

November 17, 2023

Huston Loke
Chair, Canadian Council of Insurance Regulators
C/O Financial Services Regulatory Authority of Ontario
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Raseema Alam, Policy Manager, CCIR
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Dear Mr. Loke,

The Canadian Association of Financial Institutions in Insurance (CAFII) would like to thank the Canadian Council of Insurance Regulators (CCIR) for the opportunity to respond to your proposed new definition of a complaint and the directly related proposed new approach to the reporting of complaints via CCIR's Annual Statement on Market Conduct (ASMC).

Our first comment is that, while possibly not immediately obvious from a regulator's perspective, these proposals actually constitute a significant change that has major implications for life and health insurers (and their financial institution distributors who support their insurer partners in providing data required for the annual ASMC filing) that result in the proposal representing a very major undertaking.

We believe that thorough, meaningful consultations and dialogue with industry stakeholders lead to better regulatory outcomes. Prior to the recent launch of this current CCIR consultation, there was no dialogue with industry Associations regarding either CCIR's intention to change the definition of a complaint or the changes being contemplated around ASMC's reporting requirements associated with complaints. Having a thorough industry consultation of at least 45 business days (nine weeks), including pre-consultation dialogue, would have been a more efficient and effective way to proceed. This would have provided CAFII, and other industry stakeholders, an opportunity to identify and communicate some of our serious concerns early on in the process.

We appreciate that an extension to the original 19-day consultation was provided, but even with the extension, less than 30 days will have been provided to offer feedback on an initiative that has major resource implications for CAFII members. As an industry association, CAFII requires time to coordinate input, review comments received, and obtain approval from members in diverse organizations in order to ensure the comments it submits accurately reflects the position of its membership.

The new complaints information that CCIR is requesting is not data currently captured by our members. The data that is currently recorded and reported by CAFII's members is based on the prevailing definition of a complaint that is applicable to the insurance industry as reflected in the ASMC since its inception¹. As a result, the insurance industry has developed processes, systems and logs to support the regulatory expectation that are focused on escalated and persistent customer concerns and experiences.

In contrast, the newly proposed approach does not share the same differentiation between first level complaints (complaints resolved at the operational level) and second level complaints (complaints that are escalated). Instead, the proposal identifies new categories which CCIR is proposing to introduce to the ASMC (breach of confidentiality of customer information, illegal activities, ethical misconduct, product design issues, unfair sales practices); these may have been raised by a customer as a first-line complaint and then resolved with the customer without requiring an escalation. Furthermore, confidentiality breaches and illegal activities are situations where a client would lodge or record a particular activity, which is different from a complaint where the client is looking for a solution, settlement or resolution.

First-line complaints that are resolved without escalation are not tracked by most insurers and their financial institution distributor partners. As such, tracking these complaints would require significant resource allocation and investments in new processes, including the introduction of new technology capabilities or significant revisions to existing systems. The required changes to support the revised approach to categorizing, recording and reporting complaints would require approval of a budget plan and dedicating resources to implement this change.

It is worth noting that FCAC introduced similar first line complaint record keeping requirements as part of the requirements under C-86. This represented a substantial effort for the banking sector and was accompanied by extensive consultation and industry engagement. If the CCIR is contemplating a similar approach to complaint records and reporting to what the FCAC has introduced, it is highly recommended that the same approach to engagement and preparation be followed. Additionally, it would also be worth connecting with the FCAC to determine if the outcomes of their changes have produced the desired results and whether the effort and expense on the part of the industry has been worthwhile.

¹ ASMC definitions includes the follow key characteristics: a reproach, identification of a real or potential harm or request for remedial action that persists after being considered and examined at the operational level.

The change request from CCIR is to report on 2024 data. For our bank distributor of insurance members in particular, the fiscal year starts on November 1; and, as such, the 2024 data requested would already need to be tracked and collected. It will be impossible for our members to track 2024 data, even if it is not reported until 2025, given that we have only just learned of the interest of CCIR in these new complaints reporting requirements. Furthermore, given that this information is not currently tracked and will require a potentially significant investment of resources and system changes, the timeline to report this complaints information is unrealistic.

The proposed complaints changes raises questions about the value and necessity of making such investments; and about re-allocating scarce resources away from other Fair Treatment of Customers (FTC) priorities and dedicating them instead to this new regulatory data reporting request. We have not previously heard from CCIR or its members that there is an issue that needs to be addressed around complaints reporting itself, and as such we are not convinced that the information that the CCIR is seeking to better understand is best addressed by changing the current ASMC reporting requirements on complaints.

Furthermore, CCIR is already obtaining a significant volume of information through the ASMC. It is likely less costly and intrusive to introduce changes in terms of how the currently collected data is analyzed in order to extract the information that is being sought in the CCIR's proposal. For example, the number of privacy breaches experienced during the reported period is already being collected by the CCIR, which may result in duplicative reporting if there is an effort to also report breaches where the source of identifying it is a consumer complaint. Additionally, existing complaint reporting data in the ASMC includes the complaint category, the cause for the complaint, and an open text comment field. Information submitted by insurers through the existing tool as currently structured could be leveraged to extract some of the information the CCIR is seeking.

The buckets of information that CCIR is requesting reporting on are sweeping and not defined. Illegal activities, for example, is a very large bucket, and it is unclear exactly what CCIR is expecting member companies to report on, nor is it clear what will or will not fit into this bucket – for example, is the CCIR interested in allegations involving breaches of the Criminal Code of Canada or only breaches of regulatory expectations? Additionally, individuals who report illegal activities or privacy breaches are not triaged through a complaint handling process. These types of allegations are typically quite different from the reproaches and expressions of dissatisfaction of complainants and require different treatment and attention. The same challenge exists for the other categories of complaints identified by the CCIR.

We appreciate the opportunity to communicate our very significant concerns that this is a large project that might not result in the outcomes you seek. We believe that there is benefit to a dialogue with CCIR and industry on understanding the gap in information you are looking to address and whether there might be alternate ways of closing that gap.

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 15 members include the insurance arms of Canada's major financial institutions--BMO Insurance, CIBC Insurance, Desjardins Insurance, National Bank Insurance, RBC Insurance, Scotia Insurance, and TD Insurance, along with major industry players Assurant Canada, The Canada Life Assurance Company, Canadian Tire Bank, Chubb Life Insurance Company of Canada, CUMIS Services Incorporated, Manulife (The Manufacturers Life Insurance Company), Securian Canada, and Valeyo.