

***Agenda Item 5(c)
July 21/20 EOC Meeting***

From: Brendan Wycks

Sent: July-02-20 3:55 PM

Subject: CCIR/CISRO Fair Treatment of Customers (FTC) Working Group Request For Summer 2020 Virtual Meeting With CAFII: Please Reply By Tuesday, July 7/20 To Confirm Your Interest and Any July/August Availability Constraints

CAFII EOC and Market Conduct & Licensing Committee Members:

As you will know, the CAFII submission to the Co-Chairs of the CCIR/CISRO Fair Treatment of Customers (FTC) Working Group, below and attached, was sent to them earlier today.

However, in that connection, on the afternoon of Tuesday, June 30/20, I received a directly relevant phone call from Tony Toy, CCIR Policy Manager.

Given the coincidental timeliness of his call, I was able to tell Tony that he (and others) at CCIR/CISRO would very shortly be receiving a letter from CAFII re our response/position on the FTC Working Group's recent request of our Association, and he was appreciative of receiving the advance heads-up.

Based on his response, Tony was not fazed at all by the stance CAFII which CAFII would be taking and the recommendation we'd be making in our letter. He was pleased to hear that CAFII was willing to assist by providing a directory of key contacts at our Association's member FI distributors of insurance, for the purpose of the CCIR Secretariat reaching out directly and privately to one or more of them to request data on incentives and compensation models currently used in-market around the offering of credit protection and/or travel insurance.

It remains to be seen, however, whether the Co-Chairs and other regulator members of the FTC Working Group have the same easy-going and immediately accepting response as Tony did.

Tony's main purpose in calling on Tuesday was to advise that the FTC Working Group now wants to put its work back on the rails re consulting with industry stakeholders around implementation of the "Guidance: Conduct of Insurance Business and Fair Treatment of Customers," especially re incentives and compensation models being used in-market.

He said that the Working Group wants to resume that work fairly soon, rather than waiting until September, and he asked if CAFII would be amenable to hold a meeting in July or August, over a virtual meeting platform (he said that he also has been using Zoom a lot of late).

I replied that we would indeed be amenable to a virtual meeting in July or August, provided we can land on a mutually convenient date/time.

Tony will be formalizing the CCIR/CISRO FTC Working Group's summer meeting request and making it official via an email to us shortly.

If you would like to "attend" CAFII's summer 2020 virtual meeting with the CCIR/CISRO FTC Working Group, please reply to Keith and me by end of day on Tuesday, July 7/20 to confirm your interest and advise of any availability constraints you have during July and August. We will do our best to take your availability into account in settling on the date/time for the meeting with the CCIR Secretariat.

Thanks and best regards,

Brendan Wycks, BA, MBA, CAE

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July 2, 2020

Ms. Louise Gauthier, Co-Chair, CCIR/CISRO Fair Treatment of Customers (FTC) Working Group; and
Mr. Ron Fullan, Co-Chair, CCIR/CISRO Fair Treatment of Customers Working Group
c/o Messrs. Tony Toy and Munir Chagpar, CCIR Policy Managers/Secretariat; and
Ms. Adrienne Warner, CISRO Policy Manager/Secretariat

Dear Ms. Gauthier and Mr. Fullan:

Re: CAFII Position and Recommended Solution Re CCIR/CISRO FTC Working Group's Request For Information On Sales Incentives and Compensation Models Used In-Market By CAFII Member Financial Institution Distributors of Credit Protection Insurance and Travel Insurance

As you will recall, prior to CAFII's most recent March 5/20 meeting with the CCIR/CISRO FTC Working Group, our Association received legal advice from Stikeman Elliott with respect to an FTC Working Group request that CAFII gather information and provide a report on the sales incentives and compensation models utilized in-market by CAFII member financial institution distributors of credit protection insurance and travel insurance.

Stikeman Elliott's legal advice indicated that while the information requested by the FTC Working Group was indeed "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 to be collected by an independent third party, such as a professional services 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.

You will also recall that the primary outcome of CAFII's March 5/20 stakeholder meeting with the FTC Working Group was a request from the Working Group that CAFII proceed to commission a third party professional services firm to gather information on the sales incentives and compensation models used in-market by CAFII member financial institution distributors of credit protection insurance and travel insurance; and to produce an aggregated, anonymized results report which could be shared with the FTC Working Group.

However, in a subsequent CAFII Board of Directors meeting, our Board expressed significant doubts and misgivings about our Association's ability to provide the requested information to the CCIR/CISRO FTC Working Group through such a professional services firm survey, noting that

- the requested information is most definitely competitively sensitive and a source of competitive differentiation. So even if it were to be gathered by an independent 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 all CAFII members would definitely see a copy of the professional services firm's results report, in addition to the FTC Working Group; and they would gain competitive intelligence and learn what incentives and compensation models their competitor members of the Association are using, even if the report does not disclose which particular FI is using which particular incentive/compensation model;

- as the FTC Working Group's data request relates primarily to bank branch and contact centre staff, it is important to note that incentives and compensation models used with respect to credit protection insurance and travel insurance are not typically determined by the insurance distributor entity itself, but rather by the banking arm of the financial group of companies of which CAFII member insurance distributors are part. That being the case, for most CAFII member insurance distributors, responding to a professional services firm survey request for data on incentives and compensation models would not be a straightforward and readily fulfilled task, but rather would require consultation with and co-operation from other parties within the financial group of companies; and
- as a possible expeditious route to the same end, CAFII reached out to the Canadian Bankers Association to find out if it routinely gathers and assembles aggregated and anonymized data on sales incentives/compensation, such as that which the FTC Working Group is seeking. The response we received was that "CBA does not collect information on the sales incentives and compensation models that banks use for financial product distribution."

Therefore, CAFII has come to the realization that trying to obtain the incentives and compensation models-related information requested by the CCIR/CISRO FTC Working Group at an industry Association level, through CAFII, is not a workable approach; and that the only prudent and acceptable way for the FTC Working Group to obtain it is to ask one or more CAFII member FI insurance distributors to provide it directly and privately to the regulator members of the Working Group.

CAFII recommends that the FTC Working Group approach one or more CAFII member FI insurance distributors directly and privately with a view to obtaining the requested/desired information. CAFII can assist by providing the FTC Working Group with a directory of contact persons at each of our FI distributor of insurance members; and they, in turn, can co-operate by obtaining and reporting back directly and privately with the requested sales incentives and compensation information, which in most cases will come from their corporate parent FI/bank.

Sincerely,



Martin Boyle
Board Secretary and Chair, Executive Operations Committee