

4 May 2018

Mr. Brian Mills
Chief Executive Officer and Superintendent of Financial Services
Financial Services Commission of Ontario
5160 Yonge Street, Box 85
Toronto, Ontario M2N 6L9

Subject: FSCO's Consultation Draft, "Treating Financial Services Consumers Fairly"

Dear Mr. Mills:

I am writing on behalf of the Canadian Association of Financial Institutions in Insurance (CAFII) with respect to FSCO's draft Treating Consumers Fairly (TCF) Guideline, referred to as a "Superintendent's Guideline" in the Commission's Draft 2018 Statement of Priorities. We appreciate the attention that FSCO is putting on the fundamental principle that consumers need to be treated fairly. We agree with the basic thrust of the draft, including that the interests of consumers are paramount, and that information about financial transactions must be communicated in an accurate and transparent manner.

CAFII agrees that treating consumers fairly means putting their interests first and taking the time to understand their needs, as well as making every effort to ensure that they understand the benefits and limitations of the product(s) being considered, along with their rights and responsibilities as consumers.

The April 3/18 transmittal message, by which FSCO released the draft TCF Guideline to stakeholders, states that the Commission will be taking specific steps to ensure alignment and coherence between Ontario's Treating Consumers Fairly (TCF) Guideline and the CCIR's "Guidance: Conduct of Insurance Business and Fair Treatment of Customers." CAFII hopes and expects that the two documents will be harmonized to the maximum degree possible. Harmonization of regulations between different provincial authorities, and between provincial authorities and the CIIR, are of critical importance to our members and to the efficiency of the industry. In a similar vein, we would request the Guideline align with the AMF's existing Fair Treatment of Consumers document (the *Sound Commercial Practices Guideline*).

We believe that a critical building block to enhancing the fair treatment of consumers is raising their level of financial literacy. Consumer education around financial literacy is a shared, multi-stakeholder responsibility and something in which CAFII members and other industry stakeholders are actively involved. While consumers are ultimately responsible for their purchase decisions, governments and regulators such as FSCO have an important role to play, alongside the industry, in providing education which can help consumers better understand the benefits and limitations of products and improve their financial literacy.

In that connection, we believe that in its communications, FSCO should emphasize, where appropriate, consumers' responsibilities with respect to financial and insurance products, in addition to their rights. CAFII members are committed to playing our part by ensuring that communications are easy to understand and, as the draft Guideline stipulates, written "in plain language wherever possible." Our members will continue to make efforts to ensure the ease of understanding of our communications, but we believe it is also important to emphasize that consumers need to read their policies, understand their features, and ask questions if there is anything they are uncertain about.

CAFII members place strong emphasis on ethical behaviour: not just on complying with regulations – as important as that is – but in a recognition that the principles which the regulations uphold are fundamental to our own businesses. The comprehensive and rigorous training which we provide to our own employees and to the staffs of suppliers we may engage to interact with consumers on our behalf, such as third party administrators, along with related monitoring and controls, to cite just two areas where CAFII members dedicate significant resources, demonstrate our commitment to the principles set out in the draft Treating Consumers Fairly (TCF) Guideline.

By way of more specific feedback, CAFII is comfortable with and supports the draft TCF Guideline because

- it is rooted in a principles-based approach, rather than prescriptive rules;
- it incorporates the principle of proportionality, which will provide needed flexibility for licensees to tailor solutions to achieve the desired outcomes contained in FSCO's expectations;
- it uses carefully considered and well-defined language, taking pains to use "must" when a statutory requirement is in place for all licensees; and "should" when there is not a consistent statutory requirement but a licensee is still expected to consider a particular conduct to comply with the relevant principle; and

With respect to any new expectations of the industry which may be introduced in the finalized TCF Guideline, we ask that a reasonable period of time for implementation be provided, with a minimum of 90 days being our recommendation.

Sincerely,

Peter Thorn
Board Secretary and Chair, Executive Operations Committee

About CAFII

CAFII is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. Our Association was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels. Our members provide insurance through client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the internet.

CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services. Our members offer travel, life, health, property and casualty, and creditor's group insurance across Canada. In particular, creditor's group insurance and travel insurance are the product lines of primary focus for CAFII as our members' common ground.

CAFII's diverse membership enables our Association to take a broad view of the regulatory regime governing the insurance marketplace. We work with government and regulators (primarily provincial/territorial) to develop a legislative and regulatory framework for the insurance sector that helps ensure Canadian consumers get the insurance products that suit their needs. Our aim is to ensure appropriate standards are in place for the distribution and marketing of all insurance products and services.

CAFII is currently the only Canadian Association with members involved in all major lines of personal insurance. Our members are the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Financial Security; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players American Express, Assurant, Canada Life Assurance, CUMIS Services Incorporated, Manulife (The Manufacturers Life Insurance Company), and valeyo (formerly Canadian Premier Life Insurance Company).