

February 15, 2022

Mr. Mark White, CEO; and  
Financial Services Regulatory Authority of Ontario  
5160 Yonge St., 16th Floor  
Toronto, ON M2N 6L9

**RE: CAFII Feedback on Information Guidance on Complaints Resolution: Policy Framework and Best Practices**

Dear Mr. White:

The Canadian Association of Financial Institutions in Insurance (CAFII) thanks the Financial Services Regulatory Authority (FSRA) of Ontario for the opportunity to provide comments on FSRA's *Information Guidance on Complaints Resolution: Policy Framework and Best Practices*.

Given the importance of complaints handling to businesses' ability to satisfy and retain their customers, we support FSRA's development of a "principles-based, cross-sectoral framework designed to guide FSRA's policy work on complaints resolution."

Fair treatment in all aspects of an organization's dealings with customers is critical, and complaints resolution is a key component of this. CAFII members dedicate considerable resources to ensuring that proper resources, training, and support exist to ensure that customers who have a complaint are dealt with in a fair, timely, transparent, and effective manner. We therefore fully support FSRA's expectation that complaints processes need to be consumer-focused and accessible, fair, timely, transparent, and effective.

We also support the G20/OECD definition of "complaint" which FSRA has adopted, for purposes of this Guidance, as follows:

*a statement of a consumer's dissatisfaction with the action, service or product of a financial services provider or an authorized agent.*

With respect to the nine best practices in complaints resolution identified by FSRA, we agree with and support each of them, save and except for #7.

Below, we offer a feedback comment on each of the nine best practices; and then address the four feedback questions posed by FSRA.

**#1: Complaints resolution is an element of consumer protection frameworks.** CAFII wholeheartedly agrees with this best practice statement. Our members have robust complaints handling systems in place for precisely that reason. Regulations in this area should be principles-based and outline expected customer outcomes rather than specify internal processes and business models to be followed.

**#2: Consumers have access to IDR through their financial service providers.** CAFII agrees that an internal dispute resolution (IDR) process must be in place as a first avenue of redress for consumers who have a complaint; and that it should be rooted in fair treatment of customers and best practices.

CAFII is also strongly of the view that businesses should always have the opportunity to manage a complaint outside of a formal complaint handling process. In fact, most complaints today are effectively handled and resolved in an informal manner at Level 1. If formal complaint management procedures were to be required for all types of complaints, including those at Level 1, their redress and resolution would become needlessly complicated, without tangible additional benefit to customers.

*#3: IDR processes are required to have certain consumer-focused features.* CAFII agrees with all of the consumer-focused features which FSRA itemizes as being integral to internal dispute resolution (IDR) – including accessibility, fairness, timeliness, transparency, and effectiveness – and which should be at the core of the IDR process in every organization. With these principles addressed in a company's IDR process, its complaint management protocol should also be structured to support the best possible customer experience. All of CAFII's members have an IDR mechanism in place.

*#4: Consumers have access to EDR when their complaint cannot be adequately resolved through IDR.* CAFII agrees with and supports the best practices premise that if a consumer complainant is not satisfied with the outcome of an IDR process, there then needs to be an external dispute resolution (EDR) service made available. All of CAFII's members have an EDR service in place. We are of the view, however, that it is more effective to allow financial institutions to determine for themselves the optimal mechanism for offering EDR to their customers. As such, we do not support the model used in Australia, where the Australian Securities and Investments Commission (ASIC) requires financial institutions to participate in and fund the Australian Financial Complaints Authority (AFCA) as a one-body-fits-all approach.

*#5: EDR mechanisms are independent from financial service providers and consumer groups:* CAFII agrees with the best practice precept that the independence of EDRs is essential to their impartiality.

*#6: EDR mechanisms have the ability to reliably secure redress for consumers:* CAFII agrees with the best practice precept that EDR bodies need to be able to reliably secure redress for consumers, with strong emphasis placed on the operative word "reliably" as opposed to "always." In that connection, it is our Association's view that current EDR mechanisms and processes in Ontario and Canada should not be changed or made more onerous – for regulated entities or for consumer complainants -- in the absence of clear evidence that such change is necessary to address an existing shortcoming. In Canada, GIO, OBSI, and OLHI are all non-binding EDR bodies; and they have been largely successful at resolving consumer complaints which have been escalated to them, and at securing redress for consumers where warranted.

In many cases, an EDR is able to provide further information to an insurer which may support a change in position. In cases where an insurer disagrees with the recommendation from an EDR, there are recourse measures for the EDR (public reports, etc.) and for the customer (potential legal action). If EDR programs were to have the power to issue binding recommendations, then an avenue of appeal for the insurer would have to be put in place, which would complicate the overall process. Currently, cases in which a non-binding recommendation from an EDR is rejected by an insurer are rare.

We believe that the current system of EDR bodies in Canada works well and does not require substantive change or replacement.

*#7: There is only one EDR body for a particular financial services sector.* CAFII takes issue with and does not support this proposition, as we do not view it as being evidence-based. While the system of EDR bodies in Canada has evolved to a state where there is more than one EDR utilized by the country's major banks, the current situation has not in our view resulted in any of the potential problems identified in this section of the Guidance. As noted above, our Association does not support a one-body-fits-all approach. To that end, we concur with FSRA's astute observation in the Guidance that trying to have one EDR for the entirety of the financial service industry in Canada would not work, given the reality of different jurisdictional authorities over different sectors (e.g.s, federal jurisdiction over banks in general, but provincial/territorial jurisdiction over insurance including insurance offered by federally regulated financial institutions).

*#8: Regulators have access to complaints data from their regulated sectors and use the data to strengthen their regulatory efforts:* CAFII strongly supports data/evidence-based financial services regulatory and policy-making decision-making. Every year, CAFII member insurers, and their FI distributor business partners, provide an extensive array of data to regulators, through CCIR's Annual Statement on Market Conduct (ASMC) and through the Financial Consumer Agency of Canada (FCAC)'s complaints reporting requirements. In that connection, we are strongly of the view that it is far more efficient for complaints resolution information and other data points to be collected nationally by the CCIR ASMC, as opposed to having separate provincial/territorial data-gathering initiatives. All of the data provided through the ASMC are capable of being segregated on a provincial/territorial basis; and, as such, ASMC data should be just as informative for FSRA as data gathered through a repetitive and burdensome, for industry, FSRA-independent initiative would be.

*#9: Regulators serve an oversight role in the complaints resolution process:* CAFII agrees with and supports this best practice statement on the importance of regulatory oversight. We view the important FSRA Guidance being discussed here as an example of that oversight role in practice.

### **Feedback Questions Posed By FSRA**

1. Best practices: are there additional best practices that FSRA should explore or consider in the context of its work on complaints resolution?

CAFII believes that FSRA has a role to play in informing consumers about their rights and about relevant EDR mechanisms. Fostering consumer financial literacy by helping consumers to better understand the insurance marketplace would also help to reduce complaints and misunderstanding.

2. Policy Framework: does the Policy Framework include the appropriate principles? Are there any other principles that merit consideration in FSRA's Policy Framework?

CAFII believes that FSRA's Policy Framework does include the appropriate principles.

3. FY2022-23 work: are there specific topics or issues that FSRA should explore during its upcoming work to strengthen its understanding of the current complaints resolution system?

CAFII recommends that FSRA play a leadership role in achieving a harmonization among provincial/territorial and federal approaches to regulatory oversight of the complaints resolution process. There is no consumer or regulatory benefit to the existence of different regulatory approaches to the monitoring of complaint handling in Canada. All provincial/territorial and federal regulatory authorities should have a common view of the way complaints should be managed. The existence of different approaches across the country does not deliver greater consumer protection benefits, and it also creates unnecessary confusion for Canadians and increased regulatory burden for CAFII member companies and the financial services industry at large.

As a further response to this question, we refer FSRA back to the CCIR ASMC as a robust source of data insights that may suggest specific topics or issues to be explored, and for strengthening understanding of the current complaints resolution system.

4. General feedback: are there other topics, issues, or themes that FSRA should consider in the context of its work on complaints resolution?

We do not have any particular topics, issues, or themes to suggest. However, CAFII is strongly of the view that in pursuing its work on complaints resolution, FSRA should start from the evidence-based foundational premise that there is no major gap or issue to fix regarding complaint handling at this time. Enhancements and refinements can certainly be considered, but the current complaint resolution system operating in the financial services and insurance industries in Ontario, and throughout Canada, is not broken.

### Conclusion

CAFII again thanks FSRA for the opportunity to provide key industry stakeholder feedback on the Authority's *Information Guidance on Complaints Resolution*. We extend our Association's appreciation for FSRA's continued commitment to open and transparent communication and consultation. Should you require further information from CAFII or wish to meet with representatives from our Association on this submission or any other matter at any time, please contact Keith Martin, CAFII Co-Executive Director, at [keith.martin@cafii.com](mailto:keith.martin@cafii.com) or 647-460-7725.

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.