

Fundamentals of Creditor's Group Insurance

Presentation to Financial Consumer Agency of Canada

Presentation is incomplete without oral commentary.

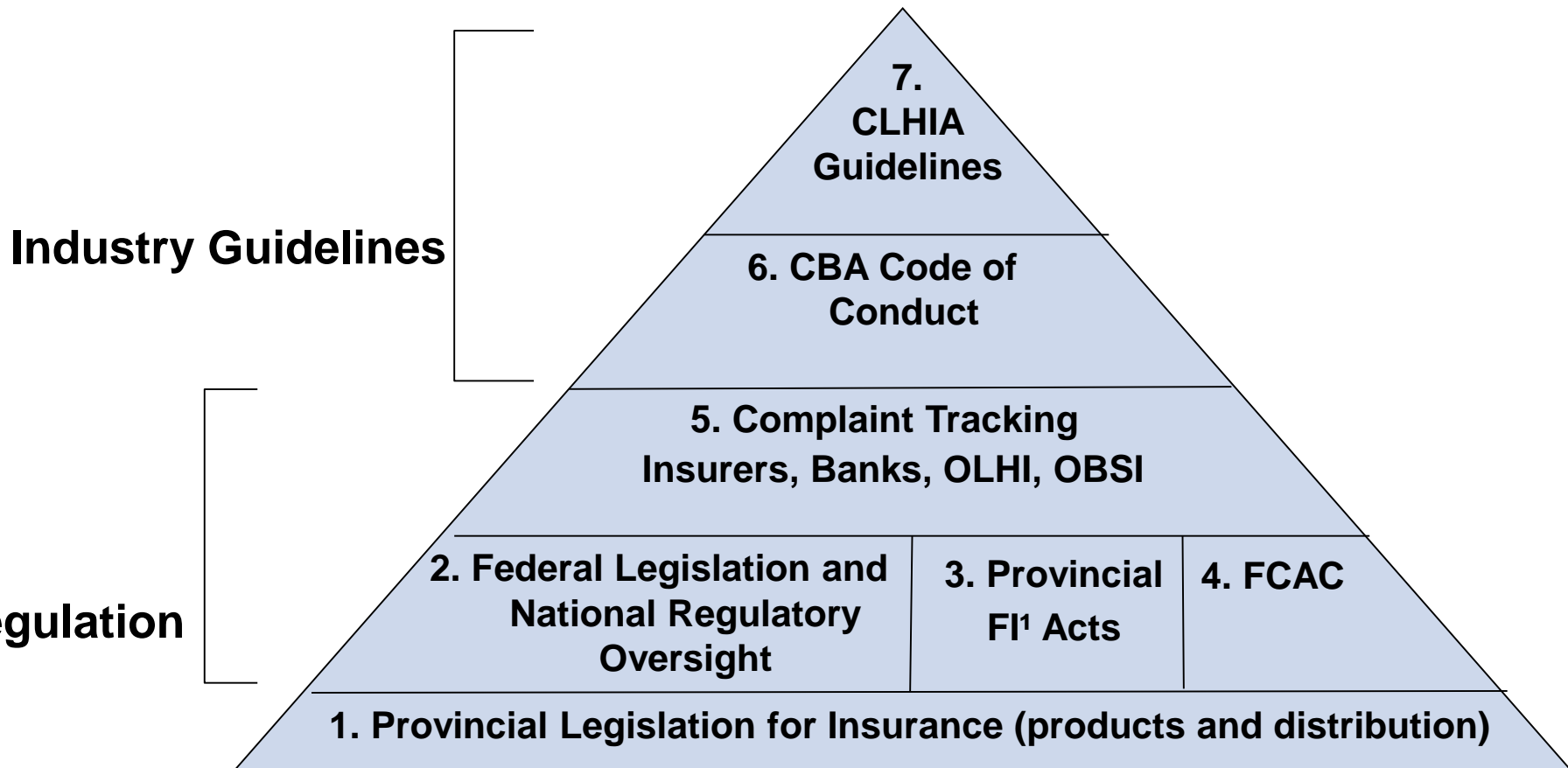
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ROBUST REGULATORY REGIME FOR CREDITOR'S GROUP INSURANCE IN CANADA

Robust Regulatory Regime

Seven Element, Balanced Regime Rooted In Provincial and Federal Legislation/Regulations and Industry Guidelines



¹Financial Institutions

1. Provincial Legislation for Insurance (products and distribution)

- Provinces govern insurance contracts, e.g.
 - Policy content
 - Disclosure documents
 - Proof of claim
- Provinces govern distribution and market conduct, e.g.
 - Restricted licences (some provinces)
 - Act respecting the distribution of financial products and services (Québec)

2. Provincial Credit Union and Caisses Populaires Acts

- Credit Union Acts in each province authorize distribution of creditor's group insurance (by credit unions and caisses populaires):
 - Credit unions and caisses populaires can offer, administer, and enrol customers in authorized types of insurance including creditor's group insurance
 - Branches are prohibited from offering, advising on, or referring customers with respect to types of insurance that are not authorized

3a. Federal Legislation and National Regulatory Oversight: Bank Act

- The Bank Act authorizes Creditor's Group Insurance for distribution by deposit-taking institutions:
 - Banks can offer, administer, and enrol customers in authorized types of insurance¹ including creditor's group insurance
 - Bank branches are prohibited from offering, advising on, or referring customers with respect to types of insurance that are not authorized (e.g. individual life or property & casualty insurance products)
 - Prohibits Coercive Tied Selling (section 459.1)

¹Bank Act rules for insurance distribution in bank branches

3b. Federal Legislation and National Regulatory Oversight

- Federal legislation sets out key market conduct expectations:
 - Personal Information Protection and Electronic Documents Act (PIPEDA: privacy legislation)
- National-level regulatory requirements support market conduct compliance:
 - CCIR Annual Statement on Market Conduct

4. Financial Consumer Agency of Canada (FCAC)

- FCAC monitors federal consumer protection measures:
 - Monitors bank adherence to the Canadian Bankers Association Code of Conduct for Authorized Insurance Activities
 - Has authority to exercise enforcement powers through a variety of redress mechanisms
- FCAC's Negative Option Billing Regulations govern optional products sold by FIs incidental to a primary financial product, including creditor's group insurance:
 - Require express consent for enrolment
 - Extensive disclosure requirements both before and after enrolment (includes product changes)

5. Complaint Tracking – Insurers, Banks, OLHI, OBSI

- Complaint Tracking is a responsibility of insurers, banks, other distributors, OLHI, and OBSI
 - A robust national complaint reporting system that identifies channels and providers for creditor's group insurance concerns is an important requirement of the risk mitigation process
 - CAFII has offered to work with regulators to enhance the current complaint data reporting system to incorporate creditor's group insurance channels and providers

6. CBA Code of Conduct for Authorized Insurance Activities

- The Canadian Bankers Association Code of Conduct for Authorized Insurance Activities requires accountability by each bank for implementation and knowledge of its representatives, e.g.
 - Bank employee training
 - Product disclosure/documentation
 - Ensuring that customers understand their coverage

7. Canadian Life and Health Insurance Association (CLHIA) Guidelines

- Recent heightened focus on disclosure, training and consistent industry “free-look” period as reflected in:
 - Application content
 - Product disclosure
 - Refund process
 - Communication of Claims process
 - Clear Communication of all material
 - Consumer Protection Focus
- Guidelines, recently updated to strengthen Fair Treatment of Customers focus, are now in public domain – CHLIA members accountable to public and regulators