

CAFII Executive Operations Committee Meeting Minutes

Tuesday, October 25, 2016

Location: TD Insurance

320 Front Street, Jasper Room, 2nd Floor

Toronto, ON

DRAFT

EOC Present:	Carol Allen	Assurant Solutions (<i>by teleconference</i>)
	Jason Beauchamp	BMO Insurance
	Rose Beckford	ScotiaLife Financial (<i>by teleconference</i>)
	Charles Blaquiere	Canadian Premier Life Insurance Co. (<i>by teleconference</i>)
	Isabelle Choquette	Desjardins Financial Security (<i>by teleconference</i>)
	Eleanore Fang	TD Insurance Chair
	Moirra Gill	TD Insurance (<i>by teleconference, for part</i>)
	Charles MacLean	RBC Insurance
	Sue Manson	CIBC Insurance
	Andrea Stuska	TD Insurance
	Raja Rajaram	CIBC Insurance (<i>by teleconference, for part</i>)

Also Present:	Emily Cloutier	T•O Corporate Services Recording Secretary
	Brendan Wycks	CAFII Executive Director

Regrets:	John Lewsen	BMO Insurance
	Katherine Geisler	CIBC Insurance
	Diane Quigley	The CUMIS Group
	Jerome Savard	Desjardins
	Ana Vu	BMO Insurance

1. Call to Order

The meeting was called to order at 2:06 p.m. E. Fang acted as Chair; E. Cloutier acted as Recording Secretary.

2. Approval of Agenda and Previous Minutes

a. Agenda

The agenda for this October 25, 2016 Executive Operations Committee meeting was approved as circulated.

b. EOC Meeting Minutes of September 20, 2016

The Executive Operations Committee meeting minutes of September 20, 2016 were approved as presented.

c. Board Meeting Minutes of October 4, 2016

The Board meeting minutes of October 4, 2016 were approved as presented.

d. Summary of Board and EOC Action Items

B. Wycks provided updates on the following, as detailed in the circulated Summary of Board and EOC Action items document:

- #1: CAFII's presentation on "Seven Point Guide to the Creditor Insurance Regulatory Regime" has been updated, and would be discussed under a separate agenda item later in this meeting.
- #11: Six CAFII representatives had a successful liaison lunch with CCIR Policy Managers M. Boyle and S. Jacobs on October 24/16.
- #14: B. Wycks communicated the Board's Resolution of Appreciation to G. Grant by email; G. Grant responded immediately with a "Much Appreciated" thank you message.

3. CAFII Financial Management

a. Financial Statements as at September 30, 2016

Treasurer R. Rajaram commented on the Statement of Operations, noting that CAFII had a surplus year-to-date of approximately \$55,400. However, it was expected that a higher level of spending over the final quarter of the year -- in particular in the line item of Media Outreach, which includes the redevelopment of the CAFII website -- would move the Association closer to a \$25,000 deficit at the end of the fiscal year. While the \$71,000 budgeted deficit for the year would certainly not materialize, a smaller deficit was likely to occur and would serve to draw down the Association's financial reserves to some degree.

Turning to the Balance Sheet, R. Rajaram advised that CAFII currently had unrestricted net assets of just over \$414,000, which means that financial reserves are at 82% of the Association's annual operating expenses. But with the expected spending over the fourth quarter, the reserves at the end of fiscal year 2016 should be closer to the 72% of annual operating expenses which was forecast in the recent Quarterly Financial Forecast report.

C. Maclean asked what strategies were in place to ensure that the financial reserves did not continue to grow and thereby potentially jeopardize CAFII's non-profit Association status with Canada Revenue Agency.

B. Wycks responded that from the perspective of CAFII's auditor, the Association would not be in a "danger zone" position with CRA until reserves were in the range of 200% of annual operating expenses. Now that the Board had approved the creation of a new Co-Executive Director staff position, Management Fees expenses would increase significantly in the near future. By the end of fiscal year 2017, the Association's financial reserves should be significantly diminished and trending much closer to the target range of between 25% and 50% of annual operating expenses.

In terms of Member and Associate dues, all 2016 dues have now been paid and none remain outstanding, R. Rajaram concluded.

b. Development of 2017 CAFII Operating Budget

B. Wycks reported that development of the 2017 CAFII Operating Budget was now underway. Committee Chairs would be contacted to provide input regarding the expense amounts that will be required to fund strategic initiatives over the course of 2017.

ACTION: Send request for input on 2017 CAFII Operating Budget to Committee Chairs [Emily: Oct 26/16]

ACTION: Provide input for development of 2017 CAFII Operating Budget [Committee Chairs: Nov 2/16]

ACTION: Develop 2017 CAFII Operating Budget for EOC review and feedback at November 15/16 EOC meeting, prior to its presentation to the Board at November 29/16 meeting for approval [R. Rajaram, B. Wycks, E. Cloutier: Nov 15/16]

4. Regulatory

a. Consultations/Submissions Timetable

B. Wycks highlighted recent updates to expected timelines for the following consultation/submission opportunity currently on CAFII's timetable: Regulations in support of Bill 177, The Insurance Act (Saskatchewan).

i. BC Effecting of CGI Issue: Legal Opinion on Auto Dealers are Creditors for a Moment in Time

E. Fang reported that CAFII had recently received a requested draft legal opinion from J. McCutcheon of Borden Ladner Gervais on the *auto dealers are creditors for a moment in time* issue. Because this issue, arising from BC FICOM's September 2015 Information Bulletin on the effecting of Creditor's Group Insurance, is directly relevant to the business operations of members CUMIS Group Ltd. and Assurant Solutions, those two members had been asked to review the draft opinion initially and assist in the formulation of a recommendation to the EOC on how CAFII should utilize the opinion, if at all, in terms of further communication with FICOM.

The draft legal opinion would be posted in connection with the subsequent EOC meeting on November 15/16, and a recommendation on its utilization discussed at that meeting, Ms. Fang advised.

ACTION: Post J. McCutcheon's draft legal opinion on auto dealers are creditors for a moment-in-time issue, for review at November 15/16 EOC meeting. [E. Fang/B. Wycks: Nov 10/16]

ACTION: Prepare recommendation to EOC on how CAFII should utilize J. McCutcheon's draft legal opinion, if at all, in terms of further communication with FICOM, for discussion at November 15/16 meeting. [E. Fang/B. Wycks: Nov 15/16]

ii. CAFII Engagement of Specialized Legal Counsel

B. Wycks reported that an October 20/16 teleconference meeting which R. Beckford, I. Choquette, and he had with S. Bourdeau of Fasken Martineau had provided reassurance and comfort that she and her firm were prepared to accommodate CAFII's concerns about potential conflict-of-interests arising if the firm was to represent a group holding views on Quebec's Insurance Act and/or Distribution Act which are opposed and adverse to those of CAFII, while at the same time representing our Association. S. Bourdeau committed to have her firm's "conflicts officer" research the possible conflict-of-interest entities which CAFII had identified; and subsequently to accommodate CAFII's concerns directly in a draft letter of engagement.

iii. Saskatchewan Insurance Regulations Consultation

R. Beckford, Chair of the Market Conduct Committee, reported that her committee and the Licensing Committee would be working jointly to review and respond to the Saskatchewan Financial Consumer Affairs Authority's recently released Insurance Regulations Consultation Document by the December 2/16 deadline. Two teleconference meetings had been scheduled for that purpose.

A. Stuska advised that from the perspective of TD insurance, the consultation period is not providing sufficient time if all comments need to be submitted by a December 2/16 deadline; and the intended implementation date of sometime in April 2017 is also not realistic.

In addition, the FCAA's embargo on sharing the consultation document limited the number of people who could review it and provide comments.

There was general agreement with E. Fang's suggestion that CAFII should communicate an initial reaction to the FCAA that our Association has serious concerns that (i) the less than two months of response time provided for this consultation does not provide sufficient time and will not allow stakeholders – particularly those that are industry Associations, which need to work through a member-based review and consensus-building process -- to prepare and submit thorough and informed feedback; (ii) the plan to have the new Saskatchewan Insurance Act and its Regulations proclaimed into force in April 2017 does not allow sufficient lead time for insurers and distributors to adapt to mandated changes, especially those which will have systems implications.

ACTION: Send a note to J. Seibel, FCAA, expressing CAFII's concern about the insufficient and compressed time being allowed for submissions on the draft Regulations and for preparing for and adapting to the new Insurance Act and related Regulations. [B. Wycks: Nov 11/16]

ACTION: Obtain from J. Seibel, FCAA, a copy of the amended Bill 177, The Insurance Act as actually passed by the Saskatchewan legislature in May 2015 [B. Wycks: Oct 28/16]

iv. FCAC Consultation on Proposed Supervision Framework and Publishing Principles for Decisions

R. Beckford provided background on this Financial Consumer Agency of Canada consultation and raised the question of whether or not it was "in scope" for CAFII, such that the Association should make a response submission.

In EOC discussion of this matter, there was general agreement that (i) there were no issues raised in the consultation that are of direct relevance to CAFII members; and (ii) CAFII should communicate to the Canadian Bankers Association that it does not intend to respond to this FCAC consultation, but would be happy to provide input for any insurance matter related to federally regulated financial institutions which the CBA may choose to comment on in its submission.

v. Alberta Decision on CI Sold Under a Restricted Certificate

B. Wycks reported that in a October 11/16 letter to CAFII, J. Abram, CEO of the Alberta Insurance Council, communicated the news that the Life Insurance Council had decided that creditor's group critical illness insurance can be sold under an existing Restricted Certificate of Authority in the province, conditional upon the LIC's adoption of an appropriate definition of creditor's group critical illness insurance. CAFII's input on that definition was requested by October 31, 2016.

The joint Market Conduct and Licensing Committees had a productive teleconference meeting on October 20/16, which produced a high level CAFII-proposed definition which was flexible enough to allow for future product and/or distribution innovation without having to go back to the regulator for a legislative or regulatory change. The definition will be vetted with J. McCutcheon for her legal feedback, followed by a comparison discussion with CLHIA to ensure that the two Associations' proposed definitions are well-aligned.

ACTION: Obtain legal review feedback from J. McCutcheon on CAFII's proposed definition of creditor's group critical illness insurance; talk to E. Hiemstra of CLHIA to ensure that the CAFII and CLHIA proposed definitions are well-aligned; and circulate the revised definition to Market Conduct, LEIC, and EOC members for final review and approval before submission to J. Abram. [B. Wycks: Oct 31/16]

b. Regulatory Update

B. Wycks highlighted Regulatory Update items for which new developments had recently occurred; and also noted new items which had emerged since its publication. EOC discussion ensued on the following matter:

i) CCIR Annual Statement on Market Conduct

B Wycks reported that at the October 24/16 liaison lunch with the CCIR policy managers, M. Boyle and S. Jacobs indicated that the initial implementation version of the Annual Statement on Market Conduct should be finalized and distributed to the industry, for information, by the end of 2016. Thereafter, the AMF would be developing, for CCIR, an online secure system for insurers to submit their Annual Statement response data; and that portal should be ready for insurers to review and begin using at some point in February or March 2017. The deadline for insurers to make their first Annual Statement submission – based on their 2016 fiscal year-end – will be May 1, 2016.

The CCIR Policy Managers stressed that there will always be a significant notice period to the industry if there is ever any significant change to the Annual Statement's requirements. They also noted that the attestation in the Annual Statement had been reworked to remove any reference to adherence to all applicable laws and regulations; and to provide as much protection and immunity as possible from Freedom of Information requests.

The CCIR Policy Managers also advised that the Council would not be taking a phased-in implementation approach with the Annual Statement, i.e. it will not be rolled out in discreet phases with certain sections of data being required at a later date than other sections. Rather, the entire Annual Statement will have a May 1/16 response deadline under a "best attempts" approach. "Best attempts" will mean that if an insurer is not capable of responding to one or more sections of the Annual Statement by the May 1/16 deadline, for whatever reason, it will need to explain why it is incapable of doing so at this time and state an action plan for rectifying the situation by a year hence, the next time it is required to submit.

In this connection, R. Beckford recommended that given that the existing National Complaint Reporting System is to be absorbed within the Annual Statement, CAFII should find out from CCIR (i) if the semi-annual SRP-CRS complaint report filing requirement, which has had a January 30 and July 30 deadline each year, will now not be required on January 30/17 because it will be absorbed within the Annual Statement filing which has a May 1/17 deadline?; and (ii) will the provincial/territorial jurisdictions which previously were not included in the PARC filing requirement now be included under the Annual Statement regime?

ACTION: Send a note to CCIR Policy Managers M. Boyle and S. Jacobs to find out (i) if the semi-annual SRP-CRS complaint report filing requirement, which has had a January 30 and July 30 deadline each year, will now not be required on January 30/17 because it will be absorbed within the Annual Statement filing which has a May 1/17 deadline?; and (ii) will the provincial/territorial jurisdictions which previously were not included in the SRP-CRS filing requirement now be included under the Annual Statement regime? [B. Wycks: Nov 10/16]

J. Beauchamp noted that (i) the language in CCIR's Memorandum of Understanding for its Co-operative Market Conduct Supervision Framework may not be strong enough to ensure the confidentiality of insurer data that is submitted as part of an Annual Statement filing; and (ii) if not all provinces and territories have signed the MOU by the time the Annual Statement is implemented, that could create an untenable, make-work situation requiring an insurer to extract data related to those not-included jurisdictions, which would be a difficult and time-consuming chore.

He recommended that CAFII send a written request to M. Boyle and S. Jacobs asking that the confidentiality protection language in the Memorandum of Understanding be shared with the industry; and stressing the importance of all jurisdictions being signatories to the MOU by the time the Annual Statement is implemented.

ACTION: Send a note to CCIR Policy Managers M. Boyle and S. Jacobs asking that the confidentiality protection language in the Memorandum of Understanding be shared with the industry; and stressing the importance of all jurisdictions being signatories to the MOU by the time the Annual Statement is implemented. [B. Wycks: Dec 5/16]

c. Regulatory and Policy-Maker Visit Plan

B. Wycks highlighted opportunities for upcoming visits with regulators and policy-makers, as proposed in the updated Regulator and Policy-Maker Visit Plan.

5. EOC Committee Updates

a. Research & Education

i. Seven Point Guide to Creditor Insurance Regulatory Regime

The EOC reviewed the updated Seven Point Guide to the Creditor Insurance Regulatory Regime, prepared by the Research & Education Committee. There was general agreement that the edits and enhancements made to the previous version of this material were sufficient, and the document was approved for use in CAFII's future regulatory communications and advocacy work.

b. Media Advocacy

i. Implementation of Board-approved Media Strategy

C. Blaquiere, Chair of the Media Advocacy Committee, advised that he and B. Wycks were currently in the process of reviewing and providing feedback to consultant D. Moorcroft and RankHigher on their proposal for a new CAFII website structure.

A follow-up meeting with D. Moorcroft and RankHigher was being arranged to gain greater understanding of the rationale behind the proposed new structure, how it relates to the current CAFII website, and how content will be generated for the new structure.

Thereafter, the proposed new structure will also be reviewed by Media Advocacy Committee members E. Fang and S. Manson before being presented to the EOC for approval, he advised.

c. Market Conduct

R. Beckford, Chair of the Market Conduct Committee, advised that the Alberta Insurance Council had recently sent a letter to the CEOs of p&c and life insurance companies, stating that it would soon be undertaking market conduct field examinations which would include media monitoring; and to that end it would be selecting one insurer to be the subject of a market conduct field examination pilot test.

d. Licensing Efficiency Issues

On behalf of M. Gill, Chair of the Licensing Committee, B. Wycks reported that the Financial and Consumer Services Commission of New Brunswick had recently sent out a number of communiques to indicate that effective November 1/16, it would only be accepting online applications for insurance agent, broker, adjuster, and damage appraiser licences.

6. Other Business

a. CAFII 20th Anniversary Celebration

In a discussion of possible central Toronto locations for CAFII's 20th Anniversary Celebration on April 5, 2017, there was general EOC agreement that Ripley's Aquarium would be the first-choice venue for the event.

ACTION: Contact event coordinators at Ripley's Aquarium and set-up a site-visit for B. Wycks and E. Cloutier; and determine the deposit amount and next steps for securing the space. [E. Cloutier: Oct 28/16]

b. CAFII Co-Executive Director Position

E. Fang briefly updated EOC members on the CAFII Board's decision to create and recruit for a CAFII Co-Executive Director position. She noted that the new position had been advertised on LinkedIn for nearly a month and had generated a large number of candidates from outside the industry. However, there had been few referrals of candidates from Board and EOC members. She therefore requested that EOC members forward the position posting to candidates whom they feel would be suitable.

ACTION: Send the LinkedIn posting for the CAFII Co-Executive Director position and a PDF of the job description to all EOC members for review and sharing with potential candidates [E. Cloutier: Oct 25/16]

7. Termination

There being no further business, the meeting was terminated at 3:43 p.m. It was also noted that the next EOC meeting was scheduled for Tuesday, November 15, 2016, 2:00 p.m. at TD Insurance, 320 Front St., 2nd Floor, Jasper Room, in Toronto.

It was also noted that the next CAFII Board meeting was scheduled for Tuesday, November 29, 2016 hosted by BMO Insurance at First Canadian Place, 100 King St. West, 40th Floor, Toronto, to be followed immediately by the CAFII Year-End Reception.

Date

Chair

Recording Secretary