

CAFII Executive Operations Committee Meeting Minutes
Tuesday, November 19, 2019
Held at Canada Life Assurance
330 University Ave, Toronto, ON

EOC Present:

Martin Boyle, BMO Insurance *Chair*
Tony Pergola, ScotiaLife Financial *Treasurer (by teleconference)*
Monika Spudas, Manulife Financial *(by teleconference)*
Sharon Apt, Canada Life Assurance
Charles Blaquiére, Valeyo
John Lewsen, BMO Insurance
Scott Kirby, TD Insurance *(by teleconference)*
Anita Mukherjee, RBC Insurance
Michelle Costello, CUMIS Services Inc. *(by teleconference)*
Brad Kuiper, Scotialife Insurance *(by teleconference)*
Michele Jenneau, National Bank Insurance *(by teleconference)*
Andrea Stuska, TD Insurance
Kamana Tripathi, TD Insurance *(by teleconference)*
Rob Dobbins, Assurant *(by teleconference)*
Charles Blaquiére, Canadian Premier Life/Valeyo *(by teleconference)*
Dominique Julien, CIBC Insurance *(by teleconference)*
Karyn Kasperski, RBC Insurance *(by teleconference)*
Laura Bedford, RBC Insurance *(by teleconference)*
Dallas Ewen, Canada Life Assurance *(by teleconference)*

Also Present:

Natalie Hill, Managing Matters *Recording Secretary*
Keith Martin, CAFII *Co-Executive Director*
Brendan Wycks, CAFII *Co-Executive Director*

1. Call to Order

The meeting was called to order at 2:02 p.m.; M. Boyle acted as Chair; N. Hill acted as Recording Secretary.

2. Consent Items

A series of consent items were tabled and approved by the EOC without further discussion. These included the meeting notes of the 29 October, 2019 EOC teleconference meeting; the monthly Regulatory Update; the Consultations/Submissions timetable; the Regulator and Policy-Maker Visit Plan; a summary report on the 22-25 October, 2019 Western Canada Insurance Regulators and Policy-Makers Tour; a report on the 28 October, 2019 CAFII meeting with FCAC staff executives; and the program of the AMF 2019 Rendez-Vous to be held on Monday, 25 November, 2019.

3. CAFII Financial Management and Governance Matters

CAFII Treasurer Tony Pergola provided an overview of the financial affairs of the Association. Overall financial performance is as expected, although the forecast now has higher expenses due to the expenses that will be incurred for the Norton Rose legal opinion on the AMF spousal issue. There will also be Board hosting expenses associated with two Board meetings that will be expensed back to the Association at \$7500 each.

3.b. 2019 Fiscal Year Forecast as at October 31/19

As noted above, the forecast has deteriorated somewhat due to unbudgeted expenses related to the Norton Rose legal opinion. The Operating Ratio is now anticipated to come in at 21%, which is lower than the 25% minimum, if the Norton Rose legal costs are allocated to the expense line of the regular budget. However, there is a pool of money available in the 2019 Special Project fund, to which this expense could be allocated, if the Board of Directors should decide to take that approach.

3.c. Preliminary Draft of 2020 CAFII Operating Budget

A preliminary draft 2020 budget was tabled, which included a contractual increase in fees for Managing Matters, some anticipated increases in expenses due to inflation, and a 5% increase in CAFII Co-Executive Directors-related compensation expense. The budget includes a \$60K budget for research expenses. There will be increased revenue in 2020 as National Bank Insurance moves to the full contribution for an upper-tier member, and as Manulife Financial and Canada Life Assurance move from having discounted CAFII Initiation Member dues to contributing full upper-tier dues.

3.d. Draft Minutes of October 1/19 CAFII Board Meeting

The EOC recommended that the Board approve the 1 October, 2019 CAFII Board meeting minutes.

3.e. Proposal That CAFII Licensing Committee Be Folded/Absorbed into Market Conduct Committee

Moira Gill, the Chair of the Licensing Committee, has recommended that because the key Licensing Committee priorities in the coming year will overlap with the activities of the Market Conduct Committee, that it would be more efficient to merge the two Committees. Brad Kuiper, Chair of the Market Conduct Committee, supports this recommendation. The EOC unanimously approved this recommendation to merge the two Committees.

3.f. CAFII Research & Education Committee Chair Succession

Diane Quigley of CUMIS has been Chair of the Research & Education Committee for six years, during which time it has led the production of some highly impactful research studies that have given the Association new profile and credibility. Diane Quigley now needs to step down due to other work priorities, and the EOC thanked her for her dedication and contribution to the Association. Any CAFII member interested in this role should put their name forward for consideration.

3.g. Board-Approved 2020 Schedule of CAFII Meetings and Events, Including New Date for Next CAFII Liaison Lunch and Industry Issues Dialogue with AMF Staff Executives

Brendan Wycks noted that most 2020 CAFII EOC, Board, and other meetings have now been finalized, although there is still a need to confirm whether the AMF will be able to meet with CAFII's Board in Montreal on 7 April, 2020. Brendan Wycks will reach out to Frédéric Pérodeau about this in the coming week.

3.h. New Timetable for Finalization and Posting of CAFII Board and EOC Meeting Agendas and Materials

At the request of the Board, CAFII management is diligently attempting to post all meeting materials at least a week prior to the meeting. For this EOC meeting, CAFII management was only able to post everything five days prior to the meeting, but efforts to achieve the week-in-advance timeline will continue, and CAFII management is confident that the materials for the 3 December, 2019 Board meeting will all be posted a week prior to that meeting.

3.i. Board-Approved Decision to Enhance the Benefits and Value Proposition of CAFII Associate Status

The Board has supported a recommendation to provide Associates with addition value by sharing the monthly Regulatory Updates with them, along with CAFII Alerts. A transmittal message on this new benefit is being crafted, with the intention of providing Associates with some recent Regulatory Updates and a list of 2019 CAFII Alerts.

3.j. Creation of An EOC Working Group to Explore A New Lower Dues Category of CAFII Membership

There has been discussion at the Board and EOC of the possible value of a new category of membership for smaller members. EOC members who are interested in participating in a Working Group that will explore this concept are invited to let EOC Chair Martin Boyle, and CAFII management, know of their interest.

4. Recent and Upcoming CAFII Strategic and Regulatory Initiatives

4.a. CAFII Follow-Up On October 28/19 Relationship-Building/Dialogue Meeting with FCAC:

4a.i. January 2020 Meeting with FCAC Staff Executives Around CAII Presentation On "Credit Protection/Authorized Insurance Products Sales and Fair Treatment of Consumers"

4.a.ii. Invitation to Commissioner Judith Robertson To Be Guest Speaker At 2020 CAFII Annual Members' Luncheon

CAFII management has begun the work on what could be presented to the FCAC in an early 2020 presentation to them on the sales practices of CAFII members. This presentation has the potential to be an impactful, educational and relationship-building meeting. It was noted that Board member from ScotiaLife Financial Zack Fuerstenberg has suggested that outside help, including potentially business consultants, could produce some material that could be provided to the FCAC on the consultants' letterhead as externally-produced research findings. This material could include a fact sheet on the products and distribution methods of CAFII members. There was some discussion about this concept, and agreement that EOC members would share their thoughts on this idea with their respective Board members, to ensure that Board members are well-prepared for a discussion on this matter at the 3 December, 2019 Board meeting.

4.b. Feedback on Logistics/Organization of CAFII 2019 Western Canada Insurance Regulators and Policy-Makers Visits Tour

Brendan Wycks provided a summary of some of the feedback received on the 22-25 October, 2019 Western Canada tour, which included the suggestion that next time it be held in September, not October, as October is near year-end for banks and a very difficult time to hold external meetings; and that the tour be broken up into separate segments next time, to make the schedule less intense.

4.c. Written Report On November 5/19 CAFII Stakeholder Meeting with CCIR

Keith Martin provided an overview of the 5 November, 2019 CAFII stakeholder meeting with the CCIR, noting that it was a good discussion at which CAFII made some suggestions to the CCIR on how it could move to the next level of harmonization, including not so much coordinating activities between regulators, but actually developing policy positions that CCIR members could consider adopting. While the CCIR did not commit to these suggestions, they indicated that they were willing to consider and explore them.

4.d. Board-Mandated External Counsel Legal Opinion on AMF Directive to Cancel and Remove Existing/In-Force Credit protection Insurance Coverage from Non-Debtor Spouses

The Board has approved the hiring of external legal counsel to review the AMF position on spousal insurance, and potentially to provide a counter-legal argument. After the position is developed, it will be reviewed by a committee of Quebec-based CAFII member lawyers, and a larger group of CAFII internal legal counsel and advisors. The position that is ultimately developed will be vetted and reviewed by these committees and the EOC, and the EOC and the Board will be kept up-to-date on developments.

Mark Duquette and Dominic Dupoy of Norton Rose Fulbright Corporation (NRFC), the external counsel that has been chosen to advise CAFII on this matter, dialed into the EOC for a short update. They noted that they were still developing the legal arguments on this issue, and felt that there were solid legal reasons that could challenge the AMF position. However, the focus would not be on changing the position that industry would not issue policies in future that do not meet the AMF definition, but rather to provide arguments for why CAFII members do not wish to submit Action Plans that include the cancellation of existing, in-force policies.

4.e. AMF Review of Critical Illness Insurance

Martin Boyle provided an overview of the AMF review of critical illness insurance, noting that two questionnaires were sent to insurers.

4.f. AMF Position on Embedded Creditor's Group and Travel Insurance Coverages

The AMF appears to expect that insurance benefits embedded in a credit card are subject to the Regulation Respecting Alternative Distribution Methods (RADM), and as such require a Fact Sheet and Summary document to be presented to the customer at time of sale. This position is strongly opposed by CAFII and its members. It was agreed that work would proceed on the development of a letter outlining the reasons why this interpretation is opposed by industry, but that this letter should not be sent immediately, so as to allow the efforts around opposing the AMF's position around the pecuniary interest of non-debtor spouses to be resolved.

4.g. CAFII Credit Protection Insurance Industry Best Practices Working Group: Progress Report

Martin Boyle reported that while the Working Group had made much progress, it was too early to present anything but a progress update at the upcoming 3 December, 2019 Board meeting. However, work will continue with the objective of attempting to have a more substantive update at the 7 April, 2020 Board meeting.

4.h. Opportunity To Take Over CBA's Quarterly CGI Benchmarking Study: Outcomes of November 19/19 CAFII Meetings with Actuarial Firm Respondents to RFP For An Enhanced Benchmarking Study

Keith Martin updated the EOC on a meeting held earlier that day, at which CAFII members heard from the two actuarial firms that had responded to the CAFII RFP on taking over the CBA benchmarking study. The CAFII group that heard the presentations felt that RSM Canada was the stronger bidder, and recommended awarding them the project. It was also recommended that CAFII proceed with the project. These recommendations will be made to the Board at its 3 December, 2019 meeting, at which time it will be important for a final decision to be made.

4.i. FSRA Launch of Life and Health Insurance Sector Stakeholder Advisory Committee

Keith Martin updated the EOC on a meeting of the FSRA Stakeholder Advisory Committee with FSRA management, at which a presentation was made by FSRA management on their budget and policy priorities. FSRA continued to demonstrate a commitment to a principles-based approach and to collaborative consultation. A meeting is also soon to be held with the FSRA Board of Directors and the SAC. The SAC has about 15 members, with representatives drawn from various industry Associations and from industry itself.

5. Committee Updates

5.a. Research & Education

The Research & Education Committee is recommending a 2020 research budget of \$60K.

5.b. Market Conduct

There were no further updates from the Market Conduct Committee, as all relevant issues were covered in other parts of this meeting.

5.c. Media Advocacy

The Media Advocacy Committee recommends a 2020 website enhancement budget of \$32K before taxes, with a focus on continued production of videos.

5.c.i. CAFII Website Enhancements

A series of enhancements is about to be put into production, including visually-pleasing versions of the Pollara CPI research, and three new videos, two on the Pollara CPI research, and one explaining the benefits of mortgage life insurance.

5.d. Licensing Efficiency Issues

Nothing to report at this time.

5.e. Travel Medical Insurance Experts

There was discussion on CAFII providing the AMF with the reasons why it was not in agreement with providing Fact Sheets and Product Summaries to consumers for travel insurance embedded in a credit card. There was discussion of coordinating our approach with THIA, which also plans to submit its views to the AMF.

5.f. Networking & Events

No update at this time.

5.f.i. Speaker for December 3/19 CAFII Reception: Melissa Carruthers, Monitor Deloitte

It was noted that Melissa Carruthers of Monitor Deloitte would be the guest speaker at the upcoming Reception following the 3 December, 2019 CAFII Board meeting. For a future Reception, there was keen interest in securing a speaker on the impact of climate change on the life and health insurance industry.

6. Adjournment

There being no further business, the meeting was adjourned at 4:10 p.m.