for professional financial advice.

While Advocis recognizes that some of the recent steps CISRO has taken since the July 5, 2012 announcement begin to achieve these goals, Advocis is concerned about a number of areas as detailed below. In each instance a recommendation has been outlined for consideration:

1. Transparency

The July 5, 2012 announcement caught us by surprise as we were not aware that LLQP was on CISRO's agenda much less that a planned solution appeared to be defined and ready for the September 2015 launch. We appreciate the openness of the CISRO Chair to meet with Advocis and discuss concerns in the months that followed as well as the October 9, 2012 request for this proposal. However, this process has meant that course providers have had to react to a proposal with little understanding as to the rationale for a change at this point in time and what issues regulators are attempting to address.

Recommendation:

More actively engage feedback and input from industry and course LLQP course providers such as Advocis in finalizing details, specifically with respect to:

- the development of the new curriculum in English and French, and

- Finalization of an efficient effective licensing process that will not create any artificial barriers towards the attainment of a life insurance license.

Consider the addition of non-CISRO seats(s) on the LLQP Governance Committee from its inception.

2. Extent of Provincial Harmonization

The Quebec model of five, one-hour open-book exams that CISRO is leaning towards for the rest of Canada is not one that can be easily adopted in the rest of Canada. It is not clear to what extent there is flexibility in this area. This speaks again to transparency and the need to gain clarity on the final license exam model and/or the process that will be followed in order to confirm that.

Advocis believes that the implementation of a five-exam model in all jurisdictions will become an artificial barrier towards the attainment of a life insurance license.

Recommendation

Should it be determined that the extent of 'harmonization' will permit some jurisdictional flexibility in exam-model, Advocis favours a two-part exam model for Life Insurance License as follows with rewrites only required for the failed exam.

Exam 1: (2hrs. or 2.5 hrs: 75 questions)

- Life Insurance (Individual & Group) integrating applicable common law & taxation
- Accident & Sickness (Individual & Group) integrating applicable common law & taxation
- Underwriting & Claims

Exam 2: (2hrs or 2.5hrs: 75 questions)

- Investments (from Life Insurance Companies as well as other sources) integrating applicable common law & taxation
- Suitability: Needs Analysis, Retirement Planning, etc.
- Compliance Standards: AML, DNCL, PIPEDA, etc.

NOTE: In Quebec, it is recognized that a separate Group Insurance exam is required in order to be licensed to sell Group Insurance in Quebec

3. Content Development

With the Autorité des marchés financiers (AMF) best resourced among all provincial insurance regulators to meet the demands of curriculum development and considering that the AMF is currently taking the lead on the Occupational Skills Workshops, ensuring that the interests of English Canada are fairly represented is a concern.

Recommendation

Immediately involve industry and approved-course providers in the content development process.

4. Content Distribution

We appreciate the confirmation that CISRO would not be involved in distributing the materials directly to student applicants. This will eliminate any potential of CISRO competing with approved course providers.

However, as CISRO will be the sole developer of the content to be delivered exclusively by approved course providers there is tremendous concern that in the absence of clearly defined published standards, any organization or any person could subsequently step forward to request course-provider status.

Recommendation

Given that the approved-course provider's role will be to ensure an acceptable level of knowledge in order to attempt the provincial exam, approved-course provider status should only be granted to those organizations which have maintained proven success in managing evaluations at the certification, designation or license level.

While CISRO may consider it prudent to 'grandfather' course provider status for existing course providers, Advocis suggests the following criteria for approved-course providers moving forward:

- Be a certified educational institution approved by Human Resources and Skills Development Canada to issue T2202A tuition tax receipts recognized by CRA and,
 - Ministry of Education recognized post secondary institution
- or,
- Offer a recognized financial industry designation that meets the following minimum standards:
 - a. Be comprised of three or more courses requiring a minimum of 30 study hours each with successful completion confirmed through an impartial assessment requiring a score of at least 60%
 - b. Require an annual CE requirement to maintain status in good standing
 - c. Require adherence to a published code of professional conduct
 - d. Have a published disciplinary policy to arbitrate breaches of its CPC

5. Cost Recovery Model

Recognizing that the cost to develop and maintain course curriculum and a robust item bank of exam questions as well as monitoring item performance is a very costly undertaking, Advocis is concerned that CISRO is placing the burden of cost recovery solely on LLQP course providers. Considering that every insurance product manufacturer relies on life insurance licensed financial advisors to sell their products, Advocis maintains that these organizations should help defray these costs.

Recommendation

CISRO should appeal to CLHIA for financial support from all manufacturers to assist in funding the curriculum, exam bank development and ongoing maintenance.

Following the September 2015 launch, financial support from manufacturers for ongoing maintenance could be offset through with a license-fee arrangement with approved-course providers for use of the curriculum. For example:

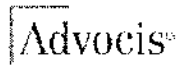
- Approved course providers would remit a fee to CISRO on a quarterly basis for each registrant in their Life and A&S insurance license programs.
- Advocis suggests that the approved course provider license fee for the Life and A&S content would be \$25 - \$30 per registrant, less for A&S only. This would be applicable to all registrants in the life license education program, whether or not they ultimately apply to write the provincial license exam.

We would be pleased to continue the LLQP Harmonization dialogue with CISRO and welcome any further questions or requests for input as this initiative progresses.

Sincerely,



Greg Pollock, M.Ed., LL.M., C.Dir., CFP
President and Chief Executive Officer
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March 8, 2013

Ron Fullan
Chair, CISRO Life Licensing Harmonization Committee

Dear Ron,

RE: Harmonized LLQP – January 17, 2013 invitation to provide input

Advocis appreciates the regular updates CISRO has agreed to provide industry and course providers and we are looking forward to the April 9th meeting to learn more about the progress of the Curriculum Design Document (CDD) and any further clarity on the modularization of the provincial exam.

In the meantime Advocis has two growing concerns which are outlined below.

I: Cost Recovery

Advocis is seeking greater clarity and transparency on the cost of this initiative. What we've heard so far: \$3 million development budget, to be recovered over time from course providers via content licensing fees at a rate of approximately \$140 per license exam registrant for a certain number of years (possibly 5 years); and then possibly a reduction to \$70 - \$75 per license exam registrant thereafter.

This cost burden is too great. It will force LLQP registration fees to increase so substantially that they will become a barrier to entry for someone considering the career at a time when Canadians need professional financial advisors more than ever.

As a course provider, Advocis is not comfortable with this proposed model. Advocis does not believe that the burden of cost recovery should be placed exclusively on existing course providers. Further, we don't believe it is fair to saddle the first five years of students with these development costs. And finally, we are not convinced that once the \$140 fee is established it will in fact be reduced. A robust model with clarity is needed at this juncture.

Advocis appreciates CISRO's willingness to consider alternative cost recovery models. To that end, Advocis submits the following proposal:

Cost Recovery Proposal

Development Costs – to be covered by the Life Insurance Manufacturers based on an equitable model that takes into consideration market share across all products covered by the Provincial Life Insurance License. Advocis would be pleased to provide input to the development of this model, but recognizes that the insurance companies would be better equipped for this purpose. Advocis urges CISRO to seek submissions from companies for this purpose immediately.

Ongoing implementation costs – to be covered by CISRO-approved LLQP course providers through periodic application fees for course-provider status and a license fee of approximately \$30 for CISRO developed content to be applied at the LLQP student level not the provincial license exam candidate level.

Approved course providers would be accountable for reporting registration levels to CISRO and CISRO would have the right to audit.

Development Cost Reduction Idea

CISRO has indicated that one of the key drivers of this LLQP harmonization initiative is the lack of consistent terminology across jurisdictions and course providers. Advocis recommends that CISRO remedy this through the development of a comprehensive mandatory LLQP glossary of terms based on the CDD. CISRO would license this glossary to all providers and require that all providers bring their content and evaluation components in line with this glossary in order to be recognized as a CISRO-approved LLQP course provider.

Benefits

1. CISRO development cost and timeline would be reduced.
2. Course providers could continue to use existing content once the mandatory LLQP terminology had been integrated to CISRO's satisfaction and approval received.
3. Economic sustainability of the LLQP course provider marketplace would be maintained.

II: Timeline

Once the following is finalized; CDD, comprehensive glossary and provincial exam format, Advocis would need a minimum of six months to a year to ensure effective integration of the terms throughout the course content, student resources and all evaluation components. Once completed, we expect that CISRO would need a certain

amount of time to assess the Advocis program in order to grant ongoing course provider status.

If CISRO persists in developing all the content, Advocis would need at least a year to make all the necessary revisions to its program in order to be market ready. This is not only based on content updating but on systems updating as well.

Advocis feels very strongly that the industry would best be served with CISRO in a governance and standard setting role and CISRO-approved course providers in an education role.

We would be pleased to continue the LLQP Harmonization dialogue with CISRO and welcome further opportunities to do so.

Sincerely,

A handwritten signature in black ink, appearing to read 'GP', followed by a long horizontal flourish.

Greg Pollock, M.Ed., LL.M., C.Dir., CFP
President and Chief Executive Officer
Advocis
The Financial Advisors Association of Canada

Dillon, Brian FIN:EX

From: Gill, Marcus A FIN:EX
Sent: Wednesday, April 9, 2014 2:47 PM
To: Dillon, Brian FIN:EX
Subject: RE: 335480

This letter looks good to me. Gina please process, there is a capital C missing from council in the penultimate paragraph.

From: Dillon, Brian FIN:EX
Sent: Wednesday, April 9, 2014 9:27 AM
To: Gill, Marcus A FIN:EX
Cc: Wong, Gina G FIN:EX
Subject: 335480

Here is the link to a proposed reply to this letter from a Primerica agent:

J:\FCSP\Brian\Brian 2014\email s.22 .dotx

As noted, it is almost entirely based on the bullets but has included in the third last para the reference to a right of appeal.

Brian

s.22

s.22

Dear s.22 :

Thank you for your email of March 27, 2014, addressed to the Honourable Christy Clark, Premier, regarding the Insurance Council of British Columbia (Council). I have been asked to respond on her behalf because the Financial and Corporate Sector Policy Branch is responsible for providing advice on the legislative framework applicable to insurance agents.

The Council is a self-regulatory organization with the authority to make rules and establish codes of conduct, including rules respecting conflict of interest. It has the jurisdiction to supervise insurance agents and ensure they are complying with the legislation, regulations, rules and code of conduct. Council is made up of industry members who participate in the development of the regulatory requirements.

In December 2013, the Insurance Council published for a 90 day comment period proposed *draft* "Conflict of Interest Guidelines for Insurance Agents, Adjusters, and Salespersons". The draft Guidelines provide definitions and examples of conflict of interests. They also provide more detailed guidance on a number of core issues, including general duties, disclosure of conflicts, client consent, other employment and disclosure of compensation. Council received 9 submissions from insurance organizations, companies and individuals. The submissions will be posted online and the Council plans to review the submissions before making any decision on issuing *final* Guidelines.

The purpose of the Guidelines is to clarify how Council interprets existing rules and exercises its powers; *guidelines are not legally binding*. The Council believes that the proposed Guidelines will assist insurance agents in understanding current legal obligations imposed under the legislation, regulations, rules and code of conduct, and Council's exercise of its powers.

Legislation enacted in 2004 authorizes Council to adopt rules respecting applications for licenses, impose conditions on licensees and establish codes of conduct for insurance agents. Council has adopted rules and a Code of Conduct (Code). The Code includes broad principles respecting conflicts of interest. The proposed Guidelines are intended to provide clarity to insurance agents concerning their obligations under the Code and other rules and how the Council will interpret and apply the requirements.

With respect to employment conflicts of interest, British Columbia rules generally permit insurance agents to work part time (unlike some other jurisdictions) and have other employment.

However, under the current rules (made by Council in 2004 and approved by the government), the Council must be satisfied that any applicant for an insurance agent's licence "does not hold other business interests or activities which would be in conflict to the duties and responsibilities of a licensee, or give rise to the reasonable possibility of undue influence".

Council has made a number of rulings respecting other employment by insurance agents. Council has refused in the past to issue an insurance agent license application to a police officer because of concerns about the influence a police officer would have in relation to potential clients. In other circumstances, Council has imposed conditions on licensees to manage the potential conflicts of interest.

The draft Guidelines indicate that an agent, before engaging in any occupation that may include real or perceived positions of power or trust, should discuss the occupation with Council to determine if any limitations would be appropriate. The draft Guideline specifically lists 8 occupations, including: immigration consultant, teacher, priest/pastor, doctor and politician, which Council has determined create or have the potential to create a conflict of interest.

It is important to note that any person dissatisfied with a decision of the Council respecting a refusal to issue a licence or the issuance of license subject to conditions may appeal the decision to the Financial Services Tribunal.

Government oversees the activities of the Council, including through appointments of its members and Ministerial approval of rule changes, but generally does not get involved in the details of the regulatory program. Concerns about the proposed Guidelines should be raised with the Council so that they can be considered by it in any decisions respecting adoption of final guidelines.

I would like to thank you again for taking the time to write.

Sincerely,

Marcus Gill
Executive Director
Financial and Corporate Sector Policy Branch
Ministry of Finance

Dillon, Brian FIN:EX

From: Wong, Gina G FIN:EX
Sent: Wednesday, April 2, 2014 11:02 AM
To: Dillon, Brian FIN:EX
Subject: FW: PO log 603488 s.22
Attachments: RE: Changes being made by the Insurance Council of BC -

Brian – Another one related to the last email (with attachments) I sent you...

From: FIN OFFICE FIN:EX
Sent: Wednesday, April 2, 2014 11:00 AM
To: Wong, Gina G FIN:EX
Subject: FW: PO log 603488 s.22

Gina, is this one related to the backgrounder? (And if so, can we respond?)

Thanks!

Jessica Gillies
Correspondence Manager, Ministry of Finance
[Correspondence intranet page](#) | [CLIFF user guide](#)
phone 250 387-3513

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From: McGaw, Danna R PREM:EX
Sent: Tuesday, April 1, 2014 9:23 AM
To: FIN OFFICE FIN:EX
Subject: PO log 603488 s.22

Could your ministry please respond to the att'd comments obo Premier Clark?
Thanks so much,
Danna

Dillon, Brian FIN:EX

From: s.22
Sent: Thursday, March 27, 2014 6:49 AM
To: OfficeofthePremier, Office PREM:EX
Subject: RE: Changes being made by the Insurance Council of BC -

As the Legislative Assembly Computer Support personnel advise not to open attachments, text of the letter previously sent can is contained in this email.

s.22

Christy Clark,
Premier of British Columbia
PO Box 9041, Stn Prov Govt,
Victoria, BC V8W 9E1

Via email

Dear Premier Clark,

I am writing to discuss an issue of great concern to me, and many of my friends and neighbours across this great province.

Recently, the Insurance Council of BC has decided – behind closed doors, without any public consultation or hearings, and without (to the best of my knowledge) any direction from the Ministry of Finance – to change discriminate against people who have certain jobs. Specifically, they have arbitrarily decided that certain people are not worthy of holding an insurance sales licence, because they are educators, health care workers, preachers, or work for non-profit organizations.

These are the very people who work hard to support our communities, and often have odd hours which do not allow them to easily find a secondary source of income to support their families. Most of them work in the public sector, and have been getting pay increases well below the rising cost of inflation, if at all. The ones that I know personally are primarily new Canadians, or 1st generation Canadians, with limited income potential already imposed on them by our society. They are all hardworking, honest, and act with the utmost integrity, simply looking for a means to earn extra income to support their families, while teaching friend friends and neighbours about proper financial protection, and offering insurance and investment options not usually made available to the working middle- and lower-income families.

In British Colombia, we are not allowed to discriminate based on a source of legal income when it comes to housing; how is it that we can do so when it comes to choice of a part-time career?

I would like to know what you, and the BC Liberals, are doing to counter this attack on hard working members of our communities, and I would appreciate the opportunity to meet with you, and show you exactly what it is that we do.

Sincerely,
s.22

s.22

Sent: March-27-14 6:27 AM
To: 'premier@gov.bc.ca'
Subject: Changes being made by the Insurance Council of BC

Dear Premier Clark,

Please see the attached letter regarding recent changed made by the Insurance Council of British Columbia.

Thank you for attention to this matter.

Sincerely,
s.22

Gill, Marcus A FIN:EX

From: Wood, Heather FIN:EX
Sent: Friday, April 4, 2014 2:34 PM
To: Gill, Marcus A FIN:EX; Hagar, Vanessa A. FIN:EX
Cc: Dillon, Brian FIN:EX
Subject: RE: Request for Urgent meeting with Asst Deputy Minister, Finance et al.

OK, Vanessa please let them know that we (three) are pleased to meet with Primerica.

Heather

From: Gill, Marcus A FIN:EX
Sent: Friday, April 4, 2014 2:32 PM
To: Gill, Marcus A FIN:EX; Wood, Heather FIN:EX; Hagar, Vanessa A. FIN:EX
Cc: Dillon, Brian FIN:EX
Subject: RE: Request for Urgent meeting with Asst Deputy Minister, Finance et al.

Brian agrees.

From: Gill, Marcus A FIN:EX
Sent: Friday, April 4, 2014 1:15 PM
To: Wood, Heather FIN:EX; Hagar, Vanessa A. FIN:EX
Cc: Dillon, Brian FIN:EX
Subject: RE: Request for Urgent meeting with Asst Deputy Minister, Finance et al.

Heather: We have not met with the Primerica lobby.

No harm in meeting with them so long as we advise them the Insurance Council is a self-regulatory organization governed by insurance licensees that set their own standards for license qualification and that government would very rarely, if ever, intervene in a self-regulatory organization's own licensing requirements, especially when the concern expressed is that the bar is being raised too high. Also the guidelines published in relation to conflicts are just guidelines published for discussion and are not legal requirements. s.13

Brian what do you think?

Marcus

From: Wood, Heather FIN:EX
Sent: Friday, April 4, 2014 1:01 PM
To: Hagar, Vanessa A. FIN:EX
Cc: Gill, Marcus A FIN:EX; Dillon, Brian FIN:EX
Subject: RE: Request for Urgent meeting with Asst Deputy Minister, Finance et al.

Reg is right that this issue is "ours". Marcus/Brian, what do you recommend re: the request for a meeting? I believe you just met with these folks last week?

Heather

From: Hagar, Vanessa A. FIN:EX
Sent: Friday, April 4, 2014 12:15 PM
To: Wood, Heather FIN:EX
Subject: FW: Request for Urgent meeting with Asst Deputy Minister, Finance et al.

Heather – this meeting request was forwarded to us from Jim Hopkin's office. Not sure how you would like to handle? Thanks.

From: Chand, Rita FIN:EX
Sent: Friday, April 4, 2014 12:05 PM
To: Hagar, Vanessa A. FIN:EX
Subject: FW: Request for Urgent meeting with Asst Deputy Minister, Finance et al.

From: Bawa, Reg R FIN:EX
Sent: Wednesday, April 2, 2014 7:00 AM
To: Chand, Rita FIN:EX
Subject: Re: Request for Urgent meeting with Asst Deputy Minister, Finance et al.

Rita - I believe this falls under Heather Wood's area

R

Sent from my iPad

On Apr 1, 2014, at 3:02 PM, "Chand, Rita FIN:EX" <Rita.Chand@gov.bc.ca> wrote:

Reg, have a read of the email meeting request below and let me know if this is something that you think I should set up a meeting for.

I know that these same folks have contacted the DMO plus the MO.

From: Klear, Darshi D FIN:EX
Sent: Tuesday, April 1, 2014 3:01 PM
To: Chand, Rita FIN:EX
Subject: RE: Request for Urgent meeting with Asst Deputy Minister, Finance et al.

I don't think this is Jim's issue but I am not sure who would take it. I wonder if Phil should be consulted, but in any event you should ask the acting ADM, Reg.

Darshi

From: Chand, Rita FIN:EX
Sent: Tuesday, April 1, 2014 2:57 PM
To: Klear, Darshi D FIN:EX
Subject: FW: Request for Urgent meeting with Asst Deputy Minister, Finance et al.

Darshi before is end this to jim, can you just have a read of this please and tell me if it's something that we need to set up?

From: Juanita Cusack s.22
Sent: Friday, March 28, 2014 3:25 PM

To: Chand, Rita FIN:EX

Subject: Request for Urgent meeting with Asst Deputy Minister, Finance et al.

Thank you in advance for your help with this!

Begin forwarded message:

From: Barry Andruschak <s.22 >
Date: March 28, 2014 at 1:33:15 PM PDT
To: Juanita Cusack <s.22 >
Subject: Request for Urgent meeting with Asst Deputy Minister, Finance et al.

March 28th, 2014

Mr. Jim Hopkins
Asst. Deputy Minister, Finance

Victoria, BC

Dear Mr. Hopkins,

We are a part of an Insurance industry coalition that has been meeting with numerous MLA's across BC and Canada. Our local meeting, yesterday, was with our MLA Lana Popham because we live in her riding. Our other colleagues live in Mike Farnsworth's riding and met with him this morning, Friday March 28th.

However we do not want you, or the Minister of Finance to be blind sided by the opposition before you have a chance to hear about this important and urgent issue in your sector.

We are life insurance agents/branch managers representing 1200 agents and thousands of clients in BC in our company alone. (10,000 agents across Canada). We have serious concerns about a proposed bureaucratic change to the way life insurance agents are qualified that will make the current problem of the rising number of underinsured families in BC worse, not better.

This May, the Insurance Council of BC is preparing to restrict current agents and applicants from renewing/receiving their licenses by discriminating against their current occupation. In particular, not allowing people in the health care field, such as nurses from obtaining a part time license.

Fewer life insurance agents mean less life insurance coverage for the people of BC. This poses a significant threat to the financial health of BC households. Life insurance agents are critical to providing consumers the opportunity and motivation to protect their household income and their family's financial well-being. Our company alone paid over 10.9 million dollars of death claims to BC

families in 2013. Without this coverage many families would have been forced to sell their homes, up root their children, possibly declare bankruptcy, which would create a larger burden on the social systems in the province.

The second matter is a Canada wide concern. In July of 2012, the Canadian Insurance Services Regulatory Organizations (CISRO) announced that it was changing the Life License Qualification Program (LLQP). The LLQP is the exam life insurance agents must take and pass if they wish to be qualified to sell life insurance. CISRO wants to replace the current exam that is used in nine provinces across Canada, excluding Quebec, in favour of a new exam made in Quebec, and run by the Quebec regulator - Autorité des marchés financiers (AMF). The Quebec exam will significantly increase the cost and the barriers to entry for new life insurance agent recruits outside Quebec, and will result in fewer life insurance agents qualified to work in BC. In our company alone, our agent numbers in Quebec have dropped from 800 to 400 in the last few years.

More agents are needed in communities like ours, but the CISRO/Insurance Council of BC proposal will result in fewer agents being qualified. The proposal will seriously harm our business and our ability to recruit and provide employment opportunities to those in our community at a time when most of our community members need more income and employment opportunities -- not less.

We would like the opportunity to discuss this important issue with you in-person as soon as possible. I would ask also that you bring our concerns to the attention of Michael de Jong and discourage the Insurance Council of BC's plan to restrict certain occupations from obtaining a license and to reconsider the CISRO plan for a BC exam run out of Quebec, for the benefit of Quebec.

Thank you in advance for the opportunity to meet you, and/or the deputy and/or the Minister himself at a place and time of your convenience. The license restriction by occupation will affect current licensees this May 2014. This will disallow a significant number of current agents the opportunity to renew their licenses, and prevent current applicants who have already passed the provincial exam from obtaining their licenses at all.

Best Regards,

Barry Andruschak

National Sales Director Primerica Canada

Victoria, BC

s.22

Brad Girard

National Sales Director Primerica

Coquitlam, BC

Mike McCreesh

Senior Vice President Primerica

Ken Stuart

Regional Vice President Primerica

Juanita Cusack

Regional Vice President Primerica

Barry

Gill, Marcus A FIN:EX

From: Dillon, Brian FIN:EX
Sent: Thursday, April 3, 2014 3:02 PM
To: Gill, Marcus A FIN:EX
Subject: Bullets for response to 335459

Marcus:

Here is a link to *another* set of MLA bullets requested for today. It is the combined set of ones on the LLQP and conflict of interest. I have taken the bullets just approved for the LLQP (no changes) and added the bullets prepared for the conflict of interest. For these latter bullets, I have moved the "Discussion" items to the front as the "Recommended Response" and in the Background I have dropped the paragraph on compensation disclosure as the Primerica materials only address the employment issue.

<J:\FCSP\Brian\Brian 2014\335459 Bullets for response.docx>

Brian

1. Life Licence Qualification Program

Recommended Response

- The Insurance Council of British Columbia (Insurance Council) is a self-regulatory organization with the authority to make rules and establish educational requirements. It is made up of industry members who participate in the development of the regulatory requirements.
- The Insurance Council indicates that the changes to the Life Licence Qualification Program (LLQP) are warranted to enhance consumer protection.
- The move to a modular learning/testing system is intended to improve the core knowledge level of candidates wanting to enter the profession. It will assess the candidates' knowledge about each topic area ensuring that he or she has a basic level of knowledge in that area. The Insurance Council believes that the reforms will not represent a significant change to what applicants are currently being taught and tested on.
- Government oversees the activities of the Insurance Council, including through appointments of its members and Ministerial approval of rule changes, but generally does not get involved in the details of the regulatory program.
- Concerns about enhancements to the LLQP should be raised through participation in consultations with the Insurance Council and its counterparts.

Background

- The LLQP was put in place in 2002 to adopt a modern, standardized educational requirement for persons seeking to become a life insurance agent in all provinces except Quebec. The LLQP has two components, the first of which is a pre-licensing course. After successfully completing the pre-licensing course, licence applicants write a licensing exam in their home province.
- The LLQP pre-licensing course is based on a curriculum design document developed by provincial regulators. A number of educators and insurers are approved by regulators to offer the LLQP course. Some course providers prepare their own materials while others purchase course materials from other companies.
- With the introduction of the LLQP course and exam, the first attempt pass rate of the licensing exam increased from under 45% to over 70%. During the twelve years that the LLQP has been in place, the insurance industry has provided feedback on the LLQP, including recommendations on how the program could be improved. These included:
 1. common terminology – with 10 course providers, different terminology is used, leading to confusion when writing the licensing exam;
 2. no feedback to students when the LLQP licensing exam is failed; and
 3. the licensing exam is too long (4 hours) without a bathroom break.

- In 2010, the Insurance Council, along with other members of the Canadian Insurance Services Regulatory Organizations (CISRO) commenced work on updating and harmonizing licensing requirements for life insurance agents in all provinces. A CISRO committee determined that Quebec's program was very similar to the LLQP, resulting in the need for only minimum changes to the course design documents in all provinces (the two programs each cover about 90% of the same material).
- The key differences were that Quebec required a minimum of 13 years education, did not impose a mandatory course requirement, prepared program material and offered a modular licensing exam consisting of five parts. After discussion, Quebec agreed to drop the minimum 13 years education requirement and supported introducing a mandatory course requirement as a precondition of writing the exam. The other jurisdictions supported adopting a modular licensing exam, as it would address two of the industry's issues listed above and fulfill CISRO's intent indicated in 2001 to eventually move to the modular exam approach.
- CISRO has also decided to develop the actual study material to be used by LLQP course providers. By developing the course material, CISRO will be able to address issues relating to different terminology and move providers away from just teaching how to pass the exam. CISRO agreed to contract with the Quebec regulator's education department to complete the work necessary to create one harmonized life agent licensing course and exam as it has an in-house department dedicated to developing education programs for the financial services sector.
- Students will be permitted to bring the study material to the exam to use as reference. With the introduction of modular exams, students who do not pass will know where their weakness is and will only be required to re-write those modules on which they were not successful. Currently, if a student is not successful, they are required to re-write the whole exam and because they receive no feedback they are unable to identify where their knowledge needs to be improved.
- The Insurance Council also notes that, while reference has been made to adopting the "Quebec Model", it is probably more appropriate to describe the change as Quebec adopting the CISRO model. The new course and exam will be much more similar to what is currently offered in BC, than what is currently offered in Quebec.
- In July 2012, CISRO met with all interested stakeholders to advise that it was undertaking this project and gave January 2016 as the date the changes will be implemented. Since then there have been meetings with all interested stakeholders every 90 - 120 days. CISRO intends to continue this level of consultation with the industry right through to implementation in 2016.
- The Insurance Council advises that overall the insurance industry has been supportive of the process so far. CISRO has received written support from a number of organizations and companies.
- However, one insurer, Primerica Life Insurance Company of Canada (Primerica), is adamantly opposed to the initiative claiming that the changes will significantly undermine its ability to recruit and license new agents. It appears that Primerica is

behind a letter writing campaign by its agents. Primerica has declined to participate in the CISRO consultations saying that a decision has already been made.

•

2. Conflict of Interest Guidelines

Recommended Response

- The Insurance Council of British Columbia (Insurance Council) is a self-regulatory organization with the authority to make rules and establish codes of conduct, including rules respecting conflict of interest. It has the jurisdiction to supervise insurance agents and ensure they are complying with the legislation, regulations, rules and code of conduct. Council is made up of industry members who participate in the development of the regulatory requirements.
- In December 2013, the Insurance Council published for a 90 day comment period proposed draft "Conflict of Interest Guidelines for Insurance Agents, Adjusters, and Salespersons".
- Council received 9 submissions from insurance organizations, companies and individuals. The submissions will be posted online and the Council plans to review the submissions before making any decision on issuing final Guidelines.
- The purpose of the Guidelines is to clarify how Council interprets existing rules and exercises its powers; the Guidelines are not legally binding.
- The Council believes that the proposed Guidelines will assist insurance agents in understanding current legal obligations imposed under the legislation, regulations, rules and code of conduct, and Council's exercise of its powers. While some stakeholders may be surprised about their obligations under the current framework, the draft Guidelines, if adopted, would not themselves impose any legal obligations on insurance brokers or agents.
- Government oversees the activities of the Council, including through appointments of its members and Ministerial approval of rule changes, but generally does not get involved in the details of the regulatory program.

- Concerns about the proposed Guidelines should be raised with the Council so that they can be considered by it in any decisions respecting adoption of final guidelines.

Background

- Certain duties are placed on insurance intermediaries by legislation and regulation. For instance, under the Marketing of Financial Products Regulation, an insurance agent must disclose the relationship they have with a financial institution providing the insurance and whether a commission or compensation is paid by the financial institution.
- Legislation enacted in 2004 authorizes Council to adopt rules respecting applications for licenses, impose conditions on licensees and establish codes of conduct for insurance agents. Council has adopted rules and a Code of Conduct (Code). The Code includes broad principles respecting conflicts of interest. The proposed Guidelines are intended to provide clarity to insurance agents concerning their obligations under the Code and other rules and how the Council will interpret and apply the requirements.
- The draft Guidelines provide definitions and examples of conflict of interests. They also provide more detailed guidance on a number of core issues, including general duties, disclosure of conflicts, client consent, other employment and disclosure of compensation.
- *Other employment:* With respect to employment conflicts of interest, British Columbia rules generally permit insurance agents to work part time (unlike some other jurisdictions) and have other employment. However, under the current rules (made by Council and approved by the government), the Council must be satisfied that any applicant for an insurance agent's licence "does not hold other business interests or activities which would be in conflict to the duties and responsibilities of a licensee, or give rise to the reasonable possibility of undue influence".
- Council has made a number of rulings respecting other employment by insurance agents. Council has refused in the past to issue an insurance agent license application to a police officer because of concerns about the influence a police officer would have in relation to potential clients. In other circumstances, Council has imposed conditions on licensees to manage the potential conflicts of interest.
- The draft Guidelines indicate that an agent, before engaging in any occupation that may include real or perceived positions of power or trust, should discuss the occupation with Council to determine if any limitations would be appropriate. The draft Guideline specifically lists 8 occupations, including: immigration consultant, teacher, priest/pastor, doctor and politician, which Council has determined create or have the potential to create a conflict of interest.

Gill, Marcus A FIN:EX

From: Dillon, Brian FIN:EX
Sent: Thursday, April 3, 2014 11:47 AM
To: Gill, Marcus A FIN:EX
Cc: Wong, Gina G FIN:EX
Subject: RE: Dalton / s.22 - Licensing of Insurance Agents

Marcus: I have accepted all your changes which looked good and made a few further minor adjustments: see redline:

<J:\FCSP\Brian\Brian 2014\335438 Bullets for Response Redline Brian comments.docx>

Brian

From: Gill, Marcus A FIN:EX
Sent: Thursday, April 3, 2014 10:03 AM
To: Dillon, Brian FIN:EX
Subject: RE: Dalton / s.22 - Licensing of Insurance Agents

See what you think. I tried to shorten it a bit, but then I added material on Primerica which I think needs to be said. There's a few spots where I need you to confirm my understanding or add some material.

From: Dillon, Brian FIN:EX
Sent: Wednesday, April 2, 2014 4:34 PM
To: Gill, Marcus A FIN:EX
Cc: Wong, Gina G FIN:EX
Subject: RE: Dalton / s.22 - Licensing of Insurance Agents

Here is the longer version, probably going for too much info??:

<J:\FCSP\Brian\Brian 2014\335438 Bullets for Response.docx>

Brian

From: Gill, Marcus A FIN:EX
Sent: Wednesday, April 2, 2014 11:34 AM
To: Dillon, Brian FIN:EX
Cc: Wong, Gina G FIN:EX
Subject: RE: Dalton / s.22 - Licensing of Insurance Agents

I think we'll have to get into the substance to the extent that the substantive bullets address the claims made in the letters. Also, we should check to see if all of these letters are coming from Primerica representatives.

From: Dillon, Brian FIN:EX
Sent: Wednesday, April 2, 2014 11:23 AM
To: Gill, Marcus A FIN:EX
Cc: Wong, Gina G FIN:EX
Subject: FW: Dalton / s.22 - Licensing of Insurance Agents

Marcus: Apparently, several more LLOP letters have been received by communications (some just on the LLOP and some on the LLOP and the conflict of interest guidelines). Gina and I could not find any other response on the LLOP issue.

Here are suggested bullets (taken just from the suggested response part of the draft IN).

J:\FCSP\Brian\Brian 2014\335438 Bullets for Response.docx

Do you think that is enough, or would you like me to get more into the substance: Insurance Council advises that changes will not change the current course requirements, only ensure prospective agents are being properly trained; Quebec becoming more like BC, etc.?

Cheers,

Brian

From: Dillon, Brian FIN:EX
Sent: Tuesday, April 1, 2014 11:30 AM
To: Wong, Gina G FIN:EX
Subject: RE: Dalton / s.22 - Licensing of Insurance Agents

Yes.

From: Wong, Gina G FIN:EX
Sent: Tuesday, April 1, 2014 11:28 AM
To: Dillon, Brian FIN:EX
Subject: FW: Dalton / s.22 - Licensing of Insurance Agents

Is this us?

From: FIN OFFICE FIN:EX
Sent: Tuesday, April 1, 2014 11:27 AM
To: Wong, Gina G FIN:EX
Cc: Allen, Leanne V FIN:EX
Subject: FW: Dalton / s.22 - Licensing of Insurance Agents

Hi,

FCSP? FICOM? Tax Policy?

Thanks,

Celine Anderson
Correspondence Coordinator
Ministry of Finance
phone 250-356-8078

[Correspondence intranet page](#) | [CLIFF user guide](#)

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From: Gretes, George FIN:EX
Sent: Tuesday, April 1, 2014 8:38 AM
To: FIN OFFICE FIN:EX
Subject: Dalton / s.22 - Licensing of Insurance Agents

George Gretes

Executive Assistant | **Office of the Honourable Michael de Jong**
Minister of Finance & House Leader | Province of British Columbia

Office: 250.387.2214 | Fax: 250.387.5594 | website: <http://www.gov.bc.ca/fin/>

 Please consider the environment before printing this email

From: Chandler, Penelope E FIN:EX
Sent: March-31-14 11:37 AM
To: Gretes, George FIN:EX
Cc: Carey, Linda J FIN:EX
Subject: Fw: Concerns about proposed changes to Licensing of Insurance Agents

FYI and thanks p.

Sent from my BlackBerry 10 smartphone on the TELUS network.

From: Dalton.MLA, Marc
Sent: Monday, March 31, 2014 11:35 AM
To: s.22
Cc: Fedyshen, Carly LASS:EX; Duyns, Mark LASS:EX; Chandler, Penelope E FIN:EX
Subject: RE: Concerns about proposed changes to Licensing of Insurance Agents

Dear s.22

Thank you for taking the time to email your concerns regarding proposed changes to life insurance agents. As requested, I am bringing this to the attention of the Ministry of Finance for evaluation and response.

Sincerely,

Marc Dalton

From: s.22
Sent: March 31, 2014 10:16 AM
To: Dalton.MLA, Marc
Subject: Concerns about proposed changes to Licensing of Insurance Agents

March 31, 2014
Marc Dalton
Maple Ridge-Mission

marc.dalton.mla@leg.bc.ca
Mission Constituency:

Dear Mr. Dalton:

I am a life insurance agent in your constituency. I would like to bring to your attention my concerns about the rising number of underinsured in British Columbia, particularly among middle income families, and how a proposed bureaucratic change to the way life insurance agents are qualified will make the problem worse, not better.

In July of 2012, the Canadian Insurance Services Regulatory Organizations (CISRO) announced that it was changing the Life License Qualification Program (LLQP). The LLQP is the exam life insurance agents must take and pass if they wish to be qualified to sell life insurance. CISRO wants to replace the current exam that is used in nine provinces across Canada, excluding Quebec, in favour of a new exam made in Quebec, and run by the Quebec regulator - Autorité des marchés financiers (AMF). The Quebec exam will significantly increase the cost and the barriers to entry for new life insurance agent recruits outside Quebec, and will result in fewer licensed life insurance agents qualified to work in British Columbia.

Fewer life insurance agents mean less life insurance coverage for the people of British Columbia. This is a critical problem that spans across all income levels, but is especially relevant for middle income families. Studies have identified substantial underinsurance in Canada, and the lack of sufficient insurance coverage poses a significant threat to the financial health of British Columbia households. As insurance is a 'sold' product, not a 'bought' product, life insurance agents are critical to providing consumers the opportunity and motivation to protect their household income and their family's financial well-being.

More agents are needed in communities like ours, but the CISRO proposal will result in fewer agents being qualified. My practice focuses on the middle market, and I rely on recruiting new agents to reach my community and grow my business. Reducing the ability of recruits to obtain a license would increase the threat to the financial health of those Canadians most in need of financial advice and planning.

The proposal will seriously harm my business and my ability to recruit and provide employment opportunities to those in my community. This at a time when most of our community members need more income and employment opportunities – not less.

I would like to ask that you bring my concerns to the attention of the Minister of Finance, Michael de Jong and encourage the Insurance Council of British Columbia to reconsider the CISRO plan for a British Columbia exam run out of Quebec, for the benefit of Quebec.

Best Regards,

s.22

Recommended Response

- The Insurance Council of British Columbia (Insurance Council) is a self-regulatory organization with the authority to make rules and establish educational requirements. It is made up of industry members who participate in the development of the regulatory requirements.
- The Insurance Council indicates that the changes to the Life Licence Qualification Program (LLQP) are warranted to enhance consumer protection.
- The move to a modular learning/testing system is intended to improve the core knowledge level of candidates wanting to enter the profession. It will assess the candidates' knowledge about each topic area ensuring that he or she has a basic level of knowledge in that area. The Insurance Council believes that the reforms will not represent a significant change to what applicants are currently being taught and tested on.
- Government oversees the activities of the Insurance Council, including through appointments of its members and Ministerial approval of rule changes, but generally does not get involved in the details of the regulatory program.
- Concerns about enhancements to the LLQP should be raised through participation in consultations with the Insurance Council and its counterparts.

Background

- The LLQP was put in place in 2002 to adopt a modern, standardized educational requirement for persons seeking to become a life insurance agent in all provinces except Quebec. The LLQP has two components, the first of which is a pre-licensing course. After successfully completing the pre-licensing course, licence applicants write a licensing exam in their home province.
 - The LLQP pre-licensing course is based on a curriculum design document developed by provincial regulators. A number of educators and insurers are approved by regulators to offer the LLQP course. Some course providers prepare their own materials while others purchase course materials from other companies.
 - With the introduction of the LLQP course and exam, the first attempt pass rate of the licensing exam increased from under 45% to over 70%. During the twelve years that the LLQP has been in place, the insurance industry has provided feedback on the LLQP, including recommendations on how the program could be improved. These included:
 1. common terminology – with 10 course providers, different terminology is used, leading to confusion when writing the licensing exam;
 2. no feedback to students when the LLQP licensing exam is failed; and
 3. the licensing exam is too long (4 hours) without a bathroom break.
 - In 2010, the Insurance Council, along with other members of the Canadian Insurance Services Regulatory Organizations (CISRO) commenced work on updating and
-

harmonizing licensing requirements for life insurance agents in all provinces. A CISRO committee determined that Quebec's program was very similar to the LLQP, resulting in the need for only minimum changes to the course design documents in all provinces (the two programs each cover about 90% of the same material).

- The key differences were that Quebec required a minimum of 13 years education, did not impose a mandatory course requirement, prepared program material and offered a modular licensing exam consisting of five parts. After discussion, Quebec agreed to drop the minimum 13 years education requirement and supported introducing a mandatory course requirement as a precondition of writing the exam. The other jurisdictions supported adopting a modular licensing exam, as it would address two of the industry's issues listed above and fulfill CISRO's intent indicated in 2001 to eventually move to the modular exam approach.
- CISRO has also decided to develop the actual study material to be used by LLQP course providers. By developing the course material, CISRO will be able to address issues relating to different terminology and move providers away from just teaching how to pass the exam. CISRO agreed to contract with the Quebec regulator's education department to complete the work necessary to create one harmonized life agent licensing course and exam as it has an in-house department dedicated to developing education programs for the financial services sector.
- Students will be permitted to bring the study material to the exam to use as reference. With the introduction of modular exams, students who do not pass will know where their weakness is and will only be required to re-write those modules on which they were not successful. Currently, if a student is not successful, they are required to re-write the whole exam and because they receive no feedback they are unable to identify where their knowledge needs to be improved.
- The Insurance Council also notes that, while reference has been made to adopting the "Quebec Model", it is probably more appropriate to describe the change as Quebec adopting the CISRO model. The new course and exam will be much more similar to what is currently offered in BC, than what is currently offered in Quebec.
- In July 2012, CISRO met with all interested stakeholders to advise that it was undertaking this project and gave January 2016 as the date the changes will be implemented. Since then there have been meetings with all interested stakeholders every 90 - 120 days. CISRO intends to continue this level of consultation with the industry right through to implementation in 2016.
- The Insurance Council advises that overall the insurance industry has been supportive of the process so far. CISRO has received written support from a number of organizations and companies.
- However, one insurer, Primerica Life Insurance Company of Canada (Primerica), is adamantly opposed to the initiative claiming that the changes will significantly undermine its ability to recruit and license new agents. It appears that Primerica is behind a letter writing campaign by its agents. Primerica has declined to participate in the CISRO consultations saying that a decision has already been made.

• s.13,s.16

Gill, Marcus A FIN:EX

From: Hagar, Vanessa A. FIN:EX
Sent: Monday, March 31, 2014 4:33 PM
To: Edwardson, Jamie GCPE:EX
Cc: Gill, Marcus A FIN:EX; Dillon, Brian FIN:EX; Allen, Leanne V FIN:EX; Wong, Gina G FIN:EX
Subject: FW: CLIFF Referral 335175 - Advice
Attachments: ATT00001.htm; 335175_335175 IN_LLQP .docx; National Harmonized Life Agent Proficiency Initiative NP Article.pdf

Jamie,

Attached is a draft Issue Note on Reforms to the Life Licence Qualification Program (LLQP). This has now made the press in TO (see attached news article) and staff have advised that we could expect some lobbying in BC to follow. Forwarding for your thoughts on next steps. The Issue Note has been approved by Heather.

Thank you,

Vanessa Hagar

Executive Assistant to Heather Wood, ADM
Policy and Legislation Division
Ministry of Finance
T: 250-356-9911

From: leanne.allen@gov.bc.ca [<mailto:leanne.allen@gov.bc.ca>]
Sent: Monday, March 31, 2014 3:44 PM
To: Hagar, Vanessa A. FIN:EX
Cc: Wong, Gina G FIN:EX
Subject: CLIFF Referral 335175 - Advice

Vanessa, further to Heathers email, please find attached the final version ready to go. Redline changes have been excepted and reformed. Over to you for forwarding.

Please let me know if you need me to walk a copy up or can you print it.

2014/03/26T15:42 lvalen (PLD-FCSP) Marcus has approved to ADM for approval
2014/03/26T15:44 Email notification for PLD-ADM to Vanessa.Hagar@gov.bc.ca;
bcc:leanne.allen@gov.bc.ca
2014/03/31T15:40 lvalen (PLD-FCSP) Back to ADM for forwarding

Insurance agent qualification deal with Quebec regulator will kill jobs, increase costs, Ontario businesses warn



Armina Ligaya | March 27, 2014 | Last Updated: Mar 27 6:30 PM ET
More from Armina Ligaya | [@arminaligaya](#)

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Page 165 to/à Page 166

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Copyright

Dillon, Brian FIN:EX

From: Wood, Heather FIN:EX
Sent: Monday, March 31, 2014 1:39 PM
To: Dillon, Brian FIN:EX
Cc: Gill, Marcus A FIN:EX; Hagar, Vanessa A. FIN:EX; Allen, Leanne V FIN:EX; Wong, Gina G FIN:EX
Subject: RE: LLQP

Thanks, Brian. Your changes do indeed address my questions (I realize I had more than one question now, by the way). This is approved from my end now.

Heather

From: Dillon, Brian FIN:EX
Sent: Monday, March 31, 2014 12:50 PM
To: Wood, Heather FIN:EX
Cc: Gill, Marcus A FIN:EX; Hagar, Vanessa A. FIN:EX; Allen, Leanne V FIN:EX; Wong, Gina G FIN:EX
Subject: RE: LLQP

Heather: Good questions. I already asked the Insurance Council if Primerica would be losing money as a course provider (charging fees to their prospective agents for materials) and the Insurance Council reply was that Primerica provides the courses but does not prepare the materials; it purchases course materials from various providers. So Council did not think that change was a major concern, although Council estimates that CISRO will charge about \$140 for the materials; which might be an increase for some course providers. By comparison, though, Council notes that the mutual fund course (which most Primerica agents also must take) costs \$400 (and the securities course fee is about \$1000), so Council feels the proposed \$140 fee is fair.

s.13,s.16

I think the major concern for Primerica is that the company really only concentrates its education of prospective agents on a few core areas of simplified insurance products (as that is what Primerica sells); they do not need broadly trained agents for their model. Getting a pass rate on a comprehensive exam is therefore perhaps easier and more efficient than trying to get their large number of prospect agents through 4 different modular exams. Council notes though that even if Primerica only sells simplified term insurance products, they may be replacing existing life contracts and in any event need to provide an assessment if a term product is indeed appropriate for the client.

s.13,s.16

s.13,s.16 as opposed to perhaps the most significant problem for the Primerica itself.

In BC, there is one course material preparer and provider, but this is only a small part of its business (only 7 people took their course out of 1500 people who wrote the Council exam last year). The company can still provide the course but will have to use the CISRO materials; given its low number of students, I would think it may not be that much of a problem for the company to cease having to develop the materials.

Primerica Canada is based in Toronto, but is a sub of a large American company. Council indicates that Primerica has about 1300 agents in BC, about 10% of all the life agents licensed here. However, as noted, their model is essentially one of multi-level marketing, and they tend to roll through their workforce quickly (about 50% of their agents give up

their life license at the end of the first year; and another 35% leave after the second year). With this turnover, they need to get lots of new agents licensed each year, and hence changes to the exam/course materials will likely have a more significant impact on Primerica than more traditional insurance companies.

I have updated the materials, as redlined in the attached.

Let me know if that does not answer your questions and/or further background is needed,

Brian

From: Wood, Heather FIN:EX
Sent: Monday, March 31, 2014 10:27 AM
To: Dillon, Brian FIN:EX
Cc: Gill, Marcus A FIN:EX; Hagar, Vanessa A. FIN:EX; Allen, Leanne V FIN:EX; Wong, Gina G FIN:EX
Subject: RE: LLQP

Thanks, Brian. It is a very good note and appendix. I have only 1 question for your to consider addressing in the note or appendix (maybe both) – how valid are Primerica’s concerns about increased costs (and can you clarify exactly how Primerica thinks its costs or costs for others will increase – I’m having a hard time following some of the arguments cited in the media story). Is this because both Primerica and Advocis are existing course providers who will have to pay a (new?) fee under the national program? Are they not paying fees now? Is Primerica based in Toronto (what is their presence in BC)?

Marcus, I like this idea of doing Ins rather than BNs – at least this way GCPE will be aware of emerging issues that could truly emerge very suddenly. Good approach and let’s use this approach more in the future.

Thanks again,

Heather

From: Dillon, Brian FIN:EX
Sent: Friday, March 28, 2014 11:20 AM
To: Wood, Heather FIN:EX
Cc: Gill, Marcus A FIN:EX; Hagar, Vanessa A. FIN:EX; Allen, Leanne V FIN:EX; Wong, Gina G FIN:EX
Subject: FW: LLQP

Heather:

You have in your office a draft IN on the LLQP. ^{s.13,s.16}
s.13,s.16

Primerica has also approached the US government suggesting a challenge under NAFTA is appropriate, s.13,s.16
s.13,s.16

I would recommend that we send the attached news article on to communications along with the draft LLQP IN if you agree.

Cheers,

Brian

From: Gerry Matier [<mailto:gmatier@insurancecouncilofbc.com>]
Sent: Friday, March 28, 2014 9:10 AM
To: Dillon, Brian FIN:EX
Subject: LLQP

Hi Brian

The attached article appeared in the National Post today.

Gerald Matier | Executive Director| **Insurance Council of British Columbia**
Suite 300, 1040 West Georgia Street, PO Box 7, Vancouver, BC V6E 4H1
T: 604-688-0321 ext. 311 | D: 604-695-2001
Toll Free Within BC: 1-877-688-0321
gmatier@insurancecouncilofbc.com | www.insurancecouncilofbc.com

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ADVICE TO MINISTER

<p>CONFIDENTIAL DRAFT ISSUE NOTE</p> <p>Ministry of Finance Date: March 31, 2014 Minister Responsible: Michael de Jong CLIFF: 335175</p>	<p>Reforms to the Life Licence Qualification Program (LLQP)</p>
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ADVICE AND RECOMMENDED RESPONSE:

- The Life Licence Qualification Program (LLQP) was put in place in 2002 through a cross Canada initiative to adopt a modern, standardized educational requirement for the licensing of life insurance agents in BC and other provinces.
- The Insurance Council has been working with its counterparts across Canada on enhancements to the LLQP to better protect consumers purchasing life insurance.
- The Insurance Council is a self-regulatory organization with the authority to make rules and establish educational requirements. It is made up of industry members who participate in the development of the regulatory requirements.
- Government oversees the activities of the Insurance Council, including through appointments of its members and Ministerial approval of rule changes, but generally does not get involved in the details of the regulatory program.
- Concerns about enhancements to the LLQP should be raised through participation in consultations with the Insurance Council and its counterparts.

KEY FACTS REGARDING THE ISSUE:

s.13

ADVICE TO MINISTER

s.13

The Council is a self-regulatory organization with the authority to make rules and establish educational requirements. It is a member of the Canadian Insurance Services Regulatory Organizations (CISRO) whose role is the development of consistent Canadian standards of qualifications and practice for insurance intermediaries.

The Minister of Finance has oversight of the Council’s rule making through a requirement that all rule changes be approved by the Minister. As well, the government can override any rule through a regulation passed by Cabinet.

Intervention by the government on a specific regulatory issue within Council’s authority would ordinarily be undertaken only where there are serious concerns about the process or impacts. Staff from the Ministry and the Financial Institutions Commission (FICOM) support the effort to create a harmonized national licensing regime and do not see any indication that the goal of these rule changes is anything other than improving the training and testing of prospective agents which should improve consumer protection.

Background to the LLQP and proposed reforms is found in the attached Appendix.

Communications Contact:

Program Area Contact:

File Created:

File Updated:

File Location:

Marcus Gill

March 14, 2014

250 387-9092

250 387-7567

Program Area	Comm. Director	Deputy	Minister's Office
BD/MG/HW			

ADVICE TO MINISTER

Appendix

Background to the LLQP and proposed reforms:

The current LLQP educational requirement for a life insurance agent's licence was implemented in 2001-2002 in co-operation with other Canadian jurisdictions except Quebec. The LLQP replaced an out of date qualification exam that was poorly written and had a pass rate (based on first attempts) of under 45%.

The introduction of the LLQP included the requirement for life licence applicants to first complete a study program, based on a curriculum design document developed by the provincial regulators. A number of educators and insurers (one of which is Primerica) were approved by regulators to offer the LLQP course based on an outline established by the regulators. Some course providers prepare their own materials; others like Primerica purchase course materials from other companies. After completing the course, licence applicants write the LLQP exam in their home jurisdiction.

With the introduction of the LLQP course and exam, the pass rate (based on first attempts) increased to over 70%. s.13

s.13

During the ten years that the LLQP has been in place, the insurance industry has provided feedback on the LLQP, including recommendations on how the program could be improved. These included:

1. common terminology – with 10 course providers, different terminology is used, leading to confusion when writing the exam;
2. no feedback to students when the LLQP exam is failed; and
3. the exam is too long (4 hours) without a bathroom break.

In 2010, Council commenced work on a review of the LLQP design document. Around the same time, there was discussion at the national level through CISRO for all jurisdictions, including Quebec, to co-ordinate and harmonize the licensing requirements for life insurance agents.

CISRO established a committee consisting of the insurance councils of Alberta, BC and Saskatchewan; the Financial Services Commission of Ontario; Quebec's Autorité des marchés financiers (AMF); and the New Brunswick Superintendent of Insurance to determine how best to proceed. The committee determined that Quebec's program was very similar to the LLQP, resulting in minimum changes to the course design documents for all parties involved.

The key differences were that Quebec required a minimum of 13 years education, did not impose a mandatory course requirement (the government did prepare program material whereas under the LLQP designated course providers develop their own study material) and offered a modular exam consisting of five parts. After discussion, Quebec agreed to drop the minimum 13 years education requirement and supported introducing a mandatory course requirement as a precondition of writing the exam. The other jurisdictions supported adopting a modular exam, as it would address two of the industry's issues listed above and fulfill CISRO's intent indicated in 2001 to eventually move to the modular exam approach.

ADVICE TO MINISTER

Based on this, CISRO agreed to contract with the AMF's education department to complete the work necessary to create one harmonized life agent licensing course and exam. Quebec was selected because it had an in-house department dedicated to developing education programs for the financial services sector and because the existing Quebec program and the LLQP were so similar (the two programs each cover about 90% of the same material). s.13,s.16

s.13,s.16

The move to a modular learning/testing system is intended to improve the core knowledge level of candidates wanting to enter the profession. It will assess the candidates' knowledge about each topic area ensuring that he/she has a basic level of knowledge in that area. At this stage, CISRO believes that the changes will not represent a significant change to what applicants are being taught now and should not result in any significant change in what is being tested as a requirement for obtaining a life insurance agent's licence.

Primerica claims it has had issues getting candidates through the Quebec regime and is concerned that the new LLQP will prove to be a significant barrier to entry for many of its new agent recruits. s.13,s.16

s.13,s.16

Council also notes that, while Primerica likes to refer to the changes as adopting the "Quebec Model", it is probably more appropriate to state that Quebec is adopting the CISRO model. The new course/exam will be much more similar to what is currently offered in B.C., than what is currently offered in Quebec.

CISRO has also decided to develop the actual study material to be used by LLQP course providers (most course providers have been developing their own materials; Primerica has used a number of suppliers to furnish it with the study materials it uses). By developing the course material, CISRO will be able to address issues relating to different terminology and move providers away from just teaching how to pass the exam. CISRO anticipates that the cost of these materials will be approximately \$140 per student; currently, costs of course materials vary among providers and purchasers.

Students will also be permitted to bring the study material to the exam to use as reference. In addition, with the introduction of modular exams, students who do not pass will know where their weakness is and will only be required to re-write those modules on which they were not successful. Currently, if a student is not successful, they are required to re-write the whole exam and because they receive no feedback they are unable to identify where their knowledge needs to be improved. Using modular exams will also permit students to take bathroom breaks during the exam sittings.

s.13,s.16

However, Council will allow all four modular exams to be taken in one sitting or if students prefer over multiple days.

ADVICE TO MINISTER

In July 2012, CISRO met with all interested stakeholders to advise that it was undertaking this project and gave January 2016 as the date the changes will be implemented. Since then there have been meetings with all stakeholders every 90-120 days. Most recently, CISRO held individual meetings in February 2014 with all interested stakeholders and course providers except Primerica, who refused to participate. CISRO intends to continue this level of consultation with the industry right through to implementation in 2016.

Overall, the Council advises that industry has been supportive of the process so far. CISRO has received written support from the Canadian Association of Financial Institutions in Insurance (CAFII), Advocis and the Sun Life Assurance Company.

Dillon, Brian FIN:EX

From: Gill, Marcus A FIN:EX
Sent: Friday, March 28, 2014 3:59 PM
To: Dillon, Brian FIN:EX
Subject: RE: LLQP & Primerica

Doesn't hurt to send it but note that s.13,s.16
s.13,s.16

From: Dillon, Brian FIN:EX
Sent: Thursday, March 27, 2014 4:02 PM
To: Gill, Marcus A FIN:EX
Subject: FW: LLQP & Primerica

Fyi & Do you think I should share a copy of this with BC trade folks?
Brian

From: Gerry Matier [<mailto:gmatier@insurancecouncilofbc.com>]
Sent: Thursday, March 27, 2014 3:54 PM
To: Dillon, Brian FIN:EX
Subject: LLQP & Primerica

Hi Brian

Just an FYI, Primerica is trying to make the proposed changes to the life licensing qualification course an exam an issue under NAFTA. For your information, I am attaching Primerica's White Paper which it submitted to NAFTA, along with CISRO's and Quebec's responses.

s.13,s.16

Anyway, I thought you may find Quebec's comments helpful in putting Primerica's reference to the "Quebec model" in perspective.

cheers

Gerald Matier | Executive Director| **Insurance Council of British Columbia**
Suite 300, 1040 West Georgia Street, PO Box 7, Vancouver, BC V6E 4H1
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**Response to certain allegations in *Primerica's* White Paper
that are potentially detrimental to Québec****BACKGROUND**

The *Autorité des marchés financiers* (AMF) is coordinating the updating of the Canada-wide Life Licence Qualification Program (LLQP), in conjunction with the participating provinces. So far, British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick and Nova Scotia have signed the Participation Agreement.

There is a high level of consensus regarding this project across the country. The feedback from stakeholders, including representatives of the Canadian Life and Health Insurance Association (CLHIA), concerning the consultation process, its transparency and the frequency of communications is very positive. *Primerica* is the only company opposed to the project.

On February 7, 2014, representatives of the Québec government office in Washington met with representatives of *Primerica Inc.*, an American life insurance company, who wished to express their objections to the LLQP. In addition to the meeting, *Primerica* produced a document entitled "*Adoption by Any Province of CISRO's Insurance Agent Licensing Scheme Would Violate Canada's NAFTA Obligations and Subject Canada to Liability*" which states that the adoption of the LLQP is contrary to NAFTA ("White Paper").

Following this meeting and the publication of the White Paper, the Québec government office asked the AMF for information which would address the main arguments made by *Primerica* in its document and counter act their misinformation campaign.

The office would like to receive this information by March 11, 2014 since a meeting will be held on March 19th between the federal government and representatives of the provinces which have been the targets of *Primerica's* lobbying.

The following analysis reproduces a few quotes from the White Paper followed by a counter argument. Note that only the main quotes involving Québec have been identified, although other points that are made also contain misinformation.

ANALYSIS

1. *The key components of the new life licensing system that would be imposed on every Province and Territory in Canada are the same as those currently mandated by Quebec's regulator, the AMF. In addition, the AMF would develop, administer, maintain and collect fees with respect to the exam in all Provinces.*

The provinces worked together to develop a national model in a spirit of voluntary harmonization. The best practices of each program currently in place were borrowed to update the qualification program. It is therefore incorrect to claim that it is a "Québec model".

It is also incorrect to state that Québec's regulator, the AMF, will administer and collect fees with respect to the exam in all provinces. The Canada-wide Life Licence Qualification Program will be administered by the participating regulators of each province, who will also be responsible for the fees with respect to exams and the certification of representatives.

2. *No competing insurance company in Canada will suffer losses as substantial as a result of the planned new licensing system. Primerica Inc.'s projected losses are not speculative but are readily ascertained by comparison with its losses in Quebec following the implementation a decade ago of the similar licensing scheme administered by the AMF in the province of Quebec. (...) Based on Primerica's experience in Quebec, the new exam model will reduce the number of life insurance agents available to middle income Canadians across all of Canada, with an unfair and disproportionate impact on New Canadians, rural, northern and remote communities, and middle and lower-income families.*

It is difficult to claim that *Primerica* will suffer substantial losses following the implementation of the Life Licence Qualification Program based on its experience in Québec since the same model will not be applied. In particular, the requirements relating to the obligation to work full-time and have a minimum of 13 years of education found in the Québec licensing program are

not being considered as part of the national program update. The elimination of these requirements will no doubt make the profession more accessible in Québec.

In addition, the historical data (1996-2012) does not show a drop in *Primerica's* share of the Québec market (see Schedule I).

3. *To date, CISRO has refused to engage in any meaningful dialogue to address the harms that will occur upon implementation of this new licensing scheme. (...) There was no opportunity for stakeholders to be heard. Every consequential detail already had been negotiated and finalized. No structural or substantive changes have been made in the CISRO plan as a result of any informational sessions with stakeholders. (...) CISRO refused to consider stakeholders' comments, although substantiated by expert opinion, evidence and market analyses sought by insurers. After the first meeting in July 2012 where CISRO outlined the new plan, stakeholders were concerned that the new system would create barriers to entry for agents, including that there would be a significant cost increase for licensing, the time required by candidates to complete the exam would be significantly longer than the existing LLQP, that the open book format is not appropriate for an entry-level licensing exam, and that the modular exam would unfairly result in false fails, lower passing ratios, a decrease in the industry's sales force, in addition to other disadvantages to candidates not foreseen by CISRO.*

The Canada-wide Life Licence Qualification Program is in the process of being developed. At each stage and with each version, CISRO has set up mechanisms for consulting stakeholders, such as the following:

- Quarterly meetings have been organized with stakeholders since July 2012, including industry representatives, training providers and representatives of the Canadian Life and Health Insurance Association (CLHIA) as well as other industry associations.
- Over 80 life insurance representatives from various companies, including *Primerica*, participated in the occupational analysis workshops organized throughout the country.
- CISRO posted a public on-line survey in the fall of 2013 to obtain feedback from participants who were unable to attend the national occupational analysis workshops. The competency profile helps identify the competencies required by a representative about to enter the workforce. Over 700 people commented on the updated competency profile and 90% of the comments received said that the profile accurately depicted the required competences.
- 35 industry experts, including an expert from *Primerica*, worked with education specialists to develop the first draft of the curriculum for the different modules of the Life Licence Qualification Program.
- Over 600 comments were received regarding the first draft of the curriculum for the different modules of the Life Licence Qualification Program. Those comments were taken into consideration and changes to the curriculum were made as a result.
- Experts are continuing to work with CISRO's education specialists to develop study materials and evaluation tools.

Several changes to the proposed Life Licence Qualification Program resulted from these consultations, such as the change to the financial model and the date the Program will take effect.

Also, Mr. Fullan, CISRO President, met with representatives from *Primerica* on three occasions. Other jurisdictions did the same.

4. *In May and June, 2012, the Provinces signed a Memorandum of Understanding pursuant to which they agreed that the AMF would develop and administer a nation-wide life insurance exam in accordance with the plan proposed by CISRO, and further agreed to commit to binding participation and services agreements with the AMF to effectuate the plan. In July 2012, CISRO announced the planned new licensing system to industry. CISRO did not reveal that commitments, including financial obligations, had already been made by the Provinces.*

The provinces signed a generic Memorandum of Understanding in June 2012. That Memorandum of Understanding did not impose any financial or other commitment on the signatories. Every aspect of the project to update the LLQP was disclosed at the meeting with stakeholders.

The provinces signed a more detailed participation agreement in April 2013 (the first party signed on April 7, 2013). A meeting of stakeholders took place in Toronto on April 9, 2013 and the presentation (which was posted on the CISRO web site immediately after the meeting) clearly states that a binding agreement was reached between the jurisdictions.

Every aspect of the proposed changes to the Life Licence Qualification Program described in that agreement was clearly communicated several times during various meetings with stakeholders.

5. *Adoption by any Province of CISRO's licensing scheme will violate Canada's NAFTA Obligations [...]In addition, implementation of the plan will violate Article 1110 of NAFTA which states "No Party may directly or indirectly nationalize or expropriate an investment of an investor of another Party in its territory or take a measure tantamount to nationalization or expropriation of such an investment. . ."*

First, it is important to state that the updating of the Life Licence Qualification Program is not tantamount to nationalization or expropriation; it represents an updating of existing programs. The current LLQP stakeholders can all continue to play a role in the updated version of the program.

Furthermore, one of the main goals of updating the program is to increase consumer protection, including through the modular evaluation which assures consumers that each representative has achieved the desired level of competency for all products he may sell in Canada, which is not the case with the current approach in jurisdictions other than Québec.

In quoting sections from NAFTA, *Primerica* does not take into account the first section, which allows parties to adopt rules for the protection of investors.

Article 1410: Exceptions

1. Nothing in this Part shall be construed to prevent a Party from adopting or maintaining reasonable measures for prudential reasons, such as:
 - (a) the protection of investors, depositors, financial market participants, policyholders, policy claimants, or persons to whom a fiduciary duty is owed by a financial institution or cross-border financial service provider;
 - (b) the maintenance of the safety, soundness, integrity or financial responsibility of financial institutions or cross-border financial service providers; and
 - (c) ensuring the integrity and stability of a Party's financial system.
6. *Implementation of the scheme will unilaterally and without due process repudiate Primerica Canada's implicit agreement with each adopting Province, on which Primerica, Inc. relied to continue its investment in Canada and which entitled Primerica Canada to market its term life insurance products through its network of current and future agents.*

Since the Canada-wide Life Licence Qualification Program is an entry-level program leading to the certification of new candidates, it has no effect on representatives who are currently certified.

The program is national but its enforcement is provincial, including the recognition of training providers by the regulators of each province and the determination of fees for exams or certification. These recognition requirements will apply to all training providers of the same province and all their candidates, not only those of *Primerica*.

7. *Quebec's regulator, Autorité des marchés financiers ("AMF"), took the approach that insurance agents must satisfy stringent criteria not typical to comparable entry-level professionals before a license is issued.*

The AMF's process for developing the qualification program is a proven one that is derived from the DACUM approach, an integrated skill management and development model recognized by several Québec and Canadian organizations, such as the Canadian Vocational Association (CVA). Since it is based on identifying the competencies to be acquired to determine the entry requirements for the profession in question, it cannot be claimed that the qualification requirements are excessive compared to the professional reality of life insurance representatives.

8. *A higher license fee will discourage a significant number of potential licencees.*

No jurisdiction has announced its intention to increase the costs associated with the issuance of representatives' certificates.

Although training costs will be determined by each training provider, CISRO believes that the fees charged to providers will be a maximum of \$140 per student for the licence to use national

material, an amount that is not likely to discourage certification. The final cost will be determined based on the actual cost of developing the Canada-wide qualification program.

9. *The new program significantly changes both the examination format and the content*

How can *Primerica* claim that the exam content will be significantly changed when they say in their letter that: "(...) the content of the AMF exam is 90% similar to the content of the LLQP"?

It is true that the examination format will be changed, primarily due to the modular approach. However, this approach represents an improvement to the program since it is essential that candidates show that they have acquired competencies related to each product category they are permitted to sell. With the current approach in jurisdictions other than Québec, a candidate may fail all questions on the exam relating to segregated funds and nonetheless be certified to sell such products, which does not make sense from a consumer protection standpoint.

10. *(...)it has undertaken a surreptitious tactic with the Provincial regulators to bring Quebec into its fold, without obtaining or considering data to understand the potentially damaging consequences of its plans or considering less radical measures. In short, the CISRO exam design will result in fewer licenses being obtained by traditional prospecting by life insurance agents across Canada.*

The project follows the principles of the Agreement on Internal Trade, which is intended to harmonize qualification standards. The updating of the Canada-wide Life Licence Qualification Program will facilitate labour mobility while maintaining quality standards that will ensure that consumers are protected. The participation of each jurisdiction in the updated program was optional and each jurisdiction which signed the agreement therefore did so because the updated program represented the changes they wished to see.

CONCLUSION

The White Paper submitted by *Primerica* reiterates the erroneous allegations made previously in letters to the CISRO-OCRA President for which they were given responses (see the attached response letters).

SCHEDULE I

Table 1: *Primerica's* market share in Québec from 1996 to 2012

Year	Market share	DWP - Québec (\$000)	DWP - Canada (\$000)	Share of DWP in Québec	Net earnings - Canada (\$000)
1996	0.12%	7,073	73,328	9.6%	17,846
1997	0.13%	8,290	81,274	10.2%	20,387
1998	0.18%	9,966	91,173	10.9%	34,579
1999	0.19%	11,784	102,463	11.5%	26,961
2000	0.20%	12,963	112,240	11.5%	53,568
2001	0.20%	14,035	122,304	11.5%	35,981
2002	0.19%	15,400	133,433	11.5%	48,996
2003	0.19%	16,711	143,820	11.6%	41,536
2004	0.21%	18,188	155,600	11.7%	52,790
2005	0.21%	20,167	167,591	12.0%	43,457
2006	0.23%	22,311	180,433	12.4%	72,034
2007	0.24%	24,832	194,614	12.8%	55,809
2008	0.25%	27,172	210,764	12.9%	63,071
2009	0.25%	28,733	223,386	12.9%	101,437
2010	0.25%	29,339	233,145	12.6%	66,690
2011	0.25%	29,312	240,897	12.2%	43,758
2012	0.24%	29,235	249,068	11.7%	85,065

DWP: Direct written premiums

Source: AMF, *Direction des analyses quantitative set des modèles des assureurs*, March 4, 2014.

BRIEFING NOTE – May 2013 with December 2013 Addendum
Confidential

**CISRO INTRODUCES PLANS FOR HARMONIZED LIFE AGENT
EDUCATION TO INSURANCE INDUSTRY STAKEHOLDERS**

ISSUE

To obtain a licence to market and sell life insurance and accident and sickness products, a candidate must currently pass the Life Licencing Qualification Program (the LLQP), a program that was created through the Canadian Insurance Services Regulatory Organizations (CISRO), and introduced in 2003. CISRO is made up of the provincial agencies responsible for the licencing of insurance intermediaries. In Atlantic Canada and the northern Territories, that is the Offices of the Superintendent of Insurance. In the Western Provinces, licencing is controlled by insurance councils. Ontario and Quebec are a combination of the two.

Insurance regulators across Canada, through CISRO, are working to modernize the life agent education program so that it is a truly national, fully funded program, with a strong governance model aimed at ensuring an ongoing high standard of quality for the program.

On July 5, 2012, CISRO representatives met with insurance industry stakeholders to introduce their plan for the new harmonized program. The new program is expected to be in place late in 2015.

BACKGROUND

The Life Licence Qualification Program (LLQP) was introduced as the life licence education standard in 2003 in all provinces and territories with the exception of Quebec, which already had an updated life education qualification program in place. The curriculum design document, the basis of the LLQP program, examination processes and questions, was developed by industry subject matter experts in conjunction with educational experts. The program also included a requirement to complete a course of study through one of 14 certified course providers. Each provider developed their own course material, using the common Curriculum Design Document.

Quebec, for more than 15 years, has employed a group of educational experts on their staff. This group has created the current version of their province's Curriculum Design Document, and the license qualification exams. In addition, this group also produces all of the study material for license applicants. The funding for this unit of educational experts is through the sale of study materials to license applicants in Quebec.

BACKGROUND (cont'd)

While the LLQP is considered to be a high quality course and examination program, the one issue that program creators were not able to successfully address was the establishment of an ongoing governance model to ensure that the quality of the program would be maintained and enhanced on an ongoing basis. An effective governance model would include processes for regular reviews of the Curriculum Design Document, and the regular creation of new exam questions.

Several years after the introduction of the LLQP, British Columbia determined that they would prefer to develop their own exam question databank. The Curriculum Design Document remains common to all provinces except Quebec. BC now has a final licensing examination that is distinct from the other Common Law provinces.

An opportunity to create a truly national program arose from the following initiatives:

- LLQP regulators had determined that a full review of the current program, and its governance structure was overdue.
- Quebec had announced plans to complete a similar review of their program. This review was to be launched in the second quarter of 2012.
- Jurisdictions were also working to align with the Agreement on Internal Trade (AIT) and other inter-provincial agreements such as the Quebec/Ontario Co-operation and Trade Agreement to support labour mobility. As part of this latter initiative, Ontario and Quebec had undertaken a comparison of the current LLQP and Quebec Curriculum Design Documents, and found them to be 90% similar. Differences included civil code vs. common law, and tax structure differences between Quebec and other provinces.

PROPOSED NATIONAL LIFE EDUCATION PROGRAM

The proposed program will continue to be referred to as the Life Licence Qualification Program (LLQP). It will include features of the current LLQP as well as Quebec's current program. Under the new program, applicants will have the same education standard across the country, regardless of where the application is made. The updated program will have the following features:

- CISRO will oversee the program with each jurisdiction getting an equal vote;
- A standing governance committee of CISRO, made up of 4 representatives of several jurisdictions on a rotating basis, will deal with day to day operations;
- A service provider will develop and maintain the program;
- A pre-licensing training course through accredited course providers will be required by every jurisdiction;
- Training materials will be created by the regulators using educational and subject matter experts;
- There will be open book, modular exams with a requirement to pass each module. Modules will relate to the various products that a life and accident and sickness licence allows an individual to sell.

PROPOSED NATIONAL LIFE EDUCATION PROGRAM (cont'd)

No changes to legislation or the life insurance licensing regimes in the current LLQP jurisdictions are contemplated as a result of this initiative.

CISRO has engaged educational experts from the Autorité des marchés financiers (the Quebec financial regulator) as the Service Provider to carry out the following work:

- A complete review of the knowledge and skills required to be a life licensee;
- Completion of an updated Curriculum Design Document (CDD), combining the results of the knowledge/skills review with the CDD's for the existing programs;
- Creation of documented procedures to regularly review the CDD;
- Creation of study material based on the new CDD;
- Creation of an updated databank of exam questions;
- Creation of procedures to regularly create new exam questions;
- Creation of updated exams based on the new exam question databank; and
- Development of a transparent process to review ongoing issues raised by industry representatives and course providers.

The Service Provider has significant experience in this regards and will work under the direction of the LLQP Governance Committee. All deliverables will be developed concurrently in English and French.

The new program will have several modules – each with its own study manual and exam. The current LLQP closed-book single-exam process will shift to open-book modular exams.

As part of this project, consultation workshops have been conducted across Canada involving more than 80 existing licensees representing more than 25 life insurance companies.

MANDATORY COURSE OF STUDY

As noted above, the current LLQP includes a requirement for the applicant to complete a mandatory course of study through an accredited course provider prior to challenging the provincial licensing examination. In the current Quebec model, the course of study is not mandatory. The applicant can simply challenge the licensing exams.

Under the proposed program, regulators will harmonize their approach in this area, as the course of study through an accredited course provider will be mandatory in all jurisdictions.

One fundamental change proposed from the current LLQP model is that common study material will be created as part of the new program development. Course providers will be licensed to use this material, and augment it with study aids, online tools, course seminars, etc. to create the most effective learning experience for their students.

CISRO will be working with course providers in the coming months to develop the parameters of this model.

STAKEHOLDER ENGAGEMENT PLAN

Subsequent to the original launch meeting on July 5, 2012, the Governance Committee has taken the following steps to engage stakeholders in the process of creating the new program:

- Held a series of one-on-one meetings with representatives of the major insurance companies to discuss the proposed parameters of the program, and the anticipated decision points throughout the process;
- Held a series of one-on-one meetings with representatives of the largest course providers to review the impacts of the new program;
- Attended meetings of the national industry body's Distribution and Intermediaries Committee to discuss the proposed parameters of the program, and the anticipated decision points throughout the process;
- Conducted licensee workshops referred to above to identify the skills/knowledge necessary for a life licensee;
- At the beginning of 2013, committed to quarterly stakeholder meetings to encourage ongoing stakeholder comment throughout the development process;
- Conducted the first two of those stakeholder forums as follows:
 - January 17, 2013 – to review key parameters, and to outline the committee's stakeholder engagement plan for the balance of the project. That plan included an outline of various points in the process where formal stakeholder feedback would be requested;
 - April 9, 2013 – to review the proposed schedule for roll-out of materials to course providers and industry representatives
- Scheduled two further stakeholder forums as follows:
 - July 8, 2013 – to introduce the new Curriculum Design Document
 - September 12, 2013 – to review stakeholder feedback on the new CDD

Reaction has been generally positive, especially regarding the need to ensure that the qualification program remains current. Stakeholders appreciate that many of the details are not yet finalized and that CISRO will continue to seek their input as the program is developed. There have been two specific concerns expressed, which CISRO continues to address:

The life insurance industry does not want new barriers to entry. Industry is concerned that the new exams will be more difficult to pass, take longer to complete and will be more costly to candidates. CISRO has stated that the proposed changes are not about “raising the bar” for entry into the industry. Regulators have committed to work with industry stakeholders to ensure that there are no significant negative impacts on candidates' abilities to pass the exams, and to complete the process in a timely way. Regulators have indicated that there will be a small increase in costs compared to the current model, since the current model is missing key governance and maintenance processes that would normally be paid for by the students accessing the program.

One current LLQP course provider is concerned that their business will be harmed by the development of standard study materials and new course approval criteria. CISRO has been working with current course providers to ensure that they can continue to add value to the standard materials and compete in the marketplace.

ADDENDUM ADDED December 2013 – Primerica Issue

In the first half of 2013, representatives from Primerica met with Ministers and government representatives from various jurisdictions to express their concerns with the direction that CISRO was taking with the LLQP. They met with the Saskatchewan Minister and Superintendent of Insurance on June 7, 2013. At that meeting the Minister asked that Primerica put their concerns in writing, and the Superintendent would arrange for a written response from the chair of CISRO.

Primerica CEO John A. Adams submitted their concerns in letters to all jurisdictions dated June 20, 2013. Ron Fullan, the chair of CISRO responded to Mr. Adams on behalf of all jurisdictions in his letter of July 22, 2013. Mr. Adams submitted a second letter to Mr. Fullan on November 12, 2013. This addendum will provide an update on certain aspects of the project to date, and also address key issues identified by Mr. Adams in his November 12, 2013 letter.

PROJECT UPDATE

The following outlines the phases of the project which have been completed to date, with an indication of stakeholder involvement in the consultation process.

- Occupational Analysis Workshops – The CISRO team completed workshops across the country with more than 80 licensees to review and update its profile of the knowledge and skills required for entry-level life insurance licensees.
- Competency Profile – The data gathered in the workshops was used to create a Competency Profile, which summarized the knowledge and skills required for entry-level life insurance licensees. The original project plan did not include a specific stakeholder consultation process on this document. (This was to be completed in the next step). At the request of stakeholders, the CISRO team completed an online stakeholder consultation survey specific to the Competency Profile. More than 750 industry representatives responded. More than 90% indicated that the profile was complete and 98% answered that all of the competencies and components were relevant.
- Curriculum Design Document – The CISRO team, through its website, asked for industry “subject matter experts” to assist with the completion of the Curriculum Design Document (CDD). These subject matter experts were drawn from current licensees, company representatives, industry associations and course providers. A committee of subject matter experts and educational team representatives was created for each projected course module. These committees were asked to define the Competency Components, Sub-components and Contents of the Curriculum Design Document, i.e. to define the knowledge and skills that would/should be tested as part of the licensing exam process. CISRO published the Curriculum Design Document, and again completed an online stakeholder consultation survey specific to the CDD. More than 650 industry representatives responded, with more than 86% supportive of the course contents on every proposed module.

- Proposed Modules – The layout of projected course modules considered input from industry stakeholders. CISRO proposed the following modules:

- Life Insurance – Individual and Group
- Accident & Sickness Insurance – Individual and Group
- Insurance Investment Products – Annuities and Segregated Funds
- Law, Taxation and Ethics

Based on feedback from industry stakeholders, the CISRO team is currently examining the taxation section. Stakeholder representatives believe that the taxation sections should be included in the product-specific modules. A decision on this is expected shortly. The final module layout will be communicated to stakeholders upon its completion.

- Transition Issues – Stakeholders have expressed concerns that the changes proposed could have a negative impact on candidate success rates. The CISRO team has undertaken to define a transition plan to the new exam structure to ensure that there is no unintended negative impact. (Note: a similar process was used by CISRO when LLQP was originally introduced).
- Exam Administration – Stakeholder feedback has indicated concerns with jurisdictional differences in the way that current LLQP exams are administered (i.e. frequency of exam sittings, wait times when booking exams, etc.) The CISRO team has undertaken to create Exam Administration guidelines to be distributed to all jurisdictions to help address these concerns.
- Course Content Development – A committee of subject matter experts and educational team representatives is being created for each projected module. These committees will be asked to create the study material for each module based on the Competency Components, Sub-components and Contents of the Curriculum Design Document. Again, these subject matter experts will be drawn from current licensees, company representatives, industry associations and course providers.
- Timing of Introduction of the Changes – In its initial communications to stakeholders, CISRO indicated that the target date for implementation of the proposed changes was September, 2015. Industry associations, course providers, and some insurance companies have suggested that a January 1st introduction would be more manageable. CISRO has agreed to delay implementation until January 1, 2016 based on this feedback.

KEY ISSUE RAISED IN NOVEMBER 12, 2013 PRIMERICA LETTER

Experts project that the proposed modular approach will result in a substantial increase in the number of “false fails” – Primerica has indicated in meetings with the CISRO chair (circa fall 2012) and the Ontario Superintendent of Insurance (circa October 2013) that it has expert studies supporting this concern. Both the CISRO chair and the office of the Superintendent of Insurance in Ontario have asked for copies of those studies. To date, no such information has been provided for review. The categorization of “false fails” also requires some examination. A life insurance license in Canada allows the licensee to do the following:

- Sell individual and group life insurance products;
- Sell individual and group accident and sickness products;
- Sell investment-type products like annuities and segregated funds; and
- In the process of selling one of the above products, to have their clients enter into legal contracts with insurance companies covering those products.

Under the CISRO model (and assuming that the curriculum is correctly designed) a potential licensee who fails one of the modules will have demonstrated one of the following:

- A lack of sufficient understanding of life insurance products;
- A lack of sufficient understanding of accident and sickness insurance products;
- A lack of sufficient understanding of insurance investment-type products; or
- A lack of sufficient understanding of concepts related to the legal implications of the contracts being signed by consumers.

CISRO is suggesting that those should not be considered “false fails”. Demonstrating sufficient proficiency in each of those subject areas should be a minimum requirement to holding a license that allows for the sale of those products, and the placement of the related legal contracts. In fact, it is the opposite problem that CISRO seeks to address – that the current process results in “false passes”. Inherent in Primerica’s argument about increased failure rate is the reality that currently students are being licensed to sell products that they do not have sufficient minimum levels of proficiency to sell. As has been noted to stakeholders in general, and Primerica specifically, this issue is further complicated by the fact that at least one course provider has advised students not to study certain sections of the current course material, based on the limited number of questions on the exam covering those sections.

Having said that, CISRO has indicated that the intention of the changes is not to lower the pass rates, but rather to have licensees who are better prepared to sell the products covered by their licenses. Among other things, the changes also contemplate improvements in question structure (including readability), and the elimination of terminology problems that exist between the current courses and the LLQP exam. These changes should help the audience that Primerica specifically identifies, which is English Second Language students.

**Adoption by Any Province of
CISRO's Insurance Agent Licensing Scheme
Would Violate Canada's NAFTA Obligations and
Subject Canada to Liability**

Primerica, Inc. is a leading distributor of financial products to middle-income households in North America and an important participant in the Canadian market, assisting clients in meeting their needs for term life insurance. Over the past almost three decades, Primerica, Inc. has invested hundreds of millions of dollars in Canada, covering all of Canada's provinces and territories. Currently, the Canadian provinces, through the proposed implementation of a new insurance agent licensing scheme, have embarked on a path that will result in the violation of Canada's NAFTA obligations through a summary denial of national treatment and minimum standard of treatment and the expropriation of Primerica, Inc.'s investments in Canada.

Primerica, Inc., a public company listed on the New York Stock Exchange, wholly owns and controls Primerica Life Insurance Company of Canada and PFSL Investments Canada Ltd (together, "Primerica Canada"), whose rights will be directly affected by acts for which Canada is internationally responsible. Primerica Canada has operated in Canada for 27 years and is the largest insurance company exclusively issuing term life insurance in Canada with more than \$95 billion of individual term life insurance in force in Canada. Primerica Canada has paid more than \$703 million in death benefits to middle income Canadian families, including \$84.6 million in 2012. Primerica Life Insurance Company of Canada has an A+ rating from the nationally recognized ratings agency A.M. Best.

Primerica Canada has the largest distribution sales force in Canada. In February 2013, Primerica's Canadian life insurance sales force reached the 10,000 mark, making Primerica Life Insurance Company of Canada the only life insurance company to achieve this level. Primerica Canada insures an estimated 500,000 individuals in Canada.

Since 2002, all Provinces other than Quebec administer life insurance licensing through a single 140-question Life License Qualification Program (LLQP). Quebec instead licenses agents through a program developed and maintained by the Quebec regulator, L'Autorité des marchés financiers (AMF). While the content of the AMF exam is 90% similar to the content of the LLQP, unlike the LLQP the AMF exam has an open book structure, 5 modules, and substantially higher costs than the LLQP exam administered in the rest of Canada.

In July 2012, the Canadian Insurance Regulatory Organization (CISRO) announced a new exam program for people who would like to become licensed life insurance agents. The new system is scheduled to take effect in January 2016. The key components of the new life licensing system that would be imposed on every Province and Territory in Canada are the same as those currently mandated by Quebec's regulator, the AMF. In addition, the AMF would develop, administer, maintain and collect fees with respect to the exam in all Provinces.

The new insurance licensing scheme formed by CISRO, if adopted by the Provinces without alteration, will: (1) sharply reduce the value of Primerica, Inc.'s investments through reduction of its sales force and loss of market share and (2) markedly reduce Primerica, Inc.'s revenues and profits and therefore its return on its capital investments made in developing Primerica Canada. Primerica, Inc. projects that there will be a dramatic reduction in its sales force due to the structure of the new examination and the higher per student costs of CISRO's new examination system. Primerica uniquely draws its sales force from lower and middle-income and ethnically diverse Canadian communities, reflecting the communities in which these agents serve, and training and licensing are cornerstones of Primerica's business model. No competing insurance company in Canada will suffer losses as substantial as a result of the planned new licensing system. Primerica, Inc.'s projected losses are not speculative but are readily ascertained by comparison with its losses in Quebec following the implementation a decade ago of the similar licensing scheme administered by the AMF in the province of Quebec.

To date, CISRO has refused to engage in any meaningful dialogue to address the harms that will occur upon implementation of this new licensing scheme.

For the reasons outlined below, Primerica requests that the USTR take up this issue as an item for consultation with the Canadian government, in an effort to amicably resolve this dispute.

The Imminent Threat to Primerica Canada

According to documents obtained through Freedom of Information Requests and not available to Primerica Canada until recently, in 2011, CISRO proposed to its members (provincial insurance regulators) the possibility of replacing the existing insurance agent licensing systems in all of Canada's provinces (the LLQP) with a model that embodied the key elements of the Quebec model and that would be developed and administered by the AMF. In May and June, 2012, the Provinces signed a Memorandum of Understanding pursuant to which they agreed that the AMF would develop and administer a nation-wide life insurance exam in accordance with the plan proposed by CISRO, and further agreed to commit to binding participation and services agreements with the AMF to effectuate the plan. In July 2012, CISRO announced the planned new licensing system to industry. CISRO did not reveal that commitments, including financial obligations, had already been made by the Provinces.

Adoption by any Province of CISRO's licensing scheme will violate Canada's NAFTA obligations because the licensing scheme was formulated without due process; it will, if left unchanged, arbitrarily discriminate against Primerica, Inc. and will essentially strip Primerica, Inc. of much of its rights to its investments in Canada. Specifically, implementation of the plan will be in breach of Canada's obligations to accord Primerica Canada with:

“treatment no less favorable than that it accords, in like circumstances, to its own investors with respect to the establishment, acquisition, expansion, management, conduct, operation, and sale or other disposition of investments;”

“treatment no less favorable than that it accords, in like circumstances, to investments of its own investors with respect to the establishment, acquisition, expansion, management, conduct, operation, and sale or other disposition of investments,” under Article 1102 of NAFTA; and

“treatment in accordance with international law, including fair and equitable treatment and full protection and security” under Article 1105 of NAFTA;

In addition, implementation of the plan will violate Article 1110 of NAFTA which states “No Party may directly or indirectly nationalize or expropriate an investment of an investor of another Party in its territory or take a measure tantamount to nationalization or expropriation of such an investment . . .”

The plan will significantly adversely affect Primerica Canada’s business while having no similarly significant effect on any competing Canadian businesses. Implementation of the scheme will unilaterally and without due process repudiate Primerica Canada’s implicit agreement with each adopting Province, on which Primerica, Inc. relied to continue its investment in Canada and which entitled Primerica Canada to market its term life insurance products through its network of current and future agents. This expropriation will be carried out without a valid public purpose, without the requisite due process, and without provision for the full and prompt compensation required by NAFTA Article 1110 and applicable international law.

Primerica has valid claims under NAFTA that stem from the arbitrary and unlawful treatment that will result from the implementation by any and all Canadian provinces of the CISRO plan. The impending NAFTA-violative injuries to Primerica, Inc. can be averted if CISRO provides due process to Primerica and others in the industry and allows for reasonable substantive changes to its plan.

Background

The Provinces and CISRO proposed major reforms to the Canadian Provinces’ life insurance licensing system in 2001. That process, which resulted in the development of the current exam system in all Provinces except Quebec, created a legitimate expectation of

meaningful stakeholder involvement in connection with any further changes to the life licensing system. Those legitimate expectations reasonably included full consideration by the Provinces and CISRO of stakeholder comments prior to adopting any fundamental changes that could adversely affect the industry and stakeholders' rights and interests.

In 2001, the last time that CISRO decided to change its licensing approach, CISRO initially proposed that licensing applicants take a community college course (240 hours) and be required to pass a substantially more difficult exam that would have involve modular testing. Had that proposal been adopted, it would have been devastating to the ability of the life insurance industry to license new agents. Not surprisingly, the proposal met widespread opposition.

Over the course of many months and after extensive consultations with stakeholders in the insurance industry, including Primerica Canada, CISRO modified its proposed approach through consensus with industry by creating the Life License Qualification Program (LLQP), which Primerica Canada and other stakeholders supported based on certain express assurances from CISRO. During the consultation period, stakeholders frequently met with CISRO and reviewed and presented proposals and counter-proposals for the LLQP. In addition, CISRO considered studies and analyses on the proposed effects of LLQP implementation. No contracts, service agreements or memoranda of understanding regarding the LLQP were signed by CISRO and/or the Provinces until after the stakeholders had had a thorough opportunity to review and provide feedback on the proposed LLQP. Additionally, in May 2002, regulators entered into a letter of intent with course providers, including Primerica Canada, agreeing to consultation prior to making any changes to the LLQP licensing scheme on which industry and the regulators had agreed. Regulators specifically agreed to: "Consult and communicate with course providers, prior to making any changes to the curriculum design document or to the examination format or content." (Emphasis supplied).¹

Ultimately, in 2002, CISRO concluded that a single examination (without a set number of study hours) as opposed to a modular one, as initially proposed, should be used. A modular model was duly considered but rejected because both industry and regulators recognized the grave market disruption it would cause -- with consequent effects on the industry's growth potential. The LLQP also established a course provider program, but did not effectively require that course providers purchase a specific, much less government-mandated, manual. To the contrary, the LLQP gave course providers flexibility as to what materials to use to best prepare applicants for a license. Documentation from 2002 confirms that CISRO ultimately determined

¹ Course Provider Letter of Intent, at 1 (May 24, 2002).

that maintaining flexibility in the course materials for the LLQP was best for the industry and the Canadian public.

The province of Quebec chose not to join the 2002 LLQP program. Instead, it maintained its own license exam and system. Quebec's regulator, Autorité des marchés financiers ("AMF"), took the approach that insurance agents must satisfy stringent criteria not typical to comparable entry-level professionals before a license is issued. Under the Quebec exam system (the "Quebec Model"), an applicant must: a) meet educational requirements (i.e. a minimum number of years of higher level education), b) schedule, sit for and pass five individual exams, c) purchase a training manual and d) pay the highest fees in the country to support a bureaucracy surrounding the administration of the licensing exam. The Quebec Model has resulted in a dramatic decrease in insurance coverage in Quebec. After 11 years of using the Quebec Model, Quebec has the highest percentage of households underinsured (94%) of any Province, the greatest life insurance coverage gap in Canada (3.8 years short of 7-year income replacement), and the lowest mean face amount of individual insurance. In addition, the number of agents in Quebec has increased by only 2.9% from 2005-2010, while Alberta increased 32.9%, British Columbia increased 24.7%, and Ontario increased 20% over the same period. In short, following the implementation of the current Quebec Model, more Quebec residents are both underinsured and have less access to insurance sales agents than residents of the other Provinces. In seeming disregard of this, the planned CISRO licensing regime adopts the key elements of the Quebec Model.

The Needs of the Current Canadian Insurance Market

Most middle income Canadians feel they would have trouble covering expenses within a few months if the primary wage earner in the household were to die tomorrow.² 6.1 million Canadian households state that they are underinsured – this is 1.4 million more than in 2006. Fewer Canadian households have life insurance today, either individual or group, than they did seven years ago. Adoption nationwide of the Quebec Model or similar approaches would not only be financially imprudent but would also be inconsistent with market demand, as it would decrease the number of sales force agents.

Studies by LIMRA³, a global association of life insurance and financial services companies, have shown that the number of licensed agents correlates strongly with the amount of insurance coverage in the Provinces. Where underinsurance is high, the number of agents is

²Underinsured in Canada, LIMRA Custom Research (May 2013), at 4.

³ Formerly known as the Life Insurance Marketing and Research Association.

low.⁴ Moreover, overwhelmingly middle-market buyers of individual life insurance feel that insurance advisors are the best source for information, and these buyers have shown a strong preference (over 70%) for buying insurance face-to-face through an insurance agent, broker or financial advisor. For those not speaking French or English at home, more than 1 in 3 (37%) report preferring an advisor of the same heritage or language. Yet, half of Canadians do not have someone they would consider their “primary” or personal agent/advisor.⁵ The size of the agency force is not keeping up with population growth. After accounting for new hires minus agent turnover, growth of the agency force has been stagnant. Based on Primerica’s experience in Quebec, the new exam model will reduce the number of life insurance agents available to middle income Canadians across all of Canada, with an unfair and disproportionate impact on New Canadians, rural, northern and remote communities, and middle and lower-income families.

Importantly, and highly relevant to Canada’s NAFTA obligations, the planned changes disproportionately impact particular business models, and most prominently Primerica Canada’s, which is highly dependent on a fair and cost-effective licensing structure. Primerica Canada’s business model depends upon the ability to recruit and license new agents from diverse backgrounds. Its large sales force allows it to help middle-income families obtain the insurance protection they need. A higher license fee will discourage a significant number of potential licencees, as affirmed by one renowned expert: “These procedures are likely to aggravate the problem by dramatically increasing costs of both time lost from work and money to buy texts and pay for exams. The groups most likely to be affected will be those targeting lower and lower-middle income households who often come from those groups themselves.”⁶ Further, current Quebec exam and license fees are higher than any other jurisdiction in Canada with no evidence of increased benefits to the industry, the sales force or consumers. In fact, it is clear that there have been substantial harmful effects outlined above.

In light of the historic results of the Quebec Model, the current state of the insurance agency force and underinsurance in Canada, and the clear record and precedent of CISRO’s 2002 LLQP consultation with stakeholders, and the contractual commitments set out in the letter of intent, Primerica legitimately expected that CISRO would not make changes to the LLQP without “consult[ing] and communicat[ing] with course providers, prior to making any changes to the curriculum design document or to the examination format or content.” In particular, Primerica had a legitimate expectation that the provinces would not commit to replace the LLQP

⁴ LIMRA, at 25.

⁵ LIMRA, at 28.

⁶ DR. EDWIN WEINSTEIN, THE BRONDESBURY GROUP, REVIEW OF PROPOSED REVISIONS TO THE LLQP, at 10 (October 16, 2012).

with a new licensing program primarily based on the Quebec Model and especially would not do so without any economic analysis of the potential impact of the changes or any true consultation with Primerica Canada or industry.

The Development of CISRO's New Scheme

In July 2012, without any prior industry consultation known to Primerica Canada — and without offering any study or analysis whatsoever — CISRO announced at a stakeholder information session that it was replacing the LLQP with a modified version of the Quebec Model. CISRO further informed the industry that life insurance licensing applicants would be required to take a modular examination. In addition, CISRO revealed that preparation of the course materials, development of test questions, and administration of the system, would be turned over to Quebec's regulator, the AMF. Finally, CISRO announced that the new system would be funded through sales by the AMF of the AMF exam study guide⁷. The new licensing scheme would, CISRO declared, take effect in September 2015⁸. CISRO did not reveal that it had already obtained signed Memorandums of Understanding committing the Provinces to the plan.

The Provinces are in the process of adopting CISRO's new licensing scheme in a manner that is inconsistent with their own established procedures and regulatory obligations for adopting changes to the life insurance licensing requirements. Further, pursuant to a Course Provider Letter of Intent (May 24, 2002), the regulators had agreed to consult with Primerica and other Course Providers prior to making any changes to the examination format or content. The new program significantly changes both the examination format and the content — placing the regulators in breach of their obligations under the Letter of Intent. Surprisingly though, the Provinces' 2012 decision-making process was *in camera*, determined by CISRO, contrary to usual rule-making norms in Canada. No prior notice was given; no public hearing was held. No market analysis was performed. There was no opportunity for stakeholders to be heard. Every consequential detail already had been negotiated and finalized. No structural or substantive changes have been made in the CISRO plan as a result of any informational sessions with stakeholders. To the contrary, CISRO has purposefully limited the discussions of its exam initiative to administrative and secondary aspects of the proposed system. As Primerica Canada

⁷ CISRO later announced that the system would be funded by imposition of a licensing fee to the AMF with respect to the AMF study guide. The licensing fee covers more than just the study guide — it funds the AMF's efforts. The fee will be imposed "with respect to" the study guide, because it is charged per examinee, but it is charged regardless of whether or not the examinee obtains the study guide. With the payment of the fee, the course provider is granted the right by the AMF to provide the study content to the student. The AMF will not be printing books.

⁸ CISRO has since extended planned implementation to January 2016.

is a company that certifies nearly one-third of all exam candidates in Canada, it is unthinkable that its views were not solicited or heard.

In fact, a month prior to the July 2012 announcement to stakeholders regarding the changes to the LLQP, unknown to Primerica and to the Canadian industry generally, the Provinces had each already signed a Co-operative Memorandum of Understanding recognizing the AMF “as assuming the [new exam model’s] financial administration and management as well as initial costs for Program development.” Per the Memorandum of Understanding, the CISRO regulators agreed to select AMF as a service provider with no public competitive bidding process, and without considering potential alternatives for less costly providers. The regulators kept these agreements secret until major pressure was applied, and even then, the regulators failed to make public the final signed agreements. Frank Swedlove, President of the Canadian Life & Health Insurance Association (CLHIA), which represents over 99% of Canada’s life and health insurance business, has complained to CISRO that signing of these agreements prior to gaining stakeholder input was contrary to the “normal due process” and “show[s] that decisions had been made about the direction and scope of the changes [to the LLQP] even before stakeholders were advised, in July 2012, that changes were being contemplated.”⁹

CISRO refused to consider stakeholders’ comments, although substantiated by expert opinion, evidence and market analyses sought by insurers. After the first meeting in July 2012 where CISRO outlined the new plan, stakeholders were concerned that the new system would create barriers to entry for agents, including that there would be a significant cost increase for licensing, the time required by candidates to complete the exam would be significantly longer than the existing LLQP, that the open book format is not appropriate for an entry-level licensing exam, and that the modular exam would unfairly result in false fails, lower passing ratios, a decrease in the industry’s sales force, in addition to other disadvantages to candidates not foreseen by CISRO. At no time has CISRO or the Provincial regulators offered any evidence that adoption of the CISRO plan will solve any valid problems that have been identified with the LLQP.

The LLQP program has some shortcomings. However, there is no indication that its deficiencies have undermined the provision of sound service, nor is there any evidence of consumer harm under the current system. In fact, Ms. Joanne Abram, Chief Executive Officer of the Alberta Insurance Council, reported a mere 67 complaints of 26,591 life insurance certificate holders (licensed agents) and about two million policies in force in 2012 in Alberta. In presenting this number, Ms. Abram stated that she was very pleased with the low number of

⁹ Letter from Frank Swedlove, President of the Canadian Life & Health Insurance Association (CLHIA), to Ron Fullan, Chair, CISRO and LLQP Governance Committee (Oct. 8, 2013).

complaints and would hold up members of the life insurance industry against any other industry in terms of professionalism, knowledge and integrity. Primerica Canada itself had a total of only 13 complaints across Canada with respect to life insurance policies and segregated funds in 2012 that required additional authority for resolution, and none through the end of third-quarter 2013, with over 10,000 agents and an estimated 500,000 policies in force in Canada – one of the lowest complaint ratios in the industry. In the rare instance a complaint arises, it is never, to Primerica's knowledge, traceable in any way to a shortcoming in examination format. Complaints about agent misconduct have nothing to do with qualifications that can be tested through a licensing exam, nor can they be avoided through a modular exam format.

CISRO's efforts to cause the current LLQP examination system to be transformed into a modified version of the Quebec Model are misdirected. It should focus its influence on promoting healthy growth in the life insurance sales force to help solve the pervasive problem of underinsurance among middle-income Canadians. This requires a reduction in barriers, not increasing the cost and complexity of licensing new agents. Instead, it has undertaken a surreptitious tactic with the Provincial regulators to bring Quebec into its fold, without obtaining or considering data to understand the potentially damaging consequences of its plans or considering less radical measures. In short, the CISRO exam design will result in fewer licenses being obtained by traditional prospecting by life insurance agents across Canada. An analysis of the Quebec Model would have indicated the harm discussed above, and it can be avoided.

In fact, all of the infirmities of CISRO's plan and the harms it would cause if implemented by any province could be avoided by making modest, but important changes in the LLQP. These alternatives include:

- Raising licensing fees or collecting a fee directly from insurers to generate \$250,000 a year to update the databank of exam questions and maintain the current LLQP, which is the amount Primerica calculates is necessary to cure the systemic issues in the LLQP, in contrast to the \$3,750,000 - \$4,000,000 that the AMF has projected it will spend on start-up costs for the new CISRO model;
- Engaging in a competitive procurement process to appraise and select the exam vendor;
- Eliminating the modular format in favor of a single pass rate linear exam; and
- Prior to moving forward, undertaking a third-party analysis of the current licensing processes, including gathering and publishing statistics on the current Quebec experience, and obtaining a cost-benefit analysis of the LLQP and the Quebec Model to determine what, if any, changes are needed.

Sensible reforms would allow CISRO to remedy limited identified deficiencies in the LLQP without artificially reducing the number of licenses and significantly increasing the expense of licensing. CISRO appears to be fixed on a plan that will have no demonstrated benefit to the market segment that relies on the availability of term life insurance and will discriminate against Primerica Canada, the largest company exclusively issuing term insurance to the Canadian market.

Primerica offers these alternative reforms in the hope of a renewed dialogue that will accomplish the shared objective: ensuring that Canadians have an opportunity to gain access to adequate insurance protection with comfort in the process and confidence that their interests are being served. As outlined above, Canada can rectify CISRO's plan in a manner that is consistent with Canada's international obligations.

Harm to Primerica

Implementation of a licensing scheme that significantly reduces the insurance agent sales force and increases the costs of licensing will uniquely affect Primerica Canada and result in a severe and precipitous reduction in value of Primerica, Inc.'s investments in Primerica Canada. Primerica Canada focuses on the middle market, selling a limited number of types of simple income-protection (term) policies and encouraging consumers to invest the savings derived from the payment of lower premiums, enabling households to build future income. Primerica Canada's business model is uniquely designed to reach these middle market consumers. Other stakeholders have a different model – more focused on higher margins, bigger face values, diverse products and wealth management sold through brokers.

In addition to a unique business model, Primerica Canada will be disproportionately affected because Primerica Canada's insurance agents themselves come from the middle-income strata and its sales force is highly diverse, consisting of minorities and English as a second language (ESL) speakers. These individuals come from and represent the diverse communities Primerica Canada serves. Primerica Canada's sales force also is geographically dispersed, representing rural communities throughout the country that would not otherwise be reached. The lost licenses under CISRO's plan disproportionately would exist in minority, underserved communities, and northern and rural communities, with a consequent sharp curtailment of participation by residents in these markets. The Brondesbury Group, respected experts in the Canadian market, wrote in its report that "based on past research related to LLQP," the burden of the unreliable modular format "will primarily be borne by immigrants to Canada, whether they are taking the exam in their mother tongue or not. Primerica Canada's applicants, therefore, will be especially susceptible to false fails, and the effect on Primerica Canada's sales force, going forward, and therefore on its stake in the market, will be dramatically more serious than on other

insurance providers – without any benefit to Canadian insurance consumers and their insurance providers.”¹⁰

Primerica, Inc. estimates that there will be well over a 50% percent decrease in new annual licenses because of the adverse effect of the increased licensing fee, and disparate impact on ESI and minority applicants. Such a sharp decrease in licensed agents will necessarily result in a serious loss in revenue, as Primerica’s business model relies upon a large base of sales agents as described above. No competing company in Canada has this model and therefore no competing Canadian company will suffer these substantial losses. Primerica, Inc.’s losses are not speculative but can be readily ascertained by comparison with its losses following the implementation of a similar licensing scheme in the province of Quebec.

How Best to Move Forward

If CISRO’s scheme is adopted as-is by any Province, then, in accordance with the North American Free Trade Agreement, with a view toward resolving this dispute amicably through consultation and negotiation, Primerica, Inc. would have the right to provide to the Government of Canada written notice of its intention to submit a claim to arbitration under NAFTA Chapter 11. Primerica, Inc. would then also have the right to request that Canada and the governments for which it is responsible under NAFTA begin formal consultations and negotiations with Primerica, Inc. in an effort to amicably resolve the dispute, and the government of Canada would be obligated to do so. However, formal dispute settlement procedures may not be the most effective method to resolve this issue, particularly since harm resulting from the adoption of the measure (*i.e.* significant market share loss) may be difficult to fully remedy through any award subsequent to NAFTA Chapter 11 dispute proceedings.

Consultations now between the governments of Canada and the United States, and between the government of Canada, affected provinces, the CISRO regulators and Primerica, could yield practical resolutions that would serve CISRO’s purpose in harmonizing insurance agent examination requirements, and serve the governments of Canada and the United States’ joint public policy objective of reducing unnecessary regulatory burdens on foreign investors. These goals can be achieved through consultation – without Canada violating its NAFTA commitments and without causing unnecessary harm to Primerica, Inc., a substantial investor and provider of services to the Canadian market.

DOC 51083253.8

¹⁰ WEINSTEIN, at 4.

Dillon, Brian FIN:EX

From: Dillon, Brian FIN:EX
Sent: Wednesday, March 19, 2014 2:54 PM
To: Wong, Gina G FIN:EX
Cc: Gill, Marcus A FIN:EX
Subject: FW: LLQP Project - Response to Latest Primerica Letter

Per Marcus' instructions, can you process this document – not sure how it goes up. You should leave draft on it as it up to Communications to finalize these types of notes.

From: Gill, Marcus A FIN:EX
Sent: Wednesday, March 19, 2014 2:52 PM
To: Dillon, Brian FIN:EX
Subject: RE: LLQP Project - Response to Latest Primerica Letter

Thanks Brian. Please ask Gina to process.

From: Dillon, Brian FIN:EX
Sent: Wednesday, March 19, 2014 2:08 PM
To: Gill, Marcus A FIN:EX
Subject: RE: LLQP Project - Response to Latest Primerica Letter

I think a mandatory course and specified course providers go hand in hand; Quebec prepared the materials, but did not require a course. Under the new LLQP, there will be one set of course materials, not different ones produced by different providers. I think your latter description is best, with the change noted, and we should go with it. I have included them in update version at:

J:\FCSP\Brian\Brian 2014\IN LLQP Draft March 19.doc

Does this work?

Brian

From: Gill, Marcus A FIN:EX
Sent: Wednesday, March 19, 2014 1:42 PM
To: Dillon, Brian FIN:EX
Subject: RE: LLQP Project - Response to Latest Primerica Letter

Looking close. I am still unclear on whether everyone is now moving to a mandatory course or specified course providers, or both.

Is this accurate?

The key differences were that Quebec required a minimum of 13 years education, did not specify which course providers can teach the government-prepared program material (under the LLQP designated course providers develop the study material) and offered a modular exam consisting of a five part exam.

After discussion, Quebec agreed to drop the minimum 13 years education requirement and supported specifying who can be a course provider. The other jurisdictions supported adopting a modular exam, as it would address

two of the industry's issues listed above and fulfill CISRO's intent indicated in 2001 to eventually move to the modular exam approach.

Or is this or something else accurate? If a mandatory course is now proposed, isn't it the other jurisdictions that have moved to introducing a mandatory course?

The key differences were that Quebec required a minimum of 13 years education, did not ~~specify which~~ impose a mandatory course providers can teach requirement (the government ~~did~~ prepared study material whereas (under the LLQP designated course providers develop their own study material) and offered a modular exam consisting of a five part exam.

After discussion, Quebec agreed to drop the minimum 13 years education requirement and supported introducing a mandatory course as a precondition of writing the exam. The other jurisdictions supported adopting a modular exam, as it would address two of the industry's issues listed above and fulfill CISRO's intent indicated in 2001 to eventually move to the modular exam approach.

From: Dillon, Brian FIN:EX
Sent: Wednesday, March 19, 2014 11:55 AM
To: Gill, Marcus A FIN:EX
Subject: FW: LLQP Project - Response to Latest Primerica Letter

Here is version with updates (and a few more fixes – I thought referring to the 2004 rules making authority change after the 2002 LLQP was confusing and unnecessary). Brian

From: James, Harry FIN:EX
Sent: Wednesday, March 19, 2014 11:49 AM
To: Dillon, Brian FIN:EX
Cc: Gill, Marcus A FIN:EX; Chong, Frank FIN:EX
Subject: RE: LLQP Project - Response to Latest Primerica Letter

Hi Brian,

s.13

Harry James
Director, Policy Initiatives
Financial Institutions Commission
Suite 2800, Box 12116 | 555 West Hastings | Vancouver, BC | V6B 4N6
Phone 604 660 1935 | Fax 604 660-3365
www.fic.gov.bc.ca

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From: Dillon, Brian FIN:EX
Sent: Wednesday, March 19, 2014 9:33 AM
To: James, Harry FIN:EX
Cc: Gill, Marcus A FIN:EX; Chong, Frank FIN:EX
Subject: RE: LLQP Project - Response to Latest Primerica Letter

Harry: Marcus has suggested changes to the IN key facts/background relating to government's view of the LLQP proposals, etc. It would say:

The Council is a self-regulatory organization with the authority to make rules and establish educational requirements. It is a member of the Canadian Insurance Services Regulatory Organizations (CISRO) whose role is the development of consistent Canadian standards of qualifications and practice for insurance intermediaries.

The Minister of Finance has oversight of the Council's rule making through a requirement that all rule changes be approved by the Minister. As well, the government can override any rule through a regulation passed by Cabinet.

Intervention by the government on a specific regulatory issue within Council's authority would ordinarily be undertaken only where there are serious concerns about the process or impacts. **Staff from the Ministry and the Financial Institutions Commission (FICOM) support the effort to create a harmonized national licensing regime and do not see any indication that the goal of these rule changes is anything other than enhanced consumer protection.**

Are you okay with the bolded description of FICOM's view?

Thanks,

Brian

From: James, Harry FIN:EX
Sent: Friday, March 14, 2014 2:31 PM
To: Dillon, Brian FIN:EX
Cc: Gill, Marcus A FIN:EX; Chong, Frank FIN:EX
Subject: RE: LLQP Project - Response to Latest Primerica Letter

Just a few minor changes. s.21
s.21

Harry James
Director, Policy Initiatives
Financial Institutions Commission



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From: Dillon, Brian FIN:EX
Sent: Friday, March 14, 2014 11:19 AM
To: James, Harry FIN:EX
Cc: Gill, Marcus A FIN:EX
Subject: RE: LLQP Project - Response to Latest Primerica Letter

Harry: I spoke with Marcus about whether we should be proactive in briefing the Minister prior to the likely receipt of a submission from Primerica. Marcus thought that a communications backgrounder might be better at this stage. Attached is a draft of one; the background is too long and Marcus will shorten it before sending it up, but I thought it would be useful to have a longer background in our back pocket for a possible more detailed briefing. Can you review and let me know if you have any suggested changes? See in particular the comment about FICOM's views in the last paragraph of the summary in the background. I plan to send the background on the LLQP to Gerry to see if he has any further updates/corrections. Thanks, Brian

From: James, Harry FIN:EX
Sent: Tuesday, March 11, 2014 8:41 AM
To: Gill, Marcus A FIN:EX; Dillon, Brian FIN:EX
Cc: McLean, Doug B FIN:EX; Rogers, Carolyn FIN:EX
Subject: FW: LLQP Project - Response to Latest Primerica Letter

Hi Marcus/Brian

Just keeping you in the loop as to the latest development in the Primerica vs. LLQP matter.
s.13

Primerica is now removing its self from the consultation process and is trying to put pressure on CISRO to stop the current plan to move to a modular approach and retain the old LLQP.

Harry James
Director, Policy Initiatives
Financial Institutions Commission
Suite 2800, Box 12116 | 555 West Hastings | Vancouver, BC | V6B 4N6
Phone 604 660-1935 | Fax 604 660-3365
www.fic.gov.bc.ca

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From: Carol Shevlin [<mailto:Carol.Shevlin@fsc.gov.on.ca>]

Sent: Tuesday, March 11, 2014 7:30 AM

To: Angela Mazerolle; Brad Geddes; Carol Shevlin; Rogers, Carolyn FIN:EX; Charles Johnston; Dan Carlson; Doug Doak; McLean, Doug B FIN:EX; Doug Murphy; Fiona.Charbonneau; Grant Swanson; Ian McIntosh; Jim Scalena; Julien Reid; Mark Prefontaine; Nathalie Sirois ; Patrick Dery; Penny Lee; Peter Blandy; Phil Howell; Robert Bradley

Cc: Alayne Brygadyr-McCoy ; Alex Lambrecht; Anatol Monid; Ann Baksh; Bartosz Chrostowski; Bev Blakesley; CCIR-CCRRRA; Craig Whalen; Darlene Hall; Darrell Leadbetter; David Weir; Dawn Madassa; Denis Poirier ; Eric Stevenson ; Chong, Frank FIN:EX; James, Harry FIN:EX; Heather Grace; Heidi Davison; Jackie Grant; Janice Callbeck; Jean-Francois Routhier; Jennifer Calder; Julie Demers; Karen Steele; Withnell, Kiah FIN:EX; Laurie Balfour; Lesley Thomson; Letitia Miclescu; Louise Gauthier; Margaret Rowe; Marie-Claude Mailhot; Mario Beaudoin ; Martha Desouza; Martin Ship; Grist, Michael FIN:EX; Nelly Ching; Nicole Beaulieu; Nurez Jiwani; Wangkhang, Pamela FIN:EX; Peter Burston; Phillip McInnis; Rachel Olaso-Pezeshkian; Ron Fullan; Saveria Viilanti; Scott Moore; Seta Singh; Shonna Neil; Stephane Langlois; Sussana Lecusay; Tom Golfetto; Usha Anandarajah; William Ngu

Subject: FW: LLQP Project - Response to Latest Primerica Letter

Forwarding from Ron Fullan

Carol

From: Fullan, Ron (ICS) [<mailto:Ron.Fullan@skcouncil.sk.ca>]

Sent: March-10-14 3:48 PM

To: CISRO

Cc: Carol Shevlin

Subject: LLQP Project - Response to Latest Primerica Letter

TO: All CISRO Members

c.c.: CCIR Secretariat for Distribution to CCIR Members

Throughout our LLQP harmonization project, we have held quarterly meetings with stakeholders to provide project updates, and allow for stakeholder feedback. In 2012 and 2013, those meetings were held on a large group basis. For the first quarter meeting in 2014, we changed format to allow one-on-one meetings between stakeholders and our Governance Committee. The meetings were very positive, and supportive of the ongoing communication, as well as the professionalism of the process that is being followed.

We did have one stakeholder who chose not to participate in the one-on-one sessions. I received a letter via email from Primerica the business day before the stakeholder sessions, outlining the reasons why they would not be participating.

I have attached for your information a copy of their letter, along with the response that will go out to them tomorrow.

Ron

If you have received this message in error, please notify me immediately and delete this e-mail and any attachments without copying, distributing or disclosing their contents.

Si vous avez reçu ce message par erreur, veuillez nous en aviser immédiatement et détruire ce courriel ainsi que toute pièce jointe en vous abstenant d'en faire une copie, d'en divulguer ou d'en diffuser le contenu.



Head Office/Siège Social
2000 Argentia Road,
Plaza V, Suite 300
Mississauga, ON L5N 2R7

Mailing Address/Adresse postale:
P.O. Box 174/C.P. 174
Streetsville, ON L5M 2B8

Mr. Ron Fullan
Chairperson, CISRO
Executive Director Insurance Council of Saskatchewan
310 - 2631 - 28th Avenue
Regina SK S4S 6X3

Dear Mr. Fullan:

Re: Individual Stakeholder Sessions

We write in response to your invitation, extended through the CLHIA and through Pat Chamberlain, to meet with industry stakeholders on a one-on-one basis.

As you know, Primerica always has made time to meet with regulators and public officials upon their request on a variety of matters. We believe it is incumbent upon us as a major Canadian insurer, to maintain a dialogue with our regulatory bodies. Moreover, as the Company with the largest stake in life insurance producer licensing and as a course provider, we believe our views should be (and, indeed, must be) solicited prior to any change to the LLQP.

We are certain you would appreciate, however, that the opportunity to have a genuine "consultation" with the industry, and with us, regarding the decision to replace the LLQP, passed the moment CISRO entered into a Memorandum of Understanding and began the process of implementing the new regime and signing a Participation Agreement. This commitment was entered into without any stakeholder input and prior to any public disclosure that significant revisions were being made to the LLQP. With respect, there is simply no legitimate argument that room exists today – much less before today – for conversations to change these commitments to retain the AMF to administer a multi-modular, open book licensing examination throughout the provinces. Binding agreements had been signed with substantial financial penalties attached before these one-one meetings were contemplated.

We agree that bona fide consultations are required, and never have taken place. However, CISRO cannot have a legitimate consultation unless the Memorandum of Understanding and Participation Agreement are set aside. We are prepared to meet with you in person to discuss in more detail the process issues we have raised regarding the LLQP replacement and whether it would be possible to set aside the Agreements in order to consult on the LLQP. Please let us know if you are open to having that conversation.

Yours truly,


John A. Adams, CPA, CA
Chief Executive Officer

Primerica Client
Services Inc.

Les Services à la Clientèle
Primerica Inc.

Primerica Life Insurance
Company of Canada

La Compagnie d'Assurance-Vie
Primerica du Canada

PFSL Investments
Canada Ltd.

Les Placements PFSL
du Canada Ltée

March 10, 2014

Mr. John A. Adams
Chief Executive Officer
Primerica Life Insurance Company of Canada
2000 Argentia Road, Plaza V, Suite 300
Mississauga ON L5N 2R7

Dear Mr. Adams:

I write in response to your undated letter to me titled "Individual Stakeholder Sessions", which was delivered via email on February 7, 2014 by Steven Ellingson, Government Relations Analyst with your company. A copy of your letter is attached.

Our LLQP Governance Committee is obviously disappointed that your organization chose not to participate in our one-on-one stakeholder consultation meetings in Toronto on February 10, 2014.

We conducted a total of seven stakeholder sessions that day. The feedback we received was very positive concerning the level of stakeholder communication that has been included in our consultation process, the transparency of the process, and also regarding our adherence to recognized curriculum development standards.

You did indicate in your letter that you were prepared to meet with me in person to discuss in more detail the process issues you have raised regarding the changes being made to the LLQP. As I have indicated in the past, I am prepared to meet with stakeholder groups at any time to continue the open dialogue necessary to ensure a successful implementation of the upgrades we are proposing.

Sincerely,

Ron Fullan
Executive Director, Insurance Councils of Saskatchewan.
Chair, CISRO

c.c. All CISRO Member Jurisdictions
All CCIR Member Jurisdictions

Dillon, Brian FIN:EX

From: Dillon, Brian FIN:EX
Sent: Wednesday, March 19, 2014 11:33 AM
To: 'gmatier@insurancecouncilofbc.com'; James, Harry FIN:EX
Cc: Gill, Marcus A FIN:EX
Subject: RE: LLQP

Gerry: Thanks that is helpful. Brian

From: Gerry Matier [mailto:gmatier@insurancecouncilofbc.com]
Sent: Wednesday, March 19, 2014 11:18 AM
To: Dillon, Brian FIN:EX; g. Matier; James, Harry FIN:EX
Cc: Gill, Marcus A FIN:EX
Subject: Re: LLQP

Hi Brian

In response to your comments:

1. Use of term "Quebec' course", maybe program is a more appropriate term. Quebec's current program involves specific study material and exams and do not specify who can teach the material. The LLQP is recognized course providers and an exam, and we leave it to the course provider to develop the specific study material.
2. The move to modular exams is not specifically intended to raise the bar. The issue is that we have found that it is possible to pass the LLQP but "fail" specific knowledge areas. I.E. A person could get every question on A&S wrong but still pass the overall exam.

The intent is to have an examinee demonstrate his/her knowledge in all areas. This was our concern when the LLQP was originally introduced in 2002 and why we wanted modular exams back then.

If we do not move to modular exams, we would need to raise the pass mark on the current exam to ensure an examinee has demonstrated their knowledge.

I hope this helps

Gerry
Sent on the TELUS Mobility network with BlackBerry

From: "Dillon, Brian FIN:EX" <Brian.Dillon@gov.bc.ca>
Date: Wed, 19 Mar 2014 09:37:52 -0700
To: Gerry Matier<gmatier@insurancecouncilofbc.com>; James, Harry FIN:EX<Harry.James@ficombc.ca>
Cc: Gill, Marcus A FIN:EX<Marcus.Gill@gov.bc.ca>
Subject: RE: LLQP

Gerry: Marcus reviewed the note and pointed out an inconsistency:

CISRO established a committee consisting of the insurance councils of Alberta, BC and Saskatchewan; the Financial Services Commission of Ontario; Quebec's Autorité des marchés financiers (AMF); and the New Brunswick Superintendent of Insurance to determine how best to proceed. The committee determined that Quebec's course [**Note: Don't you also say that QC doesn't have a course?**] was very similar to the LLQP, resulting in minimum changes to the course design documents for all parties involved.

The key differences were that Quebec required a minimum of 13 years education, **had no required course** and offered a modular exam consisting of a five part exam. After discussion, Quebec agreed to drop the minimum 13 years education requirement and supported introducing a mandatory course requirement as a precondition of writing the exam. For its part the other jurisdictions supported adopting a modular exam, as it would address two of the industry's issues listed above and fulfill CISRO's intent indicated in 2001 to eventually move to the modular exam approach.

Can you clarify?

He also commented that:

The move to a modular learning/testing system is intended to improve the core knowledge level of candidates wanting to enter the profession. It will assess the candidates' knowledge about each topic area ensuring that he/she has a basic level of knowledge in that area. Primerica suggests that the intent is to raise the bar but this is not the case. **Note: How can we say this if the intent is to improve consumer protection through improved core knowledge of candidates?** At this stage, CISRO believes that the changes will not represent a significant change to what applicants are being taught now and should not result in any significant change in what is being tested as a requirement for obtaining a life insurance agent's licence.

I think that is a good point. The proposals will raise the bar by ensuring better, consistent education and testing, but as pointed out in the following sentence does not involve new material, etc. I think we will just take out the raising the bar sentence.

Thanks,
Brian

From: Gerry Matier [<mailto:gmatier@insurancecouncilofbc.com>]
Sent: Friday, March 14, 2014 2:43 PM
To: James, Harry FIN:EX; Dillon, Brian FIN:EX
Cc: Gill, Marcus A FIN:EX
Subject: RE: LLQP

Hi Harry

In response to your questions/comments, I have the following:

Brian/Gerry – this will most likely lead to the question what was Primerica's pass rate

**In the past three Primerica's pass rate in B.C. is: 2013 - 62% (based on 380 first attempts)
2012 - 67% (based on 384 first attempts)**

Though shelved, CISRO had indicated at the time to industry an intention to move to this approach. [Gerry is this correct. I recollect Ron Fullan mentioning this to me]

This is correct. We agreed to shelve these issues until the industry was satisfied that the LLQP was performing better than the old licence exam. The industry felt all the proposed changes would affect their recruitment but results showed that from the very beginning the LLQP performed in a manner that exceeded the regulators' predictions.


All your other changes look good to me Harry

Gerry

From: James, Harry FIN:EX [<mailto:Harry.James@ficombc.ca>]
Sent: March-14-14 2:32 PM
To: Gerry Matier; Dillon, Brian FIN:EX
Cc: Gill, Marcus A FIN:EX
Subject: RE: LLQP

I have a few questions/changes/suggestions in red.

Harry James
Director, Policy Initiatives
Financial Institutions Commission
Suite 2800, Box 12116 | 555 West Hastings | Vancouver, BC | V6B 4N6
Phone 604 660-1935 | Fax 604 660-3365
www.fic.gov.bc.ca

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From: Gerry Matier [<mailto:gmatier@insurancecouncilofbc.com>]
Sent: Friday, March 14, 2014 1:19 PM
To: Dillon, Brian FIN:EX
Cc: Gill, Marcus A FIN:EX; James, Harry FIN:EX
Subject: RE: LLQP

Hi Brian

I reviewed the briefing note and made some edits (see attached). In addition, I have attached the letter and e-mails received from the industry in support of the process; Primerica's conditions for its continued participation; as well as its two submissions opposing any changes and CISRO's responses.

As an FYI, Primerica has raised this issue in the USA as a trade dispute under NAFTA, s.13,s.16
s.13,s.16

If you need anything else please let me know.

Gerald Matier | Executive Director| **Insurance Council of British Columbia**
Suite 300, 1040 West Georgia Street, PO Box 7, Vancouver, BC V6E 4H1
T: 604-688-0321 ext. 311 | D: 604-695-2001
Toll Free Within BC: 1-877-688-0321
gmatier@insurancecouncilofbc.com | www.insurancecouncilofbc.com

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From: Dillon, Brian FIN:EX [<mailto:Brian.Dillon@gov.bc.ca>]
Sent: March-14-14 11:25 AM
To: Gerry Matier
Cc: Gill, Marcus A FIN:EX; James, Harry FIN:EX
Subject: LLQP

Gerry: Hello. We understand that Primerica has pulled out of CISRO consultations and is continuing to object to LLQP reforms. In expectation that we may need to provide briefing materials at some point in the next while, I have taken the material you sent us last year, with some further background provided by FICOM, and drafted the below background. Can you please review it and get back to me if you think it needs any corrections/further updates, etc. In particular, there is reference to meetings with stakeholders scheduled last year; it would be better to indicate that they were held and when. Thanks very much. Brian

Background to the LLQP and proposed reforms: The current educational requirement for a life insurance agent's licence, the LLQP, was developed in co-operation with the other Canadian jurisdictions, except Quebec and was implemented in 2001-2002. The LLQP replaced an out of date qualification exam that was poorly written and had a pass rate (based on first attempts) of under 45%.

The introduction of the LLQP included the requirement for life licence applicants to first complete a study program, based on a curriculum design document developed by the provincial regulators. A number of educators and insurers (one of which is Primerica) were approved by regulators to offer the LLQP course. Upon completion of the LLQP course, a licence applicant would then write the LLQP exam in their home jurisdiction. With the introduction of the LLQP course and exam, the pass rate (based on first attempts) increased to over 70%.

Between 2002 and 2012, B.C. moved forward with improvements to the LLQP exam (improving existing exams questions and developing new questions), while the other jurisdictions did not. In addition, the Insurance Council found many LLQP course providers had moved from teaching and training students based on the LLQP document to teaching students how to pass the exam.

During the ten years that the LLQP has been in place, the insurance industry has provided feedback on the LLQP, including recommendations on how the program could be improved. These included:

1. common terminology - with 10 course providers, different terminology is used, leading to confusion when writing the exam;
2. no feedback to students when the LLQP exam is failed; and
3. the exam is too long (4 hours) without a bathroom break.

In 2010, Council decided that a review of the LLQP design document was required. Around the same time, there was discussion at the national level (through the Canadian Insurance Regulatory Services Organization (CISRO)) for all jurisdictions to co-ordinate and harmonize the licensing requirements for life insurance licences. These discussions included Quebec, which agreed to bring its requirements in-line with the rest of Canada.

CISRO established a committee consisting of the insurance councils of Alberta, B.C. & Saskatchewan; FSCO (Ontario); AMF (Quebec); and the New Brunswick Superintendent of Insurance to determine how best to proceed. CISRO found that Quebec's program material was very similar to the LLQP. The key differences were that Quebec required a minimum of 13 years education, had no required course and offered a modular exam consisting of a five part exam.

After discussion, Quebec agreed to drop the minimum 13 years education requirement and supported introducing a mandatory course requirement as a precondition of writing the exam. For its part the other jurisdictions were supportive of adopting a modular exam as it would address two of the industry's issues listed above.

Based on this, CISRO agreed to contract the services of the AMF (Quebec) education department to review Quebec's and the LLQP material to establish a common course curriculum design document (it is believed that the two programs each cover about 90% of the same material). CISRO has now decided to develop the actual study material to be used by LLQP course providers (this is currently done by course providers, including Primerica). This will address issues relating to different terminology and move providers away from just teaching how to pass the exam. In addition, students will be permitted to bring the study material to the exam to use as reference.

At this stage, CISRO believes that the changes will not represent a significant change to what applicants are being taught now and should not result in any significant change in what is being tested as a condition of obtaining a life insurance agent's licence. In fact, this process will likely increase the pass rate on first attempts, making entry into the industry more accessible.

In July 2012 CISRO met with all interested stakeholders to advise that it was undertaking this project and gave January 2016 as the date the changes will be implemented. Since then there have been additional meetings with interested parties. CISRO is committed to meeting regularly with all stakeholders as the project proceeds. Stakeholder meetings were scheduled for January, April and June/July 2013. Further, meetings in January 2014 were held with seven stakeholders, while Primerica refused to participate.

Primerica claims it has had issues getting candidates through the Quebec regime and is concerned that the new LLQP will prove to be a significant barrier to entry for many of its new agent recruits. The Insurance Council feels that Primerica's problems in Quebec may be distorted by other factors – Quebec has a 13 year education requirement and does not permit part time agents. Quebec also has a dedicated tax module which is math intensive; however, this element will not be a standalone module in the revised LLQP.

One of the concerns industry raised was that in Quebec testing is done over multiple days – current thinking is to try to permit it to be done in one day to reduce the impact of candidates needing to take multiple days off work.

Council notes that the intent of CISRO is not to implement the Quebec model as the standard. The intent is to move to a modular learning/testing system to improve the core knowledge level of candidates wanting to enter the profession. The intent is also not to raise the bar – just ensure that those entering the profession have better core knowledge about the products that they can sell.

s.13,s.16

Gill, Marcus A FIN:EX

From: Gerry Matier <gmatier@insurancecouncilofbc.com>
Sent: Friday, March 14, 2014 1:19 PM
To: Dillon, Brian FIN:EX
Cc: Gill, Marcus A FIN:EX; James, Harry FIN:EX
Subject: RE: LLQP
Attachments: Background to the LLQP and proposed reforms.docx; CAFII Letter of Support for CISRO LLQP Final, Feb 21, 2014.pdf; FW: Feedback..sorry for the delay; FW: Thank You; Primerica letter dated June 20 2013.pdf; July 22, 2013 Letter to Primerica.docx; John Adams to CISRO October 25 2012 FINAL[2].pdf; 11 - Primerica letter.pdf; Feb 5, 2014 Letter to Primerica.docx; DOC031014-03102014081104.pdf

Hi Brian

I reviewed the briefing note and made some edits (see attached). In addition, I have attached the letter and e-mails received from the industry in support of the process; Primerica's conditions for its continued participation; as well as its two submissions opposing any changes and CISRO's responses.

As an FYI, Primerica has raised this issue in the USA as a trade dispute under NAFTA. s.16

If you need anything else please let me know.

Gerald Matier | Executive Director| **Insurance Council of British Columbia**
Suite 300, 1040 West Georgia Street, PO Box 7, Vancouver, BC V6E 4H1
T: 604-688-0321 ext. 311 | D: 604-695-2001
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From: Dillon, Brian FIN:EX [mailto:Brian.Dillon@gov.bc.ca]
Sent: March-14-14 11:25 AM
To: Gerry Matier
Cc: Gill, Marcus A FIN:EX; James, Harry FIN:EX
Subject: LLQP

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that Quebec required a minimum of 13 years education, had no required course and offered a modular exam consisting of a five part exam.

After discussion, Quebec agreed to drop the minimum 13 years education requirement and supported introducing a mandatory course requirement as a precondition of writing the exam. For its part the other jurisdictions were supportive of adopting a modular exam as it would address two of the industry's issues listed above.

Based on this, CISRO agreed to contract the services of the AMF (Quebec) education department to review Quebec's and the LLQP material to establish a common course curriculum design document (it is believed that the two programs each cover about 90% of the same material). CISRO has now decided to develop the actual study material to be used by LLQP course providers (this is currently done by course providers, including Primerica). This will address issues relating to different terminology and move providers away from just teaching how to pass the exam. In addition, students will be permitted to bring the study material to the exam to use as reference.

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Primerica claims it has had issues getting candidates through the Quebec regime and is concerned that the new LLQP will prove to be a significant barrier to entry for many of its new agent recruits. The Insurance Council feels that Primerica's problems in Quebec may be distorted by other factors - Quebec has a 13 year education requirement and does not permit part time agents. Quebec also has a dedicated tax module which is math intensive; however, this element will not be a standalone module in the revised LLQP.

One of the concerns industry raised was that in Quebec testing is done over multiple days – current thinking is to try to permit it to be done in one day to reduce the impact of candidates needing to take multiple days off work.

Council notes that the intent of CISRO is not to implement the Quebec model as the standard. The intent is to move to a modular learning/testing system to improve the core knowledge level of candidates wanting to enter the profession. The intent is also not to raise the bar – just ensure that those entering the profession have better core knowledge about the products that they can sell.

s.13,s.16

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The introduction of the LLQP included the requirement for life licence applicants to first complete a study program, based on a curriculum design document developed by the provincial regulators. A number of educators and insurers (one of which is Primerica) were approved by regulators to offer the LLQP course. Upon completion of the LLQP course, a licence applicant would then write the LLQP exam in their home jurisdiction. With the introduction of the LLQP course and exam, the pass rate (based on first attempts) increased to over 70% (although Primerica's result have been continuously lower than most other providers. As an example, course providers such as Advocis, London Life, Sun Life, the Canadian Securities Institute and IFSE (which represent over 600 applicants in B.C. each year) have all maintained pass rates of over 85%.)

Between 2002 and 2012, B.C. moved forward with improvements to the LLQP exam (improving existing exams questions and developing new questions), while the other jurisdictions did not. In addition, the Insurance Council of British Columbia ("Council") found many LLQP course providers had moved from teaching and training students based on the LLQP document to teaching students how to pass the exam.

During the ten years that the LLQP has been in place, the insurance industry has provided feedback on the LLQP, including recommendations on how the program could be improved. These included:

1. common terminology – with 10 course providers, different terminology is used, leading to confusion when writing the exam;
2. no feedback to students when the LLQP exam is failed; and
3. the exam is too long (4 hours) without a bathroom break.

In 2010, Council commenced work on a review of the LLQP design document. Around the same time, there was discussion at the national level (through the Canadian Insurance Regulatory Services Organization (CISRO)) for all jurisdictions to co-ordinate and harmonize the licensing requirements for life insurance licences. These discussions included Quebec, which agreed to make a number of changes to its requirements to do so.

CISRO established a committee consisting of the insurance councils of Alberta, B.C. & Saskatchewan; FSCO (Ontario); AMF (Quebec); and the New Brunswick Superintendent of Insurance to determine how best to proceed. In the lead up to this review it was established that the material covered in Quebec's course was very similar to the LLQP, resulting in minimum changes to the course design documents for all parties involved.

The key differences were that Quebec required a minimum of 13 years education, had no required course and offered a modular exam consisting of a five part exam. All of these differences had originally been proposed with the introduction of the LLQP in 2001 but had been shelved so as to speed up LLQP's introduction.

After discussion, Quebec agreed to drop the minimum 13 years education requirement and supported introducing a mandatory course requirement as a precondition of writing the exam. For its part the other jurisdictions were supportive of adopting a modular exam as it would address two of the industry's issues listed above.

Based on this, CISRO agreed to contract the services of the AMF (Quebec) education department to complete the work necessary to create one harmonized life agent licensing course and exam. Quebec was selected because it had an in-house department dedicated to development of education programs for the financial services sector. Because the existing Quebec program and the LLQP were so similar - the two programs each cover about 90% of the same material, Quebec was a natural choice (no other jurisdiction had similar resources) .

CISRO has now decided to develop the actual study material to be used by LLQP course providers (this is currently done by course providers, Primerica did not develop its own material but has instead contracted with different providers to use theirs).

By developing the course material, CISRO will be able to address issues relating to different terminology and move providers away from just teaching how to pass the exam. Students will also be permitted to bring the study material to the exam to use as reference. In addition, with the introduction of modular exams, students who do not pass will know where their weakness is and will only be required to re-write those modules on which they were not successful (currently, if a student is not successful they are required to re-write the whole exam and receive no feedback on where their challenges are so are unable to identify where their knowledge needs to be improved.)

At this stage, CISRO believes that the changes will not represent a significant change to what applicants are being taught now and should not result in any significant change in what is being tested as a requirement for obtaining a life insurance agent's licence.

In July 2012 CISRO met with all interested stakeholders to advise that it was undertaking this project and gave January 2016 as the date the changes will be implemented. Since then there have been meetings with all stakeholders every 90-120 days. CISRO is committed to continue with these meetings with all stakeholders as the project proceeds. Stakeholder meetings were scheduled for January, April, July and October 2013. Further, in February 2014 CISRO held individual meetings with all interested stakeholders and course providers except Primerica, who refused to participate. (see their reasons attached). CISRO intends to continue this level of consultation with the industry right through to implementation in 2016.

Primerica claims it has had issues getting candidates through the Quebec regime and is concerned that the new LLQP will prove to be a significant barrier to entry for many of its new agent recruits. Council feels that Primerica's problems in Quebec may be distorted by other factors - Quebec has a 13 year education requirement and does not permit part

time agents. Quebec also has a dedicated tax module which is math intensive; however, this element will not be a standalone module in the revised LLQP.

It should be noted that Primerica likes to refer the changes as adopting the "Quebec Model". In fact, it is probably more appropriate to state that Quebec is adopting the CISRO model because the new course/exam are going to be much more similar to what is currently offered in B.C. than what is currently offered in Quebec.

One of the concerns industry raised was that in Quebec testing is done over multiple days. Council will continue to allow all four modular exams in one sitting (we will also allow students to write on multiple days if they prefer). One of the additional benefits of the modular exams is to now be able to provide bathroom breaks during the exam sittings, something which is not possible now and the exam is 4 hours long.

The intent is to move to a modular learning/testing system to improve the core knowledge level of candidates wanting to enter the profession. There has been suggestion by Primerica that the intent is to raise the bar but this is not the case. The revised curriculum has not seen significant changes but those that are occurring were done after extensive discussion and consultation with the life insurance industry (including Primerica) and there is general agreement that the material to be covered and tested is appropriate for any entry level licensing course.

Overall, the industry has been supportive of the process so far. CISRO has received written support from the Canadian Association of Financial Institutions in Insurance (CAFII), Advocis and the Sun Life Assurance Company (copies enclosed).

Also enclosed are copies of the correspondence from Primerica to CISRO and CISRO's responses.

February 21, 2014

Mr. Ron Fullan
Chair, Life Licence Qualification Program Committee
Canadian Insurance Services Regulatory Organizations
c/o Insurance Councils of Saskatchewan
Suite 310 – 2631 28th Avenue
Regina, Saskatchewan S4S 6X3

Dear Mr. Fullan:

As Board Chair of the Canadian Association of Financial Institutions in Insurance, I'm pleased to communicate our Association's support for the Life Licence Qualification Program (LLQP) modernization effort being led by CISRO's LLQP Committee; and to outline our views on a number of related interprovincial harmonization issues which are germane to CISRO.

It is CAFII's view that after more than a decade of experience with the current, first iteration of the LLQP, a review and modernization was necessary and timely.

We are comfortable with the direction the modernization effort is taking. We congratulate your committee on the significant progress made to date. In particular, we thank you for the open, transparent, and consultative process you've employed. We appreciate the diligent, conscientious effort being made to obtain stakeholder input at each stage along the way.

CAFII has been involved in and consulted throughout the project to date, through such channels as

- the Occupational Analysis Workshops conducted across the country;
- the opportunity to review and provide feedback on the Curriculum Design Document;
- the quarterly, face-to-face Stakeholder Information Sessions you've held; and
- the one-on-one stakeholder group meetings with the committee recently held in Toronto.

CAFII endorses the modular (four) approach that the committee is pursuing in modernizing the LLQP. We believe that a modular approach will provide certain advantages to candidates pursuing a life licence and, in turn, to their employers.

Importance of Labour Mobility and Mutual Recognition of Licenses in Insurance

Insurance companies are increasingly using direct channels such as the internet and client contact centres to sell coverage in all jurisdictions. Currently, for individual life insurance, contact centres employ LLQP-trained agents, each of whom must hold licenses from all jurisdictions serviced by the centre, typically 13 different licences. Similarly for home and auto insurance, contact centres employ agents who hold P&C licenses in all jurisdictions.

It is administratively very costly and cumbersome to have to manage licensing for 13 separate jurisdictions (including separate background checks; monitoring expiry dates for each jurisdiction; completion of forms; compliance with multiple continuing education, errors and omissions insurance, and notification requirements).

The reality of client contact centre operations is that customers may contact a centre several times over the course of a transaction -- to ask questions, complete the transaction, or to change coverage. In each case, if the answering agent is not licensed for the jurisdiction of the caller, the call must be transferred and queued for the appropriate agent, even though the answering agent would be fully competent to handle the caller's needs. The result can sometimes be a poor customer experience.

It is also costly and time-consuming to handle compliance with the requirements of multiple jurisdictions. Businesses have not been able to achieve the growth in the telemarketing/client contact centre channel that customer demand warrants, for reasons directly related to multi-jurisdictional licensing challenges.

The current situation also poses risks to agents and companies in navigating the system, mainly through the possibility of errors and inadvertent non-compliance.

CAFII views a nationally harmonized regulatory model – one which recognizes the importance of the telemarketing channel and alleviates the unnecessary burden imposed by multi-jurisdictional licensing – as an imperative.

Ideally, if an agent is duly licensed in one jurisdiction, that license should be recognized by other Canadian jurisdictions under a system of mutual recognition, with no further local requirements imposed, other than registration and fee payments.

Making this change will better align with the Agreement on Internal Trade, which stipulates that individuals with recognized skills and qualifications should be able to work in their field in any jurisdiction in Canada, without undue impediment. In addition, the increasing use of electronic commerce, in all sectors of the insurance industry, has made physical location increasingly unimportant.

Importance of a National Online System for Licensing

In the life sector of the industry, the Life Licence Qualification Program (LLQP) has harmonized entry-level proficiency requirements for agents in all common law provinces; and the current LLQP modernization initiative will bring Quebec into the fold by 2016.

As a further comment on interprovincial harmonization and multi-jurisdictional licensing, CAFII strongly encourages all provinces and territories to join in on the Canadian Insurance Participant Registry (CIPR) initiative being led and rolled out by the Alberta Insurance Council. As an online system for licensing intended to be national in scope, the CIPR is an encouraging start on addressing a critical need that CAFII has been highlighting for years.

Mandatory Continuing Education

CAFII supports the view that mandatory continuing education is a key component of industry professionalism and consumer protection. There is widespread recognition among nearly all professions and licensure bodies that continuing professional development – an embodiment of commitment to career-long learning – is essential to maintaining both the integrity of a profession and its credibility with the public.

Six provinces (British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec) currently mandate continuing professional development for life agents. However, for the reasons outlined above, it is CAFII's position that continuing education requirements must be harmonized across the country. For a number of years, our Association has been encouraging all provinces to take the optimal approach and harmonize.

Probationary Licensing and Supervision

The objective of the LLQP is to require that all life agents meet prescribed proficiency requirements before they begin interacting with consumers. Given the rigorous entry-level education and examination standards of the LLQP, CAFII believes that a probationary period for life agents is not warranted.

With respect to the life sector of the industry, four provinces (British Columbia, Saskatchewan, Manitoba and Quebec) currently require that new life agents be supervised, with the duration and nature of the mandated supervision varying considerably.

It's important to note that in the life sector, the insurer is responsible for the sale of its products and therefore must monitor the performance, competence, and overall suitability of its agents on an ongoing basis. Guideline G8 of the Canadian Life and Health Insurance Association, to which all CAFII members also belong, stipulates that agent suitability includes compliance with regulatory requirements and using acceptable sales practices.

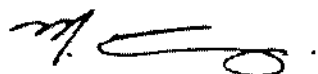
CAFII therefore submits that the risk-based, self-regulatory monitoring of agents required under CLHIA Guideline G8 makes mandatory supervision of new life agents unnecessary.

Conclusion

Thank you again, Ron, for the leadership, foresight, and determination that you and the other members of the CISRO LLQP Committee have shown in your LLQP modernization work.

We wish you God Speed towards successful completion of the project, and a timely launch of the new program. And we look forward to the important impact that a fully harmonized, national LLQP can and should have as a driver of interprovincial harmonization of other aspects of insurance licensing and regulation.

Yours sincerely,



Mark Cummings, Chair
Canadian Association of Financial Institutions in Insurance

Gill, Marcus A FIN:EX

From: Fullan, Ron (ICS) <Ron.Fullan@skcouncil.sk.ca>
Sent: Monday, February 24, 2014 4:59 PM
To: s.22
Subject: FW: Feedback..sorry for the delay

FYI

-----Original Message-----

From: Pat Chamberlain [<mailto:pchamberlain@abcouncil.ab.ca>]
Sent: February-24-14 12:45 PM
To: Fullan, Ron (ICS)
Subject: FW: Feedback..sorry for the delay

Hi Ron. I just received this from Adam Mandami of Sun Life. Please let me know if there is anything I can do to assist. Regards, Pat _____

From: Adam.Mamdani@sunlife.com [Adam.Mamdani@sunlife.com]
Sent: Monday, February 24, 2014 9:59 AM
To: Pat Chamberlain
Subject: Feedback..sorry for the delay

General Feedback re: LLQP Updates/Sessions

I have been pleased with the updates and requests for input thus far. It has allowed our company to stay engaged in the process. We have been active in the CISRO stakeholder information sessions and one one one meetings. In addition, participating in the CLHIA LLQP Advisory Group has provided us with more information and critical feedback from other members. We will continue to take an active role and attend upcoming meetings and calls.

Thanks,

Adam Mamdani, HBBA,MBET,CFP,CLU
Director, Sales Force Growth
Sun Life Financial Inc.
Office: (519) 888-2017
Mobile:(647)802-2326
adam.mamdani@sunlife.com

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Gill, Marcus A FIN:EX

From: Fullan, Ron (ICS) <Ron.Fullan@skcouncil.sk.ca>
Sent: Thursday, March 6, 2014 1:41 PM
To: s.22
Subject: FW: Thank You

FYI – Note from Advocis

From: Kathy Kaskiw [<mailto:KKaskiw@advocis.ca>]
Sent: March-06-14 3:42 PM
To: Fullan, Ron (ICS)
Cc: Pat Chamberlain
Subject: Thank You

Hi Ron,

This is a belated note to thank you and the other members of the LLQP Harmonization Governance Committee for meeting with Advocis on February 10th. As mentioned that day, we appreciated the opportunity to meet one-on-one as it allowed us to be more forthcoming than we have felt comfortable in previous meetings, given that we were in the presence of our LLQP competitors.

Since the announcement of CISRO's intent to pursue a harmonized LLQP we have found the regular stakeholder meetings to be very helpful. Although we recognize that we have not agreed on everything, we do feel that CISRO has listened to our concerns and considered our viewpoints. Under the guidance of the AMF we have been pleased to see adherence to recognized curriculum development standards. We also appreciate the willingness to involve and take advantage of the vast expertise of industry stakeholders in the development and review of the modules. We believe their involvement will help to produce the best possible outcome.

We're looking forward to hearing about the transition plans and course provider standards, seeing the final content and staying connected with the CISRO governance committee throughout the process. Thank you very much for your continued openness and willingness to listen.

Best regards,

KK

Kathy Kaskiw, FLMI
Vice President, Education and Member Services

Advocis
The Financial Advisors Association of Canada
390 Queens Quay West, Suite 209
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October 25, 2012

Ron Fullan, Chair
CISRO

Dear Mr. Fullan:

I am writing to formalize our comments we made to you during our meeting in August, regarding our significant concern over CISRO's recent proposal to revamp the Life License Qualification Program (LLQP) announced in July.

We are opposed to the proposal as we see it as a direct threat to an effective life insurance agent licensing process, and, in turn, a healthy life insurance distribution market.

There have been many years of collaboration and joint work between our industry, our company and the regulators to make the LLQP work to the benefit of consumers, industry and the regulators. We have consistently supported the regulators' goal of ensuring that an adequate entry standard for the industry is established and maintained. We have also continued to advocate for a professionally administered, fair, entry-level exam. As a life insurance company and a course provider we have met with CISRO regulators on a number of occasions about potential short-comings in the LLQP and provided suggested solutions from experts. This work involved many hours of our senior management time and significant cost to us. We also continue to work diligently to improve our company's performance on the LLQP.

While we continue to support a strong licensing exam that maintains professionalism and integrity, we strongly disagree with the proposal that CISRO put forward in July and strongly object to the lack of consultative approach taken by CISRO up to that point.

CISRO has advised that the objective is not to raise the bar through the new proposed exam structure, but the drastic changes proposed would appear to be heading to do precisely that, even if not intentionally. We do not object to updating the LLQP nor do we object to an effort to harmonize licensing standards. But neither needs to come at the expense of healthy recruiting and agent licensing which are essential elements of effective distribution of life insurance. Healthy distribution is a key to a robust and effective industry, which is an essential element of Canadians' financial health. Fewer agents mean less access to life insurance products as these products are often proactively sold and not bought.

The enormous change proposed to the LLQP exam cannot be justified by the need to update the curriculum and content of the exam. We have found no evidence that Canadian consumers currently are not well-served by licensed agents or that current entry standards need to be changed.

Nor can this expensive change be justified by the desire to harmonize the exam, particularly

since - as CISRO informed us - 90 per cent of the curriculum content is already equivalent or the same in Quebec and the LLQP jurisdictions. In fact, the proposal does little to remove the barriers created by provincial licensing and supervision requirements leaving a major shortfall from the goal of achieving provincial harmonization. Speaking to experts on the Agreement on Internal Trade, we understand that licensing *standards* would be viewed as an issue impacting labour mobility, and not the license exam structure itself.

Further, while the AMF has the advantage of an existing structure, that structure has known drawbacks including questions regarding the quality of the content, its exorbitant expense, and difficulty of content without offering a clear benefit in return. It is not clear to us why other options for program delivery were not openly discussed and analyzed before a decision was announced to turn over a national licensing exam to a single sourced entity. We believe there are better and more effective ways of accomplishing the goals of advancing harmonization and improving course content and curriculum. While we understand that there currently is a need for a better funding mechanism to sustain a professional license exam, we believe there should be discussions between industry and the regulators to identify better options to effectively fund the exam.

Ten years ago, when CISRO created the LLQP as an appropriate entry standard into the industry, it went through a consultation process with industry and stakeholders. We would like to see similar consultation with respect to the current proposal and potential alternative solutions.

We also believe it is critical for CISRO to conduct an independent analysis of the ramifications of the proposed modular exam structure prior to implementation of any changes. A cost-benefit analysis of the proposed model should be conducted, with an emphasis on the impact on the number of agents entering the industry, and, ultimately, consumer coverage.

The potentially detrimental consequences for our industry in the form of significantly increased cost, increased barriers to entry for agents as a result of increased fail rates through a modular exam, and the resulting negative impact on life insurance distribution are severe enough to warrant us all to step back and together assess what changes are needed and how these can be accomplished without major disruption to the industry.

We look forward to continued dialogue to ensure that CISRO's goals of updating the LLQP curriculum and exam are accomplished in a way that continues to serve the public well, meets the requirements of the regulators, and maintains a healthy life insurance industry for the benefit of Canadians.

We have a number of detailed comments we wish to make about the proposal but we believe the best route at this point is to begin a vigorous consultation process so those comments might be aired. We would appreciate the opportunity to meet with CISRO to present these concerns at the earliest opportunity.

Sincerely,

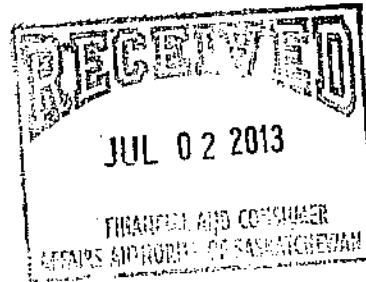
Original signed by

John Adams



June 20, 2013

Dave Wild
601 - 1919 Saskatchewan Drive,
Regina, SK
S4P 4H2



Head Office/Siège Social
2000 Argentea Road,
Plaza V, Suite 300
Mississauga, ON L5N 2R7

Mailing Address/Adresse postale:
P.O. Box 174/C.P. 174
Streetsville, ON L5M 2B8

Dear Superintendent Wild:

I would like to thank you for taking the time on June 7th in Saskatoon to discuss our concerns regarding the proposed changes to the life insurance exam.

As I mentioned during our meeting, Primerica Life Insurance Company of Canada ("Primerica") has raised a number of concerns with the Canadian Insurance Services Regulatory Organizations ("CISRO") concerning the replacement of the present Life License Qualification Program ("LLQP") with a new, and distinctly different licensing regime, the "Quebec Model". Primerica is one of the largest life insurers in Canada. We insure over 400,000 lives and operate in every province and territory in Canada. Currently, we account for over one-third of all individuals who take the LLQP. There is not a single larger stakeholder in the industry with respect to CISRO's licensing proposal and no other company, we respectfully submit, knows more than Primerica about the impact of licensing changes on the financial health of Canadian families.

We are writing because we believe that the approach being used by CISRO is wrong and is not getting the airing such a drastic change mandates. When CISRO first announced its initiative it did so essentially as a fait accompli. Virtually no amendments have been made to the original design, and the only tweaks have been, if anything, to make the regime more onerous on potential insurers and licensees. We believe we have raised our issues in a thoughtful and constructive way and indeed have met individually with many of the CISRO members, including with you. While we have received assurances that the new licensing system is not intended to reduce the number of licensees, to raise the bar or to curtail middle-income consumers' access to financial help, we know from our own experience that all of these consequences will occur.

We felt it would be prudent to ensure that you are fully aware of the depth of our concerns, understand the impact this will have on our ability to serve our policyholders, and fully bring to bear the lessons of history in assessing our request to put this proposal on hold and engage with stakeholders to objectively compare its merits to other options. Serious public policy and legal issues are raised by the decision to abandon LLQP in favour of the Quebec Model. While we have been told this initiative is not an adoption of the Quebec regime, in reality it is exactly that, with the exception of some minor points. Our desire is, and always will be, to be helpful and supportive as provincial regulators consider ways to improve the life insurance agent licensing process. But given the importance of licensing to consumers, the industry and our company, we thought it was important to once again make clear that more consultation and changes to the CISRO proposal are, in our view, both necessary from a public policy standpoint and required by law.

The History of LLQP and the Quebec Model

Until 2002, each province had its own licensing system. At the time, most provinces adhered to a two-tiered licensing approach. Under this approach, an agent initially received a Level 1 basic licence allowing him or her to advise on insurance products under the supervision of a more experienced agent.

Primerica Client
Services Inc.

Les Services à la Clientèle
Primerica Inc.

Primerica Life Insurance
Company of Canada

La Compagnie d'Assurance-Vie
Primerica du Canada

PFSL Investments
Canada Ltd.

Les Placements PFSL
du Canada Ltée

Within a fixed period of time, the agent was required to upgrade his licence to a Level 2, which authorized him to operate on his or her own.

In 2001, CISRO decided to change this licensing approach at the urging of Connect, a marketing organization paid to promote community college courses. CISRO proposed that licensing applicants take a community college course (240 hours) and be required to pass a substantially more difficult exam. Had that proposal been adopted, it would have been devastating to the ability of the industry to licence new agents. Not surprisingly, the proposal met widespread opposition.

Based on extensive consultations with industry, CISRO revamped its proposed approach and created the LLQP, which our Company supported based on certain express assurances from CISRO. Under the revamped LLQP, the Superintendent of each province was authorized to eliminate the two-tiered licensing system in favour of a single entry-level examination without a set number of study hours. CISRO made clear that a single examination – as opposed to a modular one, as initially proposed – would be used. The modular model was duly considered but rejected, as both industry and regulators recognized the grave harm it would inflict on the industry's growth potential. The final proposal created a course provider certification process that CISRO administered. Importantly, in the enabling LLQP regulations permitted the provinces to impose on licensees, course providers or companies the responsibility to fund an extra-provincial regulator's infrastructure such as the funding for the Autorité des Marchés Financiers ("AMF") as contemplated under the current proposal. Nor did the regulations enabling the LLQP contemplate a modular examination format where multiple tests would be administered to a single applicant. LLQP established a course provider program, but did not authorize any province to require that course providers purchase a government-drafted manual. To the contrary, the regulations gave course providers flexibility in how best to prepare applicants for a licence. This issue was, in fact, the subject of much debate. The lack of a modular exam format eventually became a material concession that paved the way for the industry to support CISRO's proposal.

Quebec chose not to join the LLQP program. Instead, it developed its own unique licence exam and system. The "Quebec Model" is not LLQP. Quebec's regulator, the AMF, took the approach that entry-level insurance agents are akin to financial analysts and must satisfy stringent criteria before a licence is issued. Under the Quebec Model, an applicant must: a) meet educational requirements, b) schedule, sit for and pass five individual exams, c) purchase a training manual and d) pay the highest fees in the country to support a bureaucracy surrounding the administration of this process. The Quebec Model, quite simply, was not contemplated nor authorized by the LLQP enabling statutes.

CISRO's 2012 Proposal: Ignoring History

In July 2012, CISRO suddenly announced that it was replacing the LLQP with a modified version of the Quebec Model. Without any prior industry consultation – and without offering any study or analysis whatsoever – CISRO informed the industry that beginning in 2015, life insurance licensing applicants would be required to take a modular examination. In addition, preparation of the course materials, development of test questions, and administration of the system, would be turned over to the AMF. The cost of this new process would be substantially higher than the current LLQP, and would be borne by life insurance companies based on the number of their applicants writing the exams. CISRO has advised that this cost would be at least \$3 - \$4 million. While this cost estimate is significant, it is likely a substantial understatement of the real costs. Under this regime, Primerica, as a company serving middle income households through a large number of representatives, would be required to shoulder a larger share of the burden than companies with a smaller number representatives serving upper income consumers.

Subsequently, CISRO announced that the increased costs would be borne by course providers and ultimately passed on to the end user: the student or insurance company. The new system would be

financed by an implicit "tax" imposed on course providers. The tax is imbedded in the cost of a training manual that each applicant is effectively required to purchase in order to take the mandatory open book exam. The cost of the manual bears no resemblance to the expense necessary to produce it – for example, Primerica produces its LLQP training manual for approximately \$7 per manual, after licence fees. In contrast, CISRO intends to charge \$140 for the Quebec Model manual. It is obvious that the fee to be charged by CISRO for the manual is a funding mechanism for the program, rather than a cost recovery fee to print and develop the manual. Why not consult industry on options to implement a transparent cost recovery fee?

Indeed, what has become clear is that the primary motivation behind CISRO's proposal is financial. Our conversations with CISRO have revealed that the Quebec Model's chief appeal is that the administrative and economic burdens of maintaining the current licensing process will be shifted to the AMF, which has an established bureaucracy to administer life insurance agent licensing exams. The irony, of course, is that the AMF's bureaucracy is not designed for LLQP since Quebec opted out of that program upon its inception.

Our understanding is that the funds collected by provincial regulators under the authorization to establish LLQP in each province would then be sent to the AMF as payment for its work. CISRO selected the AMF without any competitive bidding process or public transparency – it was simply a "deal" cut among regulators. From our own experience working with professional testing vendors in the United States, the selection of the AMF has unreasonably increased the expense of the new system exponentially. It is also unclear on what basis CISRO determined the AMF was best-suited to prepare and administer an examination for every province given that Quebec has not participated during the LLQP in the 10 years that the licensing regime has been in existence.

Primerica sincerely believed that CISRO appreciated the industry's cooperation from 10 years earlier and would not again engage in a strategy of top-down imposition which failed previously. It was at that time made clear that transparency, openness to alternatives, and meaningful industry consultation were necessary elements of implementing changes to the life licensing system.

Adapting to Quebec Model will in essence treat all life insurance licence applicants as prospective financial advisors versus entry-level life insurance agents. There is no reason for this, and it certainly raises major public policy concerns for improving the financial well-being of middle income families who will inevitably receive less service under the proposed model. Our very basic questions about why this model is being adopted and how the regime will operate have elicited little if any reason to be confident in the proposal.

CISRO's Proposal Raises Serious Public Policy Issues

1. Financial Considerations Are No Reason To Make Such an Extreme Change

The first question for any major policy change is, or should be, "Why do it?" That fundamental issue has not been answered here. CISRO has admitted it has not identified any consumer harm or problem that requires a quantum leap in the cost and effort necessary to secure a life insurance agent licence. Nor has it found any deficiency in the LLQP system. In fact, CISRO has repeatedly defended LLQP over the years as an efficient, successful and workable licensing regimen where few, if any, changes were warranted. For example, a study by Doctors Norma Nielson and Claudio Violato, commissioned by CISRO, simply recommended minimal enhancements to exam questions and taking a more scientific approach to setting minimum performance standards. That study confirmed the LLQP system "is designed to protect Canadian consumers by ensuring adequate knowledge among individuals who are granted a licence to sell life insurance and/or accident & sickness insurance". While we

acknowledge that Primerica has previously noted some concerns with the current LLQP system, we always advocated that the current system be improved, not completely replaced as is currently proposed.

Our suspicion, as noted, is that this extreme change has nothing to do with consumer needs. Rather, the needs are purely the economic and administrative concerns of regulatory bodies. If that is so, there are many alternatives other than replacing LLQP that could be considered.

The CISRO proposal is simply too expensive. We estimate that the average total cost of a licence in the provinces will rise from \$215 to over \$1,000, which is what a licence in Quebec costs today. This conspicuous disparity is detailed below.

Province	Licence Fee	Exam Fee	Chambre de la Securite Financiere membership	Total
Alberta	\$135.00	\$100.00		\$235.00
British Columbia	\$250.00	\$100.00		\$350.00
Manitoba	\$150.00	\$110.00		\$260.00
New Brunswick	\$35.00	\$125.00		\$160.00
Newfoundland	\$125.00	\$100.00		\$225.00
Nova Scotia	\$128.30	\$64.40		\$192.70
Ontario	\$75.00	\$99.75		\$174.75
PEI	\$100.00	\$50.00		\$150.00
Quebec	\$431.00	\$246.00	\$327.67	\$1,004.67
Saskatchewan	\$100.00	\$90.00		\$190.00

That is too much money. To put it in perspective, for the Border States in the United States, the total cost of life licensing exams averages under \$62, with some states charging less than \$50¹. Even when the total cost of a licence is factored in, the expense rarely exceeds \$100. Multiplied across approximately 12,000 applicants in 2014, this amounts to an extra \$9.6 million in annual cost to the public. In addition, the systemic costs of the proposed Quebec Model will be even greater. For example, applicants likely will miss at least one additional day of work to sit for the multiple modules. It would cost the approximately 12,000 students who test each year another estimated \$2.5 million in lost wages for a second testing day, and more if they need to retake a module. In addition, CISRO fails to account for the costs incurred by course providers and industry to implement and sustain the new regime. Primerica alone invested at least \$2 million to implement and comply with the LLQP model in 2002. In short, the cost of the CISRO proposal easily could exceed \$15 million in a single year and \$75 million over 5 years. At the very least the costs should be fully assessed, made transparent, and understood before being imposed on industry. CISRO must be able to explain what consumer benefit is so important that requires such a drastic burden be imposed.

2. *The Proposal Will Reduce the Number of Life Licensed Representatives*

Having an adequate number of licensed life insurance agents is essential for the financial health of Canadian households. Numerous studies demonstrate that life insurance is “sold, not bought”, and the critical ingredient for assuring households are adequately insured is the presence of a life licensed agent motivated to offer a life insurance policy to a purchaser. There is a direct relationship between the number of agents and the amount of insurance in force. Life insurance is a vital part of any financial plan as it protects a family in the event the primary wage earner dies prematurely. The absence of a life

insurance policy in such a circumstance significantly increases the probability a household will struggle financially, which impacts the ability to send children to post-secondary education save for retirement and avoid becoming dependent on the government for support.

We continue to be firmly of the view that the proposed system, based on our experience in Quebec, will decrease the number of successful life insurance licence applicants. Barriers to entry have a substantial effect on an individual's willingness to apply for an insurance licence. CISRO's proposal will significantly increase the cost of obtaining a licence. Added to this cost is the fact that the examination will be much more difficult to pass. Instead of one exam, CISRO is adopting a modular format which requires an applicant to pass a series of examinations, where failure on one component results in failing to obtain a licence. Apparently CISRO proposes to adopt this format to satisfy the AMF. Modular examinations are inherently more difficult and we are aware of no study that shows they are "better" from a consumer protection standpoint. Dr. Edwin L. Weinstein, Ph. D., C. Psych., one of Canada's foremost testing experts, confirms that a modular exam with fewer questions has a lower reliability than a full exam, therefore generating more false fails.

Experience from Quebec makes this conclusion crystal clear. The modular AMF exam with its higher difficulty objective and the greater total cost of obtaining an insurance licence in Quebec (80% higher than the average provincial) have negatively impacted the market. In our company, the number of Quebec-based life insurance agents has decreased by over 40% since 2005 alone. Quebec has the lowest ratio of citizens to agents in all of Canada. Of the Quebec citizens who own an individual life insurance policy today, the average face amount is significantly less than the amount carried by households in the other provinces. This gap is particularly acute in the middle income market where the cost and difficulty of obtaining a licence has become a barrier to offering services to households with more modest income.

There could not be a worse time to reduce the number of life licensed representatives. Today, the average age of a life insurance agent in Canada is over 55 years old. The number of career agents in North America has declined steadily over the last decades while at the same time the statistical correlation between life sales and number of agents has been confirmed, demonstrating that "feet-on-the street" is the driver of individual life sales. Cheryl Retzliff of LIMRA articulated this problem well:

"There is a diminishing pool of new young agent talent. Many of the experienced agents approaching their own retirements may have no interest in the younger underinsured group or are inept at speaking to the younger generation in terms that will appeal to them. There is a need for new young agents, and more agents. The insurance sales career may need to be repositioned to appeal to Gen-X and Gen-Y recruits." *Every Excuse in the Book – Why underinsured consumers are not buying* by Cheryl D. Retzliff, LIMRA 2006

Six million households in Canada feel that they have inadequate life insurance protection and about one-third of the Canadian population has no life insurance coverage at all. An increasing number of those with life insurance rely only on group life insurance coverage, with the attendant risks related to employment status. Moreover, Canadians generally have enough life insurance coverage to replace an average of three years of income – not the 7-10 years needed according to experts. As of 2010, 50% of households admitted they would either have immediate trouble meeting everyday living expenses or be able to cover expenses for only a few months if a primary wage earner died – up from 39% in 1998. We submit that this is not the right time to introduce new barriers to growth in this industry.

3. The Proposal Will Reduce Access To Financial Help for Middle Income Households

Primerica specializes in serving the 'middle market' need for simple income protection products. Nobody knows more about this market segment. From that experience we know that the first casualty of the new system will be decreased access to financial assistance for middle income households. Not only

will there be fewer available agents, but as licensing becomes more difficult and expensive, the inevitable result is; that more agents look “upscale” for their clients. Both of these realities mean even greater barriers to ensuring the basic financial needs of middle income households are met.

Yet, this is where the needs are. Primerica has paid \$703 million in death benefits to middle-income Canadian families, including \$84 million in 2012 alone. Adding new barriers to serving this economic segment will reduce the availability of insurance and make it more likely a family will become dependent on Canada’s social system if and when a breadwinner dies.

4. The Proposal Will Disproportionately Harm Our Business Model

Our business model uniquely positions us to provide term life insurance products to the vast and underserved middle income market. Beginning in 1977, Primerica transformed the life insurance industry with a philosophy that has encouraged families to purchase affordable term life insurance, thus saving more money to invest in their family’s future. Our average customer earns \$65,000 per year, and over 70% of our customers’ investment assets are in retirement savings accounts. Our simple “Buy Term and Invest the Difference” philosophy is the cornerstone of the financial game plan of millions of North American families we have served over the years. This concept remains the foundation of our business, enabling us to deliver over \$1 billion in death claims to middle income families in 2012. We insure more than 4.3 million lives in North America and approximately 1.9 million clients maintain their investment accounts with us, making us a leading distributor of financial products to middle-income households in North America.

At our core, we help underserved middle-income families become properly protected, debt free and financially independent through our product offerings and our entrepreneurial business opportunity. As of December 31, 2012, Primerica had approximately 92,400 licensed life insurance agents in all 50 states, Puerto Rico, and Canada. We are proud of our sales force’s unwavering commitment to serving the financial needs of middle-income Canadians. Our sales force is diverse, reflecting the communities in which they serve.

Recruiting and licensing are cornerstones to our business model. Given the small commissions generated by term life sales to middle income consumers, many insurance agents cannot afford to build a business in this market. Primerica is able to do it only by allowing representatives to work part-time and earn supplemental income. While this is a unique business model, Primerica has been successful at recruiting and licensing diverse middle income Canadians into the industry, which has provided households in our representatives’ local communities with access to simple financial products.

Our model makes us one of the few insurance companies actively recruiting and licensing career agents. In 2012, prospective Primerica agents wrote approximately 33% of the LLQP exams – by far the largest percentage of total exams written by a single company. We will therefore be bearing the largest burden of increased costs and will be impacted by a reduction in successful graduates to a greater extent than any other company or course provider, ultimately impacting the consumers we serve. This raises the spectre of regulators arbitrarily changing the competitive dynamics of the life insurance market.

We believe CISRO’s proposal will undermine our ability to serve our policyholders. Primerica has \$95 billion in face amount of insurance in force in Canada, with over 241,000 policyholders. As you know, our Company has raised issues with CISRO in the past about the importance of a fair licensing system. We are concerned that the current proposal will harm our business model disproportionately to other insurers. We believe it is inappropriate for a regulatory body to design a licensing system in a manner that favors one business model over another.

5. The Proposal Will Have a Disparate Impact on Immigrant and Minority Communities

Across Canada today, approximately 21% of the population is born abroad and, not coincidentally, the same percentage of households comprise immigrant families where a language other than English or French is their mother tongue. Exam difficulty affects immigrant applicants disproportionately as terminology becomes yet another obstacle to performance. Our experience is that English as a Second Language ("ESL") applicants with an equivalent education level still have a lesser chance of successfully obtaining a licence than Canadian born students. At the core of this difference is exam difficulty.

The same is true of minority households. Exam difficulty plays a major role in the ability to obtain a licence as applicants have less experience with university or college level tests.

Quebec's own approach to this issue gives us little comfort. Unlike other provinces, Quebec has set educational levels for its life producer licence. While, ostensibly, it is prepared to concede that requirement to CISRO; we fear it will return through the backdoor in the form of a more difficult exam. The first casualty as exam difficulty levels rise is our minority and ESL applicant.

6. There Has Been No Study or Analysis Provided that Supports the Need to Abandon LLQP in Favour of the Quebec Model

Although we have respectfully asked, CISRO has yet to acknowledge or provide to industry any study or analysis supporting the need to abandon the LLQP. Likewise, CISRO has not acknowledged or offered any thoughtful consideration as to why the Quebec Model would be an improvement over the LLQP exam. To our knowledge, no analysis of the Quebec Model and its effectiveness was performed prior to determining its suitability. In the normal course, regulatory bodies would be expected to undergo such analyses in order to make policies founded on reasonable and justified bases.

Over the last few years, we have occasionally presented various concerns to CISRO that the existing LLQP could be improved, particularly with regard to addressing issues applicable to ESL candidates. In fact, we have shared with CISRO an analysis of the LLQP provided by Dr. Weinstein as well as enhancements that would improve the LLQP. No doubt these recommendations could be implemented without the complete overhaul that has been proposed by CISRO, at a much lower cost and expense to stakeholders, and without creating the significant detrimental impacts inherent in the proposed Quebec Model.

7. The Stated Reasons Supporting The Change Are Without Merit

CISRO has been less-than clear on the reasons supporting the testing model change. Anecdotal comments related to unqualified candidates passing the exam have been made yet no supporting documentation has been provided, even after multiple requests. With mandated pre-licensing certification by a course provider followed by a four hour 140 question exam and a required 60% pass mark, we find it difficult to believe that unqualified candidates are passing the current LLQP exam. The lack of consumer complaints within the industry supports this.

We have been told that CISRO is in part motivated by a desire to harmonize the life licence exam in order to satisfy the principles in the Agreement on Internal Trade (AIT). However, the CISRO proposal does nothing to remove current barriers, which are created by provincial licensing and supervision requirements. The same gap will continue to exist. Moreover, 90% of the curriculum content is already equivalent in Quebec and in the LLQP jurisdictions. In fact, it is differing licensing standards across the provinces which impact labour mobility and not the licence exam structure itself.

To effectively satisfy the goal of the AIT – labour mobility – the focus needs to be on harmonization of life insurance licence categories, not the licensing exam.

There are Better Alternatives

By proceeding in the absence of a cost benefit analysis of the need for a change, an analysis of the proposed Quebec model, and without industry input, CISRO risks implementing an unnecessarily expensive solution that would create significant problems without addressing the real issues. We believe there are alternatives that should be considered. Such alternatives will create the necessary funding stream to address required modifications to the LLQP.

A Request For Proposals (“RFP”) should be issued to identify a qualified examination specialist with expertise in examination development and governance. The RFP should be developed with criteria determined by stakeholders. In our view, maintaining the existing Course Provider structure while initiating necessary change to exam content and materials can be done at a much lower cost than the complete overhaul that has been proposed to address what we have been told is a gap of 10% disparity between provincial curricula. We believe that an additional \$250,000 funding stream for LLQP maintenance together with \$50,000 dedicated to a governance structure made up of stakeholders would be sufficient to fund the necessary changes. This translates to \$28 per examinee – a much more reasonable figure than CISRO’s proposed per examinee increase of \$140, or the more realistic projected per examinee increase of \$800 in addition to the infrastructure and implementation costs discussed above.

CISRO’s Proposal Raises Serious Legal Issues

As the CISRO proposal does not appear to be supported by substantiated policy justifications and is likely to cause a significant deterioration in access to life insurance by the middle and lower income market segment in Canada, it raises serious legal issues. Ultimately the authority to regulate licensing remains with the provinces. In our view, the nature of the CISRO proposal requires some provinces to adopt new regulations or amendments to existing regulations. Moreover, any adoption of the CISRO proposal by regulators will raise legal concerns as to whether regulators have sufficiently adhered, both as to process and to substance, to the provinces’ own regulatory policies. To the extent the CISRO proposal is not transparent, duly authorized, is unreasonable, or has a discriminatory effect, implementation of the proposal may be subject to judicial review.

Furthermore, the threat to Primerica’s business in Canada from the proposed changes raises other serious legal considerations. We expect that the CISRO proposal, if adopted in its current form, would undermine the licensed agent population on which Primerica’s business model depends. Primerica pass rates likely will be negatively impacted by a modular exam format, as well as by the more analytical, rather than definitional exam that CISRO proposes will be necessitated by the open-book format. The high cost of the exam is also expected to reduce the number of our recruits seeking to become licensed. Fewer recruits who seek to become licensed and who pass the licensing exam will mean a reduction in Primerica’s sales force and market share. This expectation is confirmed by our experience with the AMF in Quebec. Considering this potential impact on Primerica as well as the disproportionate cost burden that we would bear due to the number of Primerica applicants, we feel the CISRO proposal is neither fair nor equitable under the law, and indeed may raise legal issues for Primerica’s parent company under trade agreements such as NAFTA. We estimate that the financial harm to Primerica in Canada could be significant.

These factors contribute to our questioning the reasonableness of CISRO’s model, and cause us to anticipate a need for judicial review should CISRO proceed without meaningful consultation and changes to its approach.

Where We Go From Here

Based upon the little information that has been publically shared to date, we request that the current CISRO proposal **not move forward** until more information is obtained, analysis conducted and dialogue is held. We have an obligation to fully examine whether the fundamental structure being proposed is in the best interests of Canadians. Primerica believes that the industry stakeholders need to be much more involved in decisions relating to the licensing process as they are the ones on the front lines of recruiting, training and licensing agents to serve the public. To be clear, the current stakeholder information sessions and engagement plan fall well short of a meaningful consultation process as none of the key features of CISRO's proposed plan appear to be subject to negotiation. While we appreciate the opportunity to engage in discussion on administrative and secondary aspects of the proposed system, this does not by any means substitute the need for an immediate and open debate about how the licensing regime should be shaped.

We need analysis that enables objective discussion of how the proposed changes compare to the alternative of making adjustments to the LLQP, which could ensure a fair and reasonable licensing test at a much lower cost and with significantly less disruption to agent training and licensing.

We also desire a transparent, fair and reasonable sharing of the reasonable costs associated with training, exam writing and licence approval, and we want those costs to reflect necessary changes that will produce the supply of new agents needed to enable growth in the industry.

As a life insurance company that relies on recruiting and licensing agents and as a national course provider with a large number of students, we continue to find the lack of meaningful consultation and supporting documentation to dismantle an agreed upon licensing regime that works well, and the apparent willingness to accept negative public policy outcomes, incomprehensible and a cause of great concern. As one of the only companies actively soliciting the younger agents so desperately needed to support the industry, we would like to further discuss these serious concerns with you at the earliest opportunity.

Again, I appreciate your time on June 7th and your thoughtful reception of our concerns.

We look forward to continue to work with you on this important issue and in closing, may we emphasize that these comments are offered in the hope of a renewed dialogue that will accomplish a shared objective: ensuring Canadians have the opportunity to access adequate insurance protection with comfort in the process and confidence that their interests are being served.

Best regards,


John A. Adams
Chief Executive Officer

¹ Data supplied upon request.

Thank you again for your time David.

CC: Minister of Justice and Attorney General Gordon Wyant



July 22, 2013

Mr. John A. Adams
Chief Executive Officer
Primerica Life Insurance Company of Canada
2000 Argenta Road, Plaza V, Suite 300
Mississauga ON L5N 2R7

Dear Mr. Adams:

Thank you for your letter of June 20, 2013 to Saskatchewan Superintendent of Insurance Dave Wild expressing Primerica's concerns regarding proposed changes to the life insurance licensing exam in Canada. On June 7th you had a meeting on this subject with the Superintendent, along with our Minister. At that meeting, the Minister requested that you put your concerns in writing, and that I would respond to them in kind.

My understanding is that you have sent similar letters to most jurisdictions in Canada (other than Quebec). In addition to responding on behalf of Saskatchewan, I have been asked by the Canadian Council of Insurance Regulators (CCIR) to respond on their behalf. Each of the other jurisdictions is, of course, free to respond to your letter directly, or to accept this response in lieu of an individual one.

Also, in my position as Chair of the Canadian Insurance Services Regulatory Organizations (CISRO), as well as Chair of CISRO's LLQP Governance Committee, this response is also being sent on behalf of all CISRO members.

My Personal Background

Inasmuch as this response comes on behalf of insurance regulators, I will also refer to some personal experiences that I have had with LLQP, and I thought it would be valuable for you to understand the perspective for my views.

I have been in the insurance industry for more than 40 years. Of that time, 30 years was spent working in head offices of national insurance companies, including a 5-year role as Director of Sales Training for one of those companies. I have also been a life insurance licensee (completing the LLQP program in order to obtain my license), and spent more than 5 years as a Sales Manager for a national insurance company. One of the responsibilities in my Sales Manager role was training prospective recruits on the LLQP program.

Finally, I have been involved in the regulatory part of our industry since 1992, when I began to serve as a member of the Life Insurance Council of Saskatchewan. I accepted my current position as Executive Director of the Insurance Councils of Saskatchewan on January 1, 2010, and was elected Chair of CISRO in 2011. I was also a member of the LLQP Implementation Committee when LLQP was first introduced.

Communications Meetings involving Primerica

Before addressing the issues, I thought it would be worthwhile to confirm the communications meetings that have occurred involving Primerica representatives since our project began last July. They are as follows:

- Including the initial project launch meeting, there have been 4 stakeholder sessions involving both industry representatives and course providers. Primerica was represented at all of those sessions.
- I have met on at least four occasions with CLHIA's Distribution and Intermediaries Committee, which includes representatives from Primerica.
- I have met on at least three occasions with representatives of Primerica exclusively.

In all, I have been involved in at least 11 meetings in the past 13 months that included Primerica representatives. Each of the comments included in this letter has been covered in one or more of those sessions.

Issues Raised

I will attempt to capture and address the issues that have been raised in your letter. Some are related, and I will try to address them in tandem.

CISRO is Abandoning LLQP

As we have stated repeatedly at our stakeholder meetings, we are not abandoning LLQP for a "...*distinctively different licensing regime*". Our project includes the following:

- A complete review of the LLQP occupational analysis (skills required to perform the job) which has not been completed since the early days of LLQP design;
- A complete review of LLQP's Curriculum Design Document (CDD), which has not been completed in this manner since LLQP was first introduced;
- Harmonizing the program with Quebec, who's CDD was confirmed to be 90% similar to the LLQP. The updated CDD will integrate the results of the current occupational analysis with the CDD's from the existing programs;
- Creation of documented procedures to regularly review LLQP's CDD;
- Creation of a common course of study material based on the CDD;
- Creation of an updated exam question databank;
- Creation of procedures to regularly create new exam questions;
- Creation of updated exams to be delivered on a modular basis (which as you point out is a return to LLQP's original design);
- Development of a transparent process to review ongoing issues raised by stakeholders.

I will outline the reasons behind each of these items later in this letter.

CISRO is Adopting the "Quebec Model"

Again, we have repeatedly stated that we are not adopting the Quebec Model. The Quebec Model includes the following:

- Minimum educational requirements (as you pointed out)
- No mandatory course of study, and no course providers to deliver courses
- Examinations spread over multiple days
- A \$500 (approximate) per student fee to access their common course material
- A separate course and license for Group Insurance

Our updated LLQP will have **none** of those features.

We have indicated that the updated LLQP will combine features of both the current LLQP and Quebec's current program. The combination of features will be as follows:

- No minimum educational requirement (Quebec will eliminate this requirement in order to harmonize with the current LLQP approach)
- A mandatory course of study which must be completed through an accredited course provider prior to challenging the LLQP exam (Quebec will add this requirement)
- A common base course of study (which is a current feature in Quebec only)
- A modular approach to exams (which is part of the current Quebec approach, and was also part of the original LLQP design). Note however that the modules will be based on the work done in this project, not on Quebec's current modules. I should also point out that multiple qualification requirements have been part of the Saskatchewan licensing regime, dating back pre-LLQP. The Life Insurance Council of Saskatchewan has had a separate Bylaw exam for 25 years, and a separate Segregated Fund qualification requirement for approximately 15 years.
- Although the details have not yet been finalized, CISRO's stated goal is to structure the modular exams so that they can all be challenged on the same day.
- Fees to support the entire program (not just the base course material) that should be in the range of \$65-\$70 per student in the fullness of time. (I'll comment more on this in the "Financial Implications" section).
- A regime that integrates Group Insurance as part of the life insurance license, and also as part of the course and exam content.

What is Quebec's Role?

Quebec, through the Autorité des marchés financiers (AMF), has a dual role in the work being done to upgrade LLQP, as follows:

- CISRO has hired AMF's educational team to act as the educational experts who will support the program. In that capacity, the educational team takes direction from CISRO, through our LLQP Governance Committee. (* qualifications below)
- As a participating jurisdiction, Quebec, along with every CISRO jurisdiction gets one vote in all decisions that are made by CISRO relative to the LLQP program.

* The AMF's Training and Qualification team consists of six educational specialists. Each of these professionals has specialized university training (in some cases at a Master's or PhD level), and has developed sound expertise in one or more of the following areas:

- measurement and evaluation (docimology);
- educational technology;
- didactic practices;
- desktop publishing;
- distance training;
- andragogy (techniques for adult learning);
- teaching;
- educational administration.

These professionals also have basic training in insurance or securities through the successful completion of industry courses. However, their role is not to act as content experts, but rather to oversee the work of subject matter experts (provided by industry) to develop tools that are both anchored in professional practice and are compliant with the best practices for developing qualification standards.

CISRO is Ignoring History

In your letter, you suggest that CISRO decided in 2001 to change our licensing approach at the urging of Connect, a marketing organization paid to promote community colleges. The concept of LLQP actually began in 1997 when the Insurance Council of BC made a presentation about proposed changes to entry level exam qualifications at a Western Councils meeting. I attended that meeting. That proposal gained the support of other jurisdictions, and eventually led to the development of LLQP. While the community colleges may have played a role in the development of the LLQP curriculum, it would not be accurate to say that the LLQP came as a result of their "urging".

The LLQP model originally proposed by CISRO included the following:

- A move away from the two-tiered licensing regime present in most jurisdictions, in favor of a single-tiered qualification program. Implicitly, the range of learning required for the new approach would be equivalent to what licensees would cover in both tiers of the then-existing qualification standard.
- A change in exam approach, away from testing memorization of material to a broader test of application of material.
- A lowering of the exam pass mark to 60% to recognize the intended increase in difficulty of the exam.
- A change to a modular approach to exams to reflect the fact that an insurance license allows a licensee to sell multiple products.
- Creation of a mandatory requirement to complete a course of study prior to challenging the LLQP exam.
- An increase in the target success rate (i.e. percentage of candidates who pass the LLQP exam) to 75%, based on the belief that candidates would be better prepared prior to challenging the exam. Under the then-current model, the success rate was below 50%.

The introduction of LLQP was specifically stated as an attempt to "raise the bar" on qualification standards.

As you pointed out, CISRO consulted with industry on the proposed model. Industry representatives were generally supportive of the need to raise the bar, but were concerned that the new approach would make it more difficult to pass the exam, and could drastically reduce the number of life insurance representatives. Specifically, the concern was that implementing a new system that increased the breadth of material, increased the challenge level of questions on the exam, and moved to a modular approach to the exam **all at the same time**, might have a significantly negative impact on success rates, and the ability of insurance companies to successfully recruit new agents.

Based on industry feedback during the consultation process, CISRO agreed to the following changes to the program:

- Not to proceed with the modular approach to examinations as part of the initial implementation. I do not recall any discussion regarding this being a permanent approach. I will address the reasons why we are re-introducing this approach in the "Why Are We Undertaking This Project?" section below.
- To allow a transition period where candidates could choose to challenge the entire exam as designed, or take the exam in two parts to mimic the then-existing two-tiered approach.
- Allow a pass mark of 50% for an introductory period to ensure that the impact of the changes did not have any unintended negative effect on the ability of applicants to successfully complete the licensing requirements.

In action, the process involved regulators coming forth with a proposal to industry, and after consultation, arriving at a solution that considered the initial goals which the regulators had in mind, balanced against the needs and realities of industry.

Why Are We Undertaking This Project?

I must admit, I was a somewhat surprised to read in your letter that CISRO had not offered any reasons why we are undertaking this project. In your letter you make reference to the fact that "... CISRO has been less than clear on the reasons supporting this change ..." and "... nor has (CISRO) found any deficiency in the LLQP system ..."

I'd like to run through the evolution of this project, and outline the issues that CISRO is attempting to address. As noted above, each of these items has been previously communicated during meetings attended by Primerica representatives.

As you outlined in your letter, Primerica expressed concerns to CISRO regarding the LLQP – specifically with examination questions. You engaged the services of Dr. Edwin L. Weinstein, Ph. D., C. Psych (an expert previously used by CISRO on LLQP related work) to challenge the LLQP exam and offer his comments. Dr. Weinstein tabled his report at a CISRO meeting, highlighting examples of "... fatal flaws in multiple choice examination questions" that were present in LLQP. The report indicated that these flaws would cause particular issues with English Second Language (ESL) students.

As we examined this issue, CISRO determined that simply completing a \$100,000+ exercise of tweaking certain questions would be, in effect, a mere band-aid solution. If we were going to undertake a project to improve LLQP, there were systemic issues that needed to be addressed as part of the project. Those issues included the following:

- There is currently no formal, transparent process for reviewing problem exam questions in the databank – specifically no formal process to access educational expertise to complete this work.
- There is currently no formal process for creating new exam questions in the databank - again including no formal process to access educational expertise to complete this work.
- Our exams are slowly being compromised simply by the length of time that current questions have been in use.
- There is currently no formal process for refreshing the Curriculum Design Document - including no formal process to access educational expertise to complete this work.
- We had already evolved from one harmonized LLQP model to the point where BC continues to use LLQP's Curriculum Design Document, but has a separate examination process.
- BC had indicated that they would be completing their own review of the Curriculum Design Document, with the likely outcome that their program would have moved further away from the LLQP program used in other jurisdictions.

- There were issues relating to conflicting terminology between the LLQP exam and the courses which have been developed by our course providers.
- Our original pass score of 60% anticipated modular exams, so that mastery of each area was tested. The combination of our pass score of 60%, with a non-modular exam that includes at least 6 subject areas, creates a potential gap where a student could (badly) fail a key subject area but still pass the exam.
- As a complication to that problem, we had anecdotal comments from some course providers that other course providers were instructing students to ignore certain subject matters because there were not enough questions on the exam to make a difference. As a side note, we received confirmation of that practice from former LLQP students who participated in our recent occupational workshops.

Simply stated, CISRO's current goal is to close the above gaps with solutions that will work on a long term, sustainable basis, rather than taking a one-time band-aid approach to one specific issue.

Why Modular Exams?

I have already touched on some of the issues related to the non-modular approach above.

As you know, our Life & A&S licenses allow licensees to sell four types of products – life insurance, accident & sickness insurance, group insurance and investment type products (e.g. Segregated Funds and Annuities). It seems fundamental that a new licensee should have to demonstrate some minimum level of proficiency in each of those areas. And again, that fundamental concept was part of the original LLQP design.

The single exam concept predates the introduction of:

- Universal Life as a life insurance product;
- Critical Illness and Long Term Care as A&S products; and
- Segregated Funds as insured investment-type products.

It is becoming increasingly difficult to defend the reality that a new applicant can sell these products without demonstrating a minimum level of proficiency (or as indicated in the section above, without even studying that section of the material).

Also, to refer to Saskatchewan specific views, the Life Insurance Council of Saskatchewan had determined in recent years that our separate Segregated Fund requirement needed to be upgraded to include a separate Segregated Fund exam, rather than just a course of study. While that initiative was put on hold pending CISRO's proposed approach to LLQP changes, Saskatchewan was definitely of the view that some form of modularization is necessary.

Why a Common Base Course of Study?

From the inception of LLQP, I have viewed the separation between course development and exam development as one of the challenges of the program. I mentioned one aspect above, with the terminology challenges between our courses and the LLQP exam.

In my time as a Sales Manager training new applicants on LLQP, the comment I heard most often from our people after writing the LLQP exam was that they encountered terminology they had never heard before. In my 3+ years in my current position, talking to people after writing the exams in our offices, it remains the most mentioned complaint.

In our current LLQP, I believe the most significant impact of this issue would be on the one group you mentioned specifically in your letter – the English Second Language group.

As an example, as a 40-year industry veteran I can easily tell that a Segregated Fund and an Individual Variable Insurance Contract (IVIC) are one and the same. A brand new applicant would not be able to interchange those terms.

However, if the difference in terms was more subtle, e.g. term vs. temporary insurance, an English First Language student would not likely encounter a problem, but an English Second Language student would have difficulty making that connection.

In addition to terminology, CISRO members feel that a common base course of study fills an important consumer protection need, as it defines the minimum breadth of knowledge required for a new licensee, rather than leaving that minimum standard to how a series of course providers interpret our Curriculum Design Document.

Finally, CISRO regulators see the course as more than a once-used binder to help pass an exam. We see it as an important resource tool in a licensee's early years. Having a common base-course approach allows us to investigate ways to update course materials on an ongoing basis for students who have already passed the exam, and have started their financial services careers.

Financial Considerations and Costs

This area of your letter contains several factual or conceptual inaccuracies, and I will speak to some of the more important ones here.

First, you have indicated in your letter that *"Our suspicion ... is that this extreme change ... the needs are purely the economic and administrative concerns of regulatory bodies"*. As we have indicated at our stakeholder meetings, **there will be no financial benefit to any jurisdiction** as a result of this project, or the ongoing administration of the LLQP. Any revenues generated will be on a cost-recovery basis only. There will be \$0 net revenue.

Your letter estimates "... *that the average total cost of a license in the (current LLQP) provinces will rise from \$215 to \$1,000 ...*" This is based on current costs you outlined for Quebec. CISRO has indicated the following in its stakeholder meetings:

- That there is a cost missing from the current LLQP, i.e. the cost to maintain and upgrade the program on an ongoing basis. This concept has been covered in at least half of the meetings I mentioned above, and to date I have not had anyone express a contradictory view. I would also suggest that any course of study has costs for upgrade and maintenance built in to the student fees.
- That the annual additional cost of maintaining the program is estimated to be around \$65-\$70 per student (not the \$785 increase your letter suggests).
- That because of the "missing cost" in point one, we need to find a way to pay for the upgrade work that is being done to LLQP in this project. This is also projected to be in the \$70 range per student for a 5-year recovery period. Again, when combined with point #2, not an increase close to \$785.

Relating to the final point, I have suggested at several of the stakeholder meetings that we would welcome suggestions on how to cover those costs without impacting the students in those first 5 years. We remain open to input from stakeholders on how to address this issue.

You indicated in your letter that we need to build in a cost for people missing an extra day of work to take exams. As noted above, CISRO's stated goal is to structure the exams so that they can be challenged in one day.

Your letter comments that "... *CISRO has advised that this cost (of completing the upgrades) would be at least \$3 - \$4 million*". My actual comment at the stakeholder meetings was the cost would be "at most" between \$3 - \$4 million, and that those estimates were completed on a conservative "high estimate" basis. My stated belief was, and still is, that we will complete the project under budget.

Your letter indicates that the costs of the proposal "... *easily could exceed \$15 million in a single year and \$75 million over 5 years*". There is no stated basis for those numbers, and nothing in any of the parameters of our project that would support those figures.

The Proposal Will Reduce the Number of Life Insurance Representatives

In the first of the "Primerica only" meetings that I referred to above, I met with your company representatives from both Toronto and Atlanta. At that meeting, you presented me with some statistics that "demonstrated" the impact that the modular exam approach had in terms of reducing the number of life insurance agents in Quebec. The conclusion (as stated) was based on the fact that there were fewer agents per capita in Quebec than in other provinces.

When I examined the information later in my office, I discovered that no such conclusion was possible based on the data presented. I base that statement on the following:

- The data presented covered a period from 2005 to 2010. The modular exam approach in Quebec was in place for this entire period, and therefore there is no comparison to what the data looked like in a non-modular environment. Based on that, there is no way to determine the impact of the modular exams with the data from that period.
- The data shows that the number of agents in Quebec **didn't actually go down** during that 5 year period, which clearly wouldn't support a conclusion that the modular exam is reducing the number of life agents in Quebec.
- The data does show that the number of agents in Quebec is less than other provinces, but shows no cause-and-effect relationship to the modular exam.
- Finally, your company's position seems to ignore other factors – that there is a minimum education requirement in place in Quebec, that the cost to enter the industry is higher there (both of which are covered in your letter), and that Quebec has a different position on part-time agents than other provinces.

I cannot comment on your company's experience in Quebec, since I am not privy to your actual results there.

We have stated that this exercise is not about raising the bar, in particular not about reducing the number of life agents. It goes without saying that passing a non-modular exam is easier than passing every one of a series of modules (assuming similar pass marks). Having said that, we believe there are offsetting positives included in our project.

On a modular basis, the re-writing process will be easier, since the student need only re-challenge the modules they didn't pass, rather than having to re-challenge the entire exam.

The creation of a base course will eliminate terminology issues that exist today, and should have a positive effect on overall results – particularly on English Second Language students, as I have noted. (This positive impact should also occur for French students in provinces other than Quebec).

Further, your letter implies that having the AMF educational team develop our exam questions will result in more difficult exam questions. Your letter fails to mention that you asked Dr. Weinstein to complete the Quebec exams as well, and one of his comments was that the Quebec exam had questions that were better structured than LLQP. Dr. Weinstein did note some deficiencies, and the AMF team has indicated that they are willing to work with Dr. Weinstein to address those concerns. My expectation is that the exam experience will be greatly improved as we upgrade LLQP.

One further comment in your letter relates to the Quebec exam being more “*analytical*”. I note that Dr. Weinstein includes the following comment in his report, “*Contrary to what we had heard prior to the exam, we did not find the amount of calculation to be excessive. While one exam had distinctly more calculations than others, most ‘calculations’ in all exams were simple involving only one operation (i.e. addition, subtraction, multiplication, or division). The number of calculations was quite reasonable and appropriate to the subject matter*”.

To complete the Quebec comparisons, I have also noted in my stakeholder sessions (particularly the ones with the CLHIA) that CISRO can learn from the experiences in Quebec. That brings to mind one specific example from your letter. You made reference in your letter that Quebec “... *took the approach that entry-level agents are akin to financial analysts and must satisfy stringent criteria before a license is issued*”. I won’t comment on the accuracy of your statement, but instead will note that we have gone to some length in our work to date to focus on what an entry-level licensee needs to know in their first three years. If I assume your statement about financial analysts to be true, this would be another indication that we are not adopting the Quebec model.

Legal Issues

I will not comment in great detail on this area. I will simply say that CISRO believes that the upgrades we are proposing to LLQP can be done without legislative changes in any jurisdiction.

Where Do We Go From Here?

As part of the stakeholder meetings, we have outlined the process that we are working through. Each step of the process involves important stakeholder feedback.

We have completed occupational workshops across the country that involved more than 80 licensees from various companies.

We have produced a competency profile (skills needed by a new licensee) and published it for comment. We received more than 700 responses, with more than 90% indicating that it was an accurate reflection of the occupation in the first three years of license.

We are working through the Curriculum Design process, accessing Subject Matter Experts from across the country. We’ve received close to 100 applications, and have used 35 of those people to develop the CDD document. Others will be used in each of the remaining stages of the project.

I should also note that the Curriculum Design process is being completed using various committees organized by subject. We received a request from a Primerica representative to be on all of the committees – a request that was granted. Primerica was the only company who had one individual on all of the subject committees.

After completion of the Curriculum Design, we will be deciding on proposed modules, again in consultation with stakeholders. The following steps include creation of study material, and then exam questions. All of that work will be done using subject matter experts nominated by stakeholders.

In conclusion, we believe there are sound, defensible, consumer-related and/or industry-related reasons for each of the aspects of the LLQP program we are upgrading.

We value your feedback and appreciate that you have taken the time to write regarding your concerns. There are many details still to be finalized; and we look forward to your continuing input on these, and hope that this letter has helped to clarify the rationale for the changes we are proposing.

Sincerely,

Ron Fullan
Executive Director, Insurance Councils of Saskatchewan.
Chair, CISRO

c.c. All CISRO Member Jurisdictions
All CCIR Member Jurisdictions



November 12, 2013

Mr. Ron Fullan
Executive Director
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NOV 19 2013

LICENSING & MARKET CONDUCT
DIVISION

Dear Mr. Fullan:

This is in response to your letter to Primerica, dated July 22, 2013.

Although Primerica appreciates CISRO's reply, we write to continue to register our strong objection to CISRO's approach. We continue to disagree with the points made in your letter and we stand firm with our concerns. Primerica always has been prepared to work constructively with CISRO on licensing issues – and has done so repeatedly in the past – it is now however clear that CISRO made a conscious decision not to engage in a genuine consultation process with respect to this particular initiative.

Despite CISRO's letter endorsing the importance of "stakeholder feedback," and the suggestion that "[t]here are many details still to be finalized," those words cannot be reconciled with CISRO's actions. Information that has come to light shows that *prior to* CISRO's plan first being made public, every meaningful detail already had been negotiated – and finalized – in a series of written agreements exchanged between the AMF and CISRO members. CISRO kept these agreements secret until public disclosure was inevitable through FOI requests and, even then, CISRO failed to post the final, signed agreements. The "information sessions" CISRO has held never were, nor could they be, genuine opportunities for consultation. Instead, CISRO has used them to overcome industry's objections and attempt to secure the industry's acquiescence to the commitments it already had reached.

This lack of consultation violates commitments expressly made to Primerica as a course provider as well as provincial policies that govern the conduct of regulatory bodies. The absence of consultation has produced a flawed program that is harmful to the public. Among other things, the new model will eliminate jobs, reduce the number of licenced representatives available to serve middle income households, increase licencing costs, diminish insurance participation rates particularly of middle Canada, drive up insurance premiums, inflict marketplace disruption, and discriminate against new Canadians and non-English speakers.

Three agreements recently posted on CISRO's website – the Memorandum of Understanding (MOU), the Participation Agreement and the Service Agreement – confirm that CISRO members agreed to the key aspects of the current Quebec license examination model ("Quebec Model"), and agreed that the AMF would be retained to run the program, without

Primerica Life Insurance
Company of Canada

Primerica Life Insurance
Compagnie d'Assurance Vie

Primerica Life Insurance
Company of Canada

La Compagnie d'Assurance Vie
Primerica du Canada

HFSL Investments
Canada Ltd.

Les Placements HFSL
du Canada Ltée

any prior consultation, and indeed before the revised program was even announced.¹ In particular, pursuant to the Participation Agreement, the Provincial regulators agreed to adopt a new program which includes the key elements of the Quebec Model: a modular open-book exam, a common manual, and development and administration of the program by the AMF. Importantly, these and other features of the new program cannot be changed without a unanimous decision of the Board, of which Quebec is a member [s. 4.5(d)]. It is these very features, amongst others, which raise the serious concerns outlined above. Having agreed to these LLQP modifications without prior consultation with Primerica, other course providers, industry at large or the public, CISRO members are in breach of their obligations both under applicable rules and standards as well as under a May 2002 Letter of Intent entered into with Primerica.

Nor has CISRO met the minimum regulatory expectations governing its conduct. CISRO never has completed a cost/benefit analysis so that the impact of its proposal could be considered. Nor has CISRO given appropriate consideration to how the changes disproportionately impact particular business models, such as Primerica's, which are highly dependent on a fair and cost-effective licensing structure. Primerica's ability to help middle-income and families of modest means will be compromised severely by CISRO's action. As a Company that licenses over one-third of all new agents in Canada, it is almost unthinkable that our views would not be solicited prior to taking a course of action from which there is no real chance of return.

CISRO's "fait accompli" approach has curtailed any chance for this sweeping public policy change to be informed by the opinions of the many stakeholders impacted by the new model. CISRO has usurped the right of the public to be involved in a major regulatory change in one of Canada's largest industries. Our system of government is designed to provide the public a voice in policy decisions of this magnitude. The documents CISRO signed obligate Ontario to contract with the AMF until 2023, ten years into the future. This enormous commitment was done by a few regulators without any public input or debate.

Nothing in your letter supports the decision to replace the LLQP with a more restrictive and expensive model. Instead of data and analysis, CISRO offers only unsubstantiated assumptions to defend the new model referenced in your letter. Primerica has consulted with preeminent testing experts. Having reviewed CISRO's proposal and the current AMF exam, and based on empirical evidence, experts project that there will be a substantial increase in the number of "false fails" as a result of implementing a modular exam format and lower first time pass rates. Minorities and ESL speakers, who make up a significant portion of Primerica's sales force, in particular, will be disproportionately susceptible to false fails. Moreover, increased difficulty levels also negatively will impact minority participation rates.

¹ The MOU was made effective as of June 15, 2012. Section 3.1 of the MOU contemplates that the Participation Agreement be entered into as soon as possible, and no later than 90 days after the effective date of the MOU (being June 15, 2012). CISRO members committed to sign the Participation Agreement and even agreed to financial penalties if they failed to do so. The AMF's work on the new licensing scheme began *before* the public had an opportunity to comment.

The impact on successful licensure rates and participation rates is further magnified by the dramatic increase in costs to obtain a license under the new model. According to CISRO's own figures, the new program at a minimum will increase the cost to obtain a license by 65%. This amount could be twice that base depending on how many re-takes may be required to ultimately pass the 4 modules of the exam. From Primerica's experience, a fee increase of this magnitude discourages a significant number of potential licensees. Further, this cost does not even include the societal harm that comes from the loss of jobs in the insurance industry and the increased strain on public resources as access to insurance products diminishes with the anticipated decline in Canada's licenced agent population. Finally, the funding approach puts the overwhelming financial burden for the program on Primerica, even though other insurers are larger in size.

Respectfully, the proposed cost of the program itself is unsupportable. Costing benchmarks from other jurisdictions confirm that the administration of a professional and updated insurance licensing program can be achieved at a significantly smaller expense. Hiring the AMF as a "vendor" to build the licensing exams and administer the program without any competitive procurement process has contributed to the excessive costs. The expense of the new program will be borne by the public as the cost of insurance rises to accommodate the costs of CISRO's licensing regime. It is incumbent on CISRO, as a representative of government agencies, to adhere to a public, competitive bidding process in selecting its service provider. Contracting with the AMF as a vendor behind closed doors is no substitute for conducting a proper public procurement.

As far as we know, CISRO made no effort to measure the impact of its charge on the public's access to insurance. Since the number of licensed representatives in a province correlates closely with insurance coverage rates, fewer candidates applying for and achieving licensure will translate into less access to term life insurance for middle income consumers. Had a proper consultation and cost/benefit analysis occurred, this consequence would have been considered.

Indeed, the absence of public input means that the only licensing model considered was the one CISRO decided met its own needs. Primerica is aware of a number of alternatives that will improve the current LLQP while avoiding the harm that results from adoption of the Quebec Model. These include, amongst others, raising licensing fees to generate \$250,000 a year to be used to update and maintain the LLQP, engaging in a competitive procurement process to identify private sector professional testing service providers, and creating a graduated licensing system in lieu of imposing the one-size-fits-all modular format.

The availability of alternatives demonstrates why it is necessary that CISRO engage in a genuine consultative process. It is axiomatic that a change of this size should not be conceived, and orchestrated, in private. It is only through public examination and a proper rule-making process that an appropriate analysis can be conducted and the right solution identified.

It never is too late to correct a wrong. Respectfully, we ask that CISRO comply with its obligations and the public's expectation, and work with Primerica and industry to reach a resolution that balances the regulatory needs with the legitimate public interest concerns.

Sincerely,

(Original signed)
John A. Adams CPA, CA
Chief Executive Officer



February 5, 2014

Mr. John A. Adams
Chief Executive Officer
Primerica Life Insurance Company of Canada
2000 Argentia Road, Plaza V, Suite 300
Mississauga ON L5N 2R7

Dear Mr. Adams:

Thank you for your letter of November 12, 2013 expressing Primerica's continuing concerns regarding proposed changes to the life insurance licensing program in Canada. I would like to apologize for taking so long to reply. It has been a busy couple of months.

My comments herein will speak to the various concerns that you raised in your letter.

1. No meaningful consultation process has occurred

The following outlines the phases of the project which have been completed to date, with an indication of stakeholder involvement in the consultation process.

- Occupational Analysis Workshops – The CISRO team completed workshops across the country with more than 80 licensees to review and update its profile of the knowledge and skills required for entry-level life insurance licensees.
- Competency Profile – The data gathered in the workshops was used to create a Competency Profile, which summarized the knowledge and skills required for entry-level life insurance licensees. The original project plan did not include a specific stakeholder consultation process on this document. (This was to be completed in the next step). At the request of stakeholders, the CISRO team completed an online stakeholder consultation survey specific to the Competency Profile. More than 750 industry representatives responded. More than 90% indicated that the profile was complete and 98% answered that all of the competencies and components were relevant.
- Curriculum Design Document – The CISRO team, through its website, asked for industry "subject matter experts" to assist with the completion of the Curriculum Design Document (CDD). These subject matter experts were drawn from current licensees, company representatives, industry associations and course providers. A committee of subject matter experts and educational team representatives was created for each projected course module. These committees were asked to define the Competency Components, Sub-components and Contents of the Curriculum Design Document, i.e. to define the knowledge and skills that would/should be tested as part of the licensing exam process. CISRO published the Curriculum Design Document, and again completed an online stakeholder

consultation survey specific to the CDD. More than 650 industry representatives responded, with more than 86% supportive of the course contents on every proposed module. It should also be noted that at Primerica's request, we included one of your representatives on all of the working committees. This was the only individual who participated in all of the groups.

- Proposed Modules – The layout of projected course modules considered input from industry stakeholders. CISRO proposed the following modules:
 - Life Insurance – Individual and Group
 - Accident & Sickness Insurance – Individual and Group
 - Insurance Investment Products – Annuities and Segregated Funds
 - Law, Taxation and Ethics

Based on feedback from industry stakeholders, our Governance Committee is now recommending that the Taxation part of the course be included in the product-specific modules. The fourth module would therefore be "Law and Ethics".

- Transition Issues – Stakeholders have expressed concerns that the changes proposed could have a negative impact on candidate success rates. The CISRO team has undertaken to define a transition plan to the new exam structure to mitigate any unintended negative impact.
- Exam Administration – Stakeholder feedback has indicated concerns with jurisdictional differences in the way that current LLQP exams are administered (i.e. frequency of exam sittings, wait times when booking exams, etc.) The CISRO team has undertaken to create Exam Administration guidelines to be distributed to all jurisdictions to help address these concerns.
- Course Content Development – A committee of subject matter experts and educational team representatives has been created for each projected module. These committees will be asked to create the study material for each module based on the Competency Components, Sub-components and Contents of the Curriculum Design Document. Again, these subject matter experts are drawn from current licensees, company representatives, industry associations and course providers.
- Timing of Introduction of the Changes – In its initial communications to stakeholders, CISRO indicated that the target date for implementation of the proposed changes was September, 2015. Industry associations, course providers, and some insurance companies have suggested that a January 1st introduction would be more manageable. CISRO has agreed to delay implementation until January 1, 2016 based on this feedback.

2. CISRO members signed agreements that were kept secret until public disclosure was inevitable

CISRO members signed a generic Memorandum of Understanding in June 2012. Every aspect of the intended plan to review LLQP was communicated at an initial stakeholder meeting held in Toronto on July 5, 2012, and subsequent stakeholder meetings held in Toronto in October 2012 and January 2013.

CISRO members signed a more detailed Participation Agreement in April 2013 (first signature April 7, 2013). A stakeholder meeting was held in Toronto on April 9, 2013, and the presentation (which was posted on CISRO's website immediately following the meeting) specifically mentions that a legal agreement had been completed between jurisdictions. Every aspect of the proposed changes to the LLQP program outlined in that agreement has been communicated clearly and repeatedly at various stakeholder meetings. CISRO received no requests for copies of the agreement until a Freedom of Information request was received by Ontario and Quebec. At that point, CISRO decided to post the agreements on our website.

3. Lack of consultation violates commitments made to Primerica as a Course Provider

The details of the consultation process to date are outlined in section 1 above. CISRO jurisdictions currently operate under a Letter of Intent with course providers. The proposed changes to LLQP have been undertaken in accordance with the terms of those Letters of Intent.

4. Experts project that the proposed modular approach will result in a substantial increase in the number of "false fails"

Primerica had indicated in meetings with me (circa fall 2012) that it had expert studies supporting this concern. At that meeting, I asked for copies of those studies. To date, no such information has been provided to our Committee for review.

The concept of "false fails" also requires some examination. A Life and A&S licence in Canada allows the licensee to do the following:

- Sell individual and group life insurance products;
- Sell individual and group accident and sickness products;
- Sell investment-type insurance products like annuities and segregated funds; and
- In the process of selling one of the above products, to have their clients enter into legal contracts with insurance companies covering those products.

Under the currently proposed layout of modules (and assuming that the curriculum is correctly designed) a potential licensee who fails one of the modules will have demonstrated one of the following:

- A lack of sufficient understanding of life insurance products;
- A lack of sufficient understanding of accident and sickness insurance products;
- A lack of sufficient understanding of insurance investment-type products; or
- A lack of sufficient understanding of concepts related to the legal implications of the contracts being signed by consumers.

CISRO is suggesting that those should not be considered “false fails”. Demonstrating sufficient proficiency in each of those subject areas should be a minimum requirement to hold a license that allows for the sale of those products, and the placement of the related legal contracts.

In fact, it is the opposite problem that CISRO seeks to address – that the current process results in “false passes”. Inherent in Primerica’s argument about increased failure rate is the reality that currently applicants are being licensed to sell products that they do not have sufficient minimum levels of proficiency to sell. As has been noted to stakeholders in general, and Primerica specifically, this issue is further complicated by the fact that at least one course provider has advised students not to study certain sections of the current course material, based on the limited number of questions on the exam covering those sections.

That said, CISRO has indicated that the intention of the changes is not to lower the pass rates, but rather to have licensees who are better prepared to sell the products covered by their licenses. Among other things, the changes also contemplate improvements in question structure (including readability), and the elimination of terminology problems that exist between the current courses and the LLQP exam. These changes should help the audience that you identify specifically in your letter, i.e. the English Second Language students.

5. CISRO is abandoning LLQP and adopting the “Quebec Model”

As indicated in my July 2013 letter to you, and at various stakeholder meetings throughout the project, CISRO is not abandoning LLQP and adopting the Quebec Model.

This issue is fully addressed in my July 2013 letter.

6. No cost-benefit analysis was completed

As we have noted in various stakeholder communications, the current life licensing education landscape is as follows:

- Quebec has their own life licensing education program;
- All other jurisdictions in Canada (except BC) operate under the national LLQP program, with a common Curriculum Design Document, and common examinations;
- British Columbia uses the same Curriculum Design Document as LLQP, but has a separate databank of exam questions, and separate exams;
- Saskatchewan has a separate Segregated Fund requirement, and a separate exam covering our Bylaws.

As CISRO began its examination of the changes required to the Governance model for LLQP, and the need for the program to undergo a full review, the following summarizes the scenario that was in place:

- Quebec had announced that it would be completing a review of its current program;
- British Columbia had announced plans to do a complete review of the Curriculum Design Document. I would suggest that inherent in the BC announcement was the possibility that they would be moving away from the common LLQP Curriculum Design Document.
- The Life Insurance Council of Saskatchewan had discussed possible changes to its current Segregated Fund requirement, which would have included a separate exam for Segregated Funds. LICS agreed to put those discussions on hold pending the exploration of a national solution.
- The remaining CISRO jurisdictions had determined that a full review of the LLQP was necessary based on stakeholder feedback received, including a presentation to CISRO that was requested by your organization.

In the absence of a harmonized solution, there would have been four review projects undertaken by various jurisdictions, with movement away from a common industry standard. The scope and cost of those multiple reviews were projected to be greater than the cost associated with CISRO's current proposed approach, and would have resulted in movement towards four separate life licensing education programs in Canada.

CISRO reviewed various options available, and concluded that the proposed course of action would be less costly than the multiple reviews that were planned, would create one harmonized life license education program instead of moving us towards four separate programs, and would support the principles outlined in the Agreement on Internal Trade that had been signed by all jurisdictions in Canada.

In conclusion, we continue to believe there are sound, defensible, consumer-related and/or industry-related reasons for each of the aspects of the LLQP program we are upgrading.

We also continue to believe that open and frequent dialogue with stakeholders is the best path to a successful implementation of the upgrades we are proposing. We value your feedback and appreciate that you have taken the time to address your concerns in writing. We look forward to your continuing input as the project moves forward.

Sincerely,

Ron Fullan
Executive Director, Insurance Councils of Saskatchewan.
Chair, CISRO

c.c. All CISRO Member Jurisdictions
All CCIR Member Jurisdictions

Gill, Marcus A FIN:EX

From: Dillon, Brian FIN:EX
Sent: Friday, February 7, 2014 9:47 AM
To: James, Harry FIN:EX; Gill, Marcus A FIN:EX
Cc: Anderson, Arlene FIN:EX
Subject: FW: Primerica Update - LLQP Project
Attachments: Feb 5, 2014 Letter to Primerica.docx; Primerica Letter-Nov 2013.pdf; July 22, 2013 Letter to Primerica.docx

Follow Up Flag: Follow up
Flag Status: Flagged

Harry: Thanks!

Marcus: Note the trade concerns in the email from Sask below. I would suggest Arlene share the materials with BC trade folks so they are aware of the potential issue.

Ian

James, Harry FIN:EX
Friday, February 7, 2014 7:58 AM
Dillon, Brian FIN:EX; Gill, Marcus A FIN:EX
Long, Frank FIN:EX
Subject: FW: Primerica Update - LLQP Project

Brian/Marcus,

Just so you are aware, Primerica is still expressing concerns about the changes CISRO is proposing to make to the LLQP.

Harry James
Director, Policy Initiatives
Financial Institutions Commission
Suite 2800, Box 12116 | 555 West Hastings | Vancouver, BC | V6B 4N6
Phone 604 660-1935 | Fax 604 660-3365
www.fic.gov.bc.ca

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From: Carol Shevlin [<mailto:Carol.Shevlin@fsco.gov.on.ca>]
Sent: Friday, February 7, 2014 6:33 AM
To: Angela Mazerolle; Brad Geddes; Carol Shevlin; Rogers, Carolyn FIN:EX; Charles Johnston; Dan Carlson; Doug Doak; McLean, Doug B FIN:EX; Doug Murphy; Fiona.Charbonneau; Grant Swanson; Ian McIntosh; Jim Scalena; Julien Reid; Mark Prefontaine; Nathalie Sirois ; Patrick Dery; Penny Lee; Peter Blandy; Phil Howell; Robert Bradley
Cc: Alayne Brygadyr-McCoy ; Alex Lambrecht; Anatol Monid; Ann Baksh; Bartosz Chrostowski; Bev Blakesley; CCIR-CCRRRA; Craig Whalen; Darlene Hall; Darrell Leadbetter; David Weir; Dawn Madassa; Denis Poirier ; Eric Stevenson ;

Chong, Frank FIN:EX; James, Harry FIN:EX; Heather Grace; Heidi Davison; Jackie Grant; Janice Callbeck; Jean-Francois Routhier; Jennifer Calder; Julie Demers; Karen Steele; Withnell, Kiah FIN:EX; Laurie Balfour; Lesley Thomson; Letitia Miclescu; Louise Gauthier; Margaret Rowe; Marie-Claude Mailhot; Mario Beaudoin ; Martha Desouza; Martin Ship; Grist, Michael FIN:EX; Nelly Ching; Nicole Beaulieu; Nurez Jiwani; Wangkhang, Pamela FIN:EX; Peter Burstn; Phillip McInnis; Rachel Olaso-Pezeshkian; Ron Fullan; Saveria Villanti; Scott Moore; Seta Singh; Shonna Neil; Stephane Langlois; Sussana Lecusay; Tom Golfetto; Usha Anandarajah; William Ngu

Subject: FW: Primerica Update - LLQP Project

CCIR members,
Forwarding from Ron Fullan.

Carol

From: Fullan, Ron (ICS) [mailto:Ron.Fullan@skcouncil.sk.ca]
Sent: February-06-14 3:02 PM
To: CISRO
Cc: Carol Shevlin
Subject: Primerica Update - LLQP Project

TO: All CISRO Members
CC: Carol Shevlin (for distribution to CCIR Members)

I write to update you on two issues related to Primerica and CISRO’s LLQP project.

First, I have completed a response to Primerica’s most recent letter outlining concerns with the LLQP. My response (dated February 5, 2014) is attached. For reference I have also attached a scanned copy of my November 12, 2013 letter which outlines their concerns. Finally, I have attached a copy of my July 22, 2013 letter. I have referred to it in the current letter. If you have any questions concerning any of these items, please let me know.

From: Ja
Sent: Fr
To: Dill
Cc: D
Subj:

s.13,s.16

If there are any further developments in this area, I will pass along an update at that point.

Ron Fullan

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Mr. Ron Fullan
Chairperson, CISRO
Executive Director Insurance Council of Saskatchewan
310 - 2631 - 28th Avenue
Regina SK S4S 6X3

Dear Mr. Fullan:

Re: Individual Stakeholder Sessions

We write in response to your invitation, extended through the CLHIA and through Pat Chamberlain, to meet with industry stakeholders on a one-on-one basis.

As you know, Primerica always has made time to meet with regulators and public officials upon their request on a variety of matters. We believe it is incumbent upon us as a major Canadian insurer, to maintain a dialogue with our regulatory bodies. Moreover, as the Company with the largest stake in life insurance producer licensing and as a course provider, we believe our views should be (and, indeed, must be) solicited prior to any change to the LLQP.

We are certain you would appreciate, however, that the opportunity to have a genuine "consultation" with the industry, and with us, regarding the decision to replace the LLQP, passed the moment CISRO entered into a Memorandum of Understanding and began the process of implementing the new regime and signing a Participation Agreement. This commitment was entered into without any stakeholder input and prior to any public disclosure that significant revisions were being made to the LLQP. With respect, there is simply no legitimate argument that room exists today – much less before today – for conversations to change these commitments to retain the AMF to administer a multi-modular, open book licensing examination throughout the provinces. Binding agreements had been signed with substantial financial penalties attached before these one-one meetings were contemplated.

We agree that bona fide consultations are required, and never have taken place. However, CISRO cannot have a legitimate consultation unless the Memorandum of Understanding and Participation Agreement are set aside. We are prepared to meet with you in person to discuss in more detail the process issues we have raised regarding the LLQP replacement and whether it would be possible to set aside the Agreements in order to consult on the LLQP. Please let us know if you are open to having that conversation.

Yours truly,


John A. Adams, CPA, CA
Chief Executive Officer

Primerica Client
Services Inc.

Les Services à la Clientèle
Primerica Inc.

Primerica Life Insurance
Company of Canada

La Compagnie d'Assurance-Vie
Primerica du Canada

PFSI Investments
Canada Ltd.

Les Placements PFSI
du Canada Ltée



March 10, 2014

Mr. John A. Adams
Chief Executive Officer
Primerica Life Insurance Company of Canada
2000 Argentia Road, Plaza V, Suite 300
Mississauga ON L5N 2R7

Dear Mr. Adams:

I write in response to your undated letter to me titled "Individual Stakeholder Sessions", which was delivered via email on February 7, 2014 by Steven Ellingson, Government Relations Analyst with your company. A copy of your letter is attached.

Our LLQP Governance Committee is obviously disappointed that your organization chose not to participate in our one-on-one stakeholder consultation meetings in Toronto on February 10, 2014.

We conducted a total of seven stakeholder sessions that day. The feedback we received was very positive concerning the level of stakeholder communication that has been included in our consultation process, the transparency of the process, and also regarding our adherence to recognized curriculum development standards.

You did indicate in your letter that you were prepared to meet with me in person to discuss in more detail the process issues you have raised regarding the changes being made to the LLQP. As I have indicated in the past, I am prepared to meet with stakeholder groups at any time to continue the open dialogue necessary to ensure a successful implementation of the upgrades we are proposing.

Sincerely,

Ron Fullan
Executive Director, Insurance Councils of Saskatchewan.
Chair, CISRO

c.c. All CISRO Member Jurisdictions
All CCIR Member Jurisdictions

Wood, Heather FIN:EX

From: Dillon, Brian FIN:EX
Sent: Thursday, October 1, 2015 4:40 PM
To: Wood, Heather FIN:EX
Cc: Toovey, Kari FIN:EX; Gill, Marcus A FIN:EX
Subject: RE: Insurance Council of B.C. - LLQP

Heather: we spoke to Gerry and he indicated, with respect to you questions that:

1. In terms in timing, the original request for applicants was only a few months ago and the applications were only received in June/July. So the timing of their decision is not out of line with the process. More generally, it has been a long standing Insurance Council goal to not have individual companies as course providers, going back to the original implication of the LLQP in the early 2000s. Therefore, the Council position should not, in Gerry's view, be of great surprise to the companies.
2. Gerry feels that they are harmonized with other provinces on the substance of the new approach to the LLQP but it was always agreed that each province would have the final say on course providers. Overall, Council believes it is in the public interest that independent educational institutions specializing in financial services be the course providers, or at a minimum be responsible for certifying completion of the course.

Gerry feels that for most of the companies, this will not be a major change in their program, nor increase costs, as they already obtain course materials from these independent providers and they already generally provide a certificate to the students about completion of the course (or at least the companies using Advocis).

s.13,s.16

s.13,s.16

We will prepare a draft information note for you to brief the DM with. s.13,s.16
s.13,s.16

Brian

From: Wood, Heather FIN:EX
Sent: Wednesday, September 30, 2015 3:35 PM
To: Dillon, Brian FIN:EX
Cc: Toovey, Kari FIN:EX; Gill, Marcus A FIN:EX
Subject: RE: Insurance Council of B.C. - LLQP

Hi Brian,

Yes please and we will brief Kim, since I think we know now that she at least (if not the MO) will be receiving requests from Primerica and perhaps other insurance companies for meetings. I am curious about why these course providers

are only receiving about 3 months of notice about the change and s.16

s.16

I also find some of the Council's arguments to be stronger than others.

Heather

From: Dillon, Brian FIN:EX
Sent: Wednesday, September 30, 2015 3:05 PM
To: Wood, Heather FIN:EX
Cc: Toovey, Kari FIN:EX; Gill, Marcus A FIN:EX
Subject: FW: Insurance Council of B.C. - LLQP

Heather: It appears that the LLQP may well raise significant interest again. Marcus has suggested we talk to Gerry and get further background but I imagine you would like an IN or BN or some N for the Minister's information. Brian

From: Gerry Matier [<mailto:gmatier@insurancecouncilofbc.com>]
Sent: Wednesday, September 30, 2015 2:15 PM
To: James, Harry FIN:EX; Dillon, Brian FIN:EX
Subject: Insurance Council of B.C. - LLQP

Hi Harry/Brian

I want to provide you with a heads up of a decision recently made by Council regarding the upcoming changes to the Life Licensing Qualification Program (LLQP), which is the licensing requirement for obtaining a life insurance agent's licence.

s.13,s.16

s.21

s.13,s.16

s.16

I expect you may be

hearing from one or more of the companies affected by this decision.

cheers

Gerry

Gerald Matier | Executive Director| **Insurance Council of British Columbia**
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