



Providing Services Across
Financial Services Sectors

[Insurance](#) [Pensions](#) [Hearings & Decisions](#) [Licensing & Registration](#) [Who We Regulate](#) [About FSCO](#) [Publications](#)

[Home](#) > [Publications](#) > [Bulletins](#) > [Insurance](#) > Changes Affecting Financial Services sector Brought About by the

Government Efficiency Act, 2002

Text size: [+](#) [-](#)

[Property and Casualty -
Auto Bulletins](#)

[Pension Bulletins](#)

[Monitoring and
Enforcement Bulletins](#)

[Licensing Changes
Bulletins](#)

[Bulletins by Sector](#)

Bulletin

No. G-11/02

- General

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Changes Affecting Financial Services sector Brought About by the Government Efficiency Act, 2002

To the attention of credit unions and caisses populaires, pension plans, and companies licensed to transact insurance in Ontario

I am writing to inform you of changes affecting the financial services sector brought about by the *Government*

Efficiency Act, 2002, which received Royal Assent on November 26, 2002. These changes came into force on Royal

Assent, except for the provisions on classes of insurance which will come into force when proclaimed, at a date to be named later.

Streamlining credit union governance

The *Government Efficiency Act, 2002*, streamlines credit union governance by removing the requirement for the Board of Directors to vote on certain matters prior to a vote by membership. While in some cases it is appropriate for matters to undergo scrutiny by the Board prior to being considered by the membership, in other instances a prior vote by the Board is unnecessary. An example would be a decision to remove a director of the credit union.

This streamlining is being achieved by amending the *Credit Union and Caisses Populaires Act, 1994*, to add a new definition of “special resolution” which concerns voting by the membership on issues specific to the credit union or

caisse populaire. This definition is consistent with the definition used in the federal *Cooperative Credit Associations Act*.

Protecting the confidentiality of credit union information

The *Government Efficiency Act, 2002*, amends the *Credit Union and Caisses Populaires Act, 1994*, to clarify that the confidentiality obligations on credit union directors, officers, committee members and employees in respect of the information received by the credit union also apply to any personnel of an affiliate or subsidiary of the credit union.

This section pertains to information that belongs to the credit union and is obtained by the subsidiary from its parent credit union. This is necessary to protect the confidentiality of the credit union's information as subsidiaries are not governed by the *Credit Union and Caisses Populaires Act, 1994*.

Permitting DICO to provide services to other regulators

The *Government Efficiency Act, 2002*, permits the Deposit Insurance Corporation of Ontario (DICO) to provide services to other regulatory and insurance entities. DICO is the insurer of credit union members' deposits, acts as a stabilization authority, and also gathers statistics.

This change responds to DICO's request for legislative authority to provide to other provincial regulators, services such as policy and process development, data collection and processing, consulting on stabilization activities, and liquidation or dissolutions.

The *Government Efficiency Act, 2002*, amends the *Credit Union and Caisses Populaires Act, 1994*, to provide regulation-making power so that the entities to whom services will be provided, the nature of the services and any conditions may be prescribed by regulation.

Harmonizing classes of insurance

This *Government Efficiency Act, 2002*, includes amendments which are part of implementing a Canadian Council of Insurance Regulators (CCIR) initiative to reduce and harmonize the number of classes of insurance, harmonize the definitions and streamline the process for approving new classes. The amendments repeal the definitions of classes of insurance in the *Insurance Act* and make other consequential changes. Complementary regulatory amendments

are being prepared to take effect at the same time as proclamation of the legislative amendments. The new definitions of the classes of insurance would be made by Superintendent's Order as provided by the *Insurance Act*. Once these provisions are proclaimed, more information will be sent to all Ontario-incorporated insurers.

Role of appointed actuary in insurance companies

The *Government Efficiency Act, 2002*, amends the *Insurance Act* to include provisions regarding the appointment and role of the appointed actuary in insurance companies regulated under the *Insurance Act*.

The changes require insurers to appoint an actuary and set out the necessary qualifications of the actuary. The changes describe the actuary's responsibilities and duties in producing reports for submission to the Superintendent, and the shareholders, policyholders, directors and officers of the insurer. It also establishes the rights and protections of the actuary.

The provisions apply only to insurers incorporated and licensed in Ontario. It should be noted that mutual insurance companies that are members of the Fire Mutuals Guarantee Fund are exempt from the appointed actuary requirements and that reciprocal insurers are exempt from some of the reporting provisions regarding the financial position and expected future financial condition of the insurer. A letter detailing how and when to comply with the new requirements, such as notification of appointments and dates for filing reports to FSCO, is being sent under separate cover to Ontario-incorporated insurers.

Other amendments

The *Government Efficiency Act, 2002*, amends the *Insurance Act* to specify that it is the *Arbitration Act, 1991*, and not an earlier version, that is referred to in subsection 282 (16). Under this subsection, the *Arbitration Act, 1991*, does not apply to arbitrations on Statutory Accident Benefits.

The *Government Efficiency Act, 2002*, amends the *Pension Benefits Act* to update the reference to the *Bankruptcy and Insolvency Act (Canada)* which is the new title of this Federal statute which used to be called the *Bankruptcy Act (Canada)*. The *Government Efficiency Act, 2002*, also amends the *Pension Benefits Act* to clarify that the Superintendent has the authority to require any person required to use certain pension forms approved by the Superintendent to provide the information specified in the form. The previous wording could have been interpreted as authority to request but not necessarily require information on the form.

For more information on these amendments and other FSCO activities, we encourage you to visit our website www.fSCO.gov.on.ca

fSCO.gov.on.ca

Sincerely,

Bryan P. Davies

Chief Executive Officer and

Superintendent of Financial Services

December 6, 2002

Page: 698 Find page:



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