

## CAFII Executive Operations Committee Teleconference-Only Meeting

Tuesday, 25 February 2020

### Summary Notes

#### EOC Present:

Martin Boyle, BMO Insurance *Chair*  
Tony Pergola, ScotiaLife Financial *Treasurer*  
Isabelle Choquette, Desjardins Financial Security  
Dana Easthope, Canadian Premier Life Insurance  
Moirra Gill, TD Insurance  
Monika Spudas, Manulife Financial  
Sharon Apt, Canada Life Assurance  
Charles Blaquiére, valeyo  
John Lewsen, BMO Insurance  
Aneta Murphy, ScotiaLife Financial  
Scott Kirby, TD Insurance  
Michelle Costello, CUMIS Services Inc.  
Pete Thorn, TD Insurance  
Brad Kuiper, ScotiaLife Financial  
Kamana Tripathi, TD Insurance  
Vikram Malik, Sun Life Financial  
Emily Brown, Sun Life Financial  
Rob Dobbins, Assurant  
Karyn Kasperski, RBC Insurance  
Andrea Stuska, TD Insurance  
Vivek Sahni, RBC Insurance  
Joanna Onia, CIBC Insurance  
Afzal Baig, TD Insurance  
Penelope Cordogiannis, RBC Insurance

#### Also Present:

Natalie Hill, Managing Matters *Recording Secretary*  
K. Martin, CAFII *Co-Executive Director*  
B. Wycks, CAFII *Co-Executive Director*

#### 1. Call to Order

The meeting was called to order at 2:32 p.m.; M. Boyle acted as Chair; N. Hill acted as Recording Secretary.

#### 2. Consent Items

A series of consent items were received for the record by the EOC without further discussion. Those consent items were Consultations/Submissions Timetable; Regulator and Policy-Maker Visit Plan; CAFII Submission to FCNB On Restricted Insurance Licensing Regime Consultation; CAFII Submission To FSRA On Proposed Guidance Framework Consultation.

#### 3a. Draft Minutes of January 21/20 EOC Meeting

The EOC approved the minutes of the 21 January, 2020 EOC meeting.

### **3b.Summary of Board and EOC Action Items**

B. Wycks provided an overview of Board and EOC Action Items, which included preparing a revised options document regarding a 2020 CAFII Atlantic Canada Insurance Regulators and Policy-Makers Visits Tour; the launch of a CAFII EOC Working Group to explore a new lower dues category of CAFII membership, via a first meeting and a draft Terms of Reference for this Working Group, which Martin Boyle, Diane Quigley, and Joanna Onia have agreed to sit on; developing a summary job description for the CAFII EOC Chair role and circulating it to EOC Members; and developing a document on the process for reviewing, approving, and admitting CAFII Initiation Membership and Associate applicants.

### **3c.Board-Approved Decisions Reached in February 10/2020 Special Purpose Teleconference Meeting**

B. Wycks noted that a special purpose CAFII Board teleconference meeting was held on 10 February, 2020 to gain approval for several pressing matters, as well as to have formal motions for some decisions that were made in the Board's December 3/19 *in camera* session, which had not to date been captured in Board minutes.

B. Wycks highlighted that in its 10 February, 2020 meeting, the Board approved the application of Sun Life Financial as a new CAFII Initiation Member; approved the appointment of Sophie Ouellet as the first Board member from Sun Life Financial; approved the appointment of André Langlois as the new Board member from Desjardins Financial Security; passed a motion approving CAFII's launch of a quarterly credit protection insurance benchmarking study; and passed a motion awarding an actuarial services contract related to the quarterly CPI benchmarking study to RSM Canada. The Board also discussed three options for the 2020 CAFII Operating Budget, namely no Member dues increase, a 3% Member dues increase, or a 5% Member dues increase; and based on the heightened amount of regulatory activity that CAFII is facing, the Board approved a 5% Member dues increase.

### **3d.New CAFII Initiation Member Prospects**

B. Wycks reported that CAFII's Co-Executive Directors had a meeting with Michael Swanick, a staff executive at Duo Bank, which is the former Walmart Bank. Mr. Swanick expressed a real interest in Duo Bank joining CAFII as an Initiation Member, but subsequently we have not heard further from him. In a follow up email, Mr. Swanick noted that Duo Bank had been very busy of late working on its recently announced acquisition of One Main Solutions (the former CitiFinancial bank network in Canada), but now that that had occurred, he would restart internal discussions on the prospect of Duo Bank applying for CAFII Initiation Membership.

### **3e.New CAFII Associate Prospects**

B. Wycks reported that CAFII is confident that it will land at least two new Associates from four organizations that are prospects—Stikeman Elliott; Norton Rose Fulbright; RSA Canada; and Dog and Pony Studios.

### **3f.Launch of EOC Working Group to Explore a New Lower Dues Category of Membership**

B. Wycks noted that this item had been reviewed earlier in the agenda. M. Boyle suggested that the time to move forward with this initiative was ripe, and asked for an initial meeting of the Working Group as soon as possible.

#### **4a. Financial Statements as at January 31/20 (including Board-Approved CAFII 2020 Operating Budget)**

CAFII Treasurer T. Pergola presented an overview of CAFII's financial statements as at January 31/20, noting that with a 5% Member dues increase, the Association's financial reserves ratio should improve. Mr. Pergola noted that monies from the Special Project Fund had been used to pay the legal bills for the work done by Norton Rose Fulbright; and, as a result, the Special Project Fund largely used up.

#### **4b. Timelines for KPMG Audit of CAFII 2019 Fiscal Year Financial Statements**

B. Wycks provided an overview of the timelines for the KPMG audit of CAFII's 2019 fiscal year financial statements, noting that we were ahead of schedule and should meet all the required target dates.

#### **5a(i-iv) CAFII Engagement with AMF On RADM's Applicability to Credit Card-Embedded Insurance Benefits**

K. Martin noted that CAFII had distributed a detailed note on the 11 February, 2020 meeting with the AMF in Quebec City on embedded credit card insurance benefits and the Regulation respecting Alternative Distribution Methods (RADM), and that the key learning was that the AMF did feel that these products were subject to the Regulation. Furthermore, in an email sent to CAFII on 21 February, 2020, Mario Beaudoin of the AMF asked CAFII to provide solutions, by 27 March, 2020, with respect to bringing these product lines into conformity with the RADM.

A thorough EOC discussion ensued. There was a consensus that the legal arguments document that CAFII had developed should be shared with Marc Duquette of Norton Rose Fulbright, with a request for him to offer his legal counsel on the strength of the arguments; to develop any further arguments; and to provide us with his advice on the options available to us, including the advisability of sending our legal arguments in writing to the AMF, or alternatively to seek an in-person meeting with the AMF on our legal position. He should also be asked to provide his view on the options available to CAFII in the event that those legal arguments were rejected by the AMF.

However, while there was agreement that CAFII should ask for the legal opinion of Norton Rose Fulbright, there was also a view expressed that, in parallel with that effort, CAFII should strike a Working Group to look at ways in which the industry might be able to meet the AMF half way, and respond to the AMF's offer for the industry to find creative solutions for conforming credit card-embedded insurance benefits with the RADM. Not all members were persuaded that this was possible, on the basis that the AMF position is fundamentally flawed, but there was a view expressed that exploring that possibility could do no harm, and that the AMF had offered "an olive branch" to industry and we should, at a minimum, explore the opportunity to try to meet the AMF's expectations in this regard.

In the end, the EOC agreed that we should pursue a "two-pronged approach" of both engaging Norton Rose Fulbright for its legal opinion, while also launching a Working Group to explore ways to conform credit card-embedded insurance benefits with the RADM. It was noted that Scott Kirby had volunteered to be the Chair of this Working Group, and the EOC supported his taking on that role.

There was also agreement that while the CAFII Board needed to be engaged on this issue, it was preferable to wait until we had received both the views of Norton Rose Fulbright, and made some progress on the Working Group effort, before calling a Special Purpose Board Teleconference Meeting.

It was also agreed that the AMF's 27 March, 2020 deadline for CAFII to submit "creative industry solutions" was too tight, and CAFII management was asked to reach out to the AMF and request an extension.

Some members of the EOC suggested that the Canadian Bankers Association and Canadian Life and Health Insurance Association should be engaged in any interventions with the AMF. CAFII management noted that we had reached out to both of these allied industry Associations, and the CBA did not appear willing to allocate any time, attention, or resources to this AMF issue; and the CLHIA appeared to be waiting to see what action CAFII planned to take before committing to becoming engaged on the issue. However, it was agreed that CAFII should keep the lines of communication open with CBA and CLHIA. M. Gill noted that involving the CBA in a matter with the AMF had to be done with great care, to avoid the slippery slope of allowing jurisdictional rivalry considerations to arise.

#### **5b. AMF December 20/19 Communiqué Re: Operational Incident Reporting**

M. Boyle updated the EOC on some modifications that had recently been made by the AMF to its requirements for operational incident reporting, adjustments which appeared to address some of the concerns which CAFII members had about the regulator's requirements.

#### **5c. AMF Review of Critical Illness Insurance**

M. Boyle updated the EOC on the AMF's review of critical illness insurance and it was determined that this matter was now concluded and should be removed from future EOC meeting agendas.

#### **5d. April 7/20 CAFII Informal Lunch With AMF Staff Executives, Industry Issues Dialogue, and CAFII Board Meeting in Levis, Quebec**

B. Wycks updated the EOC on plans for an informal liaison lunch and Industry Issues Dialogue session with AMF staff executives, which would take place on 7 April, 2020 at the offices of Desjardins Financial Security in Levis, Quebec.

#### **5e. CAFII March 5/20 Meeting With CCIR/CISRO's FTCWG, For Which An Association-Level Deck/Submission On "Incentives and Compensation Models Currently In Market" Has Been Requested**

B. Wycks reported that arising out of a concern that the CCIR/CISRO Fair Treatment of Consumers Working Group's request for a CAFII submission on incentives and compensation models used by our members in the market could result in data sharing that would be in violation of the Competition Act, and an opinion on this was secured from Stikeman Elliott. The opinion received from CAFII's legal advisors was that the regulators' request was potentially problematic, although they suggested some practical ways to minimize this risk. It was also noted that the CLHIA had also expressed a similar concern to the CCIR/CISRO FTCWG. CAFII has shared its concerns with CCIR Policy Manager Tony Toy, and we are working with him on restructuring the agenda for the upcoming CAFII stakeholder meeting on 5 March, 2020, given that a CAFII submission on incentives and compensation models will not be provided for that meeting.

#### **5f. CAFII March 9/20 Presentation Meeting With FCAC On Credit Protection Insurance Sales Practices and Fair Treatment of Customers Considerations: Confirmation of Details**

K. Martin provided an update on Dog and Pony Studios' preparation of CAFII's presentation deck for the its upcoming meeting with FCAC staff executives on 9 March, 2020. Dog and Pony Studios had received considerable feedback from the CAFII Working Group reviewing the deck, and had made significant changes which had much improved the presentation. Benchmarking data was also being prepared by actuarial firm Willis Towers Watson, and that material would be incorporated into the deck as appropriate.

#### **5g. Launch Of CAFII Quarterly Credit Protection Insurance Benchmarking Study**

K. Martin reported that RSM Canada was working with CAFII members on the development of the first report to be produced by CAFII's new credit protection insurance quarterly benchmarking study. The proposed solution for the transference of data to RSM Canada was not acceptable to all participants, and so a new method was being developed. While this will slightly delay the first report from the study, after all these initial issues are sorted out future versions should face far fewer obstacles.