

DRAFT ONLY

28 October, 2021

Mr. Mark White, CEO; and
Financial Services Regulatory Authority of Ontario
25 Sheppard Avenue West, Suite 100
Toronto, Ontario
M2N 6S6

RE: CAFII Feedback on Proposed FY2022-2023 Statement of Priorities

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 *Proposed FY2022-2023 Statement of Priorities*.

In this submission, we have restricted our comments to those sections of FSRA's *Proposed FY2022-2023 Statement of Priorities* which are germane to CAFII members, i.e. to the consultation document's sections on Cross-Sectoral Priorities, the Life and Health Insurance Sector-specific Priorities, and FSRA's Proposed Fiscal Year 2022-23 Budget.

We largely agree with FSRA's observations in its environmental scan and, in particular, its view of the implications of COVID-19, including the underlying theme that we live in a time of uncertainty. Our members face unprecedented change, including environmental, societal, and technological change. In this environment, insurance can be more important than ever consumers, by offering Canadians and Ontarians some predictability and risk mitigation to offset the many challenges and doubts that characterize our current times.

We continue to agree with FSRA's recognition that the pace of technological change remains rapid, and concur with the statement that

Digital sales of financial services were becoming more prevalent prior to 2022, and the pandemic greatly accelerated this trend. Regulated entities such as insurance companies/intermediaries ... had to implement or improve digital sales channels to reach customers. (Page 5)

In response to this development, CAFII commissioned a poll of Canadians digital preferences in 2021, an executive summary of which is available on our website. We were pleased to learn that Canadians feel well-served digitally by our members, and we also noted that while Canadians are comfortable with digital communication with their insurance providers, they also look forward to also being able to more regulatory interact within branches as well as digitally.

With respect to consumer issues, we took notice of your statement that “FSRA will also continue to monitor the overall value-for-money insurance consumers receive from their products and whether the products consumers are being sold are suitable.” (Page 7.) We wish to emphasize that for credit protection insurance, which operate under permissions granted by the federal Bank Act and are provincially regulated, these products cannot be offered by licensed individuals and advice cannot be offered to consumers considering these optional products. As such, we are not able to assess “product suitability” for customers interested in these products, but rather can only assess “eligibility.”

We agree with the emphasis that FSRA has placed on monitoring cyber-technology risk and climate change risk. On the latter point, while climate change risk has traditionally been focused on the P&C insurance sector, there is increasing recognition of the impact climate change can have on mortality, morbidity, and consequently on life insurance. For those reasons, CAFII is also actively monitoring these issues, and we held a webinar on 29 September, 2021 on climate change and life insurance with RGA reinsurance; a copy of the presentation made at that webinar is available on our website’s research section.

With respect to cross-sectoral priorities, we feel that all three of FSRA’s priorities align well with our members’ views.

CAFII supports the “Strengthen consumer focus” priority; and, in that connection, we note that our members, as major financial institution distributors and underwriters of credit protection insurance and travel insurance, make considerable investments in systems, processes, oversight, monitoring, employee training, and controls to support highly professional sales practices focused on appropriate products and the fair treatment of customers.

We agree with the importance of robust complaints handling systems; and CAFII is committed to ongoing assessment of shifting consumer expectations. All of our members are also committed to consumers’ financial education and strengthening financial literacy.

With respect to the “Enable Innovation” priority, we support FSRA’s continued efforts in this area. The needs of consumers and the industry are changing and challenging the regulatory system faster than current mechanisms can adapt. The deliverables and outcomes specified by FSRA under this priority are appropriate in our view, and we continue to believe in the benefits of “regulatory sandboxes” that provide a safe, monitored space within which to test innovative products and services while ensuring consumer protection. On the issue of innovation generally, we are pleased to be arranging an upcoming session with Glen Padassery, FSRA’s EVP, Policy and Consumer Office, and his colleague Marlena Labieniec, the Director of the Innovation Office, to have our members more deeply understand the new FSRA Innovation Framework.

With respect to the “Modernize Systems and Processes” priority, we encourage FSRA to continue to invest in its core technology and processes to make them as efficient as possible. We believe that technology will continue to have a profound impact upon financial services regulators just as it is having on industry; and, as such, it is critical for FSRA’s effectiveness that it keep up with the pace of innovation through investments in technology. We note, however, that the deliverable of improving data interfaces and analytics will be most effectively implemented if it incorporates ongoing consultation with industry on this topic. Each private sector institution has its own definitions around data and its own approaches to technology, and understanding these nuances before building interfaces will reduce the risk of obtaining data that is difficult to aggregate, analyze, and interpret. That said, we wholeheartedly support the fundamental concept of an evidence-based approach to regulation.

We have in the past extended our kudos to FSRA for adopting CCIR/CISRO's *Guidance: Conduct of Insurance and Fair Treatment of Customers* as the document which outlines FSRA's expectations of industry with respect to FTC, without the need for a separate FSRA Guideline in this area. FSRA has set up a leadership example of supporting national co-ordination and harmonization by adopting the CCIR/CISRO Guidance. In that respect, we note and support FSRA's many references to the fair treatment of consumers in the *Proposed FY2022-2023 Statement of Priorities*; we encourage continued emphasis that such references are consistent with the CCIR/CISRO Guidance, to make clear that a harmonized approach continues to be taken.

With respect to the life and health insurance sector-specific "Enhance Market Conduct Oversight to Protect Consumers" priority, we support the initiatives outlined for this priority, and emphasize in that connection that CAFII members have made significant investments in systems, processes, oversight, monitoring, employee training, and controls to achieve consumer protection expectations.

We were very pleased to learn that FSRA has joined the International Association of Insurance Supervisors (IAIS). We recognize that international travel is currently restricted due to COVID-19. But that will not always be the case and we believe that FSRA, as the financial services regulator for Canada's most populous province and the economic engine of the country, should play a prominent role in that international organization. We note the many references in the *Proposed FY2022-2023 Statement of Priorities* to learning from and as appropriate aligning with the practices of international bodies (like the IAIS), and support that entirely.

With respect to the FSRA's proposed 2022-2023 Budget, we note that there is a significant increase in the budget in FSRA's revenue, and that some sectors will face increased fees; we also note the intent to "Build new team to address critical regulation gap to protect consumer in Life and Health Conduct sector."

The COVID 19-dominated 2021 year has been another very challenging one for the life and health insurance sector, and the industry has made considerable efforts to respond to shifting and heightened consumer needs and expectations in these difficult times. The industry continues to face considerable financial challenges. We encourage FSRA to keep those factors in mind when considering fee increases and increased conduct supervision for the life and health insurance sector.

In closing, we again express CAFII's appreciation for FSRA's continued commitment to open and transparent communication and consultation. We look forward to making further representations of our Association's views on FSRA's *Proposed FY2022-2023 Statement of Priorities* through the Life and Health Insurance Sectoral Advisory Committee's meetings, including the upcoming one with the FSRA Board on 23 November, 2020 on FSRA's *Proposed FY2022-2023 Statement of Priorities*.

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.