

November 30, 2022

Mr. Robert Bradley
Chair, Canadian Council of Insurance Regulators
c/o CCIR Secretariat
25 Sheppard Avenue West, Suite 100
Toronto, Ontario M2N 6S6
E-mail: ccir-ccra@fsrao.ca

Re: CAFII Feedback on CCIR Draft Strategic Plan, 2023-2026

Dear Mr. Bradley:

The Canadian Association of Financial Institutions in Insurance thanks the Canadian Council of Insurance Regulators for inviting our Association to provide feedback on the Council's *Draft Strategic Plan, 2023-2026*, both as one of a small group of key stakeholders chosen to provide preliminary, verbal feedback in a Virtual Stakeholder Session on November 4/22 and via this written submission.

CAFII is strongly of the view that regular, transparent, candid communication between insurance regulators/policy-makers and industry stakeholders leads to better regulatory and Fair Treatment of Customers (FTC) outcomes, and increases industry efficiency and effectiveness.

Our Association and its members regard the CCIR as a critically important national co-ordinating body which plays a critical role in the life and health insurance sector. The fact that over 50 CAFII Member representatives – each having accepted the terms of a Confidentiality Undertaking to comply with the terms of CCIR's embargoed sharing of its *Draft Strategic Plan, 2023-2026* – took the time to attend the November 4/22 Virtual Stakeholder Session is indicative of our members' keen interest in CCIR's strategic direction and priorities.

We are largely supportive of the broad direction and the specific priorities set out in the *Draft Strategic Plan, 2023-2026*. Our feedback comments, therefore, relate mainly to matters of emphasis and refinement.

We have divided our feedback into two main sections: Broad Strategic Themes Feedback; and Specific Strategic Priorities Feedback.

Broad Strategic Themes Feedback

Harmonization

For CAFII Members and other regulated entities, a key objective for a national regulatory co-ordinating body such as CCIR must be harmonization. We therefore encourage CCIR to identify harmonization as a prominent objective in the *Draft Strategic Plan, 2023-2026*.

We want to acknowledge the several recent, kudos-worthy examples of provincial/territorial regulators making an exemplary decision in support of national harmonization, such as when BCFSA adopted national definitions around Information Security Incident Reporting; and when FSRA, in Ontario, and the Alberta Superintendent of Insurance (ATBF) and the Alberta Insurance Council, collectively, adopted CCIR/CISRO's *Guidance: Conduct of Insurance Business and Fair Treatment of Customers* as the code of conduct for their respective jurisdictions.

That said, CAFII is always concerned about the implications of a lack of harmonization. For example, when jurisdictions adopt their own slightly different versions of regulatory Guidance, industry players are compelled to allocate resources to 'exception management', i.e. understanding the subtle differences in wording between jurisdictions and acting upon the resulting differences in compliance obligations, as distinct from being able to dedicate the entirety of their attention and resources to meeting the underlying FTC objectives. In that respect, for CAFII Members, regulatory harmonization is about supporting customer-centricity and enabling regulated entities to deliver the best customer experience.

However, we also recognize that national harmonization is an ideal and that there will sometimes be unavoidable exceptions. We note that in the Q&A Session which wrapped up our November 4/22 Virtual Stakeholder Session with CCIR, a Council member inferred (mistakenly) that the feedback comment we had delivered about the implications of a lack of harmonization was directed at the fact that Quebec/the AMF has its own version of an FTC Guidance. However, CAFII fully appreciates the reality of Quebec's unique culture, language, and heritage; and we are aware that the AMF developed the province's own FTC Guidance (the Sound Commercial Practices Guideline) well before the CCIR/CISRO Guidance was developed and released in 2018; that the AMF is an integrated financial services regulator with responsibility for more than just insurance and, as such, its Guidance needs to encompass more than just the insurance industry; and that Quebec is governed by a civil law, not common law, legal framework which makes its situation different from other provinces and territories. Our feedback comment about the implications of a lack of harmonization was meant to be general in nature, and reflective of jurisdictions other than Quebec that may be contemplating their own FTC Guidance.

In that same vein, CAFII recognizes that the *CCIR/CISRO FTC Guidance* is intended to be a living, evolving document; and that additional sections will be developed over time. We note, in that respect, the work which CCIR/CISRO has recently been engaged in around incentives management. We believe that supplemental guidance such as that related to incentives management should be tackled and fully completed at a national level – at the CCIR/CISRO joint co-ordinating body table -- to avoid the emergence of a patchwork of slightly differing regulatory expectations across the country.

Co-ordination Of Timing Of Regulatory Consultations Among CCIR Members

CAFII also encourages CCIR to deploy some of its Secretariat expertise to co-ordinate better the timing of regulatory consultations being initiated by its provincial/territorial members; and to help avoid significant overlap among those consultations.

By way of example, as regulators have returned their focus and attention to priorities which may have been deferred for a time during the COVID-19 pandemic, CAFII and other industry Associations have been exposed to an unprecedented level of regulatory consultation activity over the past two years, with our Association having made 17 written submissions in total over the past 12 months alone: to five different CCIR provincial/territorial members and to CCIR and CISRO as national co-ordinating bodies, several of which had competing submission deadlines. Co-ordination of provincial/territorial member consultations, at the CCIR level, would help CAFII to dedicate a singular focus and undivided attention to each submission and prevent our finite resources from being spread too thin; and, at a minimum, if regulatory authorities were more fully aware of the planned timing of others' consultations, they may be in a better position to determine the best timeline for their own.

Joint CCIR/Industry Working Group On Pandemic Learnings And Being Prepared For The Next Time

CAFII believes that much has been learned by both regulated entities and regulatory authorities during the COVID-19 pandemic years, as evidenced by how both were able to move to an at-home work model and rapidly provide stakeholders and consumers with digital means of communicating with them. CAFII therefore recommends that CCIR, as part of its *2023-2026 Strategic Plan*, strike a Joint CCIR/Industry Working Group to review pandemic learnings – e.g. what went well, what could have been done better, and what we can do together to prepare for the next unforeseen event – and to identify improvements that can be implemented to support readiness to assist consumers in the event of a similar world-changing scenario.

Vehicle For Regular, Ongoing Dialogue With Industry Stakeholders

CAFII encourages CCIR to build into its *2023-2026 Strategic Plan* a vehicle for regular, ongoing dialogue with industry stakeholders on issues that are top-of-mind for regulated entities, such as the future of digitization and digital communication with customers; leveraging the Annual Statement on Market Conduct more fully in the gathering of industry data, to minimize the need for one-off data requests from provincial/territorial jurisdictions; and continuing regulatory efforts to identify and act upon compliance burden reduction opportunities.

Specific Strategic Priorities Feedback

Annual Operational Plan

CAFII applauds CCIR for the *Draft 2023-2026 Strategic Plan's* new emphasis on the development of an annual operational plan. Having an annual operational plan will provide the Council with both more readily identifiable short-term goals and a basis for flexibility to adjust the overall Plan to changing circumstances, if warranted. We look forward to an opportunity to be consulted by CCIR on the Council's annual operational plan in future years.

CCIR/CISRO Segregated Funds Guidance

During our November 4/22 Stakeholder Session, we advised that our Association would not be commenting on the Segregated Funds Guidance priority set out in the proposed annual Operational Plan, 2023-24, because Segregated Funds are out-of-scope for CAFII. We want to emphasize in this submission that CAFII recognizes that Segregated Funds are an important part of the life and health insurance marketplace, and that they constitute a critical area for CCIR/CISRO oversight.

Our November 4 comment was made out of respect for the importance of this CCIR/CISRO area of responsibility — so that our not offering any feedback on it would not be viewed as a failure to appreciate its importance, but rather as a simple reflection of the fact that Segregated Funds do not fall within CAFII's mandate.

Alignment With International Standards

CAFII applauds CCIR's intention to align its Guidance and the other regulatory documents it produces with international standards, in particular standards produced by the International Association of Insurance Supervisors (IAIS). That said, we encourage CCIR to ensure that Canada's business marketplace and regulatory framework realities are always taken into account in the application of international standards. Canada's business culture is already more aligned with regulatory expectations than is the business culture in many other jurisdictions. Correlated with that, this country's provincial/territorial insurance regulators and policy-makers create and enable a professional, proactive, and properly-funded system, which is not always the case with their counterparts in other jurisdictions.

Overall Strategic Priorities

CAFII supports the three main Strategic Priorities which CCIR has proposed for 2023 to 2026: Enhance Consumer Protection and Alignment With International Standards; Demonstrate Regulatory Efficiency and Effectiveness Through Co-operative Supervision; and Strengthen Regulatory Outcomes Through Collaboration and Stakeholder Engagement.

However, with respect to the Strengthen Regulatory Outcomes Through Collaboration and Stakeholder Engagement priority, we encourage CCIR to call out the importance of working collaboratively not only with counterpart regulatory authorities, but also with industry stakeholders and the Associations that represent them such as CAFII, CLHIA, and THIA in the life and health insurance sector.

Standing Committees

With respect to CCIR Standing Committees, CAFII believes that the committees itemized in the *Draft Strategic Plan, 2023-2026* cover all of the key issues that are germane to the Council's mandate. That said, we encourage use of language in the Strategic Plan which will make it clear that over the course of the three-year Plan, new Committees may be formed to respond to emerging issues. As has been driven home to all of us during the COVID-19 pandemic, the future is unpredictable; three years can be a relatively long time horizon; and issues may arise during that time span which are not on anyone's radar at this time.

Innovation Committee

Innovation is certainly an appropriate focus for a CCIR committee. However, CAFII recommends that the Council consider creating a separate, but related technology-oriented committee: one focused on technology's role in enhancing regulators' capabilities. In terms of rationale for this recommendation, we note recent advancements in RegTech, as well as the relentless push for digital capabilities in the economy and society generally. Such advancements are challenging all organizations and we suggest that it may be worthwhile for this to be a formal area of CCIR committee work. This recommendation lines up with the Council's own recognition of the impact of "Technological Advancements and Innovation" under "Key Issues and Emerging Trends."

Key Issues and Emerging Trends: Technological Advancements and Innovation

CAFII takes issue with the wording of the final sentence under “Technological Advancements and Innovation” because it seems to imply that the use of technology to sell products to consumers inherently introduces the risk of unsuitable sales. We do not agree that there is inherently any greater risk in digital sales versus sales via other channels. The risk of an unsuitable sale is there just as much in the face-to-face, advice-based channel. What is required to protect against a product being sold which is not suitable for the customer’s unique circumstances is that FTC has been built into the sales practices of the business by design/intent.

Key Issues and Emerging Trends: Climate Change and Natural Catastrophes

This is an area of increasing interest in the life and health insurance sector because climate change is impacting upon mortality, morbidity, and the life and health outcomes of Canadians generally. CAFII and its members have developed notable expertise in this area over the past few years. Our Association would be pleased to co-operate and participate with CCIR in the life and health insurance aspects of its planned consumer communication and awareness initiative related to Climate Change and Natural Catastrophes, if the Council would like to avail of our offer of assistance.

Conclusion

In conclusion, CAFII reiterates that our Association and its members share CCIR’s strong focus on FTC. We look forward to continuing meaningful discussions with CCIR on this critically important element of the Council’s mandate, in connection with the *Strategic Plan, 2023-2026*; annual operational plans; and other initiatives.

We also want to underscore that the life and health insurance industry in Canada provides critically important protection to consumers. We believe that, overall, the industry is functioning well and delivering good value to customers. Promoting consumer confidence in the industry is an important part of the mandate of CCIR and its members. Therefore, while the discovery of unfair sales practices or other lapses from regulatory norms must be dealt with, we respectfully also encourage CCIR and its members to consider the importance of the life and health insurance industry to Canadians; such that, where warranted, you are also prepared to share positive data analyses and good news stories about the soundness, safety, and integrity of the industry with consumers, media, and the industry itself.

Thank you again for the opportunity to provide written feedback on the *Council’s Draft 2023-2026 Strategic Plan*. We look forward to continued dialogue and collaboration with CCIR and its members on this and related matters.

Sincerely,



Rob Dobbins
Board Secretary and Chair, Executive Operations Committee

About CAFII

CAFII is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. Our Association was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels. Our members provide insurance through client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the internet.

CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services. Our members offer credit protection, travel, life, health, and property and casualty insurance across Canada. In particular, credit protection insurance and travel insurance are the product lines of primary focus for CAFII as our members' common ground.

CAFII's diverse membership enables our Association to take a broad view of the regulatory regime governing the insurance marketplace. We work with government and regulators (primarily provincial/territorial) to develop a legislative and regulatory framework for the insurance sector which helps ensure that Canadian consumers have access to insurance products that suit their needs. Our aim is to ensure that appropriate standards are in place for the distribution and marketing of all insurance products and services.

CAFII's members include the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Insurance; National Bank Insurance; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players Assurant; Canada Life Assurance; Canadian Premier Life Insurance Company; Canadian Tire Bank; CUMIS Services Incorporated; Manulife (The Manufacturers Life Insurance Company); Sun Life; and Valeyo.