

**Report on CAFII Liaison Visits to
Nova Scotia, New Brunswick, PEI and Newfoundland
Regulators and Policy-Makers**

Background

From 14-17 May, 2018 a CAFII delegation held six (6) meetings with insurance regulators, policy-makers, and related bodies in Nova Scotia, New Brunswick, PEI and Newfoundland. This tour was part of the effort to fulfil a key element of the approved CAFII 3-5 year Strategic Plan, ie. to meet face-to-face with all key insurance regulators and policy-makers in their home locales at least once every 18 months.

The CAFII delegation comprised Pete Thorn, TD Insurance and EOC Chair (not in attendance at the Newfoundland meeting); John Lewsen, BMO Insurance; Moira Gill, TD Insurance (Newfoundland meeting only); and Co-Executive Directors Brendan Wycks and Keith Martin.

Each of the meetings was structured around a three-part agenda—(i) participant self-introductions and get acquainted chat; (ii) a presentation led by CAFII's Co-Executive Directors titled "CAFII: Past, Present, and Future" which included some background on the Association; a brief review of its priorities; a snapshot of its recent research outputs and their major findings; and an update on priority initiatives such as our revamped consumer-facing website and our new Strategic Plan; and (iii) discussion of current regulatory/policy issues of mutual relevance to CAFII and the body being visited.

14 May, 2018—Meeting with Nova Scotia Superintendent of Insurance

CAFII met with Nova Scotia Superintendent of Insurance William Ngu and with Deputy Superintendent of Insurance Jennifer Calder in their Halifax offices in Halifax on 14 May, 2018. A general observation was that William Ngu was more reserved and hesitant in his responses than Jennifer Calder, who seemed more familiar with the life and health insurance issues we raised. The discussion was general, and included the CAFII presentation "CAFII: Past, Present, and Future" which was received with interest, especially the section on our intention to conduct more research. There was support for our efforts to develop a consumer-focused website.

We discussed some of the issues raised in the media around travel insurance, and made the point that our 2015 Pollara research suggested high levels of satisfaction with travel insurance, including a 99% claims payout, which led to the comment from William Ngu and Jennifer Calder that some of the issues were around optics. It was suggested that some of the issues are around customer understanding of their policies, and it was recommended that the industry needed to avoid "lumping all ailments into one policy."

William and Jennifer advised that Nova Scotia does not plan to produce its own Fair Treatment of Consumers Guideline, but will instead align with what the CCIR develops. Nova Scotia understands the importance of harmonization, and it was agreed that there needed to be an ongoing focus on this in all regulatory jurisdictions.

The FCAC Report on bank sales practices was raised, and CAFII noted that there was no evidence provided of wide-spread mis-selling.

William and Jennifer agreed that regulators' facilitation of digital-based innovations and solutions provided benefits for both consumers and the industry. They politely bragged about and celebrated the fact that their province had recently become the first jurisdiction in Canada to permit and introduce "electronic pink slips" for automobile insurance.

However, with respect to making the necessary legislative and/or regulatory changes to permit electronic beneficiary designations, William and Jennifer said that they had concerns about such an initiative which were related to fraud prevention and potential abuse of vulnerable people, as well as privacy concerns. (We heard this message consistently in our meetings with the four Atlantic Canada regulators; and subsequently felt that this should not be a high priority advocacy issues for CAFII at this time.)

William said that Nova Scotia has no intention of moving down the road of having an RIA licensing regime. (We subsequently learned that New Brunswick is already "well advanced" in its plans to introduce an RIA regime; and that Nova Scotia had apparently indicated that they would be willing to consider following if such an approach was implemented in other Atlantic Canada jurisdictions. We therefore believe this might have been a forgotten or missed issue in our discussion with William and Jennifer. Based on other comments made, we do believe that an RIA regime is a possibility which Nova Scotia will consider at some point.)

Nova Scotia's priority attention in insurance right now is on the auto sector; there are no top-of-mind life or health issues at this time, nor are there any regulatory matters that are pressing in this area. While there is a hypothetical interest in Atlantic Canada policy harmonization, at a practical level this is not something that is garnering much attention, and there is no formal collective regulatory effort underway or currently contemplated.

14 May, 2018—Meeting with New Brunswick Superintendent of Insurance

CAFII met with New Brunswick Superintendent of Insurance Angela Mazerolle and Deputy Director, Insurance David Weir in their FCNB offices in Fredericton on 14 May, 2018. Early on in the meeting, we were surprised to hear from Angela Mazerolle that there was serious interest in implementing a Restricted Insurance Agent (RIA) regime in New Brunswick, and that this initiative was already "well advanced."

Because it would need to be implemented after the Fall 2018 provincial election, the launch of an RIA regime is probably at least a year away, but this was definitely something the Superintendent of Insurance was working on. It was noted that unlike is the case in the three Western Canada jurisdictions that have an RIA regime, there are no plans to introduce an Insurance Council regulatory structure in New Brunswick. More specifically, New Brunswick intends to license "incidental sales of insurance" through an RIA regime; and will not reinvent the wheel, but rather look at other jurisdictions with such a regime already in place, with Manitoba being specifically mentioned. This would require some "bare bones" legislative amendments, with more specific framework details coming in the form of regulations that will be drafted by the Superintendent of Insurance.

CAFII emphasized the importance of harmonization with other jurisdictions that have an RIA regime in place. Angela and David noted that there is no plan/intention to coordinate this initiative with the other Atlantic Canada provinces. Since New Brunswick is most advanced among the Atlantic Canada provinces on this initiative, it was felt that it would move forward on its own, and the other three provinces in the region might seek to align themselves with New Brunswick at a later date.

Our “CAFII: Past, Present, and Future” presentation was well-received; and there was constructive dialogue around the information we provided to dispel some of the inaccurate information that has been voiced by competing channels about CAFII members’ CGI products and about alternate distribution, such as the high levels of consumer satisfaction and claims payouts that the CAFII-commissioned objective research evidence has identified.

On the issue of electronic beneficiary designations, New Brunswick expressed the same concerns as Nova Scotia had around potential abuse of such a capability.

It was noted that there are about 90 people working in total at the FCNB, with about 20 in pensions and insurance, and about 10 in insurance alone, most of them on the automotive insurance side.

15 May, 2018—Meeting with Opportunities New Brunswick

CAFII met with Cameron Bodnar, Director of Strategy and Planning, Opportunities New Brunswick; Alec Manley, Market Intelligence Consultant; and Melissa Gottshall, Strategic Planning Specialist, at the Opportunities New Brunswick offices in Fredericton on 15 May, 2018. The ONB is an “arms length” Crown Corporation that tries to attract business to New Brunswick. It looks at issues that can affect business investment, such as taxes, business environment, infrastructure, quality of life, labour force attractiveness, etc. New Brunswick is an attractive place to do business, it was noted, although it has some challenges, including talent retention, and an aging population. New Brunswick was the only Canadian province in the latest census to experience an absolute decline in population.

There are 8 to 9 ONB teams across the province that work collaboratively to attract business to New Brunswick. There are immigration pilot projects as well in New Brunswick, to try to attract new Canadians to the province. There are specific initiatives, such as developing centres of excellence in cyber-security—where it was noted that New Brunswick’s relatively stable climate/temperature conditions relative to other jurisdictions in Canada gave it an infrastructure advantage for locating large computer centres.

Fintech is an area in which New Brunswick is hoping to attract more investment to the province. ONB can be an advocate internally in New Brunswick with political and regulatory authorities on issues of importance to business.

CAFII raised some issues that we had previously written the ONB on regarding regulatory concerns, and these were discussed and reviewed. It was noted that some of our members, such as TD Insurance, had significant contact centre investments in New Brunswick.

After the meeting had concluded and CAFII’s representatives were taking their leave, Cameron Bodnar suddenly recalled a CAFII-relevant piece of news which he wished he had mentioned earlier. He noted that in recent Atlantic Canada Council of Premiers meetings, the issue of a harmonized, single insurance licensing regime for all four provinces had been discussed and advanced. Cameron promised to dig up some further intelligence on that initiative and communicate it to CAFII.

(It was agreed that CAFII and ONB would continue to keep in touch. Subsequent to the meeting, it was suggested that on our next tour of Atlantic Canada, there might be some meetings—with ONB being an example—where CAFII should continue to meet and seek to maintain a mutually beneficial, face-to-face relationship, but perhaps with the Co-Executive Directors only involved and spending the time, with CAFII volunteer leaders participating exclusively in insurance regulator and policy-maker meetings.)

15 May, 2018—Meeting with Michèle Pelletier, Consumer Advocate for Insurance, New Brunswick

CAFII met with New Brunswick Consumer Advocate for Insurance Michèle Pelletier over lunch in Fredericton on 15 May 2018. Michele drove from Bathurst, New Brunswick (three-hour trip one-way) for the meeting. It became apparent to us very quickly that Ms. Pelletier is much more familiar with and focused on auto insurance issues than on life and health insurance, which she offered was not the subject of many complaints (she could not be specific as her office does not keep statistics). In many respects, her office has the role of provincial ombudsman for insurance, with a focus on protecting consumers and calling out prohibited practices. However, she has no enforcement powers, no rate-setting authority, and mostly operates through moral suasion and occasional interventions with other authorities or with the media.

She did say that denial of claims is a top concern, and there are occasional issues around travel insurance, but she felt that overall under 5% of complaints were in the areas of insurance which CAFII focuses on. She has a staff of five. She was at the CLHIA Conference in London, Ontario in May, 2017; and plans to attend again next year in Niagara Falls, Ontario, where John Lewsen said he would try to get her a spot as a panelist. On a side note, her husband René Arseneau was elected in the most recent federal election as the Liberal Member of Parliament for Madawaska—Restigouche, New Brunswick.

16 May, 2018—Meeting with PEI Superintendent of Insurance

CAFII met with PEI Superintendent of Insurance (and CCIR Vice-Chair) Robert Bradley and Compliance Officer Phillip McInnis at their offices in Charlottetown on 16 May, 2018. Robert Bradley indicated that there were no plans to dedicate resources to reviewing the life and health insurance provisions of the PEI Insurance Act at this time. We were interested to learn that Robert was fully aware of the efforts in New Brunswick to introduce an RIA regime. He said the other Atlantic provinces were all well aware of this initiative—including Nova Scotia—and all had indicated that they might consider doing something similar after they had the opportunity to see how such a regime was playing out in New Brunswick. PEI, he explained, did not have the resources to initiate such efforts, but would be a willing follower if there was a reason to move in this direction.

There was discussion of electronic commerce, and of fintech. There had previously been an Atlantic Canada Taskforce on ISI, but it was disbanded in 2011; and despite much talk, there is little being done in the way of harmonization, he acknowledged. There was mention made that given the limited resources available in PEI; if New Brunswick were to implement an RIA regime, one possible option for PEI to be able to follow suit would be to license the use of New Brunswick's electronic registration portal for PEI purposes.

Robert advised that if PEI chooses to adopt a Fair Treatment of Consumers Guideline, it will simply take what the CCIR develops and adopt it. He understood our concern about parallel efforts on FTC from FSCO and CCIR, but felt that at some later point the two documents may simply be merged into one.

He felt that the International Monetary Fund was likely to be back in Canada for a follow-up assessment visit on behalf of the International Association of Insurance Supervisors, possibly as early as June 2018, and he thought it likely they would go again to Ontario and Quebec for their investigations. **He also felt it was possible they may investigate a few private sector insurers and do a deep dive into their practices.**

Mr. Bradley said that the CCIR would hold stakeholder meetings again in October, 2018, but he expressed the desire—which he has shared with his CCIR colleagues and their Secretariat—that the meetings be limited to those stakeholders most directly involved in the industry. For example, he did not see the point of CCIR meeting with a group representing TPAs. While prefacing this comment with an acknowledgement that CAFII was not guilty of such lapses and poor uses of time in its stakeholder meetings with CCIR, he noted that some other stakeholders routinely begin with long “who we are” background, which only serves to tell CCIR information which they already know. He suggested that participants in the meetings should quickly get into their key priorities.

Electronic proof of insurance – ie. electronic pink slips for auto insurance -- was an area of contention in PEI, as in some other jurisdictions, including around privacy concerns, Robert indicated.

In an interesting closing issue raised for discussion, Robert raised an industry trade press article that had just come to his attention that morning which suggested that *The Personal* auto insurance company (subsidiary of DFS) had been accused of using credit scores to adjust and deny some auto insurance claims, something which CAFII’s participants agreed was a “bad faith practice” if indeed the allegations were true.

17 May, 2018—Meeting with Newfoundland Superintendent of Insurance

CAFII met with Newfoundland Acting Superintendent of Insurance Craig Whalen, and Pam Senior, Senior Policy Analyst. For the last half hour of our session, we were also joined by Sean Dutton, Deputy Minister, Service Newfoundland, who was interested in our presentation on “CAFII: Past, Present, and Future” and asked several pertinent questions.

Mr. Whalen noted that there were many competing priorities for the attention of the Superintendent of Insurance, with limited resources available. There was some reference to the importance of CCIR and CISRO to coordinate the activities of different jurisdictions; and Mr. Whalen said that he was pleased that the two bodies were cooperating in the development of a Guideline on the Fair Treatment of Customers, something he expected to also occur in other areas over time. Pam Senior noted that she was on the CCIR Market Conduct Working Group.

There was awareness of New Brunswick’s work on introducing an RIA regime, but no intention in the short term to do something similar in Newfoundland. The province would see what New Brunswick develops, and then see if it made sense for them to follow suit thereafter.

It being noted that Newfoundland had only recently become a signatory to CCIR’s *Memorandum of Understanding On A Framework For Co-operative Market Conduct Supervision*, Craig indicated that his province would be seeing data for the first time coming out of the Year 2 version of the CCIR Annual Statement on Market Conduct. It was suggested that the data from the first two years of the Statement were not at a stage where they could be readily analyzed on a jurisdiction-specific basis; but going forward, that was definitely the intention. There was appreciation for CAFII’s emphasis on the importance of harmonization across provinces.