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Regulatory Update – CAFII Executive Operations Committee, 15 September, 2017

Prepared by Keith Martin, CAFII Co-Executive Director

<u>Table of Contents</u>

Federal / National:

Provincial:

International:

Research, Thought Leadership, and Innovation:

Federal / National

CCIR -- CCIR Announces Intention To Publish Position Paper on Segregated Funds

The Insurance and Investment Journal reported on 29 August, 2017 that the Canadian Council of Insurance Regulators (CCIR) had announced that it will publish a position paper this fall outlining its recommendations and expectations with the aim of improving disclosure for segregated funds.

In a statement, the CCIR said it expects that its work in this area will result in “significant changes in the regulation of segregated funds; changes that are intended to ensure customers better understand the costs and performance of their segregated fund investments.”

The recommendations to be made in the position paper will refer to issues such as “the delivery of the Fund Facts document for subsequent transactions, risk classification methodology, oversight of sales, needs-based analysis, updating of client records and know-your-product due diligence requirements,” says the announcement.

The CCIR says it will also publish a prototype disclosure document. This document, expected to be released in winter 2018, will identify minimum required information on performance as well as on fees and charges, says the CCIR.

"Ensuring that customers have the information needed to understand not only how their segregated funds are performing, but also their full costs is of the utmost importance to us." Anatol Monid, Chair of the CCIR’s Segregated Funds Working Group and Executive Director of the licensing and market conduct division of the Financial Services Commission of Ontario (FSCO).

The CCIR’s announcement follows its review which was aimed at assessing the regulatory framework of seg funds, especially in light of recent regulatory reforms impacting mutual funds. In May of 2016, the CCIR's Segregated Funds Working Group published an issues paper for public consultation.

The full article is available at:

https://insurance-journal.ca/article/ccir-sets-sights-on-better-disclosure-for-seg-funds/

Canadian Life and Health Association of Canada (CLHIA) -- Stephen Frank appointed President and CEO of CLHIA

The Insurance and Investment Journal, in a 4 July, 2017 articles notes that Stephen Frank has been appointed President and CEO of the Canadian Life and Health Insurance Association, announced Paul Mahon, Chair of the CLHIA July 4. In his new role, Mr. Frank replaces Frank Swedlove, who has retired after 10 years with the CLHIA.

"Canada's life and health insurance industry is entering one of its most intense eras of change, particularly in areas of public policy such as the industry's distribution and disclosure practices, and lowering prescription drug costs for all Canadians," said Frank in a statement. "We will continue to put our customers’ interests first and I look forward to working with governments and other stakeholders to develop solutions to these important issues."

Frank, who has been working for the CLHIA since March 2010, most recently held the position of Senior Vice President, Policy. He is a member of the Board of the Canadian Drug Insurance Pooling Corporation.

Before joining the CLHIA, Frank held senior roles in global transaction banking and financial strategy at a major bank. Earlier in his career, he worked as an economist in the Financial Sector Policy branch at the Department of Finance.

He holds a Master's of Finance degree from the University of Cambridge and a B.A. (Honours) Economics degree from Queen's University.

Travel Health Insurance Association (THIA)

THIA Unveils “Seal” In Support Of Travel Insurance Bill Of Rights and Responsibilities

At its AGM on September 12/17, attended by B. Wycks, THIA unveiled a “seal” in support of its recently launched Travel Insurance Bill of Rights and Responsibilities (BofRs). The seal – which reads “We Support THIA Bill Of Rights” and looks very similar to the well-known “Good Housekeeping Seal of Approval – is a supplementary item intended to assist THIA members in implementing and promoting the BofRs with consumers and other interested parties.

The seal is expected to finalized and rolled out to THIA members by the end of 2017, for early adoption and use in Q1 of 2018. A revamped THIA member package will include jpeg, eps, and pdf versions of the seal, as well as usage guidelines.

In an article titled “THIA’s Bill of Rights: A Long Time Coming,” editor Milan Korcok writes that “for the Bill to become fully effective, all travel insurers, allied services providers, and product distributors need to promote it, explain it to customers (and don’t forget the media outlets in your community) and be prepared to be challenged by customers who insist on their Rights being upheld, just as they must be held accountable for their own Responsibilities.

“This is not a complex, fine-print document. It’s straightforward, concise, plain language, and, interesting to note, consumers have a listing of 10 Rights and only 4 Responsibilities. Now what could be more consumer-friendly than that?”

THIA Partners With Oliver’s Learning For Launch Of Travel Insurance Professional Designation

After an RFP process, THIA has selected Oliver’s Learning as its partner for the launch of the Association’s Travel Insurance Professional (TIP) designation program, the curriculum for which is currently being finalized. An Oliver’s executive gave a demonstration presentation of his company’s learning management system (LMS) at THIA’s AGM on September 12/17.

Oliver’s Learning is part of Oliver’s Publishing Inc., which has been in business for over 30 years. Oliver’s Learning has extensive experience in course development and online delivery; its roots are in “regulated learning” including the Certified Financial Planner (CFP) program and the Life Licence Qualification Program (LLQP). BMO, CIBC, iA Financial, and Forester’s Financial are clients of Oliver’s Learning.

Under the partnership agreement worked out between THIA and Oliver’s Learning, Oliver’s will invest the capital required to develop online learning modules based on the THIA-developed TIP curriculum; Oliver’s will handle launch and ongoing marketing expenses; THIA will own the Oliver’s-developed online learning modules and will share in the net income generated through sales.

THIA expects that the TIP program will launch in 2018. THIA President Will McAleer said that TIP is a key initiative which will contribute toward the achievement of several of the Association's strategic objectives including increasing the value of membership; promoting and growing the membership; investing in professional and public education; and promoting the value of travel insurance. He indicated that at the time that CCIR launched its review of travel health insurance in 2015, Jill McCutcheon, legal counsel to THIA, called the education program which THIA planned to develop "the keys to the kingdom."

In private discussion with B. Wycks following conclusion of the THIA AGM, Mr. McAleer advised that THIA would be open to creating different versions/levels within the TIP program, suggesting that a less extensive and condensed "TIP Lite" could be offered to CAFII members so that their customer service representatives who sell travel insurance could earn a certification/designation related to the product.

Canadian Bankers Association (CBA) -- Remarks made on 5 June, 2017 by Darren Hannah, Vice President – Finance, Risk, and Prudential Policy to the House of Commons Standing Committee on Finance regarding Consumer Protection and Oversight

In remarks to the House of Commons Standing Committee on Finance, the CBA states that banks take compliance seriously:

"Banks have a strong track record of following both the letter and the spirit of the law in dealing with customers. Banks devote considerable time, effort, and resources to ensuring strong compliance. They take extensive steps to make sure that customers subscribe to the products and services they want and which they have consented to receive.

"Banks have clear guidelines, policies, and procedures in place to ensure products are described accurately and completely to their clients.

"Banks also have established Codes of Conduct that articulate employee behaviour including expectations related to integrity and sales practices. All employees are required to attest to compliance with the Code of Conduct on an annual basis. Should an employee not adhere to the bank's Code of Conduct, banks take corrective action to address employee behaviour."

On Employee incentives, the CBA noted that:

"Bank performance management systems and incentives are designed to reinforce appropriate practices, conduct, and culture that promote a client-centric, advice-driven approach. Performance management systems include several layers of controls, governance, and oversight to ensure appropriate conduct, and to detect and address potential incidents of inappropriate behaviour. A key factor in the goal setting process for employees is that sales objectives are designed to align with creating value for customers, and that objectives are reasonably obtainable and aligned across products and channels."

Regarding regulators, the CBA stated that:

"Finally, I want to comment briefly on the banks' relationship with our regulators. We work closely with FCAC and OSFI on consumer and prudential matters respectively. Canada's streamlined and effective financial regulatory system has become a model for the world, providing a strong federal consumer and prudential regulatory regime in which banks operate.

"Specifically on consumer regulations, banks cooperate with the FCAC to ensure compliance with those regulations including express consent and disclosure. As you have heard, the FCAC regularly conducts reviews of the banks' business practices, and banks cooperate with them on these reviews."

The full comments can be reviewed at:

https://www.cba.ca/remarks-consumer-protection-2017

Saskatchewan

ICS Moving Forward With CAFII, CLHIA On RIA Representation Initiative

CAFII has had a long-standing initiative, deferred since 2013 by the Insurance Councils of Saskatchewan, to secure a productive mechanism for our members to be adequately and appropriately represented in the body responsible for Restricted Licence Holders in Saskatchewan.

The CAFII delegation to Saskatchewan in June, 2017 raised this matter with Ron Fullan, the Executive Director, Insurance Councils of Saskatchewan, and his compliance lead April Stadnek at a meeting in Saskatoon on 2 June, 2017. At that meeting, we reintroduced our hope that we could hold a joint meeting with ourselves, the CLHIA, and the Insurance Councils of Saskatchewan to review this matter.

In a note to CAFII and CLHIA on 11 September, 2017 Ron Fullan offers to hold a meeting on precisely this issue. Mr. Fullan writes:

Hi Erica/Brendan/Keith

I'm following up on discussions we had earlier this year concerning the establishment of the RIA Advisory Committee that is contemplated with our new Act and Bylaws.

April Stadnek and I had suggested that a joint meeting with CLHIA and CAFII would be helpful in defining the final parameters for the Advisory Committee. April and I will be in Toronto on October 26th and 27th, and would like to set up an initial meeting to discuss the issue. . . .

Saskatchewan Premier Candidate Vows To Rescind Sales Tax On Insurance

Lyle Adriano of Insurance Business Canada reports in a 30 August 2017 update that Meadow Lake MLA Jeremy Harrison has revealed that if he wins the Saskatchewan Party leadership, he would roll back the provincial sales tax (PST) levied on insurance premiums.

Harrison had originally supported the tax, which was part of the March 22 provincial budget. However, he claimed he has changed his tune on the policy after hearing feedback from the public.

"Many individuals use life insurance as a savings mechanism, while others use it as a way to transition their small business from one generation to the next," he said in a news release. "Insurance is often another way of saying 'savings.'"

The official also added that the 6% PST rate is also affecting farmers.

"Many producers expect to see thousands, if not tens of thousands, in increased insurance costs for crop insurance, for instance," he noted.

CBC News reported that Harrison announced his bid for the Saskatchewan Party leadership after the previous Premier Brad Wall announced his resignation.

Manitoba

Jim Scalena Returns As Superintendent Of Insurance On Short-Term Basis

In a July 31/17 telephone conversation with B. Wycks, Scott Moore, Manitoba's Deputy Superintendent of Insurance, advised that – due to the retirement of Acting Superintendent of Insurance Ken Lofgren – the previous Superintendent of Insurance Jim Scalena has rejoined the Financial Institutions Regulation Branch (FIRB) on a post-retirement, short-term basis.

Mr. Scalena is currently serving as Superintendent of Insurance and Registrar of Credit Unions, with a particular focus on credit union-related issues. He will be completing his contracted assignment and retiring again in November 2017.

Mr. Moore indicated that he is not sure what FIRB's structure will be after Mr. Scalena departs in November. One option is to go back to having two Deputy Superintendents, one each for Insurance and Credit Unions. If that is the staff executives model which FIRB decides to implement, then it is probable that the two Financial Services Officers on FIRB's small staff team – both of whom currently report to Mr. Moore, as Deputy Superintendent of Insurance -- will likely be vying for the Deputy Superintendent of Credit Unions position.

Mr. Moore was leery of potentially creating a perception of favouritism to one Financial Services Officer over the other – by inviting one of them to join him in attending the CAFII liaison and presentation meeting being hosted by the Insurance Council of Manitoba in Winnipeg on October 19/17 – so he will likely attend on his own as the lone representative from FIRB.

Ontario

FSCO -- FSCO Life Insurance Working Group Provides Update on Bank – Owned Insurance Questionnaire on Sales Practices

The second meeting of FSCO's new Life Insurance Working Group (LIWG) was held on Tuesday, 12 September, 2017 at FSCO's head office. Industry participants are CAFII; the Independent Financial Brokers of Canada (IFB); the Canadian Association of Independent Life Brokerage Agencies (CAILBA); the Canadian Life and Health Insurance Association (CLHIA); and Advocis. The meeting is chaired by Heather Driver, Director of the Licensing Branch.

At the meeting, Keith Martin asked for an update on the intention, first announced at the inaugural meeting of the LIWG on 30 May, 2017, to require bank-owned insurance companies to answer a questionnaire on their sales practices. Izabel Scovino, Director, Market Regulation Branch at FSCO, stated that the questionnaire was still in production. It would focus on two elements: first, an attestation on the controls and practices used by the insurance companies owned by banks to prevent high pressure sales methods; second, a review of the sales incentives and techniques used by banks sales teams for the sale of insurance incidental to the sale of other products like mortgages or loans, including what controls are used over these distribution channels. The questionnaire would be subject to consultations with stakeholders prior to distribution, and the timing of the distribution of the questionnaire was still in discussion.

FSCO -- FSCO Life Insurance Working Group Provides Update on Life Insurance Agents' Examinations

At the second meeting of FSCO's LIWG an update was provided by Swati Agrawal, Manager, Market Conduct Compliance, on Life Insurance Examinations, which are conducted to explore potential lack of compliance with FSCO legislative requirements for registered life insurance agents. Ms. Agrawal reported that FSCO regulates nearly 45,000 life insurance agents. A compliance system has been developed to ensure that these agents adhere to the requirements placed on them. In 2015-2016, this compliance system was expanded to include on-site examinations. In that initial year of on-site examinations, 214 high risk agents, largely identified through complaints, were subject to on-site examinations. In year 2 of the program, 2016-2017, a refined approach was taken that included a scoring algorithm to identify proactively potential at-risk agents based on a sampling of agents and an assessment of risk factors; in that year, about 200 agents were subject to on-site examinations, and 22 were subject to a follow up review.

In the current 2017-2018 year, a new desk review has been added to supplement on-site reviews. FSCO buckets life agents into high, medium, and low risk buckets, with high risk agents subject to potential on-site visits, of which 150 are slated for this year; the medium risk agents are subject to a desk review which, if warranted, can be escalated into an on-site review. The desk review will include a questionnaire which is in development, and a copy of which was shared with Working Group members for their review and feedback.

Ms. Agrawal also noted that FSCO reviews have identified a decline in compliance with requirements over time, but she hastened to point out that part of the reason is a more comprehensive review methodology that captures non-compliance more effectively than in the past.

Ministry of Finance Newsroom Bulletin – Province Moving Forward to Establish Financial Services Regulatory Authority of Ontario

The Ministry of Finance issued a Newsroom Bulletin on 30 June, 2017 in which it stated the following:

"Ontario is updating and strengthening the regulation of financial services and pensions through the appointment of the first board of directors for the Financial Services Regulatory Authority of Ontario (FSRA).

"Bryan Davies (Chair), Kathryn Bouey and Judith Robertson will supervise the management of FSRA's affairs, including the development of a detailed transition plan. FSRA, a new, flexible and innovative financial services and pension regulator, will strengthen consumer, investor and pension plan beneficiary protection through adaptive, modern regulation.

"The government will also continue to consult with stakeholders and review recommendations from the expert advisory panel that recommended the creation of FSRA. This work will inform the development of FSRA's mandate and governance structure."

The full bulletin can be found at: https://news.ontario.ca/mof/en/2017/06/strengthening-protections-for-consumers-investors-and-pension-plan-beneficiaries.html

Insurance Brokers Association of Ontario (IBAO) --- Ontario Brokers Come Together at Largest Insurance Convention in Canada

Canadian Underwriter reports in an 8 September, 2017 article that the IBAO is holding their annual convention in Ottawa, Ontario from 25-26 October, 2017. The convention will include a focus on insurance company partners and their strategic direction. "We greatly value our insurance partners," said IBAO CEO Colin Simpson. "We want to provide a platform for our members to ask first-hand about the decisions they're making and the directions they're choosing to take. We're all in the midst of planning the future of our businesses – it's important to align with partners who have brokers at the forefront of their distribution strategies, who add value to the broker network."

Further information about the IBAO Convention can be found at www.ibao.org/convention

International:

Australia

The Australian Securities and Investments Commission (ASIC) says it needs more Regulatory Authority to Deal with Insurance Companies

MoneyManagement reports on 11 September, 2017 that the Australian Securities and Investments Commission (ASIC) deputy chair, Peter Kell has told the Joint Parliamentary Committee on Corporations and Financial Services that the regulator believed changes needed to be made to the *Corporations Act* to allow ASIC to deal with a range of insurance issues, including claims handling and common insurance terminology language and definitions.

The full article is available at http://www.moneymanagement.com.au/news/life-risk/asic-wants-common-insurance-language

ASIC Plans Reforms to Add-On Insurance Offered through Car Dealerships

In a news release on 24 August, 2017 the Australian Securities and Investments Commission (ASIC) says that it will consult on reforms to regulations on add-on insurance offered through car dealerships. "Last year we revealed sector-wide failings when it came to the sale of add-on insurance products through car dealerships," ASIC Deputy Chair Peter Kell said. Deputy Chair Peter Kell added: "This consultation is about strengthening the regulatory framework so that consumers are not pressured into purchasing insurance they simply do not need or understand. It will also ensure compliance is not an afterthought, as compliance monitoring and supervision by insurers will be strengthened at the point of sale."

ASIC has also announced that it will be undertaking significant data collection from insurers involved in this sector to enable better ongoing assessment of consumer outcomes. For example, ASIC will collect data on claims ratios on add-on products (the amount paid in insurance premiums compared to the amount paid out in claims).

The proposals would apply to all add-on financial products sold in connection with the purchase of a new or used car—with the exception of comprehensive car insurance and compulsory third party insurance.

The News Release can be found at http://asic.gov.au/about-asic/media-centre/find-a-media-release/2017-releases/17-280mr-asic-consults-on-reforms-to-add-on-insurance-sales-to-drive-better-outcomes-for-consumers/

Research, Thought Leadership, and Innovation

<u>TD Survey Finds Life Insurance Takes A Backseat To Millenials' Other Priorities</u>

Leah Golog of Investment Executive reports in a 20 June, 2017 update that although many millennials are buying their first home or starting a family, many still don't have life insurance or fully understand its benefits, according to a recent survey from Toronto-Dominion Bank (TD).

In fact, 55% of millennials don't currently have life insurance while only about 33% have considered life insurance, particularly to protect their loved ones in event of worst-case scenarios, the TD survey finds.

"As millennials are in the midst of this new life stage, it's clear that they want to protect their families and loved ones," says Mark Hardy, senior manager of direct life and health with TD Insurance, in a statement. "But with so many other financial responsibilities, it can be daunting to know where to start."

In terms of priorities, life insurance takes a backseat behind managing day-to-day expenses, paying down debt, saving for a house and saving for retirement, the TD survey finds.

"There is no doubt that getting married or becoming a parent is a key life event when people realize the importance of having life insurance," Hardy says. "Less understood is that the younger you are when you buy life insurance, the less you'll pay for your coverage and your premiums will not increase for the term you choose."

However, the survey results indicate that many millennials are in the dark as to what life insurance protects exactly. For example, 68% of millennials believe life insurance is best used to cover one-time expenses, such as a funeral.

Many millennials are unaware, the survey finds, that life insurance can support day-to-day living expenses, mortgage payments, lost income and student loans.

For financial advisors looking to reach this demographic, Hardy says in a statement to Investment Executive that they need to dispel "some of the pre-conceived notions that [millennials have] built up over time with respect to the purpose of life insurance, helping them build an understanding of the real cost and filling that gap where they may not have even been asked about insurance in the past."

Environics Research Group conducted an online survey of 1,000 Canadian adults in May on behalf of TD.

The article can be found at http://www.investmentexecutive.com/-/life-insurance-is-a-low-priority-for-millennials?redirect=%2Fnews%2Fproducts%3Futm_source%3Dnewsletter%26utm_medium%3Dnl%26utm_content%3Dinvestmentexecutive%26utm_campaign%3DINT-EN-morning#sthash.DtigLLm0.dpuf

Sun Life Assurance Company of Canada Advances Digital Strategy with Executive Appointment

Investment Executive reports that Toronto-based Sun Life Assurance Co. of Canada reinforced its commitment to data, analytics and other digital tools with the appointment of Stevan Lewis to the newly created position of senior vice president of digital transformation.

In his new role, Lewis – who was previously senior vice president and chief technology officer at Sun Life – will be responsible for shaping the life insurer's vision and enterprise strategy for digital, data and analytics.

"I'm thrilled to take on this role at such an exciting time for both Sun Life and our industry," Lewis said in a statement. "Data is the new currency and the forces of change — demographics, technology, client expectations, external partnerships, and market disruptors — are all moving at an unprecedented speed. I look forward to finding opportunities to augment our client ecosystem to adapt faster than ever as we keep redefining what it means to be relevant with our clients."

Lewis has been with Sun Life since 2009, and previously, he held various executive positions with Toronto-based Bank of Montreal.

Lewis will report to Mark Saunders, executive vice president and chief information officer.
"We've had tremendous success in making it easier for clients to connect with Sun Life using innovative technologies to enhance their experiences and we have exciting opportunities ahead to further tap into data to differentiate their future experiences with us," said Saunders in a statement. "I look forward to working closely with [Lewis] on this global transformation of our business."

The appointment is the latest step by Sun Life to advance its digital strategy. In late August, the company announced the launch of a new mobile life insurance application, called Sun Life GO, which lets clients apply for various insurance products on their smartphones or tablets.

The full article is available at http://www.investmentexecutive.com/-/sun-life-advances-digital-strategy-with-executive appointment?utm_source=newsletter&utm_medium=nl&utm_content=investmentexecutive&utm_campaign=INT-EN-morning&oft_id=9692924&oft_k=qOD1FJwk&oft_lk=ClVbZQ&oft_d=636407371077400000

Globe and Mail Suggests Canadian Banks' Stock Growth Will Halt, Partly Due To Insurance Growth Limitations

Ian McGugan of the Globe and Mail writes in a 30 June, 2017 article that "the outlook for Canadian bank stocks over the next decade still looks only so-so. The reason is simple: Banks have little, if any, expansion room left in this country. The Big Five already dominate every area of financial services, outside of some areas of insurance that will probably continue to be off-limits due to political pressure and regulatory barriers."

The full article is available at
http://www.globeinvestor.com/servlet/ArticleNews/print/GAM/20170630/RBMLOSINGSTEAM

Internet Threatens Insurance Brokers' Jobs: Insurance Business Canada

A 13 September, 2017 piece in Insurance Business Canada states that although traditional brokerages continue to serve an important role in the insurance space, more small firms are taking out the middleman by directly purchasing insurance online.

"The traditional insurance broker, their days are numbered," said Christopher Williams, Tokio Marine HCC CEO. "If you look at a smaller premium, SME-type business, it will be very soon where you can do that online."

Williams thinks that the current roles of insurance brokers will be rendered redundant thanks to insurance technology, or insurtech.

"Smaller firms will soon turn online for their insurance needs, rather than relying on a broker," he said.

The full article is available at:

http://www.insurancebusinessmag.com/ca/opinion/internet-threatens-insurance-jobs-78889.aspx

Incoming Manulife CEO Says Insurance Industry Still In Dark Ages

A Reuters article on 7 September, 2017 reports that Incoming Manulife chief executive Roy Gori said that the insurance industry is "still in the dark ages" and needs to transform its technologies to adapt to changing consumer behaviors. Speaking at the Scotiabank Financials Summit on 7 September, 2017, Gori, who is taking over as CEO next month, said the vast majority of Manulife's technology budget is spent on maintaining existing systems rather than investing in new technologies.

"We need to transform our business to be much more of a technology-driven company," he said. "We need to become a much more customer-orientated organization and quite frankly the entire industry does. In many ways, if I'm absolutely honest, our industry is still in the dark ages." Gori, who will replace Chief Executive Donald Guloien, said customers are looking to be able to buy insurance products instantly rather than be bogged down with paperwork.

“If you apply for an insurance product you’ll get a 16-page application form with 120 questions more often than not. It’s still very paper-based, very manual and, as a result, our industry net promoter scores are really very poor,” he said. Gori said embracing new technology was key to changing processes.

“Customers engage today on their phones with other organizations in a seamless, transparent and very efficient way,” he said. “That’s not how they work with the insurance industry, so we need to transform our technology footprint.”

The full article is available at http://ca.reuters.com/article/businessNews/idCAKCN1BI1VS-OCABS

RBC, Aviva Learned Lessons after their Partnership

Jacqueline Nelson of the Globe and Mail reports in a 6 September, 2017 article that RBC and Aviva learned much after their 2016 $582-million deal. The deal turned the two former competitors into partners, through a 15-year arrangement allowing RBC to continue selling products under its existing brand name. RBC’s insurance had Neil Skelding says the deal “allowed us to service parts of the market that we had access to, but we couldn’t actually do.”

The full article is available in Appendix A.

Appendix A

RBC, Aviva Learn Lessons after Partnership (Globe and Mail, 6 September, 2017: B3)

JACQUELINE NELSON

From fine art to jet skis at the cottage, the Royal Bank of Canada learned a lot about its clients' interests when it sold off some of its insurance business last year.

As the largest company in Canada, RBC is used to dominating the market. But when it came to insuring clients' properties and possessions, the financial firm realized it was falling short, without enough scale to compete with the industry's largest players.

To bolster its range of insurance products and keep pace with customer expectations, the bank moved to sell its home and auto insurance business to Aviva Canada Inc. through a $582-million deal in 2016.

The two former competitors also became partners in the deal, striking a 15-year arrangement allowing RBC to continue selling products under its existing brand name, adding the bank's relationships to the potential client base for Aviva. That led to lessons learned for both companies amid an insurance market made volatile in recent years by climate change and shifts in technology.

A year into the deal, RBC's insurance head Neil Skelding said he's observed just how many client demands had gone unmet before the tie-up – especially within the segment of wealthier customers who are of increasing value and importance to the bank.

"I would certainly point out in the high-net-worth space we would have, perhaps, a life policy with the client, and they would talk to us about their home and auto and they would have a number of cars, maybe a cottage … an art collection or something like that, and we couldn't do that," Mr. Skelding said of the company's limited underwriting capabilities. The deal "allowed us to service parts of the market that we had access to, but we couldn't actually do."

Before RBC wed Aviva, the bank's insurance arm had less than a two-per-cent market share in the property and casualty insurance market, when measured by premiums. Aviva had more than eight per cent, which amounted to a significant difference in the fragmented market. Aviva also solidified its position as the second-largest player in the industry through the deal.

In teaming up the bank-owned insurer, Aviva saw a way to expand its distribution platform in direct-to-consumer sales where RBC had been gaining traction, as well as add to its digital offerings. Aviva's traditional strength has been in the broker channel.

"It's about, 'How do we open up the jaws of the organization to allow Canadians to come to us any way they choose to, and in this case through an RBC-branded solution?'" said Greg Somerville, CEO of Aviva Canada.

Mr. Skelding has observed that Aviva's size offers clear advantages.

"As an insurer, when you are dealing with a body shop and you have five per cent of their business, you're not necessarily going to get the exact same result as when you have 30, 40, or 50 per cent," he said, adding that Aviva, a subsidiary of British insurance giant Aviva PLC, also had better systems for processing claims that have sped up operations and payments to customers.

Aviva also had the bandwidth to develop new types of insurance for the Canadian market that RBC wasn't close to offering. One example is insurance for ride-hailing services and Uber drivers. But perhaps most significant was extended home insurance coverage against water damage such as overland flooding.

Since RBC launched its updated water coverage in late February, more than 60 per cent of its home insurance customers have opted to add overland water protection when buying a policy. In fact, Mr. Skelding said he put the coverage on his own policy after it became available through the partnership.

Coverage against water damage gained national attention after the catastrophic flooding in Southern Alberta in 2013 that broke records for resulting in $1.7-billion in insured damages. As the industry grappled with the recovery effort, it also had to face homeowners who thought they had protection against water damage, but in some cases were left without relief because of the way water entered their home.

"It was the '13 floods in Calgary and Toronto that made us think that it wasn't appropriate for somebody to have to determine whether [water] came through the front door, or up through the sewer," Mr. Somerville said.

He said the company is now assessing the potential to introduce devices that monitor for leaky pipes and either shut off water or at least alert the homeowner. In the future, customers may be able to install these systems in their homes for a discount on their premiums.