

Agenda Item 2(a)

August 13/19 EOC Teleconference Meeting

CAFII Executive Operations Committee
Summary Notes of Teleconference Meeting, 25 June 2019

In Attendance:

Martin Boyle, BMO Insurance *Chair*
Tony Pergola, ScotiaLife Financial (Treasurer)
Brad Kuiper, ScotiaLife Financial
Peter Thorn, TD Insurance
John Lewsen, BMO Insurance
Shawna Sykes, CUMIS
Joanna Onia, CIBC Insurance
Sharon Apt, Canada Life Assurance
Michele Jenneau, National Bank Insurance
Scott Kirby, TD Insurance
Afzal Baig, TD Insurance
Dominique Julien, CIBC Insurance
Charles MacLean, RBC Insurance
Kamana Tripathi, TD Insurance
Laura Bedford, RBC Insurance
Rob Dobbins, Assurant
Anita Mukherjee, RBC Insurance
Michelle Costello, CUMIS
Monika Spudas, Manulife Financial
Vivek Sahni, RBC Insurance
Natalie Hill, Managing Matters
Brendan Wycks, CAFII
Keith Martin, CAFII

A set of consent items were approved or received without discussion (draft Minutes of May 28, 2019 EOC Meeting; June 2019 Regulatory Update; Consultations/Submissions Timetable; a Report on the May 31/19 Fasken Insurance Regulatory Law Update; and a Report on June 11/19 FCNB Consumer Protection Conference).

CAFII Treasurer Tony Pergola updated participants on the financial statements as at May 31, 2019; including the 2019 fiscal year forecast as at May 31, 2019. Finances were trending as expected with no unexpected variances or surprises, with some excess of revenue over expenses this month due mostly to timing issues around recognition of expenses. CAFII's financial reserves ratio (as a percentage of annual operating expenses) is at 26% currently, which is on the low end of the desired 25-50% range.

It was noted that at the Board's request, Stikeman Elliott had prepared and presented a short report on CAFII's compliance with the Competition Bureau's Guidance for trade associations. In general, Stikeman Elliott felt that CAFII was conforming to best practices in its by-laws, preparation of minutes, other documentation, and in its processes and procedures. However, some small modifications to some of CAFII's documentation, including its by-laws, were recommended and Brendan Wycks will develop the proposed changes for consideration by the Board.

A survey was conducted on the quality of the EOC meeting held on 28 May, 2019. Further surveys will be held after future EOC meetings, and a summary of the results will be presented at the 24 September, 2019 in-person EOC meeting.

Due to the heavy number of issues that CAFII is currently dealing with, it was proposed and agreed that the EOC would hold teleconference meetings over the summer, on 23 July 2019 and 13 August 2019. It was also confirmed that the AMF had agreed to meet with CAFII as part of our Fall Board meeting in Montreal on 1 October, 2019. Brendan Wycks also mentioned that the AMF's Frédéric Pérodeau had reached out about having a discussion with CAFII about how the meeting is structured. B. Wycks believes that this emanates from comments we received at last year's meeting that AMF CEO Louis Morisset wanted to keep the conversation at a fairly high level and not delve too deeply into the weeds.

EOC Chair and Secretary to the Board Martin Boyle updated the EOC on the in-camera discussion at the 4 June, 2019 Board meeting, which he attended in his capacity as Secretary to the Board. The discussion largely focused on the Special Project on Credit Card Balance Protection Insurance. There was a consensus that the funds collected would remain available, and not be refunded to the members; but that they would not be spent on the major initiatives that the RFP with business consultants had envisioned, including comparative research.

However, a special CCBPI "gap analysis" project would be undertaken to review existing best practices, including the Fair Treatment of Customers Guidance, CLHIA Guidelines G-7 and G-9, and other relevant documents, to identify where CAFII members could improve their compliance with these guidelines, and to identify whether any additional guidance could be developed for CAFII members. This project will be led by the EOC. It was agreed that CAFII's Co-Executive Directors would develop a proposal and framework with some specific recommendations, and that a Working Group of the EOC would then be struck to flesh out and develop specific recommendations to the Board. In response to a question, K. Martin said that Stikeman Elliott did not need to be involved in the project initially, but depending on its outputs they might be engaged at a later stage.

At the 4 June, 2019 Board meeting as well, RBC Insurance Board member Chris Lobbezoo noted that the CBA had decided to no longer produce a quarterly benchmarking study on credit protection insurance. He suggested that this was a natural fit for CAFII to take over, and the Board agreed with this assessment and asked CAFII's Co-Executive Directors to explore that possibility. Discussions have subsequently been held with the CBA, including an in-person Keith Martin and Brendan Wycks held with Aaron Meyer and Alex Ciappara of the CBA on 20 June, 2019.

The CBA will communicate the intention to transfer this ongoing project over to CAFII to the current participants in the benchmarking study. Following that, CAFII will develop a proposal and an RFP, as this study will need to be conducted by an outside actuarial firm; the intention is to ask RSM Canada and Towers Watson, two actuarial firms with expertise in this area, to bid on the RFP. The proposal will include details on the content of the benchmarking study, and options, so that if there is a desire to do so, additional data can be potentially collected. It was noted by K. Martin that the current study includes two non-members of CAFII, Laurentian Bank and HSBC, and they would no longer be able to participate in the study unless they joined CAFII. As well, two credit protection insurance distributors within CAFII, Desjardins and CUMIS, would be invited to participate in the study, and the four insurance members of CAFII (Canada Life, Manulife, Assurant, and Canadian Premier Life) would have access to the results as CAFII members.

It was noted that an agenda item for CAFII was about preparing for a 27 June, 2019 CAFII meeting with the CCIR / CISRO FTC Working Group, but that this meeting had just been cancelled by CCIR / CISRO. In this connection, Keith Martin and Brendan Wycks each gave updates of relevance to the CCIR / CISRO fair treatment of customers efforts.

Keith Martin noted that he and Brendan Wycks attended an 11 June, 2019 Financial and Consumer Services Commission of New Brunswick (FCNB) “2019 Consumer Protection Conference” in Fredericton, New Brunswick. At that conference, Louise Gauthier, Senior Director, Distribution Policies, Autorité des marchés financiers (AMF), gave a presentation on the CCIR/CISRO Guidance: Conduct of Insurance Business and Fair Treatment of Customers. In the question and answer period, Keith Martin asked Ms. Gauthier to comment on the issue of measuring the implementation of the fair treatment of consumers, given that much of this was about business culture and that was something that was difficult to measure. Ms. Gauthier agreed, and said that the CCIR/CISRO FTC Working Group was trying to develop key performance indicators (KPIs) on FTC. Ms. Gauthier then said something we had not heard before, which both CAFII Co-Executive Directors were surprised and disconcerted by: she said that one such possible KPI was the loss ratio or claims ratio, which she described as the amount of premium collected relative to the amount of claims paid out. If the ratio was too low, she said, that could indicate that premiums were too high, or claims paid out too low; and that could be an indicator that consumers were not being treated fairly.

Brendan Wycks updated the EOC on a conversation he had with Mark White, CEO of the Financial Services Regulatory Authority of Ontario (FSRA), at a FSRA Launch Party held on June 24/19, from 4:00 to 6:00 p.m. in the Davies and Takacs Lobby of the Elgin and Winter Garden Theatre Centre.

Mark White advised that the CCIR/CISRO Fair Treatment of Consumers Working Group, co-chaired by Louise Gauthier (AMF) of CCIR and Ron Fullan (ICS) of CISRO, had recently indicated that it planned to communicate to industry stakeholders that it intended to take a strong focus on “incentives management” in its quarterly meetings with them in the immediate future, as well as in insurer audit inspections, etc.

When FSRA, as a member of the CCIR/CISRO FTC Working Group, was asked to approve of and sign off on “incentives management” being a key immediate initiative, Mark White continued, its response was along these lines (slight paraphrase of Mark White’s statement): “Yes, we’re comfortable with incentives management being the key immediate focus of the CCIR/CISRO FTC Working Group, but only if it’s done properly, in a principles-based way. We’re okay with an FTC focus on incentives management if it stems from the starting point of a standards/best practices-based document and then focuses on gaps where there is evidence that industry players are diverging and falling short of those standards and best practices. However, we would not be comfortable with and cannot support an approach where the FTC Working Group just forges ahead with a blanket, shotgun approach to incentives management. It has to be done under a principles-based, targeted approach.”

Mark White advised that that was his and FSRA’s input to the CCIR/CISRO FTC Working Group as it was finalizing its agenda and plans for meetings with industry stakeholder groups on June 26 and June 27 in Toronto.

Brendan Wycks advised Mark White that in the late afternoon of Friday, June 24, CAFII received a notification from CCIR Policy Manager Tony Toy that the CCIR/CISRO FTC Working Group’s meetings with industry stakeholders scheduled for June 26 and 27 would now be postponed to the Fall “due to a last minute conflict that has arisen.” Mark advised that that postponement decision was news to him.

At that point, both Mark White and Brendan Wycks realized and collectively acknowledged that the reason for the postponement of the June 26 and 27 stakeholder meetings with the CCIR/CISRO FTC Working Group was likely not because of the sudden unavailability of a key member of the Working Group but rather because of FSRA’s opposition to the FTC Working Group’s plans to launch a blanket, shotgun approach-based incentives management initiative. Mark asserted that differences of opinion such as this, which had given rise to a prudent postponement, would likely be resolved within a short period of time through dialogue among CCIR and CISRO members.

As the discussion concluded, Mark mentioned that he had noticed around CCIR/CISRO meeting tables, particularly given that the AMF currently chairs CCIR and its representatives also lead many key committees and Working Groups at CCIR, a tendency to “charge into” a regulatory initiative, in a sometimes reactionary way, rather than taking a more considered, principles-based, measured, and goals-focused approach. Mark indicated that one of the ways in which FSRA can add value at the national co-ordinating bodies -- for the benefit of both consumers and the industry by identifying and insisting upon the right balance -- is by serving as a bulwark of sober second thought and as a buffer against tendencies to take somewhat reactionary, non-principles-based, blanket approaches to regulatory issues.

Brendan Wycks and Martin Boyle noted that there had recently been a webinar on modifications to the Year 4 CCIR Annual Statement on Market Conduct, but these were not substantive. It was agreed that the document with the changes would be circulated to the EOC, and depending on the responses from EOC members a decision will be made on whether CAFII wishes to comment on the proposed changes.

Brendan Wycks noted that the CLHIA had made additional representations to the AMF on spousal coverage. However, nothing concrete had come out of those efforts yet. The issue, B. Wycks noted, was now with the AMF. EOC members reported that none of them had heard further from the AMF on this issue after the deadline passed for the submission of action plans.

The EOC was updated on the intention to arrange a meeting with Teresa Frick, Acting Managing Director, supervision and promotion Branch at the FCAC. However, moments before the EOC meeting, Finance Minister Bill Morneau announced the appointment of Judith Robertson as Commissioner of the Financial Consumer Agency of Canada (FCAC), effective August 18, 2019, for a term of five years. Judith Robertson is on the FSRA board and we have had cordial meetings with her. It was agreed that based on this development, a meeting should instead be arranged in October 2019 or November 2019 with Ms. Robertson.

K. Martin provided an update on the media release of the Pollara consumer research on CPI on mortgages and HELOCs. The media release occurred on Tuesday, 18 May, 2019 and 4 positive stories came out of it, including in Insurance Journal, a U.K. retail bank trade industry newsletter, and a mortgage broker trade industry newsletter. This now provides additional positive stories on CPI and will be helpful in the ongoing effort to tell CAFII's narrative on the products of its members.

A presentation of the results with the AMF, in French, is set via webinar for 12 July, 2019 at 2pm, and EOC members will be invited to listen in if they wish to. As well, a presentation in person to FSRA is being organized and will likely occur within the next few weeks.

Now that the research results have been publicly shared, CAFII can move forward on additional collateral, including a web-friendly version of the research to post on our website, and the creation of videos summarizing the research. In addition another video is being produced on mortgage life credit protection insurance; and the explanations on the website of CAFII members' products are being enhanced by the creation of additional "vignettes," or short personalized stories about the products.

K. Martin noted that Pete Thorn of TD Insurance had recently shared a branch manager's testimonial about a customer's very positive experience with credit protection insurance. It was suggested that CAFII explore developing a section of the website for member-provided consumer testimonials. B. Wycks noted that this had been explored in the past but legal and other challenges stalled the project, but it was agreed that this concept was worthy of further exploration.

B. Wycks noted that BC had initiated an "Insurance Fees Consultation" on the funding formula for financing the new Financial Services Authority, with a 24 July, 2019 deadline for submissions. EOC and Market Conduct Committee members will be asked for their input into the CAFII submission. The BC Insurance Council is also soliciting feedback on its Updated Guidance for New Life Agent Supervision.

Mr. Wycks also noted that the RIA Advisory Committee in Saskatchewan would not come into affect until 1 January, 2020 as that was the date that the updated By-Laws, which would provide the authority for this new Advisory Committee to exist, would become law. However, it might be possible to have an informal "soft-launch" of the Advisory Committee before then.

It was noted that Brendan Wycks and Keith Martin recently met with David Weir, Senior Technical Advisor, Insurance; and Jennifer Sutherland Green, Deputy Director of Pensions and Insurance and Senior Legal Counsel in conjunction with the 11 June, 2019 Financial and Consumer Services Commission of New Brunswick (FCNB) “2019 Consumer Protection Conference” in Fredericton, New Brunswick. Mr. Weir raised the specific issue of his preference for calling his province’s imminent RIA regime an “incidental sellers of insurance licensing regime.” CAFII’s Co-Executive Directors raised our Association’s long-standing concerns with calling credit protection insurance “incidental” as it has a pejorative connotation.

It was also noted that FCNB had asked for feedback on “Insurance Licensing Exemptions” and on “Licensing of Insurance Adjusters and Damage Appraisers,” and CAFII would be following up with the EOC and the Market Conduct Committee on whether submissions should be made on these issues.

B. Wycks brought forward RankHigher’s application for CAFII Associate status; and the EOC approved the application.

B. Wycks suggested that providing Associates with the Regulatory Update might sweeten the value proposition of being an Associate. EOC members thought there might be merit to the idea but a definite decision on this was deferred until the next in-person EOC meeting in September.

Mr. Wycks also provided some conceptual ideas around a new category of membership, to attract smaller players who might not feel capable of paying the existing dues. It was agreed that this needed further discussion and it was suggested this be placed on the agenda of the next in-person EOC meeting in September.

Mr. Wycks confirmed the October 21-25, 2019 timing for the upcoming CAFII Western Canada insurance regulators and policy-makers visits tour.

Keith Martin raised the idea of working with the CLHIA on the development of a template to replace the Distribution Guide in Quebec, but there were some suggestions that the CLHIA was already doing work in this area. K. Martin was asked to follow up with the CLHIA to get more information about this.