

**Agenda Item 5(b)**  
**June 9/20 Board Meeting**

**Proposed CAFII Response To CCIR/CISRO FTC Working Group Request That CAFII Undertake A Third Party-  
Conducted Survey And Provide A Report On CAFII Member-Utilized Incentives And Compensation Models**

**From:** Meyer, Aaron <AMeyer@cba.ca>  
**Sent:** April-28-20 2:38 PM  
**To:** Brendan Wycks <brendan.wycks@cafii.com>; Ciappara, Alex <ACiappara@cba.ca>  
**Cc:** Keith Martin <Keith.Martin@cafii.com>; Docherty, Charles <CDocherty@cba.ca>  
**Subject:** RE: CAFII Query Of CBA Arising From An Information/Data Request From Canadian Council of Insurance Regulators/Canadian Insurance Regulatory Organizations "Fair Treatment of Customers Working Group"

Hi Brendan,

Hope you are keeping well and staying safe under these circumstances.

Thank you for reaching out to CBA regarding our data on member banks.

To answer your query: CBA does not collect information on the sales incentives and compensation models that banks use for financial product distribution.

Please let us know if you have any further questions, we're happy to help.

Regards,  
Aaron



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**From:** Brendan Wycks <[brendan.wycks@cafii.com](mailto:brendan.wycks@cafii.com)>  
**Sent:** April 28, 2020 10:44 AM  
**To:** Ciappara, Alex <[ACiappara@cba.ca](mailto:ACiappara@cba.ca)>; Meyer, Aaron <[AMeyer@cba.ca](mailto:AMeyer@cba.ca)>  
**Cc:** Keith Martin <[Keith.Martin@cafii.com](mailto:Keith.Martin@cafii.com)>; Docherty, Charles <[CDocherty@cba.ca](mailto:CDocherty@cba.ca)>  
**Subject:** CAFII Query Of CBA Arising From An Information/Data Request From Canadian Council of Insurance Regulators/Canadian Insurance Regulatory Organizations "Fair Treatment of Customers Working Group"

Hi, Alex and Aaron.

Hope you and your families are keeping well under the current COVID-19 lockdown circumstances.

The purpose of this message is to inquire as to whether the CBA gathers a certain type of information from its member banks – information which, if the answer is yes, would be helpful to CAFII in figuring out how to respond to an information request from the Canadian Council of Insurance Regulators (CCIR)/Canadian Insurance Services Regulatory Organizations (CISRO)'s Fair Treatment of Customers (FTC) Working Group.

In September of 2018, CCIR and CISRO jointly released a regulatory expectations document called "Guidance: Conduct of Insurance Business and Fair Treatment of Customers" (<https://www.ccir-ccra.org/Documents/View/3450>).

Since then, the CCIR/CISRO FTC Working Group has been meeting quarterly with industry stakeholder Associations, including CAFII, around how the industry is implementing and complying with the FTC Guidance document.

Most recently, the CCIR/CISRO FTC Working Group has turned its attention to the industry's implementation of/compliance with the "conflicts of interest/sales incentives and compensation models" component of its FTC Guidance document.

In that connection, the CCIR/CISRO FTC Working Group has asked CAFII (and other industry Associations) to prepare, provide in advance, and discuss in an upcoming meeting a high level aggregated and anonymized submission on our members' "incentives and compensation models currently used in-market."

Competition law experts at CAFII's legal services provider Stikeman Elliott have advised us that while the information being requested by the CCIR/CISRO FTC Working Group is competitively sensitive information (especially given that CAFII member financial institutions which distribute credit protection insurance and travel insurance view their sales incentives and compensation models as a source of "competitive differentiation"), if the requested data was collected by an independent third party, such as an actuarial firm or a law firm, and then presented in an aggregated and anonymized form, that would alleviate any concerns about compliance with the CCIR/CISRO information request causing CAFII and its members to violate the Competition Act.

At our quarterly meeting on March 5/20, the CCIR/CISRO FTC Working Group has asked CAFII to proceed with such a third party actuarial/law firm survey to gather the requested information on the sales incentives and compensation models which our member bank insurance arms use in-market.

Subsequently, however, the CAFII Board of Directors expressed significant reservations about CAFII's ability as an Association to provide the requested information to the CCIR/CISRO FTC Working Group, noting that

- (a) CAFII member FIs (being the insurance arms of the Big 6) probably don't know/don't have the information to accurately provide the data that the CCIR/CISRO FTC Working Group is looking for because incentives and compensation models used with respect to credit protection insurance and travel insurance varies at the branch level, and decision-making with respect to incentives and compensation is not centralized and dictated by the insurance distributor entity (BMO Insurance, CIBC Insurance, TD Insurance, Scotiabank Financial, RBC Insurance, National Bank Insurance) but rather is decentralized/distributed and made at the Vice-President, Retail Distribution level in conjunction with the branches. **(This leads to our specific ask of the CBA. See below.)**

- (b) The requested information is definitely competitively sensitive and a source of competitive differentiation. So even if it is gathered by an independent, third party professional services firm and only reported in aggregated and anonymized form, the disclosure of that information to the CCIR/CISRO FTC Working Group could still lead to a violation of the Competition Act as an unintended consequence. That's because CAFII members would definitely see a copy of the report also; and, as a result, they would gain competitive intelligence and learn what incentives and compensation models their competitors are using, even if the report does not disclose which particular bank is using which particular incentive/compensation model. Therefore, the only prudent and acceptable way for the CCIR/CISRO FTC Working Group to obtain the sales incentive/compensation model information it is looking for is to ask each CAFII member FI to provide it directly and privately to the Working Group.

**With respect to (a) above, at its April 7/20 meeting, the CAFII Board asked management (Keith and me) to reach out to the CBA to find out if it, as part of its activities, gathers information/data from member banks on the sales incentives and compensation models that they use for financial product distribution – and, in particular, with respect to offers/sales of credit protection insurance and travel insurance?**

If CBA does this and has this information available, the feeling of the CAFII Board is that the best approach would be for our Association to refer the CCIR/CISRO FTC Working Group to the CBA.

If not, then at least we will have explored that possibility with the CBA and we can move forward and redirect our attention to other avenues (likely the one itemized in (b) above).

**Thanks, in advance, for your anticipated reply to this query asap.**

Regards and stay safe,

**Brendan Wycks, BA, MBA, CAE**

Co-Executive Director

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