

SPECIAL PURPOSE BOARD MEETING
CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE
Monday, 10 December, 2018
Location: Teleconference only
MINUTES

Board Members Present:

Nicole Benson	Canadian Premier Life	<i>Chair</i>
David Fear	Canadian Life Assurance	
Zack Fuerstenberg	ScotiaLife Financial	
Peter McCarthy	BMO Insurance	
Kelly Tryon	CUMIS Services Incorporated	
Chris Knight	TD Insurance	
Wally Thompson	Manulife	
Chris Dufour	Desjardins	
Chris Knight	TD Insurance	

Representing Board Members:

Sue Manson	CIBC Insurance
Rob Dobbins	Assurant

Also Present:

Martin Boyle	BMO Insurance (EOC Chair)
Tony Pergola	ScotiaLife Financial (Treasurer)
Keith Martin	CAFII <i>Co-Executive Director</i>
Brendan Wycks	CAFII <i>Co-Executive Director</i>

1. Call to Order

N. Benson, Chair, called the meeting to order at 3:04 p.m.

M. Boyle, Board Secretary, confirmed that a Notice of Meeting had been circulated to all Directors, in accordance with the Association's Bylaw; and that a quorum of Directors was present on the phone.

N. Benson therefore declared the meeting 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 modified such that Approval of the 2019 CAFII Operating Budget follows the discussion on credit card balance protection insurance; and that the agenda be approved, so modified.

1.3. Discussion on Credit Card Balance Protection Insurance

N. Benson noted that a document "CAFII Credit Card Balance Protection Insurance (CCBPI) Project—Board Briefing Document" had been circulated. The document identified some of the issues on which the Board needed to make decisions.

There was thorough Board discussion of the options set out in the Briefing Document, including the need as part of this project to engage a competition lawyer, and the importance of research to provide a common understanding of the issues, risks, and opportunities for the Canadian CCBPI industry.

It was agreed that there would be value to an internationally focused, comparative research project which would identify the major concerns which regulatory authorities and consumer groups had identified in other jurisdictions, specifically Australia, the U.K., the U.S., and Ireland. The research project could then identify which of those were issues in Canada as well, and which were not, and recommend areas for possible product reforms. The research project could also tackle the similarities and differences that existed in Canada versus other jurisdictions, including the regulatory environment and the business culture.

It was emphasized that the purpose of the comparative research project was to develop an evidence-based understanding that could inform next steps, which could include identifying possible reforms (some at an industry level, some at the proprietary level) that could be undertaken; and which could provide a basis for a second phase which would involve a government relations / public relations (GR/PR) effort based on the findings, and building on any reforms undertaken. The research findings could also operate as a catalyst for action, if it was found that the Canadian industry was vulnerable to regulatory and other challenges based on what had occurred in relevant comparator jurisdictions. The experience in other markets may be a cautionary tale for the Canadian market, and may also alert us to the short time span we have to act on a plan to respond. There was agreement that the research needed to demonstrate where the industry's biggest exposures lie, and what the best potential remedies might be.

There was also a thorough discussion about the mechanics of how to undertake the research. It was agreed that a competition lawyer must be involved in the process, and it was also noted that a variety of different firms were capable of undertaking the research. The discussion concluded that instead of issuing two RFPs (one for a competition lawyer, one for a firm to undertake the research), we should ask a law firm to be the "general contractor" and manage the entirety of the project.

In their proposals to CAFII in response to an RFP, qualified law firms would have to identify whether they had the internal resources to conduct the research component, or whether they wished to outsource this to a strategy, consulting, or research firm, and also whether there were outside firms they wished to engage for the strategic recommendations coming out of the research findings. Such an approach would task them with managing this process, at one overall cost. It was also agreed that preference should be given to law firms that are current CAFII Associates (BLG and Torys).

In further Board discussion, it was proposed and unanimously agreed that

- CAFII would issue an RFP to Torys and BLG;
- the RFP would be for the entire Phase I of a CCBPI Special Project, which would include oversight by a competition lawyer of the process; research into the comparison of the Canadian CCBPI situation relative to Australia, the U.K., the U.S., and Ireland; and strategic recommendations coming out of the research findings; and
- the GR/PR effort, should we seek to engage in that next step, would not be part of this RFP and would be a separate Phase II effort that would be decided on after Phase I was completed.

Because there might be different responses to the RFP depending on how large the research and strategic recommendations effort was, it was also agreed that the RFP should invite the bidding firms to present different ranges of costs based on the size of the effort. In other words, the bidding firm could say that a smaller research project could cost one amount, a larger one another amount.

In terms of timelines, it was agreed that an RFP, when approved, could be issued early in 2019, with 30 days for a response. A Special Purpose Board Meeting would then be called to review the proposals and select the winning firm. When a winning firm was selected, it would be asked to complete the project within 60 days. Based on this timeline, Phase I of the Special CCBPI Project would be completed no later than early April, 2019.

There was also a suggestion that other industry players who were involved in the CCBPI space, but were not CAFII members, might need to be engaged in this effort in some way. These players included Canadian Tire Financial, PC Financial, Walmart Bank, Rogers Bank, HBC, Sears, and Chubb. As well, as this project moved forward, CAFII would need to find a way to keep the Canadian Bankers Association and the Canadian Life and Health Insurance Association informed of developments.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that

CAFII move ahead to develop a general contractor-type RFP for Phase I of a Special Project on Credit Card Balance Protection Insurance, for review and approval by the Board prior to issuance to a select group of law firms with expertise in insurance law and competition law.

1.4 Helen Troup, Commonwealth Bank of Australia

Zack Fuerstenberg has spoken with Helen Troup, who gave hours of testimony to the Australian *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* in September 2018, and he feels that she could provide members of CAFII with excellent insights and information. As such, a proposal was tabled to bring Ms. Troup to Canada in January 2019 to speak to the members of the Association, at an expense of roughly \$15K CAD. The motion was unanimously approved.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that

CAFII invite Helen Troup, Commonwealth Bank of Australia, to visit Canada to dialogue with our Association about the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and related developments in Australia which could have implications for Canada at a cost of approximately \$15,000.

1.5 Proposed CAFII 2019 Operating Budget

CAFII Treasurer Tony Pergola reviewed the proposed 2019 CAFII Operating Budget, which had been revised based on feedback at the 27 November, 2018 Board meeting. The major revision made was to add \$44K to the revenue line to reflect the anticipated securing of one additional Initiation Member at the top tier of membership dues.

It was also noted that there are roughly \$100K of expenses in the budget for research and website enhancements that are discretionary, and if the revenue that has been added does not materialize, there is the option to address that revenue shortfall with expense reductions from those line items.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that

The Proposed 2019 CAFII Operating Budget be approved as presented.

7. Termination

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

There being no further business, the meeting was terminated.

Date

Board Chair

Recording Secretary