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**CAFII Western Canada Insurance Regulators and Policy-Makers Visits Tour:**

**21-25 October, 2019**

**Manitoba, Saskatchewan, Alberta, British Columbia**

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## Summary of the CAFII Presentation Made During Each Meeting (9) on the Western Tour

CAFII made a total of nine presentations at nine meetings over four days during the Western Tour. The content was essentially the same for each presentation, although there was one slide on CAFII's formal written submissions made in each provincial jurisdiction over the past five years that was unique to the provincial regulators and policy-makers we met over the course of the tour; and, as well, the cover page was customized for each of the nine meetings.

The presentations began with a high-level overview of CAFII and its priorities, its membership, and its focus on relationship-building and dialogue with regulators and policy-makers. There was also an explanation of the differences between CAFII and the CLHIA, emphasizing the small staff contingent of CAFII and its focus on credit protection insurance, travel medical insurance, and alternative distribution methods, in particular CAFII's attention to the direct-to-consumer model as opposed to the broker or advice channel.

After identifying CAFII's key written submissions made in the meeting host's own province over the past five years, the presentation highlighted some recent priorities of CAFII in the other parts of Canada outside of the Western provinces, starting with the commitment that CAFII members had to the CCIR / CISRO Fair Treatment of Customers Guidance. A separate, entire slide was dedicated to this same issue later in the presentation, with the topic raised twice precisely to emphasize to regulators and policy-makers its importance to CAFII and its membership.

It was noted that a new regulator was recently created in Ontario – the Financial Services Regulatory Authority of Ontario (FSRA), and that it appeared committed to a principles-based, risk-oriented regulatory approach, which CAFII applauded. Nonetheless, a new regulator has an enormous amount of effort to undertake to get up to speed, and CAFII was heavily engaged in dialogue and discussion with FSRA on key matters such as its priorities and approach.

This same priorities slide then touched on the Quebec AMF Regulation on Alternative Distribution Methods, noting that CAFII strongly supported the principle of developing a formal regime to permit the sale of insurance through alternative distribution methods, but, in practice, this file had its challenges. The major challenge, it was noted, was that the final wording on the implementation guidance related to the Regulation was released only five weeks before the in-force date of 13 June, 2019, and that made implementation very challenging for CAFII members, who need time to implement new technologies or processes. It was noted that the AMF did produce a Bulletin allowing some elements of the Regulation to be phased in over a one-year implementation timeline, which was very helpful and much appreciated.

The “CAFII priorities in other parts of Canada” slide concluded by emphasizing CAFII’s commitment to meeting and engaging in constructive dialogue with our key regulators and policy-makers, and that prior to this Western tour we had visited the regulators and policy-makers in the Atlantic Provinces in the Spring of 2018. It was noted that while it was possible for CAFII to arrange ad hoc meetings with Ontario and Quebec regulators since most (but not all) CAFII members are headquartered in those two provinces, we are equally committed to meeting all of our regulators on a regular basis, in-person and in their own jurisdictions, and that is why we were on this week-long tour of Western Canada. This provided an opportunity to thank the audience again for taking the time to meet with CAFII and its delegation, and to let them know how valuable we found this opportunity.

The presentation then focused on the emerging trends in the industry, with previous CAFII presentations from thought leaders being referenced as part of the source of information on these issues. The strategic objective of this component of the presentation was to present material of interest to regulators, who grapple with these same issues, and to develop a source of commonality between the Association and regulators and policy-makers, by sharing information and insights on issues that they would have been thinking about with concern.

The thought leaders who had presented to CAFII, it was emphasized, commented that insurance was tailor-made to take advantage of, but also to be disintermediated or disrupted by, the key technological developments occurring due to machine learning, artificial intelligence, and big data, all of which were leading to new business models. This was particularly relevant to insurance, it was observed, because these technological developments are especially germane to analysis-based, data-driven businesses, which is very much what insurance is about, given its heavy reliance on statistical analysis, pattern recognition, and analytics.

It would be a mistake, the presentation continued, to conclude that insurance, a traditional industry that had invested heavily in technology but whose business model was largely unchanged, would not be fundamentally affected by innovation and technological developments. It was hard to know when that change would occur and what form it would take, but when it did happen it would happen quickly, and it would be profound.

The presentation noted that another aspect to the challenge the industry faces was the shift in consumer expectations caused by the new business models of players such as Amazon, where consumers are expecting premium service at a low cost, without delays. Why, these consumers will ask, should they be able to get a same-day package delivered to them, but have to wait 30 days or more for a quote or for a claim to be settled? Furthermore, millennials’ expectations of immediate on-line service and support, including through their smart phones, are reverberating throughout the industry, and will continue to elevate expectations.

All of this, it was noted, would have a profound impact as well on regulators, who would need to adjust their approach to regulation to deal with new entrants, and who would also need new tools in their toolkits to meet their primary objective of consumer protection. An example was given of securities regulators who are now able to use artificial intelligence to identify unusual or suspicious insider trading patterns, which they could then immediately investigate. Previously, they might uncover such activity years after it had occurred, limiting their ability to prevent abuse and undermining their principal objective, which is to protect the consumer, in this case investors.

Thought leaders report that Canada is two to three years behind leading Insurtech and fintech adoption countries such as the US, the UK, and Singapore. If the regulatory environment does not promote innovation, it is to the disadvantage of Canadian competitiveness, as companies from other countries will come here and do what the consumer expects if domestic companies do not. For these reasons, the presentation promoted giving regulators the tools they need, such as rule-making authority, and encouraged the use of regulatory sandboxes so that new entrants can test out their business models with an initially light regulatory load. Some of these new entrants may be competitors to CAFII members, some may become partners, but in general CAFII and its members believe that promoting such new entrants will elevate the entire industry, will be good for competition, and will produce a better end result for consumers.

Before moving to other topics, CAFII also shared a slide in which it congratulated Alberta for its October 10, 2019 announcement that the province's Fair Practices Regulation had been modernized to remove exceptions to electronic insurance transactions, which would now allow insurers and consumers to conduct insurance transactions electronically, provided that the consumer gives prior consent, and which would bring Alberta into harmony with BC, where electronic insurance transactions have been permitted since 2012 under that province's Electronic Transactions Act.

The presentation then repeated two themes, the first through a slide on the importance of the CCIR/CISRO Guidance on the Fair Treatment of Customers. This part of the presentation noted that while CAFII members felt they were largely compliant with what the Guidance sets out as expectations, there was also a recognition that regulators are expecting the bar to be raised, and are looking for an ever-increasing commitment to a high level of compliance with their FTC expectations.

As well, the presentation noted that there were ongoing discussions with the CCIR/CISRO Working Group on the Fair Treatment of Customers, with which CAFII meets quarterly. One challenge at those meetings, it was noted, is that FTC is about good business culture; but how do you measure that? To demonstrate that a company is achieving its objectives around fair treatment of customers is not simple or obvious, but we were committed to ongoing dialogue on this issue.

The second repeated theme was the importance, drawing on the technological and innovation revolution and resulting transformation which the industry was embracing, of ensuring that regulators have a flexible, harmonized, and open approach to promoting innovation and new business models, and that they give customers the ability to choose how they wish to transact, including the ability, if they so choose, to buy insurance through whatever channel, including digital channels, that they prefer.

The presentation then turned to sharing the key results of CAFII's recent Pollara consumer research on credit protection insurance for mortgages and HELOCs, across four product lines: life, critical illness, disability, and job loss. It was noted that this research was consistent with a commitment to the fair treatment of customers, and could be viewed as a measure around that commitment; because if one cares about customers, then one should ask them what they like, and what they do not like, about the products they have purchased.

Consumers who purchased these products, according to the research, found them to be convenient, effective, and affordable. There was a high level of satisfaction with the purchase experience, and a high level of confidence that a claim would be honoured. More specifically on the purchase experience, consumers gave the industry excellent marks in this area, and one number was particularly emphasized: 71% of customers said they did not know what they would do without this insurance, were something to happen to them or their family. This, it was suggested, indicated that the traditional life insurance advice or broker channel tended to focus on high net-worth individuals—not a surprise, since these are commissioned channels, and also an observation very much in line with other research findings. The middle and lower-middle income strata, which credit protection insurance is especially geared towards, was vastly underinsured. By providing insurance against mortgages and HELOCs, which are among the largest debt obligations Canadians face, credit protection insurance was filling a critically important gap in the marketplace and providing essential protection for Canadians.

It was noted that consumers were very positive about the explanations of credit protection insurance from their financial institution representatives, who explained effectively the coverages, limitations, premium, and the optional nature of the product.



But when we looked at how well consumers understood what they were purchasing, an interesting dichotomy was observed. Fully 90% said they understood the credit protection insurance they had purchased, likely due to a combination of the good explanations from the financial institution representatives, combined with online research that consumers may have done, along with their possibly consulting with relatives or friends who had purchased the insurance. But, only 64% of consumers who purchased CPI products said they understood the documentation which outlined what they had purchased. This was evidence that these documents were still not written in an easy-to-understand fashion. It was noted that some legal and technical language was needed to protect consumers and insurers, but it was also observed that this was still a disappointing result and CAFII members were committed to trying to improve this part of the customer experience.

The claims experience was then reviewed. Pollara found that across all four product lines, 78% of claims were paid. It was explained that for some products, such as job loss, the claims payout percentage may be lower due to insureds, for example, quitting their job, which does not qualify them for job loss insurance, and yet still submitting a claim. On life insurance, which is the largest payout and the core product offered for mortgage and HELOC credit protection insurance, consumers reported that 89% of claims were paid out. CAFII wanted to validate that number, so Pollara anonymously obtained from CAFII members the actual 2018 claim payout percentages for CPI life insurance, and aggregated the number, and found that fully 94% of life CPI claims were paid out. The refused claims were mostly due to suicide, or material misrepresentation<sup>1</sup>.

However, the presentation also noted that of those who made a claim, fully 25% made a complaint about the claim. The top two reasons for a complaint were the length of time it took to settle the claim, and a lack of updates about the claim during the adjudication period. With respect to these findings, it was pointed out that people making a claim may be grieving, and are likely highly stressed as they wait for the claim to be settled. If updates were better provided, perhaps the length of time it takes to settle a claim would become less important. It was also noted that with couriers able to be tracked online in real-time as they deliver a package, some might ask why an insurance claim could not similarly be tracked online? In short, it was recognized that this was a number that CAFII members would like to see improved, and there was a commitment to achieving that. It was also noted that of those who made a complaint, fully 85% were satisfied with how the complaint was resolved.

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<sup>1</sup> It was noted as well that the entire industry, through the CLHIA, committed to not consider Medically Assisted Death (MAD) as part of the traditional definition of suicide, and would not deny a MAD claim based on it being a suicide in the traditional definition.

One slide was also presented on the Pollara June 2018 Pollara research on travel medical insurance, noting that this research also found high levels of satisfaction with the purchase experience, high levels of satisfaction with the product, and a very high 98% claims payout. Interestingly, 25% of customers also complained about the claims experience, although the reasons were about the time it took to settle the claim, and the amount of documentation required; and fully 85% were also satisfied with how the complaint was resolved.

The presentation closed out by commenting on CAFII's commitment to a customer-friendly, easy-to-navigate website. It was noted that CAFII's website consultants report that customer attention-spans are moving ever lower, and that visually-pleasing materials, including videos, are necessary to attract and retain interest. Finally, there was reference to CAFII's commitment to engaging more with the public and with media, including the trade media. In the past, competitors to CAFII's members have perpetuated myths about credit protection insurance, and CAFII intended to put forth its side of the story on those issues more proactively going forward.

The presentation concluded with another thanks for the attention and interest of those in attendance, along with a restatement of CAFII's commitment, and the commitment of its members, to listening to the priorities of regulators and policy-makers, and engaging in an ongoing, constructive, and positive dialogue with them.

## **Summary of CAFII Meetings During Western Tour**

### **Manitoba 22 October, 2019**

**Winnipeg, Manitoba—Insurance Council of Manitoba (ICM) Executive Director Barbara Palace Churchill; Director of Licensing Stacey Aubrey; Director of Compliance Lee Roth; and Manitoba Superintendent of Insurance Scott Moore**

#### *In Attendance from CAFII*

Leezann Freed-Lobchuk, Canada Life  
Martin Boyle, BMO Insurance  
Diane Quigley, CUMIS Services Inc.  
Brendan Wycks, CAFII  
Keith Martin, CAFII



### *Summary of Meeting*

The meeting was very cordial and positive, with both Barbara Palace Churchill and Scott Moore quite engaged. At the parallel CAFII meeting held in October 2017, Lee Roth was in attendance and made several interjections, some of them fairly aggressive, but at this meeting neither he nor Stacey Aubrey said anything substantive.

Scott Moore said there was no movement afoot in Manitoba to do anything legislatively re the province's own Fair Treatment of Consumers Guideline. "We already have the tools in place to endorse and support the CCIR/CISRO FTC Guidance," he said. Mr. Moore noted that he does not currently have a Deputy Superintendent of Insurance and there are no immediate plans to appoint one. Barbara Palace Churchill said there were no plans in the works to develop a Code of Conduct for Restricted Insurance Agent licence holders.

One area of concern was around single premium insurance policies, an issue that was raised by Lee Roth two years ago during CAFII's 2017 Western Tour. In this 2019 meeting, Scott Moore again raised concerns around the "single premium issue" which he said often arose in the credit union space. Barbara Palace Churchill chimed in that similar concerns come up with sub-prime lenders and sales finance companies regarding "insurance premiums and fees being greater than the actual loan amount."

Given that CAFII has credit union members, Scott Moore encouraged CAFII to engage with the Canadian Credit Union Association on its already in-development "Market Code of Conduct for Credit Unions." Right now, for credit unions, the Superintendent in Manitoba "has no tools" to address market conduct issues, so he is pleased that CCUA is doing something proactively in this area. The CCUA has reached out to Scott Moore and is "keeping him apprised" on its development of a Code.

Mr. Moore advised that the recently re-elected Premier of Manitoba Brian Pallister has put out a 100-Day Action Plan which includes a focus on Red Tape Reduction. For each new regulation, two existing regulations need to be removed. This is no small challenge, because new regulations may be needed to adjust to changing realities, and existing regulations are there for a reason.

Barbara Palace Churchill noted that it is now possible to register for a Manitoba insurance license entirely online, but one has to do so from within North America. Ms. Palace Churchill noted that the ICM is "revenue positive" for the Manitoba government and allocates surplus funds at the end of each fiscal year back to the province's Financial Institutions Regulation Branch (FIRB) as "dividends." This model is unique among the Western Canada licensing bodies.

There was a brief discussion of the RIA Advisory Committee in the works for the Insurance Councils of Saskatchewan; and Barbara Palace Churchill said that an RIA Advisory Committee did not really make sense in Manitoba, as it is a different situation there with a different structure. However, they will take a look at the RIA Advisory Committee to the Insurance Councils of Saskatchewan once it is launched; and they will continue to be open and consider CAFII's recommendations on this issue and the Association's efforts to persuade them to a different point-of-view.

## **Saskatchewan 23 October 2019**

**Regina, Saskatchewan—Roger Sobotkiewicz, Superintendent of Insurance; Jan Seibel, Director, Insurance and Real Estate Division; and Shannon McMillan, Director of Communications, Financial and Consumer Affairs Authority (FCAA)**

### *In Attendance from CAFII*

Martin Boyle, BMO Insurance  
Diane Quigley, CUMIS Services Inc.  
Shawna Sykes, CUMIS Services Inc. / The Co-operators  
Leezann Freed-Lobchuk, Canada Life Assurance  
Monika Spudas, Manulife Financial  
Kamana Tripathi, TD Insurance  
Brendan Wycks, CAFII  
Keith Martin, CAFII

### *Summary of Meeting*

Roger Sobotkiewicz, Superintendent of Insurance, and Jan Seibel, Director, Insurance and Real Estate Division, from the Saskatchewan Financial and Consumer Affairs Authority (FCAA) were actively engaged with CAFII's participants in this meeting. Shannon McMillan, Director of Communications, sat through the entire meeting but more in an observer capacity. CAFII members went out to their way to compliment and thank Jan Seibel for her tremendous efforts at helping industry adjust to the new Saskatchewan Insurance Act and related regulations, and specifically thanked her for her responsiveness.

CAFII noted that it had two direct and specific asks at this meeting, first to ask for more guidance around implementation of the new Saskatchewan Insurance Act and its related Regulation; and secondly to request the possibility of a transition period for implementation of some of the elements of the Act, beyond the currently-targeted 1 January, 2020 in-force date.

The FCAA officials said they understood CAFII members' preoccupation with getting the details sorted out around the new Saskatchewan Insurance Act, the related Regulations, and the FCAA's expectations for the industry's implementation of them especially given that the in-force date of January 1/20 is imminent. Jan Seibel said she would try to finalize and issue the still-outstanding clarifications, Guidance documents, and Bulletins by the end of November 2019. Roger Sobotkiewicz was more committal on getting those items done and released as soon as possible and certainly by no later than the end of November.

CAFII mentioned that we had faced a similar situation in Quebec around the Regulation on Alternative Distribution Methods, which had a definitive in-force date of 13 June, 2019, despite the industry not having received final wording on the Regulation just five weeks prior to that implementation date. The AMF understood industry's concern that large, complex organizations cannot change technology or processes in less than a year to 18 months; and to its credit, the AMF issued a Bulletin that provided for a transitional, phase-in period of up to one year for certain elements of the Regulation. We encouraged the FCAA to view this as a model for the Saskatchewan Insurance Act and related Regulations. Jan Seibel said that she was very interested in reviewing that approach and asked CAFII to send the AMF Bulletin and any related background material to her.

Roger Sobotkiewicz asked us to "put a plug in" during our meeting that afternoon with Deputy Minister of Justice and Deputy Attorney General Glen Gardner that the province's Superintendent of Insurance should have rule-making authority for insurance in order to allow the regulator to be more flexible and nimble, including around supporting innovation. Right now, the Superintendent has rule-making authority for securities, but not for insurance, and as Mr. Sobotkiewicz said, "as a Superintendent, you are really hamstrung if you don't have rule-making authority."

Mr. Sobotkiewicz felt that Saskatchewan had to be more nimble and respond more quickly to insurtech. He noted that he does not report to the Deputy Minister, but rather reports directly to the Minister of Justice.

CAFII expressed concerns around the component of the new legislation that tells online consumers that they may wish to get advice. Ms. Seibel said that the FCAA cannot back off of that wording, which was the outcome of delicate multi-stakeholder negotiations, but added that it was not intended to favour one channel over another; it was just about letting consumers know about their options.

Roger Sobotkiewicz said he was pleased to participate in this meeting, and added that industry consultation is critically important to the FCAA. He specifically said that if industry cannot get everything related to the new Insurance Act and related Regulations fully implemented by the 1 January, 2020 date, he is not going to take enforcement action so long as industry is moving ahead on a “best efforts basis” and keeps his office apprised of their progress: “We don’t want to enforce, that is expensive; we will be reasonable, and will focus on best efforts, and we will not expect you to implement on day one if you cannot.”

He requested that CAFII prepare and send to him a list of our members’ “second level contacts regarding complaints” to help the FCAA in assisting consumers who submit complaints to his office (as sometimes when the FCAA reaches out to a more junior-level contact at an insurer or distributor on a complaint matter, that person has no idea who the FCAA is and initially refuses to co-operate).

Finally, Mr. Sobotkiewicz said that if there are still areas of uncertainty or concern around implementation of the new Insurance Act and related Regulations, CAFII should send in a written submission on those to the FCAA as soon as possible.

## **Regina, Saskatchewan--Ron Fullan, Executive Director and April Stadnek, Director of Strategic Initiatives, Insurance Councils of Saskatchewan**

### *In Attendance from CAFII*

Martin Boyle, BMO Insurance  
Shawna Sykes, CUMIS Services Inc. / The Co-operators  
Leezann Freed-Lobchuk, Canada Life Assurance  
Monika Spudas, Manulife Financial  
Kamana Tripathi, TD Insurance  
Brendan Wycks, CAFII  
Keith Martin, CAFII

### *Summary of Meeting*

As has been typical of CAFII’s meetings with the executive leadership of the Insurance Councils of Saskatchewan, the meeting was informal, friendly, and informative.

Ron Fullan advised that CCIR and CISRO recently held a “joint day” together as part of their Fall 2019 meetings, both of which were held in Winnipeg in September. (Both bodies also had one-day of separate meetings unto themselves.) Current CCIR Chair Patrick Déry was a strong advocate of this joint approach, as was Ron Fullan as CISRO Chair. There is likely to be an increasing amount of collaboration and joint work and meetings between CCIR and CISRO in future, Mr. Fullan indirectly indicated.

Ron said that with respect to industry players being able to document and demonstrate Fair Treatment of Customers, especially given that many aspects of FTC are “business culture-related,” in some respects a negative proof is as important as being able to point to concrete actions and initiatives. Specifically, he said that industry would know when it was not doing FTC well because consumer complaints, regulator intervention, etc. will inevitably come to the fore in those cases. (As this was a very helpful interpretation on Mr. Fullan’s part, it was shared with many of the other regulators in the subsequent parts of the Western Tour.)

April Stadnek added that data related to complaints handling and client retention are two key ways to demonstrate FTC. Ron Fullan said that CAFII’s Pollara research was helpful, for example as a result of the research he rarely hears anymore about “post-claims underwriting” for credit protection insurance. He felt that research was a very constructive way for industry to advance its point of view.

Mr. Fullan advised that the ICS is ready to implement the RIA Advisory Committee to the Insurance Councils of Saskatchewan on January 1/20, but it has to be done as part of the re-written and updated ICS Bylaws and official, final approval of those is still pending from the Superintendent of Insurance.

Mr. Fullan had to leave the meeting a bit early; and after he left, April Stadnek shared an emotional story about a travel insurance claim from someone in her family which was initially denied, but which she then intervened on as a private citizen and ultimately got approved (this was for the boyfriend of her aunt). She said the policy should never have been approved, because the person in question had just been released from hospital where he had been treated for pneumonia, but that his doctor said he was fine to travel and as a result he did. He then incurred \$40,000 of medical expenses when his pneumonia returned while he was travelling in the United States.

Ms. Stadnek asked whether the industry “just denies all claims and waits for individuals to appeal”? She said the letter explaining the reasons for the denial was poorly written and extremely difficult to understand.

Ms. Stadnek asked CAFII to take under its wing and look into the following question as a travel insurance-related issue (perhaps for the CAFII Travel Medical Experts Working Group): *is there a way that in travel health insurance denial letters, the appeal process(es) can be more clearly laid out and explained in layman's terms?*

**Regina, Saskatchewan—Glen Gardner, QC, Deputy Minister of Justice and Deputy Attorney General; and Shannon Williams, Executive Assistant to the Deputy Minister of Justice and Attorney General, Saskatchewan**

*In Attendance from CAFII*

Martin Boyle, BMO Insurance  
Leezann Freed-Lobchuk, Canada Life Assurance  
Monika Spudas, Manulife Financial  
Kamana Tripathi, TD Insurance  
Brendan Wycks, CAFII  
Keith Martin, CAFII

*Summary of Meeting*

This was an unusual meeting in that the Deputy Minister projected an unexpected jovial and informal spirit. Glen Gardner was very attentive and sympathetic; he made a lot of jokes and one-liners and the overall atmosphere in the office seemed to be one of “levity” and “let’s make this an enjoyable and fun place to work.”

The Deputy Minister seemed quite interested in the insurtech and Artificial Intelligence developments that are transforming the life and health insurance industry; and saw some parallel developments and obstacles to be overcome in his own Ministry of Justice, which has an Innovation Division which Shannon Williams (a lawyer by background) is integrally involved in.

Mr. Gardner took note of CAFII’s encouragement that Saskatchewan’s Superintendent of Insurance should have rule-making authority for insurance in order to allow the provincial regulator to be more nimble and to respond more quickly to insurtech proposals and developments, and to give it tools to better support innovation (right now the Superintendent has rule-making authority for securities, but not for insurance).

Mr. Gardner was, at times, quite cynical about his own Ministry in terms of its ability to evolve and modernize.



While Mr. Gardner has limited direct influence over CAFII members, the Financial and Consumer Affairs Authority of Saskatchewan is responsible/accountable to the Ministry of Justice and Attorney General; and we felt that it is always worthwhile to develop connections with influencers, and as such felt that this was a successful meeting that met our objectives.

## Alberta 24 October 2019

**Edmonton, Alberta—Darren Hedley, Alberta Superintendent of Insurance; David Sorensen, Deputy Superintendent of Insurance; Wayne Maday, Director of Insurance Policy; and David Mulyk, Executive Director, Pension and Insurance Policy**

### *In Attendance from CAFII*

Martin Boyle, BMO Insurance  
Diane Quigley, CUMIS Services Inc.  
Leezann Freed-Lobchuk, Canada Life Assurance  
Monika Spudas, Manulife Financial  
Kamana Tripathi, TD Insurance  
Brendan Wycks, CAFII  
Keith Martin, CAFII

### *Summary of Meeting*

This was a meeting that included good give-and-take with lots of interest in the CAFII presentation, and discussion of many different points of view. All four Alberta Treasury Board and Finance policy-maker representatives were positive and engaged.

The critical take-away from this meeting was that the new Kenney government in Alberta has decided to put an “indefinite pause” on the plans to create a single, integrated financial services regulator in the province because the government has higher priorities that will command its time, energy/attention, and resources. As well, it does not expect to revisit that proposal within the foreseeable future, and certainly not within its current term of office. Within the next few weeks, the government plans to make an announcement to that effect – but “to the industry only” as the single regulator proposal was never floated/released to or discussed with the public or media.

There was lots of interest in the CAFII presentation. David Sorensen asked “What’s the proportion of credit protection insurance sales constituted by mortgages and HELOCs versus other debt obligations such as car loans, short-term loans, etc.?” He said that he’d be interested in the CPI stats for those types of loans which are typically taken on by what he called “the more vulnerable type of consumer” and which he acknowledged are products that are probably not offered by CAFII’s members.

The ATBF policy-makers appreciated the laudatory slide in CAFII’s presentation about their leadership in the province’s recent amendment to its Fair Practices Regulation to allow electronic insurance transactions, including electronic beneficiary designations, provided that the consumer provides consent. It was particularly appreciated that we were including this slide in all nine presentations to insurance regulators and policy-makers on our current Western Canada tour. The Alberta regulators jokingly asked us to remove the final bullet point which referenced the fact that Alberta’s regulatory amendment brought it into harmony with BC, which has had similar permissive legislation in place since 2012.

Darren Hedley raised the issue of “post-claims underwriting” but backed off when we said that is an adversarial myth propagated by competitors in the advice-based channel.

**Edmonton, Alberta—Alberta Insurance Council CEO Joanne Abram; and Executive Staff Sylvia Boyetchko, Director of Marketing; Sharan Dhalla, Director of Compliance; Zabeeda Yaqoob, Director of Legal & Regulatory Affairs; Heath Young, Director of Information Technology & Business Services; Brent Rathgeber, Legal Counsel; Carolyn Janz, Chief Financial Officer**

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Diane Quigley, CUMIS Services Inc.

Leezann Freed-Lobchuk, Canada Life Assurance

Monika Spudas, Manulife Financial

Kamana Tripathi, TD Insurance

Brendan Wycks, CAFII

Keith Martin, CAFII

### *Summary of Meeting*

Joanne Abram brought her whole senior team to the meeting, from both the Edmonton head office and the Calgary satellite office, with seven staff executives in attendance in total. The meeting was notable for its friendly demeanour and how engaged Joanne Abram was.

Without a trace of bitterness, she said that the AIC's key focus over the past two to three years had been on preparing for the possibility of a single, integrated financial services regulator in Alberta and how the Council would fit into it; but now that is no longer happening and so now they will focus their efforts in other areas.

The definitions of the various forms of "credit-related insurance" which can be offered in Alberta under a Restricted Certificate of Authority have been published on the AIC's website (although it is not intuitive and easy to find them). Sylvia Boyetchko provided Brendan Wycks with printed copies of the two relevant pages from the AIC website.

Ms. Abram said that Alberta will have to enact legislative changes as it pertains to the Insurance Council at some point, because when it was originally created, the enabling legislation did not envision certain developments which have become important new realities such as the extensive use of Third Party Administrators (TPAs) by Restricted Insurance Agent licence holders.

The AIC is looking into the possibility of requiring that an education program be completed in order to be licenced to sell travel insurance in the province, which would almost certainly entail an endorsement and adoption of THIA's recently launched Travel Insurance Program (TIP) education program.

Ms. Abram was very supportive of greater integration between CCIR and CISRO and is very pleased that CISRO now has a permanent secretariat – "finally," she said. In other comments, she said that regulators are always reactive. She appreciated CAFII's presentation's focus on technology and innovation, and said that the AIC was thinking about these very same issues. She asked what percentage of mortgage holders have enrolled in optional credit protection insurance, and CAFII delegation members responded that it was in the range of 30 to 35%.

## British Columbia 25 October 2019

**Victoria, British Columbia—Kari Toovey, Director, Legislative Policy Projects and 10 Year Review of Financial Institutions Act Project Lead; Tara Richards, Assistant Deputy Minister, Policy and Legislation; Rachel Franklin, Executive Director, Financial and Corporate Sector Policy Branch; and Sally Reid, Senior Policy Advisor, BC Ministry of Finance**

### *In Attendance from CAFII*

Diane Quigley, CUMIS Services Inc.  
Leezann Freed-Lobchuk, Canada Life Assurance  
Monika Spudas, Manulife Financial  
Moirra Gill, TD Insurance  
Brendan Wycks, CAFII  
Keith Martin, CAFII

### *Summary of Meeting*

Tara Richards, Assistant Deputy Minister, was in attendance for the first hour of the 90-minute meeting; she then had to leave for another appointment, but seemed genuinely interested.

The key issue discussed was the just-tabled Bill C-37: *The Financial Institutions Amendment Act, 2019* which has passed first reading in the legislature, and should be fully passed by 30 November, 2019. Kari Toovey said that the sections of Bill C-37 which are most relevant to CAFII and its members are: Code of Market Conduct for the Insurance Sector; Sale of Insurance Online; Rule-Making Authority; and Restricted Insurance Agent Regime.

Regulations will be critical to bringing the new Act into force and they will be developed, consulted on with the industry, and then finalized over the next two years. Everything will be brought into force in stages, with the Ministry responsible for drafting the Regulations.

Kari Toovey said that the reference to “post-claims underwriting” under the RIA regime-related clauses in Bill C-37 were really about online sales of insurance and protecting consumers who do not have a broker, to help guide them through the insurance process. CAFII and its members explained that “post-claims underwriting” is an adversarial myth propagated by competitors in the advice-based channel; and if protecting consumers in an online sales situation is the issue at hand, then a different term should be used.

CAFII offered to have a dedicated meeting with Ministry officials, at the appropriate point in time, either electronically via Zoom or in-person in Victoria, to explain everything about credit protection insurance sales, underwriting, and claims processes in detail. Kari Toovey and Rachel Franklin readily accepted CAFII's offer of a meeting with that focus. It was agreed that early in 2020 would be a good time to schedule such a meeting.

It was noted that both the Insurance Council of BC and the new BC Financial Services Authority (BCFSA) would have some oversight responsibility for the province's new Restricted Insurance Agent (RIA) licensing regime, once it is brought into being via Regulation. (In ensuing discussion after this meeting, CAFII representatives were very concerned by this, as the "multiple masters" approach produces the possibility of confusion, inefficiency, and even paralysis.)

CAFII emphasized that 18 months is needed to implement changes, starting from the date that the changes are finalized and proclaimed into force. CAFII mentioned the AMF Bulletin which extended the implementation period for certain complex compliance matters related to the Regulation on Alternative Distribution Methods by a further year to June 13/20; Kari Toovey said she was interested in learning more about that approach and asked us to send the AMF Bulletin and any related background material to her.

**Vancouver, British Columbia—BC FICOM/BC Financial Services Authority (Effective November 1/19) Staff Executives: Blair Morrison, recently appointed CEO (short greeting only); Frank Chong, Deputy Superintendent of Financial Institutions; Harry James, Senior Regulatory Advisor**

*In Attendance from CAFII*

Martin Boyle, BMO Insurance  
Diane Quigley, CUMIS Services Inc.  
Leezann Freed-Lobchuk, Canada Life Assurance  
Monika Spudas, Manulife Financial  
Moirra Gill, TD Insurance  
Kamana Tripathi, TD Insurance  
Brendan Wycks, CAFII  
Keith Martin, CAFII

### *Summary of Meeting*

Whereas Frank Chong was somewhat confrontational and almost hostile during CAFII's previous liaison meeting with FICOM in October 2017, this time he was charming, engaged, and supportive.

Mr. Chong explained that the new BCFSa, which would come into being in less than a week on November 1/19, had a somewhat complex Board structure and the Board has vested in it significant regulatory decision-making authority which typically would be assigned to and reserved for "management" in other organizations. He added that the BCFSa will have rule-making authority and be an independent Crown Corporation. The Board includes, Mr. Chong said, several people with good insurance knowledge, such as former Executive Director of the Insurance Council of B.C. Gerry Matier and former FICOM staff executive Michael Grist.

Frank Chong advised that as part of the transition into a new regulatory body, BCFSa has retained 99% of FICOM's staff and also expanded its staff team by filling a lot of vacancies. And being much more fully "staffed up," the BCFSa will be trying to move towards a more "functional-based" approach to fulfilling its regulatory mandate.

Harry James advised that the result of the recent industry Fees Consultation related to BCFSa is that the model proposed in the paper has been recommended to Treasury Board and is awaiting its approval; there will not be a phase-in of the proposed steep increase for non-credit union insurers over two years. It was felt that credit unions need to stop cross-subsidizing the rest of the industry, which they traditionally have, and as a result the original proposed fee structure will be adopted.

Frank Chong was interested in the CAFII presentation's comments about encouraging a regulatory environment that promoted innovation. Why, he asked, if fostering innovation via regulatory forbearance and sandboxes is an issue, does he never get asked for such approvals from start-ups? A good discussion ensued with several possible reasons offered in answer by CAFII, including some discussion on the AMF in Quebec being "open for business" such that many insurance industry players will prefer to approach Quebec exclusively for trialing their innovative developments. It was also noted that if the regulatory environment for start-ups in insurance is too daunting, they may wish to initially offer their innovations in other, less onerous industries. There was also a discussion of the impact of coding on the fair treatment of customers, where for example technologies could have a different impact on different demographics based on coding logic.



Harry James mentioned, casually and in passing (such that the significance of this news was not immediately seized upon by CAFII's representatives, until the ensuing meeting with the Insurance Council of BC), that the new RIA regime in BC will be developed and overseen by both the Insurance Council of BC and the BCFSA (a significant area of concern for CAFII around having to serve two masters; and possible disagreements between two regulatory authorities which, in a worst case scenario, could lead to dysfunction and paralysis).

Stemming from CAFII's presentation slides on the recent Pollara research on consumers who hold credit protection insurance on a mortgage or HELOC, Harry James asked about the claims payout rates for all four types of coverages: life, disability, critical illness, and job loss. CAFII said it would look into this, noting that the sample size could be a challenge as one digs into more detail in the study.

## **Vancouver, British Columbia—Kandace Hopkins, Director, Practice and Quality Assurance, Insurance Council of British Columbia, and Brett Thibault, Director, Governance and Stakeholder Engagement, Insurance Council of British Columbia**

### *In Attendance from CAFII*

Martin Boyle, BMO Insurance

Leezann Freed-Lobchuk, Canada Life Assurance

Monika Spudas, Manulife Financial

Moir Gill, TD Insurance

Brendan Wycks, CAFII

Keith Martin, CAFII

### *Summary of Meeting*

Executive Director Janet Sinclair's mother recently passed away unexpectedly, so she was not in attendance<sup>2</sup>.

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<sup>2</sup> The week after the meeting, Brett Thibault wrote CAFII's Co-Executive Directors thanking them for the meeting, and regretting that Janet Sinclair could not attend. He said Janet Sinclair and himself would be in Toronto on 2 December, 2019, and asked if we would be available to meet them over lunch on that date. This invitation was readily accepted.

There was lots of interest in CAFII's presentation, especially in the slides on the insurtech, innovation, AI, and the potential impact on the future of the life and health insurance industry, as both Brett Thibault and Kandace Hopkins had recently attended the 2019 Insurtech Annual Conference in Las Vegas in September (which occurred at the same time as the CCIR and CISRO Fall meetings in Winnipeg).

Brett Thibault directly and specifically drew to CAFII's attention the fact that the just-tabled Bill C-37 calls for the new RIA regime in BC to be developed and overseen by both the Insurance Council of BC and the BCFSa (a significant area of concern for CAFII around having to serve two masters; and possible disagreements between two regulatory authorities which, in a worst case scenario, could lead to dysfunction and paralysis). This led to some discussion about the potential downsides of this "dual regulators" approach; and Brett Thibault and Kandace Hopkins encouraged CAFII to bring its concerns about this to the Ministry of Finance's attention if we believe that there should be just a single BC regulator responsible for the new RIA regime.

Post-claims underwriting was raised by Brett Thibault and CAFII explained how it is an adversarial myth propagated by competitors in the advice-based channel.

## Appendix A---Regulators and Policy-Makers Met During the Western Tour

Name	Title	Location
Barbara Palace Churchill	Insurance Council of Manitoba (ICM) Executive Director	Winnipeg, Manitoba
Stacey Aubrey	Insurance Council of Manitoba (ICM) Director of Licensing	Winnipeg, Manitoba
Lee Roth	Insurance Council of Manitoba (ICM) Director of Compliance	Winnipeg, Manitoba
Scott Moore	Manitoba Superintendent of Insurance	Winnipeg, Manitoba
Roger Sobotkiewicz	Saskatchewan Superintendent of Insurance	Regina, Saskatchewan
Jan Seibel	Director, Insurance and Real Estate Division, Saskatchewan Financial and Consumer Affairs Authority (FCAA)	Regina, Saskatchewan
Shannon McMillan	Director of Communications, Saskatchewan Financial and Consumer Affairs Authority (FCAA)	Regina, Saskatchewan
Ron Fullan	Executive Director, Insurance Councils of Saskatchewan (ICS)	Regina, Saskatchewan
April Stadnek	Director of Strategic Initiatives, Insurance Councils of Saskatchewan (ICS)	Regina, Saskatchewan
Glen Gardner	Deputy Minister of Justice and Deputy Attorney General, Saskatchewan	Regina, Saskatchewan
Shannon Williams	Executive Assistant to the Deputy Minister of Justice and Attorney General, Saskatchewan	Regina, Saskatchewan
Darren Hedley	Alberta Superintendent of Insurance	Edmonton, Alberta
David Sorensen	Alberta Deputy Superintendent of Insurance	Edmonton, Alberta
Wayne Maday	Director of Insurance Policy	Edmonton, Alberta
David Mulyk	Executive Director, Pension and Insurance Policy	Edmonton, Alberta
Joanne Abram	Alberta Insurance Council CEO	Edmonton, Alberta
Sylvia Boyetchko	Director of Marketing, Alberta Insurance Council	Edmonton, Alberta
Sharan Dhalla	Director of Compliance, Alberta Insurance Council	Edmonton, Alberta
Zabeeda Yaqoob	Director of Legal & Regulatory Affairs, Alberta Insurance Council	Edmonton, Alberta
Heath Young	Director of Information Technology & Business Services, Alberta Insurance Council	Edmonton, Alberta
Brent Rathgeber	Legal Counsel, Alberta Insurance Council	Edmonton, Alberta

Name	Title	Location
Carolyn Janz	Chief Financial Officer	Edmonton, Alberta
Tara Richards	Assistant Deputy Minister, Policy and Legislation, Ministry of Finance, British Columbia	Victoria, British Columbia
Kari Toovey	Director, Legislative Policy Projects and 10 Year Review of Financial Institutions Act Project Lead, Ministry of Finance, Government of British Columbia	Victoria, British Columbia
Rachel Franklin	Executive Director, Financial and Corporate Sector Policy Branch, Ministry of Finance, Government of British Columbia	Victoria, British Columbia
Blair Morrison	CEO, BC FICOM / BC Financial Services Authority	Vancouver, British Columbia
Frank Chong	Deputy Superintendent of Financial Institutions, BC FICOM / BC Financial Services Authority	Vancouver, British Columbia
Harry James	Senior Regulatory Advisor, BC FICOM / BC Financial Services Authority	Vancouver, British Columbia
Kandace Hopkins	Director, Practice and Quality Assurance, Insurance Council of British Columbia	Vancouver, British Columbia
Brett Thibault	Director, Governance and Stakeholder Engagement, Insurance Council of British Columbia	Vancouver, British Columbia

## Appendix B—CAFII Representatives Who Attended at Least One Meeting of the Western Tour

<u>Name</u>	<u>Institution</u>
Martin Boyle	BMO Insurance
Leezann Freed-Lobchuk	Canada Life Assurance
Moira Gill	TD Insurance
Diane Quigley	CUMIS Services Inc.
Monika Spudas	Manulife Financial
Shawna Sykes	CUMIS Services Inc. / The Co-operators
Kamana Tripathi	TD Insurance
Brendan Wycks	CAFII
Keith Martin	CAFII