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**CAFII Atlantic Canada Insurance Regulators and Policy-Makers Visits Tour:
September-October 2023
Prince Edward Island, New Brunswick, Nova Scotia, Newfoundland and Labrador**

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CAFII Completes Regulatory and Policy-Maker In-Person Tours in Atlantic Canada: General Summary of Presentation

CAFII met with regulators and policy-makers from PEI (September 20, 2023); New Brunswick (September 21, 2023); Nova Scotia (October 18, 2023); and Newfoundland and Labrador (October 19, 2023).

CAFII's presentation in each of these meetings, conducted primarily by Keith Martin with input from Brendan Wycks and CAFII's delegation of member representatives, focused on informing regulators about CAFII's recent initiatives, including previous regulatory submissions and correcting misunderstandings, some of which have become myths, about credit protection insurance, along with sharing key priorities for the Association, such as the increasing importance of digital/electronic distribution channels in insurance. Emphasis was placed on the importance of dialogue with regulators for better consumer protection. One of CAFII's primary goals at these meetings is to learn about regulators' and policy-makers' objections and concerns so that CAFII can remain informed regarding consumer protection initiatives, and overall regulator and policy-maker attitudes towards credit protection insurance.

After the completion of each regulatory tour visit, CAFII contacted the particular regulators and/or policy-makers who had attended to thank them for their time and ask for feedback. Generally, all expressed gratitude for CAFII's commitment to an in-person presentation.

CAFII's presentations focused on education about CAFII and the industry, key priorities for our Association, and the findings from the 2022 Pollara research on the attitudes of holders of credit protection insurance towards CPI. CAFII's recently expanded, current membership was highlighted, and there was a review of the improvements that have been made to the Association's website, which is a source of consumer-oriented financial literacy information.

The point was made that there had been a tremendous level of regulatory activity in the past year and a half, as regulators caught up on initiatives after a pause due to the COVID-19 pandemic. CAFII's commitment to regulator and policy-maker relationship building was emphasized, including the importance of these sorts of in-person meetings. CAFII deals with 31 different regulator/policy-maker/ombuds service bodies across Canada on behalf of its members, and the complexity of the regulatory environment makes harmonization critical to the industry. There was a discussion on the difference between harmonization versus alignment. CAFII's commitment to regulators having rule-making authority was noted.

There was a review of some of the key points made by the guest speakers at CAFII Reception events in recent months and an update on the Association's many webinars. With respect to CAFII webinars, many regulators and policy-makers whom CAFII met with in Atlantic Canada offered unsolicited favourable feedback about how informative and useful they have found CAFII webinars to be and how much they enjoyed attending them.

There was a review of technology and digitization changes taking place in the insurance marketplace, including artificial intelligence (AI) deployment, and how these could impact the industry and regulators.

CAFII noted that according to LIMRA research, a significant proportion of Canadians are underinsured or uninsured and that it was important to not restrict Canadians' access to life and health insurance products, including credit protection insurance.

CAFII emphasized its members' commitment to the fair treatment of customers and reviewed how CAFII members plan for, execute, and monitor activity with respect to proper sales practices not only through employee training but also by embedding fair treatment of customers-based sales practices in processes and in technology mechanisms.

There was reference made to CAFII's commitment to fostering and supporting diversity, equity, and inclusion (DEI).

It was noted that Brendan Wycks would be retiring at the end of 2023 and that Shanay Smith (Operations Manager) and Robyn Jennings (Research Analyst) have recently been hired to succeed B. Wycks on the CAFII staff team.

The 2022 Pollara research results were then summarized, with the following being the key highlights:

Canadians with CPI indicate that they are highly satisfied with the products and do not know what they would do without them if an unforeseen life and health-insurable event were to occur. It was noted that 69% of CPI holders believe that the products are affordable, and 66% believe that they provide good value for the money. According to Pollara, those two data points actually are very good results, as people always feel that the products they purchase are too expensive.

CPI holders are confident that they understand what would happen if they made a claim, and 77% held the view that a claim would be paid as expected.

More than half of CPI holders had sought information from sources other than the firm from which they had obtained the insurance.

On digitization, it was noted that the research results were a bit contradictory, with consumers wanting digital options but also wanting the ability to meet representatives in-person. The key take-away is that a hybrid model will be required going forward.

Consumer comprehension of CPI documentation is good but not great, with only 65% saying that they found the documents easy to understand; and this will be a continued area of

investment and focus for CAFII and its members going forward. It was noted that there always is a balance between the need to protect consumers and companies with legal language around a technical product, versus the need for simple language.

The Pollara consumer survey respondents reported that more than 8 in 10 processed CPI claims were paid, and 95% of mortgage life insurance claims were paid out. These poll results were validated by asking insurers for their actual claims payout, which produced a similar payout percentage number.

While 8 in 10 CPI holder claimants were satisfied with the claims experience, complaints about claims went up in 2022 (33%) relative to 2018 (25%); and satisfaction with how the complaints were handled dropped from 85% to 62%. Context for these findings was provided, including the temporary drop in service levels during the pandemic, the increased tendency of people to complain and their increased levels of stress and frustration overall, and the greater ease today, relative to pre-pandemic, to be able to file a complaint. It was noted that while complaints have increased, claims payout levels have remained the same.

Nevertheless, the fundamental point made was that CAFII and its members are committed to understanding and responding to these findings and to always seeking to improve the customer experience.

Prince Edward Island

CAFII Meets with PEI Regulatory Authorities on September 21, 2023

A delegation of eight (8) CAFII representatives travelled to Charlottetown to meet with representatives of PEI's Financial and Consumer Services Division, Ministry of Justice and Public Safety.

In attendance in-person at the meeting from CAFII were

- Michelle Costello, CUMIS/The Co-operators;
- Andrea Stuska, TD Insurance;
- John Burns, Securian Canada;
- Rob Dobbins; Assurant;
- Keith Martin, CAFII;
- Brendan Wycks, CAFII;
- Shanay Smith, CAFII; and,
- Robyn Jennings, CAFII.

In attendance in-person at the meeting from the PEI Financial and Consumer Services Division, Ministry of Justice and Public Safety:

- Curtis Toombs, General Counsel;
- Lauren Keefe-Hogan, Manager, Registry and Licensing Counsel; and,
- Robert Bradley, Superintendent of Insurance.

Steve Dowling (Division Director, Financial and Consumer Services Division, Ministry of Justice and Public Safety) did not attend but was instrumental in setting up this meeting.

Summary of Meeting

Keith Martin began CAFII's presentation with a breakdown of the Association's priorities and issues. He also explained CAFII's membership structure and relationship with insurance regulators and policy-makers.

He raised the issue of harmonization and explained how there is a general misunderstanding that harmonization is the same thing as alignment; however, that is not what harmonization really means. Harmonization means exact and precise parallelism and striving to use the exact same wordings and exact same regime structure features to the maximum degree possible. The problem with a lack of harmonization is that it compels a focus on exception management, where resources must be dedicated to understanding the subtle differences in wording from one jurisdiction to the next. Exception management saps the resources of regulated entities, diverting them away from a single-minded focus on meeting regulators' fair treatment of customers (FTC) expectations.

Robert Bradley responded to Keith Martin's comments by explaining that PEI's practice has been to harmonize with other jurisdictions in Canada to the extent that is possible. Mr. Bradley also said that as a small province, PEI tends to be a follower, one which adopts regulatory initiatives after they have been led and achieved by other provinces.

In that connection, CAFII EOC Chair Rob Dobbins noted the importance of the Canadian Council of Insurance Regulators (CCIR) to CAFII as a national coordinating body and its leadership efforts around national harmonization.

Robert Bradley asked about loss ratios for the credit protection insurance products offered by CAFII members, and Keith Martin responded that that information was not tracked by CAFII.

In response to the finding -- in the CAFII-commissioned consumer research carried out by Pollara Strategic Insights -- that 95% of CPI mortgage life insurance claims are paid out, Robert Bradley indicated that he was not convinced by that independent, third-party research finding; that he believed that post-claims underwriting was a concern with respect to CPI; and that he personally would "not purchase CPI products."

Brendan Wycks replied that post-claims underwriting was an inaccurate allegation and a myth levelled against CPI by players in the advice-based channel of the life and health insurance sector; and that the claims adjudication process followed by CPI insurers was the exact same process practised by all of life and health insurers, including those which underwrite term life and other forms of life and health insurance that is offered exclusively through licensed agents and brokers.

Rob Dobbins added that CAFII's research findings indicate that customers appreciate having CPI made available to them as an optional form of insurance coverage in the marketplace; and that they are satisfied with the product. Andrea Stuska added that consumers may not have access to any other kind of life and health insurance, depending upon their financial situation and their desirability as a client to a licensed insurance agent/broker; and that, as a result, access to CPI can be critically important for certain consumer segments.

Robert Bradley advised that there were no imminent regulatory changes in PEI of which CAFII should be made aware. Curtis Toombs and Lauren Keefe-Hogan expressed interest in being apprised of the results of any future consumer-focused research which CAFII might commission.

New Brunswick

CAFII Meets with New Brunswick Regulatory Authorities on September 22, 2023

A delegation of seven (7) CAFII representatives travelled to Fredericton, New Brunswick, to meet in-person with relevant staff executives from the Financial and Consumer Services Commission of New Brunswick (FCNB) Insurance Division.

In attendance in-person at the meeting from CAFII were

- Michelle Costello, CUMIS/The Co-operators;
- Andrea Stuska, TD Insurance;
- John Burns, Securion Canada;
- Rob Dobbins, Assurant;
- Keith Martin, CAFII;
- Brendan Wycks, CAFII; and,
- Robyn Jennings, CAFII.

In attendance in-person at the meeting from the Financial and Consumer Services Commission of New Brunswick (FCNB)'s Insurance Division were

- Angela Mazerolle, Vice-President, Regulatory Operations; and Superintendent of Insurance and Pensions;
- Jennifer Sutherland Green, Director, Insurance;
- Catherine Haines, Deputy Director – Licensing;

- Ryan Adams, Senior Legal Counsel; and,
- Robert Picard, Compliance Officer.

Summary of Meeting

Keith Martin began the meeting by introducing CAFII and explaining its key priorities and goals. During the presentation, Angela Mazerolle responded to CAFII's comments on the importance of harmonization by stating that a situation of completely harmonized regulation across the country was not achievable in a national federation nation such as Canada, where different provinces and territories have different requirements and priorities.

CAFII EOC Chair Rob Dobbins agreed that CAFII's harmonization request was an aspirational ask, but he stressed that the greater the degree of harmonization, the better. Angela Mazerolle said that FCNB would be receptive to doing what it could to avoid adopting and implementing unique approaches in New Brunswick.

Keith Martin acknowledged FCNB's proactiveness in consumer protection, as evidenced by its frequent consumer protection bulletins, and he said that FCNB was a leader in this area. Angela Mazerolle confirmed that that sort of consumer communication was a big priority for the FCNB; and that it regarded consumer education and fostering financial literacy to be an important part of how to protect consumers.

Keith Martin noted CAFII's support of regulatory authorities obtaining rule-making authority.

Angela Mazerolle stated that she personally would not purchase CPI products, and CAFII delegation members, including Brendan Wycks, Rob Dobbins, and Andrea Stuska, responded by further explaining the benefits of CPI protection to certain segments of Canadian consumers and the positive views that CPI protection had received in the recent CAFII-commissioned independent consumer research carried out by Pollara Strategic Insights.

There was a discussion around the recent 2023 implementation of New Brunswick's new Restricted Insurance Representative (RIR) licensing regime, with Keith Martin noting that the industry felt that many of the issues raised by CAFII and other industry stakeholders during FCNB's consultation process were not actually acted upon.

Brendan Wycks noted that CAFII had lingering concerns about the Section 46 requirement in FCNB's Rule INS-001 that RIR licenses must suggest to consumers who have opted to become enrolled in CPI coverage that they may wish to seek advice from a licensed insurance agent, and he asked if FCNB would be interested in receiving a written submission from CAFII with some suggested alternate wording, along with its perspectives on some other issues related to the RIR regime. Ms. Mazerolle said she would welcome such input from CAFII in writing.

After the formal meeting was concluded and Angela Mazerolle had departed for an immediately ensuing meeting, several of the other FCNB staff executives present remained behind to engage in informal conversation with the CAFII delegation members; and they appeared very interested in and receptive to the points being made in informal dialogue by the CAFII representatives. In particular, Catherine Haines, Deputy Director of Licensing, who is responsible for the RIR regime's licensing portal, said she would welcome any feedback or further input from CAFII on how to improve it.

Nova Scotia

CAFII Meets with Nova Scotia Regulatory Authorities on October 18, 2023

A delegation of seven (7) CAFII representatives travelled to Halifax, Nova Scotia, to meet in-person with relevant staff executives from the Nova Scotia's Department of Finance and Treasury Board's Insurance Division.

In attendance in-person at the meeting from CAFII were

- Michelle Costello, CUMIS/The Co-Operators;
- John Burns, Securian Canada;
- Rob Dobbins, Assurant;
- Keith Martin, CAFII;
- Brendan Wycks, CAFII;
- Shanay Smith, CAFII;
- Robyn Jennings, CAFII;

In attendance in-person at the meeting from the Nova Scotia's Department of Finance and Treasury Board's Insurance Division were

- David McCarron, Executive Director, Financial Institutions, and Superintendent of Credit Unions, Trust, and Loan companies, Insurance, and Pensions;
- Rahul Deshmukh, Deputy Superintendent of Insurance; and
- Angela MacLeod, Insurance Officer.

Summary of Meeting

Keith Martin began the meeting by informing the Nova Scotia regulators of CAFII's strategic plan to meet, in-person, with regulators every 18 months. He stressed the degree of importance which CAFII places on this and expressed gratitude to the Nova Scotia team for meeting with the CAFII team. The Nova Scotia regulators were engaged and friendly throughout the presentation.

K. Martin explained that CAFII's desire is for its website to be a place for customers to gain financial literacy and education; therefore, the website has been developed in consultation with specialists who have indicated that it needs to communicate key messages visually and

simply as the average Canadian has a short attention span. This has impacted the approach to the website, and CAFII has responded in turn with website vignettes and videos that explain various aspects of insurance in a visual and easy-to-follow manner.

Rahul Deshmukh asked K. Martin about mobile phones versus laptops and how Canadians are accessing insurance information. K. Martin responded that the findings indicate that mobile phone usage for information access is increasing every year while laptop usage is decreasing. The CAFII website is adjusting to accommodate this. CAFII consultants have advised that within 1 to 2 years, the mobile phone will surpass the laptop as the principal channel to access information and websites.

One of the biggest successes of the meeting was the conversation on harmonization. K. Martin first outlined CAFII's harmonization definition and goals, then explained that harmonization does not mean regulators relinquish their regulatory authority. K. Martin noted that BCFSa had recently adopted the *CCIR Guidance: Conduct of Insurance Business and Fair Treatment of Customers* practically word for word (with a few adjustments around the supervision of intermediaries) as its legislatively required Insurer Code of Market Conduct. This was greatly appreciated by CAFII because now its members can use the wording of the CCIR Guidance for British Columbia. Nova Scotia took the same approach, which was much appreciated by CAFII. D. McCarron added that CCIR is quite vocal about the importance of harmonization, which has prompted good discussion on the subject within the Nova Scotia team.

K. Martin asked the Nova Scotia team to share their experience of the recent Regulators Week, held from October 3-6/23 in St. John's, Newfoundland, particularly with respect to the CCIR and CISRO meetings held there. R. Deshmukh responded that CISRO and Nova Scotia had good conversations over the week, particularly on climate change. That remark prompted an exchange on the impacts of climate change on the insurance industry and claims.

D. McCarron advised that CCIR has also done a lot of work on cybersecurity guidance. K. Martin mentioned OSFI's Incident Reports Guidelines, which both BC and Nova Scotia have adopted. The CAFII team expressed their appreciation and approval of this harmonized approach.

On the issue of a decline in the CAFII poll results around complaints around claims, there was a discussion of the delays caused by doctors who are required to fill out forms. David McCarron noted that his office had been working for some months on this issue, with a particular focus on short-term disability forms that doctors needed to fill out. Rob Dobbins noted that Assurant had an active project on this very issue, and David McCarron expressed interest in any additional information and progress CAFII could share on this file.

K. Martin mentioned New Brunswick's recently launched RIR regime, and which B. Wycks asked if Nova Scotia was monitoring that development. David McCarron said they were monitoring it closely since Nova Scotia likes to harmonize with the other Atlantic Canada provinces. K. Martin then stated frankly that CAFII felt there were certain elements in New Brunswick's new RIR regime that were not harmonized well with the other such regimes existing in Canada, nor did New Brunswick address much of the industry feedback concerns expressed by CAFII and other stakeholders during the consultation period. K. Martin said that CAFII would be more than happy to talk to Nova Scotia further about New Brunswick's RIR regime and some of the concerns with certain of its features.

B. Wycks brought up FSRA's efforts to examine certain MGA firms and identify poor practices around the fair treatment of customers.

David McCarron was very interested in CAFII's findings around artificial intelligence (AI), digitization, and its implication for the regulatory environment.

The CAFII webinars were mentioned, to which A. MacLeod responded that she had attended several and found them informative. She expressed interest in the upcoming travel insurance webinar on November 22, 2023.

D. McCarron asked how open banking was, and K. Martin said that this was more of an issue for the Canadian Bankers Association, with which CAFII collaborates closely, but that CAFII was keeping a watchful eye on this file.

D. McCarron stated how relevant and interesting a presentation this was for Nova Scotia. R. Dobbins mentioned how important research is to CAFII, to which the Nova Scotia team responded that they found this work invaluable, especially as a smaller jurisdiction.

Newfoundland and Labrador

CAFII Meets with Newfoundland and Labrador Regulatory Authorities on October 19, 2023

A delegation of seven (7) CAFII representatives travelled to St. Johns, Newfoundland and Labrador to meet in person with relevant staff executives from Newfoundland and Labrador's Consumer and Financial Services Insurance Division.

In attendance in-person at the meeting from CAFII were

- Michelle Costello, CUMIS/The Co-Operators;
- John Burns, Securian Canada;
- Rob Dobbins, Assurant;
- Keith Martin, CAFII;
- Brendan Wycks, CAFII;

- Shanay Smith, CAFII;
- Robyn Jennings, CAFII.

In attendance in-person at the meeting from Newfoundland and Labrador's Consumer and Financial Services' Insurance Division were

- Jean Bishop, Director of Consumer and Financial Services Division, and Superintendent of Insurance;
- Kris Adams, Deputy Superintendent of Insurance;
- Scott Jones, Assistant Deputy Minister – Regulatory Affairs Branch - of Digital Government and Service;
- Sean Dutton, Deputy Minister of Digital Government and Service.

Summary of Meeting

K. Martin shared CAFII's membership structure and its top priorities, including the desire for its website to be a tool for financial literacy. He then moved on to mention the significant increase in regulatory initiatives in the immediate aftermath of the COVID pandemic.

K. Martin explained the difference between harmonization and alignment, stressing the importance of the former over the latter for the Canadian provincial regulatory environment. CCIR and CISRO, in CAFII's opinion, are critical to achieving harmonization objectives. K. Martin mentioned CAFII's response to CISRO in its 2023-2026 Strategic Plan regarding RIR or RIA regimes, where CAFII suggested that CISRO play a leadership role in moving different provincial regimes towards a common approach.

K. Martin asked if Newfoundland and Labrador had given any thought to adopting a Restricted Insurance Agent regime. Jean Bishop responded that they were keenly aware of the insurance industry's desire to have harmonized approaches and had no current plans to adopt such a regime. Brendan Wycks raised CAFII's concerns with the recently adopted New Brunswick RIR Licensing regime. CAFII suggested that, in its view, the most effective of these regimes is the one in place in Manitoba. Jean Bishop indicated that if Newfoundland and Labrador moved down the road of formally exploring adopting a RIA regime, there would be consultations with industry including CAFII.

The presentation then focused on digitization and artificial intelligence, with the Newfoundland and Labrador regulators suggesting that this was an area of keen interest, and one which they felt challenged to keep up with. K. Martin noted that insurance is a data-hungry industry, with underwriting in particular requiring statistical analysis, which machines are uniquely suited to carry out. Jean Bishop agreed with that assessment and said it was important that any technology developments not undermine the protection of consumers.

Jean Bishop took several minutes to recap some of the discussions that took place over regulators week, which was held from October 3-6, 2023, in Newfoundland and Labrador. She noted that among the topics discussed was the fair treatment of customers, including additional guidelines around incentive management. Other topics were around segregated funds guidance, ombudsperson services, claims processing performance, and climate change.

J. Bishop stated that Newfoundland and Labrador endorsed CCIR's *Guidance: Conduct of Insurance Business and Fair Treatment of Customers*. K. Adams brought up the province's *Principles for the Sale of Insurance* as Newfoundland and Labrador's main means of protecting consumers. John Burns suggested engaging in further consultation for the *Principles for the Sale of Insurance* document to get the language harmonized with other jurisdictions, and Jean Bishop agreed and expressed interest in continuing a conversation about this document to learn what can be amended or revised in it.

The presentation concluded with an agreement between both CAFII and Newfoundland and Labrador to engage in further discussions on harmonization and potential collaboration on the province's 2007 *Principles for the Sale of Insurance* document.