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CAFII Working Group On FCAC Appropriateness Guideline’s Provisions Related To Authorized Insurance Products/Credit Protection Insurance-- Terms of Reference

Mandate

This Working Group will seek to develop a shared understanding of the application of the FCAC Appropriateness Standard to Authorized Insurance Products/Credit Protection Insurance as well as an industry level position on what would be an acceptable and implementable approach to compliance with the FCAC Appropriateness Guideline for Authorized Insurance Products/Credit Protection Insurance, from the perspective of the federal Financial Consumer Protection Framework (FCPF) and the provincial insurance regulatory framework, including Fair Treatment of Consumers principles.

Process

Based on the federal Financial Consumer Protection Framework (FCPF), the provincial insurance regulatory framework, including Fair Treatment of Consumers principles, and emerging regulatory developments the Working Group will look to:

Explore what would constitute an “appropriate” or “inappropriate” enrolment

Consider the information that would be required to determine whether an enrolment was appropriate
Consider the changes required to current enrolment processes to account for product appropriateness
Consider whether other processes (i.e., outside of the enrolment) that could be impacted by an appropriateness standard

As the Working Group will launch at a time when the FCAC Appropriateness Guideline is not available to CAFII, the work outlined above is expected to be completed without reference to it. When copy of the FCAC’s Appropriateness Guideline is available, the Working Group can then cross-reference its work against that document.

Participants

Martin Boyle (BMO Insurance) will serve as the Chair of the Working Group.

CAFII EOC and Board members will be invited to nominate up to two representatives per Member company to serve on the Working Group.

Meetings

Initially the Working Group will meet every second Wednesday from 2:30 to 3:30 p.m. via MS Teams.

CAFII Working Group On FCAC Appropriateness Guideline's Provisions Related To Authorized Insurance Products/Credit Protection Insurance—Members

Martin Boyle	BMO Insurance and Chair
Karam Al Saeygh NO LONGER ON WORKING GROUP	BMO Insurance
Tejal Harri-Morar REPLACES KARAM AL SAEYGH	BMO Insurance
David D'Amico	BMO Insurance
Fernando Heleno	RBC Insurance
Penny Cordogiannis	RBC Insurance
Brad Kuiper	ScotiaLife Financial
Anu Bains	CIBC Insurance
Marie Nadeau	National Bank Insurance
Pete Thorn	TD Insurance
Aleks Omaljev NO LONGER ON WORKING GROUP	TD Insurance (legal)
Sara Motamedi REPLACES ALEKS OMALJEV	TD Insurance (legal)
Derek Andrews	Scotiabank
Ivana Veljovic	Assurant
Emily Brown	Sun Life
Louise Nash	CIBC Insurance

Staff:

Keith Martin, CAFII
Brendan Wycks, CAFII
Lyn Wallington, CAFII
Jack Becker, CAFII

Approach of the Working Group

Working Group Chair Martin Boyle has recommended that the Working Group should structure its discussions around what a regulator might expect to see in an Appropriateness Guideline:

KYC (securities, insurance)
KYP (securities, insurance)
Needs-based sales (insurance)
Documentation related to dealings with clients (insurance)
Remuneration/incentives/conflicts of interest (insurance)

A List of What Can and What Cannot be Included as a Credit Protection Insurance Appropriateness Standard

<u>Cannot Include</u>	<u>Can be Included</u>
Assessing financial/insurance needs	Eligibility requirements
Assessing adequacy of existing insurance	Need based on underlying credit
Insurance recommendation or advice	Effective compliance oversight
Description of how insurance meets any needs	Focus on optional nature of product

Collection of information beyond what is directly related to credit protection (e.g. financial goals/needs, time horizon, net worth, income, risk profile)	
Affordability assessment (credit test should be considered appropriate)	
Requirements that create noncompliance with other applicable rules	

Agenda, FCAC Working Group Meeting—6 October, 2021

1. Update to 5 October, 2021 Board meeting of the Activities of the Working Group, and Positive Board Feedback--Martin Boyle
2. Review of What Can be Included in Appropriateness Guideline, and What Cannot Be (see attachment)--All
3. Appropriateness Guideline Updates, Feedback—All
4. Proposed Agenda Items for Next Meeting—All

CAFI Working Group On FCAC Appropriateness Guideline's Provisions Related To Authorized Insurance Products/Credit Protection Insurance—Summary Notes – 6 October, 2021

Martin started the meeting with an update on the CAFI Board meeting held on 5 October, 2021 at which he provided the Board with a summary of the activities of the Working Group. There was interest among Board members about the consultation process being used by the FCAC including the extremely tight timelines for implementation and how industry could adjust to that. There was interest as well in the strategy the FCAC was taking around obtaining industry response.

Mr. Boyle then asked if anyone had an update on Regulatory Developments regarding the Appropriateness Guideline. Emily Brown asked how the definitional of operational services in the regulation and how that relates to the Appropriateness Guideline. BMO Insurance feels that it was intentional to remove insurance from optional products, so that over time federal insurance provisions can be dealt with in one set of rules. But some sections reference “products offered and sold” and that would still include insurance, and so BMO Insurance feels that the Appropriateness Guideline still applied to insurance products including credit protection insurance. Mr. Boyle added that the legislation overrules the Regulation and so ultimately it was the legislation that should be referenced.

Peter Thorn asked about a recommendation over product information to a customer. There is a section in the Regulation that when a Bank makes a determination that a product is not appropriate for a product, but TD Insurance is only looking at eligibility for a product. Mr. Thorn asked how other members are dealing with this issue of a recommendation in relation to the appropriateness of a product. The section in question is as follows:

FCAC expects a bank's policies and procedures to set out:

- how to inform consumers that a product or service may not be appropriate for them so that consumers are able to make informed decisions

The question was asked if it was taking it far enough to just speak about eligibility, but it was noted that the moment one went further it might be viewed as offering advice.

RBC Insurance mentioned that they were focused on eligibility and were not planning to ask other questions. There would be very broad statement about eligibility for the products in question, and then mentioning a target market based on eligibility, and then knock-out questions where if the client does not meet eligibility in which case the process stops and the client is told that they are not eligible for the product. The life insurance manufacturer would be referenced and a target market statement would be provided to the customer.

Scotia was looking at similar approaches like age. CIBC Insurance said that it may use some type of calculator that the client can use to determine if they have a need or not.

Martin Boyle said that part of the submission from CAFII would be to remove these Appropriateness Guideline requirements from insurance as it created regulatory risk. David D'Amico felt that the FCAC might be surprised by such an approach, but Martin Boyle felt that CAFII has indicated to FCAC that suitability is not something that credit protection insurance can speak to customers about. FCAC's indication that size and complexity are part of the equation may be a move in this direction.

Can a customer override an indication that they are not eligible and still purchase the product? It was noted that bundled products can add complexity as well as a customer may over their life cycle become ineligible or eligible. Eligibility is ultimately about reasonable expectation of being able to make a successful claim. Around changing circumstances, BMO Insurance does ask customers to understand that claims are dependent on eligibility at time of claim.

Attendees at the 6 October 2021 Working Group Meeting

Martin Boyle	BMO Insurance and Chair
David D'Amico	BMO Insurance
Derek Andrews	ScotiaLife Financial
Anu Bains	CIBC Insurance
David D'Amico	BMO Insurance
Emily Brown	Sun Life
Tejal Harri-Morar	BMO Insurance
Fernando Heleno	RBC Insurance
Sara Motamedi	TD Insurance
Pete Thorn	TD Insurance

Staff:

Keith Martin, CAFII

Brendan Wycks, CAFII

CAFII Working Group On FCAC Appropriateness Guideline's Provisions Related To Authorized Insurance Products/Credit Protection Insurance— Summary Notes 22 September, 2021

Martin Boyle welcomed two new members of the Working Group, Nusrat Rahman of CIBC Insurance and Tejal Harri-Morar of BMO Insurance. Martin Boyle said that he expected a new version of the FCAC Appropriateness Guidance to be released in October, 2021 at which time we will consider a CAFII submission.

Mr. Boyle asked if any member of the Working Group had any issues they wanted to raise, and Nusrat Rahman asked what exactly would be released in October. Mr. Boyle said that the FCAC has been working with a group that includes the CBA, but that there would be broader public consultations as some point in time, and it is possible that this is what will occur in October, which would be the third draft of the document; the final draft would follow consultations as a fourth draft. The earliest time to expect a final version of the document would be December, 2021 but more likely in 2022. Since that is a short period before the implementation date of end of June, 2022 there is a challenge in terms of the implementation date.

The new federal government has spoken about a Home Owners Bill of Rights, which would include a six-month deferral for mortgage payments in the event of a job loss or other major life event, which could include a death; Mr. Boyle asked how this might impact bundled insurance, appropriateness etc. This raises the question of whether job loss insurance would still be required or viewed as appropriate when it might be offered for “free” by the government; more investigation is needed on this issue. A major difference between the government intention and industry job loss is that job loss pays down the mortgage, while a deferral does not.

BMO insurance is focused on knock-out questions to ensure eligibility and to ensure a claim can be made; still working on financial requirements element. Probably BMO is a few months out from finalizing the requirements. CIBC Insurance thinks it will have a better idea of its approach in mid-November 2021.

Nusrat Rahman of CIBC Insurance said that they were looking at a tool to provide clients with an assessment of and options and implications around changes to their levels of income, savings etc. Martin Boyle felt that the issue around what was permissible was to take that information and tell customers what they should or should not do. Penny Cordogiannis still struggled with whether it was necessary to ask the client if they had insurance, such as travel insurance, already elsewhere. BMO Insurance is leaning more towards a “yes/no” acknowledgement of whether the client already has insurance, for example the client says that they know they may have coverage already elsewhere.

Emily Brown asked if there was a way to simplify the list of what can and cannot be included so that it is clearer. Keith Martin was asked to take a shot at clarifying the language in the chart so that it avoids some of the ambiguity.

Federal Government – Home Buyers’ Bill of Rights

The Home Buyers' Bill of Rights will:

- Ban blind bidding, which prevents bidders from knowing the bids of other prospective buyers, and ultimately drives up home prices.
- Establish a legal right to a home inspection to make sure that buyers have the peace of mind that their investment is sound.
- Ensure total transparency on the history of recent house sale prices on title searches.
- Require real estate agents to disclose when they are involved in both sides of a potential sale to all participants in a transaction.
- Move forward with a publicly accessible beneficial ownership registry.
- Ensure banks and lenders offer mortgage deferrals for up to 6 months in the event of job loss or other major life event.
- Require mortgage lenders act in your best interest so that you are fully informed of the full range of choices at your disposal, including the First-Time Home Buyers' Incentive.

TOPICS FOR CAFII TO POSSIBLY COMMENT ON IN A SUBMISSION

- Requirement to implement by end of June 2021 but actual compliance in practice needs to be pushed out by six months to a year to allow industry time to implement.

Attendees at the 22 September 2021 Working Group Meeting

Martin Boyle	BMO Insurance and Chair
David D’Amico	BMO Insurance
Penny Cordogiannis	RBC Insurance
Marie Nadeau	National Bank Insurance
Tejal Harri-Morar (new member)	BMO Insurance
Emily Brown	Sun Life
Nusrat Rahman (new member)	CIBC Insurance

Staff:

Keith Martin, CAFII

Brendan Wycks, CAFII

CAFII Working Group On FCAC Appropriateness Guideline's Provisions Related To Authorized Insurance Products/Credit Protection Insurance— Summary Notes 25 August, 2021 Meeting

At the end of the last meeting there was an opportunity to speak about any issues related to C-86 and that was still possible. The C-86 deadline for implementation has now been extended. Fernando Heleno said that he had heard that the public consultation would be delayed because of the federal election. Brendan Wycks mentioned that Tories had published an analysis of the content of the C-86 regulation, and he will send that to all members of the Working Group.

The meeting then moved to the difference between providing advice and a value proposition. The intention is to help understand where the line between the two is. Emily Brown commented on the notes around doing more, but added that the key is how does CAFII comment on the differences between the provincial and federal approaches. She added that this is an internal discussion around the differences and might not be shared directly with regulators. Brendan Wycks suggested that speaking to the “impact of events with or without insurance” might be on the edge of advice, but Martin Boyle felt that just laying out the impacts was factual without offering advice.

Louise Nash said that online tools that ask clients question is something that CIBC Insurance is considering. RBC Insurance considers that face-to-face interactions are different than in an online environment—in a digital environment optional tools are beneficial. Martin Boyle said that at BMO Insurance the tools are not part of the appropriateness approach, but are part of the overall insurance conversation with clients.

Fernando Heleno asked about views around credit card balance protection, especially because it was a bundled product not all of which a client might be eligible for. David D’Amico said that BMO has also had many discussions around this matter as well, with job loss one of the insurance products that has been thought about. Louise Nash said that the approach at CIBC Insurance was to ask eligibility questions, and if a client was not eligible for any of them then the credit card is not to be offered. Pete Thorn said that at TD Insurance they shared the information to the client and that eligibility could change as circumstances change. As Scotiabank they offer basic coverage and advanced coverage, so they offer the bundle that the client is eligible for.

Financial circumstances is an area that Working Group members discussed with some struggling with the approach to take with these questions, and what such questions really solved. Fernando Heleno said RBC Insurance was not planning to go down the road of asking about

other types of insurance—what do you do with that information? Martin Boyle felt that the legislation produced an obligation to ask questions of customers around their financial circumstances. Pete Thorn said that at TD Insurance questions about financial circumstances will not stray into anything that could be viewed as a need analysis.

Attendees at the 25 August 2021 Working Group Meeting

Martin Boyle	BMO Insurance and Chair
David D'Amico	BMO Insurance
Fernando Heleno	RBC Insurance
Marie Nadeau	National Bank Insurance
Pete Thorn	TD Insurance
Derek Andrews	Scotiabank
Emily Brown	Sun Life
Louise Nash	CIBC Insurance

Staff:

Keith Martin, CAFII

Brendan Wycks, CAFII

CAFII Working Group On FCAC Appropriateness Guideline's Provisions Related To Authorized Insurance Products/Credit Protection Insurance—Summary Notes 11 August, 2021 Meeting

Martin Boyle provided an update on the FCAC and Bill C-86. He said that the implementation dates have been extended from April 1 2022 to June 30 2022. It is not clear however when the next standard of the document the FCAC is discussing with the CBA will be released. At BMO the timelines already established will not change, but the extension will provide a buffer if there are changes in the standards expected that require changes to the approach taken. RBC Insurance said that it is also working towards implementation on the original timeline. CIBC Insurance said that it was not where it wanted to be around the original timeline so the extension will be extremely helpful and will allow it to implement more effectively.

Martin Boyle also noted that the extension will give the FCAC more time to consider whatever feedback it receives from the public consultation. However, it is still not clear when the public consultations will begin and how long they will last. Martin then turned to things we could do as an Association to prepare for that public consultation when it does occur, such as the strong recommendation that the FCAC collaborate closely with the CCIR on this initiative. This will allow CAFII to better prepare for when it turns to writing the consultation submission letter to the FCAC. Another area was around C-86 and the piece about whether there is other insurance that covers the client's needs. The Act itself says that institutions need to take the customer's circumstances into account, and there are different ways institutions might do this. David D'Amico said that CAFII could also try to do some influencing around this issue, and explain to the FCAC the challenges around this expectation for credit protection insurance. The federal and provincial frameworks need to also work together.

It was suggested by Emily Brown that we could do more than suggest that the FCAC and CCIR speak, and actually determine where there are conflicts or contradictions. The Working Group has previously

determined that we cannot look at anything around adequacy of insurance, or a customer's needs, compliance cannot result in non-compliance with other regulations, and we cannot offer any form of advice. It was noted that some banks are using tools on their website and sometimes use them internally. CIBC Insurance actually sees the Appropriateness Guideline as an opportunity to deepen the conversation with clients—are there conversations that the FI can have with the client that allows them to know what insurance gaps they might have? Martin Boyle said that the value proposition allows the customer to understand how the product operates or the nature of the product, and it can be built on a given set of circumstances. Where there is a “step over the line” is where there is a recommendation or advice. On the other hand, explaining how the product should not be a concern, but what about “painting a picture” around what could be the impact of an event with or without insurance, which Keith Martin mentioned is something that is already occurring on the CAFII website. What cannot be done is assessing the adequacy of the insurance or the sufficiency of it.

Louise Nash asked about a component of the Federal Consumer Protection Act where if there is a refund of premiums due to a bank error, there is a need to provide interest at the Bank of Canada rate. However, at CIBC Insurance the insurers are managing client complaints. Louise Nash asked whether banks are having these conversations with their insurers. Martin Boyle said that this component only relates to items that are covered by the Bank Act or the mandate of the FCAC, but that if the insurer is handling the relationship they would still need to provide the interest. In a similar way, a discussion with the customer conducted by the insurer is still subject to the appropriateness guideline.

There was a discussion around travel insurance, and what to do when a customer is asked if they have travel insurance and say yes—what next steps does that lead to?

Martin Boyle Notes on Difference Between Value Proposition and Advice, 11 August 2021 Working Group Meeting

Hi Keith,

Below are the point form notes I captured on the discussion today regarding what we believe is permitted and prohibited for banks to discuss with customers (“value proposition” is considered to be “Permitted” and “advice” is “prohibited”). Let me know if you have any questions.

– **Value prop vs “Advice”**

- Value prop (Info to Support a Decision)
 - nature of product, how product operates in certain circumstance
 - product information
 - impact of events with or without insurance
- Advice: whether it fulfills an individual's need (Recommendation)
 - Determination of the likelihood of risks
 - Identifying needs – likelihood of risks; need for insurance; need for amounts of insurance
 - Adequacy of existing insurance; sufficiency of existing insurance; need to supplement existing insurance

Attendees at the 11 August, 2021 Working Group Meeting

Martin Boyle	BMO Insurance and Chair
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David D'Amico	BMO Insurance
Penny Cordogiannis	RBC Insurance
Anu Bains	CIBC Insurance
Emily Brown	Sun Life
Louise Nash	CIBC Insurance

Staff: Keith Martin

CAFI Working Group On FCAC Appropriateness Guideline's Provisions Related To Authorized Insurance Products/Credit Protection Insurance— Summary Notes 28 July, 2021 Meeting

Martin Boyle has not heard any further details about CBA providing comments to the FCAC on its latest draft of the Appropriateness Guideline. Pete Thorn reported that the April 1, 2022 deadline has been moved to June 30, 2022. This will be helpful since there is still no guidance on how to apply some of the requirements from FCAC. The next step will be the public consultations. This Working Group can help CAFI prepare for how to respond to the public consultations, including a running line of items we want to raise with the FCAC.

Derek Andrews from Scotiabank said eligibility is the backbone of what is being looked at, with an emphasis on a consistent approach on all channels. This will be done through systems and training, with eligibility dealt with upfront. Scotiabank may look at the debt that the customer is taking on and what plan they have to protect that debt. That may or may not be included in the process but it is being considered. However, there is no consensus yet around addressing the customer's ability to repay their debt. Another consideration is whether there are different approaches for different products—credit cards and mortgages develop completely different requirements. To the extent possible, Scotiabank is looking at trying to do this through systems, although timelines may push that component past the date for initial implementation.

A question was asked about how to respond to the answers from questions, for example if a customer says they have adequate insurance would CPI not be offered? Working Group members felt that this was a grey area and there was no clear answer. Martin Boyle said that it was important not to offer views that could be viewed by a provincial regulator as advice.

Pete Thorn said that TD was trying to be informative and educational with its questions, and help the customer to assess their own situation. TD is looking at an automated solution where possible, especially for CPI. The approach is focused on "this is what you need to think about." System solution is to try to provide the right questions to customers so that they have the information that they need.

Martin Boyle said that BMO wanted to develop knock-out questions around eligibility, along with a process around financial needs and limitations and exclusions. Some thought is being given to developing a waiver, where if the customer does not answer the questions asked they would waive the insurance. Customers would need to acknowledge that they understand the limitations and exclusions of the product.

CIBC is looking at eligibility questions. To the extent possible CIBC is looking at eligibility questions in the system. CIBC will indicate what are the pre-existing exclusions, and if the client does not answer those questions the insurance is waived. For telephone banking the approach is a scripted call. However, CIBC feels FCAC will focus on more than eligibility, and that is what it is struggling with right now. CIBC does not sell travel insurance, as it is actually sold by Alliance. TD also does not view travel insurance sold by third parties as in scope, but for travel insurance sold digitally it is view as being bank-sold. BMO feels that even if travel insurance is offered by a third party, it is the distributor and hence needs to meet the Appropriateness Guideline. RBC definitely views travel insurance as proprietary and in scope. Customers need to assess whether they have adequate travel coverage already, and this will be prompted to them through questions.

CIBC legal feels that the FCAC regulations may supersede the provincial regulations. CCIR says that provincial regulators have full jurisdiction over insurance, so there is a conflict of views between provinces and FCAC. Martin Boyle said that this needs to be resolved between the various bodies, and this is something that CAFII should advocate to the FCAC. It was also suggested that CAFII should itemize the areas where there could be conflict. There is a need for us to share more specificity around where there could be conflict between the federal and provincial regulations. Martin Boyle felt that CCIR and FCAC needed to share notes.

The appropriateness guideline requires a checklist before an offer is made. Information that the customer requires still has to be provided. It was noted that the FCAC does not specify insurance specifically, and that was a challenge.

Attendees at the 28 July, 2021 Working Group Meeting

Martin Boyle	BMO Insurance and Chair
Karam Al Saeygh	BMO Insurance
David D'Amico	BMO Insurance
Fernando Heleno	RBC Insurance
Penny Cordogiannis	RBC Insurance
Brad Kuiper	ScotiaLife Financial
Anu Bains	CIBC Insurance
Marie Nadeau	National Bank Insurance
Pete Thorn	TD Insurance
Aleks Omaljev NO LONGER ON WORKING GROUP	TD Insurance (legal)
Sara Motamedi	TD Insurance (legal)
Derek Andrews	Scotiabank
Ivana Veljovic	Assurant
Emily Brown	Sun Life
Louise Nash	CIBC Insurance

Staff: Keith Martin, Brendan Wycks

CAFII Working Group On FCAC Appropriateness Guideline's Provisions Related To Authorized Insurance Products/Credit Protection Insurance— Summary Notes 14 July, 2021 Meeting

Martin Boyle started off the meeting by providing an update on the latest draft that the FCAC has provided the CBA around the Appropriateness Guideline. The latest draft only gives the CBA a few weeks to provide a response. It reduces the number of principles from 7 to 5, but the two dropped principles—training, and oversight and record keeping—remain in the draft, but are now incorporated into other sections.

A new scope section provides potential opportunities for credit protection insurance to attempt to be treated differently, as the draft now says entities can tailor their policies and procedures (P&P) to deal with unique complexities around distribution. As well, the CBA will request of the FCAC that compliance with the FCAC Guideline cannot result in non-compliance with other regulations with which entities need to comply. As well, regulatory forbearance in the form of a deadline with at least some components of the Guideline will be requested.

Members of the Working Group then shared notes on how their institutions plan to comply with the Guideline. BMO indicated that they will focus on eligibility—can a customer expect to make a claim or receive a benefit? Knockout questions will be asked as part of this effort, for example ensuring that the applicant is in the required age range. Limitations and exclusions, and financial needs of customers, may be determined through acknowledgements from customers. Specifically, BMO is looking at 3 possible approaches around financial needs. One is a “call to action” where the customer is asked to review their existing insurance. Second, customers could be asked a question around whether they have existing insurance for this loan. Third, noting the importance of something is another approach—“important for you to review any existing coverage you may have to cover this loan.”

CIBC said that they were also focused on eligibility questions, some of which will be in the system, others which may be asked manually. Pre-existing conditions will be tackled through acknowledgements from customers. However, CIBC is not convinced that the FCAC will be satisfied that its criteria are being met through eligibility questions alone. As such, it is considering a “guided interaction” where customers are asked to consider whether they have existing insurance that covers their needs. BMO noted that it feels that for itself such an approach has to be done carefully to avoid any indication of providing advice. CIBC also indicated that it wanted to avoid repetitive questions and it would attempt to use information it already had if possible as opposed to asking questions to which it had the answers already.

RBC indicated that it is not intending to ask any financial needs questions. Its focus will be on an update to its P&P and to focus on the target market for the insurance, and around eligibility. This will partly be achieved through the use of knock out questions.

TD noted that it had a “waiver” where if someone wanted to obtain the insurance but did not want to be asked all the questions, it would be able to “waive” the questions. Eligibility would be the focus of the approach taken by TD.

At the conclusion of the meeting members of the Working Group said that they felt that the meeting were very useful and they felt that the Group should continue meeting over the summer months.

Attendees at the 14 July, 2021 Working Group Meeting

Martin Boyle	BMO Insurance and Chair
Karam Al Saeygh	BMO Insurance
David D'Amico	BMO Insurance
Fernando Heleno	RBC Insurance
Penny Cordogiannis	RBC Insurance
Anu Bains	CIBC Insurance
Marie Nadeau	National Bank Insurance
Pete Thorn	TD Insurance
Sara Motamedi	TD Insurance (legal)
Derek Andrews	Scotiabank
Ivana Veljovic	Assurant
Emily Brown	Sun Life
Louise Nash	CIBC Insurance

Staff:

Keith Martin, CAFII

Brendan Wycks, CAFII

Lyn Wallington, CAFII

CAFII Working Group On FCAC Appropriateness Guideline's Provisions Related To Authorized Insurance Products/Credit Protection Insurance— Summary Notes 16 June, 2021 Meeting

The CAFII Working Group On FCAC Appropriateness Guideline's Provisions Related To Authorized Insurance Products/Credit Protection Insurance had a wide-ranging discussion at its 16 June, 2021 meeting. Working Group Chair Martin Boyle shared that a revised draft of the FCAC Appropriateness Guideline was expected to be tabled with the Canadian Bankers Association (CBA) in June, 2021, but that had not yet happened. There would be a reduction of principles from 7 to 5, but it was not clear if two principles would be dropped, or if some principles would be combined.

There was a discussion of the different interpretations of what appropriateness was. There was also discussion about consent and whether that concept should be introduced into this exercise. It was noted that this exercise may be about confirming with or demonstrating to the regulator that we are in fact doing what we are already doing. We cannot give advice, but perhaps there can be an attempt to determine what customers need—a “guided approach” or interaction, perhaps focused on eligibility.

It was noted that the FCAC's expectations need to be delivered by April 2022, and that will come around very quickly. The timeline is challenging. It would be helpful if members of the Working Group could share the different approaches they were planning on taking. In that spirit, several members shared their high-level approach. BMO Insurance wants to ensure customers can benefit from a product they purchase; they must be eligible for the product, and able to make a claim if necessary. So there is a need to assess eligibility criteria like age, residency, the principal person taking out the loan etc.

CIBC Insurance said they also were planning on asking eligibility questions. There will be one-by-one questions, and if any of the questions is not answered correctly (such that the customer is eligible for the insurance), then they are not offered the product. Online system is based on the in-person script where information is gathered from the customer to ascertain eligibility for the insurance.

RBC Insurance was also taking the same approach around eligibility including asking questions around health and other relevant matters, for example “are you working?”

An issue several members raised is how to deal with eligibility for pre-approval (pre-x). How confirm eligibility especially in digital channels? This was viewed as a challenge. Several members asked how to deal with misrepresentations, especially around health questions? On job loss, it was felt that if a person for example was not working full-time where that is a requirement for making a claim, they should be “knocked out” of being offered the product.

There was discussion of giving customers a “Fact Sheet” letting them know they have a choice around obtaining the insurance. The question was raised of whether the customer should be asked to acknowledge that the product they were being offered was appropriate?

It was noted that the FCAC did not view credit card-embedded insurance coverages as in-scope for its appropriateness guideline.

Attendees at the 16 June, 2021 Working Group Meeting

Martin Boyle	BMO Insurance and Chair
David D’Amico	BMO Insurance
Louise Nash	CIBC Insurance
Marie Nadeau	National Bank Insurance
Derek Andrews	Scotiabank
Emily Brown	Sun Life
Anu Bains	CIBC Insurance
Karam Al Saeygh	BMO Insurance
Fernando Heleno	RBC Insurance

CAFII:

Keith Martin, CAFII

Brendan Wycks, CAFII

CAFII Working Group On FCAC Appropriateness Guideline’s Provisions Related To Authorized Insurance Products/Credit Protection Insurance— Summary Notes 2 June, 2021 Meeting

The CAFII Working Group On FCAC Appropriateness Guideline’s Provisions Related To Authorized Insurance Products/Credit Protection Insurance had a wide-ranging discussion at its 2 June, 2021 meeting. Working Group Chair Martin Boyle shared that a revised draft of the FCAC Appropriateness Guideline was expected to be tabled with the Canadian Bankers Association (CBA) in June, 2021. There

would be a reduction of principles from 7 to 5, but it was not clear if two principles would be dropped, or if some principles would be combined.

There was more discussion on what appropriateness really meant. Was it just an eligibility requirement? There was a consensus that signing up a client for a product that they could not make a claim on was not appropriate. However, it can also be difficult to verify pre-existing conditions at the time of enrollment. It was emphasized that in the credit protection insurance space there is no ability to do a needs assessment or to offer advice.

Many members of the Working Group noted that it was important for the FCAC to understand that CAFII members had to adhere and abide by provincial licensing restrictions. But it would be possible to ask some questions of customers, to “get a picture” of the customer. Perhaps the approach to take is to focus on the sales process, which seems to be what the FCAC is most interested in—things like disclosure, consent. If there is an age limitation for BPI, then that must always be a trigger for the offering institution (do not offer a product someone is not eligible for). Free look period should be changed to “review period” and it might be part of an appropriateness expectation.

Financial goals, risk appetite are examples of the sort of information members should not be collecting. There is an interesting issue around affordability tests that was raised, where a member indicated that upon mortgage renewal there might be a requirement to determine if the customer can afford the insurance—although it was raised that if they can afford the loan instrument, how could they not afford the insurance? There might be a financial literacy test applied to customers—if they do not understand the product, should it be offered to them?

Members noted that there could be an emphasis on some of the sales approaches taken, including compliance, audits, controls, scripts etc. to ensure that sales are appropriate. Members could emphasize that they never practice tied selling, and always make it clear that the insurance is optional. There is no post claims underwriting and that should also be emphasized.

Attendees at the 2 June, 2021 Working Group Meeting

Martin Boyle	BMO Insurance and Chair
David D’Amico	BMO Insurance
Brad Kuiper	ScotiaLife Financial
Marie Nadeau	National Bank Insurance
Pete Thorn	TD Insurance
Derek Andrews	Scotiabank
Ivana Veljovic	Assurant
Emily Brown	Sun Life
Anu Bains	CIBC Insurance

CAFII:

Keith Martin, CAFII

Brendan Wycks, CAFII

CAFII Working Group On FCAC Appropriateness Guideline's Provisions Related To Authorized Insurance Products/Credit Protection Insurance— Summary Notes 19 May 2021 Meeting

The CAFII Working Group On FCAC Appropriateness Guideline's Provisions Related To Authorized Insurance Products/Credit Protection Insurance held its first meeting on 19 May, 2021. The 30-minute meeting was mostly intended to be organizational, with the objectives and approach of the group being the key objective of this first meeting.

Working Group Chair Martin Boyle noted that it was recognized that not all participants would not all initially be on the same page in their work on or approach to the best response to the FCAC's Appropriateness Guideline, and that the intention was not to attempt to move everyone to the same position. However, there are common themes that the members may be able to agree upon. With an April 2022 implementation date for the FCAC's Appropriateness Guideline, it is advisable to try to get as much industry alignment as possible, and to agree on common views, such as the perspective that a needs analysis is not possible for credit protection insurance.

The FCAC has already indicated that it is working on a second preliminary draft of its Appropriateness Guideline, and the "word on the street" is that in it, the FCAC will scale back its original Seven (7) Appropriateness Principles to Five (5) Appropriateness Principles, although it is not clear whether that will mean that two principles will be cut entirely, or rather merged into other principles.

Working Group members noted the considerable ambiguity around the FCAC's approach, and the balance that needs to be struck between the FCAC's approach and provincial regulatory expectations and constraints which prohibit the offering advice in an unlicensed environment. The development of some common principles would be helpful, for example around industry's understanding of appropriateness, and around the constraints in credit protection insurance related to the Know Your Client and Know Your Product expectations which apply readily to other financial and insurance products. Incentives, remuneration, and other important issues could also be the subject of discussion. Topics could also include the principle of insurability/eligibility (the need to be able to claim on a product you are offered).

The Working Group also felt that approaches to compliance would be a useful subject of discussion. The issue of what the industry can do, and what the industry cannot do, could also be fruitful. Different members may have different risk appetites, but it would be good to get, at minimum, an industry baseline.

Attendees at the 19 May, 2021 Working Group Meeting

Martin Boyle	BMO Insurance and Chair
Karam Al Saeygh	BMO Insurance
David D'Amico	BMO Insurance
Fernando Heleno	RBC Insurance
Penny Cordogiannis	RBC Insurance
Brad Kuiper	ScotiaLife Financial
Marie Nadeau	National Bank Insurance
Pete Thorn	TD Insurance
Aleks Omaljev	TD Insurance (legal counsel)

Derek Andrews	Scotiabank
Ivana Veljovic	Assurant
Emily Brown	Sun Life

Staff

Keith Martin, CAFII

Brendan Wycks, CAFII