

**CAFII Working Group on Credit Protection Insurance Industry Best Practices
Summary Notes of Teleconference Meeting, 12 September, 2019**

Members of the Working Group (Teleconference)

Martin Boyle, EOC Chair, BMO Insurance, Co-Chair of the Working Group
Greg Caers, BMO Insurance
Karyn Kasperski, RBC Insurance, Co-Chair of the Working Group
Rob Dobbins, Assurant
Sharon Apt, Canada Life
Joanna Onia, CIBC Insurance
Parminder Rai, CIBC Insurance
Michelle Costello, CUMIS/The Co-Operators
Isabelle Choquette, Desjardins Financial Security
Denzyl Monteiro, ScotiaLife Financial
Jeremy Flanagan, TD Insurance
Kathy Tetford, TD Insurance

Staff

Brendan Wycks, CAFII
Keith Martin, CAFII

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Martin Boyle called the meeting to order and welcomed all participants. He thanked Karyn Kasperski for so effectively chairing several of the meetings of the Working Group during which significant progress was made.

Mr. Boyle, who was unable to attend the last three meetings, then asked for some clarification around some of the items that the Working Group had tackled, including around product design by third parties. Karyn Kasperski noted that that issue might best be addressed after federal Bill C-86 is finalized, as it will address the issue of product appropriateness. Mr. Boyle asked whether the action item on the benefits of credit protection insurance (#11 in the 12 September Thought Starter) might include possible scenarios of where those products might not be appropriate for certain customers. There was concern expressed on this item around the Working Group slipping into commenting on the suitability of products and recommending something close to offering customers advice. It was agreed to discuss this further. On bundling, it was agreed that regular communication to customers on what they had purchased was an important step. It was also agreed that the Working Group might discuss whether certain parts of a bundle are of less value than others.

Mr. Boyle then turned to the Appendix to the Agenda for today's meeting, which listed agreed-upon Action Items with a request for a volunteer from the Working Group assigned to be the lead on that item.

Rob Dobbins recommended that this matter be deferred and removed from this meeting's agenda, and instead the Working Group continue to work through the issues in the Thought Starter document; and then return to the Action Items when that first exercise was complete. At that time, there might be an ability to combine Action Items, some might end up being redundant or duplicative, and the group can have a further discussion on what it is trying to achieve before delving into the work around wording and actions. It was agreed that this was a good approach and there was consensus on that basis to not assign volunteers at this time to the current list of Action Items.

The Working Group then reviewed further items in the Thought Starter document.

Thought Starter Document Item #18 (12 September 2019 Version); and xx (19 September 2019 Version)

Distribution Strategies, from CCIR / CISRO FTC Guidance, p. 21: "CCIR and CISRO expect that distribution strategies are tailored to the product, consider the interests of the targeted Consumer groups and result in consistent Consumer protections independently of the distribution model chosen."

Rob Dobbins felt that there was an important principle here, which was that the customer experience needed to be the same regardless of the distribution channel. Karyn Kasperski raised the concept of "quality consent," where the following criteria would have to be met:

- *Question posed to a client for a product or service provided with the ability to decline,*
- *Use language and be presented in a way that the offer is clear to the client(s), with*
- *An affirmative response received from the client(s).*

The fundamental requirement here was that the customer had to understand what they were consenting to. Another consideration was how to achieve this in each channel.

Action Item: Support the concept of "quality consent" that is equally met in each channel, with the following criteria: *Question posed to a client for a product or service provided with the ability to decline; Use language and be presented in a way that the offer is clear to the client(s), with; An affirmative response received from the client(s).*

Thought Starter Document Item #20 (12 September 2019 Version); and xx (19 September 2019 Version)

Distribution Strategies, from CCIR / CISRO FTC Guidance, p. 21: "CCIR and CISRO expect that a Customer is given appropriate information to make an informed decision before entering into a contract."

This was viewed as overlapping with Thought Starter Item #18. It was felt that the Action Item for #18 was applicable to this item as well.

Action Item: Action Item for #18 applies to this item as well.

Thought Starter Document Items #24 and #25 (12 September 2019 Version); and xx (19 September 2019 Version)

Product Promotion, from CCIR/CISRO FTC Guidance, p. 22: "CCIR and CISRO expect that product promotional material is accurate, clear, not misleading and consistent with the result reasonably expected to be achieved by the Customer of the product."

Product Advertising, from AMF Sound Commercial Practices Guideline, p. 16: “The AMF expects that product advertising is accurate, clear and not misleading.”

These items were viewed as strongly overlapping. It was noted that these expectations are now viewed by industry as “table stakes”, and no one would dispute these principles. As such, it was not felt that it was necessary to address this in any detail.

Action Item: Industry agrees fully with these principles and will adhere to them.

Thought Starter Document Item #27 (12 September 2019 Version); and xx (19 September 2019 Version)

Advice, from CCIR/CISRO FTC Guidance, pp. 23-24: “CCIR and CISRO expect that, when provision of advice is required by law before concluding the contract, customers receive relevant advice, taking into account the customer’s disclosed circumstances.”

This was viewed as not applicable to the direct/alternate channels through which CAFII members offer credit protection group insurance and travel insurance.

Action Item: Relegate to “Not Applicable” status.

Thought Starter Document Item #29 (12 September 2019 Version); and xx (19 September 2019 Version)

Improved Post-Sales Conduct, from Australian Securities & Investments Commission’s “Consumer credit insurance” report, Report 622, July 2019, pp. 4, 13-16: “Lenders and insurers should give consumers appropriate annual communication about the price, limits and exclusions of the policy and remind them to lodge a claim if they had a claimable event in the past 12 months.”

It was agreed that the concept of regular communication with insureds was appropriate, and that whatever action the Working Group agreed on around this topic could cover this item.

Action Item: Develop a principle around regular communication with insureds and include this in that effort.

Thought Starter Document Item #30 (12 September 2019 Version); and xx (19 September 2019 Version)

Improved Post-Sales Conduct, from Australian Securities & Investments Commission’s “Consumer credit insurance” report, Report 622, July 2019, pp. 4, 13-16: “Lenders and insurers should, every two years, contact consumer with CPI on a credit card (or other revolving lines of credit) about whether they want to keep their policy or cancel their coverage.”

It was agreed that the industry should communicate regularly with CCBPI insureds, but it was not felt that they should be asked if they want to cancel their coverage.

Action Item: Develop a principle around regular communication with CCBPI insureds and include this in that effort, but do not incorporate an ask to insureds if they want to cancel their coverage.

Thought Starter Document Item #31 (12 September 2019 Version); and xx (19 September 2019 Version)

Improved Post-Sales Conduct, from Australian Securities & Investments Commission's "Consumer credit insurance" report, Report 622, July 2019, pp. 4, 13-16: "Lenders should notify a consumer with a CPI policy who applies for changes to their loan contract due to financial hardship that they have a CPI policy and provide or transfer their claim details to the insurer for assessment."

This appeared to be an Australian-specific issue, as "financial hardship" was not a covered event in Canada. It was also felt that "when have knowledge of a claimable event should encourage client to make a claim," might be in the area of advice, although there was also a view that this was clearly what everyone would want the industry to do and it was only common sense to treat customers this way. It was further noted that while this might be what we want to see happen, it might be hard to make it an industry commitment especially since it would be difficult to implement consistently.

Rob Dobbins suggested that this not become a regulatory commitment/requirement for CAFII members, but rather a guideline around best practices. As well, it was felt that it was not "changes to their loan contract" that needed to be the trigger, but rather any change or milestone that produced a communication with an insured. It was agreed that "if a distributor becomes aware of a customer with a possible insurable event they should suggest that they contact their insurer." As well, it was felt that when an insured cancels coverage, if it becomes apparent that he/she experienced an insurable event which might have been covered, that should be brought to their attention at that time.

Action Item: Develop wording for a best practices guideline along the lines of: "If a distributor becomes aware of an insured with a possible insurable event, they should suggest that the insured contact the insurer."

Appendix A—Members of the CAFII Working Group on Credit Protection Insurance Industry Best Practices

BMO Insurance

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Working Group*
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