

**CAFII Board Chair and Vice-Chair Recommendations Arising From Recent Developments In FCAC's
Crafting of an Appropriateness Guideline**

From: Keith Martin <Keith.Martin@cafii.com>
Sent: February-17-21 3:41 PM
To: Board Members (c.c. EOC Members)
Subject: RE: CAFII Recommendations Around Important Developments Regarding FCAC Appropriateness Guideline

Hello CAFII Board Member (this note is copied to the EOC):

We now have heard back from Board members on the issue of CAFII reaching out to the FCAC regarding its current consultations on the development of an appropriateness guideline.

There is no consensus on this matter at this time, and a concern has been expressed that it is premature to reach out to the FCAC.

Brendan and I have reached out to Board Chair Chris Lobbezoo, Board Vice-Chair Peter Thompson, and EOC Chair Rob Dobbins, about the feedback received, and the direction is to not reach out to the FCAC at this time. CAFII will continue to monitor this file carefully, and will attempt to review what the FCAC develops as a position after the consultations with the Working Group and the CBA are complete. We have also learned from this outreach to the Board that industry lawyers on the Working Group are aware of the concerns of the credit protection insurance sector and are reflecting this in the meetings with the CBA.

Brendan and I will be sure to keep you informed of any developments we learn of.

Thank you,

--Keith
Keith Martin
Co-Executive Director / Co-Directeur général
Canadian Association of Financial Institutions in Insurance

From: Keith Martin
Sent: February 11, 2021 2:29 PM
To: Board Members (c.c. EOC Members)
Subject: CAFII Recommendations Around Important Developments Regarding FCAC Appropriateness Guideline

Hello CAFII Board of Directors (copy to the EOC):

It has come to our attention that the FCAC has recently released a *Discussion Paper on the FCPF's Appropriate Products Procedures Provisions*, with a 25 February, 2021 deadline for responses from members of its Financial Consumer Protection Framework (FCPF) Implementation Working Group (WG) which consists of 12 bank/FRFI representatives, along with the CBA as an observer.

You may recall that at the 1 December, 2020 CAFII Board meeting, there was clear direction for the Association to monitor the FCAC's work on developing an Appropriateness Guideline and to develop arguments as to why it should not apply to CPI; but there was also clear direction that CAFII **should not** engage with the FCAC or the CBA on this issue at this time.

However, circumstances have changed now that the FCAC has released the above-noted Discussion Paper to its FCPF Implementation Working Group.

Over the past few days, in response to these developments, Brendan and I have held several meetings including with CAFII Board Chair Chris Lobbezoo; CAFII Board Vice Chair Peter Thompson; and EOC Chair Rob Dobbins. Following are the recommendations from them in support of proposals made by the Co-Executive Directors and the EOC Chair. Please let us know by EOD Tuesday, 16 February if you are comfortable, or not, with CAFII's proceeding as proposed below; or if you wish us to organize a Special Purpose CAFII Board Meeting forthwith to discuss this matter.

Recommendations

- That CAFII write an email to Frank Lofranco, the FCAC's Deputy Superintendent, Supervision and Enforcement (c.c. Frank's direct reports Teresa Frick, Director, Supervision; Bradley Schnarr, Manager, Regulatory Guidance and Coordination; and Stephen Wild, Senior Research and Policy Officer, who are all instrumentally involved in the Appropriateness Guideline initiative), letting them know that it has come to our attention that the FCAC has released to its FCPF Implementation Working Group a *Discussion Paper on the FCPF's Appropriate Products Procedures Provisions*, with a deadline of 25 February, 2021 for input/feedback submissions.
- That our CAFII email indicate that our Association has concerns that the *Discussion Paper on the FCPF's Appropriate Products Procedures Provisions* may include broad-based Know Your Customer (KYC), Know Your Product (KYP), and Appropriateness Assessment expectations of banks that would be very problematic with respect to Authorized Insurance Products (including credit protection insurance) -- from both consumer protection and compliance with regulatory frameworks perspectives -- given that CPI cannot be offered by licensed individuals and, as such, the provision of any sort of advice to consumers about these products is prohibited. Suitability or appropriateness requirements for credit protection insurance types of Authorized Insurance Products, beyond 'eligibility' requirements, are problematic — given the provisions of the Bank Act and Insurance Business (Banks and Bank Holding Companies) Regulations — and it was our understanding from earlier conversations with the FCAC that suitability and thereby forced licensing requirements were not under consideration for the FCAC's Appropriateness Guideline.
- That our CAFII email make the following direct asks of the FCAC: that they provide CAFII with a copy of the *Discussion Paper on the FCPF's Appropriate Products Procedures Provisions* and a 60-day period for us, as the industry Association that represents and is the voice of the Authorized Insurance Products and the credit protection insurance industry in Canada, to offer the Agency a detailed analysis of the Discussion Paper and explanations of our concerns.

Thanks,

--Keith

Keith Martin

Co-Executive Director / Co-Directeur général

Canadian Association of Financial Institutions in Insurance