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**CAFII Get Acquainted and Dialogue Meeting With New FCAC Commissioner Judith Robertson
 and FCAC Staff Executives: 28 October, 2019 at FCAC Office in Ottawa**

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28 October, 2019 CAFII Get Acquainted and Dialogue Meeting with the FCAC

Objectives of the 28 October, 2019 CAFII Meeting with the FCAC

There has recently been very significant turnover within the FCAC's executive ranks, with the Commissioner (Lucie Tedesco) and the Deputy Commissioner (Brigitte Goulard) both leaving, and with a new Commissioner Judith Robertson recently appointed. CAFII felt that this was an excellent opportunity to try and forge a new relationship with the FCAC's senior executives, early in the Commissioner's new mandate.

In a preparatory CAFII Executive Operations Committee discussion and in a discussion among the members of CAFII's delegation for the FCAC meeting, there was consensus that we should not try to speak to all relevant issues at this first meeting with the new Commissioner and her staff. Rather, we should try to develop a relationship and engage in a high-level dialogue. Specifically, CAFII had three objectives:

1. Have a positive first interaction that begins to build a relationship;
2. Invite Ms. Robertson to be the guest speaker at CAFII's 2020 Annual Members' Luncheon (in February or March, 2020), to provide additional opportunity for cementing a relationship; and
3. Ask for the opportunity, as soon as possible, to return to Ottawa for a follow-up, more detailed CAFII presentation and dialogue meeting with the FCAC focused on Credit Protection Insurance/Authorized Insurance Products Sales Practices and Fair Treatment of Consumers.

FCAC Attendees at the 28 October, 2019 Meeting

Judith Robertson, Commissioner.
Teresa Frick, Director, Supervision, Division;
Jérémy Ryan, Director, Financial Literacy and Stakeholder Engagement; and
Maria Vranas, Manager, Financial Literacy Program (reports to Jérémy Ryan).

CAFII Attendees at the 28 October, 2019 Meeting

Moira Gill, TD Insurance;
Aneta Murphy, ScotiaLife Financial;
Karyn Kasperski, RBC Insurance;
Charles MacLean, RBC Insurance;
Brendan Wycks, CAFII Co-Executive Director;
Keith Martin, CAFII Co-Executive Director.

Summary of the CAFII Presentation Made to the FCAC on 28 October, 2019

CAFII's presentation to the FCAC 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. It was noted that *"20 years ago, financial institutions in insurance didn't have a voice for their unique concerns in the marketplace. In response, a group of concerned leaders from Canada's banks with insurance operations created CAFII to focus on bank-insurance issues."*

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. One slide highlighted the twelve members of CAFII, noting that banks, insurers, and credit unions are all represented.

CAFII then focused on its current priorities, 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.

CAFII also emphasized its commitment to meeting and engaging in constructive dialogue with our key regulators and policy-makers, and that in that connection we had recently engaged in a tour of Western Canada, and about 18 months ago had visited Atlantic Canada. 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 engaged in these provincial tours.

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 the FCAC, who grapple with these same issues, and to develop a source of commonality between the Association and the FCAC, 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.

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 misrepresentation¹.

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.

¹ 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 Notes on the Dialogue Component of the 28 October, 2019 Meeting

Tone of the Meeting and Demeanour of the FCAC Staff Executives

Much of the CAFII delegation's dialogue with the FCAC consisted of interactive discussion during CAFII's presentation. To simplify these meetings notes, the highlights of the interactive discussion, along with the discussion that took place after the presentation, will all be captured here, with the notes above on the presentation focused only on the key messages delivered by CAFII to the FCAC.

In general, the demeanour of the three FCAC executives was open, friendly, and engaged. They all seemed genuinely interested in the presentation and committed to engaging in conversation. Ms. Robertson projected strong and confident leadership qualities, and came across as a “straight shooter” who does not mince words. She also came across as fair and willing to engage in dialogue. She did not hesitate to question and challenge, and it was the impression of several members of the CAFII delegation that she would quickly imprint a firm mark on the FCAC under her leadership, but that she would also be a reasonable person who we could work with professionally. She appeared to be someone who would settle on positions through considered and thorough examination of the issue, and not someone who would be easily pushed or manipulated by political or other pressures.

The three other FCAC staff executives also seemed to be free of bias and genuinely interested in CAFII’s positions, and committed to dialogue. They were quite relaxed, and did not project an impression that they were dealing with “problem entities,” nor did they seem hesitant or on their guard. The body language was open and all four FCAC executives participated actively in the discussion, especially Ms. Robertson. As such, the CAFII participants were encouraged by the tone of this initial, get-acquainted meeting.

Specific Issues Raised During the Meeting

The FCAC executives conveyed a genuine interest in the points made by CAFII throughout the presentation. In the section on thought leaders, it was mentioned that one of the events that a thought leader spoke at was the CAFII Annual Members’ Luncheon; and at that point, it was suggested that Ms. Robertson would be an excellent choice as the keynote speaker for the 2020 CAFII Annual Members’ Luncheon, which was tentatively scheduled for Tuesday, March 7, 2020 but could alternatively be rescheduled to a mutually agreeable date in February 2020. Without any hesitation, Ms. Robertson expressed interest, as did Teresa Frick, and Ms. Robertson quickly indicated that she would be very open to accepting CAFII’s speaker invitation. It was agreed that CAFII would soon send a formal written invitation to Ms. Robertson, so as to get CAFII’s 2020 Annual Members’ Luncheon confirmed as a speaking engagement in her calendar. Moira Gill noted that CAFII speakers had recently focused more on the technological developments occurring in the industry, but that there was also a great interest and commitment to discussing consumer protection, and that Ms. Robertson as a speaker would help us strike that balance.

On the issue of CAFII's research, Ms. Robertson in particular seemed very interested in the research results included in CAFII's presentation. Ms. Frick raised the issue of the research reflecting self-reporting from consumers, and asked whether some of the results could be challenged. For example, she asked, does a customer saying they understood their policies mean they really do? In discussion, it was agreed that this is very much self-reported consumer research, and there could be a challenge or deep-dive on some of the results, and this was something CAFII would look at. One such exercise could be to conduct focus groups on some of the results, asking consumers detailed questions to see where there might be discrepancies between the self-reported information and the actual knowledge of consumers.

The presented CAFII research results focused on the claims payout rate for credit protection life insurance, as it was typically the largest payout when a claim was made, and hence it was chosen as the focus of the CAFII claims research. Ms. Robertson asked why life claims were the most important, and Karyn Kasperski interjected that while the product offerings and the bundling of products differed across the industry, all members of CAFII offered credit protection life insurance and it was the core or base product. As such, it was the most appropriate product to focus on and the one that would have most comparability across members.

Ms. Kasperski also mentioned that RBC Insurance employed four compliance officers dedicated to credit protection insurance alone, in response to which Ms. Robertson expressed genuine surprise. But we noted the complexity of the regulatory environment with 13 provincial/territorial jurisdictions, each with the potential for multiple regulatory, licensing, and policy-making bodies, along with equally important federal regulatory oversight by the FCAC and OSFI.

There was a very interesting discussion on what Ms. Robertson referred to as "duelling research," where different groups, including CAFII as an industry Association, produced research results that reached different conclusions. This was not all that helpful, she said, and it would be better if these groups could work together. In exploring these comments, however, Ms. Robertson appeared to back off from suggesting a co-ordinated research approach, but she did settle on the possibility of CAFII working more closely with the FCAC in terms of what was explored in the Association's research, with CAFII saying it would welcome the FCAC's input and involvement in areas it felt we should be exploring.

On this issue of "duelling research," Ms. Robertson stated, with apparent frustration, that many Canadians who hold mortgages do not even understand what the word "term" refers to in that context – how is that possible, she asked? She seemed in these comments to imply that the industry was not sufficiently educating customers about the products they were being sold. She said it was important that customers purchased "useful products in the right context."

Ms. Robertson was especially interested in CAFII's research data around complaints, saying that complaints offered rich insights into the customer experience, and noting that if someone complains it is a very important indication that they feel strongly about the issue. She encouraged industry to try to identify patterns in complaints, and to really understand and dig into those patterns to try to improve the customer experience.

There was also mention of product design and how that was an important way to improve the customer experience and avoid complaints in the first place.

These issues prompted CAFII's delegation members to note that while the limited time available at this meeting did not permit us to offer details on our members' sales practices, we would be pleased to return to Ottawa for a follow-up meeting at which we could provide a detailed presentation on that topic. Without hesitation, Ms. Frick said that a follow-up meeting with that focus would be very much welcomed, with Ms. Robertson agreeing.

Discussion quickly turned to logistics related to a follow-up meeting on Credit Protection Insurance/Authorized Insurance Products Sales Practices and Fair Treatment of Consumers, and there was agreement that this should occur as soon as possible, with early 2020 (and preferably before Ms. Robertson's speaking engagement at CAFII's 2020 Annual Members' Luncheon) being quickly identified as a mutually convenient time. CAFII committed to following up with specific proposed dates, so that a follow-up meeting could be formalized and booked soon. It was also agreed that additional FCAC staff might be interested in participating in this follow-up meeting.

Appendix A—Recent CAFII Meetings and Interactions with Financial Consumer Agency of Canada (FCAC) As At July 2019

- January 2011: CAFII presentation to FCAC staff on “Fundamentals of Creditor’s Group Insurance” at FCAC office in Ottawa.
- January 9, 2014: Get re-acquainted/refresh meeting between FCAC Consumer Education Officers Michael Olson and Karen Morgan and CAFII representatives Brendan Wycks, Executive Director, and Moira Gill, Executive Operations Committee member from TD Insurance, at FCAC office in Ottawa
- February 28, 2014: CAFII makes response submission on FCAC consultation on proposed development and implementation of a comprehensive financial consumer code
- June 10, 2014: CAFII Reception event with Brigitte Goulard, FCAC Deputy Commissioner, as guest speaker, at One King West Hotel, Toronto
- February 10, 2015: CAFII Annual Members’ Luncheon with Jane Rooney, Canada’s National Financial Literacy Leader at FCAC, as guest speaker, at Arcadian Loft, Toronto
- May 1, 2015: CAFII Executive Director Brendan Wycks introduces himself to FCAC Commissioner Lucie Tedesco, and they have a get acquainted chat following her FCAC Update presentation at CLHIA Compliance and Consumer Complaints Conference in Quebec City
- June 12, 2018: CAFII purchases a table for Economic Club of Canada luncheon with Lucie Tedesco, FCAC Commissioner, as guest speaker, at Royal York Hotel, Toronto. CAFII Co-Executive Directors Brendan Wycks and Keith Martin chat with Lucie Tedesco and Brigitte Goulard, Deputy Commissioner, following Ms. Tedesco’s presentation focused on the May 2018 FCAC “Domestic Bank Retail Sales Practices Review” Report
- September 14, 2018: FCAC Presentation and Dialogue Meeting (focused on CAFII-relevant insights arising from the May 2018 FCAC “Domestic Bank Retail Sales Practices Review” Report) between Brigitte Goulard, Deputy Commissioner, and CAFII Board of Directors and Executive Operations Committee members, at CIBC Insurance, Toronto
- March/April 2019: CAFII makes response submissions on FCAC’s proposed “Credit or Loan Insurance” and “Credit Card Balance Insurance” consumer education materials (website content)