

**CAFII Regulator Visit Report
Confidential: Not For Distribution**

Regulator: FSCO
Date: September 6, 2013
Location: FSCO Offices, 5160 Yonge St., Toronto
Purpose: *Follow-up Discussion Re Draft Online Survey of Licensed Life Agents and Related/Underlying Sales Process Flowchart Related to FSCO's Life Insurance Product Suitability Review*

Attendees:

FSCO: Adrienne Warner, Market Intelligence Consultant and Project Lead; Reena Vora, Manager, Market Conduct Compliance Unit, Market Regulation Branch; and three other staff from Market Regulation Branch (Anatol Monid, Director, not in attendance)

CAFII: Sue Manson, CIBC Insurance; Fay Coleman, TD Insurance; John Lewsen, BMO Insurance; Jason Beauchamp, RBC Insurance; and Brendan Wycks, CAFII Executive Director

In July, FSCO met with CAFII and other stakeholders in order to obtain a benchmark and a clearer understanding of the best practices for determining product suitability during a typical sales meeting with a client around Individual Term Life, Universal Life, and Whole Life (defined scope for this Review.) FSCO also considered stakeholders' views on the best approach to measure what actually happens at the point of sale and the agent's role in supporting the financial literacy of their clients.

FSCO then prepared a draft online survey questionnaire and a sales process flow chart, based on the information received during its July consultation meetings as well as industry practices described in *The Approach: Servicing the Client Through Needs-Based Sales Practices*, which was developed collaboratively by Advocis, the Canadian Association of Independent Life Brokerage Agencies (CAILBA), the Canadian Life and Health Insurance Association (CLHIA) and Independent Financial Brokers (IFB).

The purpose of this follow-up meeting on September 6 was to allow FSCO to engage further with CAFII, to validate the assumptions in the flowchart and to receive feedback on the form and content of the questionnaire.

In the meeting, CAFII representatives provided substantive commentary and suggestions for improving both the flowchart and the survey questionnaire. FSCO representatives seemed well-pleased with the breadth, depth and relevance of the feedback provided. As requested, Brendan Wycks e-mailed a copy of his feedback summary to Adrienne Warner following the meeting.

Thereafter, on Monday, September 30, FSCO contacted CAFII again about the Life Insurance Product Suitability Review. In a teleconference the next day between Anatol Monid and Adrienne Warner of FSCO and Sue Manson and Brendan Wycks of CAFII, FSCO made two requests of CAFII members:

- (a) Given that the Review focuses only on sales of individual Term Life, Universal Life and Whole Life in a face-to-face, across-the-kitchen-table setting, for the purposes of its upcoming online survey of a random sample of life agents in the province, FSCO wants to minimize the number of licensed Call Centre Agents that are in the “universe” of potential respondents to the survey.

FSCO is therefore asking CAFII members if they would like to indicate their preference to have the Call Centre Agents whom they sponsor removed from the universe of possible respondents to the online survey. (If an agent is chosen as part of the random sample of survey respondents, completion of the survey will be mandatory, under a directive from the Superintendent.)

To respond affirmatively to this FSCO request, a CAFII member simply needs to indicate the name of the company(ies) under which their group(s) of licensed Call Centre Agents have been sponsored. FSCO will then exclude from the universe all life agents sponsored under that company name, as this is an “all or nothing” proposition.

FSCO needs an answer back on this by Friday, October 4 as it is preparing to select its random sample of agents for survey completion. The online survey will be in the field and open for completion from October 15 to November 14.

If FSCO does not receive an indication that a given group of sponsored Call Centre Agents should be excluded from the universe for the online survey, then it will include that group for possible selection when the random sample is generated shortly after Friday, October 4.

- (b) Since FSCO will also be doing some “focused meetings” with selected licensed life agents as part of the Product Suitability Review – to validate the data and the best practices insights generated by the online survey – they are inviting each CAFII member to put forward the name(s) of one or two agent(s), with the permission of those agents, whom they recommend for consideration as a subject for a focused meeting.

What FSCO is looking for here is agents involved in face-to-face sales of individual Term Life, Universal Life and/or Whole Life whom the CAFII member consider to be a “paragon of best practices” in terms of product suitability.

The 18 to 20 agents who’ll be handpicked for a focused meeting will be excluded from possible selection in the random sample of agents who’ll be required to complete the online survey.

This is a courtesy request only and CAFII members need not feel obligated to recommend one or two agents for a focused meeting.

However, if you do have one or two “paragon of best practices” agents to recommend, FSCO needs to have those names by Friday, October 4, as the focused meetings will be conducted during the same October 15 to November 14 period that the online survey is in the field.

Brendan Wycks received responses from three CAFII members and relayed that information to Adrienne Warner at FSCO by the deadline of Friday, October 4.

FSCO plans to publish a best practices paper reflecting the findings of the Life Insurance Product Suitability Review. Stakeholders will have an opportunity to comment on the paper prior to publication.