“The Industry from a Different Perspective”

Industry Issues, Views, Actuarial Contribution
- the CLHIA Perspective

Seminar for the Appointed Actuary
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As actuaries we can be insulated from issues our industry faces.

Three groups will share their views on our industry, and how we (as actuaries) can help deal with those issues.

The CLHIA will represent the life insurance industry...
AGENDA

I. About the CLHIA, CLHIA Mission, CLHIA Member Services

II. Issues and Views
   • CLHIA 2010-2011 Key Objectives
     • Objectives; Issues; Views and Actions
   • CLHIA Ongoing Initiatives

III. Actuarial Contribution
I. About the CLHIA, CLHIA Mission, CLHIA Member Services
Established in 1894, the CLHIA is a voluntary association with member companies accounting for 99 percent of Canada’s life and health insurance business.

**CLHIA Mission**

“Serve its members in areas of common interest, need or concern. In carrying out this mission, the Association shall ensure that the views and interests of its diverse membership and of the public are equitably addressed.”
CLHIA Member Services

- Capital & Solvency
- Financial Reporting
- Reinsurance
- Company & Policyholder Taxes
- Pensions
- Statistical Services
- OSFI and Rating Agency Relationships
- Other: e.g. Toronto Financial Services Alliance, CD Howe Institute

- Communications
- Compliance
- Corporate Governance
- Corporate Law
- Disability Income
- Event Planning and Development
- Extended Health and Dental
- Financial Services
- Health Care Reform
- Intermediaries Industry Marketplace Standards
- Legislative Relations: Federal/Provincial/International
- Liaison with Provincial Insurance Regulators
- Marketplace Regulation
- Media and Public Relations
- Member and Web Services
- Payments System
- Public Policy
- Quebec Affairs
- Risk Management
II. Issues and Views

- CLHIA 2010-2011 Key Objectives
- Objectives; Issues; Views and Actions
- CLHIA Ongoing Initiatives
CLHIA 2010-2011 Strategic Plan

2010-2011 Key Objectives:

i. Financial Reporting
ii. Pensions and Retirement Savings Policy
iii. Capital Issues
iv. Reinsurance
v. Uniform Acts and Self-Evaluative Privilege
vi. Advisor Regulatory Issues
vii. Pharmaceutical Legislation
viii. Sharing of clientele within Quebec Drug Plan
ix. Financial Literacy
x. Enhancing Profile of Industry
xi. Strengthening International Cooperation

Ongoing Initiatives:

i. Health
ii. Taxation
iii. Market Conduct
iv. Compliance
v. Quebec Affairs
vi. Legal Issues
vii. Underwriting Issues
viii. Government and Legislative Relations
ix. International
x. Industry Human Resources
xi. Administrative and Operational Matters (internal)
i. Financial Reporting

Objectives

- Monitor, analyze, respond to emerging standards
- Highest priority – Phase II

Issues

- Phase II hugely important
- Industry view is CALM is as good as it gets

Views and Actions

- Phase I Implementation Group
- Submissions to IASB
- Phase II - Submission to IASB; lobbying efforts and alliances
ii. Pensions and Retirement Savings Policy

**Objectives**

- Encourage sound pension policies by governments
- Persuade officials that expansion of government programs are inappropriate and unnecessary

**Issues**

- Efficient infrastructure in private sector already
- Governments have backed off initiating supplementary government “sponsored/initiated” DC plans

**Views and Actions**

- CLHIA released policy paper “Saving More for the Future”
- Upcoming CLHIA policy paper on the “DC-MEPP” model
iii. Capital Issues

Objectives

• Improve components of MCCSR Guidelines

• Development of Life Insurer Solvency Assessment in light of international developments; Influence “solo/holdco” capital

Issues

• Competitiveness vis a vis banks

• International competitiveness

Views and Actions

• Ongoing input into MCCSR revisions

• Quantitative Impact Studies
iv. Reinsurance

Objectives

- Ensure reinsurance continues to serve as cost-effective diversification tool
- Analyze in context of changes to OSFI initiatives

Issues

- First major updating of OSFI reinsurance guidelines since 1990s
- OSFI’s view is to create guidelines with “bite”

Views and Actions

- Responding to draft Guidelines B-3 and Reinsurance Security Agreements (comments due October 1 for each)
- Continuing to challenge changes to cedant’s C1 factors for unregistered and registered reinsurance
v. Uniform Acts and Self-Evaluative Privilege

Objectives

• Update in common-law jurisdictions using Alberta’s adoption as the model
• Promote to governments the model for self-evaluation privilege

Issues

• Contract terms; Disclosure
• Self-evaluation privilege

View and Actions

• Legislation passed in Alberta and BC; awaiting regulations
• Working with other provinces
vi. Advisor Regulatory Issues

Objectives

- Develop understanding of roles and responsibilities of MGA’s
- Rebut Alberta’s suggestion of required commission disclosure

Issues

- Regulator’s MGA analysis will answer question of whether or not regulators require additional regulation
- Commission disclosure: CCIR consultation paper later this year

Views and Actions

- MGA issue: Working closely with regulators and advisor community
- Precise disclosure of commissions is inappropriate - existing disclosures sufficient
vii. Pharmaceutical Legislation

**Objectives**

- Influence provincial drug pricing legislation

**Issues**

- Ensure industry has same opportunities as governments for savings and not disadvantaged by two-tier pricing system
- Ontario – eliminate two-tier system and reduce generic drug prices significantly for members of private plans

**Views and Actions**

- Success to date in lobbying
- Promoting/defending private coverage
Objectives

• Improve Quebec Drug Plan

Issues

• Pooling mechanism for private coverage
• Equitable sharing of clientele between the public and private parts of plan

Views and Actions

• CLHIA negotiating to maximize private sector coverage
ix. **Financial Literacy**

**Objectives**
- Make meaningful contribution to strengthen financial literacy in Canada

**Issues**
- Financial products becoming more and more sophisticated
- Importance increasing as governments/employers “offload” decisions

**Views and Actions**
- CLHIA responded to Federal Task Force on Financial Literacy in April
- Life and health companies well positioned to educate Canadians
x. Enhancing Industry Profile

Objectives

• Initiatives to increase awareness and understanding of role of industry and CLHIA in financial services marketplace

Issues

• Industry profile could be higher

Views and Actions

• CLHIA recently established Task Force on Advocacy Campaign
• Initially target key influencers (e.g. regulators, policymakers)
• Opportunistic communication – industry’s value to Canadians and economy
Strengthening International Cooperation

**Objectives**

- Strengthen relationships among global insurance associations
- Closer collaboration so as to influence international discussions

**Issues**

- Need better process of presenting unified global input (e.g. to IAIS and IASB)

**Views and Actions**

- CLHIA spearheaded creation of Network of Insurance Associations in 2008
- CLHIA spearheaded derivation of process for coordinated “Observer” responses to IAIS
Ongoing Initiatives

CLHIA will continue to monitor and improve benchmarks in areas important to the industry's governance, operational efficiency, cost-effectiveness, and reputation. These initiatives are of equal importance to the Key Objectives, but are ongoing in nature.

i) Health

- Continue to promote CLHIA position – e.g., public programs should have a patient-focused model
- Streamline industry/physician information flows
- Support good mental health standards
- Promote industry views on pharmaceutical strategies
- Public positions re non-insured plans (e.g., ASO)
ii) Taxation

- Amendments re IFRS
- HST on financial services
- Reduce premium taxes
- Various
  - Exempt Test rules
  - Segregated fund and GMWB
  - Eliminate trust requirements for RDSPs and RRSPs
  - Supplementary health benefit plans
iii) Market Conduct

- Implement amendment to IVIC Guidelines
- Monitor mutual fund developments relating to point-of-sale
- Work with regulators on any necessary disclosure amendments

iv) Compliance

- Risk based approach to anti-money laundering
- Accessibility of Ontarians with Disabilities Act
v) Quebec Affairs

- AMF Guideline – principles of sound commercial practices
- Appropriate amendments to insurance legislation and regulations and adoption of guidelines and policies related to capital requirements and risk based management

vi) Legal Issues

- Variety of issues
  - Regulations under Insurance Companies Act and OSFI
  - Privacy Legislation
  - Electronic transaction laws
vii) Underwriting Issues

- Access by insurers to genetic information
- Use of credit scores

viii) Government and Legislative Relations

- Regular series of meetings with parliamentarians
- Maintain commitment to parliamentary programs (e.g. internship program)
ix) International

- Bilateral trade agreements
- Advocacy efforts in countries members do business (e.g. India)
- IAIS consultations (e.g. “ComFrame”)

x) Industry Human Resources

- Future employment needs for the life insurance industry
III. Actuarial Contribution (beyond the “more obvious”!)

i. Global Risk Institute

ii. Retirement Income Adequacy - “DC-MEPPs”

iii. Health

iv. International

v. Financial Literacy, Profile of Life Industry, Industry Resource Needs
i) Global Risk Institute

**GRi Mission Statement**

- To identify, promote and advance best practices in integrative risk management by policy-makers and practitioners through commissioning, producing and disseminating world-class research, advancing education and training of graduates and professionals, thereby fostering collaboration between communities of research and practice in the area of risk management.
GRi to focus on five key activities

1. Develop leading edge thinking and applied research
2. Actively consult and advise top government officials and industry leaders
3. Provide risk professional education to senior industry practitioners
4. Partner with academic institutions and professional organizations to train new graduates
5. Host international forums and conferences

Source: Boston Consulting Group
Sales Pitch for the CIA’s Involvement

- Ability to work with other risk organizations (e.g. GARP, PRMIA, etc.)
- Interaction with high-profile practitioners and regulators/policy makers
- Access to discussion forums (i.e. participants such as CROs, etc.)
- Access to an institute that bridges users (demand) and creators (supply) of research work
- Access to integrative risk research
- Access to greater pool of higher quality risk management resources
- Getting insurance and pension topics on the research agenda
- Global connections and raising profile to the world stage
- Improve continuing education curriculum to members
- Synergies from networking across financial services sectors
- Tap into leading edge applied research and global industry best practices
- Visibility of decision to decline participation

Source: Steve Easson presentation to CIA Board June 2010
GRi Organization Structure

Board of Directors (11) & Chairperson

GIRMI CEO & Head of Research Advisory Committee

GIRMI Director

Research Advisory Committee (22 Members) *

5 Research Chairs

8 GIRMI On-Site Staff

Consortium of 25 Researchers

* Note: Members are a subset of the “Discussion Forum” Participants
ii) Retirement Income Adequacy - “DC MEPP’s”

- From perspective of “DC-MEPPs” offered by life insurance companies
  - Cost effectiveness
  - Value of advice
  - Retirement Income Adequacy
    - Investment options
    - Target payout projections
iii) Health

- Sustainability of health care system
  - Balance between private vs. public
    - Recent Gagnon report

- Cost effectiveness analyses
iv) International

- Influence international developments
  - IAIS – past examples (CLHIA perspective)
    - Group wide supervision
    - ComFrame
Financial Literacy, Profile of Industry

- “Work that actuaries carry out are at the heart of the industry’s financial success”
- “Industry depends on actuaries expertise to maintain overall credibility”
- “Actuaries have key role in communication of concepts”

Industry Resource Needs

- Actuaries the best source to project needs!
... In conclusion

- Lots going on
- Actuaries can make significant contributions
- Thank you for your attention