

CAFII Executive Operations Committee
Tuesday, October 24, 2017

DRAFT MINUTES

- EOC Present:** Rose Beckford, ScotiaLife Financial *(by teleconference)*
Charles Blaquiere, valeyo *(by teleconference)*
Rob Dobbins, Assurant Solutions
Katherine Geisler, CIBC Insurance *(by teleconference)*
Sue Manson, CIBC Insurance
Diane Quigley, CUMIS Group Inc
Andrea Stuska, TD Insurance, *Acting Chair*
Shawna Sykes, The Co-operators *(by teleconference)*
- Also Present:** Caroline Bucksbaum, T•O Corporate Services *Recording Secretary*
Keith Martin, CAFII *Co-Executive Director*
Brendan Wycks, CAFII *Co-Executive Director*
- Regrets:** Jason Beauchamp, BMO Insurance
Isabelle Choquette, Desjardins
Dana Easthope, valeyo
Moira Gill, TD Insurance
John Lewsen, BMO Insurance
Julie Medeiros, RBC Insurance
Tony Pergola, ScotiaLife Financial *Treasurer*
Jérôme Savard, Desjardins
Peter Thorn, TD Insurance, *Chair*
Charles MacLean, RBC Insurance

1. Call to Order

The meeting was called to order at 2:10 p.m.; A. Stuska acted as Chair; C. Bucksbaum acted as recording secretary.

2. CAFII Website-Related Presentation by RankHigher

Due to a lower than usual attendance, given the previous week's Western Canada Regulators and Policy-Makers Visits Tour and the prior day's AMF Liaison Luncheon in Levis, Quebec, the planned RankHigher video presentation was postponed until the next EOC Meeting (November 14/17). This presentation will include a recommendation that the next phase of the CAFII website include video content.

3. Approval of Agenda and Previous Minutes

The agenda for this October 24/17 meeting was approved as circulated.

3.a. EOC Minutes of September 19/17

The EOC Minutes of September 19/17 were approved as presented, subject to minor housekeeping revisions which S. Manson offered to provide to C. Bucksbaum following the meeting.

ACTION: Revise the EOC Minutes of September 19/17 to include minor housekeeping revisions provided by S. Manson [Caroline; November 3/17].

3.b. Summary of Board EOC and Action Items

B. Wycks provided an update on Action Items that had been added or had changed in status since the September 19/17 EOC meeting.

Action Item 1, which has been *Ongoing* for at least one year, has changed to *Complete* due to the intelligence gleaned in a meeting with the BC Ministry of Finance on October 17/17. The BC Ministry of Finance provided specifics on the timing for releasing their Policy Paper, and confirmed that an RIA regime in BC will be proposed in the Policy Paper as an option for BC to introduce, subject to a further round of consultation involving industry feedback.

It was noted that the in-camera agenda for the upcoming October 23/17 Board Meeting had a specific item on the possibility of striking a Member Task Force to review CAFII's Member Dues Policy, particularly in response to concerns expressed by Desjardins Financial Security about being required to move up to the upper level of the Association's current two-tier dues structure.

3.c. Debrief Discussion on October 23/17 CAFII Board and AMF Liaison Meetings

It was reported that CAFII had a collaborative and engaged Industry Issues Dialogue with the six AMF executives present: Patrick Déry, Eric Stevenson, Louise Gauthier, Nathalie Sirois, Julien Reid, and Philippe Lebel.

P. Lebel has the most in-depth knowledge of Bill 141 and was the primary liaison between the AMF and the Ministry of Finance during its development. CAFII learned that the AMF is comfortable with – and was a prime mover behind – the thrust to allow internet sales of insurance in Québec without the necessary involvement of a licensed advisor. The AMF has no objections to robo-advisors in the insurance space, under the condition that a licensed representative is available for customers. There was discussion around defining “simple” insurance products, with CAFII making the point that this is not easily regulated and limits flexibility in how products can be presented and offered.

The AMF is happy with its new powers and authority under Bill 141, and is ready to absorb the two Chambres that are being abolished in the Bill. Resistance and lobbying from the broker/advisor channel, and those associated with the Chambres is anticipated.

There will likely be a consultation on Bill 141 at the National Assembly level, and while the exact timing was not clear, it was likely to be in late November or early December, and under a very tight timeline, likely no more than a week in length. CAFII was advised to be poised and ready to respond.

The AMF also encouraged CAFII to support a thrust of the Bill that the AMF should be more autonomous from government than is currently the case.

CAFII noted a potential opportunity to collaborate more with the AMF, including through our strategic intention to engage in more research, the key results of which we could share with the AMF. A particular area of interest to the AMF is how technology and innovation are influencing the industry and affecting the regulatory environment.

During the Industry Issues Dialogue, the AMF asked CAFII a question regarding the FCAC's current review of bank sales practices. CAFII members gave a high-level response on how their institutions have been involved, emphasizing the FCAC's focus on bank products, not insurance products. The AMF is monitoring this review (as is BC FICOM) and feels that CCIR will be interested in the findings of the

review. The AMF emphasized that insurers are accountable for the practices of their third party distributors, and insurers must have adequate oversight and control mechanisms in place with respect to their outsourced suppliers.

In EOC discussion, R. Dobbins raised a concern with respect to Article 49 of Bill 141, noting that its current wording suggested that the AMF would have the power to make arbitrary and capricious decisions with respect to an insurer's chosen third party suppliers. Members of CAFII have already raised this issue with the CLHIA, which is examining the issue under very tight timelines for members to offer their views. Before making a submission to the National Assembly, CAFII may wish to seek legal advice on this particular matter.

ACTION: Advise EOC members of the concerns raised related to Article 49 in Bill 141 and ask for feedback [B. Wycks; October 31/17].

ACTION: Bring Article 49 to the attention of our Quebec legal counsel Sylvie Bourdeau [B. Wycks; October 31/17].

It was also noted that the CAFII Board of Directors Meeting scheduled to take place following the AMF liaison meeting on October 23/17 did not occur due to the fact that a quorum of Directors was not present.

There will be a 15-minute special purpose Board teleconference meeting scheduled within the next week, which will be limited to two agenda items: (1) to appoint two new CAFII Directors, one for CIBC Insurance and one for Desjardins Assurances; and (2) to approve the timelines and media release for the formal public launch of the new CAFII website.

4. Strategy and Governance

4.a. Balanced Scorecard

Co-Executive Directors B. Wycks and K. Martin reviewed the objectives and recent accomplishments in their joint Balanced Scorecard. Comprehensive and successful regulatory submissions, regulatory visits to Western Canada, Quebec, and Saskatchewan, and progress on the development of a CAFII Strategic Plan and a new website were among the major achievements in 2017 to date.

4.b. CAFII Strategic Plan Development Process

K. Martin reported that the two-phase approach to updating the Board on CAFII's Strategic Plan – a review of what has been recommended at the October meeting, and a request for approval at the November meeting – will have to be revised due to the fact that the scheduled October 23/17 Board meeting did not take place.

A revised approach is now necessary, with the following being options:

1. Leave more time for discussion in November and incorporate the Board's recommendations and approval at the end on the same day;
2. Provide an update and discussion in November, and then arrange a special-purpose Board Meeting for early January for formal approval;
3. Provide a presentation to the Board on both the budget and Strategic Plan in November, and call a 30-minute special purpose teleconference Board Meeting in January to include a final Q&A period, and approve both (has been done before); or
4. Have an electronic vote by mail following discussion in November (not recommended).

It was decided to raise all of these options with the Board at its November 28/17 meeting, and see which option the Board prefers.

Key areas for potential additional investment in CAFII's Strategic Plan include research, media relations/outreach, regulator and policy-maker relationship building including meeting with a larger group of influencers, ongoing website enhancements, and other new education and thought leadership initiatives.

It was noted that the 2017 budget has \$50K set aside for research that has not yet been spent. CAFII intends to spend this in 2017 on in-field research by Pollara that will be completed in January 2018. The EOC has previously agreed that research is an important component in CAFII's next steps and should be emphasized and invested in, and that will be a recommended area for additional budgetary investments in 2018.

ACTION: Discuss possible options with P. McCarthy re: the timing of the Board's approval of the proposed CAFII Strategic Plan and 2018 Operating Budget, in advance of the November 28/17 Board Meeting [K. Martin, B. Wycks; Nov 24/17].

5. CAFII Financial Management

5.a. Financial Statements as at September 30/17

On behalf of Treasurer T. Pergola, B. Wycks reported on the following highlights of CAFII's financial statements as at September 30/17, based on the *Analysis and Forecast* cover memo (distributed as part of the EOC meeting package):

- despite the September month deficit of just over \$8.4K, there is a positive variance performance to the budgeted and expected monthly deficit of just over \$16K;
- it is projected that CAFII will conclude 2017 with a deficit of \$147K, which is a positive variance of just over \$46K, as compared to the deficit budgeted for the year – however, if CAFII arranges with Pollara to pay for a study in 2017, the positive variance on the deficit would be lower; and
- from a Balance Sheet perspective, CAFII has a bank balance of \$380K and Total Unrestricted Net Assets of \$270.8K, putting it at 36% of annual operating expenses as reserves, close to the mid-point of the target range of having reserves between 25% and 50% of annual operating expenses
 - in the remaining Q4 of 2017, the deficit will increase and level of reserves will drift down to ~ 234 k, or 31% of annual operating expenses – this is still an improvement from the 25% that was anticipated for this year-end.

5.b. Development of 2018 CAFII Operating Budget

Attention was drawn to the Board's decision in late 2016 to move to two Co-Executive Director staffing model, with the additional position funded by an increase of 25% in member dues in 2017 over the 2016 levels, and a further increase of 25% in 2018 over the 2017 levels. The necessity of this second increase was to be reviewed again during the 2018 budget development. The Board may have to consider a dues increase greater than 25% in 2018 given that CAFII took in \$68K less than expected in Member/Associate Dues revenue in 2017. This resulted from the loss of a Member – National Bank Insurance – and three Associates – Aimia, Laurentian Bank of Canada, and CSI Brokers (offset by the gain of one Associate – DGA Careers). While tempered spending has led to a lower than expected deficit in

2017, these revenue losses do represent an annuity revenue decline that will make budgeting a challenge in 2018 and beyond.

The 2018 budget process has begun and will continue over the balance of 2017 and possibly into early 2018. CAFII will be reaching out to committee chairs for spending plans for the 2018 Operating Budget. The plan is to present the Board with more than one 2018 budget option at its November 28/17, meeting, with the possible need for a special-purpose Board meeting to approve the Strategic Plan and 2018 Operating Budget in December 2017 or early January, 2018.

ACTION: Reach out to Committee Chairs for input on expenditure plans for 2018 and the timing of such over the course of the year; provide the Committee Chairs with an Excel file containing their 2017 budgets and year-to-date spending [Caroline; November 3/17].

6. Regulatory

6.a. Alberta Authorization of CI Sales Under RIA Certificate

Erica Hiemstra of CLHIA sent a letter to Joanne Abram, CEO of the Alberta Insurance Council (AIC) – which was received – outlining CLHIA’s ongoing concerns with the wording of three of the four types of creditor-related insurance definitions, and particularly with the intention to publicly post those definitions on the AIC’s website, which CLHIA felt could result in consumer confusion. At our recent meeting in Alberta with the AIC, this issue was raised and the AIC informed CAFII that it has two seats on its council for public representatives that are currently vacant. The new NDP government in Alberta wants to implement a new appointments process for appointments to public bodies, and this has delayed the appointment of these two representatives. This has not produced any issues for the AIC in terms of meeting quorum or conducting its business, but Joanne Abram did indicate that she felt that this issue of definitions on the public website required input from these representatives; and, as a result, this matter has been deferred until these representatives have been appointed, and have had the chance to familiarize themselves with this issue. She did not have a timeline for when that would happen.

6.b. Consultations/Submissions Timetable

i. AMF Issues Paper on “Managing Conflict Of Interest In Relation To Incentives”

CAFII made its submission to the AMF on “Managing Conflict Of Interest In Relation To Incentives” on Friday, October 13/17. At CAFII’s meeting with the AMF on October 23/17, the AMF reported that some industry Associations and other companies requested an extension to respond, which was granted until October 31/17.

ii. BC Ministry of Finance 10-Year Review of FIA

CAFII is awaiting the release of the Ministry of Finance’s Policy Paper, which is now expected in Q1 of 2018. Its proposals will include an RIA regime as an option for BC.

iii. Quebec Omnibus Bill on Financial Sector Modernization

Update provided under agenda item 4.a.

iv. CCIR Annual Statement on Market Conduct

Contrary to earlier indications from CCIR, L. Balfour, Chair of CCIR’s Insurance Core Principles Implementation Committee, recently advised CAFII that CCIR may not be in a position to share an aggregated results report from the Year 1 Annual Statement on Market Conduct. CCIR is currently consulting with CLHIA on minor instructional tweaks before the Year 2 version. Any substantive changes will be made in Year 3, after consultation with the industry.

This year, a new international accounting standard regarding life insurance contracts, IFRS 17, was introduced. This may impact the Annual Statement and delay substantive changes to Year 4.

v. CCIR Travel Health Insurance Products Position Paper

CCIR's Travel Insurance Working Group (TIWG) is awaiting the results of CLHIA's consumer testing, via focus groups, on a number of the travel health insurance product reforms it has proposed on behalf of the industry, based largely on the work of CAFII's Travel Medical Experts Working Group. Once those CLHIA research results are available, the TIWG will connect with CAFII and other stakeholders to arrange follow-up meetings around its Travel Health Insurance Products Position Paper, likely in early 2018.

vi. Saskatchewan Insurance Act/Regulations

Saskatchewan released *The Insurance Act (Bill 177)* on June 29/17. This will come into force at least one year later. B. Wycks reported on a recent email exchange with Janette Seibel from the FCAA in which she sent a draft version of the *Insurance Amendment Act 2017*, on a confidential and embargoed basis, to remain confidential between B. Wycks and CAFII's legal counsel. B. Wycks confirmed that he would comply with this, and confirmed that he could use the same approach to the embargo which was previously utilized when the FCAA released its Regulations consultation document in October 2016.

ACTION: Send an email to each EOC member to receive confirmation of their acceptance of the Saskatchewan FCAA's embargo; and thereafter send them the document and password; and send J. Seibel a list of each EOC member who has received the document [B. Wycks; October 30/17].

6.c. Regulatory Update

An update of regulatory items was provided under agenda item 4.a.

6.d. Regulator and Policy-Maker Visit Plan

i. Debrief on CAFII BC, Alberta, and Manitoba Regulators and Policy-Makers Visits Tour, October 16-19, 2017

A polished, accurate written summary of the Western Canada Policy-Maker Visits Tour was circulated in the EOC meeting package, providing the flavour and tone of the meetings and the intelligence gained.

At each of the six western Canada visits, CAFII presented an updated version of its *CAFII: Past, Present and Future* slide deck. Several slides covered the Towers Watson research on the comparison between creditors group mortgage life and term insurance. EOC members provided feedback on tweaking the wording of the Towers Watson research results-related slides to avoid use of the term "auto-approved" as it can be misinterpreted and give rise to misunderstanding.

It was noted that during its visit from CAFII, BC FICOM made a point of highlighting its recent Cease and Desist Order against Western Life Assurance and two payday lenders, noting that insurers were expected to know about and have controls over the actions of their distributors, and emphasizing that actions would continue to be taken against non-compliant players.

ACTION: Adjust the CAFII: Past, Present and Future slide deck to remove the term "auto-approved" and instead make a clear distinction between "short form underwriting" and "paramedical underwriting" [B. Wycks; K. Martin; November 13/17].

It was also noted that the Atlantic Canada Regulator and Policy-Maker Visits Tour has been deferred until Spring, 2018. As well, CAFII has recently held its regular quarterly liaison meeting with CLHIA.

The recently arranged liaison lunch with CCIR Policy Managers Martin Boyle and Tony Tony, postponed due to Martin Boyle's unavailability on October 20/17, will be rescheduled for a November date.

ACTION: Check with R. Dobbins on the availability of Assurant's Maple Leafs Boardroom for a re-scheduled liaison lunch with the CCIR Policy Managers in November [B. Wycks; October 27/17].

ACTION: Propose new November dates to Martin Boyle and Tony Toy for a CAFII/CCIR liaison lunch; and, once confirmed, send out an Outlook Invitation to EOC and other CAFII committee members [B. Wycks; October 27/17].

ii. CAFII Stakeholder Meeting with CCIR, October 25/17

A delegation of six representatives will be attending: P. McCarthy, J. Lewsen, A. Stuska, S. Manson, K. Martin, and B. Wycks. Agenda topics will focus on the CCIR's new Strategic Plan.

iii. Meeting With Insurance Councils of Saskatchewan & CLHIA, October 27/17

CLHIA will host a meeting on October 27/17 with CAFII and Ron Fullan and April Stadnek of the ICS to discuss representation for RIA licence holders in Saskatchewan, about which CAFII first submitted a concept proposal in October, 2013.

7. Committee Updates

7.a. Market Conduct

No further updates beyond the several Market Conduct issues discussed under other sections of the agenda.

7.b. Media Advocacy

i. CAFII Website Update: Soft/Hard Launch Dates and Media Release

A link to the consumer-facing website was circulated to CAFII's Board and EOC, and feedback was received. Included in this EOC meeting package is a one-pager stating the proposed launch dates for the release of CAFII's new website, and the website media release, which will be presented to for the Board's approval in an upcoming 15-minute special purpose Board Meeting. The full website is expected to be available for review, in both English and French, by October 27/17.

Prior to the public launch of the new website, there will be a series of internal reviews—first, the group working on the website; secondly, the EOC, Board, and Committee members will be invited to familiarize themselves with the website, following which the website will be publicly launched.

A question arose regarding whether the content of the site had been reviewed through a compliance lens, noting for example the preference of using the term “help ensure” as opposed to “ensure.” it was noted that there have been multiple opportunities for EOC members to provide feedback on the website, and that there have been several careful reviews conducted, including by Sue Manson of CIBC Insurance. Any further changes at this stage could produce additional costs and delays. It was, however, agreed that an opportunity for a further review will be provided to EOC members.

ACTION: Distribute the URL for the new CAFII website to the EOC for a final review prior to the public launch [Caroline; November 3/17].

ii. Media Strategy Op-Ed Responses for Review

A revised protocol for responding to negative media articles was circulated. The major change is that Letters to the Editor would be signed by Co-Executive Director K. Martin, based on advice from CAFII's media consultant, with this change providing for continuity and to avoid the Board Chair having to respond to media requests. The next step is for the Board to approve the proposed approach to responding to negative media articles.

7.c. Licensing Efficiency issues

CAFII is meeting with Ron Fullan and April Stadnek of the Saskatchewan Insurance Councils on October 27/17 to discuss the possibility of an Advisory Committee to either the Executive Director of the ICS, or to the Councils, on RIA licensing issues. A breakthrough on this issue would be significant for CAFII and could assist in making similar changes in Saskatchewan and Manitoba, and in B.C. if they decide to introduce an RIA licensing regime.

7.d. Research & Education

No update at this time.

7.e. Travel Medical Experts

CAFII has a budget for research that it intends to principally spend on an update of its travel health insurance research with consumers, conducted by Pollara Strategic Insights. However, there is a concern that we do not want to conduct the survey this late in the year, as that would mean we would have to cite 2017 data. In discussion with Pollara, we have found a solution where we would pay for the research in 2017, but the field research would occur in early 2018.

8. In Camera Session

An *in camera* session did not take place; however a brief update was given that the primary decision to be made *in camera* at the October 23/17 Board Meeting, regarding CAFII's staffing model, was delayed.

9. Termination

There being no further business to address, the CAFII EOC meeting was terminated at 4:02 p.m. EDT.