

Introduction to the Annual Statement on Market Conduct

Annual Statement on Market Conduct

The Annual Statement on Market Conduct (Annual Statement) is a new information return being introduced in the spring 2017 by the Canadian Council of Insurance Regulators (CCIR) members, representing the provincial and territorial insurance regulatory authorities. Through the Annual Statement, insurers will be required to file information related to their governance, practices and policies with respect to the fair treatment of consumers. The requirement to complete and file the information collected through the Annual Statement is based on the authority of each of the provincial and territorial insurance regulators to collect such information from insurers within their jurisdiction.

The following information is provided to assist insurers in preparing for the implementation of the Annual Statement. We are providing background regarding the purpose the Annual Statement, the intended usage of the data that will be collected and details regarding implementation. Detailed information regarding completion and filing of the Annual Statement will be provided to those insurers that are required to complete the Annual Statement in 2017.

Background

Purpose – The Annual Statement has been developed by the CCIR as a harmonized approach to better understanding and assessing the insurance marketplace and insurer conduct. The CCIR is an association of Canada’s insurance regulators who work together in developing solutions to common issues to serve the public interest and promote an efficient and effective regulatory system. Through the Annual Statement, CCIR members (i.e., Canada’s insurance market conduct regulators) will work together to collect information from insurers regarding their governance, practices, policies, and treatment of consumers.

CCIR members have committed to increased cooperation and information sharing to improve consumer protection and ensure alignment with international best practices and standards, in particular the Insurance Core Principles (ICPs) of the International Association of Insurance Supervisors (IAIS).¹ CCIR members have signed a Memorandum of Understanding ([link](#)) that provides the basis for increased information sharing and cooperation in supervisory activities. The CCIR also published its Framework for Cooperative Market Conduct Supervision November 2015 ([link](#)), which provides clarity regarding CCIR members’ commitment to greater collaboration and information sharing in the oversight of market conduct in Canada. The Annual Statement will be the first collaborative effort to collect market conduct intelligence and will reduce the need for insurers to have to file multiple requests for similar information from each province and territory.

¹ The CCIR members’ commitment to increased collaboration does not in any way limit or prohibit their authority or ability to engage in supervisory activities independent of other CCIR members within their respective jurisdictions.

Information sought from insurers through the Annual Statement falls under the following categories:

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|---------------------------|----------------------|-------------------------------------|
| -Governance | -Policies | -Products |
| -Premiums and Commissions | -Distributors | -Sales and Incentives Management |
| -Claims | -Complaint Reporting | -Protection of Personal Information |

The questions have been developed taking into account the ICPs as well as the principles included in the Autorité des marchés financiers' (AMF) Sound Commercial Practices Guideline ([link](#)).

By collecting this information, CCIR members will develop a better understanding of the insurance marketplace, insurer culture and practices as well as proactively identify, analyze and monitor market trends and potential risks. Consequently, the Annual Statement will assist the insurance regulators in their efforts to better protect consumers and promote a healthy insurance marketplace.

Implementation Details

Data Collection and Management – Through an agreement with the other members of the CCIR, the AMF will collect and manage the data on behalf of the CCIR. Further details regarding the process to access and file through the AMF system will be provided separately to those insurers that are required to complete all or portions of the Annual Statement.

Filing Deadline – The first Annual Statement will collect 2016 data, and insurers that are required to file information through the Annual Statement will have until **May 1, 2017** to complete a submission. Insurers that are required to complete the Annual Statement will be provided access to the AMF system by **March 28, 2017**, well in advance of the deadline.

Insurers Required to Complete the Annual Statement (Year One) – For the first year, the insurers that are required to complete the Annual Statement will be those that fall within the following categories:

1. Insurers that comprise the top 80% of the market share in the life and health insurance and property and casualty sectors, respectively.
2. Insurers currently filing under the Complaint Reporting System (CRS) will be required to complete the governance and complaint reporting sections.
3. Provincially licensed/registered insurer at the request of their provincial/territorial regulatory authority.

Insurers that will be required to complete the Annual Statement in 2017 will be notified in advance.

It should be noted that insurers writing only commercial insurance or reinsurance are “exempted” from the Annual Statement.

Complaint Data – Insurers currently filing complaint data through the CRS will now be required to file that data through the Annual Statement. All existing complaint filing obligations can now be fulfilled by completing the appropriate/required sections of the Annual Statement. As a result, the remaining 2016 complaint data, which would have been required to be filed through the CRS by January 31, 2017, is required to be filed through the Annual Statement by May 1, 2017.

Unavailable Data – The CCIR recognizes that some of the insurers required to complete the Annual Statement may not have access to all of the data being requested as it is not currently being tracked or collected. Therefore, insurers are expected to complete the Annual Statement to the best of their ability.

In the event that certain data is not available or cannot be provided, the insurer is expected to use the space provided as “General Comments” in each section to identify the data that is unavailable and provide details, including an action plan, regarding how the data will be made available to file.

Mandatory Fields – While the CCIR has adopted a “best efforts” approach for the first year, questions where the responses are limited to “yes” and “no” have been designated as mandatory since this information is considered available. In addition, the format for responses has also been designated as mandatory to ensure the appropriate alpha-numeric response is provided. Annual Statements that are submitted where mandatory questions are not answered or where inappropriate alpha-numeric values are provided will not be accepted by the database. Insurers attempting to submit such responses will not be able to do so and will be instructed to complete the Annual Statement in a compliant manner.

Enforcement – Filing the Annual Statement is mandatory for those insurers that are required to complete all or a portions thereof in year one. CCIR members, as the regulatory authorities in their respective jurisdictions, may take regulatory action to ensure compliance with this requirement. CCIR members expect that insurers required to complete the Annual Statement or portions thereof will ensure their filing is submitted:

- In the prescribed or requested form and manner;
- Complete;
- Error free; and
- By the required due date.

Insurers who are non-compliant in their Annual Statement filing requirements will receive a notice of non-compliance from the AMF on May 2, 2017. Non-compliant insurers may also receive similar notices of non-compliance from the regulatory authorities in the jurisdictions outside of Quebec in which they are licensed or registered. The notice(s) will reiterate the insurer’s filing requirements and direct the insurer to make a compliant filing. In the event that the filing remains non-compliant, the insurer will receive additional notices from the AMF and possibly other regulatory authorities in the jurisdictions outside of Quebec in which they are licensed or registered reiterating the insurer’s filing requirements and direct the insurer to make a compliant filing. Following the final notice(s), CCIR members may take enforcement action or administer an administrative monetary penalties (AMP) against non-compliant insurers operating within their jurisdiction.

CCIR members are aware that certain insurers may experience difficulties in completing and filing the Annual Statement in its first year of implementation, which is why the best efforts approach has been adopted for year one. The CCIR considers enforcement action and AMPs appropriate methods to promote compliance with the Annual Statement filing requirements.

The enforcement action taken or the AMP that is administered for non-compliance will be determined by each CCIR member with regulatory authority over the non-compliant insurer. The legislative and regulatory frameworks in each province and territory establish the CCIR member’s authority to collect

information and take regulatory action in response to non-compliance. Consequently, the nature and extent of any enforcement action or AMP will be determined based on the framework within respective CCIR member's jurisdiction.

Beyond 2017

The conditions and requirements described above apply to the first year of data collection through the Annual Statement. The contents of the Annual Statement and the data that is sought are subject to change in future collections as are some aspects regarding the filing requirements. The CCIR intends to provide the insurance industry ample notice of any substantive changes prior to implementation.

The CCIR views the Annual Statement as a living document that is expected to change from year to year. The insurance industry will be given advance notice of any changes and, depending on the nature of the change, may be consulted prior to the change taking place.

Contact

If you have any questions or concerns regarding the Annual Statement and its implementation that have not been addressed, we ask that you contact the regulatory authority with whom your organization is licensed or registered.

Please note that further detailed information regarding completion and filing of the Annual Statement will be provided to those insurers that are required to complete the Annual Statement in 2017.