

***Agenda Item 6(j)(1)
April 4/23 Board Meeting***

Welcome and Introductions

Brendan Wycks

Brendan will serve as CAFII's facilitator during the meeting, including monitoring MTeams for virtual CAFII member representative attendees who have clicked the "Raise Your Hand" tab and would like to speak.

He will open the proceedings; ask the CAFII member representative participants to introduce themselves; make reference to the number of CAFII member companies and the number of individual member representatives participating in the meeting; and indicate how importantly this meeting is viewed by the Association's members as demonstrated by the number of participants.

Thank You and Opening Comments

Rob Dobbins

- On behalf of CAFII's Board and membership, thank you for inviting us to this meeting today.
- This opportunity for us to collaborate and discuss an important new regulatory Guidance, the Incentive Management Guidance, formally published on 30 November, 2022, is greatly appreciated.
- Your openness, transparency, and commitment to dialogue – as leaders within CCIR, CISRO and the joint Fair Treatment of Customers Working Group -- is critically important to regulated entities; and we believe that those attributes lead to better, principles-based regulation that is focused on a common understanding and commitment to the Fair Treatment of Customers; and to the outcomes that you, the regulators, seek for customers.
- As the Chair of CAFII's Executive Operations Committee—and as Chief Compliance Officer at Assurant, where I lead a staff of X professionals committed to ensuring compliance with both the letter and the spirit of our regulatory obligations—I am constantly exposed to the benefits of evidence-based, principles-based, outcomes-focused regulatory approaches – benefit which accrue to regulators, consumers, and the industry.
- I will now turn the next part of CAFII's speaking and dialogue role in this meeting over to Keith Martin, CAFII Co-Executive Director, to comment on some specifics around the final version of the Incentive Management Guidance.

Comments on the Incentive Management Guidance

Keith Martin

- Let me echo our appreciation to CCIR and CISRO for this invitation to meet with you today, and for making it both an in-person and virtual meeting, which has enabled a significant number of our Association's member representatives to participate.
- We have only high-level feedback comments to offer on the final version of the Incentive Management Guidance, because a previous version of the Guidance which we made detailed comments on, led to significant changes which we feel addressed many of our concerns, and for which we are extremely appreciative.

- In the revised version of the Guidance, which we offered formal comments on in a 4 April, 2022 submission letter, we noted that you had introduced new language in the Preamble which included a recognition that “one size fits all” does not work for an industry with participants of different sizes and business models, specifically your new language that remains in the 30 November, 2022 final version:

This guidance provides Insurers and Intermediaries with the necessary latitude to determine the requisite strategies, policies, processes, procedures and controls in order to facilitate achieving such results and to apply them based on the nature, size and complexity of their activities, while considering representatives’ regulatory obligations in order to facilitate achieving the Customer outcomes reflected in this guidance.

- *We also supported in our April 2022 feedback submission inclusion of the following helpful clarifying language in the final version of the Guidance, which has now been added:*

The Insurer is responsible for FTC throughout the life-cycle of the insurance product, as it is the Insurer that is the ultimate risk carrier. The Insurer’s ultimate responsibility does not absolve Intermediaries of their own responsibilities for which they are accountable. Treating Customers fairly is a shared responsibility when Insurers and Intermediaries are both involved.

- *We have additionally noted many helpful revisions in the updated version that now remain in the 30 November, 2022 final version of the Guidance, including clarifying language around the role of senior management versus the Board of Directors; and the modification of the use of the term “suitable” by adding language using the term “appropriate.” We also noted and greatly appreciate that CCIR/CISRO has added new language in the final version of the Guidance that changed the section on Controls to modify “Detecting unsuitable sales...” to “Detecting unsuitable sales, inappropriate sales and inappropriate practices.” Credit protection insurance is simple insurance that is offered to consumers by unlicensed representatives, and as such it does not include the provision of advice. A suitability test is not performed, and as such we appreciate the use of more inclusive language which accommodates our sector of the industry.*
- *Finally, we would like to reiterate a key message in our 4 April, 2022 feedback letter, which is that there is, in our view, no fundamental conflict between Fair Treatment of Customers and the offering of incentives to sell insurance. Incentives can lead to the offering of protection solutions that are important to customers, especially less well-off customers who are vastly underinsured or uninsured. We are committed to controls, including training, scripts, sales reviews, and a variety of post-sales monitoring tools, and we believe that the approach taken in the final version of the Guidance, based on a balanced and nuanced approach, is in the best interests of customers.*
- *We would now welcome a dialogue with you – as the members of the CCIR/CISRO Fair Treatment of Customers Working Group – on the Incentive Management Guidance, in particular around your plans for educating the industry about the new, now-in-force Guidance; and for monitoring industry implementation and compliance, all the while noting that even though CAFII is confident that our members are fully committed to fair treatment of customers, it is a concept that is hard to measure, and it is fundamentally dependent on ‘culture,’ which can be hard to demonstrate and measure.*