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**Regulatory Update – CAFII Executive Operations Committee, 18 March, 2020**

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## Federal/National

### Minister of Innovation, Science, and Industry

*Prime Minister's Mandate Letter to the Minister of Innovation, Science and Industry Calls for the Creation of a New Canadian Consumer Advocate*

At the 9 March, 2020 in-person meeting between CAFII and the Federal Consumer Agency of Canada (FCAC) in Ottawa, CAFII learned that the FCAC was trying to get more information about the creation of a new federal Canadian Consumer Advocate. This was announced in the 13 December, 2019 Mandate Letter from the Prime Minister to the Minister of Innovation, Science, and Industry, which states:

*With the support of the Minister of Middle Class Prosperity and Associate Minister of Finance and the Minister of Seniors, create a new Canadian Consumer Advocate to ensure a single point of contact for people who need help with federally regulated banking, telecom or transportation-related complaints. Ensure that complaints are reviewed and, if founded, that appropriate remedies and penalties can be imposed.*

The full mandate letter can be viewed at: <https://pm.gc.ca/en/mandate-letters/2019/12/13/minister-innovation-science-and-industry-mandate-letter>

### Federal Consumer Agency of Canada (FCAC)

*FCAC Releases Reports on Bank Complaint Handling Procedures and Operations of External Complaints Bodies*

Fasken reported on 2 March, 2020 that the The Federal Consumer Agency of Canada (FCAC) recently released a report on bank complaint handling procedures (the [CHP Report](#)) and a report on the operation of external complaints bodies (the [ECB Report](#)).

The reports address the FCAC's findings from reviews of banks' complaint handling procedures (CHPs) and external complaint bodies (ECBs) that were conducted in response to a request from the Minister of Finance following the FCAC's 2018 review of domestic retail sales practices.

Fasken notes that the review of CHPs was conducted between November 2018 and June 2019 and focussed on the six largest Canadian banks. It aimed to determine whether the banks had implemented the policies and procedures required to handle complaints in a way that met the standards for effectiveness (whether banks were resolving complaints to most consumers' satisfaction), accessibility (whether consumers knew how and where to make a complaint and were able to do so with relative ease), and timeliness (whether banks resolved consumer complaints within a timeframe defined by the regulators and that the consumer considers reasonable) set out in the *Bank Act* and FCAC guidance.

The CHP Report acknowledges potential limitations, including that it was conducted during a limited time period and that it does not, therefore, reflect improvements that banks may have made to their CHPs since the review was completed.

## Canadian Federation of Independent Business (CFIB)

*CFIB Releases Report that States that 1 in 4 Canadian Businesses Could Collapse From Big Income Drop Due to COVID-19*

Wealth Professional reports that the devastating impact of the virus outbreak on Canada's small businesses has been highlighted in a new report.

It shows that half of small firms say that their sales have fallen as a result of the COVID-19 crisis and 1 in 4 believe that a big drop in income would finish them in just one month.

The Canadian Federation of Independent Business report shows that hospitality, arts/recreation, retail and personal services are most impacted with a \$66,000 average cost to those affected.

Four in ten respondents said they would have zero sales if face-to-face contact becomes impossible. "The early economic impacts of coronavirus on Canada's SMEs has been massive," stated Dan Kelly, CFIB president. "Even more alarming is our finding that a full quarter of small firms would not be able to survive for more than a month with a drop in business income of more than 50%." Among the measures that small businesses have taken are reducing staff hours (43%) and temporary lay-offs (20%).

Almost 4 in 10 respondents said they have suffered supply chain issues.

While the CFIB acknowledges the importance of keeping people safe, it also warns that the economic impact of self-isolation must be effectively addressed by the government. "While waiving the one-week EI waiting period and expanding the Work-Sharing program were helpful moves, CFIB is concerned with calls to mandate employers to provide 14 sick leave days at a time when they are already experiencing tremendous cost pressures and decreases in revenues," added Corinne Pohlmann, CFIB's senior vice-president of national affairs. "Governments need to step in and offer direct cash support to employees and the self-employed who are forced to self-isolate, as has happened in the UK, Ireland, Norway, Sweden and Denmark."

Survey respondents have several measures that they would like to see the government implement:

- Provide temporary tax relief on income, payroll and sales taxes (69%)
- Cancel planned tax increases such as CPP/QPP and carbon tax (66%)
- Delay tax filing deadlines and eliminate penalties for late payments and remittance (65%)
- Introduce wage subsidies for businesses to retain staff (58%)
- Create incentives to boost consumer spending (46%).

"We trust that governments are doing everything they can to ensure Canadians are safe," concluded Kelly. "But we must also ensure the economic survival of our small and medium-sized businesses to ensure we can get back to normal as soon as the threat is over."

## Provincial/Territorial

### British Columbia

#### BC Financial Services Authority

##### *BCFSA Releases its 2020/21 to 2022/23 Service Plan*

On 18 February, 2020 BC Financial Services Authority (BCFSA), which came into force as the successor to FICOM on 1 November, 2018, published its 2020/21 to 2022/23 Service Plan. The Plan states that

*The Government of British Columbia remains focused on its three strategic priorities: making life more affordable, delivering better services, and investing in a sustainable economy. Crowns are essential to achieving these priorities by providing quality, cost-effective services to British Columbia families and businesses.*

The Service Plan states that

*In addition to the risk-based supervisory framework for regulated financial entities, the BCFSA also monitors the system for any violations of fair business practices such as mis-selling, unfair or misleading contracts and coercive sales tactics. The BCFSA ensures that no unauthorized business takes place in BC and that no unlicensed insurance agents, adjusters and salespeople operate in BC. The BCFSA may also appeal decisions of the Insurance Council of British Columbia.*

The Plan states that BCFSA wants to

*Increase number of on-site and face-to-face meetings with regulated entities and base subsequent monitoring on these supervisory assessments.*

- *Our goal is for each financial institution (credit union, insurance company and trust company) to receive at least one (1) face-to-face meeting per year with the BCFSA.*
- *...*
- *We will establish for turnaround times for the delivery of supervisory letters. Initial metric will be 90 days from the exit meeting (for on-site reviews). As processes and system tools improve, timelines will be reduced to 60 days effective March 2021.*

The Service Plan commits to increased targeted examinations of market conduct activities, and to increase responsiveness to complaints. In an encouraging section, the Plan states that “In order to regulate effectively and in a proportionate manner, the BCFSA needs to engage with regulated entities and individuals to understand their views, challenges and opportunities. As well, the BCFSA needs to engage with other regulators to look to opportunities to harmonize regulation, where possible.”

The full service plan is available at: <https://www.bcfsa.ca/pdf/aboutus/ServicePlan.pdf>

## Alberta

### Government of Alberta

#### *Alberta Drops Coverage for Out-of-Country Non-Urgent and Elective Health Services*

Insurance Business Canada reported on 21 February, 2020 that the provincial government of Alberta has announced that it will no longer provide coverage for Albertans' elective, non-urgent health services and routine lab tests performed out-of-country.

The change takes effect April 01, 2020. Following the move, Alberta will join the majority of provinces in not offering the coverage. Only Quebec and Newfoundland and Labrador still provide coverage for out-of-country elective, non-urgent services.

Although that coverage will be dropped, Alberta will still continue to partially cover emergency health services. "Unlike the recent change in Ontario, Albertans will continue to be partially reimbursed for insured emergency health services needed when traveling outside Canada," a media release from the province explained.

The government also said in its release that the change is expected to save the province about \$1 million annually; the savings will be reinvested into enhancing Alberta's health system.

## Ontario

### Financial Services Regulatory Authority of Ontario (FSRA)

#### *Three New FSRA Market Conduct Staff Members Join CCIR/CISRO Fair Treatment of Consumers Working Group*

At the 5 March, 2020 CAFII Quarterly Stakeholder Meeting with the CCIR/CISRO FTC Working Group, three new market conduct employees from FSRA were present.

Antoinette Maramieri is Head, Insurance, FSRA. Anthonet Maramieri was previously the COO of the Alberta Insurance Council, and CAFII has had long-standing and positive relations with her.

Chris (Christine) Caldarelli is Senior Policy and Technical Lead at FSRA. Chris Caldarelli advised that she had previously worked in Senior Counsel roles at TD Bank, Forester's, and Manulife Financial, during which time she had significant exposure to credit protection insurance products.

Tim Mifflin is Insurance Market Conduct Division, FSRA. Tim Mifflin advised that he had previously worked at the Financial Services Authority (FSA), predecessor national regulator to the current Financial Conduct Authority (FCA) in the UK, and at Royal & Sun Alliance in the UK.

## FSRA Website Posts Updated Executive Structure

*FSRA has Published an Updated Executive Structure on its Website.*

Reporting to CEO Mark White are the following positions and people:

EVP Pensions (Caroline Blouin);  
EVP Auto/Insurance Products (Tim Bzowey);  
EVP Market Conduct (Huston Loke);  
EVP Credit Union and Prudential (Guy Hubert);  
EVP Policy & Chief Consumer Officer (Glen Padaserry);  
EVP Legal and Enforcement (Jordan Solway);  
Chief Public Affairs Officer (Judy Pfeifer);  
EVP Corporate Services (Stephen Power).

The EVP Corporate Services EVP Stephen Power has the following positions and people reporting to him:

Chief Financial Officer (Randy Nanek);  
Chief HR Officer (Kelly Kimens);  
Chief IT Officer (Aleksandar Simic);  
Chief Risk Officer (Alston Perianayagam).

## FSRA Issues Press Release on Burden Reduction

*FSRA Press Release States that it has Made Significant Progress in Reducing Regulatory Burden for Industry*

FSRA issued a press release on 6 March, 2020 in which it states that “Since its launch, the Financial Services Regulatory Authority of Ontario (FSRA) has taken significant steps towards regulatory transformation that will reduce regulatory burden and protect the public interest.” The release goes on to cite the following as examples of progress made:

- *Reviewing over 1,100 pieces of inherited regulatory guidance and maintaining only those that are relevant and necessary, resulting in a 51% overall reduction;*
- *Streamlining data collection and filings by eliminating requirements for unused/underutilized data and filings; and*
- *Developing a new service standard framework that will help ensure the consistent delivery of timely and predictable regulatory activities.*

The press release adds that:

*FSRA also introduced a new guidance framework to streamline processes and provide greater clarity on what is required of regulated entities. This framework reduces guidance to four distinct categories, making it easier to conduct business. Remaining inherited guidance will, over time, be reviewed and updated within this framework.*

*“Our goal was to ensure we built a foundation for regulatory effectiveness and achieve a 25 per cent reduction of inherited guidance by fall 2020 – with the help of our stakeholders, we have already well surpassed that target,” said CEO Mark White. “This is just the start. We will continue to build a principles-based and outcomes-focused regulator, and assist businesses in offering reliable and innovative financial products and services that meet the needs of Ontarians.”*

*“FSRA plays an important role in building a stronger, more competitive business environment in Ontario,” said Minister of Finance, Rod Phillips. “FSRA has made significant progress in modernizing financial services regulation and reducing regulatory burden, while being responsive to the needs of businesses and protecting consumers.”*

To view FSRA's full report, please visit: [Burden Reduction Progress Report \(March 2020\)](#).

## **International Developments, Research, and Thought Leadership**

### **Survey of Life Insurers View of Covering Canadians with COVID-19**

*Survey Finds that For Many Life Insurers, Canadians with Coronavirus could be too Big a Risk to Cover*  
Life Health Professional reports that as the impact of the coronavirus continues to spread across industries and regions, Canadian life insurance companies are struggling to get a handle on the danger it poses — and those who are infected could pay the price.

Citing a new survey of Canadian life insurers conducted by LSM Insurance, the National Post reported that some companies would flat-out deny coverage to applicants who have contracted the disease, while others would consider accepting those who have been certified disease-free under certain conditions.

“It’s not that they think it’s a horrible thing,” Lorne Marr, insurance broker and director of new business for LSM Insurance, told the Post. “It’s not like you have terminal cancer ... Insurance is about compiling and analyzing data, and there’s still very, very limited data.”

According to the survey, respondents fell into two broad groups: insurers without a defined approach to deal with coronavirus, and those who could explain exactly under what conditions people with coronavirus can get life insurance.

Among the first group, companies said they would either decline the application, delay it until they have a clearly-defined course of action, or offer only guaranteed-issue life insurance. Such policies, LSM Insurance noted, usually don’t pay claims within one or two years of issuance; aside from not requiring medical screening, they also come with higher premiums and lower payouts, reported the Post.



The second group, meanwhile, said they will offer standard or simplified life insurance policies to those who have been certified coronavirus-free for at least three months, or fully healed and cleared by a physician after being diagnosed.

While the response might seem harsh for applicants, it's actually laxer compared to the industry response to SARS before. Speaking to the Post, Marr said that insurers at the time refused to cover anyone who had come down with the virus, adding that it changed eventually for those who made full recoveries.

## Ernst & Young

*EY Canada Study Implores Insurers To Rethink Business Models*

Insurance Portal reports on an Ernst & Young study that states that Canadian insurers need to rethink existing business models to overcome challenges brought on by new emerging technologies and intensifying competition.

"Canadian insurance providers are vulnerable to shifting trends within their own industry," says Neil Pengelly, EY Canada Insurance Technology leader. "Declining levels of consumer trust, along with legacy technology systems and a growing skills gap are creating more urgency for change. Those with a clear vision of the future and the courage to invest in thoughtful, customer-focused business models will emerge as leaders in the new economy."

EY explains what to prioritize when redesigning business models in its *NextWave Insurance: personal and small commercial 2020 report*. It recommends that insurers develop "seamless digital experiences". The insurers that will increase market share will anticipate consumer needs, target and cross-sell more effectively, build out robust self-service capabilities and focus on data-driven customer relationships. In addition, EY says insurers will benefit by moving to cloud-based platforms by partnering with ecosystem relationships (e.g. sharing platforms, social media, InsurTechs and data providers) to offer specialized, but complementary services in mutually beneficial ways.

Finally, the report says insurance companies can increase customer trust by developing effective techniques with respect to cyber risk protection, including proactive monitoring to incident response and adopting possible defenses to protect their customers from identity theft and data breaches. "While tomorrow's leading insurance businesses will be purpose-led in their strategies — including more agile with their resources and dramatically more customer-centric — the most important capability will be their ability to drive organizational change," says Pengelly. "Creating an aspirational purpose, new offerings or traditional business models isn't enough. Insurers must also get better at execution."

## Appendix A

### CAFII Alerts 17 January – 17 March 2020

<b>Date of Email Alert</b>	<b>Topic of CAFII Alert</b>
16 March 2020	CLHIA Issues Statement Regarding Coronavirus Pandemic; RSA Canada Imposes 10-day Limitation On Medical and Travel Cancellation Insurance; and March 15/20 Canadian Snowbird Association Member Advisory
12 March 2020	CLHIA Applauds Nova Scotia Government's Prohibition Of Life Insurance Trafficking
11 March 2020	RBC Confirms Mississauga Employee Tests Positive For Coronavirus; Strictly By The Numbers, The Coronavirus Does Not Register As A Dire Global Crisis; and Coronavirus Can Be Transmitted Before Symptoms Develop, New Analysis Suggests
10 March 2020	CBC Article on "Travelling during the coronavirus outbreak? Here's what you need to know right now"
5 March 2020	2 Canadian Insurance Companies Stop Covering Coronavirus-Related Trip Cancellations
5 March 2020	Willis Towers Watson Webcast/Webinar On "Implications of Coronavirus for Employers": Tuesday, March 10/20, 1:00 to 2:00 p.m. Eastern
4 March 2020	Fasken Financial Services Bulletin -- FCAC Releases Reports on Bank Complaint Handling Procedures and Operations of External Complaints Bodies
3 March 2020	CLHIA Urges Caution On Title Regulation
3 March 2020	Canadian Insurer Demands Travelling Employees To Self-Quarantine Amid COVID 19
3 March 2020	Life and Health Insurance Industry Deploying New Technologies In The Fight Against Fraud
19 February 2020	FCAC Sees Room For Improvement In Banks' Complaint Processes
19 February 2020	Duo Bank (formerly Walmart Bank Canada) Buying Fairstone Financial
19 February 2020	BC Gangster's Family Sue Over Denied Life Insurance Claim
19 February 2020	Government of Canada Puts Special Conditions In Place To Allow Life Insurance Benefits/Proceeds To Be Paid To Beneficiaries Who Are Iranian Citizens (Related To Ukrainian Flight 752 Tragedy Only)
14 February 2020	Canadian Premier Life Insurance Company Acquires Gerber Life Canadian Insurance Business
6 February 2020	Coronavirus Scare Puts Travel Insurance In Focus
3 February 2020	Restaurant Association Requests Tax Exemption On Insurance Premiums
3 February 2020	CBC News Article on Credit Card Insurance
31 January 2020	Manulife Canada CEO Sees Apple and Netflix as Insurance Competitors
29 January 2020	Court Affirms Rejection of Former Cabinet Minister's Cancer Claim; and Insurance Preparation Gap Leading to Millions in Unclaimed Benefits
24 January 2020	Free Tuesday, February 4/20, 2:00 p.m. ET, U.S.-Based Webinar On "Successful Banks and Insurers Know A Superior Customer Experience Is A Competitive Advantage"
17 January 2020	Second AMF Letter Received By A CAFII Member This Week, Related To Section 138 Of The Insurers Act

<u>Date of Email Alert</u>	<u>Topic of CAFII Alert</u>
17 March 2020	Ontario's Insurance and Financial Regulator (FSRA) Details Business Continuity Plan
17 March 2020	Travel Insurance Industry Grapples With Coronavirus