

CAFII Board Meeting Minutes
Tuesday, November 29, 2016
Location: BMO Insurance
60 Yonge St., Main Boardroom, 6th Floor,
Toronto, ON

Present:	Nicole Benson	Canadian Premier Life Insurance Co.
	Joane Bourdeau	National Bank Insurance Co. <i>Vice-Chair</i>
	Linda Fiset	Desjardins Financial Security
	Chris Knight	TD Insurance
	Todd Lawrence	CIBC Insurance
	Chris Lobbezoo	RBC Insurance
	Peter McCarthy	BMO Insurance <i>Chair</i>
	Kelly Tryon	The CUMIS Group
	Robert Zanussi	Assurant Solutions <i>(by teleconference)</i>
Also Present:	Jason Beauchamp	BMO Insurance
	Rose Beckford	ScotiaLife Financial
	Charles Blaquiere	Canadian Premier Life Insurance Co.
	Eleanore Fang	TD Insurance <i>Secretary</i>
	Zack Fuerstenberg	ScotiaLife Financial <i>(observer for Bob Grant)</i>
	Katherine Geisler	CIBC Insurance
	Moira Gill	TD Insurance
	John Lewsen	BMO Insurance
	Sue Manson	CIBC Insurance
	Raja Rajaram	CIBC Insurance <i>Treasurer (for part)</i>
	Brendan Wycks	CAFII <i>Executive Director</i>
	Emily Cloutier	T•O Corporate Services <i>Recording Secretary</i>
Regrets:	Nick Bilodeau	AMEX Bank of Canada
	Bob Grant	ScotiaLife Financial

1. Call to Order

The meeting was called to order at 2:33 p.m. P. McCarthy acted as Chair; E. Fang acted as Secretary; and E. Cloutier acted as Recording Secretary.

P. McCarthy extended a particular welcome to Zack Fuerstenberg from ScotiaLife Financial, who was attending the meeting as an observer for CAFII Director Bob Grant. Mr. McCarthy noted that, as per the Association's By-Law, Mr. Fuerstenberg was permitted to participate in the Board's deliberations and discussions, but was not permitted to vote on motions or resolutions.

Secretary E. Fang confirmed that notice of the meeting was sent to all Directors in accordance with the Association's By-Law and there was a quorum of Directors present, with eight Directors present in-person and one Director participating by teleconference.

P. McCarthy declared this meeting of the Board of Directors of the Canadian Association of Financial Institutions in Insurance duly convened and properly constituted for the transaction of business.

1.1 Approval of Agenda

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that

the Meeting Agenda be and is approved as presented.

2. Consent Items

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that

the following Consent Agenda items be and are approved or received for the record, as indicated in the Action column in the Consent section of the agenda:

- Draft Board Meeting Minutes, October 4, 2016
- Summary of Board & EOC Action Items
- Balanced Scorecard
- Regulatory Update
- Regulator and Policy-Maker Visit Plan

IT WAS FURTHER RESOLVED that

the Minutes of the Board meeting held October 4, 2016 be and are adopted in the form presented, and that a copy of these minutes be signed and placed in the Minute Book of the Corporation.

3. Financial Update

3.1. Financial Statements as at October 31, 2016

Treasurer R. Rajaram reported on the Association's financial statements as at October 31, 2016. With respect to the Balance Sheet, he noted that total unrestricted net assets currently stood at just under \$410K, and reserves of that amount constituted 81% of annual operating expenses.

With respect to the Statement of Operations, Mr. Rajaram advised that the Association's net income was just under \$51K with 10 months of the year completed as at October 31. He noted that in October, a small current month deficit was sustained; and current month deficits were also expected to be incurred in the final two months of the year, which would moderate the level of the surplus attained for the 2016 fiscal year.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that

The CAFII financial statements as at October 31, 2016 be and are approved in the form presented.

3.2. Quarterly Financial Reporting -- November 2016

Treasurer R. Rajaram recalled that the Quarterly Financial Reporting was a mechanism developed by G. Grant in early 2016, with its purpose being to track the Association's financial results against the approved budget; and to project those results to the end of the fiscal year, with more precision, on a quarterly basis.

Mr. Rajaram noted that with current month deficits expected to be incurred in each of the three months in the final quarter of the year, the projection for the full 2016 fiscal year was a modest surplus of just under \$33K.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The CAFII Quarterly Financial Reporting as at October 2016 be and is approved in the form presented.

3.3. Draft CAFII 2017 Operating Budget Options Review

Treasurer R. Rajaram presented the Draft 2017 CAFII Operating Budget, noting that a number of alternative options had been provided due to the realization that the Board-approved plan to hire a new, full-time Co-Executive Director was not financially sustainable after the first year without a substantial member dues increase. Therefore, the following options were presented in the budget file:

- two Co-Executive Directors, with no member dues increase in 2017;
- two Co-Executive Directors, with a 20% member dues increase in 2017;
- existing Executive Director plus an Associate Executive Director, with no member dues increase in 2017;
- existing Executive Director plus an Associate Executive Director, with a 15% member dues increase in 2017; and, in addition,
- a separate tab which provided the 2017, 2018, 2019 *proforma* budget options based on a three-step member dues increase proposal which would allow CAFII to achieve steady state sustainability following the introduction of either a two Co-Executive Directors staffing model or a one Executive Director and one Associate Executive Director staffing model.

Mr. Rajaram noted that the calculations in the separate tab indicated that

- the following member dues increases would be necessary to achieve steady state sustainability under the two Co-Executive Directors option:
 - 20% increase in 2017; followed by a further
 - 45% increase in 2018; followed by a further
 - 5% in 2019; and
- the following member dues increases would be necessary to achieve steady state sustainability under the one Executive Director and one Associate Executive Director option:
 - 15% increase in 2017; followed by a further
 - 20% increase in 2018; followed by a further
 - 10% in 2019.

Following the Board's discussion with Mr. Rajaram on the 2017 Budget options presented, including clarification of the assumptions underlying the numbers, P. McCarthy thanked R. Rajaram and B. Wycks for their work on producing the multiple budget scenarios. Mr. McCarthy advised that further discussion on this important matter would occur shortly, during the Board's *in-camera* session.

4. Regulatory Consultations/Submissions Timetable

4.1. BC 'Effecting' of CGI Issue

E. Fang, Board Secretary and EOC Chair, summarized the EOC's discussion and decision with respect to the recently received legal opinion from expert legal counsel J. McCutcheon on the auto dealers are creditors for a moment-in-time issue; and how the Association could best use the opinion in its still-open dialogue with BC FICOM on how auto dealers who offer creditor's group insurance fit within the framework outlined in the regulator's "Effecting of CGI" Information Bulletin of September 2015.

Ms. Fang advised that the EOC had supported the following next steps proposal advanced by two member organizations which have direct CGI relationships with auto dealers in BC: *send a CAFII letter to H. James of BC FICOM to thank him for the helpful clarifications and insights on this issue provided in the teleconference meeting of April 14/16; and to advise that CAFII has since had further internal consultations on the matter, and now feels fully informed on all aspects of the CGI Information Bulletin, such that our inquiry on the auto dealers as creditors issue can be closed.*

Following discussion, the Board approved the EOC's next steps proposal that the legal opinion be held in reserve and that CAFII's auto dealers-related inquiry with BC FICOM be brought to closure via the proposed draft letter to H. James, which had been included in the materials for this meeting.

ACTION: Send Board-approved letter to H. James, BC FICOM, to bring closure to CAFII's open inquiry on auto dealers are creditors for a moment-in-time issue [Brendan, Eleanore: Dec. 9/16].

4.2 Saskatchewan Insurance Regulations Consultation

R. Beckford, Chair of the Market Conduct Committee, reported that on October 12/16, Saskatchewan's Financial Consumer Affairs Authority (FCAA) released, for consultation, draft Regulations related to the province's recently revised Insurance Act, which has not yet been proclaimed into force. The Regulations Consultation document was released under a restrictive embargo which limits its being shared for review and comment; and it also contains a sub-consultation related to the FCAA's plans to license Third Party Administrators (TPAs).

The joint Market Conduct and Licensing Committees have had a number of meetings to discuss the contents of the Consultation document, and to generate input for CAFII's response submissions on the draft Regulations and the sub-consultation on TPAs. Our comments on the draft Regulations are currently undergoing final review and will be submitted in a few days, by the deadline of December 2/16. Our submission on the TPAs sub-consultation is also well-advanced. However, given that the FCAA has offered CAFII an unsolicited extension to December 31/16, we will take partial advantage of that offer and make our TPAs submission by December 9/16, Ms. Beckford concluded.

4.3 Quebec Omnibus Bill on Financial Sector Modernization

R. Beckford reported that CAFII had recently secured the services of specialized legal counsel S. Bourdeau of Fasken Martineau, via a letter of engagement, and was now in a position of readiness to respond once the Quebec Ministry of Finance releases its omnibus Bill on modernizing the province's financial services sector, including the Insurance Act and Distribution Act.

B. Wycks reported that at the AMF's annual Rendez-vous mini-conference on November 14/16, which he attended in Montreal, Quebec Finance Minister Carlos Leitao, the luncheon speaker, announced that his Ministry would table the anticipated omnibus Bill to modernize the province's financial services sector by no later than December 9/16, which is the last day on which the National Assembly sits before its Holiday Season recess.

L. Fiset advised that a strike by provincial government lawyers, including those who work on drafting and reviewing legislation, was currently underway in Quebec; and that would probably prevent Minister Leitao from keeping his commitment to table the omnibus Bill before the National Assembly adjourns for its Holiday break.

4.4 Ontario Replacement of FSCO with New Financial Services Regulatory Authority

B. Wycks reported that on November 14/16, in his Fall Economic Update, Ontario Minister of Finance Charles Sousa announced that the province intends to establish a new Financial Services Regulatory Authority (FSRA) – replacing the existing Financial Services Commission of Ontario (FSCO) and Deposit Insurance Corporation of Ontario (DICO) – with a view to reducing regulatory burden on Ontario businesses while at the same time protecting consumers and investors. The legislation establishing the FSRA, known as the *Financial Services Regulatory Authority of Ontario Act, 2016* (FSRA Act) was introduced immediately thereafter and received first reading in the legislature on November 16 (as Schedule 8 of the budget implementation act, Bill 70.)

While the necessary Regulations to the FSRA Act have not yet been released, all indications are that the restructuring of Ontario's financial regulators will proceed in accordance with the Final Report of the Expert Panel that was commissioned to examine the mandates of FSCO, DICO, and the Financial Services Tribunal (FST). The FSRA is to be structured as a flexible, independent, financially self-sufficient, expertise-driven body equipped to respond to rapid technological and market change.

The FSRA Act establishes the structure of the FSRA. The agency will have a board of directors of between three and 11 members, led by a Chair chosen by the Minister. The Minister will also have approval power over by-laws. FSRA directors will be subject to the same conflict of interest, fiduciary duty and indemnification rules that apply to business corporation board members under the Business Corporations Act. The FSRA board will appoint a CEO and other officers, who cannot be board members themselves. The FSRA's revenues will be used exclusively for its own activities, thus fostering its independence, rather than being deposited into Ontario's Consolidated Revenue Fund. Those revenues will be raised, in part, through assessments paid by participants in the various regulated sectors, with provisions for licence revocation and other remedies in the event of non-payment.

Much of the detail of the FSRA's structure and mandate has been left to the Regulations. With respect to the development of those Regulations, a new FSRA Implementation Secretariat has been established and will complete that work.

4.5 Alberta Authorization of CI Sales Under an RIA Certificate

B. Wycks reported that he had received a recent update from J. Abram, CEO of the Alberta Insurance Council, indicating that after receiving proposed definitions of Critical Illness Insurance offered as credit-related insurance under a Restricted Certificate from industry stakeholders, including CAFII, AIC's management would be taking forward a recommended definition for approval by the Life Insurance Council at its next meeting on December 14/16. Ms. Abram promised to communicate again with CAFII shortly after the December 14 meeting; and hoped to have this matter fully resolved by the end of this calendar year.

5. Committee Reports Addressing CAFII Priorities

5.1 Market Conduct

No further update at this time.

5.2 Media Advocacy

C. Blaquiere, Chair of the Media Advocacy Committee, reported that significant progress had recently been made in working with RankHigher, the search engine optimization and website design firm engaged through media consultant David Moorcroft, in confirming the elements of a plan to make the CAFII website achieve better search results and be more appealing and consumer-friendly.

In the most recent meeting, committee members provided feedback and further direction on RankHigher's structure and navigation proposal for our website, and RankHigher will now proceed to develop draft web pages.

There is also a need to update or replace the Drupal platform on which our website is currently running. RankHigher will be consulting with TO Corporate Services to produce a plan for that component of the overall website overhaul project.

5.3 Licensing Efficiency Issues

M. Gill, Chair of the Licensing Efficiency Issues Committee, reported that her committee continued to have ongoing discussions with the FCNB in New Brunswick regarding its online licensing portal. There was a recent FCNB webinar that was unsuccessful in communicating updates.

In addition, a number of CAFII members have plans to attend a CISRO LLQP Stakeholder Information Session in Toronto on December 9/16, where an update on LLQP implementation will be provided.

5.4 Research & Education

D. Quigley, Chair of the Research & Education Committee, reported that her committee had recently completed a refresh of the CAFII resource material called a "Seven Point Guide to the Creditor Insurance Regulatory Regime," for possible use as the basis of an educational webinar for the Atlantic Canada insurance regulators and/or other regulators in other parts of the country.

6. Other Business

6.1 Proposed 2017 CAFII Board Meeting Dates

B. Wycks presented the Proposed 2017 CAFII Board Meeting Dates, advising that the April 5/17 Board Meeting had been atypically scheduled for a Wednesday in order to facilitate the attendance of regulators from CCIR and CISRO at CAFII's 20th Anniversary Celebration that same evening.

The Board approved the Proposed 2017 CAFII Board Meeting Dates, as presented.

6.2 CAFII Stakeholder Dialogue With CCIR: December 12/16

B. Wycks reported that Board members P. McCarthy, J. Bourdeau, and C. Knight would be attending CAFII's Stakeholder Dialogue meeting with CCIR on December 12/16, along with EOC members E. Fang, J. Lewsen, and himself. An agenda and related Briefing Document will be circulated to CAFII's participants several days prior to the meeting.

Mr. Wycks advised that CCIR had asked that Stakeholders come prepared to discuss their ideas for input into CCIR's new 2017-2020 Strategic Plan at the Dialogue meetings, but CCIR Policy Manager Martin Boyle had indicated that there would also be an opportunity to provide more formal, written input for the Strategic Plan thereafter.

L. Fiset asked that Board members be given an opportunity to review and comment on the list or outline of topics that CAFII will be suggesting to CCIR for inclusion in its new Strategic Plan.

ACTION: Provide opportunity for CAFII Board and EOC members to comment on the list/outline of topics which CAFII will be suggesting to CCIR for inclusion in its 2017-2020 Strategic Plan. [Brendan, Jan 7/17].

6.3 CAFII 20th Anniversary Celebration in 2017

B. Wycks reported that Ripley's Aquarium of Canada has been secured as the venue for CAFII 20th Anniversary Celebration on April 5/17. The immediately preceding Board meeting will be hosted by TD Insurance at its nearby office building at 320 Front Street West.

6.4. 2017 Annual Members Luncheon

B. Wycks reported that Keegan Iles of PwC had been secured as the speaker for CAFII's Annual Members' Luncheon on February 7/17 at the Arcadian Loft. Mr. Iles is a knowledgeable and passionate speaker on insurtech developments and possibilities, and the title of his presentation is "Tomorrow is Today: Insurtech Disruption in the Life and Health Sector."

6.5. Finance Canada's Bill C-29, Budget Implementation Act

Following Board discussion of this matter which was recently brought to CAFII's attention by CIBC Insurance and which had been forwarded to the Canadian Bankers Association for pursuit of a resolution, it was recommended and agreed that the following Action Item be established:

ACTION: Monitor Canadian Bankers Association's plans and actions for seeking redress with Finance Canada re deficiencies in Bill C-29, Budget Implementation Act's Consumer Protection Framework related to creditor insurance and stand-alone insurance products [Brendan, Ongoing].

7. In-Camera Discussion

7.1 Draft CAFII 2017 Operating Budget

Following completion of the Board of Directors' *in camera* discussion, EOC members, Executive Director B. Wycks, and Recording Secretary E. Cloutier were invited back into the room and the following resolution was confirmed:

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that

With respect to CAFII's future staffing model and related implications for the Association's 2017 Operating Budget, the Board of Directors resolves that

- the Association will proceed with a two Co-Executive Directors staffing model;
- Member Dues will be increased by 25% in 2017 over 2016 levels; and
- Member Dues will be increased by a further 25% in 2018 over 2017 levels if -- following a re-evaluation at the end of 2017, as the 2018 Operating Budget is being developed -- the necessity and prudence of that further Member Dues increase is confirmed.

4. Termination

There being no further business to discuss, the meeting was terminated at 4:25 pm.

It was noted that the CAFII Year-End Reception would immediately follow this Board meeting, from 5:00 to 7:30 p.m. at First Canadian Place, 100 King St. West, York Room, 68th Floor, Toronto.

It was further noted that the next CAFII Board of Directors meeting will be held on Wednesday, April 5, 2017, 2:30 to 4:30 p.m., at TD Insurance, 2nd Floor, Cape Breton Room, 320 Front St. West, Toronto; and will be immediately followed by CAFII's 20th Anniversary Celebration from 5:00 to 7:30 p.m., at Ripley's Aquarium, Toronto.

Date

Chair

Recording Secretary