



The Canadian Association of  
Financial Institutions in Insurance

# FSRA Board of Directors Stakeholder Advisory Committee - Life and Health Insurance – 25 November, 2019, By Webinar

*CAFII's Comments on FSRA's  
Draft Fiscal Year 2021-22  
Priorities and Budget*

**Making Insurance Simple and Accessible for Canadians  
Rendre l'assurance simple et accessible pour les Canadiens**

# ABOUT CAFII: Who We Are

Non-profit industry Association dedicated to development of an open and flexible insurance marketplace.

Established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels.

# ABOUT CAFII: Who We Are

CAFII members offer credit protection insurance; travel insurance; other types of life and health insurance; and, in some cases, property & casualty insurance across Canada. Credit protection insurance and travel insurance are product lines of primary focus for CAFII as members' common ground.

CAFII members offer insurance through financial institution branches; client contact centres; the internet and other digital channels; direct mail; and, in some cases, agents and brokers (including travel agents for travel insurance).

# CAFII's Membership is Comprised of Seven Financial Institutions (Bank and Credit Union Distributors) and Six Insurers / Underwriters of Credit Protection Insurance

## Financial Institutions



## Insurers



# CAFII Congratulates FSRA on a Successful Adjustment to COVID-19 Environment

- CAFII congratulates FSRA's management team and Board on continued success after last year's successful rollout as a new integrated regulator in Ontario.
- A highly competent and experienced FSRA executive team has adjusted to the new COVID-19 pandemic environment very effectively and professionally.

# CAFII Believes Strong Relationships with Regulators Help Achieve Positive Customer Outcomes

- CAFII believes that the insurance industry has been very client-centric in the new environment, and has made significant efforts to adjust in a way that demonstrates fair treatment of customers. It is our belief that effective and open communication with FSRA has been important in achieving these changes.

# CAFII Is Commenting Only on Issues Germane to its Members

- We have restricted our comments to those sections of FSRA's *Proposed FY2021-2022 Statement of Priorities; and Budget* which are germane to CAFII members, i.e. to the consultation document's sections on Cross-Sectoral Priorities, the Life and Health Insurance Sector-specific Priorities, and FSRA's Proposed Fiscal Year 2021-22 Budget.

# CAFII Agrees with FSRA's Environmental Scan

- We agree with the observation that *“after a considerable decrease in traditional distribution channels, COVID-19 has also accelerated industry progress in digitizing the distribution of insurance products.” (Page 6.)*
- This is something that has been the “lived experience” of our member representatives over the past seven months; and we believe that much of the movement by consumers to digital platforms will become a permanent shift after the COVID-19-imposed restrictions on face-to-face meetings are reduced and eventually eliminated.
- As such, we believe that it is critical for FSRA to continue to operate under a regulatory framework that promotes innovation and facilitates industry's ability to serve consumers in the channel and the manner that they prefer.



# Cross-Sectoral Priority: “Protect the Public Interest”

- CAFII strongly supports the “Protect the Public Interest” priority; and, in that connection, we note that our members, as major financial institution distributors and underwriters of credit protection insurance and travel insurance, make considerable investments in systems, processes, oversight, monitoring, employee training, and controls to support highly professional sales practices focused on appropriate products and the fair treatment of customers.
- We agree with the importance of robust complaints handling systems; and CAFII and its members are committed to ongoing assessment of shifting consumer expectations. All of our members are also committed to consumers’ financial education and strengthening financial literacy.

# Cross-Sectoral Priority: “Enable Innovation”

- With respect to the “Enable Innovation” priority, we strongly agree with the statement *“innovation moves quickly. As a regulator, FSRA needs to be agile in order to support and adjust to the change that comes with it.”* (Page 12.)
- The needs of consumers and the industry are changing and challenging the regulatory system faster than current mechanisms can adapt. The deliverables and outcomes specified by FSRA under this priority are appropriate in our view.
- We continue to believe that “regulatory sandboxes” that provide a safe, monitored space within which to test innovative products and services can foster innovation while ensuring consumer protection. We note in that regard that the Ontario budget introduces new powers to *“...allow FSRA to operate an insurance regulatory sandbox to pilot initiatives that bring new consumer-focused products and services to market more quickly in response to changing consumer needs.”*

# Cross-Sectoral Priority: “Modernize Systems and Processes”

- With respect to the “Modernize Systems and Processes” priority, we encourage FSRA to continue to invest in its core technology and processes to make the Authority as efficient as possible.
- The deliverable of improving data interfaces and analytics will be most effectively implemented if it incorporates ongoing consultation with industry on this topic. Each private sector institution has its own definitions around data and its own approaches to technology, and understanding these nuances before building interfaces will reduce the risk of obtaining data that is difficult to aggregate, analyze, and interpret.
- That said, we wholeheartedly support the fundamental concept of an evidence-based approach to regulation.

# Cross-Sectoral Priority: “Transition to Principles-Based Regulation”

- With respect to the “Transition to Principles-Based Regulation (PBR)” priority, this is something for which CAFII has been a long-time proponent and advocate. Consumers and industry are best served by regulations that are not prescriptive, and which allow the principles that the regulator has established to be met without impeding innovation and efficiency.
- CAFII extends kudos to FSRA for adopting *CCIR/CISRO’s Guidance: Conduct of Insurance Business and Fair Treatment of Customers* as the document which outlines FSRA’s expectations of industry with respect to FTC, without the need for a separate FSRA Guideline in this area. FSRA has set up a leadership example of supporting national co-ordination and harmonization by adopting the CCIR/CISRO Guidance.

# Life and Health Insurance Specific Priority: “Enhance Market Conduct Oversight to Protect Consumers”

- With respect to the life and health insurance sector-specific “Enhance Market Conduct Oversight to Protect Consumers” priority, we note that CAFII members have made significant investments in systems, processes, oversight, monitoring, employee training, and controls to achieve consumer protection expectations.

# CAFII Supports FSRA Playing an Enhanced Leadership Role By Becoming Active Within the International Association of Insurance Supervisors (IAIS)

- Turning now to a priority area we have expressed support for in the past, but which is not addressed in FSRA's FY 2021-22 priorities, we continue to believe that a commitment to active participation in international organizations is important to FSRA's overall strength, in particular the International Association of Insurance Supervisors (IAIS).
- We recognize that international travel is currently restricted due to COVID-19. But that will not always be the case and we believe that it is important for FSRA, as the financial services regulator of Canada's most populous province and the economic engine of the country, to play a prominent role within the IAIS.

# FSRA Proposed 2021-2022 Budget

- With respect to the FSRA's proposed 2021-2022 Budget, we note that there is a significant increase in the provision for the life and health insurance sector, which gives rise to an expectation of increased fees for the sector, reflecting "increased conduct supervision."
- The COVID 19-dominated 2020 year has been a very challenging one for the life and health insurance sector, and the industry has made considerable efforts to respond to shifting and heightened consumer needs and expectations in these difficult times. The industry has experienced increased claims levels, and faces considerable financial challenges. We encourage FSRA to keep those factors in mind when considering fee increases and increased conduct supervision for the life and health insurance sector.

# Thank You for the Opportunity to Comment on FSRA's 2021-2022 Priorities and Budget

*THANK YOU*