

Agenda Item 5(i)
February 25/20 EOC Teleconference Meeting

From: Keith Martin <Keith.Martin@cafii.com>

Sent: February 12, 2020 12:18 PM

To: Members of CAFII Credit Protection Insurance Industry Best Practices Working Group

Subject: CAFII Working Group on CPI Best Practices--Call for Volunteers for Workstream B on Sales Practices

Hello Members of the Working Group on Credit Protection Insurance Best Practices:

The Working Group on CPI Best Practices includes a Workstream B on sales practices. It was too large a Workstream, and the members of the Working Group became bogged down. As a result, I have reallocated the items into five sub-buckets, to make it more manageable, with a Workplan for each.

We have found / are finding leads for each of the five Workstreams, and are now looking for volunteers to participate in the five new Workstream B meetings. Please let Brendan, Natalie, and I know by end of this week if you can participate in one of these Workstreams:

Workstream B (1)

[Sales Practices](#)

Workstream B (2)

[Sales Communication](#)

Workstream B (3)

[Post Sales Conduct](#)

Workstream B (4)

[Sales Practices Controls and Training Including in Different Channels](#)

Workstream B (5)

[Sales Practices -- Cancellations of Policies / Conflicts of Interest \(From Workstream C\)](#)

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Workstream B (1)

Sales Practices

Workstream B (1) Members

Name	Member Company
Martin Boyle, Lead	BMO Insurance

Recommended Approach

- Identify a leader for this Workstream B(1)—will reach out to this person and ask if they agree
- Get buy in to the Workplan
- Ask members of the Best Practices Working Group to volunteer for this Workstream

Features of Workstream B(1)

- Focus on sales practices
- Will overlap with the other Workstream B groups as this touches on all aspects of Workstream B

Workplan

- When members of the Workstream are finalized, **two** one-hour meetings to be called to make progress on this sub-group.
- After all Workstream B sub-groups have had their meetings, a meeting will be called of all members of Workstream B. Each Workstream B sub-group will present at this meeting on its progress, with the objective of developing a consolidated plan.

Recommended Leader

- **Martin Boyle**

Workstream B (1)**Sales Practices****Background Content**

Develop a summary of the sales practices used by CAFII members, for the Working Group's review re possible inclusion in a best practices document.	<i>Findings; Sales culture, from the FCAC Domestic Bank Retail Sales Practices Review, Page 6: "...The lack of transparency about sales targets and commissions makes it difficult for consumers to determine in whose interest bank employees are acting when one product is recommended over another."</i>	3 Focus on "recommend one product over another" Are not "recommending" products, need established by loan No advice built into these products Don't focus on sales targets; have there been other things built into the sales process? Cancellation of sales can be a signal that sales process was not right Everyone has compliance metrics for their reps Challenge idea that commissions and targets mean there is a problem What did the banks say to the FCAC on this point? SEND SALES PRACTICES TO KEITH Marie Nadeau to send to Keith
Remind regulators that the "free look" period is shared in the welcome package they receive after enrolling for coverage. In the Action Item section on using better terminology, change "fee look period" to "review period." Commit to a regular communication with customers of what they had signed up for, what it covered them for, and what	<i>Creditor Insurance; Reconfirmation of Purchase/Enrolment after "free look" period, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 14: "However, it is important to highlight that banks are not required to ask consumers to reconfirm their consent for acquisition of the product after the initial 30-day period (free look period)."</i>	#33 NEW MEETING 17 OCT 2019 ROB DOBBINS; SCOTT KIRBY; KEITH MARTIN; MARIE NADEAU; SHARON APT This is not something we do. It is covered by the commitment made around regular communication.

they were paying for the coverage. Commit that industry will not use the review period as a selling tool and that scripts and sales training will continue to emphasize that.		
<p>The industry commits to not enrolling customers who are not eligible for the coverage. The industry should look at additional disclosures and filters to avoid signing up customers for coverage for which they are not eligible. The industry could look at sharing with regulators industry's eligibility criteria. There should be an effort to come up with a common definition of "resident of Canada."</p>	<p><i>Creditor Insurance; Consumer risks associated with creditor insurance, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 14: "... Bank employees may sell creditor insurance to post-secondary students to go along with a personal line of credit but neglect to inform them that they need to work a minimum number of hours for the coverage to be in force."</i></p> <p><i>Improved Sales Practices, from Australian Securities & Investments Commission's "Consumer credit insurance" report, Report 622, July 2019, pp. 4, 13-16: "Lenders should use 'hard filters' for key eligibility criteria for online sales and 'knock out' questions in scripts for phone and branch sales to prevent the sale of CPI to consumers who are ineligible to claim primary cover."</i></p>	<p>#34 and #35</p> <p>Life cycle issue, coverage could change as life circumstances change. Working Group members will be asked to offer examples of filters, like age, that remove people who are not eligible for coverage.</p>
<p>Set out clearly for the regulators the current industry practices, including the where, when and how of current communication. Challenge this statement, noting that all training and scripts emphasize the optional nature of balance protection insurance and this statement does not reflect how CAFII members' sell this product. Where a sales person deviates from these expectations, it is taken very seriously, viewed as rogue</p>	<p><i>Creditor Insurance; Consumer risks associated with creditor insurance, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 14: "... Front-line employees may sell creditor insurance by advising consumers that "the credit card comes with balance protection," which may give consumers the impression that creditor insurance is a card feature, as opposed to what it really is: a separate and optional product."</i></p>	<p>#36</p> <p>Provide examples of our practices. Look at ways to present this and what to avoid in terms of language. Do not believe this is a systemic issue.</p>

behaviour, and is dealt with immediately. Set out how industry discloses clearly and consistently the optional nature of this coverage.		
See Item #36. Look at whether there are terminology changes in this section that industry should consider.	<p><i>Creditor Insurance; Consumer risks associated with creditor insurance, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 14: "Bank employees may try to persuade consumers to purchase creditor insurance by failing to provide clear information about the 30-day first-look feature. For example, when consumers ask questions about coverage exclusions, bank employees may encourage them to purchase the product on a trial basis in order to obtain an information package, even though the information is available without purchase. During the review, the FCAC found that some consumers forget to cancel the product and incur premium payments."</i></p>	<p>#37 This represents a biased view. Industry is operating appropriately. It is not necessary to continuously repeat that the customer can cancel.</p> <p>"Free look" term is problematic. Need to take on new terms, perhaps with other members from other workstreams. Ask the rest of the group if anyone would like to take this on.</p> <p>Should we speak of a "30 day return period" or "30 day cancellation period"? Or 30 day review period?</p>

Workstream B (2)

Sales Communication

Workstream B (2) Members

Name	Member Company
TO BE CONFIRMED	

Recommended Approach

- Identify a leader for this Workstream B(2)—will reach out to this person and ask if they agree
- Get buy in to the Workplan
- Ask members of the Best Practices Working Group to volunteer for this Workstream

Features of Workstream B(1)

- Focus on sales communication-how do we communicate with our customers?
- A key issue is how prescriptive we wish to be—do we say “communicate regularly” or “communicate no less than once a year with clear information on how to cancel a policy if you no longer wish to keep it”?

Workplan

- When members of the Workstream are finalized, **one** one-hour meeting to be called to make progress on this sub-group.
- After all Workstream B sub-groups have had their meetings, a meeting will be called of all members of Workstream B. Each Workstream B sub-group will present at this meeting on its progress, with the objective of developing a consolidated plan.

Recommended Leader

- **TO BE CONFIRMED**

Workstream B (2)**Sales Communication****Background Content****Sales Communication**

Develop a regular communication to customers and include this in that effort.	<i>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."</i>	<p>21</p> <p>Do something every two years?</p> <p>What should be in the communication?</p> <p>What is format/channel?</p> <p>"Leave the method and timeliness flexible for firms"</p> <p>LET'S SAY ONE YEAR MAKES SENSE</p> <p>Don't prescribe the communication method</p> <p>Perhaps say "clear, with opportunity to cancel easily"</p>
Develop a regular communication to customers and include this in that effort, but do not ask customers if they want to cancel their policy.	<i>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."</i>	<p>22</p> <p>SEE 21</p>

Workstream B (3)

Post Sales Conduct

Workstream B (3) Members

Name	Member Company
Rob Dobbins, Lead	Assurant

Recommended Approach

- Identify a leader for this Workstream B(3)—will reach out to this person and ask if they agree
- Get buy in to the Workplan
- Ask members of the Best Practices Working Group to volunteer for this Workstream

Features of Workstream B(3)

- Focus on post sales conduct
- Will overlap with the other Workstream B groups but need to emphasize the process after the sale is complete—what are the special features around post-sales conduct, including claims?

Workplan

- When members of the Workstream are finalized, **two** one-hour meetings to be called to make progress on this sub-group.
- After all Workstream B sub-groups have had their meetings, a meeting will be called of all members of Workstream B. Each Workstream B sub-group will present at this meeting on its progress, with the objective of developing a consolidated plan.

Recommended Leader

- **Rob Dobbins**

Workstream B (3)
Post Sales Conduct
Background Content

Post Sales Conduct

Develop wording for a best practices guideline along the lines of: "If a distributor becomes aware of a customer with a possible insurable event they should suggest that they contact their insurer."	<i>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."</i>	23 Getting something in the annual communication reminding people of claimable events Make this part of the annual communication Marie will see how this works in NBI
The industry supports and will comply with the requirement to accurately and reliably record claims denied including the number of such claims and the reasons why.	<i>Improved Post-Sales Conduct, from Australian Securities & Investments Commission's "Consumer credit insurance" report, Report 622, July 2019, pp. 4, 13-16: "Insurers should accurately and reliably record the number of (and reasons for) withdrawn claims and claims that did not proceed."</i>	24 What does withdrawn mean? Voiding policy issue Reasons for denial
Explore ways in which to ensure customers who sign up for a product are eligible to make a claim on it, and identify what the industry could commit to – in terms of a high-level principle or best practice -- that would improve regulators' comfort that customers are not being enrolled in products for which they are not able to make a claim.	<i>Improved Sales Practices, from Australian Securities & Investments Commission's "Consumer credit insurance" report, Report 622, July 2019, pp. 4, 13-16: "Lenders should take into account information they have about the consumer to ensure consumers are not being sold a CPI policy where they are ineligible to claim (this does not have to mean that personal advice is being provided)."</i>	#48 Working group See sections 23, 34 and 35

Workstream B (4)

Sales Practices Controls and Training Including in Different Channels

Workstream B (4) Members

Name	Member Company
Karyn Kasperski	RBC Insurance

Recommended Approach

- Identify a leader for this Workstream B(4)—will reach out to this person and ask if they agree
- Get buy in to the Workplan
- Ask members of the Best Practices Working Group to volunteer for this Workstream

Features of Workstream B(4)

- Focus on controls and training
- Emphasis on process and procedures

Workplan

- When members of the Workstream are finalized, **two** one-hour meetings to be called to make progress on this sub-group.
- After all Workstream B sub-groups have had their meetings, a meeting will be called of all members of Workstream B. Each Workstream B sub-group will present at this meeting on its progress, with the objective of developing a consolidated plan.

Recommended Leader

- **Karyn Kasperski**

Workstream B (4)**Sales Practices Controls and Training Including in Different Channels****Background Content****Sales Practices Controls and Training Including in Different Channels**

Document the procedures and controls used by insurers and intermediaries, including front end controls, competency development, training and education, scripting, and monitoring and controls. Note that where improper behaviour is identified, it is dealt with immediately. Listening to small numbers of calls can identify broader issues that can be dealt with immediately. The industry could also update and enhance training based on expanded regulatory expectations. We should also tie remediation to the fair treatment of customers.	<i>Creditor Insurance; Controls for creditor insurance sales practices; Scripts and cues, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 15: "... Banks do not have adequate controls in place to ensure employees follow scripts, clearly explain terms and conditions, and avoid using undue sales pressure. Oversight is greater in call centres where calls are recorded, but only a very small number are reviewed for compliance with the bank's code of conduct and market conduct obligations. In the branch environment, banks largely rely on branch managers, assistants and supervisors to prevent mis-selling."</i>	<p>#38 Working group</p> <p>Follow cancellation rates in order to reinforce training in branches where cancellation rates are higher.</p> <p>Robust training programs and-Certification of training</p> <p>(face to face selling harder to monitor than sales through call centers in the absence of recording)</p> <p>MYSTERY SHOPPING? WHO WOULD DO IT?</p>
Develop best practices guidelines to address each of these specific expectations.	<i>Controls for sales practices; Telephone channel, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, pp. 20-21: "... FCAC found that in bank call centres where employees take 1,400 calls per month, generally up to 4 calls are reviewed for quality assurance purposes. ... Banks should review a higher number and larger proportion of calls for quality assurance. Implementing voice analytic technology could reduce the costs associated with reviewing more calls. In addition, call selection should be risk-based instead of random. When sales practices issues are identified during call reviews, banks should perform significantly more root-cause analyses."</i>	<p>#39 Working group</p> <p>Call selection should be risk based instead of random</p> <p>Quality of sampling should be prioritized to quantity for monitoring.</p> <p>Smaller samples could be reviewed more regularly</p> <p>Oversight should focus on risk items.</p> <p>QUALITY NOT QUANTITY IS WHAT IS IMPORTANT</p>

<p>The industry should commit to ongoing competency development. It was felt that instead of certification, there could be a commitment to industry standards around member courses. Industry could commit to ongoing training and to knowledge retention testing. Industry could commit to strengthened training.</p>	<p><i>Creditor insurance; controls for creditor insurance sales practices; Training, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 15: "The review revealed that bank employees are not always adequately informed or knowledgeable about creditor insurance products. . . . During FCAC branch visits, employees provided inaccurate and incomplete information about the benefits, coverage and exclusions associated with creditor insurance when answering questions about how they sell the product. FCAC is of the view that there is room to strengthen the training of front-line staff.</i></p>	<p>#40 Working group</p> <p>Group agrees that appropriate training should be strengthened</p>
<p>Create a high-level principle around the assertion that all employees must be trained and monitored around sales practices, and only acceptable and appropriate sales practices will be practiced.</p>	<p><i>Cross-Selling, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, pp. 11-12: "Banks' heightened focus on cross-selling may increase the risk that they will fail to obtain consumers' express consent. . . . increases the risk that bank employees will feel rushed and not communicate in a manner that is clear, simple and not misleading when obtaining a consumer's consent."</i></p>	<p>#43 Working group</p> <p>See section 38.</p>
<p>Identify and detail a list of actions which organizations can take to ensure express consent is obtained, across all applicable channels, for possible inclusion in a high-level principle or best practice.</p>	<p><i>Controls for Cross-Selling Risk/Consent, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 12: "The controls in place to ensure banks obtain consumers' consent through communication that is clear, simple and not misleading are typically weaker in the branch channel when compared to call centre operations. . . . In branches, managers and customer service supervisors are responsible for ensuring that employees read the scripts and cues. However, FCAC found that branch managers and supervisors are not well-positioned to ensure that express consent is always obtained in the prescribed manner."</i></p>	<p>#44 Working group</p> <p>See section 38.</p> <p>Follow cancellation rates and reinforce training if required in branches where rates are higher Monitoring could be accomplished by mystery client tool. Monitoring could be accomplished by Internal audit or other sector of branch/insurer.</p>

<p>Relegate this item to the “Not Applicable” section, as while the industry is in agreement that quality express consent is required, pre-consent to even broach making an offer of credit protection insurance to a consumer is not applicable to the Canadian market/industry context.</p>	<p><i>Improved Sales Practices/Consent, from Australian Securities & Investments Commission’s “Consumer credit insurance” report, Report 622, July 2019, pp. 4, 13-16: “Lenders should obtain and record positive, clear and informed consent before discussing the sale of CPI with a consumer.”</i></p>	<p>#45 Working group Will not comment.</p>
<p>Research best practices around call calibration including level of sample size, and explore committing industry to those best practices. Examine whether there are cases where certain products are not appropriate for certain customers, and whether that is something we would feel able to commit to including in our sales practices.</p>	<p><i>Controls for Cross-Selling Risk, from Financial Consumer Agency of Canada (FCAC)’s Domestic Bank Retail Sales Practices Review, pp. 12-13: “Banks record most conversations between consumers and call centre employees, which allows them to review transactions to verify whether employees are following the scripts and properly obtaining the consent of consumers. However, the review revealed that banks examine only a relatively small number of calls – too few, in fact, to provide a high-level of confidence that individual call centre employees are in compliance with policies and procedures related to obtaining consent.”</i></p>	<p>#46 Working group This section is similar to sections 38 and 39. Risk based approach to selection of calls should be prioritized (the fact that an employee knows he/she might be listened to will ensure better service). Depending on concerns, scripts can be enhanced or employee retrained.</p>

Workstream B (5)

Sales Practices -- Cancellations of Policies / Conflicts of Interest (From Workstream C)

Workstream B (5) Members

Name	Member Company
TO BE CONFIRMED	
Sharon Apt, volunteer	Canada Life

Recommended Approach

- Identify a leader for this Workstream B(5)—will reach out to this person and ask if they agree
- Get buy in to the Workplan
- Ask members of the Best Practices Working Group to volunteer for this Workstream

Features of Workstream B(5)

- Focus on cancelling policies and managing conflicts of interest

Workplan

- When members of the Workstream are finalized, **one** one-hour meetings to be called to make progress on this sub-group.
- After all Workstream B sub-groups have had their meetings, a meeting will be called of all members of Workstream B. Each Workstream B sub-group will present at this meeting on its progress, with the objective of developing a consolidated plan.

Recommended Leader

- **TO BE CONFIRMED**

Participants

Sharon Apt

Workstream B (5)**Sales Practices -- Cancellations of Policies / Conflicts of Interest (From Workstream C)****Background Content****Sales Practices -- Cancellations of Policies / Conflicts of Interest (From Workstream C)**

Explore applying a form of Quebec's RADM S35 as an industry practice, or alternatively explore clawbacks of commissions when certain cancellation thresholds are met.	<i>Creditor Insurance; Controls for creditor insurance sales practices; Claw backs from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 15: "Banks gather some data on cancellation rates, but they may not necessarily reflect instances of mis-selling as consumers may cancel the insurance for other reasons. Further analysis of cancellations by banks would enable the data to be used to monitor, identify and address sales practices risk."</i>	#41 Working group Group agrees that data analysis is already done by branches/insurer and might not need to be increased. Nevertheless, group suggests increasing the use of data cancellation to identify and address sales practices risks.
Develop a checklist of what to avoid in the area of conflicts of interest, and how to avoid those issues, for the Working Group's review re possible inclusion in a best practices document.	<i>Conflicts of Interest, from the CCIR/CISRO FTC Guidance, pp. 14-15: "CCIR and CISRO expect that any potential or actual conflicts of interest be avoided or properly managed and not affect the fair treatment of Customers."</i>	5
Review possible non-financial incentives that could be used to motivate sales forces, for possible inclusion in a high-level principle or industry best practice.	<i>Performance management; Non-financial incentives and Sales targets; Scorecards, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, pp. 8-10: "When properly designed, non-financial incentives can promote good sales practices and behaviours. The review identified opportunities for banks to significantly enhance the design, monitoring and oversight of non-financial rewards programs.</i> <i>. . . a number of banks have introduced, or are testing, activity-based targets to complement sales targets. This can mitigate the risk of mis-selling, as</i>	#49

	<p><i>employees are recognized for sales-related activities even in circumstances where consumers choose not to purchase any products or services.</i></p> <p><i>. . . Some banks have taken steps to integrate more team-based sales targets, which may mitigate the risk of mis-selling by reducing the pressure on individual employees to sell products and services.</i></p> <p><i>. . . Product-neutral sales targets could greatly mitigate the risk of mis-selling financial products and services to consumers.</i></p> <p><i>. . . Banks point to balanced scorecards as a key control to mitigate the risk of mis-selling and breaching market conduct obligations. In practice, however, the metrics used to assess an employee's sales results tend to be significantly more robust than those used to assess other areas of performance."</i></p>	
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Workstream C

Workstream #3 Incentives, Conflicts of Interest; and #4 Outsourcing

Items #5, 49; and #7, 42

UPDATE 17 October 17, 2019

Discussed merging work stream C (incentives and conflict of interest) with work stream B (move outsourcing to another work stream)

- Some overlap
- Issues like measures, complaints, cancellation & controls can be linked

Discuss non-financial incentives *

- Come up with a list of non-financial incentives (e.g. training, bonus)
- Reward performance review for good behavior
- Consider the use of surveys

*consider soliciting the group for a list of non-financial incentives.

Discussed providing commentary on the consequences of bad behavior

Arrive at standard metrics to monitor (KRI's)

Discussed whether similar measures should be applied to the branches vs. call centres

Look at competences

What does success look like?

Code of conduct or issue a consumer document on proper behavior / expectations of the consumer (role of seller & buyer)

Outsourcing

Applies to all outsourcing arrangements including insurers

- Criteria
- Reporting
- Selection
- KRIs
- SLA
- Identify what is quality service
- Follow compliance and regulation
- Ownership of data

Next steps

Ask for an insurer to join the group on outsourcing, merge incentives and conflict of interest with Workstream 2

7 November 2019—

B and Incentives will be merged

Outsourcing will be branched off and we need to get an insurer and SME

ASKING FOR 2 INSURERS

Sharon Apt will do it or find someone

Monika Spudas will get back to us

SHARON AND MONIKA WILL WORK ON OUTSOURCING FOR THE WORKPLAN

NEXT STEP IS TO DEVELOP THE OUTSOURCING WORKPLAN

SEE #7

After workplan is developed need to ask for volunteers again

Workstream C Members

Name	Member Company
Greg Caers	BMO Insurance
Marie Nadeau	National Bank Insurance
Monika Spudas	Manulife
Sharon Apt	Canada Life
Keith Martin	CAFII

Action Item	Wording Excerpt Reference From 3 October, 2019 Thought Starter	Number Reference, 3 October Thought Starter
Develop a checklist of what to avoid in the area of conflicts of interest, and how to avoid those issues, for the Working Group's review re possible inclusion in a best practices document.	<i>Conflicts of Interest, from the CCIR/CISRO FTC Guidance, pp. 14-15: "CCIR and CISRO expect that any potential or actual conflicts of interest be avoided or properly managed and not affect the fair treatment of Customers."</i>	5
Review possible non-financial incentives that could be used to motivate sales forces, for possible inclusion in a high-level principle or industry best practice.	<i>Performance management; Non-financial incentives and Sales targets; Scorecards, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, pp. 8-10: "When properly designed, non-financial incentives can promote good sales practices and behaviours. The review identified opportunities for banks to significantly enhance the design, monitoring and oversight of non-financial rewards programs.</i> <i>... a number of banks have introduced, or are testing, activity-based targets to complement sales targets. This can mitigate the risk of mis-selling, as</i>	#49

	<p><i>employees are recognized for sales-related activities even in circumstances where consumers choose not to purchase any products or services.</i></p> <p><i>. . . Some banks have taken steps to integrate more team-based sales targets, which may mitigate the risk of mis-selling by reducing the pressure on individual employees to sell products and services.</i></p> <p><i>. . . Product-neutral sales targets could greatly mitigate the risk of mis-selling financial products and services to consumers.</i></p> <p><i>. . . Banks point to balanced scorecards as a key control to mitigate the risk of mis-selling and breaching market conduct obligations. In practice, however, the metrics used to assess an employee's sales results tend to be significantly more robust than those used to assess other areas of performance."</i></p>	
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Action Item	Wording Excerpt Reference From 3 October, 2019 Thought Starter	Number Reference, 3 October Thought Starter
Develop a best practices statement on outsourcing, which is precise but not overly prescriptive, for the Working Group's review re possible inclusion in a best practices document.	<i>Outsourcing, from CCIR / CISRO FTC Guidance, pp. 16-17: "CCIR and CISRO expect that functions related to conduct of insurance business outsourced to service providers do not hinder the quality of services or jeopardize the Insurer's or the Intermediary's ability to achieve fair treatment of Customers."</i>	7 CBA has an authorized insurance products code of conduct
Create a high-level principle around the assertion that the industry must have the same oversight over third-party sellers as it does over internal sales forces. In principle, the oversight should/must not be weaker	<i>Creditor Insurance; Controls for creditor insurance sales practices; Third-party sellers, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, pp. 15-16: "General, re litany of FCAC concerns re "Consumer risks associated with third-party sellers"; in particular "bank</i>	42

externally than it is internally.	<i>oversight of third-party sellers remains underdeveloped and weaker than the oversight exercised over their own sales operations. Considering the elevated risk posed by third-party sellers, banks would benefit from buttressing their oversight of third-party sellers."</i>	
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Workstream D

Workstream #5 Product Design

Items #8, 10, 13

Workstream D Members

Name	Member Company
Joanna Onia	CIBC Insurance
Parminder Rai	CIBC Insurance
Luce Doyon	National Bank Insurance
Michelle Costello	CUMIS/The Co-Operators
Martin Boyle	BMO Insurance
Brendan Wycks	CAFII

Spokesperson Joanna Onia

UPDATE FROM JOANNA NOV 1 2019

Hi Keith- Thank you for your email, its timely as Parm and I had a chance to share our working groups draft with senior stakeholders internally for their feedback.

What came out quite strong was as part of our product design analysis can we include direct recommendations for product design (perhaps this could flow after the value section),

Some examples that came up in discussion were things like: ‘Should there be a guiding principles created around what as an industry we should do (i.e. creditor protection products being unbundled) vs. product design principles that we should not undertake/touch because they are not broken (benefits offered as an example)

It would be great to get a sense from the working group if we think we can push our thinking and create principles specific to the intrinsic product design. If we can get on a call next week that would be great. I am away on the 7th and 8th so unfortunately will not be able to provide an update, however can provide an email update that perhaps Brendan could share in my absence.

Also I wanted to inform the working group that Parm is on paternity leave effective today, and will be away for the next couple of months, we are down a resource but I am looking at securing a replacement from our team to assist as a product advisor.

Thank you

Joanna

7 November 2019

Andrea, Martin, Monika all were concerned about suggesting that bundling is a problem

Should push back on that

Need to respond to what the consumer wants

“let’s not paint members into a corner”

Keith noted that regulators are raising bundling more so we may want to think about how we want to respond to any such concerns

<u>Action Item</u>	<u>Wording Excerpt Reference From 3 October, 2019 Thought Starter</u>	<u>Number Reference, 3 October Thought Starter</u>
Develop high-level wording around what a creditor insurance product is intended to do, with an explanation of how products are designed, for the Working Group's review re possible inclusion in a best practices document.	<i>Product Design, from CCIR/CISRO FTC Guidance, pp. 18-19: "CCIR and CISRO expect that the design of a new insurance product or significant adaptations made to an existing product take into account the interests of the target Consumers' group."</i>	8
Develop a glossary of terms that the industry uses that could be better positioned, with suggested alternatives, for the Working Group's review re possible inclusion in a best practices document.	<i>Improved Product Design and Value (unbundling), from Australian Securities & Investments Commission's "Consumer credit insurance" report, Report 622, July 2019, pp. 4, 10-12: "CPI products should be unbundled so that consumers can select coverage they are eligible to use and that meets their needs."</i>	10
Develop wording around the value of credit protection insurance products for consumers, for the Working Group's review re possible inclusion in a best practices document.	<i>Improved Product Design and Value, from Australian Securities & Investments Commission's "Consumer credit insurance" report, Report 622, July 2019, pp. 4, 10-12: "Benefits should reflect the needs of consumers (e.g. payments for periods of unemployment rather than arbitrary limits)."</i>	13

Workstream E

Workstream #1 Governance and Culture; #6 Distribution Strategies and Consent; and #7 Disclosures and Consent; and #8 Product Promotion and Advertising

Items #14; and #15, 18; and #18, 19

Workstream E Members

Name	Member Company
Brad Kuiper	ScotiaLife Financial
Rebecca Saburi	BMO Insurance
Karyn Kasperski	RBC Insurance
Monika Spudas	Manulife Financial
Jeremy Flanagan	TD Insurance
Brendan Wycks	CAFII

Karyn Kasperski Spokesperson

UPDATE BY KARYN KASPERSKY—9 January 2020

CAFII Workstream E – Draft Guiding Principles

1. Reference item #15 – “CCIR/CISRO expect that a Customer is given appropriate information to make an informed decision before entering into a contract”
 - a. Agreement on draft Guiding Principle to be brought forward to Working Group – As a best practice, all members will provide a summary (associated with the product the consumer is considering) of the coverage, exclusions and any limitations in clear, simple language such that an informed decision before entering into a contract.
 - b. Action item – Brendan to obtain permission and then provide a copy to this working group of one of members’ product summary under development
2. Reference item #14 – 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.
 - a. Agreement on draft Guiding Principle – As a best practice, all members will, prior to a consumer entering into a contract, articulate a clear request for consent prior to enrollment. The question should be presented in a way that is clear to the client with a clear affirmative response received. Suggestions for clear questions (discussion with Working Group – should these be part of the guiding principle)?
 - i. Bradley Kuiper (Scotiabank) provided the question his organization is working with “Do you understand and agree that you are applying for optional (Product/Product Name) and consent to have the product set up for you?”
 - ii. Suggestion #2 - Do you agree and consent to enroll based on terms and conditions I have provided you?”
 - b. Suggestions for clear affirmative response received (**discussion with Working Group** – should these be part of the guiding principle)? “yes”, “~~yeah~~”, “OK”, “I agree”

- c. **Discussion with Working Group** - if the clear affirmative response is not provided, clarification must be obtained from the client with the affirmative response – Example “In order to proceed, I require an affirmative response of either “yes”, “OK” or “I agree”
- 3. Reference item #18, #19 – “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”
 - a. Agreement on draft Guiding Principle - “All members as a best practice are expected to develop and maintain policies, procedures and controls around promotional messages developed and ensured they are reviewed and adhere to applicable laws and regulations regarding fair representation of products”.

The policies, procedures and controls would include a 2nd line review and approval by Legal and/or Compliance to ensure accuracy and clarity of the product being promoted.

- 4. Reference item #1 – “CCIR and CISRO expect fair treatment of Customers to be a core component of the governance and business culture of insurers and intermediaries”
 - a. Agreement on draft guiding principle – comments are welcome here. “All members as a best practice are expected to develop and maintain policies, procedures and controls around fair treatment of customers. This will include but not be limited to proactively seeking feedback from customers on their purchase experience, making clients aware of how to make and escalate concerns within a financial institution if they feel they have been treated unfairly in any dealings with staff or are concerned about the product they have received.”

7 June 2019

AMF Product Summary—should we offer this to consumer throughout the country?

Bundling versus unbundling issue

How deal with a student in a bundled product that includes job loss? May not qualify for some components. Should the offer even be made if they cannot qualify for certain benefits based on their circumstances?

Item #14 is next to be discussed

May need to discuss Certificate of Insurance

Martin—instead of AMF Summary, why not look at certificate?

Action Item	Wording Excerpt Reference From 3 October, 2019 Thought Starter	Number Reference, 3 October Thought Starter
Develop some options around possible high-level wording related to business culture, for the Working Group’s review re possible inclusion in a best practices document.	<i>Governance and Business Culture, from the CCIR/CISRO FTC Guidance, Page 13: “CCIR and CISRO expect fair treatment of Customers to be a core component of the governance and business culture of insurers and intermediaries.”</i>	1
Support the concept of “quality consent” that is equally met in each channel, with the following	<i>Distribution Strategies, from CCIR / CISRO FTC Guidance, p. 21: “CCIR and CISRO expect that distribution</i>	14

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).	<i>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."</i>	
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Action Item	Wording Excerpt Reference From 3 October, 2019 Thought Starter	Number Reference, 3 October Thought Starter
Action Item for #18 applies to this item as well. <u>CROSS REFERENCE TO #18</u>	<i>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."</i>	15
Industry agrees fully with these principles and will adhere to them. <u>CROSS REFERENCE TO #15</u> <u>ITEM #18 ALSO IN WORKSTREAM #7 PRODUCT PROMOTION AND ADVERTISING</u>	<i>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."</i> <i>Product Advertising, from AMF Sound Commercial Practices Guideline, p. 16: "The AMF expects that product advertising is accurate, clear and not misleading."</i>	18 19

Action Item	Wording Excerpt Reference From 3 October, 2019 Thought Starter	Number Reference, 3 October Thought Starter
Industry agrees fully with these principles and will adhere to them. <u>CROSS REFERENCE TO #15</u>	<i>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."</i>	18 19

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

Workstream #10 Claims; and #11 Complaints Handling

Items #25, 26; and #27, 28, 29

Workstream F Members—Karyn and Rob to Co-Chair; Rob to be Spokesperson

Name	Member Company
Rob Dobbins	Assurant
Karyn Kasperski	RBC Insurance
Keith Martin	CAFII
Jamie Paradis	BMO Insurance
Isabelle West	BMO Insurance

NEED AN SME TO JOIN GROUP

8 January 2020

Let's try to get some SLAs

Could try to get a high level principle and then get the details ... simplicity, diligence, process, accessible etc.

One component of diligence is timing

"roll the sleeves up working group session"

Two components: 100% within 5 business days

Definition of action—claim set up

This relates to diligence part

Need to look at different components

"Fairly settled"

"What is accessible?"

"How communicated"

Could move in this direction if we don't have data from members on what they are doing

Need to make sure people close to claims are in agreement with the approach we are taking, some are closer to this than we are; and that they are in agreement with the proposals

"Need an outline of what we are looking for in the principles" – can have an outline of a principle, then can get into the details later

Need to show Board some progress

Need to show at least an outline of what the principles are

FOR EXAMPLE:

Claims – principles will address immediate, fairness, claims procedure

Experience—timing for action, timing for settlement

Fairness—need to figure that out

Procedure—has to be developed by insurer, has to be made public (what does that mean?), etc.

Simplicity—language principles etc.

Rob will take a crack at doing this initial outline for this Thursday, 9 January 2020 meeting

Should probably have a meeting with SMEs on complaints and claims to review the recommendations thus far by this Workstream

First need to develop an outline

FCAC definition of complaint is too broad

Probably need to be cautious about using their definition

Want to eliminate complaints that should not be captured like branch lineup is too long

EMAIL FROM MARTIN BOYLE, 8 January 2020

This email is a follow up to our conversation this afternoon. There was consensus that this workstream has been hampered by a lack of input/information from other CAFII members as well as a lack of participation from claims and complaints SMEs. We discussed (for now) focusing on aspects of the work that weren't dependent on the information and details from other members. This would include building out an outline of principles for claims and complaints and the expectations in terms of what we would like to see addressed (rather than the specific details for the high-level principles). Based upon what we have heard from the regulators and what the workstream has put together so far, I suggested that the following outlines for the high-level principles could be used as a basis to move forward:

Claims Ps will address the following areas

- a) Expedience
 - SLA related to timing of actioning of claim
 - SLA related to timing of settlement
 - Other commitments...
- b) Fairness (content TBD)
- c) Procedure
 - Commitment re development of claims policy
 - Commitment re making public and available (methods its communicated and made available to customers/public)
 - Commitment re language and “readability”
 - Other commitments...

Complaints Ps will address the following areas

- a) Definition of complaint (or the regulatory framework that applies to group insurance complaints)
- b) Expedience
 - SLAs related to timing
 - Other commitments...
- c) Fairness (content TBD)
- d) Procedure
 - Commitment re development of complaint handling policy
 - Commitment re making public and available (methods its communicated and made available to customers/public)
 - Commitment re language and “readability”
 - Other commitments...

Hope that this helps.

Martin

7 November 2019

Asked for Claims and Complaints SME

CUMIS will try to find a claims SME

Still need a SME from complaints

Request to send information to Keith on parameters / analytics around claims handling

Floating industry SLA as an idea, need to hear from individual members on this

Martin will look at complaints SME

Jamie Paradis BMO Insurance

Isabelle West BMO Insurance

<u>Action Item</u>	<u>Wording Excerpt Reference From 3 October, 2019 Thought Starter</u>	<u>Number Reference, 3 October Thought Starter</u>
The industry commits to have a written policy around the claims process, with SLAs that will be communicated to policyholders, including that claims will typically be settled in 30 days or less.	<i>Claims Handling and Settlement, from CCIR / CISRO FTC Guidance, p. 26: "CCIR and CISRO expect claims to be examined diligently and fairly settled, using a simple and accessible procedure."</i>	25 <u>9 October 2019</u> This is tablestakes already. SLAs are already communicated to clients May not be consistent SLA of 30 days Acknowledge claims form Within 60 days identify anything missing Can firms let us know what their parameters are right now? <u>October 17</u> Need a claims SME or two to provide expert opinion. Most claims SLAs are around initiation and action so could look at something like "x % of claims will be actioned within y days"
See Item #25.	<i>Claims examination and settlement, from AMF Sound Commercial Practices Guideline, p. 17: "The AMF expects that claims are examined diligently and settled fairly, using a procedure that is simple and accessible to claimants."</i>	26

<u>Action Item</u>	<u>Wording Excerpt Reference From 3 October, 2019 Thought Starter</u>	<u>Number Reference, 3 October Thought Starter</u>
<p>The industry commits to a simple and accessible complaints procedure that includes SLAs and escalation points, and a definition of what a complaint is. The industry commits to applying applicable complaints expectations set out in Quebec Regulation 141 nationally.</p>	<p><i>Complaints Handling and Dispute Resolution, from CCIR / CISRO FTC Guidance, p. 27: “CCIR and CISRO expect complaints to be examined diligently and fairly, using a simple and accessible procedure.”</i></p> <p><i>Complaint Examination and Dispute Resolution, from AMF Sound Commercial Practices Guideline, p. 18: “The AMF expects that complaints are examined diligently and fairly, using a procedure that is simple and accessible to consumers.”</i></p>	<p>#27 and #28</p>
<p>Industry should define specifically what is a complaint, and develop written SLAs to respond to them (see Items #27 and #28).</p>	<p><i>Controls for sales practices; Consumer complaints. From Financial Consumer Agency of Canada (FCAC)’s Domestic Bank Retail Sales Practices Review, p. 21: “Currently, banks resolve approximately 90 to 95 percent of consumer complaints at the first point of contact as part of providing good customer service. However, complaints resolved at this level are generally not logged into a central database because of technological constraints or inadequate policies and procedures.”</i></p>	<p>#29</p> <p>What do we want to track? Want to track issues associated with consent; claim denial 17 OCTOBER 2019</p> <p>Definition of a complaint— from RBC: Any dissatisfaction whether justified or not with respect to a product or service or the manner in which the product or service is offered, sold or provided.</p> <p>THIS DEFINITION ABOVE COMES FROM C-86</p> <p>NEED AN SME OR TWO ON COMPLAINTS AND SLAs TO JOIN GROUP AND PROVIDE EXPERT INPUT</p>

Workstream G

Workstream #12 Protection of Personal Information; and #13 Relationships with Regulatory Authorities

Items #30, 31, 32

Workstream G Members

Name	Member Company
Martin Boyle	BMO Insurance
Andrea Stuska	TD Insurance
Brad Kuiper	ScotiaLife Financial
Brendan Wycks	CAFII

Spokesperson: Andrea Stuska

October meeting—Spokesperson: Brendan for Andrea Stuska

7 June 2019

Have held two meetings

Good practices are already in place

Point to the things already being done / that industry adheres to (FCT, AMF Sound Commercial Practices, PIPEDA, IAIA Core Principles)

Demonstrate how report and monitor

How maintain relationship with regulators—provide those examples

<u>Action Item</u>	<u>Wording Excerpt Reference From 3 October, 2019 Thought Starter</u>	<u>Number Reference, 3 October Thought Starter</u>
Indicate that the industry will adhere to all legislation and regulation around privacy. Speak to internal members' privacy experts to see what are the international best practices, and what the future of privacy expectations are likely to be, and explore committing to requirements that go beyond existing legislative and regulatory requirements.	<p><i>Protection of Personal Information, from CCIR/CISRO FTC Guidance, p. 28: "CCIR and CISRO expect protection of confidentiality of personal information policies and procedures adopted by Insurers or intermediaries to ensure compliance with legislation relating to privacy protection and to reflect best practices in this area."</i></p> <p><i>Protection of Personal Information, from AMF Sound Commercial Practices Guideline, p. 19: "The AMF expects that the protection of confidentiality of personal information policy adopted by a financial institution ensures compliance with the provisions of An Act respecting the protection of personal information in the private sector and reflects best practices in this area."</i></p>	#30 and #31

Industry can commit to “promptly advise regulatory authorities if they are likely to sustain serious harm due to a major operational incident that could jeopardize the interests or rights of customers and the insurer’s or the intermediary’s reputation.” Will review OSFI’s cyber-security breaches reporting expectations and see if some of those expectations can be applied here.	<i>Relationships with Regulatory Authorities, from CCIR/CISRO FTC Guidance, p. 12: “With regard to regulatory authorities, insurers and intermediaries are expected to -make available their strategies, policies, and procedures dealing with the fair treatment of customers; -promptly advise regulatory authorities if they are likely to sustain serious harm due to a major operational incident that could jeopardize the interests or rights of customers and the insurer’s or the intermediary’s reputation.”</i>	#32
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Members of the Working Group on Credit Protection Insurance Industry Best Practices

BMO Insurance

Martin Boyle, EOC Chair, BMO Insurance, Co-Chair of the Working Group
Greg Caers
Rebecca Saburi

RBC Insurance

Karyn Kasperski, Co-Chair of the Working Group

Assurant

Rob Dobbins

Canada Life Assurance

Sharon Apt

Canadian Premier Life/Valeyo

Dana Easthope
Asma Desai, Canadian Premier Life

CUMIS/The Co-operators

Michelle Costello

CIBC Insurance

Joanna Onia
Parminder Rai

Desjardins Financial Security

Isabelle Choquette
Nathalie Baron

Manulife Financial

Monika Spudas

National Bank Insurance

Michele Jeanneau
Luce Doyon
Marie Nadeau
Caroline Cardinal
Audrey Delage

ScotiaLife Financial

Brad Kuiper
Denzyl Monteiro

TD Insurance

Jeremy Flanagan
Andrea Stuska
Scott Kirby
Kathy Hawkins
Hassan Khawaja

Staff

Brendan Wycks, CAFII Co-Executive Director
Keith Martin, CAFII Co-Executive Director

MEETINGS OF THE WORKING GROUP

Participants 17 October, 2019 1-2pm

Greg Caers BMO
Marie Nadeau National Bank
Rebecca Saburi BMO
Karyn Kasperski RBC and Chair
Monica Spudas Manulife
Brad Kuiper Scotiabank
Scott Kirby TD
Sharon Apt Canada Life
Jeremy Flanagan TD Insurance
Rob Dobbins Assurant
Joanna Onia CIBC
Parm Rai CIBC

Participants 7 November 2019

Martin Boyle, Co-Chair
Karyn Kasperski, Co-Chair
Greg Caers, BMO Insurance
Monika Spudas, Manulife Financial
Michelle Costello, CUMIS Services Inc.
Marie Nadeau, National Bank Insurance
Andrea Stuska, TD Insurance
Rob Dobbins, Assurant
Kathy Hawkins, TD Insurance
Rebecca Sapuri, BMO Insurance
Brendan Wycks, CAFII
Keith Martin, CAFII

NEXT STEPS ACTIONS GENERAL 7 NOVEMBER 2019

1. Workstream B to meet to divide up this Workstream
2. Workstream B to look at where sales incentives would fit in Workstream B
3. Workstream C Outsourcing section to meet to develop Workplan
4. Call a meeting on Workstream D
5. Workstream E another meeting needed
6. Workstream F need claims and complaints SME