

CAFII Regulator Visit Report
Confidential: Not For Distribution

Regulator: FSCO
Date: July 18, 2013
Location: FSCO Office, North York
Purpose: *Life Insurance Product Suitability Review Focus Group Discussion*

Attendees:

FSCO: Anatol Monid, Director, Market Regulation Branch; Adrienne Warner, Market Intelligence Consultant, Market Regulation Branch; and four other members of the Market Regulation Branch

CAFII: Peter Kent, BMO Insurance/Assurance; Jason Beauchamp, RBC Insurance; Sue Manson, CIBC Insurance; and Brendan Wycks, Executive Director

This focus group discussion related to FSCO's Life Insurance Product Suitability Review – the scope of which FSCO had narrowed to include only term life, whole life, and universal life sales, primarily with a licensed intermediary in an “across the kitchen table” scenario – lasted approximately 75 minutes.

Noting that they were trying to gather information to establish a benchmark that would inform an online survey questionnaire, FSCO asked CAFII representatives for their views on the following questions:

- What are best practices at point-of-sale for term life, whole life, and universal life, in terms of establishing product suitability?; and
- With respect to the consumer's financial literacy,
 - what role do you see your company playing from (i) a general financial literacy perspective; and (ii) a product-specific financial literacy perspective?
 - what actions have you taken or will you be taking with respect to this?

Peter Kent of BMO Insurance/Assurance and Jason Beauchamp of RBC Insurance answered FSCO's questions, from their respective company perspectives, in significant detail and provided generous input.

Where appropriate, Peter and Jason took pains to differentiate their company's practices as between their proprietary/captive sales force and their use of independent agents.

Both placed significant emphasis on Needs Analysis/Personal Needs Assessment (PNA) practices, and on practices with respect to the management and oversight of Managing General Agents.

FSCO clarified that the information gathered through its series of stakeholder focus groups will be used to design an online survey for licensed agents. A random sample of agents will be sent a link to the survey, and their participation will be mandatory. In addition, site visits will be made to a random sample of the sample of agents who were required to complete the online survey. All stakeholders who participated in the focus group discussions will be given an opportunity to comment on the online survey questionnaire before it goes live.

In concluding discussion, Anatol Monid clarified that with respect to increasing expectations of insurers/distributors/MGAs/sales agents in the area of consumer financial literacy, “we’re not looking perfection. It’s a ‘reasonability test.’ How can we be certain that the consumer prospect understood that the product was ‘suitable’ for him/her?”