

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

BOARD OF DIRECTORS MEETING

Tuesday, October 2, 2018

BMO Financial Group Exécutive Dining Rooms, 14th Floor, 129 rue Saint Jacques,

Montréal, Québec

MINUTES

Board Present:	Nicole Benson	Canadian Premier Life <i>Chair</i>
	David Fear	Canadian Life Assurance
	Bob Grant	ScotiaLife Financial
	Chris Lobbezoo	RBC Insurance
	Peter McCarthy	BMO Insurance
	Kelly Tryon	CUMIS Services Incorporated
	Chris Knight	TD Insurance
	Sandra Rondzik	CIBC Insurance <i>(by teleconference)</i>
Regrets:	Paul Cosgrove	Assurant
	Christian Dufour	Desjardins Financial Security
	Wally Thompson	Manulife
EOC Present:	Charles Blaquiére	Canadian Premier Life
	Martin Boyle	BMO Insurance
	Scott Kirby	TD Insurance
	Dominique Julien	CIBC Insurance
	Bradley Kuiper	ScotiaLife Financial
	John Lewsen	BMO Insurance <i>Acting Secretary</i>
	Sue Manson	CIBC Insurance
	Anita Mukherjee	RBC Insurance
	Tony Pergola	ScotiaLife Financial <i>(by teleconference)</i>
	Diane Quigley	CUMIS Services Incorporated
	Vivek Sahni	RBC Insurance
	Monika Spudas	Manulife Financial
	Peter Thorn	TD Insurance
Also Present:	Keith Martin	CAFII <i>Co-Executive Director</i>
	Brendan Wycks	CAFII <i>Co-Executive Director</i>
	Natalie Hill	Managing Matters Inc. <i>Recording Secretary</i>

1. Call to Order, Meeting Confirmation, & Governance Matters

1.1. Welcome to Visitors: Sylvie Bourdeau and Dana Abrams, Fasken

The meeting was called to order at 2:26p.m. N. Benson acted as Chair; J. Lewsen acted as Secretary; and N. Hill acted as Recording Secretary.

N. Benson welcomed special guests Sylvie Bourdeau and Dana Abrams, CAFII's Montréal-based legal counsel from Fasken.

CAFII Board Meeting Minutes, October 2, 2018

It was noted that Ms. Bourdeau and Ms. Abrams are experts in Québec insurance law and they provided legal analysis and advice to CAFII around Bills 141 and 150; and they were visiting this meeting to be part CAFII's debrief discussion on the just-completed Industry Issues Dialogue with the AMF staff executives, along with a forward-looking discussion on CAFII's approach to the AMF's development of Regulations in support of Bill 141, as passed into law this past June.

N. Benson also thanked J. Lewsen, a past-EOC Chair, for filling in for P. Thorn as Board Secretary for this meeting and for providing valuable support.

Secretary J. Lewsen confirmed that notice of this meeting was sent to all Directors in accordance with the Association's By-Law and that a quorum of Directors was present, with eight Directors present in-person.

N. Benson declared this meeting of the Board of Directors of the Canadian Association of Financial Institutions in Insurance duly convened and properly constituted for the transaction of business.

1.2. Approval of Agenda

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The meeting Agenda be and is approved as presented.

1.3. Debrief on Liaison Lunch and Industry Issues Dialogue with AMF Staff Executives; and CAFII Approach to AMF's Development of Regulations in Support of Bill 141

N. Benson began by focusing on the Liaison Lunch and Industry Issues Dialogue which CAFII had just engaged in with the AMF staff executives.

B. Wycks highlighted key learnings from the Industry Issues Dialogue, including that a new draft Regulation was about to be released on the sale of insurance on the internet, and that this Regulation would be accompanied by a document that explains the rationale behind the Regulation. Stakeholders will have 60 days to offer feedback.

It was noted that Quebec's Distribution Guide would be replaced by a short, simple summary document that would have to be made available to the consumer, and which individual companies would be responsible for developing. However, the AMF would identify the key elements expected in the document, and they would audit to ensure that companies were complying with regulatory expectations.

1.4 Debrief on September 14/18 CAFII Meeting with FCAC Brigitte Goulard

C. Knight stated that CAFII's September 14/18 Special Purpose Board Meeting with FCAC Deputy Commissioner B. Goulard was a productive meeting, with a good dialogue, and that Ms. Goulard appeared open to hearing our thoughts. He felt that it might be necessary for CAFII to have an industry response to her comments, and that one possible action item was some form of certification program to be able to demonstrate that CAFII members' sales forces are compliant with the expectations of the FCAC.

Perhaps, Mr. Knight suggested, CAFII could develop some form of accreditation/certification program or another form of industry guidance in this area.

CAFII Board Meeting Minutes, October 2, 2018

A thorough Board discussion of Mr. Knight's proposal ensued, with some concerns expressed around duplicating what is already done internally by CAFII members; and the risk that such an initiative would suggest that we can provide certification around some activities that are not permissible or possible—for example, P. McCarthy noted that CAFII member employees are prohibited by the Bank Act from providing advice to consumers, so while we do ensure that our client service representatives have product knowledge, they are not able to provide advice and, as such, a certification program around product suitability is not possible or appropriate, given legislative and regulatory restrictions.

It was noted that CAFII members already have annual or semi-annual processes for training and confirming knowledge around products. It was suggested that creating a related certification program at an industry Association-level would show that we have responded to the concerns expressed by Ms. Goulard, but it could also imply that we are doing more than in fact we are authorized to do. It also could be duplicative of existing efforts and therefore inefficient, and add another layer of compliance to CAFII members' activities.

On the subject of Ms. Goulard's presentation and comments, it was suggested that there were gaps in her knowledge—such as her understanding of the restrictions which CAFII members face around ensuring product suitability. However, Ms. Goulard seemed to infer that provincial insurance regulators would be open to, and tolerate, some form of suitability assessment (presumably without crossing the line of violating provincial insurance law) in respect of creditor insurance because that would be in the best interest of consumers. In fact, from her comments that certain provinces had reached out to her asking what she was doing about the banks, she left the impression that the provinces want the FCAC to do more.

Another apparent gap was her knowledge around credit protection insurance products themselves, for example as illustrated by her comment that someone who routinely pays off his/her credit card balance monthly should not be sold balance protection insurance. She may have said this because she thinks there would be no benefit payable if the card balance is routinely paid off by the statement date each month when, in fact, a benefit would be payable. She also may have said this because she thinks that people who can pay off their credit card balance each month don't need protection (a false presumption).

It was felt that CAFII needs to provide some further education to the FCAC about CAFII members' products, how they work, and the restrictions our members face on advice. It was noted that our research efforts provide an opportunity to continue the discussion by offering to share the results of relevant research projects, and then leveraging that opportunity to address some of these knowledge gaps.

N. Benson noted that Ms. Goulard's concerns focused largely on companies' internal supervisory regimes and processes, and on whether CAFII members are taking appropriate remedial action on inappropriate sales techniques.

C. Lobbezoo emphasized the fact that CAFII member client service representatives are not licensed and our agents are selling a different core product, such as a mortgage, and the creditor protection insurance is directly related to that, with no suitability test being possible or appropriate. Mr. Lobbezoo felt that any further training or certification efforts should be focused on demonstrating a commitment to the fair treatment of customers, and that we avoid taking any steps that would imply that CAFII and its members can undertake anything aimed at ensuring product suitability.

It was agreed that CAFII's Co-Executive Directors could investigate the proposal put forward by Mr. Knight and bring forward some options around a certification program, moving from the current internal training practices, to a basic training program at the industry level, to a full certification program with a test and designation for client service representatives, leading to something along the lines of "this agent is CAFII-certified to sell Credit Protection Insurance" at the other end of the spectrum.

D. Fear referenced a cross-country tour of provincial insurance regulators recently conducted by CLHIA, noting that many of them expressed concerns around credit protection insurance. Was another approach to ensure that existing CLHIA Guidelines were being adhered to and enforced, he asked? Should a best practices Guideline be established around distribution channels? There are mechanisms already in place that we could try to leverage, Mr. Fear noted.

On that point, a Board member expressed the view that it was uncertain, even doubtful, whether CLHIA would attempt to protect and advance the interests of credit protection insurance.

B. Grant asserted that CAFII needs to demonstrate that we are "doing the right thing," noting that demonstrations of remedial action taken when something was not being done right could be helpful.

S. Rondzik noted that Ms. Goulard herself had noted that the FCAC is not authorized to levy fines for sales that are not suitable, but she also said that investigative media coverage and/or the FCAC itself could expose such practices which constituted a significant, potential reputational risk for our members. Ms. Rondzik felt that educating the FCAC around some of their credit protection insurance knowledge gaps was important, and that we had to show movement in the short term—we could not wait until our research results were ready to be released. Ms. Rondzik felt that it might be helpful to do some work around the options available to us to respond to the comments around suitability of products for customers ("the right product for the right customer"), although Peter McCarthy cautioned that we should be careful around making commitments on suitability, and might wish to steer the discussion instead around customer eligibility for products. Ms. Rondzik felt that we needed to look at the spectrum of options available to the industry, and do so expeditiously.

C. Lobbezoo mentioned that work could also be done around the monitoring, reporting, governance, and remediation aspects of complaint management —Ms. Goulard wanted reporting on first level complaints and evidence that we were systematically responding to complaints; and perhaps that was something we could do some work on.

2. Approval/Receipt of Consent Items

On a motion duly made, seconded and unanimously carried,

It was **RESOLVED** that the Consent Agenda items be and are approved or received for the record, as indicated in the Action column in the Consent section of the agenda.

And further, it was **RESOLVED** that the minutes of the meeting of the Board of Directors held June 5, 2018 be and are adopted in the form presented, and that a copy of those minutes be signed and placed in the minute book of the Corporation.

3. Financial Matters

3.1 Financial Statements as at August 31, 2018

Treasurer T. Pergola reported on the highlights of CAFII's financial statements as at August 31/18, which included that revenue is higher than budgeted due to the acquisition of two new Initiation Members; and, as a result, a re-forecast of the 2018 Operating Budget to year-end anticipated a lower deficit than originally budgeted.

On a motion duly made, seconded and unanimously carried.

IT WAS RESOLVED that

The August 2018 financial statements be and are approved as presented.

4. Regulatory Matters

4.1. FSRA Fee Rule – Life and Health Insurance Process; and Upcoming 90 Day Public Consultation

N. Benson noted that the first item in this section related to the recent FSRA Fee Rule Industry Advisory Group – Life and Health Insurance; and that CAFII had participated jointly with CLHIA in pre-consultations on this issue.

B. Wycks provided a recap of CAFII's participation in this pre-consultation process, which included two in-person meetings with FSRA management and consultants, and a follow up meeting with the FSRA Board.

One issue that was not included in the formal submission from CLHIA and CAFII was the impact for companies of FSRA moving from the FSCO formula of calculating fees based on net premium, to a new formula based on direct written premium. The recommendation is that this be phased in to give companies a chance to adjust to the new method, and this was raised verbally by CAFII at the meeting with the FSRA board.

There is a formal 90 day period for stakeholders to offer formal comments, and CAFII will reiterate that point in its submission.

Other salient points raised at the meeting with the FSRA Board of Directors included the opportunity for FSRA to provide leadership in the development of a national insurance licensing database.

4.2. FSCO Initiatives Related To Life and Health Insurance

K. Martin noted that at a 17 September, 2018 FSCO Life Insurance Working Group meeting, FSCO indicated that after a period during which the Incidental Insurance Market Conduct Questionnaire was not discussed (due to the desire to not pursue this during the Ontario election period), it would now become an active file again and a revised version of the Questionnaire would be distributed to stakeholders for comment.

K. Martin also indicated that an analysis of the final versions of FSCO's and CCIR/CISRO's recently released Fair Treatment of Customers guidance documents revealed that CCIR/CISRO had incorporated many of the comments and recommendations of CAFII, while FSCO had made no changes to the final version of its FTC document.

4.3. FCNB Plans To Introduce An RIA Licensing Regime in New Brunswick

B. Wycks provided an update on the plans of the Financial and Consumer Services Commission of New Brunswick to introduce a Restricted Insurance Agent licensing regime in that province; and CAFII's efforts to provide some education for and influence the FCNB's plans in this area. However, despite multiple efforts to set up an in-person meeting in New Brunswick with the FCNB, they indicated that the timing was not right, and that instead CAFII would be engaged when a formal consultation process began.

4.4. Possible CAFII Initiative(s) Stemming From Australian Royal Commission

N. Benson reminded the Board that at its previous meeting on June 5, there was a discussion on the prospect of CAFII undertaking a special legal research and analysis project related to the implications for Canada of the currently underway *Australian Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry*. It was noted that the decision at that time was to delay making a decision until after the interim report was issued in the Fall.

The interim report had just been issued, but it did not include any coverage of insurance matters; insurance would instead be addressed in the Commission's final report due to be released in February 2019.

The Board agreed to monitor this file, but not to take action until the Australian Royal Commission's final report is issued in 2019.

5. Strategy

5.1. 2018 Credit Protection Insurance Research Project

K. Martin provided an update on research initiatives. The travel medical insurance consumer research continues to be well-received; and physical "leave-behinds" summarizing the key findings have been developed and will be shared with key stakeholders. This complements the materials we have posted on the CAFII website about the research. The research initiative with Pollara on credit protection insurance has been the subject of significant effort, including seven one-hour teleconference meetings to finalize the questionnaire. This initiative will focus on consumer views of mortgage and HELOC life, critical illness, disability, and job loss insurance. That questionnaire is now in the field currently, and we anticipate having preliminary results in November, Mr. Martin advised.

5.2 to 5.6 Strategy

In the interests of time, N. Benson asked K. Martin and B. Wycks to provide verbal updates only on matters that required the Board's immediate attention. K. Martin mentioned that after discussion with the EOC, the recommendation is to do a second website video on the results of the travel medical insurance consumer research. Work is being done on this and the intention is to have this second video published on the website before the end of 2018.

6. Other Business

6.1. CAFII Meeting With CCIR Travel Insurance Working Group, October 24/18

B. Wycks mentioned that with CCIR executives being in Toronto for the 25 October, 2018 Stakeholder Meetings, a separate meeting for CAFII representatives with CCIR's Travel Insurance Working Group is being organized for 24 October, 2018.

6.2. CAFII Annual Stakeholder Meeting With CCIR, October 25/18

B. Wycks mentioned that there was strong interest among CAFII Board and EOC members in attending the Association's Stakeholder Meeting with CCIR on October 25, and the Association's delegation for that meeting would be finalized shortly.

6.3. Next CAFII Board Meeting: November 27/18 in Toronto

B. Wycks updated the board on plans for CAFII's next Board meeting in November. He thanked Canada Life for agreeing to host the meeting. It was noted that Mark White, President and CEO of FSRA, is confirmed as the speaker at the immediately ensuing CAFII Holiday Season/Year-End Reception.

7. Termination and *In Camera* Session

N. Benson thanked everyone for their participation at this Board meeting.

There being no further business, the meeting was terminated at 3:48p.m.

Date

Board Chair

Recording Secretary