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The Canadian Association of Financial Institutions in Insurance | L'association canadienne des institutions financières en assurance

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CAFII Board of Directors Virtual Meeting Agenda

Date:	Tuesday, April 12, 2022	**Time:**	2:00 to 4:00 p.m. EDT
Chair:	C. Lobbezoo	**Dial-in:**	437-703-4263
Location:	Virtual MSTeams Meeting	**Phone Conference ID:**	965 295 258#

1. Welcome, Call to Order, and Meeting Confirmation	**2:00 p.m.**	**Presenter**	**Action**	**Document**
a. Declaration of Meeting Properly Called and Constituted		C. Lobbezoo		
b. Approval of Agenda		C. Lobbezoo	Approval	✔

2. Consent Items	**2:05 p.m.**	**Presenter**	**Action**	**Document**
a. Draft Board Meeting Minutes, December 7/21		C. Lobbezoo		✔
b. Summary of Board and EOC Action Items				✔
c. January 2022 Regulatory Update				✔
d. February 2022 Regulatory Update				✔
e. March 2022 Regulatory Update				✔
f. Consultations/Submissions Timetable				✔
g. Regulator and Policy-Maker Visit Plan Recap				✔
h. Board-Approved CAFII 2022 Schedule of Meetings and Events				✔

3. Governance Matters	**2:07 p.m.**	**Presenter**	**Action**	**Document**
a. Appointment of a New CAFII Director		C. Lobbezoo	Approval	✔
b. Welcome to and Self-Introduction by New CAFII Director Atanaska Novakova, TD Insurance		C. Lobbezoo		
c. Need For Successor CAFII Treasurer		T. Pergola/ B. Wycks	Update	✔ (2)
d. Plans for June 7/22 Return to In-Person CAFII Annual Meeting of Members; First Meeting of 2022-23 CAFII Board; and CAFII 25th Anniversary Celebration		B. Wycks	Update	

4. Financial Management Matters	**2:25 p.m.**	**Presenter**	**Action**	**Document**
a. Draft CAFII 2021 Audited Financial Statements and Independent Auditor's Report Thereon		T. Pergola/ H. Lopez, KPMG	Discussion/ Approval	✔
b. Timelines for Board and Membership Approval of CAFII 2021 Audited Financial Statements		B. Wycks	Update	✔
c. Recommendation Re Closure of Existing Restricted Fund In CAFII Financial Statements; and Related Transfer of Residual Funds into General Fund during Fiscal Year 2022		T. Pergola	Discussion/ Approval	✔ (Briefing Note Only)
d. CAFII Financial Statements as at February 28/22		T. Pergola	Update/ Approval	✔
e. Forecast for CAFII 2022 Fiscal Year as at February 28/22		T. Pergola	Update	✔
f. Dissemination of 2022 Member Renewal Letters and First Instalment Dues Invoices; and 2022 Associate Renewal Letters and Dues Invoices		B. Wycks	Update	
g. Canadian Premier Life's Acquisition of Sun Life's CPI Business; and Resulting Loss of Sun Life as a CAFII Member After 2022		T. Pergola/ B. Wycks	Update	✔

5. Strategy Setting and Implementation; and Regulatory Matters	**2:55 p.m.**	**Presenter**	**Action**	**Document**
a. Next Steps on Deloitte Canada Research Paper on "Best Practices In The Digitization Of Credit Protection Insurance": Recommendation from EOC Re Public Release/Publication of Results	**2:55 p.m.**	A. Stuska/ K. Martin	Discussion/ Approval	✔ (2)
b. CAFII's Next Steps on AMF Credit Card-Embedded Insurance Benefits Issue	**3:05 p.m.**			
i. AMF's Consideration of CAFII's January 17/22 Submission on Proposed Wording Modifications to Fact Sheet and Notice of Rescission to Make Them Fit Credit Card-Embedded Insurance Benefits	**3:05 p.m.**	K. Martin	Update	✔ (2)

	ii. AMF's Plans for Issuing Feedback Letter to The Industry With Respect to December 17/21 Action Plans Submitted for Bringing Credit Card-Embedded Insurance Benefits into Compliance with AMF's RADM-Based Expectations **3:11 p.m.**	K. Martin/ B. Wycks	Update	✔
c.	Insights Gained from February 17/22 Meeting with FCAC Staff Executives for Feedback on How CAFII's Submission on Consultation on Proposed "Guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks" Has Resonated with FCAC and Influenced Final Version of the Guideline (Released February 24/22) **3:16 p.m.**	K. Martin	Update	✔ (3)
d.	Insights Gained From CAFII/CLHIA/THIA Biweekly Meetings Re Impact of COVID-19 on Travel and the Travel Insurance Industry **3:25 p.m.**	B. Wycks	Update	
e.	Highlights of EOC-Approved 2022 Scope of Work Proposal from Operatic Agency Re CAFII Website and Search Engine Optimization Results Enhancements **3:30 p.m**	J. Marcus/ K. Martin	Update	✔

6.	**Read Only Items 3:35 p.m.**		**Read Only**	**Document**
a.	CAFII Signed 2022-24 (Three Year) Contract With Managing Matters for Association Management Services			✔
b.	Recently Completed and Imminent CAFII Regulatory Submissions As At April 5/22			✔
c.	December 8/21 CAFII Response Submission to AMF on "Draft Regulation Respecting Complaint Processing and Dispute Resolution in the Financial Sector"			✔ (2)
d.	December 11/21 CAFII Submission to FCAC on "Proposed Guideline on Complaint Handling Procedures for Banks and Authorized Foreign Banks"			✔
e.	January 6/22 CAFII Response Submission to FCAC on proposed "Guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks"			✔
f.	January 28/22 CAFII Response Submission to AMF on Revised/Updated "Sound Commercial Practices Guideline"			✔ (2)
g.	February 7/22 CAFII Response Submission to FCNB on "Rule INS-001: Insurance Intermediaries Licensing and Obligations"			✔
h.	February 15/22 CAFII Response Submission to FSRA on "Information Guidance on Complaints Resolution"			✔
i.	February 18/22 CAFII Response Submission to FCNB on "Proposed Rule INS-002: Insurance Fees"			✔
j.	February 18/22 CAFII Response Submission to AMF on "Incentive Management Guideline"			✔ (2)
k.	March 1/22 CAFII Response Submission to BCFSA on "Discussion Paper: Information Security Incident Reporting"			✔
l.	April 4/22 CAFII Response Submission to CCIR/CISRO on Updated Draft "Incentive Management Guidance"			✔
m.	February 2/22 Operatic Agency Annual Accountability Report on CAFII Website Performance in 2021			✔
n.	CAFII 2021 Media Engagement Accomplishments Summary			✔
o.	Summary of Completed and Upcoming 2022 CAFII Webinars			✔ (Briefing Note Only)

7.	**In Camera Session 3:35 p.m.**	**Presenter**	**Action**	**Document**
a.	Members' Contributions to CAFII's Advancement Through Contribution of Volunteer Resources to Committee Chair, Committee Vice-Chair, and Committee Member Roles; and Need For Successor CAFII Treasurer	R. Dobbins	Discussion	✔
b.	2022 Implementation Of Board-Approved *CAFII Policy On Executive Staff Annual Performance Review; and Resulting Consideration For Compensation Adjustment*	R. Dobbins	Discussion	✔
c.	Other Business	C. Lobbezoo	Discussion	

Next Board Meeting: Tuesday, June 7/22, 3:20 to 5:15 p.m. EST,
Immediately Following 2022 Annual Meeting of Members;
and Immediately Preceding CAFII 25th Anniversary Celebration from 5:30 to 7:30 p.m.
(All Tentatively Scheduled To Be In-Person Meetings Hosted By BMO Insurance at BMO Corporate Event Space, 68th Floor, First Canadian Place, Toronto)

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Briefing Note

CAFII Board Meeting 12 April, 2022 Agenda Item 1(a)
Declaration of Meeting Properly Called and Constituted

Purpose of this Agenda Item

Start of meeting.

Background Information

The meeting is called to order.

Recommendation / Direction Sought -- *Update*

Update only.

Attachments Included with this Agenda Item

No attachments.

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 1(b)
Approval of Agenda

Purpose of this Agenda Item – *Approval*

Approval of the Agenda.

Background Information

The Board will be asked to approve, or modify, the Agenda.

Recommendation / Direction Sought – *Approval*

Approval.

Attachments Included with this Agenda Item

1 attachment.

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 2(a-h)
Consent Items

Purpose of this Agenda Item – *Information Only*

To provide documentation for the Board to review, which does not require updates, discussion, or decisioning.

Background Information

The Consent Items that do not require any discussion or decisions are:

a. Draft Board Meeting Minutes, December 7/21;
b. Summary of Board and EOC Action Items;
c. January 2022 Regulatory Update;
d. February 2022 Regulatory Update;
e. March 2022 Regulatory Update;
f. Consultations/Submissions Timetable;
g. Regulator and Policy-Maker Visit Plan Recap;
h. Board-Approved Schedule of CAFII 2022 Meetings and Events.

Recommendation / Direction Sought – *Information Only*

No action required.

Attachments Included with this Agenda Item

8 attachments.

BOARD VIRTUAL MEETING
CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE
Tuesday, December 7, 2021
2:00 to 4:00 p.m. EDT
Minutes

Board Members Present:	Nicole Benson	Valeyo
	Paul Cosgrove	Assurant
	Zack Fuerstenberg	ScotiaLife Financial
	Louie Georgakis	The Canada Life Assurance Company
	Chris Lobbezoo	RBC Insurance
	Peter McCarthy	BMO Insurance
	Ian Oncea	CIBC Insurance
	Wally Thompson	Manulife Financial
	Peter Thompson	National Bank Insurance
	Kelly Tryon	CUMIS/The Co-operators
	Rob Robinson	Canadian Premier Life Insurance Company
	Adam Vespi	Canadian Tire Financial Services
	Chantal Gagné	Desjardins
Regrets:	Sophie Ouellet	Sun Life
	Janice Farrell-Jones	TD Insurance
Also Present:	Brendan Wycks, Co-Executive Director	
	Keith Martin, Co-Executive Director	
	Rob Dobbins, Secretary	
	Jake Becker, Association Coordinator	

Item 1: Welcome, Call to Order, and Meeting Confirmation
C. Lobbezoo welcomed all to this meeting of the CAFII Board of Directors, which was held virtually on the Microsoft Teams platform, and called the meeting to order at 2:02 p.m. Jake Becker acted as Recording Secretary.

Item 1(a): Declaration of Meeting Properly Called and Constituted
Rob Dobbins, Board Secretary, confirmed that notice of the meeting had been sent to all Directors in accordance with the Association's By-Law; and that a quorum of Directors was present.

C. Lobbezoo declared this meeting of the Board of Directors of the Canadian Association of Financial Institutions in Insurance duly convened and properly constituted for the transaction of business.

Item 1(b): Approval of Agenda
On a motion duly made, seconded and unanimously carried **IT WAS RESOLVED** that the meeting Agenda be and is approved as amended.

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Item 2: Consent Items

The following Consent Items that do not require any discussion or decisions were tabled:

a. Draft Board Meeting Minutes, October 5/21;
b. Summary of Board and EOC Action Items;
c. Regulatory Update;
d. Consultations/Submissions Timetable;
e. Regulator and Policy-Maker Visit Plan;
f. Board-Approved Schedule of CAFII 2022 Meetings and Events.

On a motion duly made, seconded, and unanimously carried **IT WAS RESOLVED** that the Consent Agenda items be and are approved or received for the record, as indicated in the Action column in the Consent section of the agenda.

Item 3: Strategy-Setting and Governance Matters

Item 3(a): Summary of Options In Response To Proposal That CAFII Investigate Development and Launch of an Education/Master Class/Certification Program for Member Company Employees on "CPI Legislative and Regulatory Principles and Environment"

Keith Martin noted that the EOC had considered the proposal that CAFII develop an education or certification program and had endorsed a recommendation to not proceed with this at this time. While the EOC felt the idea had merit, it was also felt that CAFII's volunteer leaders are stretched to their limit at this time due to the heavy regulatory consultation efforts currently underway, and that it was best to defer this effort for the foreseeable future.

The Board agreed with this EOC recommendation and passed a motion to defer this effort for the time being.

On a motion duly made, seconded, and unanimously carried **IT WAS RESOLVED** that the Association will hold off on and defer any further work on the development of an educational or certification initiative at this time, based on other immediate and pressing priorities in CAFII's core focus area of regulatory relationship-building, communications and advocacy; an already ambitious Strategic Plan; and the challenge of acting on this initiative while a significant set of other priorities are competing for the Association's limited resources.

Item 4: Financial Management Matters

Item 4(a): CAFII Financial Statements as at October 31/21

CAFII Treasurer Tony Pergola reported that as the year-to-date financial results of the Association are that revenues are $796K, and expenses are $656K, for a surplus of $140K, which is a positive variance to budget of $46K. This is due to unbudgeted revenues, including CAFII having a new member (Canadian Tire Bank). The CAFII operating ratio is 62%, which is above the 25-50% range that the Association targets.

On a motion duly made, seconded, and unanimously carried **IT WAS RESOLVED** that the financial statements as presented were approved.

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Item 4(b): Forecast for CAFII 2021 Fiscal Year As At October 31/21
CAFII Treasurer Tony Pergola reported that forecast revenue is $956K, and expenses are $784K, for a surplus of $111K. A contingency fund was set aside in the 2021 budget in case travel resumed, but it has not and this contingency fund will not be spent.

Item 4(c): Renewal of Association Management Services Contract with Managing Matters
Keith Martin provided an overview of the contract negotiations with Managing Matters, noting that the EOC had endorsed a recommendation to the Board that it approve the terms of the renewal of the contract with Managing Matters for three years.

On a motion duly made, seconded, and unanimously carried **IT WAS RESOLVED** that the CAFII Board hereby approves the renewal of CAFII's Association Management Services contract with Managing Matters for a further three years – 2022, 2023, and 2024 – based on the terms set out in the Term Sheet provided in connection with agenda item 4(c) for this Board meeting.

Item 4(d): Proposed CAFII 2022 Operating Budget
CAFII Treasurer Tony Pergola reviewed the proposed 2022 operating budget, noting that it operated on the basis of a return to travel and in-person meetings starting in April, 2022. There are three scenarios or versions of the budget, which differ only in allocating different percentage salary increases for the two CAFII Co-Executive Directors (2%, 3%, 4%). There is a 5% increase in 2022 for the management fees for Managing Matters, based on the term sheet proposal for a three-year contract renewal with management matters (2022-2024). The proposed operating budget if approved would produce a small deficit. The EOC endorsed recommending to the Board that it approve the operating budget with the three scenario, with Board Chair Chris Lobbezoo and Board Vice Chair Peter Thompson authorized by the Board to make the determination of the compensation level for the Co-Executive Directors.

On a motion duly made, seconded, and unanimously carried **IT WAS RESOLVED** that the Board approve the Proposed CAFII 2022 Operating Budget, as presented, with its three embedded Scenario options, with the express proviso that the Board is also empowering the Board Chair and Board Vice-Chair, collectively, to finalize which of the three Scenario options ultimately gets adopted as CAFII's actual 2022 Operating Budget, following the completion of the CAFII Co-Executive Directors' 2021 Performance Appraisal Process and a resulting compensation increase recommendation from the EOC Chair and Board Secretary.

Item 5: Strategy Implementation and Regulatory Matters

Item 5(a) CAFII-Commissioned Research/Thought Leadership Paper By Deloitte Canada On "Best Practices In The Digitization Of Credit Protection Insurance"
Keith Martin gave an overview of the progress made thus far on the Deloitte Canada research paper on digitization best practices. Deloitte had now largely completed both the survey and the interviews, and had noted that CAFII members were very engaged in this effort and had shared much valuable information. The Deloitte team was now moving forward on consolidating their initial findings.

Item 5(b) Imminent/Pending CAFII Regulatory Submissions As At November 19/21
Rob Dobbins noted that this was a period of intense regulatory activity, with over half a dozen active consultations currently underway. This was putting a strain on CAFII volunteer leaders, and was viewed as a "new normal" as regulators started to become more active as pandemic issues stabalize. Board members

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discussed a wide range of possible mitigating actions, noting that this was something that the Board should continue to monitor.

Item 5(c) CAFII's Next Steps On AMF Credit Card-Embedded Insurance Benefits Issue

i. Outcomes of November 10/21 CAFII Meeting with Mario Beaudoin and Charlene Boucher, AMF, Re Plan For Modifying Fact Sheet and Notice of Rescission To Suit Credit Card-Embedded Insurance Benefits
Keith Martin and Brendan Wycks provided a follow-up on the written summary that was circulated to CAFII members on the 10 November, 2021 meeting with Mario Beaudoin and Charlène Boucher on the Fact Sheet and Notice of Rescission modifications in relation to credit card-embedded insurance benefits. It was noted that the AMF spend the initial part of the meeting resisting the request for modifications to these documents, but in the end the AMF asked CAFII to send its proposed modifications to the AMF. The AMF appears to have backed off its original intention to organize a pan-industry working group.

ii. CAFII Working Group On Industry Alignment Around Compliance With AMF's Expectations Re RADM's Applicability To Credit Card-Embedded Insurance Benefits
An overview was provided of the options available around meeting the expectations of the AMF around credit card-embedded insurance benefits, noting that the CAFII Working Group on this file was considering the benefits of an approach where CAFII submitted its own views alone, which would be more expeditious, versus trying to organize a pan-industry view, which might be more impactful. It was noted that CAFII needed to be careful not to imply that it represented more than its own membership in any submission to the AMF, and that it was important to consult internally on any recommendations with CAFII members' credit card departments. The Working Group was leaning to a minimalist approach to modifying the Fact Sheet and Notice of Rescission, where an asterix would point out where the language in the documents did not apply to credit card-embedded insurance benefits.

On a motion duly made, seconded, and unanimously carried **IT WAS RESOLVED** that the Board approved CAFII submitting its recommended modified language on the Fact Sheet and the Notice of Rescission to the AMF, and that such a recommendation be submitted from CAFII alone, but that the CLHIA and THIA could be copied on the note to the AMF.

Item 5(d): AMF Consultation on "Draft Regulation Respecting Complaint Processing and Dispute Resolution in the Financial Sector" (Submission Deadline: December 8/21)
CAFII was well-advanced in the development of a submission on "Draft Regulation Respecting Complaint Processing and Dispute Resolution in the Financial Sector" and had engaged CAFII members in an extensive internal consultation in the development of the submission. CAFII is making a submission that expresses major concerns with the very prescriptive approach of this draft regulation.

Item 5(e): AMF Consultation on Revised "Sound Commercial Practices Guideline" (Submission Deadline: December 17/21)
The AMF has offered an extension on its original deadline for submissions on a revised "Sound Commercial Practices Guideline" and would be developing a submission response.

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Item 5(f): AMF Consultation on "Incentive Management Guideline" (Submission Deadline: January 28/22)
CAFII is preparing a submission to the AMF on its "Incentive Management Guideline" and will consult carefully with the CLHIA to ensure industry alignment on the submission.

Item 5(g): FCAC Consultation on "Proposed Guideline on Complaint Handling Procedures for Banks and Authorized Foreign Banks" (Submission Deadline: December 11/21)
CAFII is developing a submission response on a "Proposed Guideline on Complaint Handling Procedures for Banks and Authorized Foreign Banks" and would be soliciting feedback from members on the proposed submission.

Item 5(h): FCAC Consultation on "Proposed Guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks"; and CAFII Working Group on Industry Alignment Re Interpretation of FCAC's Appropriateness Guideline's Application to Authorized Insurance Products/CPI; and Potential Approaches to Compliance
CAFII has an active Working Group looking at the FCAC's Appropriateness Guideline's Application to Authorized Insurance Products/CPI. The timeline for submissions on a public draft of a revised Guideline from the FCAC would likely be very tight, and as a result the Working Group was developing arguments that it might wish to make ahead of having seen the revised document.

Item 5(i): FCNB Consultation on "Proposed Rule INS-001: Insurance Intermediaries Licensing and Obligations" (Submission Deadline: February 7/22)
CAFII has been dealing with multiple regulatory submissions and has not yet turned to the New Brunswick consultation which includes its proposed approach to a new Restricted Agent Insurance regime, but will be focusing on this in the new year.

Item 5(j): OSFI Consultation on "Draft Guideline B-13: Technology and Cyber Risk Management" (Submission Deadline: February 9/22)
CAFII will be participating in a 30 November, 2021 OSFI webinar on its consultation on "Draft Guideline B-13: Technology and Cyber Risk Management" and will determine after the webinar if this consultation is "in-scope" for CAFII.

Item 5(k): Insights Gained From CAFII/CLHIA/THIA Weekly Meetings Re Impact Of COVID-19 On Travel and Travel Insurance Industry
Brendan Wycks provided an update on the weekly calls on COVID-19 with CLHIA and THIA, noting that the situation around COVID-19 and travel remained fluid and what looked like a smooth emergence from the pandemic was now appearing less certain.

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Summary of CAFII Board and EOC Action Items					
	Source	Action Item	Responsible	Deadline	Status March 18, 2022
		Association Strategy and Governance			
1	EOC and Board: October 2019	Launch CAFII EOC Working Group to Explore a New Lower Dues Category of CAFII Membership, via a first meeting and a draft Terms of Reference for this Working Group.	B. Wycks/K. Martin	31-Dec-22	In progress/ See #2
2	BOD: June 9, 2020	Revisit the launch of the CAFII Working Group On A Proposed Lower Dues Category Of CAFII Membership once the economic environment stabilizes, via a first meeting and a draft Terms of Reference for this Working Group.	K. Martin	31-Dec-22	In progress
3	EOC May 29, 2018	Develop a summary job description for the CAFII EOC Chair role and circulate it to EOC Members.	B. Wycks/K. Martin	31-Dec-22	In progress
4	EOC February 27, 2018	Document in writing the process for reviewing, approving, and admitting applicants for CAFII Members and Associate status	B. Wycks	31-Dec-22	In progress

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Regulatory Update – CAFII Executive Operations Committee, 18 January, 2022

Prepared by Keith Martin, CAFII Co-Executive Director

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Federal/National

Canadian Insurance Services Regulatory Organizations (CISRO)

CISRO Announces that Ron Fullan is Stepping Down as its Chair, and will be Replaced by the AMF's Eric Jacob

In a 16 December, 2021 release, Canadian Insurance Services Regulatory Organizations (CISRO) announced that Ron Fullan was stepping down as Chair, and would be replaced by the AMF's Eric Jacob:

> *The Canadian Insurance Services Regulatory Organizations (CISRO) is pleased to announce the appointment of Eric Jacob as CISRO Chair.*
>
> *Mr. Jacob is the Superintendent, Client Services and Distribution at the Autorité des marchés financiers (AMF) and brings to the role over 20 years of leadership in the financial services industry spanning insurance, banking and securities sectors.*
>
> *CISRO members also acknowledge the exemplary leadership, contributions and longstanding commitment of Ron Fullan, the outgoing Chair. Under Mr. Fullan's leadership, CISRO implemented a harmonized Life Licence Qualification Program across Canada. Mr. Fullan also played a key role in strengthening the collaboration amongst CISRO members and between CISRO and the Canadian Council of Insurance Regulators (CCIR) and oversaw the implementation of the joint CISRO/CCIR Canadian Insurance Regulators Disciplinary Actions (CIRDA) database and the joint CISRO/CCIR guidance on the fair treatment of customers.*
>
> *"I would like to thank Ron Fullan for his outstanding leadership and for driving the organization to its current state of maturity. CISRO members remain committed to supporting a consistent approach to consumer protection through the regulation of insurance intermediaries. I am honoured to be elected CISRO Chair and grateful for the confidence placed in me. I look forward to continuing to work with CISRO members and industry to ensure the fair treatment of customers," said Eric Jacob.*

CISRO Announces New Online System for LLQP Exams

In a 13 December, 2021 email notification CISRO notes that "In response to the Covid pandemic, CISRO made arrangements in the summer of 2019 to launch an online version of the LLQP exams, supported by Durham College." The announcement goes on to state:

> *In early 2021 Durham began an RFP process to select a new online proctoring company. The RFP was issued in March 2021, and an extensive review of the 6 submissions was completed from May to September. The review examined a variety of key criteria in the areas of Testing Environment, Administration and Registration as well as Implementation and Data Security. The process resulted in the contracting of a new online proctoring company – Examity – who will begin proctoring our online LLQP exams in January 2022.*

Canadian Health and Life Insurance Association of Canada (CLHIA)

CLHIA Changes May 2022 Compliance and Consumer Complaints Annual Conference to an Online Format due to COVID-19

The CLHIA announced on 14 January, 2022 that its 2022 Compliance and Consumer Complaints Annual Conference will no longer be held in-person in Montreal, and instead would be virtual. CLHIA states that:

> *Given concerns about the Omicron variant and the health of our guests, the CLHIA has decided our **2022 Compliance and Consumer Complaints Annual Conference**, previously to be held in Montreal in early May, will be held **virtually again this year**.*

The virtual conference will be held 4-5 May, 2022. Participants can sign up here if you'd like to be updated when registration opens.

Canadian Bankers Association

Canadian Bankers Association Announces that Angelina Mason is Interim CEO and General Counsel, Replacing Departed CEO Neil Parmenter

The Canadian Bankers Association (CBA) announced on 24 December, 2021 that Angelina Mason has been named as Interim CEO and General Counsel. The release went on to say:

> *As Interim CEO she communicates the perspectives of the industry to all levels of government, regulators, stakeholders, media and the public. Angelina is also the lead legal advisor to the Association. Angelina has responsibility for the in-house legal team, holding carriage of the Consumer Affairs, Anti-Money Laundering, and cyber security portfolios, and having oversight of the Financial Crimes team. She is also responsible for the CBA's corporate governance and regulatory compliance programs.*

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Angelina has three decades of professional experience in the financial services industry, having played lead legal and compliance roles in the Canadian operations of two major worldwide payment companies, Visa and American Express, acted as enterprise-wide privacy and bank regulatory counsel for CIBC, and progressed as counsel through the retail banking arm of Bank of Montreal. Angelina began her career in private practice at Blake, Cassels & Graydon.

A member of the Ontario Bar, Angelina holds a Bachelor of Arts degree and an LL.B. from the University of Toronto.

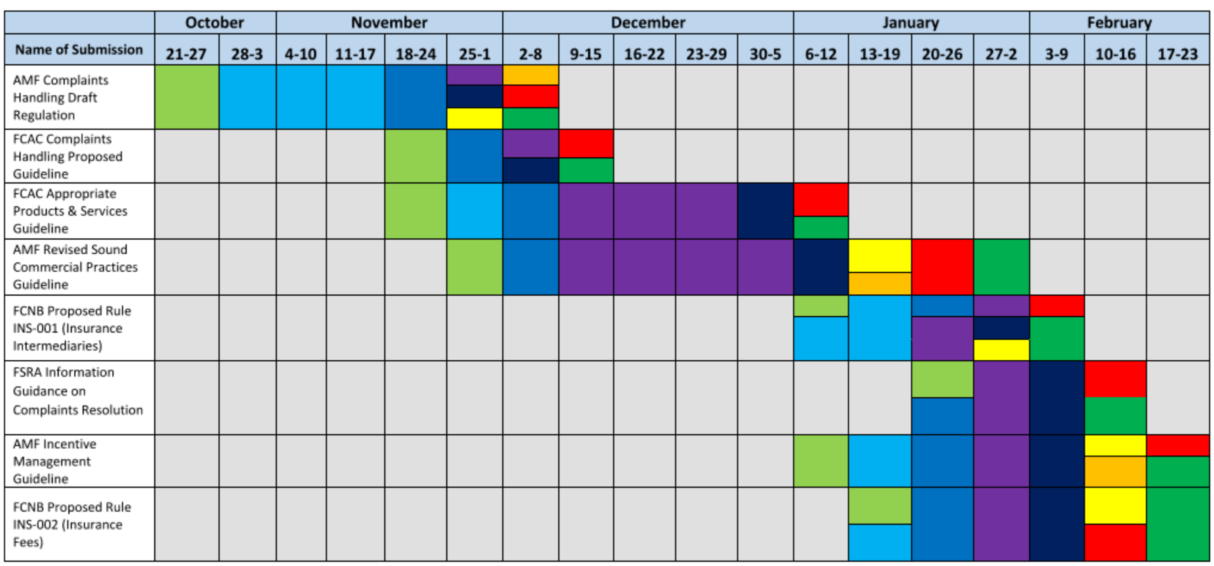
Canadian Association of Financial Institutions in Insurance (CAFII)

CAFII Faces Unprecedented Number of Regulatory Submissions

CAFII is managing an unprecedented number of regulatory submissions, which is placing strain

Table One: CAFII Multiple Regulatory Written Submissions Work-Back Schedule, October 21, 2021 – February 18, 2022

CAFII Multiple Regulatory Written Submissions Work-Back Schedule, Oct. 21/21 – Feb 18/22



Legend

- Phase 1: Start Date
- Phase 2: Committee Review/Input
- Phase 3: Preparation of Draft 1 (Whether from Ctte Input or Available Content)
- Phase 4: CAFII Representative Review/Feedback on Draft 1 (EOC, Ctte, WG)
- Phase 5: Preparation of Penultimate/Draft 2 (Reflecting CAFII Representative Input)
- Phase 6: Consultation with CLHIA for Submission Alignment
- Phase 7: Translation into French
- Phase 8: Finalize and Obtain Approval from EOC Chair for Submission
- Phase 9: Submission to Regulator

Regulatory Submissions Timeline Start/End Dates

AMF Complaints Handling Draft Regulation: Oct. 21/21 – Dec. 8/21
FCAC Complaints Handling Proposed Guideline: Nov. 24/21 – Dec. 11/21
FCAC Appropriate Products & Services Guideline: Nov. 22/21 – Jan. 6/22
AMF Revised Sound Commercial Practices Guideline: Nov. 30/21 – Jan. 28/22
FCNB Proposed Rule INS-001 (Insurance Intermediaries): Jan. 6/22 – Feb. 7/22
FSRA Information Guidance on Complaints Resolution: Jan. 13/22 – Feb. 15/22
AMF Incentive Management Guideline: Jan. 6/22 – Feb. 18/22
FCNB Proposed Rule INS-002 (Insurance Fees): Jan. 13/22 – Feb. 18/22

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on CAFII's volunteer leadership. Regulatory submissions have been or are being prepared for the AMF, FSRA, the New Brunswick Financial and Consumer Services Commission (FCNB), and the FCAC. A summary of the regulatory submissions in the pipeline can be found in the two documents in this section.

Table Two: Recently Completed and Imminent/Pending CAFII Regulatory Submissions As At January 13, 2022

Recently Completed and Imminent/Pending CAFII Regulatory Submissions As At January 13, 2022

Regulatory Authority	***Topic***	***Deadline***	***Comments***
CISRO	Survey of Industry Associations on "Understanding the Consumer Awareness Strategies Currently Undertaken By Industry"	November 30, 2021	Completed by B. Wycks on CISRO's Survey Monkey site.
AMF	Draft Regulation on Complaints Handling and Dispute Resolution in the Financial Sector	December 8, 2021	CAFII submission sent on December 8/21.
FCAC	Proposed Guideline On Complaint Handling Procedures For Banks and Authorized Foreign Banks	December 11, 2021	CAFII submission sent on December 11/21.
FCAC	Proposed Guideline on Appropriate Products and Services For Banks and Authorized Foreign Banks	January 6, 2022	CAFII submission sent on January 6/22. Follow-up virtual Stakeholder Session, requested by FCAC, to occur on Friday, January 15/22.
AMF	Revised/Updated Sound Commercial Practices Guideline	January 28, 2022	AMF extended deadline from the initial December 17/21, largely at CLHIA's behest.
FCAC	Proposed Guideline on Whistleblowing Policies and Procedures for Banks and Authorized Foreign Banks	January 29, 2022	CAFII Co-Executive Directors are of the view that this consultation is "out of scope" for our Association, and is best left for the Canadian Bankers Association (CBA) to respond to/address. This is the third in a series of consultations on guidelines that FCAC has developed to help Banks comply with their obligations in the *Bank Act* and the new *Financial Consumer Protection Framework Regulations*, which will come into force on June 30, 2022. A first consultation on a proposed Guideline on Complaints Handling Procedures ended on December 11, 2021. A second consultation on a proposed Guideline on Appropriate Products and Services is in progress until January 6, 2022.

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FCNB	"Proposed Rule INS-001: Insurance Intermediaries Licensing and Obligations"	February 7, 2022	Among various matters, outlines specifics of FCNB's plan to introduce a Restricted Insurance Agent (RIA) licensing regime in New Brunswick, which will be the first in Atlantic Canada.
OSFI	Draft Guideline B-13: Technology and Cyber Risk Management	February 9, 2022	Insights gained from a November 30/21 OSFI Information Session webinar enabled CAFII to determine that this OSFI consultation is "out of scope" for our Association, as it is exclusively prudential regulation/"going concern"-focused and not inclusive of consumer-oriented, market conduct regulatory issues.
FSRA	Information Guidance on Complaints Resolution	February 15, 2022	FSRA's vision is for consumers, members, and pension plan beneficiaries to have their complaints resolved in an accessible, fair, timely, transparent, and effective manner. As a step towards its vision, FSRA is releasing Information Guidance on complaints resolution. The Guidance has two principal aims: 1. To present FSRA's Guiding Policy Framework on Complaints Resolution, which is a principles-based, cross-sectoral framework designed to guide FSRA's policy work on complaints resolution 2. To showcase select best practices that FSRA has identified through jurisdictional research, which led to and shaped the development of the Policy Framework The Policy Framework does not introduce new complaint-handling standards or requirements for the regulated sectors.
AMF	Incentive Management Guideline	February 18, 2022	AMF extended deadline from the initial January 28/22, largely at CLHIA's behest.
FCNB	Proposed Rule INS-002: Insurance Fees"	February 18, 2022	Release on December 17/21 for a 60 days public consultation. CAFII has responded to FCNB consultations of this nature/type in the past.

CAFII Presents Key Features of its Submission on the Appropriateness Guideline to the FCAC in a One-Hour Virtual Meeting

On 14 January, 2022 CAFII presented to the FCAC its major concerns around the Appropriateness Guideline in a one-hour virtual meeting. Among the key points made by CAFII were:

- The unique features of credit protection insurance, including that they are offered by non-licensed individuals who cannot make recommendations or offer advice;
- That these products are also regulated by provincial and territorial regulators, and that some of the expectations of the FCAC Appropriateness Guideline could push CAFII members offside of provincial regulatory requirements;
- That the timelines for implementation are far too tight;

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- A suggestion that the FCAC formally join as an observer the Canadian Council of Insurance Regulators (CCIR).

About 15 CAFII members attended the session. In attendance from FCAC were:

- *Rana Abunaameh, Director of Regulatory Guidance and Coordination;*
- *Teresa Frick, Director, Supervision;*
- *Bradley Schnarr, Manager, Regulatory Guidance and Supervisory Coordination;*
- *Stephen Wild, Senior Research and Policy Officer;*
- *Sara Desjardins, Research and Policy Support Officer;*
- *Robert Marseilles, FCAC.*

CAFII Management Meets with Eric Jacob, Superintendent Client Services and Distribution, and Louise Gauthier, Principal Director, Distribution Policy Framework

CAFII held a virtual liaison meeting with the AMF in October 2021 at which the AMF asked some questions that were challenging for CAFII members to answer for confidentiality reasons. CAFII held an informal, constructive meeting with the AMF on 20 December, 2022 to explain the situation and to find ways of more effectively ensuring that the AMF's questions are answered, for example by asking them prior to the meeting so that CAFII can confidentially solicit answers and share them with the AMF in an aggregated, anonymous fashion. The conversation with Eric Jacob and Louise Gauthier was engaged, informal, friendly, and constructive, with Mr. Jacob saying on several occasions that he found the discussion very helpful and useful.

CAFII Meets with FSRA Executives on CAFII's Submission to FSRA on its Statement of Priorities

CAFII met with FSRA executives on 6 December, 2021 to discuss CAFII's submission to the FSRA on its Statement of Priorities (SOP). CAFII's Co-Executive Directors and EOC Chair Rob Dobbins participated in the meeting with Erica Hiemstra, Head, Market Conduct—Insurance Conduct; and Swati Agrawal, Senior Manager, Market Conduct – Licensing and Market Conduct Division.

The cordial and constructive meeting allowed FSRA to ask for some clarifications of some of the points in our submission. FRSA wanted confirmation that we supported their investigative work around MGAs (we said we did); had some questions around the concerns we expressed over the fee increase they were proposing; and had some questions around our concerns around the use of the term "suitability" which when explained helped them understand our position. Erica Hiemstra also went out of her way to state that credit protection insurance products "are important."

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CAFII Holds Webinar with Marlena Labieniec, FSRA's Director of Innovation, About the Authority's Proposed Innovation Process

On November 29, 2021 CAFII held a webinar with Marlena Labieniec, FSRA's Director of Innovation, about FSRA's new innovation process and its Innovation Office. Prior to the discussion with Ms. Labieniec, introductory remarks were made b*y Glen Padassery, FSRA's Executive Vice-President, Policy and Chief Consumer Officer, about FSRA's vision for its role and approach in fostering innovation in Ontario's financial services sector. Among the topics covered by Ms. Labieniec were:*

- *the Innovation Office as FSRA's "Innovation Orchestrator";*
- *facilitating both 'inside-out' and 'outside-in' points of entry;*
- *FSRA's five-step Innovation Process;*
- *the role of an Intake Form in standardizing starting point input to FSRA*
- *the importance of "Innovator Readiness";*
- *FSRA's five-step Risk Assessment Process in working with Innovators on proposed Innovations;*
- *the importance of strong, testable mitigation plans for any significant risks identified;*
- *the role of regulatory sandbox-like Test and Learn Environments (TLEs) in resolving uncertainty through experimentation and in ameliorating or clarifying identified risks sufficiently, for Innovations which initially generate a low or medium level of FSRA confidence;*
- *how TLEs will work;*
- *the TLE fee structure;*
- *the "go" or "no go" decision;*
- *some hypothetical Use Cases/examples; and*
- *FSRA's balancing of incumbents and new market entrants in fostering innovation.*

The session included good representation from regulators across the country, with the following regulators registered for the session:

- *Quebec's Autorite des marches financiers, or the AMF;*
- *the Ministry of Finance, Government of Quebec;*
- *the Alberta Auto Insurance Rate Board;*
- *the Government of Alberta;*
- *the Alberta Insurance Council;*
- *Alberta Treasury Board and Finance, Government of Alberta;*
- *several of Marlena's colleagues from the Financial Services Regulatory Authority of Ontario, or FSRA;*
- *the Financial and Consumers Services Commission of New Brunswick, or FCNB;*
- *the Insurance Councils of Saskatchewan;*
- *the Financial and Consumer Affairs Authority, Government of Saskatchewan, or FCAA;*
- *the Insurance Council of British Columbia;*
- *the British Columbia Financial Services Authority, or BCFSA;*

- *the Financial Consumer Agency of Canada, or FCAC; and*
- *the Office of the Superintendent of Financial Institutions, or OSFI.*

The webinar included some live polls that demonstrated strong support for the efforts around innovation by FSRA. The session was recorded and can be found here:

https://www.cafii.com/research/

CAFII Holds Webinar with Provincial Regulators on Regulatory Priorities as Canada Emerges from COVID-19

On October 25, 2021 CAFII held a webinar on Provincial Insurance Policy and Regulatory Priorities and Emerging Issues As Canada Emerges From COVID-19. The panelists were:

- *Chris Carter, Vice-President, Financial Institutions and Mortgage Brokers Market Conduct, BC Financial Services Authority;*
- *Mark Brisson, Assistant Deputy Minister and Superintendent of Insurance, Alberta Treasury Board and Finance;*
- *Janette Seibel, Deputy Superintendent of Insurance, Financial and Consumer Affairs Authority of Saskatchewan.*

The session covered a wide range of topics and the panelists were engaged in the discussion. The session included good representation from regulators across the country, with the following policy-makers and regulators registered for the webinar:

- *The Government of Alberta;*
- *The Alberta Insurance Council;*
- *BC Financial Services Authority;*
- *The Insurance Council of BC;*
- *The Canadian Council of Insurance Regulators, or CCIR;*
- *The Canadian Insurance Services Regulatory Organizations, or CISRO;*
- *Consumer and Financial Services Commission of New Brunswick;*
- *The Insurance Council of Manitoba;*
- *The Insurance Councils of Saskatchewan;*
- *The Office of the Alberta Superintendent of Insurance;*
- *The Office of the Superintendent of Financial Institutions, or OSFI; and*
- *The Government of Yukon.*

All the panelist emphasized the continuing importance of the fair treatment of customers. Chris Carter said that in British Columbia there was a heightened interest in the emerging climate change challenges. Cyber risk was also raised by panelists as an increasingly important issue. The issue was raised of the potential affect of COVID on the affordability of life insurance going forward. It was also noted that there were important industry achievements around offering insurance digitally during the pandemic.

In terms of trends, panelists felt that industry had been very flexible and innovative in responding to the pandemic. However, the panelists also felt that they needed to monitor carefully whether there were any changes in claims payout in the context of the pandemic. It was also felt that the adoption of online insurance options would continue after the pandemic. It was noted however that there is a digital divide in many provinces, where some consumers' internet connections are not as good, especially for those in rural areas, and that could be important as digitization became more prevalent.

Mark Brisson said that regulators appreciated the efforts industry had made during the pandemic including the offering of deferrals, rebates, and other measures to help consumers. Jan Seibel said that industry had communicated emerging issues with regulators well during the pandemic, and this helped ensure a coordinated approach between industry and regulators. She also felt that industry handled the move to an at-home requirement effectively. Chris Carter said that industry was extraordinarily flexible and responsive during the pandemic.

The panelists also discussed fair treatment of customers and how to measure it or demonstrate it. The CCIR, which the three panelists all sit on, was also discussed around harmonization and how it could advance this objective.

The session was recorded and can be found here:

https://www.cafii.com/research/

CAFII Holds Annual Members and Associates Virtual Luncheon on 9 November, 2021 with Three Prominent Lawyers: Jill McCutcheon, Torys; Stuart Carruthers, Stikeman Elliott; and Marc Duquette, Norton Rose Fulbright.

CAFII's Annual Members and Associates Virtual Luncheon was held on 9 November, 2021 with a panel of three leading Canadian insurance lawyers: Jill McCutcheon, Torys; Stuart Carruthers, Stikeman Elliott; and Marc Duquette, Norton Rose Fulbright. While their comments were "off the record," they have agreed to releasing for CAFII members and associates only the high-level synopsis, without specific attribution, that is contained below.

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<u>The Regulatory Environment is Getting more Onerous, and This will Likely Continue Going Forward</u>

While Fair Treatment of Customers' (FTC) guidelines are meant to be principled-based, regulators are increasingly looking to add teeth to their expectations and are moving down the road of more prescriptive measures. The CCIR release of a critical "observations" document around compliance with FTC expectations is an example of how regulators will expect more than just broad indications of compliance. The AMF is increasingly prescriptive, and is engaged in multiple initiatives (complaints handling, sound commercial practices) that will give it additional powers; the FCAC is increasing its enforcements powers, and is quite willing to impose penalties; BC FSA and FSRA both now have rule-making capabilities. New Brunswick is enhancing its regulatory powers. Enforcement activity is on the upswing, encouraging first time offenders to self-report infractions. Recently FTC expectations and other regulatory expectations have occurred from CCIR (observations report); FSRA FTC expectations; CISRO Draft Principles for Intermediaries; FSRA UDAP Rule; AMF Sound Commercial Practices update; Quebec draft complaints regulation; and FCAC Appropriateness Guideline. It was noted that while FSRA has an excellent staff complement at the top level, it is under-resourced at the general staff level resulting in delays for routine matters like issuing licenses.

<u>Regulators are Increasingly Moving Away from Harmonization in Practice</u>

While in principle regulators are all committed to harmonization, in practice the CCIR has no legislative or legal powers and no enforcement mechanisms, while the provincial regulators who do have these powers are increasingly moving towards their own preferred approach. The AMF is taking its own unique approach with little or no regard for inter-provincial harmonization. The Financial and Consumer Services Commission of New Brunswick has just released a consultation around its rules for restricted licenses in which it has numerous unique features that are different from other provinces with licensing regimes. Rule making powers in Quebec, Ontario, and BC are proving to be at odds with harmonization.

<u>Quebec will Continue to be A Challenging Regulatory Environment</u>

The AMF is appearing to double-down on its enforcement-focused regulatory approach. The AMF often acts as a "tester" of new regulatory tools among regulators in other parts of the country, which will introduce them too if they prove to be effective in Quebec. Other Quebec initiatives like the new language bill will also add to the complexity and cost of doing business in Quebec. The AMF is adding to its oversight, investigation, and compliance budgets and as the AMF garners more resources, it will use them. The new Sound Commercial Practices regulation enhances the focus on business culture, accountability, and supervision of intermediaries, and captures handling of conflicts of interest, product design, suitability, and monitoring. Insurers and distributors will now need to devote even more time and effort to show that they are addressing each of the enhanced standards that they now have to meet. An example of this is

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the AMF complaints regime expectation that insurers will have to provide drafting assistance for consumers who make a complaint.

FCAC's an Increasingly Active Regulator

While Bill C-86 no longer treats credit protection insurance as an "optional product," it is still a produce that is "offered" and as such Section 627.06/07 of Bill C-86 ("appropriateness guideline") likely still applies to travel insurance and credit protection insurance. This seems to imply the requirement for some type of needs analysis. While CAFII has argued that provincial regulation prohibits the offering of advice including a needs analysis, this position was challenged legally, but not practically; regardless of the legal niceties, non-licensed branch or call centre staff are in no position to provide customers with a needs analysis nor is it something that should be required for a credit protection insurance or travel insurance product. FCAC is increasingly engaging in reviews of its regulated entities, and not necessarily as a result of a complaint. Self-reporting discovered infractions no longer ensures leniency, and infractions increasingly result in "naming and shaming" and the levying of fines.

Provincial/Territorial

British Columbia

British Columbia Financial Services Authority (BCFSA)

Saskia Tolsma, Vice President, Stakeholder Engagement, BC Financial Services Authority, Reaches out to CAFII

In an email to CAFII's Co-Executive Directors on 23 December, 2021 Saskia Tolsma, Vice President, Stakeholder Engagement, reached out requesting a meeting:

> *Allow me to introduce myself – I am the VP of Stakeholder Engagement at the BC Financial Services Authority (BCFSA). I am returning from maternity leave and don't believe we've crossed paths before. Hope this email finds you both well, and preparing for the holidays. I'm reaching out to flag two items that are early on BCFSA's 2022 agenda, which may be of interest to CAFII and your members.*
>
> *For your awareness, we have two consultations targeted for the early part of 2022 that impact BC-authorized insurance companies. The first is related to information security – to be published in mid-January - regarding a proposed rule that would require all BC-authorized financial institutions to report material information security incidents to BCFSA within a specified time period. Secondly, I'd also like to flag for you the work on the BC Insurer Code of Conduct, which we will beginning with the sector in the upcoming quarter. As you may recall, pending section 94.3 of the BC Financial Institutions Act being brought into force by the B.C. Government, all BC-authorized insurance companies will be required*

> *to adopt a Code that is established by BCFSA (the expectation is that the code follows the principles outlined in the Canadian Council of Insurance Regulators' Fair Treatment of Customers guidance).*
>
> *I'm happy to discuss any of these items in further detail. Hope you have a restful holiday ahead, with friends and family (to the extent that we can!). Take care and best wishes for 2022,*

CAFII is setting up a virtual Get Acquainted and Dialogue Meeting with Ms. Tolsma for the week of January 24 to 28, 2022.

Saskatchewan

Insurance Councils of Saskatchewan

Insurance Councils of Saskatchewan Actively Recruiting for a New Executive Director

With Ron Fullan, Executive Director of the Insurance Councils of Saskatchewan, set to retire as of 30 June, 2022, the Councils is now actively recruiting for a new Executive Director. In its search document, the recruitment agency says:

> *Their current vision is to have ICS recognized as a credible and influential thought leader in insurance regulation within Canada. Within the last few years, ICS has fully operationalized the new Insurance Act, which was proclaimed January 1, 2022, and enhanced public protection with a more proactive and strategic approach in an evolving industry. Through national collaborative initiatives, understanding of industry trends, and the calculated adoption of best practices, ICS have expanded their mandate for more effective regulation in Saskatchewan.*

April Stadnek, Director of Compliance and Enforcement at the ICS, has always been viewed by CAFII as a likely candidate to succeed Ron Fullan as Executive Director.

Manitoba

Insurance Council of Manitoba

Barbara Palace has left as the Executive Director of the Insurance Council of Manitoba, and has been replaced by Stacey Aubrey

Barbara Palace has informed CAFII's Co-Executive Directors that she would be leaving the Insurance Council of Manitoba as of 31 December, 2021, to be closer to her family in Ontario. She will begin a new position on 10 January, 2022 as CEO of the United Way of Chatham-Kent. Ms. Palace said in her note to CAFII that "I've enjoyed the open and candid communications we've had over the years I've been at ICM, and I know that ICM will continue to appreciate CAFII's input as an industry stakeholder."

The new Executive Director of the Insurance Council of Manitoba will be Stacey Aubrey. The press release announcing her appointment stated that:

> *Stacey Aubrey began her 20-year career with ICM in 1999. Other than a 3-year stint in Alberta where she worked in human resources at Lakeland College and U. of A., she has occupied and mastered many roles within ICM. She has moved through a number of administrative and licensing positions including most recently the Director of Licensing.*
>
> *She holds a Chartered Insurance Professional (CIP) Designation, has completed her Human Resources Certificate from the University of Alberta and her Management Certificate from the University of Winnipeg. She also has her Justice and Public Safety Certificate completed with Red River College and her Certificate in Leadership Development (CLD) through QNET.*
>
> *She is a certified Fitness Leader, an assistant hockey coach and sits on many boards in her community. This exemplifies her motivation, organization, leadership, and the fact she is a team player.*
>
> *In her recent role as Director of Licensing, the councils benefited from her pragmatic approach, and organizational skills. She has a deep understanding of the rules and regulations that govern our organization, and how we operate. We are looking forward to benefiting from those skills both in day-to-day operations, and in forging the ICM of the future.*

Ontario

Financial Services Regulatory Authority of Ontario (FSRA)

FSRA releases Information Guidance on Complaints Resolution

FSRA states that its "…vision is for consumers, members, and pension plan beneficiaries to have their complaints resolved in an accessible, fair, timely, transparent, and effective manner." As a step towards its vision, FSRA has released an Information Guidance on complaints resolution.

The Guidance has two principal aims:

- to present FSRA's Guiding Policy Framework on Complaints Resolution, which is a principles-based, cross-sectoral framework designed to guide FSRA's policy work on complaints resolution;
- to showcase select best practices that FSRA has identified through jurisdictional research, which led to and shaped the development of the Policy Framework.

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The Policy Framework does not introduce new complaint-handling standards or requirements for the regulated sectors.

FSRA notes that its upcoming work in FY2022-23 will build on the development of the Policy Framework. As articulated in its Proposed 2022-2023 Statement of Priorities, FSRA plans to strengthen its baseline understanding of the current complaints resolution system, including consumer experiences. FSRA will use the Policy Framework to assess the strengths and weaknesses of the current complaints resolution ecosystem.

FSRA welcomes comments from stakeholders on this Information Guidance by February 15, 2022. CAFII will be making a submission on this consultation.

In its Q2 Service Standard Scorecard FSRA Exceeds Service Standards in the Majority of its Regulatory Activities

The Financial Services Regulatory Authority of Ontario (FSRA) has released its Service Standards Scorecard for Q2 2021-2022. The 22 service standards and reporting process measures FSRA's performance of key regulatory activities. This quarter, FSRA reports that it exceeded service targets for 76% of its standards. Highlights of FSRA's performance include:

- processing 100% of all credit union regulatory applications within 30 days;
- reviewing 100% of defined benefit pension plan wind-up applications and decided on within 120 business days'
- acknowledging 91.7% of complaints for all sectors in writing within 3 business days of receipt, where reply information was available.

FSRA fell below target in some service standards for non-private passenger auto minor filings, complaints, and licence applications processing. This is due to extended reviews of filings and complaints, and a significantly higher volume of applications received since quarter four of the fiscal year 2020-2021.

In response, FSRA is increasing resources and evaluating processes, and expects performance scores in these areas to improve.

While CAFII members have generally reported being pleased with FSRA's executive direction and with the quality of its leadership, there have been considerable concerns expressed about processing times for issuing insurance licenses.

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FSRA has Submitted its Proposed Unfair or Deceptive Acts or Practices (UDAP) Rule to the Minister for Approval

The Financial Services Regulatory Authority of Ontario (FSRA) has submitted its proposed UDAP Rule to the Minister of Finance for approval. FSRA states that if approved, the Unfair or Deceptive Acts or Practices (UDAP) rule will strengthen the supervision of insurance industry conduct by clearly defining the outcomes that are unfair or otherwise harmful to consumers.

On December 20, 2021, FSRA submitted its UDAP rule to the Minister of Finance for final approval. The rule will replace the UDAP Regulation under the Insurance Act and will take effect once consequential amendments made by the government are proclaimed into force.

The following documents are available for review:

- Publication of Board Approved Rule;
- Unfair or Deceptive Acts or Practices ("UDAP") Rule 2021.

The summary of stakeholder feedback received during the second public consultation and FSRA's responses are also available at Unfair or Deceptive Acts or Practices ("UDAP") Rule Consultation Summary Report.

FSRA Appoints Mehrdad Rastan to EVP of Credit Union and Insurance Prudential

FSRA has announced that, after a comprehensive recruitment process, that Mehrdad Rastan has been appointed the EVP of Credit Union and Insurance Prudential, effective January 4, 2022.

FSRA states that "Mehrdad is a passionate leader with over 25 years' experience executing strategic initiatives, establishing strong partnerships, building high performing teams and championing transformational organizational culture."

Mehrdad has spent the last ten years as a regulator at the Financial Services Regulatory Authority of Ontario (FSRA) and the British Columbia Financial Services Authority (BCFSA) in executive positions building regulatory and supervisory teams and implementing modern systems and frameworks to promote operational resilience and financial stability.

During his time at FSRA, building on his success as a senior credit union regulator at the BCFSA, Mehrdad has overseen the re-build of FSRA's recovery framework and the enhancement of the resolution regime, and helped to implement integrated market conduct and prudential supervisory processes. He has also led the development of a principles-based, outcomes-focused, integrated Risk Based Supervisory Framework, and supported the enhancement of the credit union financial stability structures and the ongoing administration of PACE Credit Union.

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Prior to his regulatory roles he held strategic and risk management positions in investment, hedge, and pension funds and founded and developed start-ups in construction, entertainment and technology. Mehrdad taught physics, finance and risk management at Simon Fraser University for over 15 years, has earned degrees in physics and finance and holds the professional Financial Risk Manager (FRM) and Chartered Financial Analyst (CFA) designations.

"Mehrdad brings not only a wealth of experience and knowledge about credit unions and financial services regulation, he has a proven track record of leading transformational change, building strong teams and relationships and successfully identifying and managing risks" said Mark White, CEO of FSRA. "I would also like to thank Guy Hubert for his many contributions to FSRA, DICO and the credit union sector, including strong leadership during the transition from DICO and launch of FSRA."

"I am excited and highly motivated by this opportunity to focus my efforts on FSRA's critical mandate to protect consumers and regulate Ontario's diverse financial services sector with a modern, world class regulatory regime and organization", said Mr. Rastan. "My first priority will be to reach out and engage the sector, my FSRA colleagues and other key stakeholders."

FSRA Announces its Inaugural "Exchange" Event to be Held 27 January, 2022

FSRA has announced that it will hold an inaugural cross-sectoral event that will be the first of an FSRA's annual flagship event. The line-up of speakers includes:

- The Honourable Peter Bethlenfalvy, Minister of Finance;
- FSRA's Board Chair, Joanne De Laurentiis;
- FSRA CEO, Mark White;
- An Expert Panel Discussion on Principles-Based Regulation;
- Innovation Guest Speakers.
-

The virtual event is free for consumers and $25 for industry registrants. For more details about this event, please visit the event page.

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Quebec

Autorité des marchés financiers (AMF)

AMF 2021 Rendez-Vous Held on 22 November, 2021

The AMF held its annual Rendez-Vous electronically on 22 November, 2021 from 1pm to 4.30pm. Some of the highlights from the session follow.

Louis Morriset, President and CEO, AMF: Digital Transformation: Impacts and Challenges for the Financial Sector

Nathalie Hamel, Director General of Public Affairs at the AMF, opened the event, which had over 950 attendees. Louis Morriset spoke about the challenges that digital transformation was posing for the financial sector. The topic of digital transformation is not new, but it is clear that this trend has accelerated in the past two years. Individuals using digital means for managing their lives and shopping are providing tremendous data points to technology companies. The pandemic has also radically transformed remote work. These developments have resulted in significant transformations in our lives, but it also increases risks. Digitization is transforming the financial sector, and is also producing unique risks for this sector.

This is producing regulatory challenges as new entrants like cyber currencies, and new fintechs, are entering into the financial sector. The AMF has developed a lab internally to better understand cyber security and artificial intelligence developments. The AMF has also commissioned a study on digital trends in Quebec with Deloitte, which is available on the AMF website. The AMF will keep a close eye on all these digital developments.

The broad regulatory principles applying to financial services company, like sound commercial practices expectations, will continue to be relevant. Mr. Morriset then gave some examples of area the AMF is paying attention to, including the explosion in online security accounts. Some young people are approaching important investment choices as they would a video game ("gamification of trading") with significant risks.

Crypto currencies continue to make headway and are becoming accessible to ordinary investors. 72% of people in Quebec said they were aware of cyber currencies in a recent survey. Many investors rely on social media to get information about investments, despite the risk of fraud or misinformation on these platforms. Financial education needs to evolve to take into account these new realities.

Mr. Morriset then focused on developments in the auto sector in Quebec, including self-driving cars. He noted the challenges this produced in the regulatory and insurance sectors. He then noted that the mathematical and data driven nature of the financial sector made it a leader in

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the use of artificial intelligence. A new report on the responsible use of artificial intelligence in the financial sector is to be released in conjunction with this meeting, on 22 November, 2021. This connects with initiatives around ESG and around privacy.

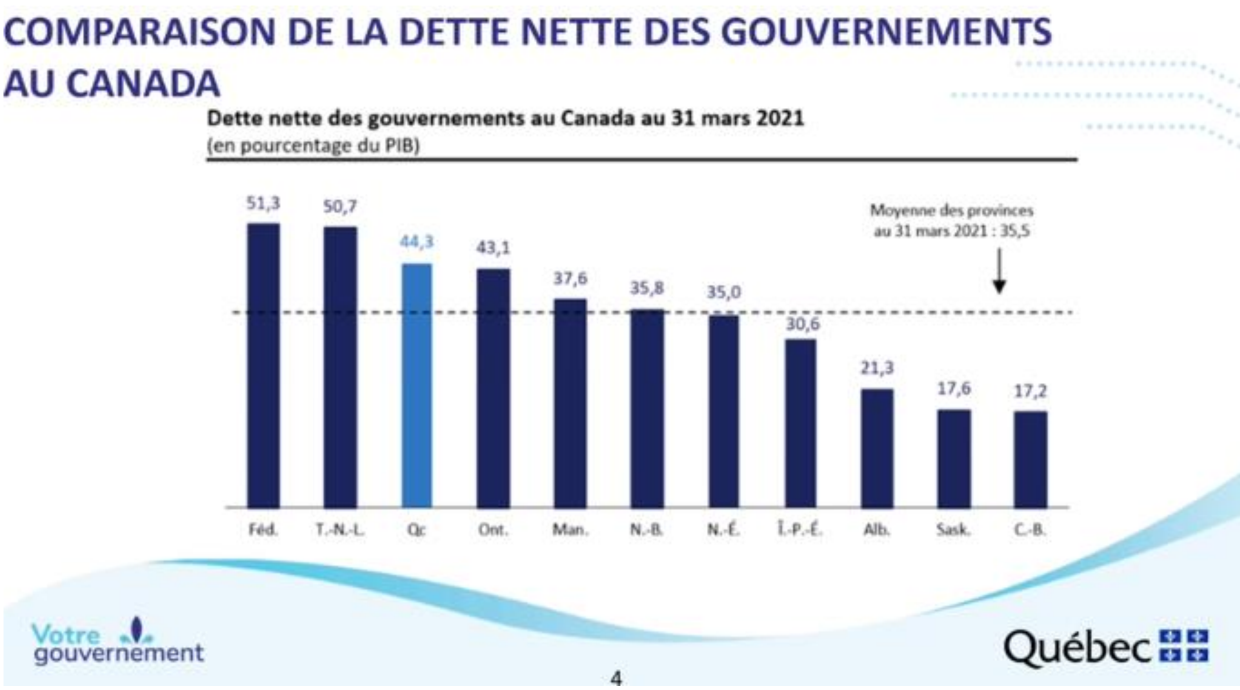
Digital transformation is also changing the AMF. It is a strategic goal of the AMF to use this tool to make it a better regulator. The AMF will continue to invest in the digital competencies of its employees.

In conclusion, Mr. Morriset said that digitization would continue to transform every element of life. The AMF would continue to monitor these developments carefully, and would balance the importance of innovation with the need to protect consumers.

Eric Girard : Minister of Finance, Government of Quebec

There will be a budget update in Quebec in October 2021. Mr. Girard spoke about Bill 3, which is modifying legislation affecting certain Quebec financial rules. This includes a revision to the governance of the AMF, with the AMF now having a full board as opposed to a consultative committee. Mr. Girard noted that the net debt as a percentage of gross domestic product in Quebec is higher than in most provinces.

Table Three: Comparison of Net Debt of Governments in Canada (Federal and Provincial)



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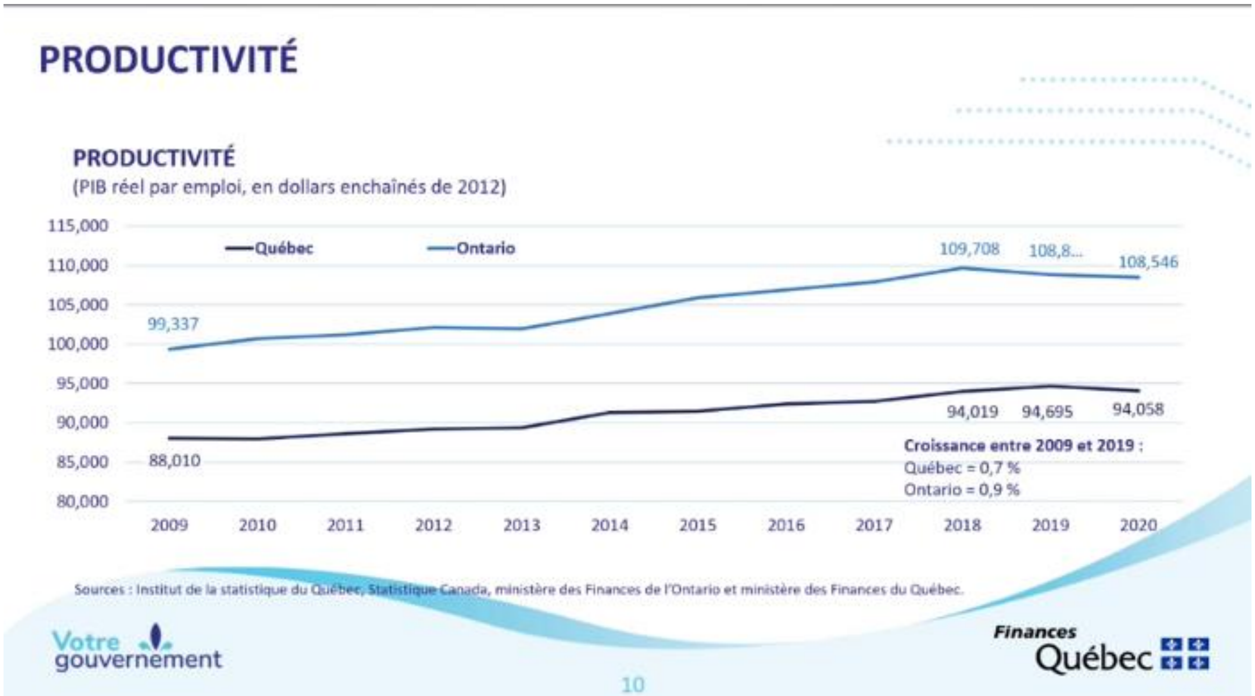
Mr. Girard also noted that there was a decrease in Quebecers level of debt relative to assets, although some of this is due to house inflation. He also noted that inflation was above 5% in Quebec recently, but that the Bank of Canada was confident that the inflation rate would stabilize and return to around 2% in 2022. Mr. Girard noted that economies throughout the world were rebounding as the pandemic recedes, and that this would continue to create inflationary pressures.

The Minister said that Quebec was committed to responsible environmental management as part of its commitment to ESG (environment, social, governance) improvements.
Turning to cyber-security, Mr. Girard said that legislative changes (Bill 53) have been made to give the AMF powers to protect privacy of consumers. He said that the financial sector needed to be a leader in this area. He also noted that Quebec, like other sectors, was facing labour shortages; there are 200,000 vacant job postings in Quebec. On productivity, from 2009-2020 Quebec workers were less productive than Ontario, and this is a major concern.

Mr. Girard, in answering questions, said that the biggest challenges to the financial sector right now included reputational risks and that these institutions needed to up their game in this area.

Table Four: Quebec Productivity, 2009-2020



Session on How Technological Innovation is Transforming Industry : Moderator: Patrick Déry, Superintendent, Solvency; Panelists Lyne Duhaime, President, Canadian Association of Life and Health Insurance (Quebec) and Senior Vice President, Policy and Market Regulation; Chantal Lamoureux, President and CEO, Quebec Institute for Financial Planning ; Michel Magnan, Professor, Concordia University

Mr. Dery said that "digital transformation" referred to the impact that technology was having in how companies and societies functioned. This transformation was irreversible and continuing. The panel begin with Michel Magnan, who said he was speaking as a researcher. The financial sector has undergone a major transformation since the financial crisis of 2007-2009, with financial pressures combined with the emergence of new technologies that are changing the way they interact with financial institutions. Many touchpoints that were decentralized (as in branches) are now centralized (like through smart-phones). Quebec in recent years has seen a reduction of its "part of the pie" in the Canadian financial sector, for reasons that are not entirely clear.

Ms. Duhaime said that digital transformation impacts different sectors differently. The level of insurance that a policy provides without para-medical tests has increased through artificial intelligence in recent years. Over a few months early during the pandemic over $100 million was paid out to Quebeckers for travel insurance claims. Telemedicine has taken off as well during the pandemic and this will be an enduring change. Due to the pandemic there has been a 25% increase in claims for mental health issues, despite the lack of in-person visits.

Chantal Lamoureux spoke about advisors who now need to connect with consumers digitally. She said that advisors have to embrace new technologies and applications. There are still however many advisors that are still resisting this reality and are not adopting new technologies. Ms. Lamoureux said that there are risks with the use of technology including not personalizing recommendations to customers. Another risk is too much of a siloed approach to the application of technology, and there is a need to have a more holistic, integrated approach. Another risk is consumers not using advisors due to technology solutions, even though they may not have the financial literacy to make these decisions without help.

On the subject of talent and the workforce, Ms. Lamoureux suggested that advisors and regulators needed to think more deeply about how best to serve customers. Ms. Duhaime said that new talent pools like scientifically-trained individuals would increasingly be required in financial services, but that these individuals had many choices about where they could work. Mr. Magnan felt that siloed approaches to university training was a problem and there was a need for cross-sectoral training.

Session on How Consumer Habits in Quebec are Evolving : Moderator, Eric Jacob, Superintendent, Client Services and Distribution, AMF ; Panelists Ariane Charbonneau, Board Member, Quebec Office of Consumer Protection ; Nathalie de Marcellis-Warrin, Professor and Researcher ; Marie-Eve Fournier, Columnist at La Presse

Eric Jacob introduced the panelists for the workshop. He noted that the pandemic had accelerated certain tendencies in Quebec, especially the adoption by consumers of digital means.

Ms. Fournier said that the financial services sector was not immune to digitization changes that were occurring in society. Consumers are expecting the same level of digital competency in financial services as they are getting currently in other industries. Ms. Charbonneau agreed that behavioural changes caused by the pandemic would cause changes in consumers' habits including in financial services. Ms. de Marcellis-Warrin said that young people, who tend to use their phones for all transactions more than older people, provide a glimpse into the future reality for transactions for people in general. Eric Jacob said that the AMF was very engaged in these realities and ensuring that as a regulator it evolved to take these emerging realities into account.

Carolyn Wilkins, Former Deputy Governor, Bank of Canada, External Member of the Bank of England's Financial Policy Committee, and Board Member, Intact Financial Corporation

Ms. Wilkins spoke about crypto-currencies. These currencies have grown exponentially in recent years. Ms. Wilkins specifically focused on three characteristics of crypto-currencies. The first is to protect consumers and the sanctity of the financial sector. An important distinction must be made between crypto-currencies linked to assets and those that are not. It is also important to examine those that are largely decentralized differently. Finally, the regulatory environment needs to be nimble with respect to these products.

Bitcoin is an example of a currency without a link to assets. It has no intrinsic value and its share price is also extremely volatile and speculative. Up to 95% of these currencies have no link to underlying assets. Regulators are now looking at these products very carefully. Intelligent contracts however are a real value add and may have an enduring value. Open source code is also an advantage.

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International Developments, Research, and Thought Leadership

Globe and Mail

Rob Carrick, Frequent Critic of Credit Protection Insurance, Cites His View of Six Terrible Bank Products—None of Which includes CPI

In a 2 November, 2021 article in relation to Financial Literacy Month, Rob Carrick states:

> *The problem with Financial Literacy Month is that it allows the conversation about smart money habits to be co-opted by the very companies that effectively force us to raise our financial literacy game. Mostly, the big banks. This month, you'll see them pumping out polls, interviews, videos and other content designed to have their brands and their people associated with empowering Canadians to make smarter money decisions.*

He goes on to say:

> *We should not rule out the possibility of people in banking selling and advising in a way that puts customers first. But the top priority of a bank is to continually increase revenues, profits and dividends paid to shareholders. A proven way to gloss over this reality is to build an image of banks as cheerful helpers.*

Mr. Carrick then lists his view of the six worse bank products:

> *Savings prdoucts (due to low interest rates);*
> *Mortgage breakage penalties;*
> *Offering more mortgage debt than consumers can afford;*
> *Using the term "advisor" in branches for branch sales forces;*
> *Pushing home equity lines of credit that keep people in debt indefinitely;*
> *Pushing a "junk product" called market-linked GICs.*

What is notable is that Mr. Carrick, despite his previous hostility to credit protection insurance, did not include it in his list of bank products he does not approve of.

The full article can be found at:
https://www.theglobeandmail.com/investing/personal-finance/household-finances/article-six-things-a-brutally-honest-banker-would-tell-you-about-mortgages/

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Insurance Business Canada

Report Finds That Canadians Will not Scrimp on Buying Life Insurance in 2022

In a 13 December, 2021 report Insurance Business Canada cites a report by Policy Advisor that while Canadians are concerned about their economic situation, inflation, interest rates, and job security, and as a result were looking to pare down expenses, life and health insurance was considered the "least expendable" expense:

> *Certain findings of the survey suggest that there may be an opportunity for insurers to better sell their life and health products. The report found that some 52% of Canadians feel uncertain that they have enough financial protection for themselves or their loved ones should they be afflicted with a COVID-related illness or death. Another 45% who have not purchased life insurance said that they mainly worry about the cost of buying coverage; while vaccination status does not have an impact on insurance availability or pricing, many hope that there are discounts for those who are inoculated.*

The article also notes that

> *In September, another survey by Sun Life found that over half of Canadians lack a proper financial plan. Of note was that the 55-years-old-and-up group had the largest percentage of individuals that said they lacked insurance – 44% of those in the age group indicated they did not include insurance cover in their financial plans. When asked why they did not have coverage, 29% of respondents said that they "do not need it."*

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Regulatory Update – CAFII Executive Operations Committee, February 14, 2022
Prepared By Brendan Wycks, CAFII Co-Executive Director

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Federal/National

Financial Consumer Agency of Canada (FCAC)

FCAC Publishes Final Version Of Guideline on Complaint-Handling Procedures For Banks
On January 27/22, the FCAC published on its website the final version of its Guideline on Complaint-Handling Procedures for Banks and Authorized Foreign Banks, which comes into force on June 30/22.

The final Guideline can be found here: https://www.canada.ca/en/financial-consumer-agency/services/industry/commissioner-guidance/complaint-handling-procedures-banks.html.

Public Interest Advocacy Centre (PIAC)

PIAC Asks For Stronger Language In Guideline On Banks' Internal Complaint Handling Procedures

In December 2021, PIAC published on its website its submission on the FCAC's consultation on a *Proposed Guideline on Complaint-Handling Procedures for Banks and Authorized Foreign Banks.*

PIAC's introductory commentary about its submission reads as follows:

The proposed Guideline sets out FCAC's expectations with respect to banks and authorized foreign banks' implementation of, and compliance with, the new complaint-handling provisions in the Bank Act and the Financial Consumer Protection Framework Regulations (FCPF), which will come into force June 30, 2022.

Notably, the amended Bank Act and FCPF will require banks to: deal with each complaint within 56 days following the day it is received; refrain from using misleading terms with respect to complaint-handling procedures, including any term that suggests that the procedures, officers or employees are independent of the bank (e.g., "ombudsman"); and create records of all complaints and retain them for 7 years.

In our comments, PIAC supported the FCAC's inclusion of expectations regarding systemic issues and redress and reimbursement policies not found in CG-12, the existing guidance for Federally Regulated Financial Institutions (FRFIs) including banks. However, PIAC recommended the FCAC use stronger language to describe these new expectations and include more explicit references to the above noted FCPF consumer protections. We also recommended that the FCAC take additional steps to improve record-keeping expectations to better facilitate independent, third-party adjudication and include in the Guideline the expectation that banks only record, report, or publish a complaint as having been resolved to the satisfaction of the complainant when the complainant confirms this to be true in writing.

PIAC's submission to FCAC can be found here: **https://www.piac.ca/wp-content/uploads/2021/12/PIAC-Comments-FCAC-Bank-Internal-Complaints-Guideline-FINAL.pdf.**

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PIAC Comments In Favour Of A Single External Complaints Body For Banking Services

In the Fall of 2021, PIAC published on its website its submission in response to the Department of Finance Canada's *Consultation on Strengthening Canada's External Complaint Handling System in Banking.*

PIAC's introductory commentary about its submission reads as follows:

The Consultation was released following two reports by the Financial Consumer Agency of Canada (FCAC): "Bank Complaint Handling Procedures" and "The Operations of External Complaints Bodies" which identified a number of deficiencies in the complaint handling policies, procedures and operations of banks and external complaint bodies (ECBs), organizations that review complaints that are not satisfactorily resolved by a banks internal complaints handling system. Unfortunately, the Consultation did not seek feedback on banks' internal complaints handling processes, an issue we raise in our comments: "[E]ven the best ECBs cannot be effective tools for consumers if consumer complaints are mishandled or suppressed, intentionally or inadvertently, at the level of the banks' internal complaint handling processes or consumers agree to inadequate compensation from their bank out of lack of awareness that an ECB option is available."

Despite the Consultation's narrow scope, we generally support the government's efforts to improve the ECB system in banking. In our submission, we ask that the government move away from the current multiple ECB system and towards designating a single ECB to oversee all banking services complaints. In our view, the government will be better able to regulate the ECB system if it designates a single ECB, makes ECB decisions binding on relevant banks, and creates more rigorous accessibility and transparency requirements, including a requirement that the ECB publish all of its decisions.

PIAC's submission to the Department of Finance Canada can be found here: https://www.piac.ca/wp-content/uploads/2021/12/PIAC-2021-10-14-Submission-Consulation-ECB-FINAL.pdf.

Office of the Superintendent of Financial Institutions (OSFI)

OSFI Publishes Revised Guidelines On Reinsurance Practices
On February 11/22, OSFI issued a media release announcing its release of revised guidelines on reinsurance practices.

The OSFI media release reads as follows:

Today, the Office of the Superintendent of Financial Institutions (OSFI) concluded its review of reinsurance practices by issuing final revised versions of Guideline B-3, *Sound Reinsurance Practices and Procedures*, and Guideline B-2, *Property and Casualty Large Insurance Exposures and Investment Concentration*.

These revised guidelines reflect changes in industry practices over the past 10 years and come into effect on January 1, 2025.

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The revised Guideline B-3 sets out OSFI's expectations for federally regulated insurers (FRIs) to better identify and manage risks arising from the use of reinsurance, particularly counterparty risk.

The revised Guideline B-2 will require property and casualty FRIs to be able to cover the maximum loss related to a single insurance exposure on any policy it issues, assuming the default of its largest unregistered reinsurer on that exposure.

Federally regulated insurers' existing insurance business should continue to comply with the Guideline B-3 and Guideline B-2 currently in force until January 1, 2025. This nearly three-year transition period permits FRIs time to effectively adjust their business practices to comply with the new guidelines before they come into force.

OSFI will hold industry information sessions in the coming months to provide additional clarity regarding OSFI's expectations and supervisory approach.

Canadian Foundation For The Advancement Of Investor Rights (FAIR Canada)

FAIR Canada's Feedback Submission Lauds AMF's Draft Regulation Respecting Complaint Processing
On December 20/21, FAIR Canada published on its website its submission to the AMF on the regulator's *Draft Regulation Respecting Complaint Processing and Dispute Resolution*.

FAIR Canada's largely laudatory feedback to the AMF reads, in part, as follows:

Overall, we support the Draft Regulation because it addresses documented deficiencies in the internal complaint handling system of banks1 and other financial institutions. Particularly encouraging are the concrete measures designed to assist consumers, improve timelines, analyze complaints data, and address systemic issues. . . .

5. Subsection 26(2), which prohibits the use of the term "ombudsman" or "any other qualifier… that suggests that such persons are not acting on behalf" of the firm.

This is an important prohibition that should help reduce wide-spread consumer confusion and avoid misleading consumers into believing that other avenues to resolving their complaint are now closed – which is clearly not the case.

Recommendations to help improve the complaint handling framework in Quebec: . . .

3. Section 11 requires that the firm provide complaint drafting assistance, but only if the consumer expresses a need for it.

Requiring assistance to be provided is a key step forward in promoting effective complaint handling. This is because most consumers have little experience interacting with the system. This contrasts with financial institutions, which build up institutional knowledge and expertise over time, and have far greater resources at their disposal. We consider this assistance a critical tool in leveling the playing field between the firm and the consumer.

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We suspect many consumers will not be aware, however, that they have the right to ask for assistance. As such, the onus should not be placed on the consumer to ask for assistance, but on the firm to proactively advise them of the availability of such assistance.

We also note that section 11 and subsection 5(2) need to work together and be scrutinized, since helping the consumer draft their complaint could create potential conflicts between the staff providing assistance and the firm that employs them.

Canadian Association of Direct Relationship Insurers (CADRI)

CADRI Uses Video As Part Of Advocacy Submission To Insurance Council Of Manitoba
On February 10/22, CADRI made a written submission to the Insurance Council of Manitoba which asks the regulator to remove current restrictions on Manitoba Level 1 Agents working remotely from the office.

In a section of CADRI's letter to ICM titled "Supervising insurance agents today," the Association uses an embedded video to help make its case. That section of CADRI's submission reads, in part, as follows:

What better way to walk the Council through our members' approach to supervision than a video that demonstrates that supervisors are well placed to oversee the work of their teams, even if they are working in different geographic locations. Please view our video, "Supervising agents in a virtual offices": https://www.youtube.com/watch?v=tZJd5PfDCzU.
CADRI's written submission can be found here:
https://www.cadri.com/resources/Documents/Submissions/2022/1.%20CADRI%20Response%20MB%20General%20Insurance%20Rules%20FINAL.pdf.

Canadian Life and Health Insurance Association

CLHIA Announces Industry Initiative To Use Advanced AI To Reduce Benefits Fraud
On February 14/22, CLHIA issued a media release announcing the launch of an industry initiative to pool claims data and use advanced artificial intelligence tools to enhance the detection and investigation of benefits fraud.

The media release indicates the following:

Every insurer in Canada has their own internal analytics to detect fraud within their book of business. This new initiative, led by the CLHIA and its technology provider Shift Technology will deploy advanced AI to analyze industry-wide anonymized claim data. By identifying patterns across millions of records, the program is enhancing the effectiveness of benefits fraud investigations across the industry.

We expect that the initiative will expand in scope over the coming years to include even more industry data.

"Fraudsters are taking increasingly sophisticated steps to avoid detection," said Stephen Frank, CLHIA's President and CEO. "This technology will give insurers the edge they need to identify patterns and connect the dots across a huge pool of claims data over time, leading to more investigations and prosecutions."

"The capability for individual insurers to identify potential fraud has already proven incredibly beneficial," explained Jeremy Jawish, CEO and co-founder of Shift Technology. "Through the work Shift Technology is doing with the CLHIA, we are expanding that benefit across all member organizations, and providing a valuable fraud fighting solution to the industry at large."

Insurers paid out nearly $27 billion in supplementary health claims in 2020. Employers and insurers lose what is estimated to be millions of dollars each year to fraudulent group health benefits claims. The costs of fraud are felt by insurers, employers and employees and put the sustainability of group benefits plans at risk.

CLHIA Issues Statement On CCIR And CISRO Announcement On Deferred Sales Charges
On February 10/22, CLHIA issued the following public statement:

Canada's life and health insurers support the broad efforts of the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organizations (CISRO) to better align the regulatory environments for segregated funds and mutual funds.

This includes today's announcement by the CCIR and CISRO that the industry should begin a transition towards the cessation of new DSCs for segregated fund sales by June 1, 2023.

Our industry looks forward to continuing to work collaboratively with the CCIR and CISRO on this important initiative.

OmbudService For Life and Health Insurance (OLHI)

OLHI Announces Partnership With Quebec Cancer Foundation
On November 25/21, OLHI posted an advisory on its website announcing a new partnership with the Quebec Cancer Foundation (QCF). The OLHI announcement states the following:

This strategic alliance will make it possible to enhance the daily well-being and financial security of people with cancer and their loved ones.

For over 40 years, the Quebec Cancer Foundation has been adapting its approach and finding new and innovative ways of providing services designed to best meet the needs of people with cancer and their loved ones. The QCF is extremely proud of this recent partnership with OLHI, a collaboration that will allow the Foundation to transform the landscape of healthcare in terms of support services once again. OLHI is a non-profit organization that offers an alternative dispute resolution public service for life and health insurance consumers in Canada. This free and bilingual service will enable the Quebec Cancer Foundation's beneficiaries and their loved ones to get access to help and information on dispute resolution in consumer insurance matters.

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"People facing cancer must not only contend with medical challenges, as financial issues are generally also a major impediment," notes Mr. Marco Décelles, General Director of the Quebec Cancer Foundation. "I truly believe that this partnership with OLHI will significantly impact everyone who attempts to exercise their rights with regard to critical illness insurance. Through this collaboration, we will be able to better support the physical, mental and financial well-being of an even greater number of cancer patients, survivors and loved ones."

For Stéphanie Robillard, OLHI's Acting Senior Deputy Ombudsman and conciliator, this partnership with the Quebec Cancer Foundation was a natural. "During the course of Financial Literacy Month, OLHI chose to partner with the Quebec Cancer Foundation because it's the only organization that helps and supports people diagnosed with cancer, regardless of type of disease, age or origin, and this throughout Quebec: in other words, it provides accessible, inclusive and effective assistance to all Quebecers. Both of our organizations are part of a movement focused on the overall health and financial security of people facing cancer."

Advocis

Former CAFII EOC Member Sara Gelgor Joins Advocis Board As A Public Director

In the Fall of 2021, Sara Gelgor – a former CAFII EOC member for many years while she was a senior compliance staff executive at ScotiaLife Financial – joined the Board of Advocis as a Public Director.

Advocis' website features substantive biographical profiles about each of its Board members, and states the following about Ms. Gelgor:

Sara is an experienced board director and financial services executive. Sara has served as a board member of for-profit and not-for-profit organizations, including Toronto Hydro and the University of Toronto Governing Council Business Board, and has been named to the Diversity 50 by the Canadian Board Diversity Council. She successfully completed the Rotman Directors Education Program and holds the ICD.D designation. Sara is a member of Governance Professionals Canada and is a faculty member of the GPC.D program, having collaborated in the design and launch of the designation program.

Sara has held senior leadership roles in the financial services sector and is currently the Chief Compliance Officer at Concentra Bank. She previously oversaw regulatory compliance risk for wealth management and retail banking at HSBC Bank and has been Chief Compliance Officer for a Canadian insurer. Sara has helped shape public policy through material contributions as a committee member at the Canadian Life and Health Insurance Association, the Canadian Association of Financial Institutions in Insurance, and the Canadian Bankers Association.

Sara is no stranger to Advocis. From 2003 to 2008 she held the staff position of Vice President of Regulatory Affairs and earned a strong reputation for her critical thinking and her ability to build strategic relationships, successfully leading a number of key initiatives, including Advocis' intervention in a landmark Supreme Court of Canada constitutional law challenge.

Sara obtained her undergraduate degree at the University of Toronto and attended Queen's University for Law School. She is a lawyer, and also holds a Master's degree in International Law from Cambridge University, and an MBA from the Rotman School of Management at the University of Toronto. She completed the Osgoode Hall Law School Certificate in Legal & Regulatory Risk Management for Financial Institutions, and has been a faculty member of the certificate program since 2013. She is a frequent speaker at conferences, including the Northwind Financial Services Invitational Forum, and is a past lecturer at the Rotman School of Management and Queen's Law School.

Sara shares her home with her spouse and their two children, as well their Leonberger, Golden Retriever, and Bengal Leopard cat. Her passions include travel and skiing, and she is a long-standing member of the Toronto International Film Festival and a volunteer at Toronto's Out of the Cold Program.

Provincial/Territorial
British Columbia

BC Court Of Appeal
<u>BC Court Of Appeal Declines To Interfere With 2018 Manulife Settlement</u>

On January 28/22, Investment Executive reported that the appeal court in British Columbia had rejected a bid to re-open a proposed class action against Manulife that was settled back in 2018.

The article reads as follows:

A panel of judges from the Court of Appeal for B.C. unanimously rejected an application for leave to appeal a class action case that was certified in order to approve a $4.25 million settlement.

The case, which originally started in 2013, "concerns alleged misconduct in the marketing of life and disability insurance to mortgagors by [Manulife] and its affiliates," the court noted in <u>Leonard v. The Manufacturers Life Insurance Company.</u>

The plaintiffs took issue with the manner by which subsidiaries of Manulife marketed, in Canada, creditor protection insurance products underwritten by Manulife for mortgagors.

Several parallel cases were subsequently filed in various provinces. The case was twice denied certification as a class action before a settlement was finally reached that resulted in a court certifying the case in order to approve the settlement. That decision, by Supreme Court of B.C. Justice Geoffrey Gomery, was released in 2020.

Several plaintiffs subsequently sought leave to appeal the certification order, and the appointment of the representative plaintiff, arguing that she "acted against the interests of the class by agreeing to the proposed settlement."

Among other things, they argued that the settlement is "woefully inadequate"; that there's a realistic prospect that a better outcome could be achieved; and that allowing the settlement sends the message

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that "deep-pocketed defendants can buy their way out of widespread unlawful conduct … if they can find a representative plaintiff willing to settle on such unreasonable terms."

However, the appeal court rejected their arguments.

It said that the lower court is entitled to substantial deference in appointing a representative plaintiff and approving a settlement, and it concluded that there was no clear error in those decisions.

"In the absence of identifiable legal or factual error, the applicants are not entitled simply to repeat the same arguments they made below in this court in the hope of achieving a different result on appeal," the court said in its decision.

The court also found that the circumstances of the case aren't unusual enough to warrant granting leave to appeal.

"The judge conducted a careful, thorough and cogent analysis of the terms and conditions of the proposed settlement. On the record before him, he was entitled to conclude that the settlement was fair, reasonable and in the best interests of the class and should be approved," the appeal court said.

The appeal court also concluded that granting leave would be contrary to the interests of justice.

"In my view, it would seriously compromise the ability of representative plaintiffs and defendants to negotiate and settle class actions, subject to court oversight … if leave to appeal orders for certification and settlement approval were to be granted in circumstances such as these," it said.

BC Financial Services Authority (BCFSA)

BCFSA Consolidates Vancouver Offices, Implements COVID-19 Guidelines

On January 10/22, BCFSA issued a news release announcing that it had permanently closed its office at 555 West Hastings Street, Vancouver and consolidated all of its operations at 600-750 West Pender Street, Vancouver.

The former 555 West Hastings Street office location is where CAFII delegations met with staff executives from BCFSA's predecessor organization, BC FICOM, in the Fall of 2017 and the Fall of 2019.

BCFSA also announced that in accordance with current public health information surrounding the ongoing COVID-19 pandemic, it is only accepting scheduled appointment visits at its West Pender Street office. Vaccination status will also be checked for admittance to BCFSA's office.

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<u>BCFSA Calls for Public Comment As Credit Union Seeks To Exit Provincial Regulation</u>

On February 1/22, BCFSA issued a news release announcing that it was seeking comment from the public on an application from First West Credit Union ("First West") for consent to apply to be federally regulated under the *Bank Act*.

Under the *Credit Union Incorporation Act,* a British Columbia credit union requires the consent of the Superintendent of Financial Institutions ("Superintendent") and the Credit Union Deposit Insurance Corporation of British Columbia ("CUDIC") in order to apply to the federal Minister of Finance for an instrument of continuation allowing the credit union to continue operations as if it had been incorporated under the laws of the federal jurisdiction.

First West is headquartered in Langley, B.C. and uses the following trade names for its divisions: Envision Financial, Island Savings, Enderby & District Financial, and Valley First. First West applied to the Superintendent and CUDIC for consent to continue operations under federal jurisdiction following a supportive membership vote held in late 2021.

Under the change of jurisdiction, First West would cease to be regulated in B.C. and would thereafter be governed and regulated under federal laws as a federal credit union. The process requires consent and approval at the provincial and federal levels respectively. Because this change may have impacts for First West members and for the public and other businesses, BCFSA is soliciting comments through its website, social media, and online postings as part of its consent process. Comments must reach BCFSA by March 2, 2022.

Manitoba
Insurance Council of Manitoba (ICM)
<u>Lee Roth Leaves Insurance Council Of Manitoba Staff For Industry Role</u>
The Insurance Council of Manitoba's website indicates that Lee Roth, Director of Compliance for the past several years under recently departed Executive Director Barbara Palace, has left the Council's employ.

Mr. Roth's LinkedIn profile indicates that he joined Wawanesa Insurance Company as a Senior Compliance Specialist in January 2022.

At approximately the same time, in December 2021, the Insurance Council of Manitoba (ICM) posted a brief half-page announcement on its website advising that Stacey Aubrey, previously Director of Licensing, had been appointed its new Executive Director, succeeding Barbara Palace.

Ms. Palace left ICM in December to become CEO of the United Way of Chatham-Kent in Ontario.

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International

UK Financial Conduct Authority (FCA)

FCA Flames Firm's Finfluencer Efforts

On February 11/22, Investment Executive reported that amid growing concerns about the role of social media in driving financial decisions, the U.K.'s Financial Conduct Authority (FCA) had taken action against a financial firm over its involvement with a "finfluencer."

The Investment Executive article reads as follows:

The FCA issued a supervisory notice against investment firm Freetrade Ltd., ordering that it remove all paid influencer ads and posts across all social media platforms, including Instagram, TikTok, Facebook and YouTube.

In a notice, the FCA said it concluded that the firm breached conduct rules "by failing to consider the extent to which vulnerable customers might access a financial promotion […] to be made by a social media influencer, in order to promote its services of commission-free investments."

The regulator indicated it was concerned about promotions involving an "influencer" with over 64,000 followers on TikTok that included information about how she is paying off £38,000 in debt, and did pay off £14,000 in 18 weeks.

"This influencer also has widespread media interest reporting on her story of 'clearing her debt.'" it said. "The [FCA] therefore considers that her profile is one which vulnerable or indebted consumers could be particularly attracted to."

The regulator said the influencer's financial promo video, "viewed in the context of her profile, may lead viewers to believe that if they invest with the firm they will clear their debt, encouraging them to invest."

However, the regulator said it "considers this to be misleading as there are no guarantees of positive returns on any investment, which may further exacerbate the financial position of those already in debt."

The FCA also said that, though the video included a risk warning, it concluded "the risk disclosure to be insufficient, the promotion misleading and the influencer's financial promotion to therefore be in breach of [conduct rules]."

The FCA also reported that it discovered "a TikTok video which was posted to an Instagram story on the influencer's profile, that promotes the benefits of using the firm to engage in investment business but does not include the required risk disclosure."

In that instance the regulator said, "FreeTrade did not have appropriate oversight of the influencer's financial promotion, which would have allowed the firm to identify and request the removal of the TikTok video."

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Regulatory Update – CAFII Executive Operations Committee, 22 March, 2022

Prepared by Keith Martin, CAFII Co-Executive Director

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Federal/National

Canadian Council of Insurance Regulators (CCIR) and Canadian Insurance Services Regulatory Organizations (CISRO)

CCIR and CISRO Jointly Announce Proposed Guideline on Incentives Management for Consultation

In a 17 February, 2022 news release, CCIR and CISRO announce that they are engaging in a public consultation on "a proposed guidance that setsout expectations for insurers and intermediaries that pay compensation and/or design incentive arrangements related to the sales and servicing of insurance products."

The news release specifies that the Guidance "is intended to complement *CCIR-CISROGuidance: Conduct of Insurance Business and Fair Treatment of Customers* (FTC Guidance)" and "ensure incentive arrangements align with principles set out in that document."

The news release goes on to state that

> *Like the FTC Guidance, this guidance is principles-based and provides insurers and intermediaries with the discretion necessary to devise strategies, policies and controls in support of fair customer outcomesbased on the nature, size and complexity of their business activities. While both insurers and intermediaries have a shared responsibility, the insurer bears the ultimate responsibility for fair treatment of customers through to the end of a product's lifecycle.*

The new chairs of the CCIR, Robert Bradley, and CISRO, Éric Jacob, made comments on the new Guidance:

> *"Fair treatment of customers has quickly become the key focus of financial services regulatory authorities in Canada and abroad," said Robert Bradley, Chair of CCIR. "The proposed guidance builds onthe foundation set by CCIR-CISRO Guidance: Conduct of Insurance Business and Fair Treatment of Customers by addressing a specific set of industry practices and how they can best support fair treatment of customers," he added.*

> *"Insurance intermediaries play an important role in the fair treatment of insurance customers," said ÉricJacob, Chair of CISRO. "While insurance intermediaries are compensated for the services they provide, the proposed guidance will help to ensure that the risks that arise from compensation are properly managed," he added.*

The *Proposed Guidance on Incentives Management for Consultation* can be found here: [Incentive Management Guidance]

The Fair Treatment of Customers Guidance that it is intended to align to can be found here: [FTC Guidance]

There is a 45 day consultation period with written submissions to be submitted by 4 April, 2022. CAFII will be providing a written submission.

Canadian Council of Insurance Regulators (CCIR)

CCIR Announces Erica Hiemstra, Head, Insurance Conduct at FSRA as the new Chair of the OmbudServices Oversight Standing Committee (OOSC)

In its Winter 2022 Newsletter, the CCIR announced that that Erica Hiemstra, Head, Insurance Conduct, FSRA would become the new Chair of the OmbudServices Oversight Standing Committee (OOSC). Ms. Hiemstra replaces Chris Carter of BCFSA. Members of the CCIR extended their appreciation to Mr. Carter as he takes on the Chair of the Climate Change, Natural Catastrophes & Consumer Awareness Working Group.

The CCIR website notes that

> *This committee works to ensure that third party dispute resolution systems in the insurance sector, including OmbudService for Life & Health Insurance (OLHI) and General Insurance OmbudService (GIO), fulfill the public interest objectives of complaint resolution as an important component of a well-functioning consumer protection policy framework.*

Travel Health Insurance Association of Canada

THIA Issues Regulatory Update on Quebec's Bill 64 – Legislation to Update Privacy Laws and Rules

On 14 March, 2022 the Travel Health Insurance Association of Canada (THIA) issued a Regulatory Affairs Committee update on the adoption by Quebec's National Assembly of Bill 64 – *An Act to modernize legislative provisions as regards the protection of personal information.* The update notes that the bill significantly updates Quebec's privacy legislation, and will come into force over a three-year period, with most requirements coming into effect on 22 September, 2023. The update cites the following as highlights of the legislation:

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- *Appointment of a privacy officer and publication of contact information on the organization's website (coming into effect on September 22, 2022).*
- *Mandatory breach reporting requirements to the Commission d'accès à l'information (CAI) andindividuals, similar to those in PIPEDA (coming into effect on September 22, 2022).*
- *New requirements when outsourcing or transferring personal information outside of Quebec.*
- *Introduction of data portability, and the "right to be forgotten".*
- *The obligation for organizations to conduct privacy impact assessments (PIAs) for certaininitiatives.*
- *Accountability rules, such as the obligation to establish, implement and publish governancepolicies and practices.*
- *Transparency requirements when organizations are using technologies allowing individuals to beidentified, located and profiled.*
- *Greater enforcement tools for the CAI, including imposing administrative monetary penalties on organizations up to $10,000,000 or, if greater, the amount corresponding to 2 per cent of worldwide turnover in the preceding year.*
- *Expanded range of offences for certain serious contraventions of the law, subject to a maximum fine of 4% of global revenue or $25,000,000.*
- *Private right of action for intentional or gross fault of at least $1,000 where an unlawful invasion of privacy causes harm.*

The update adds that

> *As we predicted in our previous Privacy Laws Bulletin in March 2021, we expect significant revisions to privacy and data protection laws to continue in coming years. The province of Quebec has gone first to bring its legislation closer in line with Europe's GDPR and other provinces have similar initiatives underway. Although the overhaul of Canadian federal privacy legislation and its replacement with the Canada Consumer Privacy Protection Act was suspended by the 2021 federal election, we can expect Parliament to re-introduce similar legislation in this session.*

THIA's legal council of record is Jill McCutcheon of Torys, who would have been involved in the development of this update. CAFII will continue to monitor developments around privacy legislation carefully.

The Ombudsman for Banking Services and Investments (OSBI)

The Ombudsman for Banking Services and Investments (OSBI) Releases its 2021 Annual Report, Along with a Press Release

The Ombudsman for Banking Services and Investments (OSBI) issued a press release on 15 March, 2022 which commented on its just-released 2021 Annual Report.

The report notes that

> *"The past year marked a number of significant milestones for OBSI," said Sarah Bradley, Ombudsman and CEO, OBSI. "We successfully managed the highest case volumes we have experienced in our 25-year history. During this landmark year, we also completed our 2017–2021 Strategic Plan and finalized the development of our new 5-year strategic plan. 2021 also marked an important governance shift for OBSI as it was the last full year in the term for our Chair of the Board of Directors, and the board undertook the recruitment process for our new chair.*

The report adds that

> *2021 was OBSI's busiest year on record, surpassing previous highs reached following the global financial crisis in 2009-2010. During the year, OBSI assisted 7,593 consumers who contacted the organization with inquiries, a 33% increase over 2020. In 2021, OBSI also opened 1,082 new cases, 37% more than in 2020.*

In terms of banking highlights, the report states that

> *Banking cases increased 55% year-over-year, from 332 cases in 2020 to 514 in 2021. The top concerns raised with OBSI by consumers in 2021 related to credit cards, personal transaction accounts, and mortgage loans. Complaints related to credit cards were the subject of 35% of all banking cases, while personal savings and chequing account complaints followed at 15%, and mortgage loan complaints represented 14% of all banking cases.*
>
> *Fraud was the overall leading issue for banking complaints in 2021, making up a large portion of the complaints involving credit cards, personal accounts, e-transfers and wire transfers, and 22% of OBSI's total banking case volume. Concerns about service issues made up 18% of complaints overall. Among consumers with credit card concerns, chargeback was the most common issue raised. For personal savings and chequing accounts, issues related to a bank's decision to end the consumer relationship were the most common area of*

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consumer concern. Pre-payment penalties was the top issue raised in relation to mortgage-related complaints.

The Annual Report can be found here:
OSBI Annual Report 2021

Financial Consumer Agency of Canada (FCAC)

CAFII Meets with Representatives of FCAC on its Proposed Approach to the Appropriate Products and Services Guideline

On 17 February, 2022 CAFII, at FCAC's request, met to hear the FCAC's final position on the Appropriateness Guideline that it planned to imminently release in final form. At the meeting from FCAC were Bradley Schnarr, Manager, Regulatory Guidance and Coordination, Supervision and Enforcement Branch; and Stephen Wild, SeniorResearch and Policy Officer, Supervision and Enforcement Branch.

While the FCAC said that the final version of the Guideline would remain largely unchanged from the consultation draft, there were significant changes made to the document that reflected CAFII's input. These are detailed in a written update of the meeting developed by CAFII which was shared with CAFII members as an attachment to an email sent on 24 February, 2022 at 4.15pm (please reach out to Keith Martin or Brendan Wycks if you would like a copy), which included the important clarification that the FCAC does **not** have an expectation that determining the appropriateness of a financial or insurance product for a consumer must necessarily include a needs analysis or providing advice.

Auditor General of Ontario

CAFII Meets with the Auditor General of Ontario on FSRA's Performance

The Auditor General of Ontario met with CAFII management (Keith Martin and Brendan Wycks) on 22 February, 2022 on the performance of FSRA. CAFII's input was generally very positive, but it was noted that FSRA's annual budget increases—and fees to industry—had recently been higher than the rate of inflation, and it was CAFII's view that this was not sustainable in the long run. CAFII applauded FSRA's quality of management, its commitment to principles-based regulation, and its open, consultative approach.

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Canadian Health and Life Insurance Association of Canada (CLHIA)

CLHIA Releases Preliminary Agenda for the 4-5 May 2022 Virtual Compliance and Consumer Complaints Annual Conference

The CLHIA has released its draft agenda for the 4-5 May, 2022 virtual Compliance and Consumer Complaints Annual Conference. You can access the agenda here:

Agenda: Compliance and Consumer Complaints Annual Conference

If you are interested in attending the conference, you can contact Ethan Kohn:

Ethan M. Kohn EKohn@clhia.ca

Canadian Association of Financial Institutions in Insurance (CAFII)

CAFII Holds Webinar on 7 March, 2022 on Mental Health Issues and Challenges in the Workplace, At Home, and In Society: Coping With the Persistent Pandemic's Impact

On 7 March, 2022 CAFII held a webinar on "Mental Health Issues and Challenges in the Workplace, At Home, and in Society: Coping with the Persistent Pandemic's Impact." Participating in the webinar were three leading experts on these issues: *Paula Allen, Global Leader and SVP, Research and Total Wellbeing, LifeWorks, the successor to the business formerly know as Morneau Sobeco; Irene Keller, Director, Group Benefits Product and Solutions, Sun Life; and Shawna Oliver, AVP, Head of Global Benefits, Manulife, working out of its Boston office.*

Panelists all felt that the COVID-19 pandemic had definitely had an impact on mental health issues for Canadians. Paula Allen said that the impact had been greater than many realized. Change, uncertainly, risk, and isolation had all been introduced into peoples' lives in the past two years, and these are all stressors. LifeWorks has surveyed pre-pandemic and current levels of mental health and wellness, and has found that there has been a massive decline in the mental health status of people. This has resulted in major increases in mental health risks, including one-third of Canadians being at risk of mental health issues. Taking another measure, risky levels of alcohol intake has moved from 2 percent of the working population to 8 percent of the working population during the pandemic.

Irene Keller added that mental health issues were a big issue before the pandemic, and this has now been accelerated by the past few years, especially for the under-35 population. Paula Allen noted that there are more vulnerabilities and challenges for younger people, and the pandemic has added to the already existing stress for this more vulnerable population. This is also an age where isolation is more challenging and that has made the pandemic worse for this younger population. Shawna Oliver said that working mothers are another vulnerable group, and that the impact of stressors over the past two years are going to manifest themselves at some point in time.

The panelists spoke next about workplace culture, and the importance of creating a safe, supportive environment. Many employees still associate a stigma with mental health issues, are many will not want to share any such issues with their employers. Employers have to take this on a critical priority, and the right tone has to be set throughout the organization.

The right tools and resources are critical, but the cultural environment is even more important. It was also noted that employees should not have to choose between physical and mental health—they are not separate issues, they are linked, and both need to be part of the equation for employees. The panel also noted that "one size fits all" does not work for mental health issues, and employees need to offer employees options.

The session included good representation from regulators across the country, with the following regulators registered for the session:

- The Alberta Insurance Council;
- The British Columbia Financial Services Authority, or BCFSA ;
- The Financial and Consumer Services Commission of New Brunswick;
- The Government of Alberta;
- The Insurance Council of Manitoba; and
- The Insurance Councils of Saskatchewan.

The webinar included some live polls that demonstrated that 100% of attendees had faced, or knew someone who had faced, mental health challenges; but the polls also revealed that nearly a third of attendees would not want to reveal to their employer that they were dealing with a mental health issue.

The recording of the webinar and the poll results can be found here:

https://www.cafii.com/research/

Kathryn Kitchen, VP Head of HR at Manulife, posted a link to the webinar on LinkedIn:

LinkedIn Posting on CAFII Mental Health Issues Webinar

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CAFII Holds Webinar on 31 January, 2022 with Insurance Experts on Incentivization Programs

On 31 January, 2022, CAFII held a webinar on "The Ins and Outs of Life Insurers' Health and Wellness Incentivization Programs." Three expert insurance panelists participated:

- Patti Annable, Assistant Vice-President, Marketing Communications, Lumino Health, Sun Life;
- Lisa Heath, CEO, MediResource Inc, business partner to Canada Life's Health Connected; and
- Paul Savage, Head of Product and Pricing, including for Vitality, Manulife.

The session covered a wide range of topics and the panelists were engaged in the discussion. Patti Annable said that Lumino Health at Sun Life is about connecting customers with their needs. Lisa Health spoke about Health Connected, which Canada Life participates in, with the intention to contributing the well-being of employees and connecting employees to the services that they need. Paul Savage said that Vitality is a program that tries to use incentives to promote healthy choices.

Panelists gave examples of incentives to promote healthy behaviour, like providing rewards for getting a COVID-19 vaccine. The panelists also noted that many people who have access to these programs are not aware of them, and increasing awareness is a key objective. On this issue, Lisa Heath stated:

> *Our experience is that communication actually matters the very most. It could be because our focus is the group benefit market so we're dealing with plan sponsors, but what's most important if you want engagement is to tell people, your employees, very specifically what you're offering to them in terms of health and wellness.*
>
> *It's more important, from our experience, than gamification because if people just don't even know that the tool is available, and you don't make any effort to tell them that these benefits are available, they're not going to use them.*

On the subject of wearables, Lisa Heath said that they had potential but that there was a need for evidence that they actually can influence behaviour, it needed to be kept in mind that not everyone has access to them, and caution needed to be shown around users being comfortable with sharing the data with third parties like their insurer.

On the latter issue, Patti Annable said that the information that was collected was often used in the aggregate, and that protection of personal privacy was essential. Lisa Heath said that regulatory changes would occur and that industry would have to adjust to that, and in fact proper regulation should be welcomed. Paul Savage said that trust is central to the collection of health data and that privacy is absolutely paramount.

Poll questions found that roughly half of attendees were in incentivization programs, which panel members felt sounded roughly correct. As well, 68% of attendees said gamification (like rewards, points, games) would increase their participation in incentivization programs, although panelists said that the demographic that found gamification most appealing was younger people.

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The session included good representation from regulators across the country, with the following policy-makers and regulators registered for the webinar:

- Quebec's Autorité des marchés financiers, or AMF;
- The Financial Services Regulatory Authority of Ontario, or FSRA;
- The Ontario Ministry of Finance;
- The Government of Alberta ;
- BC Financial Services Authority;
- The Insurance Council of BC;
- Consumer and Financial Services Commission of New Brunswick;
- The Insurance Councils of Saskatchewan.

The session was recorded and can be found here:

https://www.cafii.com/research/

Panelist Lisa Heath posted a LinkedIn thread on the Webinar:

Lisa Heath LinkedIn Posting on CAFII Webinar on Incentivization Programs

Ontario

Financial Services Regulatory Authority of Ontario (FSRA)

CAFII Meets with FSRA Executives to Discuss Issues of Mutual Interest

CAFII Management (Keith Martin and Brendan Wycks) met with FSRA executives on 11 February, 2022 to discuss issues of mutual interest. Representing FSRA at the meeting were Erica Hiemstra, Head, Market Conduct—Insurance; Swati Agrawal, Senior Manager, Market Conduct, Life & Health Insurance; and Joel Gorlick, Director, Market Conduct Policy.

Erica Hiemstra explained that the purpose of these meetings was to provide a forum for open discussion on issues that CAFII or FSRA might wish to raise, with no pre-set agenda and with the intention to hold them on a regular basis. CAFII shared the high level of regulatory activity of late, and referenced some of the submissions made including to the FCAC on the Appropriateness Guideline. CAFII applauded FSRA for its 27 January, 2022 FSRA Exchange Event, and in particular the very interesting session on principles-based regulation, but also noted that an event focused on insurance, in particular life and health insurance, could be very valuable. FSRA agreed with that feedback and said it would explore holding such an event, which used to be organized annually by its predecessor organization FSCO.

FSRA Issues Framework Principles for Principles-Based and Outcome-Focused Regulation, Announces Consultation Until April 29, 2022

On 16 March, 2022 FSRA announced that it was initiating a consultation on its approach to principles-based regulation, noting that

> *We are setting out our approach to principles-based regulation, which will enhance consumer protection, facilitate innovation and ultimately lead to more efficient and effective regulation.*
>
> *Where possible, we are moving away from "prescriptive checklists" and encouraging entities to internalize regulatory requirements and work towards achieving desired regulatory outcomes based on their size, complexity, and risk profile.*
>
> *Adopting principles-based regulation represents an important cultural change for both the regulator and the regulated, now putting the emphasis on communication, collaboration and transparency on both sides of the regulatory relationship. It will also place greater reliance on a regulated entity's senior management, and its board of directors, to achieve desired outcomes and to demonstrate how they have achieved desired outcomes.*
>
> *Our proposed Principles-Based Regulation Approach Guidance being issued today sets out:*
>
> - *FSRA's Framework Principles for principles-based and outcomes-focused regulation ("Framework Principles")*
> - *How principles-based regulation is reflected in FSRA's approach to regulation and supervision*
> - *How FSRA's Framework Principles will be implemented.*

At the core of the approach that FSRA is proposing are the following general principles:

1. ***Outcome-Focused*** *– FSRA will focus its regulatory activities on the outcomes we seek to achieve for consumers and pension plan beneficiaries, regulated entities and the sectors based on the statutory objects in the FSRA Act, which will be used as an overlay to the interpretation of the sector statutes*
2. ***Innovative*** *– FSRA will continue to develop its own culture and capabilities in a manner that enables it to fulfill its objects, which specifically includes facilitating innovation and transformation in the sectors it regulates*
3. ***Consumer-Centric*** *– In formulating its regulatory approach toward regulated entities and individuals, FSRA will focus on impact on consumers and pension plan beneficiaries. Our Rules[3] and guidance strive to reflect the interests and needs of consumers*

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4. ***Risk-Based*** – *FSRA will direct its resources to the issues and regulated entities and individuals that pose the highest risk. FSRA's risk assessment will consider the size, complexity, nature of the regulated entity, and where non-compliance or the inability to achieve the desired outcomes, will result in the most harm to consumers or pose the greatest threat to FSRA's ability to execute against its statutory objects*
5. ***Transparent*** – *FSRA will communicate its expectations and/or requirements, as well as its activities and performance to stakeholders.*[4] *We will design Rules and guidance that reference the applicable principles against which FSRA will supervise, and identify the specific outcomes FSRA is seeking to achieve*
6. ***Collaborative*** – *FSRA will engage with all stakeholders and leverage public consultations to ensure that its regulatory activities reflect the viewpoints and needs of its stakeholders, which include the interests of consumers and pension plan beneficiaries*

CAFII will make a written submission to FSRA on this proposed guideline.

The proposed principles-based regulation document can be found here:
Proposed Principles-based regulation | Financial Services Regulatory Authority of Ontario (fsrao.ca)

Details on the consultation can be found here:
Seeking input on proposed principles-based regulation approach guidance | Financial Services Regulatory Authority of Ontario (fsrao.ca)

FSRA Holds Virtual Mini-Conference on 27 January, 2022 that Includes a Focus on Principles-Based Regulation

On 27 January, 2022 FSRA held a mini-conference called the "2022 FSRA Exchange Event" which had an overarching focus on principles-based regulation. FSRA CEO Mark White stated:

> *"We are moving away from prescriptive checklists and a compliance focus. We want to evaluate regulated entities by, do they achieve the desired outcomes," said White. "And with Principles-Based Regulation entitles are expected to understand and achieve the desired outcomes and they can do so in a way that's suited to their size, nature and complexity of their business and where they are in the marketplace, it's not one size fits all."*

FSRA Board Chair Joanne De Laurentiis said:

> *"As the Board Chair of FSRA I want to challenge the leadership in all the sectors we regulate to collaborate and engage with us," said De Laurentiis. "We want to hear from you, and your consumers, and hear your ideas about where the sector is today and where it is going and needs to go, in order to meet the needs of those who buy your product or use your services."*

A panel was focused on principles-based regulation (PBR) and included Dr. Cristie Ford, Professor at UBC's Allard School, who stated:

> *"Principles-Based Regulation is absolutely the right system for thinking about private sector innovation and how to deal with it," said Dr. Ford. "A purely rules-based system is going to produce maybe one of a couple of different outcomes, one will be that it will stifle innovation good, bad or otherwise, because the rules just prevent any kind of flexibility or creativity on the part of industry actors and on the part of the regulators."*

Dr. Ford emphasized that if principles-based regulation is based only on high level statements without clear communication between the regulator and regulated entities, it will not achieve the intended objectives. She added that it was necessary to have a regulator which collected information from the industry and operated in a collaborative way, while remaining independent, in order to have PBR succeed. However, done properly Dr. Ford felt that such a PBR regime was much more effective than a rules-based approach.

However, Dr. Ford also noted that principles-based regulation does not mean "doing away with rules." However, in such a regime the regulator does not reach for the rules first, and has a regulatory culture that is based on flexibility and focused on outcomes. Such a regime also requires significant regulatory guidance based on open discussions with industry. However, the option for enforcement of rules always has to be there—as William Douglas said:" If you have a big shotgun behind the door, hopefully you never need to use it."

Dr. Ford added that PBR is a better system for promoting innovation in the private sector. Innovative sectors do not thrive in a rigid, rules-oriented regulatory system. Such systems style innovation and restrict flexibility and creativity. Such a system also promotes "loophole behaviour" and efforts to circumvent the rules, as opposed to working with the regulator to achieve the outcomes it seeks; ultimately, industry actors may just seek out other jurisdictions. Summarizing her thoughts on PBR and innovation, Dr. Ford said:

> *Putting rules in place in a highly innovative system is a little bit like trying to put wallpaper on a cat. It's -- you can pretend that you're doing something really sort of comprehensive but ultimately you're just -- you're papering over a problem that is not staying still for you. So a principles-based system is absolutely the better way to go if you want regulation to stay relevant, if you want it to actually be responsive to industry. And through the communication with industry a principles based regulator has better information. So because there is a meaningful communication loop with industry, the regulator has better access to information, understands what's going on, understands the challenges that industry actors are facing, and also understands sort of where the risks might be arising for consumer protection, for example.*

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Commenting on how industry can most effectively make PBR work, Dr. Ford said:

> *So for -- for -- for folks in the industry I think it's important to understand that this is really a compliance focused not enforcement focused regime. It's about being engaged. It's aimed to be or the intention is that it be cooperative to the greatest extent possible. Now again, it doesn't mean there's no enforcement stick in the background. There is. But this is -- the point is that this is not a gotcha regime, right? Where the regulator is looking for low hanging fruit and is seeking to I don't know catch you on some small rule violation. It really does look at overall regulatory priorities and by employing a risk based outcome oriented data driven regime, you can -- you can be confident that you're not going to be sort of caught out as long as you're communicating with the regulator*
> .
> *So -- so what this really means is it's in the industry -- it's in the interest of industry actors to really come to the regulator with problems earlier to demonstrate good will, and this allows the regulator to really focus its resources, its enforcement resources on the folks who are real, you know, causing -- a -- a -- real problem actors to mitigate that harm while not needing to do that with industry actors with whom they have a good relationship.*

CAFII is organizing a panel on principles-based regulation, outcomes-focused regulation, and on the implications of rule-making authority for the regulatory regime in provinces across Canada, including its possible impact on harmonization. Dr. Christie Ford will be participating in that panel with leading Canadian insurance lawyer Stuart Carruthers, Partner at Stikeman Elliott, on 3 May, 2022 (1-2pm). CAFII members and Associates will be receiving more information about the webinar in the coming weeks.

FSRA's New "Unfair or Deceptive Acts or Practices" Rule Effective 1 April, 2022

Insurance Portal reports that the Financial Services Regulatory Authority of Ontario (FSRA) has announced that its Unfair or Deceptive Acts or Practices (UDAP) rule for the insurance industry, is approved by the Ontario Minister of Finance, and will become effective April 1, 2022.

Notably, the rule states: "If a person has committed an unfair or deceptive act or practice, then every director, officer, employee or authorized representative of that person shall be deemed to have committed an unfair or deceptive act or practice," if those figures cause, authorize, permit, acquiesce or participate in the commission of the unfair act or practice, or if those parties fail to take reasonable care to prevent the person from committing the act in the first place.

FSRA says the rule, which applies to life and health insurers, property and casualty insurers, including auto, and any related goods or services providers, clearly defines outcomes that are unfair or otherwise harmful.

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The rule addresses discrimination, claims delays and unfair claims practices, incentives, misrepresentation and fraud. It also discusses prohibited conduct in automobile insurance quotations, applications and renewals. The rule was approved by the Minister of Finance following two public consultation periods and two submissions to the minister.

Quebec

Autorité des marchés financiers (AMF)

AMF Reaches out to CAFII on Action Plans Submitted Regarding the RADM and Credit Card-Embedded Insurance Benefits

CAFII members submitted by 17 December, 2021 Action Plans to the AMF on how to comply with the Regulation respecting Alternative Distribution Methods (RADM) for credit card-embedded insurance benefits. The AMF subsequently met with CAFII Management (Keith Martin and Brendan Wycks) to discuss the Action Plans and some concerns that they had identified, including some companies that produced one Product Summary for unrelated products (for example, warranty products and travel products cannot be combined in one Product Summary).

The AMF subsequently shared with CAFII a draft of a letter outlining these concerns, and on 15 March, 2022 CAFII submitted some suggested clarifications to the AMF (Mario Beaudoin and Charlène Boucher). The AMF intends to send the final version of the letter to CAFII; and to copy relevant insurer or underwriter members and other industry insurers which submitted Action Plans.

International Developments, Research, and Thought Leadership

Insurance Portal

Year-Over-Year Life Insurance Application Activity Declines in Canada

Insurance Portal cites MIB Life Index report on Canadian life insurance application activity to note that year-over-year application activity declined 8.4 percent in February, 2022 relative to February 2021. This continues a pattern of year-over-year declines that began in July, 2021.

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Aviva Canada Annual Risk Insights Report

Mental health emerges as top concern for Canadian employers worried about workers' low-grade trauma from pandemic

The Financial Post reports that Aviva Canada's Annual Risk Insights Report finds that mental health has emerged as a top concern of Canadian employers, ranking alongside more obvious threats such as labour shortages and COVID-19.

Prior to the pandemic, Canada businesses tended to express worry about more tangible risks: an office fire that could destroy essential documents; a flood that could short-circuit expensive equipment.

But now, the biggest threats facing Canadian businesses are invisible, and trickier to manage, according to insurance company Aviva Canada's annual Risk Insights Report, which draws on interviews with 1,500 business leaders to rank the things that keep Canadian business leaders awake at night.

COVID-19 ranked as the biggest threat; no surprise, given it caused an epic global recession in 2020 and continues to torment businesses around the world. The second item on the list, cyber-security, also was on the radar of executives a few years ago, even if relatively few were unsure about how to guard against malicious hackers. Labour shortages and supply disruptions — fourth and fifth, respectively — have been widely reported as the driving forces behind a troubling burst of inflation for more than a year.

The biggest surprise might be the risk at No. 3 on Aviva's list: mental health, which was rarely discussed as an economic issue ahead of the pandemic. That's changed. Employee satisfaction declined when COVID-19 hit and employees began working remotely. Experts believe Canadians are living with low-grade trauma from the events of the past two years, which, from a purely business perspective, increases absenteeism and adds to costs associated with treating mental health.

"The impact of lost productivity on our economy from new mental health challenges since COVID measures in the billions," Akela Peoples, chief executive officer of Mental Health Research Canada, wrote in an op-ed published last week in the Financial Post.

Essential workers continued to work with increased restrictions during the pandemic, while other employees began working from home, isolating them from co-workers and increasing the risk of loneliness and depression. This initial transition, as well as the return to work, has created a great deal of anxiety. Overall, 45 per cent of businesses saw an impact on employee well-being and mental health, according to the report.

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While some staff enjoy working from home, there are definite "downsides to the pressures of working from home and the stress of being 'always-on,'" the report said.

Not all business sectors are equally concerned about mental health. Businesses that are dependent on face-to-face client interactions, such as real-estate, retail, and the service industry are more inclined to fret for employees' well-being.

"Putting aside the human element, we have an economic rationale for continued focus on mental health," Peoples said. "Our data indicates that eight per cent of the school or working population are losing days every week to mental health issues."

The risk to businesses is not negligible. But most of the smaller companies surveyed by Aviva were still reeling from the impact of the pandemic, and said they were focused on staying in business rather than mitigating risks such as mental health.

Small businesses are already adept at risk management, whether they realize it or not, said Susan Penwarden, chief technical underwriter at Aviva Canada, the local unit of London-based Aviva PLC. "Small businesses do risk management every day, because risk management is basically running your business, and being aware of all the things that are going on that you have to manage."

As the pandemic continues, the way Canadian businesses view risk is changing. In moving business operations online, the pandemic increased the potential for cyber-security threats, and has created new challenges for employees with regard to mental health. It has also made supply chain vulnerabilities painfully clear.

"We need to be able to see beyond the next curve in the road and identify future risks before they're already upon us — because we know they're coming," Jason Storah, CEO of Aviva Canada, said in the report.

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Some might argue that it is impossible to accurately predict what the next five or 10 years may hold, and concerns about mental health will pass. However, there is reason to doubt that work will return to normal. Protiviti, a global consulting firm with an office in Canada, predicts that the risks of 2031 could include managing the hybrid work environment, keeping up with the breakneck speed of innovation, and more.

“COVID-19 has fundamentally challenged how businesses assess, manage and mitigate risk,” the Aviva report said. “However, they’re meeting those challenges head-on and with clarity.”

March 18, 2022

CAFII Consultations/Submissions Timetable, 2022-23

Regulatory Issue	Deliverable	Deadline	Accountable
Financial Consumer Agency of Canada (FCAC)	• CAFII submission on "Proposed Guideline on Appropriate Products and Services For Banks and Authorized Foreign Banks" • CAFII meets virtually with FCAC staff executives to present highlights of submission on "Proposed Guideline on Appropriate Products and Services For Banks and Authorized Foreign Banks" • FCAC virtual meeting with K. Martin and B. Wycks to present its decisions on elements in CAFII's submission on "Proposed Guideline" • FCAC releases final version of "Guideline on Appropriate Products and Services For Banks and Authorized Foreign Banks"	• January 6/22 • January 15/22 • February 17/22 • February 24/22	• Mkt Conduct & Licensing Committee; Co-EDs to monitor
BC Ministry of Finance 10-Year Review of FIA (Initial Public Consultation Paper released June 2, 2015)	• Revised Financial Institutions Act (FIA) tabled in the legislature • **CAFII submission on draft Regulations in support of Revised FIA**	• October 21/19 • **Q2 through Q3 2022 (expected)**	• Mkt Conduct & Licensing Committee; Co-EDs to monitor
British Columbia Financial Services Authority (BCFSA)	• CAFII virtual meeting with BCFSA staff executives re their "Discussion Paper: Information Security Incident Reporting"; • CAFII written submission on BCFSA's Information Security Incident Discussion Paper (overhauled based on insights from February 24/22 meeting)	• February 24/22 • March 1/22	•
AMF Sound Commercial Practices Guideline Update	• AMF releases consultation document for 60 day period (later extends to January 28/22) • CAFII submission on updated Sound Commercial Practices Guideline	• October 2021 • January 28, 2022	• Mkt Conduct & Licensing Ctte; Co-EDs to monitor
Quebec Bill 141 and Related Regulations (including Regulation Respecting Alternative Distribution Methods, RADM)	• CAFII submission on Draft Regulation Respecting Complaint Processing • CAFII makes submission to AMF on wording modifications needed to Fact Sheet and Notice of Rescission to make them fit credit card-embedded insurance benefits • CAFII submission on AMF draft Incentive Management Guideline	• December 8/21 • January 17/22 • February 18/22	• Mkt Conduct & Licensing Committee; Co-Eds to monitor
CCIR/CISRO Guidance: Conduct of Insurance Business and Fair Treatment of Customers	-CAFII sends letter to CCIR/CISRO FTC Working Group asking it to obtain information on incentives and compensation models used by member distributors directly and privately, to avoid Competition Act violations • *CCIR/CISRO FTC Working Group accepts proposal in CAFII's July 2/20 letter* • CAFII submission on CCIR/CISRO Draft "Incentives Management Guidance" • **CAFII submission on CCIR/CISRO proposed "Incentive Management Guidance"**	• July 2/20 • August 31/20 • September 17/21 • **April 4/22**	• Mkt Conduct & Licensing Ctte; Co-Eds to monitor
FCNB Insurance Act Rewrite and Introduction of RIA Regime	• CAFII responds to David Weir follow-up questions re legislative constraints which prevent bank branch employees from being individually licensed to sell travel insurance • FCNB Releases "Proposed Rule INS-001: Insurance Intermediaries Licensing and Obligations" for consultation, with February 7/22 submission deadline • CAFII submission on FCNB's "Insurance Act Rewrite: Questions For Industry, Dec.'21" • CAFII submission on Proposed Rule INS-001: Insurance Intermediaries Licensing and Obligations • CAFII submission on Proposed Rule INS-002: Insurance Fees	• May 19/21 • November 2021 • January 31/22 • February 7/22 • February 18/22	• Mkt Conduct & Licensing Ctte; Co-Eds to monitor
Financial Services Regulatory Authority of Ontario (FSRA) Regulatory Consultations	• CAFII responds to FSRA's further consultation with submission on Revised UDAP Rule • Keith Martin provides qualitative interview input to Environics in response to FSRA consultation on Stakeholder Advisory Committee structure, possible renewal/revision • CAFII responds to FSRA consultation on "Enforcement Proceedings and Investigations" • CAFII responds to FSRA consultation on Proposed 2022-23 Statement of Priorities • CAFII responds to FSRA "Information Guidance on Complaints Resolution" consultation • **CAFII submission on FSRA's "Principles-Based Regulation" consultation document**	• August 11/21 • July 2021 • • Sept 24/21 • October 29/21 • February 15/22 • **April 29/22**	• Mkt Conduct & Licensing Ctte; Co-EDs to monitor

Underline = new/updated item since previous publication; **Boldface = CAFII response pending**; *Italics = CAFII meeting with regulators/policy-makers pending*

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Agenda Item 2(g)
April 12/22 Board Meeting

CAFII Insurance Regulator and Policy-Maker Meetings/Interactions
From February 15/22 To March 18/22

Date	Event/Occasion/Issue	Who
February 17/22	CAFII virtual meeting with Brad Schnarr and Stephen Wild, Financial Consumer Agency of Canada (FCAC), at FCAC's request	Keith Martin and Brendan Wycks met virtually with FCAC staff executives Brad Schnarr and Stephen Wild to receive the FCAC's decisions on CAFII's feedback points in its January 6/22 submission on the Agency's "Proposed Guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks." The FCAC subsequently released the final version of its Appropriateness Guideline on February 24/22 and several elements of CAFII's feedback had been reflected/incorporated.
February 17/22	CAFII virtual meeting with Erica Hiemstra, Head – Market Conduct, Insurance Conduct, and Swati Agrawal, Senior Manager, Market Conduct, Financial Services Regulatory Authority of Ontario (FSRA)	Keith Martin and Brendan Wycks met virtually with FSRA staff executives Erica Hiemstra and Swati Agrawal for a regular/periodic meeting on matters related FSRA's regulation of licensed life and health insurance agents – Erica's primary area of Director-level responsibility, which is somewhat out-of-scope for CAFII – and for CAFII to provide informal feedback to FSRA on regulatory issues of concern to our Association.
February 24/22	CAFII virtual meeting with Saskia Tolsma, BCFSA's Vice-President, Stakeholder Engagement, and BCFSA staff executive colleagues Rob O'Brien, Manager, Policy, and Steven Wright, Senior Policy Analyst	A delegation of approximately 15 CAFII representatives met virtually with BCFSA staff executives Saskia Tolsma, Rob O'Brien, and Steven Wright to discuss the Authority's "Discussion Paper: Information Security Incident Reporting" and CAFII's preliminary feedback on that consultation document (Rob and

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		Steven, collectively, are responsible for drafting BCFSA's market conduct-related consultation documents). Insights gained caused CAFII to overhaul its draft written submission on the Discussion Paper – largely to be more emphatic and specific in its recommendations around national harmonization, through CCIR – and to secure a two business days deadline extension to March 1/22, the date on which CAFII delivered its written submission.
February 24/22	Roundtable meeting with Marlena Labieniec, Director, Innovation, Financial Services Regulatory Authority of Ontario (FSRA)	Keith Martin participated in a two hour Roundtable meeting with Marlena Labieniec, FSRA, along with several other industry stakeholders, on FSRA's Innovation Strategy.
March 10 to March 14/22	Email exchange with Melissa Perrault, Director of Distribution Practices and Self-Regulatory Organizations, AMF	On behalf of CAFII, Brendan Wycks had email exchange with AMF staff executive Melissa Perreault, arising from CAFII's March 10/22 Prep Meeting, which led to the AMF's acceptance of CAFII's suggested cancellation of a scheduled March 15/22 virtual feedback meeting between CAFII and the AMF on "How the Regulation respecting Alternative Distribution Methods (RADM) Has Been Working Since Its June 2019 Implementation At Regulating 'Internet Sales of Insurance'". CAFII had learned that the AMF's stakeholder feedback sessions were to pertain only to Chapter 2 of RADM, which is out-of-scope for our Association. Melissa Perrault replied to B. Wycks' email as follows:

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		Thank you for your detailed e-mail. Indeed, the current consultations are being held in matters of "products and services offered via the Internet" (Chapter 2 RADM) and not in matters of "distribution without a representative" (DWR: chapter 3 RADM). Consequently, we will cancel the meeting that was scheduled on March the 15th. As you know, the Autorité is more generally involved with many stakeholders pursuing the objective to optimize the compliance burden. We already had the chance and will surely have it in the future to hear your comments and preoccupations in matters of DWR. Best regards, L'Équipe des consultations particulières sur l'offre par Internet.
March 17/22	Good news email confirmation received from Huston Loke, Executive Vice-President, Market Conduct, at Financial Services Regulatory Authority of Ontario (FSRA)	Keith Martin received a confirmation email message from Huston Loke indicating that his application for re-appointment to FSRA's Stakeholder Advisory Committee for the Life & Health Insurance Sector (for a second two-year term) had been approved, which reads as follows: *Dear Mr. Martin. Thank you very much for your interest in participating on the Stakeholder Advisory Committee for the Life and Health sector (L&H SAC). I am pleased to advise that you have been selected to serve on the L&H SAC. Congratulations! We will announce the SAC membership shortly. We will be in touch soon regarding any upcoming meetings to be scheduled. Should you have any questions regarding the Committee, please don't hesitate to contact me.*

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CAFII 2022 Schedule of Meetings and Events (Approved By Board of Directors on October 5/21)
Assumes Restart of In-Person Meetings in May 2022 for EOC; and June 2022 for Board

EOC Meetings: *To be held for 2 hours or 1.5 hours, in alternating months*

- **Tuesday, January 18, 2022** *(2:00–4:00 p.m. via MS Teams)*
- **Tuesday, February 15, 2022** *(2:00–3:30 p.m. via MS Teams)*
  (Family Day Stat Holiday in Ontario: Monday, February 21)
- **Tuesday, March 22, 2022** *(2:00–4:00 p.m. via MS Teams)*
  (Quebec Spring Break: March 7 – March 11. Ontario March Break: March 14 – March 18. Purim: March 17 – March 18)
- **Tuesday, April 26, 2022** *(2:00–3:30 p.m. via MS Teams)*
  (Good Friday: Friday, April 15. Easter Monday: Monday, April 18)
- **Tuesday, May 17, 2022** *(3:00-5:00 p.m. in-person, followed by EOC Annual Appreciation Dinner at 5:30 p.m.)*
  (Victoria Day Stat Holiday: Monday, May 23)
- **Tuesday, June 28, 2022** *(2:00–3:30 p.m. via MS Teams)*
  (St. Jean Baptiste Day in Quebec: Friday, June 24. Canada Day: Friday, July 1)
- ***Tuesday, July 26, 2022****, tentative summer meeting (2:00–3:30 p.m. via MS Teams)*
- ***Tuesday, August 16, 2022,*** *tentative summer meeting (2:00–3:30 p.m. via MS Teams)*
  (Civic Stat Holiday: Monday, August 1)
- **Tuesday, September 20, 2022** *(2:00-4:00 p.m. in-person)*
  (Labour Day: Monday, September 5. Rosh Hashanah: September 26 & 27. National Day for Truth and Reconciliation: Friday, September 30)
- **Tuesday, October 25, 2022** *(2:00–3:30 p.m. via MS Teams)*
  (Yom Kippur: October 4 – October 5. Thanksgiving Stat Holiday: Monday, October 10. Diwali: Monday, October 24)
- **Tuesday, November 22, 2022** *(2:00-4:00 p.m. in-person)*
  (Remembrance Day: Friday, November 11)
- **EOC Annual Appreciation Dinner:** Proposed for **Tuesday, ~~May 17,~~ September 20, 2022** at 5:30 p.m. at a downtown Toronto restaurant, immediately following a 3:00 to 5:00 p.m. EOC meeting, if public health restrictions allow.

Board Meetings:

- **Tuesday, April 12, 2022** *(2:00–4:00 p.m. via MS Teams)*
  (Good Friday: Friday, April 15. Easter Monday: Monday, April 18)
- **Tuesday, June 7, 2022** *(2:20-5:00 p.m., preceded by 2022 Annual Meeting of Members; and followed by CAFII 25th Anniversary Celebration at same or nearby downtown Toronto venue).* **HOST: BMO Insurance, 68th Floor Event Space, First Canadian Place, Toronto**
- **Tuesday, October 11, 2022** *(2:20-4:00 p.m., immediately following liaison lunch and Industry Issues Dialogue with AMF staff executives)* **HOST: Desjardins Insurance in Levis/Quebec City** *(This is the day immediately following Thanksgiving Monday; however, Tuesday, October 4, 2022 is Yom Kippur)*
- **Tuesday, December 6, 2022** *(3:00-5:00 p.m.; followed by Holiday Season/Year-End Reception).*
  HOST: CIBC Insurance

2022 Annual Members and Associates Luncheon:

- *Tentative Date: Tuesday, September 13, 2022 from 11:45 a.m. EST to 2:15 p.m. EDT at St. James Cathedral Centre Event Venue , 65 Church St., Toronto*

2021 Board meetings Hosted by:
None, due to COVID-19 pandemic situation
2020 Board meetings Hosted by:
None, due to COVID-19 pandemic situation
2019 Board meetings Hosted by:
CUMIS (National Club), Manulife Financial, National Bank Insurance, TD Insurance
2018 Board Meetings Hosted by:
CAFII; ScotiaLife Financial; BMO Insurance; The Canada Life Assurance
2017 Board Meetings Hosted by:
TD Insurance; CAFII; Desjardins; CIBC Insurance
2016 Board Meetings Hosted by:
CUMIS Group; Assurant Solutions; RBC Insurance; BMO Insurance

Recent Years' Annual Members and Associates Luncheons
2021 Annual Members and Associates Virtual Luncheon Webinar
Date: Tuesday, November 9, 2021 from 1:00 p.m. – 2:30 p.m. EDT
Topic: "The Changing Regulatory Environment – Challenges, Risks and Opportunities"
Panelists: Jill McCutcheon, Partner, Torys LLP; Stuart Carruthers, Partner, Stikeman Elliott LLP; Marc Duquette, Partner, Norton Rose Fulbright Corporation. Panel Moderator: Keith Martin, CAFII,
Venue: Virtual-Only Webinar

2020 Annual Members and Associates Virtual Luncheon Webinar
Date: Wednesday, October 21, 2020 from 12 Noon to 1:00 p.m. EDT
Topic: "Setting the Bar Higher: How the Financial Consumer Protection Framework Sets a New Standard for Fairness and Transparency"
Speaker: Frank Lofranco, Deputy Commissioner, Supervision and Enforcement, Financial Consumer Agency of Canada (Remarks actually delivered by Teresa Frick, Director, FCAC who was subbed in for Frank Lofranco at the last minute)
Venue: Virtual-Only Webinar

2019 Annual Members and Associates Luncheon
Date: Tuesday, February 19, 2019 from 11:45 a.m. to 2:15 p.m.
Topic: "The Changing Regulatory Environment – Challenges, Risks and Opportunities"
Panelists: Stuart Carruthers, Partner, Stikeman Elliott LLP; Koker Christensen, Partner, Fasken; Jill McCutcheon, Partner, Torys LLP. Panel Moderator: Nicole Benson, CEO, Canadian Premier Life/Valeyo
Venue: Arcadian Loft, 401 Bay St., Simpson Tower, 8th Floor, Toronto, ON

2018 Annual Members and Associates Luncheon
Topic: "Leading For Success in A Volatile World"
Speaker: Richard Nesbitt, CEO, the Global Risk Institute
Venue: Arcadian Loft, 401 Bay St., Simpson Tower, 8th Floor, Toronto, ON

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Briefing Note

CAFII Board Meeting 12 April 2022—Agenda Item 3(a)
Governance Matters—Appointment of a New CAFII Director

Purpose of this Agenda Item – *Approval*

A new CAFII Board member is joining from TD Insurance (TDI).

Background Information

CAFII is delighted to welcome Atanaska Novakova, SVP, Toronto Dominion Insurance, as the new Board member for TDI.

Recommendation / Direction Sought – *Approval*

The Board will be asked to formally approve the appointment of Atanaska Novakova as the new Board member from TDI, after which she will join the meeting and introduce herself.

Attachments Included with this Agenda Item

1 attachment (Atanaska Novakova's capsule biography).

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 3(b)
Governance Matters—Welcome to and Self-Introduction by New CAFII Director Atanaska Novakova, TD Insurance

Purpose of this Agenda Item – *Update*

A new CAFII Board member is joining from TD Insurance (TDI).

Background Information

CAFII is delighted to welcome Atanaska Novakova, SVP, Toronto Dominion Insurance, as the new Board member for TDI. Ms. Novakova will introduce herself to her Board colleagues.

Recommendation / Direction Sought –*Update*

Ms. Novakova will introduce herself.

Attachments Included with this Agenda Item

No attachments.

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 3(c)
Governance Matters—Need for Successor CAFII Treasurer

Purpose of this Agenda Item – *Update*

A new CAFII Treasurer needs to be appointed by no later than the June 7, 2022 Annual Meeting of Members and Board meeting.

Background Information

After five years of exemplary service, CAFII Treasurer Tony Pergola will be stepping down from that critically important leadership role. Board members will be asked to consider identifying an internal resource from their own member company who could step into this CAFII volunteer Officer leadership position.

Recommendation / Direction Sought –*Update*

CAFII Board members are asked to identify potential candidates to take over as CAFII Treasurer.

Attachments Included with this Agenda Item

2 attachments.

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Agenda Item 3(c)
April 12/22 CAFII Board Meeting

CAFII Treasurer Succession

In light of the need for the CAFII Board to identify a successor CAFII Treasurer and appoint a candidate at the June 7/22 CAFII Board Meeting, the following information is provided:

- Candidate Profile: CAFII Treasurer; and
- Reverse Chronology of CAFII Board Chair, Board Vice-Chair, EOC Chair, EOC Vice-Chair, and Treasurer Appointees (separate but linked document)

Candidate Profile: CAFII Treasurer

The following are desired skills, attributes, experience, and related qualifications for the position of CAFII Treasurer:

- strong numeracy and financial literacy skills
- familiarity with accounting. Able to read, understand, and interpret financial statements
- strong monitoring orientation and attention-to-detail
- good presentation skills, especially for reporting to the EOC and Board on Year-to-Date financial results versus Budget; and on the Association's financial reserves
- available to attend most EOC and Board meetings to provide financial reports. Occasional attendance by teleconference in lieu of in-person would be acceptable, as would occasional attendance for only the financials-relevant portion of a meeting
- experience in development of annual operating budgets; familiarity with budgeting for an Association or similar non-profit organization is an asset
- available to work intensively during the mid-October through early December period each year on development of the subsequent year's operating budget
- some experience/familiarity with the annual audit process for non-profit organizations, and in working with external auditors
- reasonable level of availability and flexibility to be a signatory on CAFII cheques, in keeping with the Association's Cheque Signing Authority Policy
- a collegial nature, as must be able to work co-operatively with other members; the Co-Executive Directors; the Administrative Co-ordinator, Controller, and President at TO Corp.; external auditors; and other suppliers and stakeholders in the overall stewardship of the Association's financial affairs

History/Reverse Chronology of

CAFII Board Chair, Board Vice-Chair, EOC Chair, and Treasurer Appointees

Appointments to the CAFII volunteer Officer positions of Board Chair, Board Vice-Chair, Executive Operations Committee (EOC) Chair, and Treasurer are typically made during the first Board meeting of a new governance year, immediately following the Annual Meeting of Members each June, except where noted below. In most cases, the appointed Officers have served two consecutive, one-year terms, except where noted below.

Terms (June to June, except where noted)	**Board Chair**	**Board Vice-Chair**	**EOC Chair**	**EOC Vice-Chair**	**Treasurer**
2021-22	Chris Lobbezoo, RBC Insurance	Peter Thompson, National Bank Insurance	Rob Dobbins, Assurant Canada	Karyn Kasperski, RBC Insurance	Tony Pergola, ScotiaLife Financial
2020-21	Chris Lobbezoo, RBC Insurance	Peter Thompson, National Bank Insurance	Rob Dobbins, Assurant Canada *(effective December 1/20)*	Karyn Kasperski, RBC Insurance	Tony Pergola, ScotiaLife Financial
2019-20	Nicole Benson, Canadian Premier Life/Valeyo	Chris Lobbezoo, RBC Insurance	Martin Boyle, BMO Insurance		Tony Pergola, ScotiaLife Financial
2018-19	Nicole Benson, Canadian Premier Life/Valeyo	Chris Lobbezoo, RBC Insurance	Martin Boyle, BMO Insurance		Tony Pergola, ScotiaLife Financial
2017-18	Peter McCarthy, BMO Insurance	Vacant	Pete Thorn, TD Insurance		Tony Pergola, ScotiaLife Financial
2016-17	Peter McCarthy, BMO Insurance	Joane Bourdeau, National Bank Insurance *(until April 2017, at which time National Bank Insurance left CAFII membership but rejoined in January 2019)*	Pete Thorn, TD Insurance *(May 2017 onwards)* Eleanore Fang, TD Insurance *(until April 2017)*		Raja Rajaram, CIBC Insurance *(until April 2017)* Tony Pergola, ScotiaLife Financial *(April 2017 onwards)*

Terms (June to June, except where noted)	**Board Chair**	**Board Vice-Chair**	**EOC Chair**	**EOC Vice-Chair**	**Treasurer**
2015-2016	Peter McCarthy, BMO Insurance	Joane Bourdeau, National Bank Insurance *(Oct 6, 2015 onwards)* Isaac Sananes, Canadian Premier *(Jun 9-18, 2015)*	Greg Grant, CIBC Insurance		Raja Rajaram, CIBC Insurance
2014-2015	Rino D'Onofrio, RBC Insurance *(Sep 19, 2014)*	Isaac Sananes, Canadian Premier *(Sep 19, 2014)*	Greg Grant, CIBC Insurance		Raja Rajaram, CIBC Insurance
2013-2014	Mark Cummings, ScotiaLife Financial	Rino D'Onofrio, RBC Insurance	Jennifer Hines, RBC Insurance		Raja Rajaram, CIBC Insurance
2012-2013	Mark Cummings, ScotiaLife Financial *(Dec 2012 onwards)* Cathy Honor, RBC Insurance *(until Dec 2012)*	Keith Demmings, Assurant Solutions *(until Dec 2012)*	Jennifer Hines, RBC Insurance *(Dec 2012 onwards)* John Lewsen, BMO Insurance *(until Oct 2012)*		Matt Fabian, BMO Insurance *(until Dec 2013)*
2011-2012	Cathy Honor, RBC Insurance *(Dec 2011 onwards)* David Minor, TD Insurance *(until Dec 2011)*	Keith Demmings, Assurant Solutions	John Lewsen, BMO Insurance		Matt Fabian, BMO Insurance
2010-2011	David Minor, TD Insurance	Keith Demmings, Assurant Solutions	John Lewsen, BMO Insurance		Matt Fabian, BMO Insurance
2009-2010	David Minor, TD Insurance	Keith Demmings, Assurant Solutions	Lawrie McGill, CIBC Insurance		Matt Fabian, BMO Insurance

Terms (June to June, except where noted)	**Board Chair**	**Board Vice-Chair**	**EOC Chair**	**EOC Vice-Chair**	**Treasurer**
2007-2009	Rick Lancaster, CIBC Insurance	Steve Phillips, Assurant Solutions	Moira Gill, TD Insurance		Matt Fabian, BMO Insurance *(Dec 2009 onwards)* Monica Smith, BMO Insurance *(Oct to Dec 2009)* Victor Pywowarczuk, BMO Insurance *(until Oct 2009)*
2005-2007	Neil Skelding, RBC Insurance *(Oct 2005 onwards)*	Steve Phillips, Assurant Solutions	Lawrie McGill, CIBC Insurance		Victor Pywowarczuk, BMO Insurance
2004-2005	Cathy Honor, RBC Insurance *(until Oct 2005)*	Steve Phillips, Assurant Solutions	Lawrie McGill, CIBC Insurance		Victor Pywowarczuk, BMO Insurance
2002-2004	Oscar Zimmerman, ScotiaLife Financial	Isaac Sananes, Canadian Premier			Ambrish Jaiswal, CIBC Insurance
2001-2002	Oscar Zimmerman, ScotiaLife Financial	Isaac Sananes, Canadian Premier			
2000	Russell Dunbar, TD Insurance	Isaac Sananes, Canadian Premier (Mar 2000 onwards) Bernard Dorval, Canada Trust (until Mar 2000)			
1998	Russell Dunbar, TD Insurance	Bernard Dorval, Canada Trust			

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 3(d)
Governance Matters— Plans for June 7/22 Return to In-Person CAFII Annual Meeting of Members; First Meeting of 2022-23 CAFII Board; and CAFII 25th Anniversary Celebration

Purpose of this Agenda Item – *Update*

CAFII is considering a return to in-person meetings after two years of pandemic-induced virtual meetings only.

Background Information

The Board will be updated on discussions held with CAFII EOC members about the possible return to in-person meetings, and a survey will be circulated to CAFII EOC and Board members to gauge their comfort with such an approach in the coming months.

Recommendation / Direction Sought –*Update*

This is an update on options that CAFII is exploring around a return to in-person events.

Attachments Included with this Agenda Item

No attachments.

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 4(a)
Financial Management Matters-- Draft CAFII 2021 Audited Financial Statements and Independent Auditor's Report Thereon

Purpose of this Agenda Item – *Discussion/Approval*

KPMG has completed its audit of CAFII's 2021 financial statements and related financial management and control processes. The Board will be asked to approve KPMG's Draft CAFII 2021 Audited Financial Statements and Independent Auditor's Report Thereon.

Background Information

KPMG has delivered a clean audit opinion on CAFII's 2021 financial statements, with no significant issues identified; and the Board will be asked to approve its recommended 2021 audited financial statements. KPMG Partner Hudson Lopez will be available to answer any Board member questions.

Recommendation / Direction Sought –*Discussion/Approval*

This is an opportunity for discussion and a related request for approval.

Attachments Included with this Agenda Item

1 attachment.

DRAFT

Financial Statements of

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

And Independent Auditors' Report thereon

Year ended December 31, 2021

INDEPENDENT AUDITORS' REPORT

To the Members of the Canadian Association of Financial Institutions in Insurance

Opinion

We have audited the financial statements of the Canadian Association of Financial Institutions in Insurance (the Entity), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

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CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021		2020	
	General Fund	Restricted Fund	General Fund	Restricted Fund
Assets				
Current assets:				
Cash	$ 582,805	$ 12,151	$ 410,902	$ 12,151
Prepaid expense	5,513	–	14,037	–
	588,318	12,151	424,939	12,151
Capital assets (note 4)	2,864	–	1,136	–
	$ 591,182	$ 12,151	$ 426,075	$ 12,151
Liabilities and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities	$ 85,282	$ –	$ 42,216	$ –
Fund balances (note 2)	505,900	12,151	383,859	12,151
	$ 591,182	$ 12,151	$ 426,075	$ 12,151

The accompanying notes are an integral part of the financial statements.

On behalf of the Board:

________________________________ Director

________________________________ Director

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Statement of Operations and Changes in Fund Balances

Year ended December 31, 2021, with comparative information for 2020

	2021		2020	
	General Fund	Restricted Fund	General Fund	Restricted Fund
Revenue:				
Membership dues	$ 955,970	$ –	$ 884,721	$ –
Interest	236	–	399	–
	956,206	–	885,120	–
Expenses:				
Association operating	649,019	–	574,246	–
Research and education committee	143,273	–	117,915	–
Market conduct committee	–	–	983	–
Networking and events committee	1,822	–	8,920	–
Licensing efficiency issues committee	–	–	540	–
Media and advocacy strategy committee	40,051	–	28,880	–
	834,165	–	731,484	–
Excess of revenue over expenses	122,041	–	153,636	–
Fund balances, beginning of year (note 2)	383,859	12,151	230,223	12,151
Fund balances, end of year	$ 505,900	$ 12,151	$ 383,859	$ 12,151

The accompanying notes are an integral part of the financial statements.

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021		2020	
	General Fund	Restricted Fund	General Fund	Restricted Fund
Cash provided by (used in):				
Operating activities:				
Excess of revenue over expenses	$ 122,041	$ –	$ 153,636	$ –
Amortization of capital assets	1,136	–	1,136	–
Change in non-cash operating working capital	51,590	–	(97,298)	–
Cash provided by operating activities	174,767	–	57,474	–
Investing activities:				
Acquisition of capital assets	(2,864)	–	–	–
Increase in cash	171,903	–	57,474	–
Cash, beginning of year	410,902	12,151	353,428	12,151
Cash, end of year	$ 582,805	$ 12,151	$ 410,902	$ 12,151

The accompanying notes are an integral part of the financial statements.

The Canadian Association of Financial Institutions in Insurance ("CAFII") is a not-for-profit association incorporated under the Canada Not-for-profit Corporations Act on August 25, 2014. CAFII was originally incorporated under the Canada Corporations Act on October 29, 1997 and commenced operations on January 1, 1998. CAFII was established to provide an industry-based forum to represent a range of financial institutions in insurance in Canada and to work in partnership with regulators to create an efficient and effective regulatory framework that provides consumer choice in the purchase of insurance products and services. CAFII's members provide life, property and casualty, travel and credit insurance, reinsurance and other products and services through a wide variety of distribution systems. CAFII is exempt from income taxes under paragraph 149(1)(l) of the Income Tax Act (Canada).

1. Significant accounting policies:

(a) General:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

(b) Revenue recognition:

CAFII derives its revenue primarily through membership dues. Dues are recognized as revenue in the membership period (January 1, 2021 to December 31, 2021) to which they relate.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and deposits which are highly liquid with original maturities of less than three months.

(d) Capital assets:

Tangible capital assets are recorded at cost. When a tangible capital asset no longer contributes to CAFII's ability to provide services, its carrying amount is written down to its residual value.

Tangible capital assets consist of computer equipment and are amortized on a straight-line basis over five years.

1. Significant accounting policies (continued):

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. CAFII has not elected to carry any such financial instruments at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, CAFII determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount CAFII expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

2. Fund balances:

The General Fund reports unrestricted resources. The restricted fund was originally setup in 2019 to fund a CAFII short-term special project. In the current year $12,521 remains in the fund to be used for future special projects.

CAFII's Board of Directors aims to maintain unrestricted net assets (financial reserves) within a range of between 25% of total annual operating expenses and 50% of total annual operating expenses. Management intends to utilize unrestricted net assets on CAFII-mandated projects, as determined by the Board of Directors.

3. Financial instruments:

The carrying amounts of financial assets and liabilities approximate their fair values due to the short-term nature of these financial instruments.

4. Capital assets:

	2021	2020
Balance, beginning of year	$ 1,136	$ 2,272
Additions	2,864	–
Depreciation	(1,136)	(1,136)
Balance, end of year	$ 2,864	$ 1,136

5. Financial risks and concentration of credit risk:

(a) Liquidity risk:

Liquidity risk is the risk that CAFII will be unable to fulfill its obligations on a timely basis or at a reasonable cost. CAFII manages its liquidity risk by monitoring its operating requirements. CAFII prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2020.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations, resulting in a financial loss. CAFII does not have any financial assets subject to credit risk.

6. Implications of COVID-19:

In the first quarter of 2020, the viral outbreak of COVID-19 rapidly developed into a global pandemic. In response, worldwide emergency measures were taken, and continue to be taken, to combat the spread of the virus, including the imposition of travel restrictions, business closure orders, and physical distancing requirements. Governments have also implemented unprecedented monetary and fiscal policy changes aimed to help stabilize economies and financial markets. At this time, CAFII has experienced no significant impact from COVID-19.

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 4(b)
Financial Management Matters-- Timelines for Board and Membership Approval of CAFII 2021 Audited Financial Statements

Purpose of this Agenda Item – *Update*

KPMG has completed its audit of CAFII's 2021 financial statements and related financial management and control processes. The Board will be updated on the next steps in the audit process.

Background Information

KPMG has delivered a clean audit opinion with no significant issues identified; and if the Board approves the draft audited financial statements, they will be presented to the 7 June, 2022 Annual Members' Meeting for formal approval.

Recommendation / Direction Sought –*Update*

This is an update on the timeline for approval of the CAFII 2021 audited financial statements.

Attachments Included with this Agenda Item

1 attachment.

February 25, 2022

Critical Path With KPMG For CAFII 2021 Audited Financial Statements

Task	Responsible	Timing/Deadline
Prepare Draft CAFII 2021 Financial Statements	T. Mu/P. Chen, Managing Matters	February 4/22 (Completed)
Conduct audit of Draft CAFII 2021 Financial Statements	KPMG	February and early March 2022
Provide Draft 1 of CAFII 2021 Audited Financial Statements for circulation prior to March 22/22 CAFII EOC Meeting	KPMG (assisted/facilitated by J. Acosta)	March 14/22
Provide feedback on Draft 1 of CAFII 2021 Audited Financial Statements	EOC	March 22/22
Provide Draft 2 of CAFII 2021 Audited Financial Statements for circulation prior to April 12/22 CAFII Board Meeting	KPMG (assisted/facilitated by J. Acosta)	April 4/22
Approve Draft 2 of CAFII 2021 Audited Financial Statements for presentation to membership at 2022 Annual Meeting of Members	CAFII Board	April 12/22
Provide Final Draft of CAFII 2021 Audited Financial Statements for inclusion in CAFII 2022 Annual Meeting of Members Materials Package	KPMG (assisted/facilitated by J. Acosta)	April 25/22
Circulate CAFII 2022 Annual Meeting of Members Materials Package	J. Becker	April 26/22
Approve CAFII 2021 Audited Financial Statements At 2022 Annual Meeting of Members	Membership	June 7/22

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 4(c)
Financial Management Matters-- Recommendation Re Closure of Existing Restricted Fund In CAFII Financial Statements; and Related Transfer of Residual Funds into General Fund during Fiscal Year 2022

Purpose of this Agenda Item – *Discussion/Approval*

CAFII's Treasurer will present a proposal to the CAFII Board.

Background Information

Several years ago CAFII levied, at the Board's direction, a special one-time levy to fund a special project. Those funds were deposited into a Restricted Fund set up specially for the special project. Funds were spent on the project, which was ultimately wound up prior to completion, but about $12K remains in the Restricted Fund, which is set out separately in CAFII's financial statements.

The Board has previously indicated that the amount of residual funds in the Restricted Fund was not sufficient to warrant a refund to members; and now, with the passage of time, it will be recommended that the Restricted Fund be closed during the Association's 2022 fiscal year and those funds be reallocated to the Association's General Fund.

Recommendation / Direction Sought –*Discussion/Approval*

This is an opportunity for discussion and a request for approval.

Attachments Included with this Agenda Item

No attachments.

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 4(d)
Financial Management Matters—CAFII Financial Statements as at February 28/22

Purpose of this Agenda Item – *Update/Approval*

To update the Board and request its approval of CAFII's financial statements as at February 28, 2022.

Background Information

This is an update on the CAFII 2022 financial statements as at 28 February, 2022, with a request for approval.

Recommendation / Direction Sought –*Update/Approval*

Update; and related approval requested.

Attachments Included with this Agenda Item

1 attachment.

C A F I I

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Statement of Operations
As at February 28th 2022

	Current Month	Budget Feb-22	Variance to Monthly Budget	Current YTD	Budget '22 YTD	Variance Budget to YTD	Budget 2022
Revenue							
Membership Dues	$83,038	$83,038	$0	$166,075	$166,075	$0	$996,452
Interest Revenue	$18	$21	($3)	$38	$42	($3)	$250
TOTAL REVENUE	**83,056**	**$83,058**	**- 3**	**$166,114**	**$166,117**	**($3)**	**$996,702**
Expenses							
Management Fees	$46,044	$42,241	($3,803)	$88,704	$84,481	($4,223)	$510,518
Legal and consulting costs	$0	$7,533	$7,533	$0	$15,067	$15,067	$90,400
Audit Fees	$1,187	$1,246	$59	$2,373	$2,492	$119	$14,950
Insurance	$519	$539	$20	$1,038	$1,078	$40	$6,466
Website Ongoing Maintenance	$72	$626	$554	$624	$1,252	$628	$7,513
Telephone/Fax/Internet	$104	$501	$397	$208	$1,003	$795	$6,016
Postage/Courier	$0	$13	$13	$13	$26	$13	$158
Office Expenses	$51	$437	$387	$102	$875	$773	$5,250
Bank Charges	$25	$60	$35	$52	$120	$69	$721
Miscellaneous Expense	$0	$44	$44	$0	$87	$87	$524
Depreciation Computer/Office Equipment	$154	$0	($154)	$309	$0	($309)	$0
Total Board/EOC/AGM	$0	$10,378	$10,378	$150	$20,757	$20,607	$124,540
Budget for Co-Executive Directors' New Office Equipment	$0	$753	$753	$0	$1,507	$1,507	$9,040
Provincial Regulatory Visits and Relationship-Building	$0	$1,695	$1,695	$0	$3,390	$3,390	$20,340
Federal Regulatory Visits and Relationship-Building	$0	$471	$471	$0	$942	$942	$5,650
Research/Studies	$0	$5,650	$5,650	$14,831	$11,300	($3,531)	$67,800
Website SEO and Enhancements	$0	$3,767	$3,767	$0	$7,533	$7,533	$45,200
Regulatory Model(s)	$0	$0	$0	$0	$0	$0	$0
Federal Financial Reform	$0	$0	$0	$0	$0	$0	$0
CAFII Benchmarking Study/RSM Canada	$0	$5,650	$5,650	$0	$11,300	$11,300	$67,800
FCAC Presentation	$0	$0	$0	$0	$0	$0	$0
Media Outreach	$934	$612	($322)	$934	$1,224	$290	$7,345
Media Consultant Retainer	$2,543	$2,543	$0	$5,085	$5,085	$0	$30,510
Marketing Collateral	$0	$141	$141	$195	$283	$88	$1,695
Contingency For Possible Resumption Of In-Person Meetings/I	$0	$0	$0	$0	$0	$0	$0
TOTAL EXPENSE	**$51,633**	**$84,901**	**$33,268**	**$114,618**	**$169,801**	**$55,183**	**$1,022,437**
NET INCOME	**$31,423.22**	**($1,842.12)**	**33,265**	**$51,495.30**	**($3,684.24)**	**$ 55,179.54**	**($25,735.21)**
proof	-	-	0.00	-	-	0	- 3,630

Explanatory Notes:
1 - Amortization of office equipment based on 4 year straight line depreciation
2 - Management fees includes Mananging Matters and Executive Director
3 - Website includes hosting cafii.com, subscription and website improvements.

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Balance Sheet
As at February 28th 2022

	CAFII Operations			CCBPI Project			Combined		
ASSETS	**28-Feb 2022**	**31-Jan 2022**	**31-Dec 2021**	**28-Feb 2022**	**31-Jan 2022**	**31-Dec 2021**	**28-Feb 2022**	**31-Jan 2022**	**31-Dec 2021**
Current Assets									
Bank Balance	$407,599	$444,245	$480,291	$0	$0	$0	$407,599	$444,245	$480,291
Savings Account	$102,553	$102,534	$102,514	$12,151	$12,151	$12,151	$114,704	$114,686	$114,665
Accounts Receivable	$522,229	$0	$0	$0	$0	$0	$522,229	$0	$0
Prepaid Expenses	$4,475	$4,994	$5,513	$0	$0	$0	$4,475	$4,994	$5,513
Computer/Office Equipment	$10,878	$10,878	$10,878	$0	$0	$0	$10,878	$10,878	$10,878
Accumulated Depreciation -Comp/Equp	($8,322)	($8,168)	($8,014)	$0	$0	$0	($8,322)	($8,168)	($8,014)
Total Current Assets	**$1,039,411**	**$554,483**	**$591,182**	**$12,151**	**$12,151**	**$12,151**	**$1,051,562**	**$566,635**	**$603,333**
TOTAL ASSETS	**$1,039,411**	**$554,483**	**$591,182**	**$12,151**	**$12,151**	**$12,151**	**$1,051,562**	**$566,635**	**$603,333**
							0		
LIABILITIES									
Current Liabilities									
Accrued Liabilities	$75,936	$74,750	$58,732	$0	$0	$0	$75,936	$74,750	$58,732
Credit Card	$72	$702	$1,224	$0	$0	$0	$72	$702	$1,224
Account Payable	$49,853	$36,097	$25,327	$0	$0	$0	$49,853	$36,097	$25,327
Deferred Revenue	$356,154	($83,038)	$0	$12,151	$12,151	$12,151	$368,305	($70,886)	$12,151
Total Current liabilities	$482,015	$28,511	$85,282	$12,151	$12,151	$12,151	$494,167	$40,662	$97,433
TOTAL LIABILITIES	**$482,015**	**$28,511**	**$85,282**	**$12,151**	**$12,151**	**$12,151**	**$494,167**	**$40,662**	**$97,433**
							-		
UNRESTRICTED NET ASSETS									
Unrestricted Net Assets, beginning of year	$505,900	$505,900	$383,859	$0	$0	$0	$505,900	$505,900	$383,859
Excess of revenue over expenses	$51,495	$20,072	$122,041	$0	$0	$0	$51,495	$20,072	$122,041
Total Unrestricted Net Assets	$557,395	$525,972	$505,900	$0	$0	$0	$557,395	$525,972	$505,900
Total Unrestricted Net Assets	**$557,395**	**$525,972**	**$505,900**	**$0**	**$0**	**$0**	**$557,395**	**$525,972**	**$505,900**
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	**$1,039,411**	**$554,483**	**$591,182**	**$12,151**	**$12,151**	**$12,151**	**$1,051,562**	**$566,635**	**$603,333**
	- 0			0			- 0	-	

Financial Reserves Targets as per 2022 Budget:		
Minimum 3 months (25%) of Annual Operating Expenses=	**$ 255,609**	- 907.44
Maximum 6 months (50%) of Annual Operating Expenses=	**$ 511,218**	- 1,814.88
Current Level of Financial Reserves (total unrestricted net assets)**:**	**$557,395**	
Current Level of Financials Reserve (%):	**55%**	0.00

CAFII

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Membership Fees

		Feb-22 Billed	Received	Jul-22 To be billed	Received
BMO Bank of Montreal	2022 Upper Tier Member	$ 38,555	$ -	$ 38,555	
CIBC Insurance	2022 Upper Tier Member	$ 38,555	$ -	$ 38,555	
RBC Insurance	2022 Upper Tier Member	$ 38,555	$ -	$ 38,555	
ScotiaLife Financial	2022 Upper Tier Member	$ 38,555	$ -	$ 38,555	
TD Insurance	2022 Upper Tier Member	$ 38,555	$ -	$ 38,555	
Desjardins Financial Security Life Assurance Company	2022 Upper Tier Member	$ 38,555	$ -	$ 38,555	
National Bank Life Insurance Company	2022 Upper Tier Member	$ 38,555	$ -	$ 38,555	
Manulife Financial	2022 Upper Tier Member	$ 38,555	$ -	$ 38,555	
The Canada Life Assurance Company	2022 Upper Tier Member	$ 38,555	$ -	$ 38,555	
Sun Life Financial	2022 Upper Tier Member	$ 38,555	$ -	$ 38,555	
Assurant Solutions	2022 Lower Tier Member	$ 19,278	$ -	$ 19,277	
Canadian Premier Life Insurance Company	2022 Lower Tier Member	$ 19,278	$ -	$ 19,277	
Cumis Group Ltd/Co-operators Life Insurance Co.	2022 Lower Tier Member	$ 19,278	$ -	$ 19,277	
Valeyo	2022 Lower Tier Member	$ 19,278	$ -	$ 19,277	
Canadian Tire Bank	2022 Initiation Members (Lower Tier)	$ 11,567	$ -	$ 11,567	
Norton Rose Fulbright Canada	Associate	$ 4,800	$ -		
RSM Canada	Associate	$ 4,800	$ -		
Willis Towers Watson	Associate	$ 4,800	$ -		
KPMG MSLP	Associate	$ 4,800	$ -		
Optima Communications	Associate	$ 4,800	$ -		
RGA Life Reinsurance Company of Canada	Associate	$ 4,800	$ -		
Torys LLP	Associate	$ 4,800	$ -		
Dog and Pony Studios	Associate	$ 4,800	$ -		
Stikeman Elliott LLP	Associate	$ 4,800	$ -		
RSA	Associate	$ 4,800	$ -		
Feb Invoices		**$522,229**	**$0**		
July Invoices		**$474,225**			
Total Membership Fees		**$996,453**			
Total amount to realocate monthly Jan-Dec. 2022		**$83,038**			

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 4(e)
Financial Management Matters—Forecast for CAFII 2022 Fiscal Year as at February 28/2022

Purpose of this Agenda Item – *Update*

An update on the financial forecast for CAFII's 2022 fiscal year, as at February 28, 2022.

Background Information

This is an update on the CAFII 2022 financial forecast.

Recommendation / Direction Sought –*Update*

Update only.

Attachments Included with this Agenda Item

1 attachment.

2022 CAFII Budget

	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	Reference Only CAFII 2022 Operating Budget Pre Tax	Reference Only CAFII 2022 Operating Budget HST	CAFII 2022 Operating Budget	2022 YTD February 2022	2022 Forecast	Comment/Rationale
Revenue										
Membership Dues	$695,545	$734,664	$884,721	$955,970	$996,452	$0	$996,452	$166,075	$996,452	See breakdown in Member Dues Revenue Tab (includes one new Member at Lower Tier Dues as CPL and Valeyo intend to become two separat
Annual Members' Luncheon "Additional Seats" Revenue	$0	$195	$0	$0	$0	$0	$0	$0	$0	
Interest	$0	$982	$399	$236	$250	$0	$250	$38	$250	Same as budget
TOTAL REVENUE	**$ 695,545**	**$ 735,841**	**$ 885,120**	**$ 956,206**	**$ 996,702**	**$ -**	**$ 996,702**	**$ 166,114**	**$ 996,702**	
EXPENSE										
Management Fees	$460,299	$465,134	$476,844	$486,711	$448,574	$58,315	$506,888	$88,704	$510,518	Same as budget
Legal and consulting costs associated with regulatory submissions and initiatives	$563	$0	$28,975	$74,221	$80,000	$10,400	$90,400	$0	$90,400	Same as budget
Audit Fees	$14,432	$14,799	$16,743	$13,224	$13,230	$1,720	$14,950	$2,373	$14,950	Same as budget
Insurance	$5,258	$5,338	$5,385	$5,877	$5,722	$744	$6,466	$1,038	$6,466	Same as budget
Website Ongoing Maintenance	$6,461	$10,022	$5,765	$6,958	$6,649	$864	$7,513	$624	$7,513	Same as budget
Telephone/Fax/Internet	$5,939	$6,494	$5,808	$6,799	$5,324	$692	$6,016	$208	$6,016	Same as budget
Postage/Courier	$458	$159	$53		$140	$18	$158	$13	$158	Same as budget
Office Expenses	$2,423	$2,025	$2,158	$2,694	$4,646	$604	$5,250	$102	$5,250	Same as budget
Bank Charges	$23	$112	$236	$662	$638	$83	$721	$52	$721	Same as budget
Depreciation Computer/Office Equipment	$1,136	$1,136	$1,136	$1,136	$464	$60	$524	$309	$524	Same as budget
Miscellaneous Expense	$0	$0	$0		$0	$0	$0	$0	$0	
Budget for Co-Executive Directors' New Office Equipment					$8,000	$1,040	$9,040	$0	$9,040	Same as budget
Total Board/EOC/AGM	$52,957	$65,053	$8,920	$1,822	$110,213	$14,328	$124,540	$150	$124,540	Includes Annual Members' Luncheon ($15,065); Board Hosting External ($22,500); Board/EOC Meeting Expenses ($29,055); Industry Events ($ ($5,305); Speaker fees & travel ($3,390); Gifts ($1,200);Networking Events($ 1,130); CAFII Reception Events ($3,955); CAFII 25th Anniversary occur in May & June & Sept.,2022.
Provincial Regulatory Visits and Relationship-Building	$11,230	$16,833	$983		$18,000	$2,340	$20,340	$0	$20,340	Same as budget
Federal Regulatory Visits and Relationship-Building	$0	$442	$540		$5,000	$650	$5,650	$0	$5,650	Same as budget
Research/Studies	$77,345	$5,368	$28,646	$75,473	$60,000	$7,800	$67,800	$14,831	$67,800	Same as budget
Website SEO and Enhancements	$21,702	$40,914	$31,144	$50,737	$40,000	$5,200	$45,200	$0	$45,200	Same as budget
Regulatory Model(s)	$6,490	$7,555	$0		$0	$0	$0	$0	$0	Same as budget
CAFII Benchmarking Study/RSM Canada	$0	$0	$68,365	$67,800	$60,000	$7,800	$67,800	$0	$67,800	Same as budget
FCAC Presentation	$0	$0	$20,905		$0	$0	$0	$0	$0	Same as budget
Media Outreach	$6,883	$5,683	$350	$9,543	$6,500	$845	$7,345	$934	$7,345	Same as budget
Media Consultant Retainer	$31,639	$27,120	$27,685	$29,792	$27,000	$3,510	$30,510	$5,085	$30,510	Same as budget
Marketing Collateral	$557	$1,629	$845	$717	$1,500	$195	$1,695	$195	$1,695	Same as budget
Tactical Communications Strategy	$0	$0	$0		$0	$0	$0	$0	$0	
Contingency For Possible Resumption Of In-Person Meetings/Events, Etc. in 2021	$0	$0	$0		$0	$0	$0	$0	$0	
TOTAL EXPENSE	**$ 705,793**	**$ 675,816**	**$ 731,485**	**$ 834,165**	**$ 901,599**	**$ 117,208**	**$ 1,018,807**	**$ 114,618**	**$ 1,022,437**	
Excess of Revenue over Expenses	**($10,248)**	**$60,025**	**$153,636**	**$122,041**			**($22,105)**	**$51,495**	**($25,735)**	
Total Equity (beginning of year)	**$180,447**	**$170,198**	**$230,223**	**$383,859**			**$505,900**	**$505,900**	**$505,900**	
Total equity (end of year)	**$170,198**	**$230,223**	**$383,859**	**$505,900**			**$483,794**	**$557,395**	**$480,165**	

Explanatory Notes:

(1) Assumes Two Co-Executive Directors, one @ 5 days per week; one @ 4.5 days per week; plus Managing Matters Admin support

(2) Amortization of office equipment based on 4 year straight line depreciation

(3) $90,400 Legal Expense for Marc Dequette/Norton Rose Fulbright to complete legal opinion re: AMF Spousal Coverage Issue. Alternative for paying for legal opinion is to use the remaining funds from the CCPBI Special Project Fund

Actual/Forecasted Financial Reserves	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Operating Budget	2022 Forecast
Minimum 3 months (25%) of Annual Operating Expenses =	$176,448	$168,954	$182,871	$208,541	$254,702	$255,609
Maximum 6 months (50%) of Annual Operating Expenses =	$352,897	$337,908	$365,742	$417,083	$509,404	$511,218
Actual/Forecasted Level of Financial Reserves:	$170,198	$230,223	$383,859	$505,900	$483,794	$480,165
Actual/Forecasted Level of Financial Reserves %:	24%	34%	52%	61%	47%	47%

2019 Operational Budget - Member Dues Breakdown

2018 Member Dues Breakdown

Upper Tier Member	73,438.00	5	367,190.00
DFS	55,079.00	1	55,079.00
Lower Tier Member	36,719.00	4	146,876.00
Initiation Members	44,000.00	2	88,000.00
Associate	4,800.00	8	38,400.00
			695,545.00

2019 (Base) Member Dues Breakdown

Upper Tier Member	73,438.00	6	440,628.00
Lower Tier Member	36,719.00	4	146,876.00
Initiation Members	44,000.00	3	132,000.00
Associate	4,800.00	8	38,400.00
			757,904.00

2019 Operational Budget - Member Dues Breakdown - Revised

2019 Member Dues Breakdown

Upper Tier Member	73,438	6	440,628.00
National Bank	55,079	1	55,079.00
Lower Tier Member	36,719	3	110,157.00
Initiation Members	44,000	2	88,000.00
Associate	4,800	8.5	40,800.00
			734,664.00

2020 Operational Budget - Member Dues Breakdown - 5% Dues Increase

2020 Member Dues Breakdown

Upper Tier Member	77,110	9	693,989.10
Lower Tier Member	38,555	3	115,664.85
Initiation Members (Upp	46,266	1	46,265.94
Initiation Members (Low	23,133	0	0.00
Associate	4,800	11	52,800.00
			908,719.89

2020 Operational Budget - Member Dues Breakdown - 5% Dues Increase

2020 Member Dues Breakdown

Upper Tier Member	77,110	9	693,989.10
Lower Tier Member	38,555	3	115,664.85
Initiation Members (Upp	46,266	1	46,265.94
Initiation Members (Low	23,133	0	0.00
Associate	4,800	6	28,800.00
			884,719.89

2020 Upper Tier Member

BMO Bank of Montreal
CIBC Insurance
RBC Insurance
ScotiaLife Financial
TD Insurance
Desjardins Financial Security Life Assurance Company
National Bank Life Insurance Company
Manulife Financial
The Canada Life Assurance Company

2020 Lower Tier Member

Assurant Solutions
Canadian Premier Life Insurance Company
Cumis Group Ltd/Co-operators Life Insurance Co.

2020 Initiation Members (Upper Tier)

Sun Life Financial

2020 Associate

RSM Canada
Willis Towers Watson
KPMG MSLP
Optima Communications
RGA Life Reinsurance Company of Canada
Torys LLP
*TBC
*TBC

*Associate Candidates - Stikeman Elliott, Norton Rose, Deloitte, Dog and Pony - To be confirmed

Did noy renew in 2020

PWC
Munich Reinsuranace Company Canada Branch (Life)
RankHigher.ca

2021 Operational Budget - Member Dues Breakdown - No Dues Increase

2021 Member Dues Breakdown

Upper Tier Member	77,110	9	693,989.10
Lower Tier Member	38,555	4	154,219.80
Initiation Members (Upper Tier)	46,266	1	46,265.94
Initiation Members (Lower Tier)	23,133	0	0.00
Associate	4,800	5	24,000.00
			918,474.84

2021 Upper Tier Member

BMO Bank of Montreal
CIBC Insurance
RBC Insurance
ScotiaLife Financial
TD Insurance
Desjardins Financial Security Life Assurance Company
National Bank Life Insurance Company
Manulife Financial
The Canada Life Assurance Company

2021 Lower Tier Member

Assurant Solutions
Canadian Premier Life Insurance Company
Valeyo
Cumis Group Ltd/Co-operators Life Insurance Co.

2021 Initiation Members (Upper Tier)

Sun Life Financial — 2 Year

2021 Associate

RSM Canada
Willis Towers Watson
KPMG MSLP
Optima Communications
RGA Life Reinsurance Company of Canada
Torys LLP

2021 Forecast

2021 Member Dues Breakdown

Upper Tier Member	77,110	9	693,989.10
Lower Tier Member	38,555	4	154,219.80
Initiation Members (Upper Tier)	46,266	1	46,265.94
Initiation Members (Lower Tier)	13,494	1	13,494.00
Associate	4,800	10	48,000.00
			955,968.84

2021 Upper Tier Member

BMO Bank of Montreal
CIBC Insurance
RBC Insurance
ScotiaLife Financial
TD Insurance
Desjardins Financial Security Life Assurance Company
National Bank Life Insurance Company
Manulife Financial
The Canada Life Assurance Company

2021 Lower Tier Member

Assurant Solutions
Canadian Premier Life Insurance Company
Valeyo
Cumis Group Ltd/Co-operators Life Insurance Co.

2021 Initiation Members (Upper Tier)

Sun Life Financial — 2 Year

2021 Associate

RSM Canada
Willis Towers Watson
KPMG MSLP
Optima Communications
RGA Life Reinsurance Company of Canada
Torys LLP
Dog and Pony Studios
Stikeman Elliott LLP
RSA
Norton Rose Fulbright Canada

Initiation Members (Lower Tier)

Canadian Tire Bank — CTB is joining CAFII in early June, we will p

2022 Operational Budget - Member Dues Breakdown - No Dues Increase

2022 Member Dues Breakdown

Upper Tier Member	77,110	10	771,099.00
Lower Tier Member	38,555	4	154,219.80
Initiation Members (Upper Tier)	46,266	0	0.00
Initiation Members (Lower Tier)	23,133	1	23,132.97
Associate	4,800	10	48,000.00
			996,451.77

2022 Upper Tier Member

BMO Bank of Montreal
CIBC Insurance
RBC Insurance
ScotiaLife Financial
TD Insurance
Desjardins Financial Security Life Assurance Company
National Bank Life Insurance Company
Manulife Financial
The Canada Life Assurance Company
Sun Life Financial

2022 Lower Tier Member

Assurant Solutions
Canadian Premier Life Insurance Company
Valeyo
Cumis Group Ltd/Co-operators Life Insurance Co.

2022 Initiation Members (Upper Tier)

2022 Associate

RSM Canada
Willis Towers Watson
KPMG MSLP
Optima Communications
RGA Life Reinsurance Company of Canada
Torys LLP
Dog and Pony Studios
Stikeman Elliott LLP
RSA
Norton Rose Fulbright Canada

Initiation Members (Lower Tier)

Canadian Tire Bank — 2nd Year

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 4(f)
Financial Management Matters— Dissemination of 2022 Member Renewal Letters and First Instalment Dues Invoices; and 2022 Associate Renewal Letters and Dues Invoices

Purpose of this Agenda Item – *Update*

This is an update only.

Background Information

CAFII members have recently been sent the first instalment dues invoices for 2022, and this is a reminder that they have been sent.

Recommendation / Direction Sought –*Update*

Update only.

Attachments Included with this Agenda Item

No attachments.

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 4(g)
Financial Management Matters— Canadian Premier Life's Acquisition of Sun Life's CPI Business; and Resulting Loss of Sun Life as a CAFII Member After 2022

Purpose of this Agenda Item – *Update*

This is an update only.

Background Information

This is to inform the Board that CAFII anticipates losing a member in 2023 after Sun Life completes, subject to regulatory approval, the sale of its CPI business to Canadian Premier Life.

Recommendation / Direction Sought –*Update*

Update only.

Attachments Included with this Agenda Item

1 attachment.

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Agenda Item 4(g)
April 12/22 Board Meeting

Canadian Premier to acquire Sun Life's sponsored markets business

By The Insurance Journal Staff | Dec. 15, 2021, 10:50 a.m.

Canadian Premier Life Insurance Company announced on December 13 that it has entered into an agreement to acquire the sponsored markets business from **Sun Life Assurance Company of Canada**, a subsidiary of **Sun Life Financial Inc.**

Sponsored markets include a variety of association and affinity, and group creditor clients. Canadian Premier says the deal will see more than 100 plan sponsors and about 1.5 million insured clients and plan members/customers move from Sun Life to Canadian Premier.

Suzette Huovinen

Upon close of the transaction, Sun Life expects to generate a one-time after-tax gain of approximately $65 million. The transaction is expected to close in early 2023, subject to customary closing conditions.

"This is an exciting milestone for our company as we look to serve more Canadians through our affinity groups and creditor insurance businesses," said **Suzette Huovinen**, Chief Executive Officer, Canadian Premier.

"We've provided Canadian families with coverage for more than six decades. Our new clients will continue to receive the same high-level of service and care they did with Sun Life. We are very excited to welcome a new group of employees to our Canadian Premier family and continue their great service to these customers."


Dave Jones

Dave Jones, President, Sun Life Health, says his organization will work closely with Canadian Premier to plan for a smooth and seamless transition. "This transaction will allow Sun Life to focus on strategically growing the core segments within our group benefits business. As the largest group benefits provider in the country, we're dedicated to delivering industry leading products and wellness solutions," stated Jones.

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 5(a)
Strategy Setting and Implementation; and Regulatory Matters-- Next Steps on Deloitte Canada Research Paper on "Best Practices In The Digitization Of Credit Protection Insurance": Recommendation from EOC Re Public Release/Publication of Results

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Purpose of this Agenda Item – *Discussion/Approval*

To update the Board on the next steps around the Deloitte Canada research project, and request that the Board approve an EOC recommendation related to a partial/limited public release of the research results.

Background Information

Deloitte Canada has now made a Powerpoint presentation to the Board on its high-level research findings around best practices in the digitization of CPI; and it has also now released to CAFII members its more detailed, in-depth MSWord report on the research project and its findings.

CAFII has traditionally tried to share some of its research results with regulators and post the high level findings on its website, to continue with the strategic intention of proactively engaging with regulators and enhancing the content of our website. Research results also present an opportunity to have media exposure.

CAFII management has recommended a plan for selective release of some components of the research results, along the following lines:

1. A slightly modified version of the powerpoint should be presented in a webinar by Deloitte Canada to regulators;
2. A slightly modified version of the powerpoint should be presented to friendly sister Associations (CLHIA, THIA, CBA);
3. A slightly modified version of the powerpoint should be publicly posted on the CAFII website, along with a press release to industry press; and the highlights of that powerpoint should also be displayed on our website in more visually-pleasing info-graphics designed by a graphic designer;
4. The detailed word document should be only for CAFII members and Associates and should not be publicly released or shared with non-CAFII members;
5. At the time of the news release, CAFII will explore having Deloitte share the public documentation through its marketing platforms;
6. Deloitte will make an entirely volunteer offer to CAFII members to make customized presentations to them of how the research best applies to their organization.

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The Media Advocacy Chair, Jacqlyn Marcus, has reviewed these recommendations and supports them. The Research & Education Committee has met to review these documents and next steps and has endorsed them, and recommended to the EOC that these recommendations be approved. The EOC, in turn, endorsed the Research & Education Committee's recommendation, for referral to the Board for approval.

Recommendation / Direction Sought –*Discussion/Approval*

The Board is being asked to approve the recommended next steps around public release of selected components of the Deloitte research.

Attachments Included with this Agenda Item

2 attachments.

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Digitization of CPI | Board Presentation

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Objectives and Agenda

Objective

Present the CAFII Board with a summary of the Digitization of CPI research report prior to its publication

Agenda

Section	Timing
Introductions	*5 minutes*
Report Background, Context & Approach	*10 minutes*
Deloitte Perspective on Digitizing CPI	*30 minutes*
Next Steps	*5 minutes*
Q&A	*10 minutes*

Our Team

Melissa Carruthers
Partner,
Insurance Strategy

Role: Project Leadership

Marc Lewis
Senior Manager,
Insurance Strategy

Role: Research Lead

Simon Knops
Senior Manager,
Insurance Strategy

Role: Research Lead

Context & Objectives

Background & Context

CAFII has engaged Deloitte to share an independent perspective on what it will take to offer 'best-in-class' digital experiences to CPI consumers in response to the evolving needs and preferences of Canadians

Background

- The Canadian Association of Financial Institutions in Insurance ("CAFII") is a not-for-profit industry association that **represents financial institution distributors and insurance company underwriters** involved in selling insurance in Canada
- CAFII is dedicated to fostering an open and flexible marketplace that is efficient and effective and **allows Canadian consumers an expanded choice** in the purchase of insurance products and services.
- In support of its mission & mandate to advance the interests of financial institutions in insurance and affiliated organizations, **CAFII regularly conducts consumer and market research** relevant to the business & offerings of its members
- Credit protection insurance **(CPI) is a primary focus of CAFII** as its members' common ground

Why are we here?

- Across all industries we have experienced an **accelerated shift towards digital** purchasing and servicing following the events of COVID-19, however the **insurance industry has been historically slow** at transforming its traditional business models to be more customer centric
- In March 2021, **CAFII conducted a consumer research report** aimed at understanding the impact to the sales & servicing preferences of Canadians in light of COVID 19 with a specific focus on CPI
- Key insights from the research report research suggests that Canadian consumers have not only become more likely, to use virtual channels for CPI sales & servicing and in turn have **higher expectations of their financial institutions** to provide improved multi-channel experiences
- Given the importance of CPI in providing accessible and affordable protection to Canadians, CAFII engaged Deloitte to develop an **independent research report focused on *'Digitizing CPI'*** and what it will take for the CPI industry to offer 'best-in-class' digital experiences for CPI
- The objective of the report is to identify opportunities for the **CPI industry to improve the digital experience offered to CPI consumers** in response to increased expectations and advancements in digital tools and technologies
- The subsequent sections of this document outline Deloitte's research approach and its perspective on the key success factors for Digitizing CPI as a means to **help inform the CPI Industries' digital priorities for the future**

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Report Approach & Research Methodology

In order to develop its perspective, Deloitte conducted a combination of primary and secondary research, including engagement with CAFII members across 14 organizations that included both underwriters[1] and distributors of CPI

Deloitte Research and Accelerators

Industry External Research
Secondary research was focused on Global insurance markets to help inform key success factors associated with leading digital insurance organizations, including the capabilities contributing to leading digital client experiences

Deloitte's Digital Maturity Model
Deloitte's Digital Maturity Model defines the key capabilities required for an organization to be digital and was used as an input in identifying the summary of functional capabilities required to enable the digitization of CPI

CAFII Members Surveyed and Interviewed

ScotiaLife Financial
National Bank
CIBC
BMO Insurance
TD Insurance
RBC Insurance
Desjardins Insurance
CUMIS
valeyo
Assurant
Bank
canadian premier — A Securian Financial company
Manulife
canada life

Survey & Interview Scope

CPI Digital Maturity - *Sample Questions*

- *What does '**Digitizing CPI' mean to your organization** and how important do you believe digitizing CPI is to the **future of CPI**?*
- *How would you describe the current digital **maturity of the Canadian CPI industry**? How would you rank your maturity relative to your peers & your desired future state?*

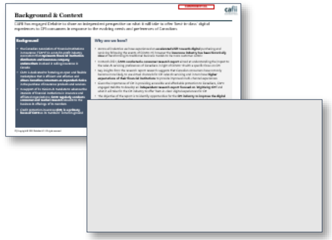
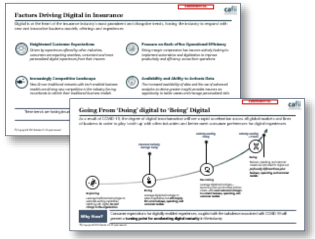
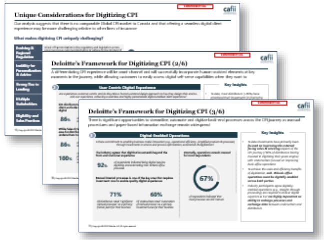
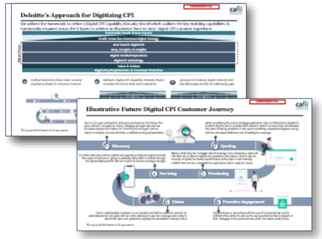
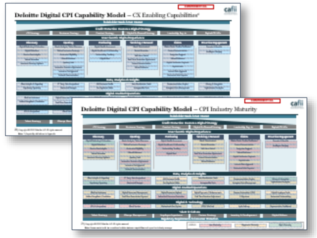
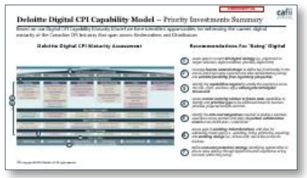
Challenges & Opportunities in Digitizing CPI - *Sample Questions*

- *What do you believe are the **primary friction points / inefficiencies** that exist within CPI operations?*
- *Where do you believe digitizing CPI may present an **opportunity to improve** these inefficiencies?*
- *What do you believe is the **biggest challenge in digitizing CPI**?*

Notes:
1) Underwriters include all CPI product manufacturers

Digitization of CPI Report Contents

The following table summarizes the contents and structure of our presentation and the research report

Objective	This research report focuses on identifying the key capabilities required to enable a leading digital CPI client experience in order to help inform digital investments and priorities for the future					
Sections	**1. Context & Objectives** 	**2. Deloitte's Perspective on 'Being' a Digital Insurer** 	**3. Key Research Insights** 	**4. Sample 'Best-in-Class' Digital CPI Experience** 	**5. Deloitte's Digital CPI Capability Maturity Model** 	**6. Looking Forward** 
Overview	*Summary of the background & context that led to the report, its rational, as well as description of the approach & methodology followed*	*Deloitte's perspective of key factors leading to the need for digital in insurance and the key characteristics associated with market-leading digital insurers*	*Key takeaways from research, including member interviews and surveys across distributors and underwriters*	*Showcase an illustrative leading digital CPI client experience to demonstrate the approach to identifying enabling capabilities*	*Review of functional capabilities required to enable "Best-in-Class" digital CPI experience, with associated industry maturity assessment*	*Summary of opportunities for CPI Underwriters & Distributors to consider as they embark on their digital transformation journeys*

Note: Regulatory considerations are not confined to a single section and are present throughout the report where applicable

Digitizing Canadian CPI – Key Takeaways

The need to digitize and improve the end-to-end CPI client experience is becoming an imperative for CPI underwriters and distributors in order to keep pace with consumer expectations and the accelerating move to digital lending

Overall Takeaways

1. Digitizing CPI is a **strategic priority for Canadian financial institutions**
2. Relative to other insurance industries, **Canadian CPI has unique challenges with** regards to **its digitization,** accentuated by the multiple stakeholders involved
3. **The CPI digital experience** offered is **highly dependent** upon the **lending journey** (i.e., mortgages, lines of credit)
4. **The regulatory environment** surrounding CPI can be **difficult to navigate digitally,** especially due to lack of harmonization across provinces
5. **The digital maturity of providers is inconsistent** across the industry
6. **Adoption** from sales representatives as well as clients **in digital experiences continues to be an inhibitor to realizing the benefits of digital investments**
7. **Successful digitization of CPI extends beyond client-facing experiences,** and includes back / mid-office operations
8. Digital experiences enabled by **automation across the value chain with partners** (e.g., underwriting, claims) were the **most cited friction points**
9. **Collaboration** across **Distributors, Underwriters and Regulators** will be key to **delivering "Best-in-Class" experiences**

Survey Highlights

100% *Of Underwriters and Distributors indicated digitizing CPI as a strategic priority*[2]

43% *Of members surveyed believe that up to 40% of applications will be fully digital by 2025*

75% *Of CPI Underwriters and Distributors stated lack of alignment with lenders as leading risk to penetration rates and sales*[2]

80% *Of Underwriters identified multiple stakeholders owning various aspects of the CPI experience was the greatest challenge to digitizing CPI*

57% *Of Distributors ranked their current digital maturity as being 'somewhat behind'*

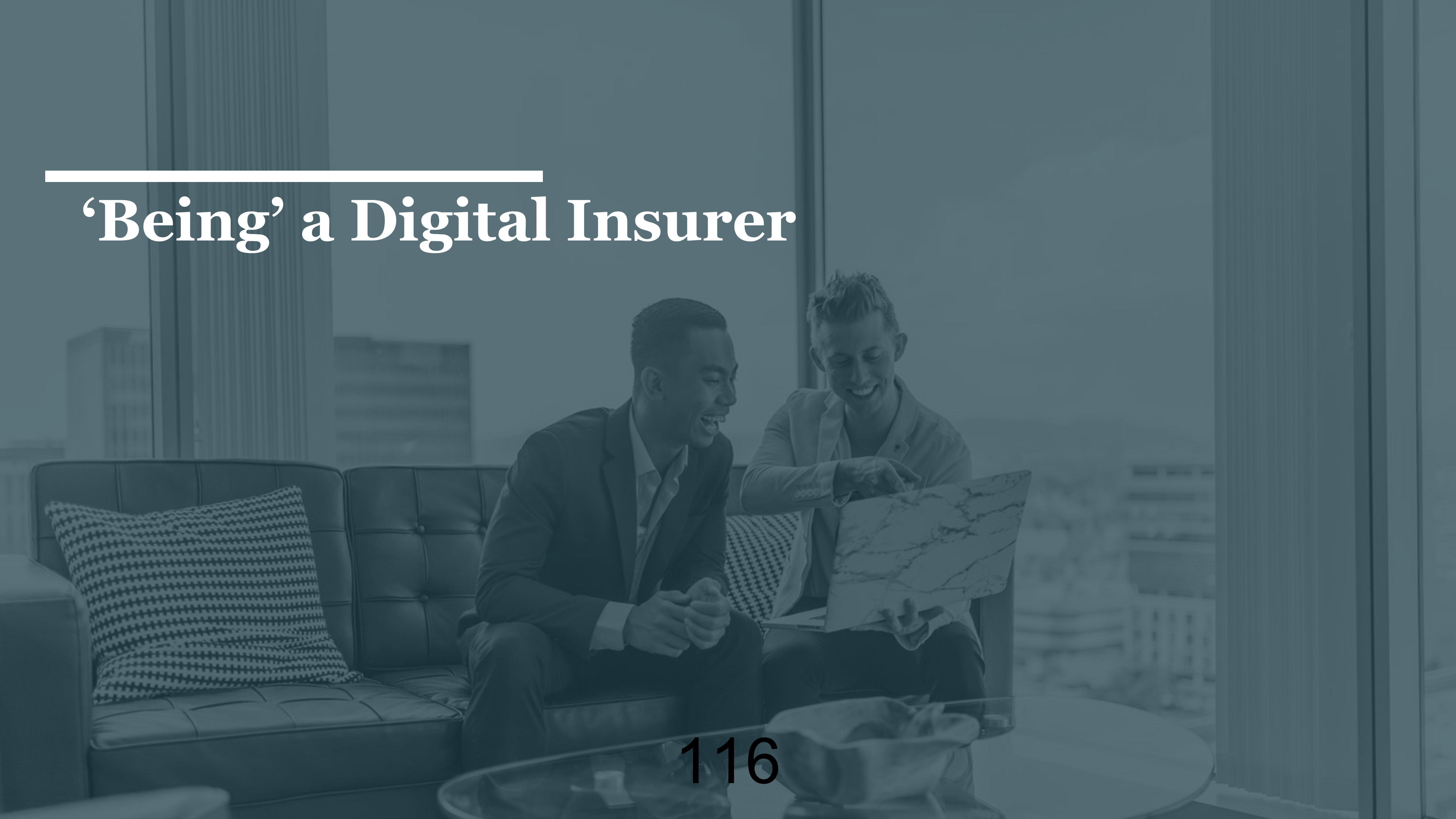
~5% *Cited penetration rates of CPI for personal loans can be as low as 5% for some members*

67% *Of respondents indicated that most back / mid-office processes remain manual despite investments*

86% *Of Distributors have indicated that cross-channel integration is key for successful digital CPI experiences*[2]

  Source: 1) CAFII Polara Study 2) Deloitte Digitizing CPI Survey

‘Being’ a Digital Insurer



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Factors Driving Digital in Insurance

Digital is at the heart of the insurance industry's most prominent and disruptive trends, forcing the industry to respond with new and innovative business models, offerings and experiences

Heightened Customer Expectations

Driven by experiences offered by other industries, consumers are expecting seamless, convenient and more personalized digital experiences from their insurers

Pressure on Back-office Operational Efficiency

Rising margin compression has insurers actively looking to implement automation and digitization to improve productivity and efficiency across their operations

Increasingly Competitive Landscape

New & non-traditional entrants with tech-enabled business models are driving new competitive in the industry forcing incumbents to rethink their traditional business models

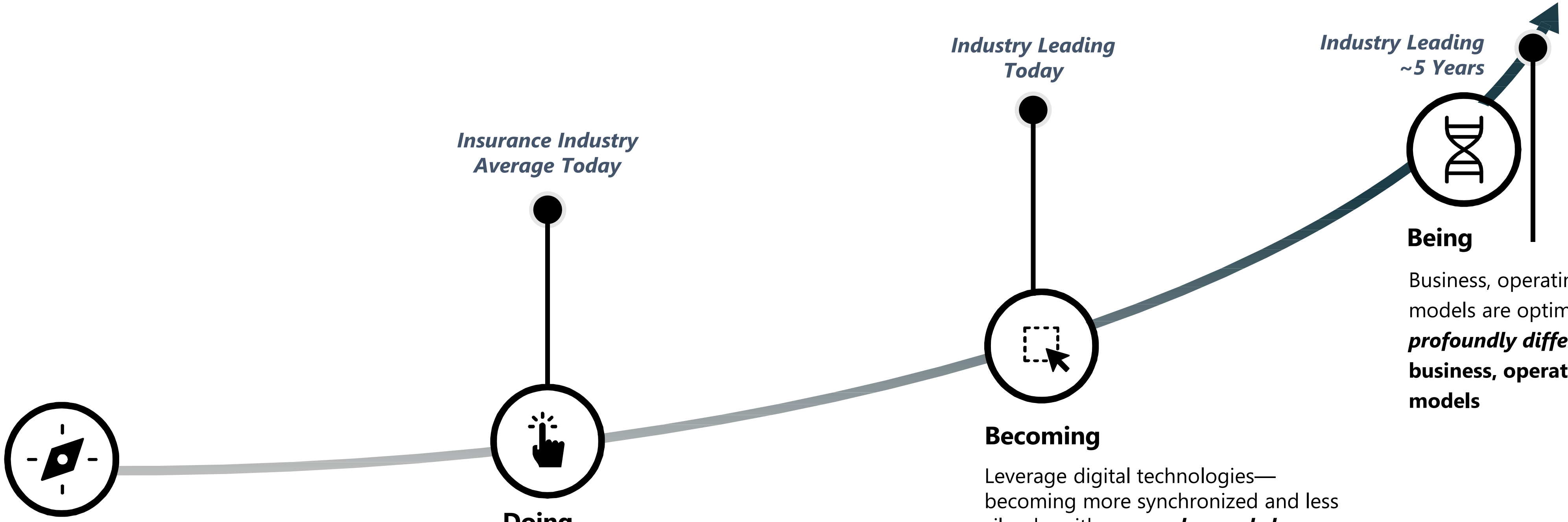
Availability and Ability to Activate Data

The increased availability of data and the use of advanced analytics to derive greater insight provides insurers an opportunity to better assess and manage personalized risks

These trends are forcing insurers to **rethink and transform their experiences, offerings, operations, distribution, and enabling technologies** – all in ways that are **truly more *digital***

Going From ‘Doing’ digital to ‘Being’ Digital

As a result of COVID-19, the degree of digital transformation will see a rapid acceleration across all global markets and lines of business in order to play ‘catch-up’ with other industries and better meet consumer preferences for digital experiences



Exploring

Leverage traditional technologies to automate existing capabilities. Dabbling with digital. ***No real change*** **to the organization**

Doing

Leverage digital technologies to extend capabilities, but **still *largely the same* business, operating, and customer models**

Becoming

Leverage digital technologies—becoming more synchronized and less siloed—with ***more advanced changes*** **to current business, operating, and customer models**

Being

Business, operating, and customer models are optimized for digital and ***profoundly different*** **from prior business, operating, and customer models**

Why Now?

Consumer expectations for digitally-enabled experiences, coupled with the turbulence associated with COVID-19 will present a **turning point for accelerating digital maturity** in the industry

6 Key Attributes of 'Being' a Digital Insurer

Through our research & experience, we've observed that leading digital insurance organizations exhibit the following 6 attributes and respective underlying capabilities which contribute to offering leading digital experiences

Articulated Strategy & Digital Ambition

High performing digital organizations have a well articulated business and supporting digital strategy with clarity on the supporting customer, product and channel strategy

Sophisticated Data, Analytics & Insights

Inform business priorities, product development, and customer experiences all based on data-driven insights - allowing for hyper personalization of experiences, features, pricing and risk assessment

User Centric Digital Experiences

Highly customer-oriented in how they do business and take a human centered design approach to designing their end-to-end user journey allowing for seamless and highly personalized digital experiences

Scalable Technology Architecture

Utilize modern (e.g., cloud based, APIs) technology architecture to support flexibility, modularity and speed to market allowing for seamless integration with ecosystem partners through APIs

Hyper Focused on Operational Efficiency

Digital-enabled insurers have a commitment to relentless expense efficiency, optimizing investments in technology & data through process automation and digitization and business model innovation

Digital Talent & Culture

Digital culture, skills and ways of working (e.g., agile) are embedded throughout the organization driving a holistic culture of innovation and moving away from isolating digital as a standalone team

These ***6 foundational attributes*** are core to Deloitte's Framework for ***'Being' Digital In Insurance*** & will serve as the ***basis for which we will identify the requirements to digitize CPI in Canada***

Digitizing CPI - Research Insights

Unique Considerations for Digitizing CPI

Our analysis suggests that there is no comparable Global CPI market to Canada and that offering a seamless digital client experience may be more challenging relative to other lines of insurance

What makes digitizing CPI uniquely challenging?

Evolving & Regional Regulation	A lack of harmonization in the regulatory and legislation across provinces forces national distributors to adhere to the strictest of digital sales practices which can be difficult to deliver as a scalable & seamless digital experience
Inability for Personalization & Advice	As CPI needs to be group underwritten, it does not create an opportunity to provide greater personalization in pricing and product design relative to individual insurance; similarly, differentiating based on personalized advice will be difficult under the current sales regulations
Strong Ties to Lending	CPI sale is highly connected to the lending journey, which are increasingly moving towards digital and human-assisted channels; strong collaboration is required with lending partners
Multiple Stakeholders	The client journey is owned by multiple stakeholders at varying stages of the policy lifecycle and requires significant alignment on roles, priorities and capabilities amongst underwriters & distributors
Eligibility and Sales Practices	Distributors must ensure that a customer purchasing a CPI product goes through a specific eligibility and exclusion assessment, adding steps & therefore friction to the purchasing journey

"Finding the right approach to mirror a face-to-face experience into digital channels is and will remain our biggest challenge"

- Distributor

"Traditionally you got a mortgage, so we offered mortgage protection, now it needs to be customer centric, based on all your needs here are the best options for you"

- Underwriter

"Each partner has their own Loan Origination System (LOS) and it's archaic, we can't integrate so a lot of the interactions are done over the phone"

- Underwriter

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Deloitte's Framework for Digitizing CPI

Utilizing the 6 attributes for 'Being' a digital insurer and our analysis on the Canadian CPI industry, we have defined a framework outlining our perspective on what it will take to Digitize CPI and assess the industry's current digital maturity

Stakeholder Needs & Best Interest

1 CPI Digital Strategy

Is there a well articulated business strategy with clarity on the customer strategy & needs to inform the products, channels and digital ambition to support the vision with well-defined KPIs that are routinely monitored and assessed?

2 User Centric Experiences

Are experiences customer-centric and do they take a human-centered design approach to how they design their end-to-end user experience, achieving a seamless and highly personalized digital-enabled client experience?

3 Digital-Enabled Operations

Is there commitment to enabling business model innovation (e.g., operational efficiency, simplified products & processes) through investments in end-to-end process optimization, automation & digitization?

4 Data, Analytics & Insights

Are data-driven insights derived and utilized to inform business priorities (e.g., product design, digital priorities, customer experiences) to achieve hyper personalization of experiences, products and pricing?

5 Digital & Technology

Is there modern and scalable technology infrastructure in place to support flexibility, speed to market and ecosystem integration (e.g., digital platforms, APIs)?

6 Talent & Culture

Are digital skills, culture and ways of working (e.g., agile, change, learning, etc.) embedded throughout the organization and is there a talent & partnership strategy in place to address any capability & expertise gaps?

Regulatory Requirements & Consumer Protection

*Key research findings have been summarized across each of the **6 layers in Deloitte's Digital CPI framework** to inform a set of **distinct capabilities** that apply to CPI distributors and underwriters*

Future Best in Class CPI Experience

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Deloitte's Approach for Digitizing CPI

We utilized the framework to define a Digital CPI Capability Maturity Model which outlines the key enabling capabilities & functionality required across the 6 layers to achieve an illustrative 'best-in-class' digital CPI customer experience

Stakeholder Needs & Best Interest

Credit Protection Insurance Digital Strategy

Report Focus

- **User Centric Digital CX**
- **Data, Analytics & Insights**
- **Digital-Enabled Operations**
- **Digital & Technology**

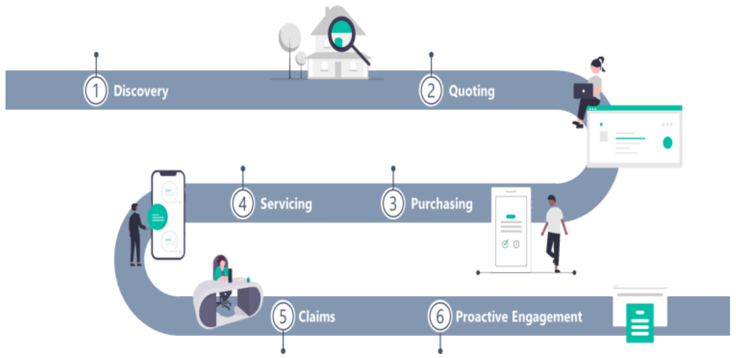
Talent & Culture

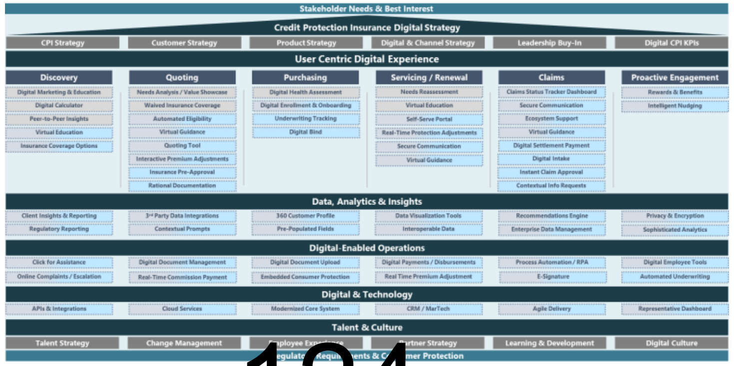
Regulatory Requirements & Consumer Protection

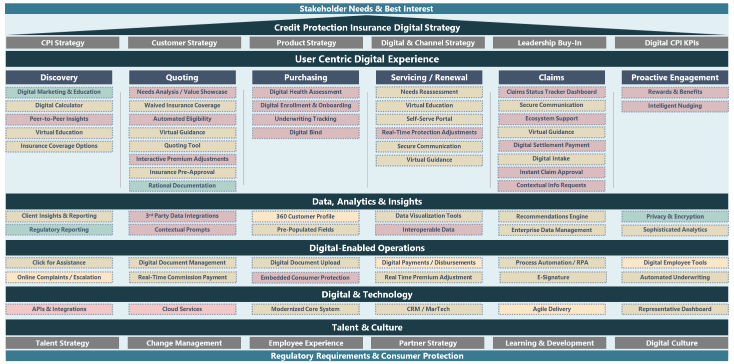
A *Defined illustrative future state customer experience based on consumer research*

B *Defined a Digital CPI Capability Maturity Model to enable the future state client experience*

C *Assessed CPI industry digital maturity and identified opportunities for addressing gaps*







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Insights From Previous CAFII Consumer Research

CAFII previously conducted consumer research in order to identify the post-COVID-19 implications to how CPI clients needs & preferences for sales, servicing and claims have evolved to inform the development of a customer-centric future journey

Discovery

~95%

*Of customers want **to plain language information** available **through the website**, as well as having the **opportunity to easily connect** with someone in **real-time to get answers***

- 65% of customers are **now more likely to obtain CPI** on their mortgage or line of credit **as a result of the pandemic**
- **Online services** such as education, quotes and coverage information **will be table stakes to support client discovery of CPI**

Advisory

~60%

*Of customers would like to have **real-time virtual assistance** when it comes to obtaining CPI*

~40%

*Of customers will want **in-person assistance** at some point **in the CPI purchasing journey***

- Customer preferences are almost evenly split between virtual and in-person assistance, highlighting the need for **building omnichannel capabilities**
- 93% of CPI holders value easily **connecting with an advisor in real time**

Purchase

72%

*State that the **pandemic has changed the way** they want to **conduct financial transactions***

79%

Prefer** the **convenience** of **conducting** financial **transactions online

- While channel preferences have evolved due to COVID, the **overall CPI journey should remain an omnichannel experience**
- Improving the **sales representative experience** will be critical to improving the end-to-end client experience

Claims & Servicing

33%

*Only 1/3rd of customers prefer to meet someone in person to make a **CPI claim***

40%

*Indicate that they **prefer to file a CPI claim over the phone or online** (website or web-based platform)*

- When it comes to filing a claim, the large **majority of customers are comfortable with virtual channels**
- Significant number of clients indicated they **prefer to submit their claim online (18%) over mobile (4%)**

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Source: CAFII: Credit Protection Insurance - Process and Methods – Research Report, 2021 (N=1002), CAFII: Travel Medical Insurance Study - Wave 2 Report, 2018 (N=1200), Deloitte analysis

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Illustrative Future Digital CPI Customer Journey

Sam is a 33-year-old Teacher looking to purchase her first home; She goes online to complete an online mortgage pre-approval and was provided relevant information for 'first time home buyers' with an option to virtually connect with Blair, a certified lending representative

1 Discovery

While completing the online mortgage application, Sam is notified she's eligible for Credit Protection and is provided with relevant 'what if' scenarios that demonstrate the value of having protection in the event something unexpected happens, along with the estimated additional cost of adding the coverage.

2 Quoting

Before confirming her mortgage rate & coverage, Sam schedules a video call with Blair who is able to address her questions and shares a link for Sam to securely complete her health questionnaire online; Blair is automatically notified that Sam has completed her application and its ready for review

3 Purchasing

6 months later Sam and her partner are expecting a baby and want to revisit the impact of job loss or going on disability leave. Blair is notified through the representative portal that Sam wishes to discuss coverage changes

4 Servicing

5 Claims

Sam is unfortunately involved in a car accident and will be unable to work for an extended period. Sam goes into her online banking to view her coverage and is able to submit her claim and upload the required documentation securely online

6 Proactive Engagement

Sam purchases a new vehicle with the use of a personal loan, and is notified of the option to add-on the same protection that is present on their mortgage on the personal loan which she selects easily online

Required Capabilities & Maturity

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Deloitte Digital CPI Capability Model – CX Enabling Capabilities[1]

Stakeholder Needs & Best Interest

Credit Protection Insurance Digital Strategy

CPI Strategy	Customer Strategy	Product Strategy	Digital & Channel Strategy	Leadership Buy-In	Digital CPI KPIs

User Centric Digital Experience

Discovery	Quoting	Purchasing	Servicing / Renewal	Claims	Proactive Engagement
Digital Marketing & Education	Needs Analysis / Value Showcase	Digital Health Assessment	Needs Reassessment	Claims Status Tracker Dashboard	Rewards & Benefits
Digital Calculator	Waived Insurance Coverage	Digital Enrollment & Onboarding	Virtual Education	Secure Communication	Intelligent Nudging
Peer-to-Peer Insights	Automated Eligibility	Underwriting Tracking	Self-Serve Portal	Ecosystem Support	
Virtual Education	Virtual Guidance	Digital Bind	Real-Time Protection Adjustments	Virtual Guidance	
Insurance Coverage Options	Quoting Tool		Secure Communication	Digital Settlement Payment	
	Interactive Premium Adjustments		Virtual Guidance	Digital Intake	
	Insurance Pre-Approval			Instant Claim Approval	
	Rational Documentation			Contextual Info Requests	

Data, Analytics & Insights

Client Insights & Reporting	3rd Party Data Integrations	360 Customer Profile	Data Visualization Tools	Recommendations Engine	Privacy & Encryption
Regulatory Reporting	Contextual Prompts	Pre-Populated Fields	Interoperable Data	Enterprise Data Management	Sophisticated Analytics

Digital-Enabled Operations

Click for Assistance	Digital Document Management	Digital Document Upload	Digital Payments / Disbursements	Process Automation / RPA	Digital Employee Tools
Online Complaints / Escalation	Real-Time Commission Payment	Embedded Consumer Protection	Real Time Premium Adjustment	E-Signature	Automated Underwriting

Digital & Technology

APIs & Integrations	Cloud Services	Modernized Core System	CRM / MarTech	Agile Delivery	Representative Dashboard

Talent & Culture

Talent Strategy	Change Management	Employee Experience	Partner Strategy	Learning & Development	Digital Culture

Regulatory Requirements & Consumer Protection

LEGEND: Key Success Factor | Distributor Capability | Underwriter Capability | Joint Capability

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Note: 1) Capability definitions in Appendix

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Deloitte Digital CPI Capability Model – CPI Industry Maturity

Stakeholder Needs & Best Interest

Credit Protection Insurance Digital Strategy

CPI Strategy	Customer Strategy	Product Strategy	Digital & Channel Strategy	Leadership Buy-In	Digital CPI KPIs

User Centric Digital Experience

Discovery	Quoting	Purchasing	Servicing / Renewal	Claims	Proactive Engagement
Digital Marketing & Education	Needs Analysis / Value Showcase	Digital Health Assessment	Needs Reassessment	Claims Status Tracker Dashboard	Rewards & Benefits
Digital Calculator	Waived Insurance Coverage	Digital Enrollment & Onboarding	Virtual Education	Secure Communication	Intelligent Nudging
Peer-to-Peer Insights	Automated Eligibility	Underwriting Tracking	Self-Serve Portal	Ecosystem Support	
Virtual Education	Virtual Guidance	Digital Bind	Real-Time Protection Adjustments	Virtual Guidance	
Insurance Coverage Options	Quoting Tool		Secure Communication	Digital Settlement Payment	
	Interactive Premium Adjustments		Virtual Guidance	Digital Intake	
	Insurance Pre-Approval			Instant Claim Approval	
	Rational Documentation			Contextual Info Requests	

Data, Analytics & Insights

Client Insights & Reporting	3rd Party Data Integrations	360 Customer Profile	Data Visualization Tools	Recommendations Engine	Privacy & Encryption
Regulatory Reporting	Contextual Prompts	Pre-Populated Fields	Interoperable Data	Enterprise Data Management	Sophisticated Analytics

Digital-Enabled Operations

Click for Assistance	Digital Document Management	Digital Document Upload	Digital Payments / Disbursements	Process Automation / RPA	Digital Employee Tools
Online Complaints / Escalation	Real-Time Commission Payment	Embedded Consumer Protection	Real Time Premium Adjustment	E-Signature	Automated Underwriting

Digital & Technology

APIs & Integrations	Cloud Services	Modernized Core System	CRM / MarTech	Agile Delivery	Representative Dashboard

Talent & Culture

Talent Strategy	Change Management	Employee Experience	Partner Strategy	Learning & Development	Digital Culture

Regulatory Requirements & Consumer Protection

LEGEND: Low Maturity | Disparate Maturity | High Maturity

Note: Assessment should be considered relative between capabilities and upon the industry average

Looking Forward

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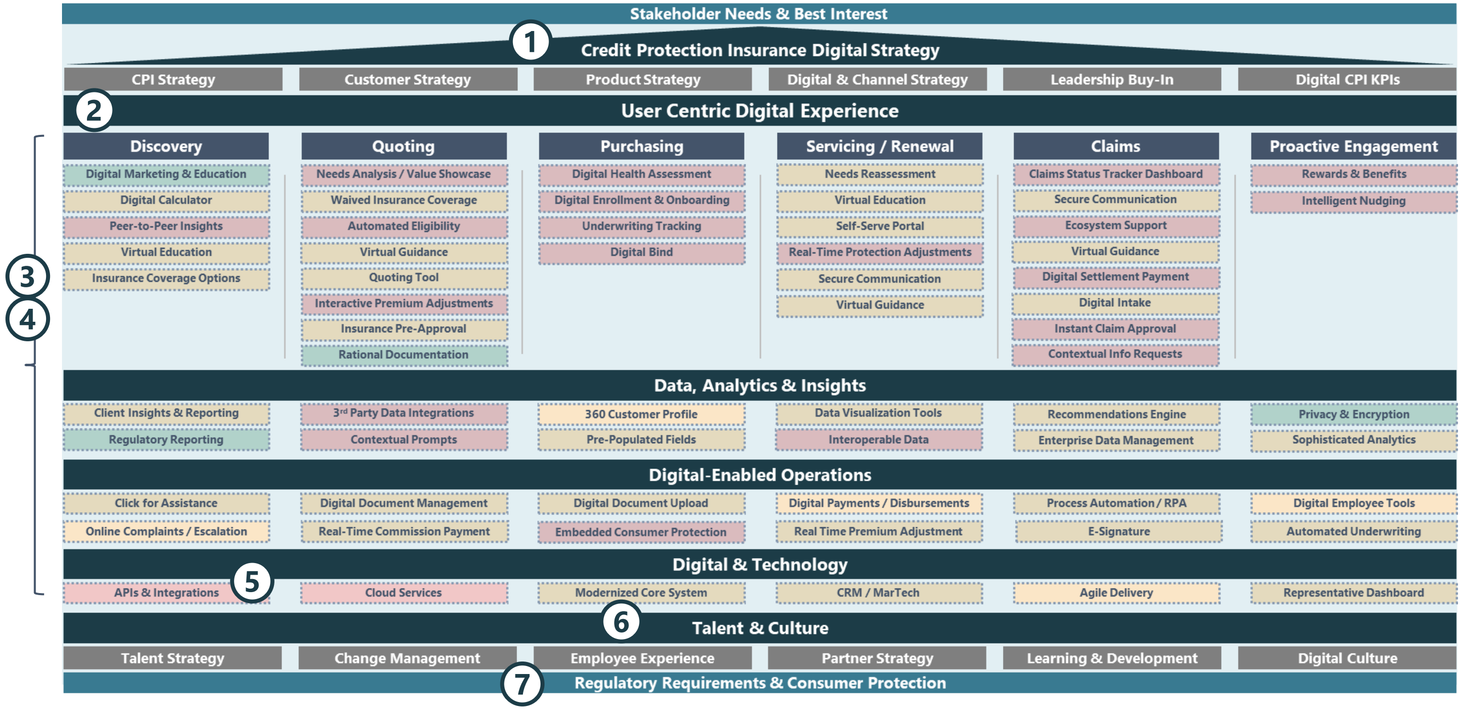
Deloitte Digital CPI Capability Model – Priority Investments Summary

Based on our Digital CPI Capability Maturity Model we have identified opportunities for enhancing the current digital maturity of the Canadian CPI Industry that span across Underwriters and Distributors

Deloitte Digital CPI Maturity Assessment



Recommendations For 'Being' Digital

1. *Assess gaps in current **CPI digital strategy** (i.e., alignment on target customers, digital ambition, priorities, digital KPIs)*
2. *Leverage **human centered design** to define key functionality in the end-to-end future state customer and sales representative journey and **validate feasibility from regulatory perspective***
3. *Identify the **capabilities required** to enable the experience across the mid-, front- and back-office **utilizing the CPI Digital Framework***
4. *Assess **current maturity relative to future state** capabilities to identify and **prioritize gaps** to be addressed based on business priorities, projected benefits and KPIs*
5. *Identify the **APIs and Integrations** required to enable a seamless experience across partners and align **on partner collaboration model** across distributors / underwriter*
6. *Assess gaps in **enabling Talent & Culture**, with plan for addressing Talent gaps (i.e., upskilling, hiring, partnering, acquiring) and **enabling change** (i.e., culture shift, new skills) across the business*
7. *Refine **consumer protection strategy**, identifying opportunities to ensure value delivery through digital consumer experiences at key moments within the journey*

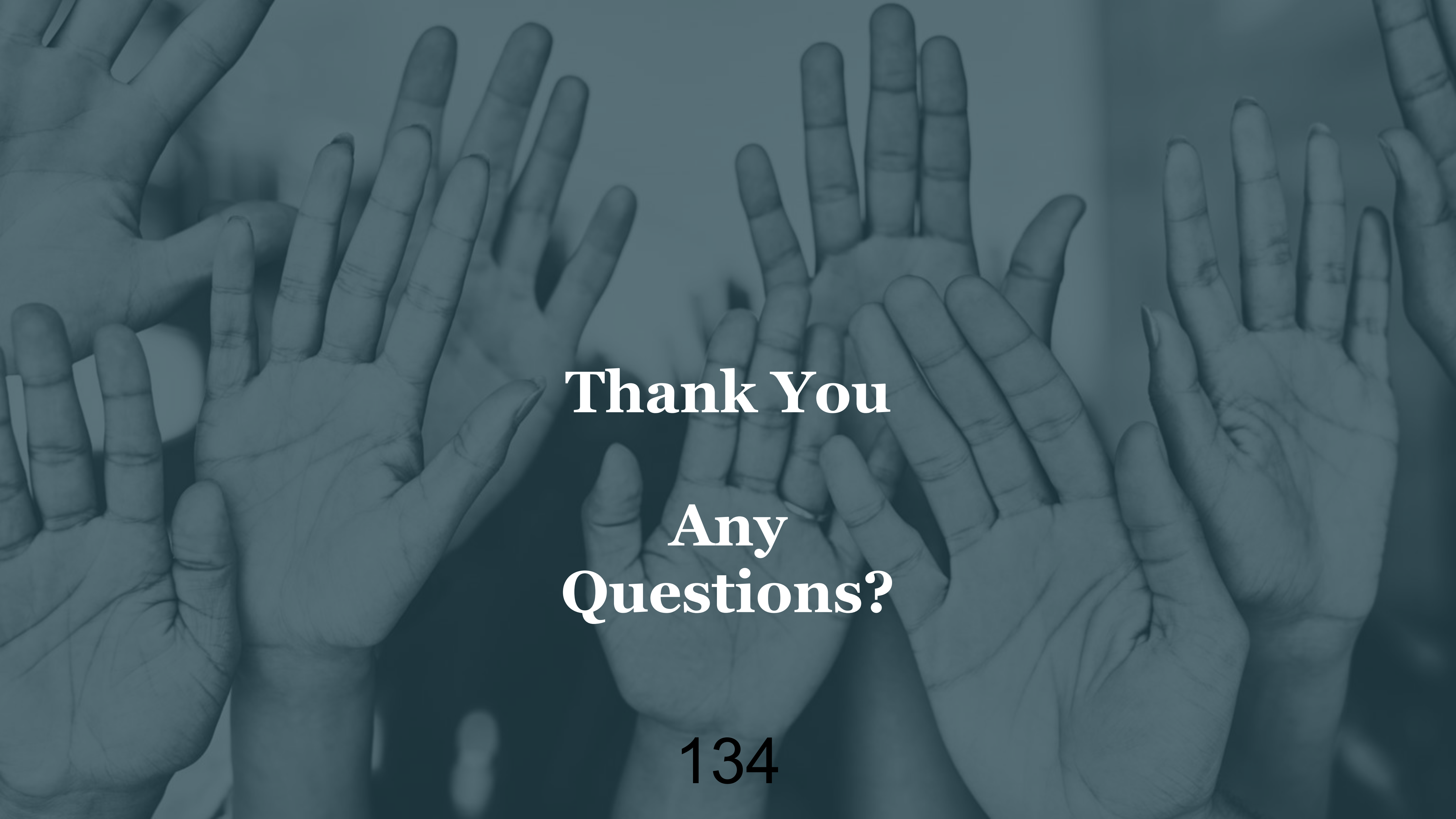
 |

Next Steps

Next Steps

Following the presentation of the report insights summary to the CAFII Board, Deloitte will work collaboratively with the core CAFII working team and R&E committee to achieve the following

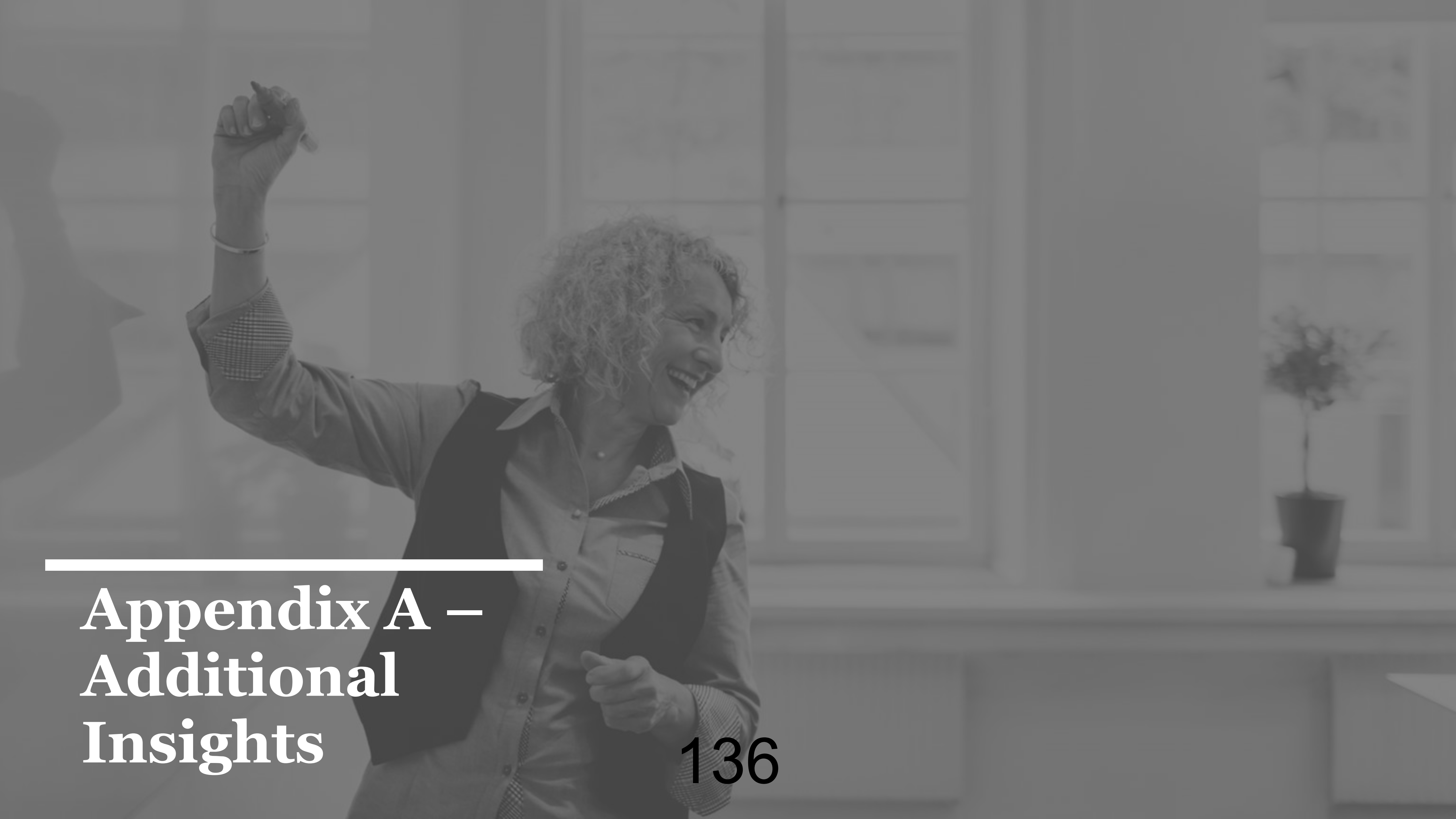
1. **Present report summary insights to regulators** (to be scheduled)
2. **Present report summary insights to key CAFII stakeholders** (to be scheduled)
3. **Publish formal Digitization of CPI Report** (February 2022)



Thank You

Any Questions?

Appendix



Appendix A – Additional Insights

Deloitte's Framework for Digitizing CPI (1/6)

While participants unanimously identify digitizing CPI as a key strategic priority, the alignment with lending experiences and the required executive buy-in across the organization create a risk in delivering on the digital ambition

1 CPI Digital Strategy

Is there a well articulated business strategy with clarity on the customer strategy & needs to inform the products, channels and digital ambition to support the vision with well-defined KPIs that are routinely monitored and assessed?

The industry agrees that digitization is a strategic imperative moving forward

100% *of respondents indicated digitizing CPI as strategically important*

CPI distributors recognize the need to digitize but feel they are behind

57% *of distributors ranked their current digital maturity relative to their peers as being 'somewhat behind'*

Ambitions for future digital fulfillment vary significantly by distributor

43% *of distributors expect 25%-40% of new CPI insurance applications to be completed fully online by 2025*

Risks commonly sited to achieving these ambitions were alignment with lending partners and continued regulatory changes

75% *of members marked the lack of alignment with lending & mortgage digitization as the greatest risk*

71% *of distributors expect new compliance and regulatory interventions*

Internal and external partnerships will play a key role to achieving the industries digital ambitions

80% *Of underwriters identified multiple stakeholders owning various aspects of the CPI experience was the greatest challenge to digitizing CPI*

Key Insights

- *While all participants identified digitizing CPI as a priority, most referenced the need to* ***compete with broader enterprise priorities*** *& investment as a challenge in accelerating their progress*
- *Future* ***ambitions for digital varied significantly*** *amongst distributors with digital leaders aspiring towards an end-to-end* ***fully digital client experience by 2025***
- *Many distributors referenced their* ***structure influencing the degree of collaboration*** *with their lending partners*
- *Digital transformation will require strong* ***alignment across multiple organizations*** *(banks, distributors, underwriters) and* ***business partners***

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Deloitte's Framework for Digitizing CPI (2/6)

A differentiating CPI experience will be omni-channel and will successfully incorporate human-assisted elements at key moments in the journey, while allowing customers to easily access digital self-serve capabilities when they want to

2 User Centric Digital Experience

Are experiences customer-centric and do they take a human-centered design approach to how they design their end-to-end user experience, achieving a seamless and highly personalized digital-enabled client experience?

CPI distributors recognize the need to augment client and sales representative experience through digital

86% *of distributors want to offer digital tools to their sales representative*

While Sales & Servicing is the primary investment area for distributors, they are turning to underwriters to enable digital claims

86% *of distributors ranked 'inefficient advisor sales process' as a primary friction point*

100% *Of distributors identified digital claims portals & processes as the biggest opportunity for CPI underwriters to support their digitization efforts*

Distributors selected the following as the features they plan to invest in the client experience

Key Insights

- *To date, most distributors (>50%) have prioritized their investments in improving the systems and **digital tools for sales representatives** rather than client-facing digital experiences*
- *Replicating the human-guided purchasing experience in digital continues to be a challenge as demonstrated by **low digital client-led penetration rates** (less than 5%)*
- *Digital **experiences reliant on underwriting partners** (e.g., underwriting, claims) were **commonly sited friction points** in the end-to-end client journey*
- *Distributors also referenced the opportunity for **automation of client eligibility** at point of sale and the **need for health questions via advisors** negatively impacting the purchasing experience*

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Creation of eligibility & needs assessment & recommendation engine

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Deloitte's Framework for Digitizing CPI (3/6)

There is significant opportunities to streamline, automate and digitize back-end processes across the CPI journey as manual procedures and paper-based information exchange remain widespread

3 Digital-Enabled Operations

Is there commitment to enabling business model innovation (e.g., operational efficiency, simplified products & processes) through investments in end-to-end process optimization, automation & digitization?

The industry agrees that digitization extends beyond the front-end customer experience

92% *of respondents indicated being digital requires digitizing and automating mid- & back-office processes*

Manual internal processes is one of the key area that requires investment now to enable quality digital experiences

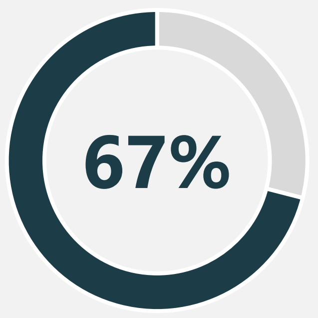
71%

Of distributors rated "significant manual processes" as a primary friction point for their business

60%

Of underwriters rated "automation of manual process" as a primary investment area for their business

Internally, operations remain manual for most respondents



of respondents indicated that most processes are still manual

Key Insights

- *To date investments have primarily been* ***focused on improving the external facing sales & servicing*** *aspects of the CPI journey (100% of distributors having invested in digitizing their quote engine) with Underwriters focused on improving back-office operations*
- *To achieve the scale and efficiency benefits of digitization,* ***mid- & back-office operations must be digitally enabled across both parties***
- *Industry participants agree digitally-enabled operations (e.g., straight-through processing) are required to deliver digital experiences but* ***are highly dependent on ability to redesign processes and exchange data*** *between underwriters and distributors*

Deloitte's Framework for Digitizing CPI (4/6)

Customer acquisition and retention are two areas where leading institutions are already actively leveraging data, but companies also have an opportunity to better use data-driven insights to prioritize digital investments

4 Data, Analytics & Insights

Are data-driven insights derived and utilized to inform business priorities (e.g., product design, digital priorities, customer experiences) to achieve hyper personalization of experiences, products and pricing?

Data and insight generation will be a key enabler to inform digital experience design and execution

86% *of distributors aspire to offer digital targeted marketing as part of their CPI digitization efforts*

Today, few representatives have access to real-time data about the CPI products they sell

60% *of underwriters stated have no current capability with regards to providing representatives with real-time data*

Distributors and underwriters intend to leverage data-driven insights to help streamline their operations

67% *of respondents indicated that digitizing CPI meant increasing the use of data insights in their operations*

Most distributors do not have capabilities in place to allow a representative to leverage a holistic view of relevant customer data

50% *of distributors do not offer their representative the ability to access a unified profile of the consumer they are quoting (incl. loan and client data)*

Key Insights

- ***Digital and data capabilities** offer new **opportunities** to better **understand** customers and their **protection needs***
- *Hyper personalization is scarce in CPI due to regulation (e.g., group underwriting), **lead generation and digital marketing** are areas where companies can leverage new sources of data & analytics*
- *Increase in **sales penetration** is still the main metric that is tracked to determine the success of an initiative, but many providers indicated desire to **expand the range of data** they collect and analyze to **inform digital investment decisions***
- *New & 3rd party data sets are expected to continue to help improve underwriting and risk assessment but **regulatory limitations on data usage** was cited by Underwriters as a challenge*

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Deloitte's Framework for Digitizing CPI (5/6)

Technology modernization stands out as a key investment priority across participants, together with a continuous focus on capabilities that enable better integration across systems, organizations and channels

5 Digital & Technology

Is there modern and scalable technology infrastructure in place to support flexibility, speed to market and ecosystem integration (e.g., digital platforms, APIs)?

Underwriters are aligned that they need to invest in modernizing their core technology

100% *of underwriters indicated technology modernization as a priority investment area*

And distributors agree, believing it's the #1 action underwriters should take

80% *of distributors indicated that Modernized technology (e.g., APIs, claims or UW engines) is how underwriters can support digitization of CPI*

Improving technical integration between underwriters and distributors systems is a priority

100% *of underwriters have identified the integration with CPI distributors systems as a primary friction point*

As well as developing the technological infrastructure to enable cross-channel integration

86% *of distributors indicated that integrating multiple channels into a single customer journey is a key success factor in digitizing CPI*

Key Insights

- ***Legacy technologies*** *are still limiting the ability of underwriters and distributors to seamlessly transfer data and information, which creates* ***friction in the customer journey***
- *As the CPI journey will remain an omni-channel experience, companies will need to excel at* ***integrating multiple channels and systems*** *to remove pain points for customers and sales representatives*
- ***Technology modernization*** *and* ***system integration*** *are key investment priorities for the industry with a focus on developing* ***external facing APIs***
- *Underwriters quote challenges with the need to* ***integrate with multiple different loan origination systems*** *of distributors*
- ***Marketing Technology*** *was cited as an investment area opportunity for enabling more client-centric experiences & insights*

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Deloitte's Framework for Digitizing CPI (6/6)

To successfully deliver on the digitization of their CPI business, organizations will need to attract and retain new types of talent while promoting digital ways of working within their teams and with their partners

6 Talent & Culture

Are digital skills, culture and ways of working (e.g., agile, change, learning, etc.) embedded throughout the organization and is there a talent & partnership strategy in place to address any capability & expertise gaps?

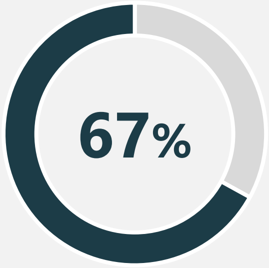
As organizations evolve, so do their talent requirements, amidst growing concerns of skilled talent scarcity in the insurance industry

43% *Of respondents to its global insurance survey stated finding and retaining skilled candidates a key concern[1]*

While Information Technology talent was ranked as the greatest concern, the top 5 areas were from a diverse set of functions

1. *Information Technology*
2. *Marketing*
3. *Cybersecurity*
4. *Risk Management*
5. *Finance*

Embedding agile ways of working internally and with partners will foster alignment and support continuous improvement in CPI journeys



of respondents marked the strong alignment to digital lending processes from bank and credit unions as key for successful CPI digitization

Key Insights

- *As insurance knowledge and expertise are critical to best position the value of CPI, organizations should leverage digital to* ***facilitate access to training and education*** *for CPI sales representatives*
- *Understanding the* ***value of CPI*** *and the* ***how client segments can benefit from the protection*** *must embedded across the organization and will likely* ***require a culture shift from current state***
- *Embarking on a digital transformation will* ***require new digital skillsets*** *for insurance and lending organizations (e.g., UX, data & analytics, developers, etc.)*
- *A more* ***collaborative mind-set and approach*** *across Distributors & Underwriters will be a key success factor to meeting the expectations of CPI clients throughout their policy life cycle*

Notes:
1) Deloitte 2022 Global Insurance Outlook Survey

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Digitizing Credit Protection Insurance

Offering best-in-class digital experiences for Credit Protection Insurance clients

Canadian Financial Services

The Canadian Association of Financial Institutions in Insurance engaged Deloitte Canada to share an independent perspective on what it will take to offer best-in-class digital experiences for Creditor Protection Insurance (CPI) clients.

Deloitte Canada conducted primary and secondary research to inform its point-of-view on what it will take to successfully digitize CPI, including the front, mid- and back-office capabilities, and key success factors required to enable leading digital experiences for CPI clients, employees, and partners.

This report shares the findings, and key insights, from Deloitte's analysis and identifies key considerations that the Canadian industry should consider in its evolution to a digitally enabled business model for CPI.

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The Canadian Association of Financial Institutions in Insurance | L'association canadienne des institutions financières en assurance

The Canadian Association of Financial Institutions in Insurance ("CAFII") is a not-for-profit industry association that represents financial institution distributors and insurance company underwriters involved in selling insurance in Canada.

CAFII is dedicated to fostering an open and flexible marketplace that is efficient and effective and allows Canadian customers an expanded choice in the purchase of insurance products and services.

In support of its mission & mandate to advance the interests of financial institutions in insurance and affiliated organizations, CAFII regularly conducts customer and market research relevant to the business & offerings of its members.

Executive Summary

Although the bar for digital experiences has been set by industries outside of financial services, a recent study performed by CAFII reinforced the idea that consumers have the same expectations when it comes to their financial protection and insurance needs. Given the important role that Credit Protection Insurance (CPI) plays in providing accessible and affordable insurance protection to Canadians, CAFII engaged Deloitte to conduct an independent research study focused on understanding the current digital maturity of the Canadian CPI industry to help inform what it will take for the industry to offer 'best-in-class' digital experiences.

As part of its research efforts, Deloitte engaged 14 CAFII member institutions through a combination of surveys and in-depth interviews, as well as external market analysis, which led to the following nine key findings:

Digitizing CPI is a strategic priority for Canadian financial institutions. The industry feels digitization will be critical in ensuring its ability to deliver affordable protection to Canadians who are currently under-advised & under-protected. In fact, 100% of CAFII members stated digitizing CPI is one of their highest strategic priorities.

Relative to other insurance industries, Canadian CPI has unique challenges with regards to its digitization. The client journey is owned by multiple stakeholders at varying stages of the policy lifecycle and requires significant alignment on roles, priorities, and capabilities amongst underwriters and distributors.

The CPI digital experience offered is highly dependent upon the lending journey (i.e., mortgages, lines of credit). The lending journey tends to take ownership in driving the digital experience for CPI. In many cases the optimal experience and use of digital within the mortgage lending journey may not align with the inclusion of a digital CPI experience.

The regulatory environment surrounding CPI can be difficult to navigate digitally. The lack of harmonization in the regulatory environment across provinces forces national distributors to adhere to the strictest of digital sales practices, which increases the complexity of delivering a scalable and seamless digital experience.

The digital maturity of providers is inconsistent across the industry. Many CPI distributors and underwriters are mid-way through multi-year digital transformation journeys while others are still in the early stages of defining their digital ambition with respect to CPI. However, almost half (43%) of distributors believe that up to 40% of all CPI applications will be fully digital by 2025.

Adoption from sales representatives as well as clients continues to be an inhibitor to realizing the benefits of digital investment. Digital CPI penetration rates have been as low as 5% for personal loans, highlighting the importance of enhancing the human-led (i.e., sales representative) experience by leveraging digital as opposed to replacing with a digital-only client experience.

Digitizing CPI extends beyond client-facing experiences. Investments in digital-enabling mid / back-office operations and technology were cited as being the most challenging and cost prohibitive. 67% of CAFII members indicated that most mid / back-office processes are still manual today.

Digital experiences enabled by underwriting partners (e.g., underwriting, claims) were the most cited friction points in the end-to-end client journey. Distributors commonly referenced the opportunity for automation of client eligibility at point of sale and online claims portals for submission, exchange of documentation and status tracking.

Collaboration across Distributors, Underwriters and Regulators will be key to delivering "Best-in-Class" experiences. 90% of CAFII members identified integration with multiple partners being a primary friction point and challenge in digitizing the CPI experience. Support from regulators for new enabling processes will be key to responding to meet the evolving needs and preferences of CPI consumers.

Based on the research, Deloitte developed a *Digital CPI Framework*. The framework is comprised of the following 6 capability layers and 65 sub-capabilities which collectively capture a CPI provider's ability to offer 'best-in-class' digital experiences.

1. **CPI Digital Strategy**
2. **User Centric Experiences**
3. **Data Analytics & Insights**
4. **Digital-Enabled Operations**
5. **Digital & Technology**
6. **Talent & Culture**

Deloitte's *Digital CPI framework* was used to assess the industry's current maturity by sub-capability and identified the key areas where underwriters and distributors would require strong collaboration. Overall, the digital maturity of the industry is disparate across the all layers, with significant room to improve the end-to-end client and representative experience at and beyond the point of sale.

There are select industry leaders who have made significant progress in leveraging digital and analytics to improve the sales representative experience, provide online education and quotation tools and have invested in online client self-serve options to promote engagement throughout the policy lifecycle integrated into online banking. Much of the success of these organizations can be attributed to early buy-in from executive teams in the need to digitize CPI as well as strong partnerships with their lending partners.

Our hope is that the *Digital CPI Framework* can be used as an accelerator by CPI providers to conduct a self-assessment as to how they fair relative to their peers across each of the layers and sub-capabilities to identify priority areas of investment and gaps to be addressed as they look to accelerate their digital maturity and offer 'best-in-class' digital experiences for CPI consumers.

Background & Objectives

Following the events of COVID-19, the financial services industry has experienced an accelerated shift towards digital purchasing and servicing preferences of its customers. However, the insurance industry has historically lagged adjacent industries such as Banking and Wealth Management in modernizing its traditional business model to be more customer-centric and therefore more 'digital'.

Credit Protection Insurance (CPI) is used to pay out a mortgage or loan balance, up to the agreed policy amount, or to make / postpone debts payments in the event of death, disability, job loss or critical illness[1]. This report focuses on the Canadian CPI market, which in 2019 generated premium revenues of $5.8B[2]. The research, insights, and recommendations that follow focus on the Mortgage Credit Protection Industry (i.e., insurance indemnifying consumers against making mortgage linked debt payments following a specified defined event) given that this sub-market makes up the largest proportion of the total Canadian CPI Industry.

A compelling motivation for writing this report is the unique nature of the Canadian CPI industry that is so tightly coupled to the lending journey that customers participate in to firstly acquire their lending product and subsequently their CPI product. This close relationship leads CPI consumers to have the same expectations of their CPI journey as they hold for other banking and lending products and impresses the importance of understanding the evolving customer purchasing behaviour to inform future investments in digitization.

To this end, CAFII conducted customer research in March 2021. This research investigated and identified the implications COVID-19 would have on existing and prospective CPI clients' needs and preferences for sales, servicing, and claims. Deloitte leveraged this research as a precursor to the investigation into the current state and future ambitions of CPI in Canada.

A foundational insight of interest from the CAFII research was the strength of demand for CPI protection in Canada with 65% of customers being more likely to obtain CPI on their mortgage or line of credit because of the pandemic[3]. In addition to this, 79% of CPI holders stated that they prefer the convenience of conducting financial transactions online. Put together, the above findings show that the robust demand for CPI is likely to be serviced in future by ever growing digital means, and CPI distributors and underwriters will be expected to deliver this.

Given the context described above and the importance of CPI in providing accessible and affordable protection to Canadians, CAFII engaged Deloitte to develop an independent research report focusing on Mortgage CPI and its digital future. The objective of this report is to provide a perspective on the current digital maturity of the Canadian CPI industry and identify opportunities for industry providers to accelerate their digital maturity by providing recommendations on priority investments and opportunities to address challenges that have historically inhibited the adoption or acceleration of digital in CPI. For industry participants, the report can be leveraged to understand their digital maturity relative to industry peers, opportunities for improvement, tactics being used to drive adoption, awareness, executive buy-in needed from their peers and leaders to support investment, and areas where benefits from investments in digital are being demonstrated.

Research Methodology

To develop this report, Deloitte drew on three sources of information, namely: primary research, secondary research, and Deloitte's proprietary Digital Maturity Model.

Primary Research

To develop our perspective, Deloitte engaged CPI industry participants to gain an understanding of their current digital CPI maturity, the challenges and opportunities that arise as a result of digitizing their CPI businesses, how CPI can learn from other insurance industries, unique challenges facing industry participants, and insights on how to accelerate their digital maturity. In this process, both underwriters and distributors were engaged with.

The method of engagement was twofold, with a value chain-specific survey of about 15 – 20 questions in length being completed by all participants, spanning a variety of features and digital functionality. This was followed up by a 45 – 60-minute interview with a leader within the CPI business unit or digital transformation leader for the organization, which built on what was learnt about that organization during the survey process.

14 CAFII Member organizations participated in this engagement process (representing a significant share of the premium within the Canadian CPI market). As such, we would like to thank the below CAFII Member organizations for their engagement and candor during the report writing process.

Figure 2:

Below we provide an overview of the type of questions that were covered in both the survey and interview.

Figure 3:

Sample Survey Questions

- What have historically been the priority areas for prior investment into your CPI operations?
- Which statement best reflects the importance of digitization to the future growth of your CPI portfolio?
- How would you define the current digital maturity of your CPI operations?

Sample Interview Questions

- What do you believe are the primary friction points / inefficiencies that exist within CPI operations?
- Where do you believe digitizing CPI may present an opportunity to improve these inefficiencies?
- What do you believe is the biggest challenge in digitizing CPI?

Secondary Research

Deloitte focused on global insurance markets to help inform key success factors associated with leading digital insurance organizations, including the capabilities contributing to leading client-facing digital client experiences.

Deloitte Digital Maturity Model

This proprietary model allowed Deloitte to define the key capabilities required for an organization to be digital and was used in the report to identify and summarize the functional capabilities required to enable the digitization of CPI.

Deloitte Perspective on 'Being' a Digital Insurer

Digital is at the heart of the insurance industry's most prominent and disruptive trends, forcing the industry to respond with new and innovative business models, offerings, and experiences. Along with the heightened customer expectations discussed above, across all types of insurance Deloitte has identified an additional 4 key factors driving the need for incumbent insurers to "be" Digital Insurers.

Figure 4:

Heightened Customer Expectations

Driven by experiences offered by other industries, consumers are expecting seamless, convenient, and more personalized digital experiences from their insurers

Availability and Ability to Activate Data

The increased availability of data and the use of advanced analytics to derive greater insight provides insurers an opportunity to better assess and manage personalized risks

Increasingly Competitive Landscape

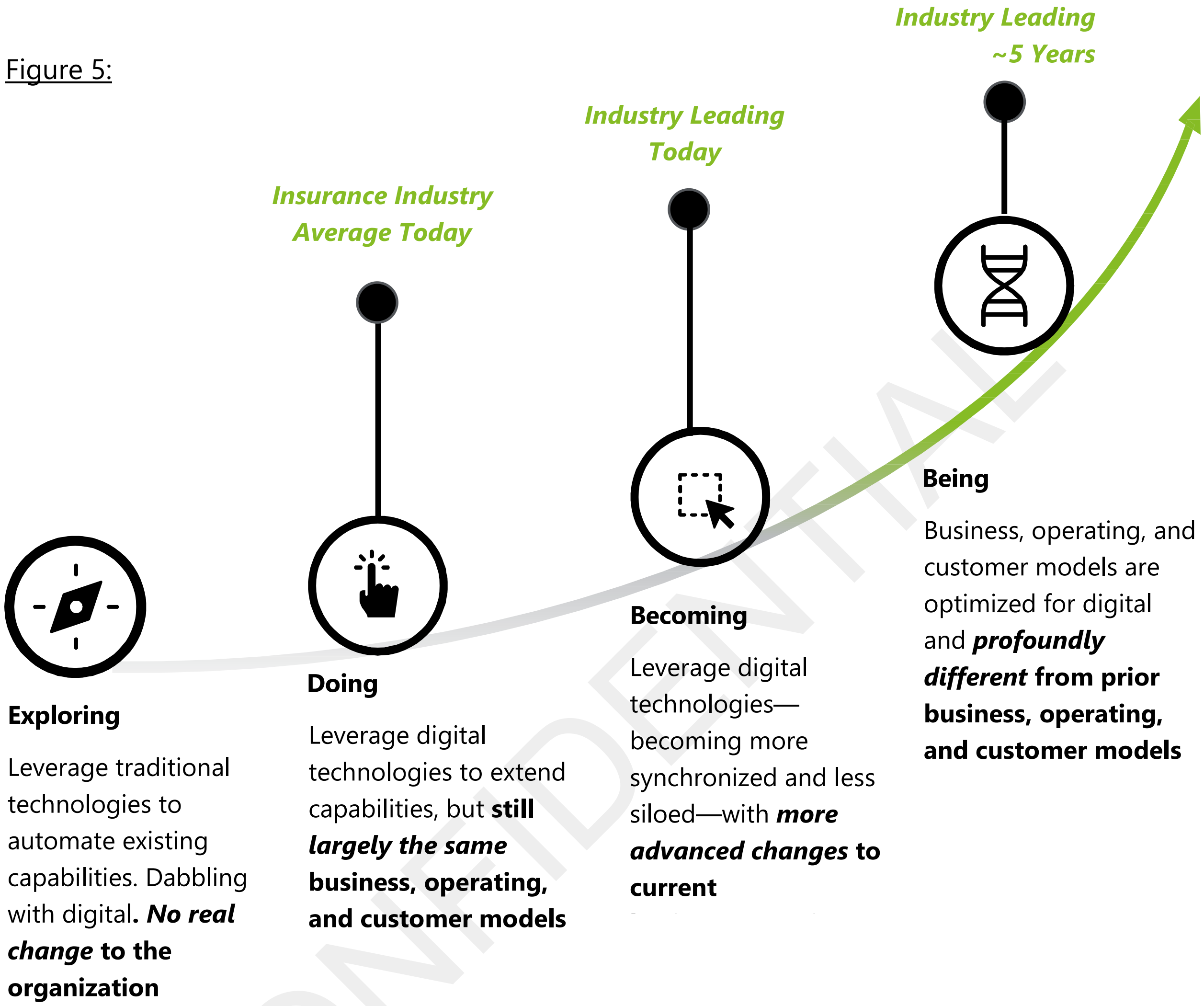
New & non-traditional entrants with tech-enabled business models are driving new competition in the industry forcing incumbents to rethink their traditional business

Pressure on Back-office Operational Efficiency

Rising margin compression has insurers actively looking to implement automation and digitization to improve productivity and efficiency across their operations

However, as insurers embark on digital transformations, they need to do more than just "Explore Digital", but rather, "Be Digital" – allowing digital transformation to alter their organizations to counteract the forces mentioned above. It is essential for insurers to understand where they are in their digital transformation journey, whether they are using data and technology to alter their business or whether they are just augmenting existing processes whilst leaving their organizations unchanged. Understanding this, along with having a perspective on where competitors in the market are in their digital transformations, will enable insurers to benchmark themselves and their progress, and inform the pace of investment in digital transformation to protect their market share.

Figure 5:



To enable insurers, to navigate the journey from "Exploring" to "Being Digital", Deloitte, through its research & experience, has observed that leading digital insurance organizations exhibit six attributes and respective underlying capabilities. These attributes span strategy, to talent technology architecture, to the use of data, and together contribute to an insurance organization's ability to offer leading digital experiences.

These attributes, listed on the subsequent page, serve as the core of Deloitte's Framework for 'Being' Digital in Insurance & will serve as the basis from which we will identify the requirements to digitally enable CPI in Canada.

Figure 6:

Deloitte's 6 Attributes of a Digital Insurer

Articulated Strategy & Digital Ambition

High performing digital organizations have a well-articulated business and supporting digital strategy that has enterprise executive support and alignment

User Centric Digital Experiences

Highly customer-oriented in how they do business and take a human-centered design approach to designing their end-to-end user journey allowing for seamless and highly personalized engagement models across digital and non-digital channels

Hyper Focused on Operational Efficiency

Digital-enabled insurers have a commitment to relentless expense efficiency, optimizing investments in technology & data through process automation and digitization with a lean towards end-to-end business model innovation vs. incrementalism

Sophisticated Data, Analytics & Insights

Inform business priorities, product development, and customer experiences all based on data-driven insights - allowing for hyper personalization of experiences, features, pricing, and risk assessment

Scalable Technology Architecture

Utilize modern (e.g., cloud based, APIs) technology architecture to support flexibility, modularity, and speed to market allowing for seamless integration with ecosystem partners through APIs

Digital Talent & Culture

Digital culture, skills, and ways of working (e.g., agile) are embedded throughout the organization driving a holistic culture of innovation and moving away from isolating digital as a standalone team

Current State Digital Maturity of the Canadian CPI Industry

Unique Considerations for Digitizing CPI

The Canadian CPI industry has several characteristics that lead to unique considerations with regards to its digitization. Not only does the industry require the close collaboration from stakeholders across the value chain, but the product purchasing habits are also tied to the acquisition of other financial assets (e.g., mortgages). Finally, recent regulatory changes aiming to ensure consumer value in markets like Australia and the UK have significantly constrained their respective size and growth. Below we discuss a few key factors that should be considered when approaching the digitization of CPI.

Evolving Regional Regulation

A lack of harmonization in the regulatory and legislation across provinces forces national distributors to adhere to the strictest of digital sales practices which can be difficult to deliver as a scalable & seamless digital experience

Inability for Personalization & Advice

As CPI needs to be group underwritten, it does not create an opportunity to provide greater personalization in pricing and product design relative to individual insurance; similarly, differentiating based on personalized advice will be difficult under the current sales regulations

Strong Ties to Lending

CPI sale is highly connected to the lending journey, which is increasingly moving towards digital and human-assisted channels; strong collaboration is required with lending partners

Multiple Stakeholders

The client journey is owned by multiple stakeholders at varying stages of the policy lifecycle and requires significant alignment on roles, priorities, and capabilities amongst underwriters & distributors

Eligibility and Sales Practices

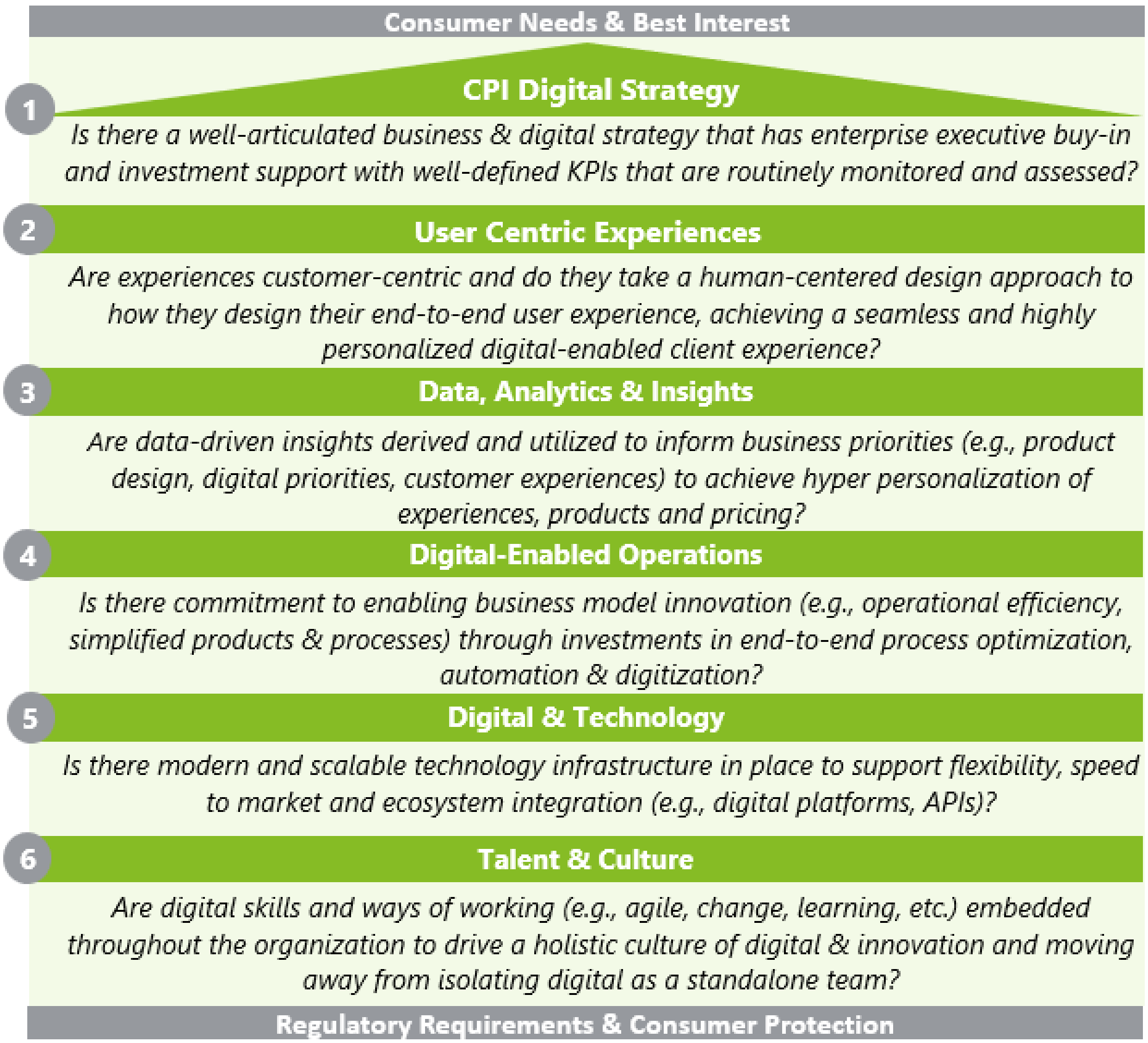
Distributors must ensure that a customer purchasing a CPI product goes through a specific eligibility and exclusion assessment, adding steps & therefore friction to the purchasing journey

Along with the unique considerations for digitizing CPI noted above, during the interviews conducted by Deloitte, distributors and underwriters both commented on the difficulties they face in digitizing their businesses.

Deloitte’s Framework for Digitizing CPI

Utilizing the 6 attributes for ‘Being’ a digital insurer and our analysis on the Canadian CPI industry, we have defined a framework to assess the current digital maturity of the Canadian CPI industry.

Figure 7:



In the following section, we have summarized key CPI research findings across each of the 6 layers in Deloitte’s Digital CPI framework to inform distinct capabilities required for CPI distributors and underwriters as well as to inform strategic priorities.

1. CPI Digital Strategy

While all participants identify digitizing CPI as a key strategic priority, the alignment with lending experiences and the required executive buy-in across the organization create a risk in delivering on the digital ambition.

> *"Traditionally you got a mortgage, so we offered mortgage protection, now it needs to be customer-centric, based on all your needs here are the best options for you"* - Underwriter

Survey responses reflected that across both underwriters and distributors, digitization of CPI was a strategic priority, with all respondents saying it was strategically important and almost half expecting a larger share of their business to be generated via digital means.

Despite this, over half of distributors surveyed ranked their digital maturity as being somewhat behind relative to their peers. However, this statistic does not reflect the differing ambitions between industry participants. Whilst some distributors were looking to provide end-to-end digital fulfilment, claims, and servicing to lead as a digital CPI provider, others were only looking to keep pace with digital lending and not be digital-first or a digital leader as they felt they could not replicate the human-guided model through digital means.

Critical to digitizing CPI, due to its strong links to lenders and intermediated value chain, will be strong partnerships with aligned stakeholders as 67% of respondents marked the strong alignment to digital lending processes from bank and credit unions as key for successful CPI digitization.

Figure 8:

100%

of respondents indicated digitizing CPI as strategically important

57%

of distributors ranked their current digital maturity relative to their peers as being 'somewhat behind'

43%

of distributors expect up to 40% of new CPI insurance applications to be completed fully online by 2025

An important element of a CPI digital strategy is tracking its success with clearly defined metrics. For CPI distributors and underwriters alike, an increase in customer engagement and an increase in sales penetration rate were the two metrics that would be tracked to determine whether a CPI digitization was successful. Over 60% of underwriters and 70% of distributors referenced an increase in customer engagement to be their primary metric for measuring success of their digital experience investments.

While all participants identified digitizing CPI as a priority, most referenced the need to compete with broader enterprise priorities & investment as a challenge in accelerating their progress. Future ambitions for digital varied significantly amongst distributors with digital leaders aspiring towards an end-to-end fully digital client experience by 2025.

Many distributors referenced their structure influencing the degree of collaboration with their lending partners whilst all respondents described that digital transformation would require strong alignment across multiple organizations (banks, distributors, underwriters) and business partners.

2. User Centric Experiences

A differentiating CPI experience will be omni-channel and will successfully incorporate human-assisted elements at key moments in the journey, while allowing customers to easily access digital self-serve capabilities when they want to.

> *"Finding the right approach to mirror a face-to-face experience into digital channels is, and will remain, our biggest challenge"* - Distributor

What emerged as a clear outcome from the primary research was the importance that advisors play in the sales process and the need not only to create customer-centered digital capabilities but also advisor-centered capabilities for those interacting and providing human-led services to the end customers.

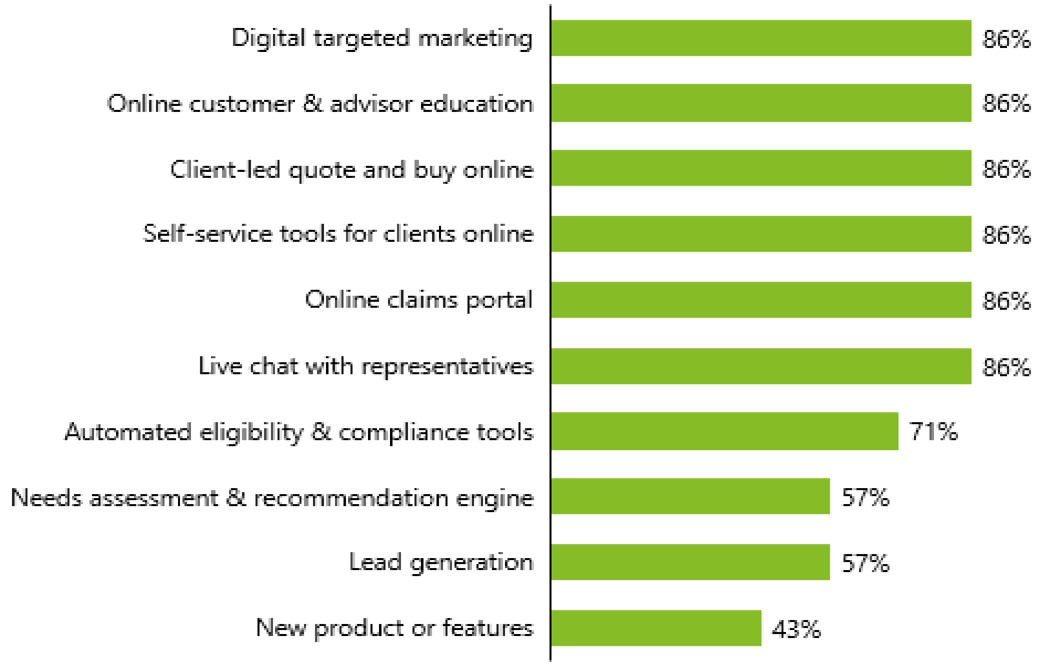
Figure 9:

86% *of distributors want to offer digital tools to their sales representative* ***AND*** *the same proportion also ranked "inefficient advisor sales processes" as a primary friction point*

Later in the same customer journey, all distributors (100%) were unanimous in identifying digital claims portals and processes as being the biggest opportunity for their underwriting counterparts to support their digitization efforts.

Future distributor investment in the customer experience focuses on marketing, education, and online quote and bind functionality.

Figure 10:



To date, most distributors have prioritized their investments in improving the systems and digital tools for sales representatives rather than client-facing experiences. Replicating the human-guided purchasing experience in digital continues to be a challenge as demonstrated by low digital client-led penetration rates (less than 5% for core lending products).

Digital experiences reliant on underwriting partners (e.g., underwriting, claims) were the most cited friction points in the end-to-end client journey. Distributors referenced the opportunity for automation of client eligibility at point of sale, and the need for health questions via advisors negatively impacting the purchasing experience

3. Data, Analytics, & Insights

Customer acquisition and retention are two areas where leading institutions are already actively leveraging data, but companies also have an opportunity to better use data-driven insights to prioritize digital investments.

To inform the digital experience design for CPI customers and the execution thereof, data and insight generation will be a key enabler. While opportunities for hyper personalization are scarce in CPI due to sales regulation and group underwriting requirements, lead generation and digital marketing are areas where companies can leverage new sources of data and analytics to unlock growth. Data and analytics will also enable representatives within the sales process to better understand their clients through unified customer profiles including personal and loan data, which only 50% of distributors currently provide their representatives.

However, ensuring that all actors throughout the value chain have access to real time data will be an important area of investment for underwriters and distributors in digitizing CPI.

<u>Figure 11:</u>

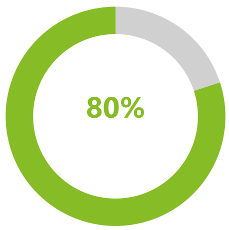
of underwriters stated having no current capability with regards to providing representatives with real-time data

of respondents indicated that digitizing CPI meant increasing the use of data insights in their operations

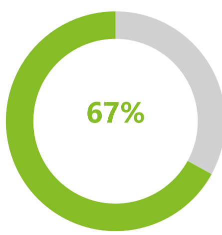
Increase in sales penetration is still the main metric that is tracked to determine the success of an initiative, but we expect that companies will expand the range of data they collect and analyze to inform digital investment decisions. New & 3rd party data sets are expected to continue to help improve underwriting and risk assessment, but regulatory limitations on data usage was cited by underwriters as a challenge.

4. Digital-Enabled Operations

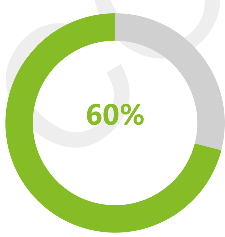
Figure 12:



of underwriters identified multiple stakeholders owning various aspects of the CPI experience was the greatest challenge to digitizing CPI



of respondents indicated that most processes are still manual



of underwriters rated "automation of manual process" as a primary investment area for their business

For distributors and underwriters alike, there are significant opportunities to streamline, automate and digitize back-end processes across the CPI journey as manual procedures and paper-based information exchange remain widespread.

This view is supported by the survey responses with 92% of all respondents believing that 'being digital' requires digitizing mid- & back-office processes.

To date, investments have primarily been focused on improving the external facing sales & servicing aspects of the CPI journey with 100% of distributors having invested in digitizing their quote engine, whilst 80% of underwriters have historically invested in automation of manual processes.

To achieve the scale and efficiency benefits of digitization, mid- & back-office operations must be digitally enabled. This digital enablement will also lead to distributors being able to deliver the customer experiences and product offerings required by customers.

However, the requirement to digitally enable CPI distributors and underwriter processes is highly dependent on the ability to redesign existing processes and seamlessly exchange data between underwriters and distributors.

5. Digital & Technology

Technology modernization stands out as a key investment priority across participants, together with a continuous focus on capabilities that enable better integration across systems, organizations, and channels.

Underwriters' priority investment areas will shift from the automation of manual processes (80% historically) to the modernization of technology (100% going forward). This in an area where underwriters and distributors are aligned, with 80% of distributors seeing modernized technology (including APIs, claims or underwriting engines) as their priority investment area in future.

An initial potential application of the increased investment in modernized technology will be to address the need to integrate not only a single customer's multi-channel CPI journey (i.e., purchasing a policy in-person and subsequently servicing that policy on a digital platform) but also, integration between underwriters and distributors.

Figure 13:

100%

of underwriters have identified the integration with CPI distributors systems as a primary friction point

86%

of distributors indicated that integrating multiple channels into a single customer journey is a key success factor in digitizing CPI

> *"Each partner has their own Loan Origination System and it's archaic, we can't integrate so a lot of the interactions are done over the phone"* - Underwriter

Legacy technologies are still limiting the ability of underwriters and distributors to seamlessly transfer data and information. Additionally, underwriters quote challenges with the need to integrate with multiple different loan origination systems of distributors.

6. Talent & Culture

To successfully deliver on the digitization of their CPI business, organizations will need to attract and retain new types of talent while promoting digital ways of working within their teams and with their partners.

On the path to "Being Digital", organizations will have to shift the demands made on their staff members accordingly. Those within the CPI industry are unlikely to be immune to the challenges of the broader industry, where an international study showed that 43% of respondents said that finding and retaining skilled candidates is a primary concern.

To deliver on digital initiatives, companies will need to ensure they develop attractive career paths for new talent (e.g., UX designers, API integration specialists, data engineers). As insurance knowledge and expertise are critical to best position the value of CPI, organizations should leverage digital to facilitate access to training and education for CPI representatives.

Figure 14:

Talent areas where insurance-related organizations have greatest concerns

1. Information Technology
2. Marketing
3. Cybersecurity
4. Risk Management
5. Finance

Along with talent, those in the CPI industry will need to ensure cultural shifts are made to 'Be Digital'. Organizations must ensure that both employees working on digital CPI solutions and advisors using digital to service CPI customers understand the value of the protection that CPI brings to Canadians, and that digitizing this process provides the opportunity to scale CPI operations and make CPI more accessible to all Canadians.

A more collaborative mind-set and approach across distributors & underwriters will be a key success factor to meeting the expectations of CPI clients throughout their policy life cycle.

Future Best-in-Class CPI Experience and Capabilities

Bringing the 6 layers together

To enable digital experiences for customer and advisors, capabilities across each of the 6 layers discussed above are required. In the following section, we will explore an illustrative best-in-class CPI journey, highlighting the required capabilities at each layer for which we have conducted a preliminary assessment of the Canadian CPI industry's maturity.

Future Best-in-Class CPI Experience and Capabilities

To inform what a best-in-class future digital CPI customer journey for CPI could look like, Deloitte leveraged specific data points in the CAFII Consumer Research done in March 2021[5]. This research revealed that CPI customers are looking for digital-interaction throughout the customer journey but despite this, customer preferences are almost evenly split between virtual and in-person assistance, highlighting the need for building omnichannel capabilities to create an omnichannel customer experience.

Figure 15:

Discovery

~95%

*Of customers want **plain language information** available **throughout the website**, as well as having the **opportunity to easily connect** with someone in **real-time to get answers***

Advisory

~60%

*Of customers would like to have **real-time virtual assistance** when it comes to obtaining CPI*

~40%

*Of customers want **in-person assistance** at some point **in the CPI purchasing journey***

Purchase

72% — *State that the **pandemic has changed the way** they want to **conduct financial transactions***

79% — ***Prefer** the **convenience** of conducting financial **transactions online***

Claims & Servicing

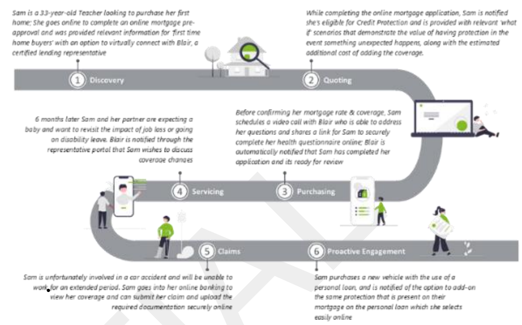
33% — *Only **1/3 of customers** prefer to meet someone **in person** to make a **CPI claim***

40% — *Indicate that they **prefer to file a CPI claim over the phone or online** (website or web-based platform)*

To define and bring to life the "Best-in-Class CPI Experience" we will walk through an illustrative customer journey, utilizing the data points shown above to identify key pain points that can be resolved through digital. We will then assess the functional capabilities required at each layer, as well as the current maturity of the industry for each capability identified.

Illustrative Future Digital CPI Customer Journey

Based on the outputs from our primary and secondary research, we have developed an illustrative best-in-class journey where both the customer and their advisor interact seamlessly through digital tools, enabling not only an improved experience for both, but also increased value for the customer and transparent and consistent reporting.



See page 26 for full graphic

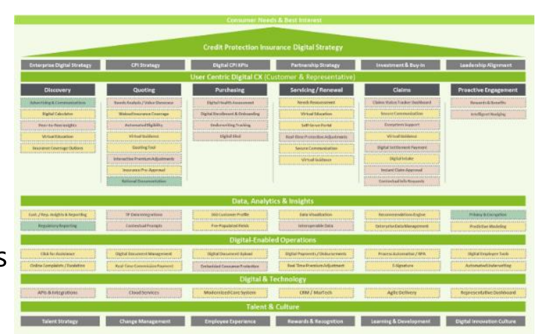
Deloitte's Digital CPI Capability Framework

Across each of the layers of Deloitte's Digital CPI framework, we have identified key functional capabilities that enable a best-in-class digital CPI customer experience. Capabilities were identified as being primarily led by either the distributor, underwriter, or a joint capability. One key takeaway is that most capabilities were identified as being joint, further amplifying the need for collaboration across the industry. Each functional capability is accompanied by a definition that can be found in the appendix.

See page 28 for full graphic

Deloitte's Digital CPI Capability Maturity

Across each of the functional capabilities identified, we assessed the overall maturity of the Canadian CPI Industry based on CAFII member engagement as well as industry research. While some capabilities were identified as relatively mature, most of the capabilities are either low in maturity, or significantly varied across the industry.

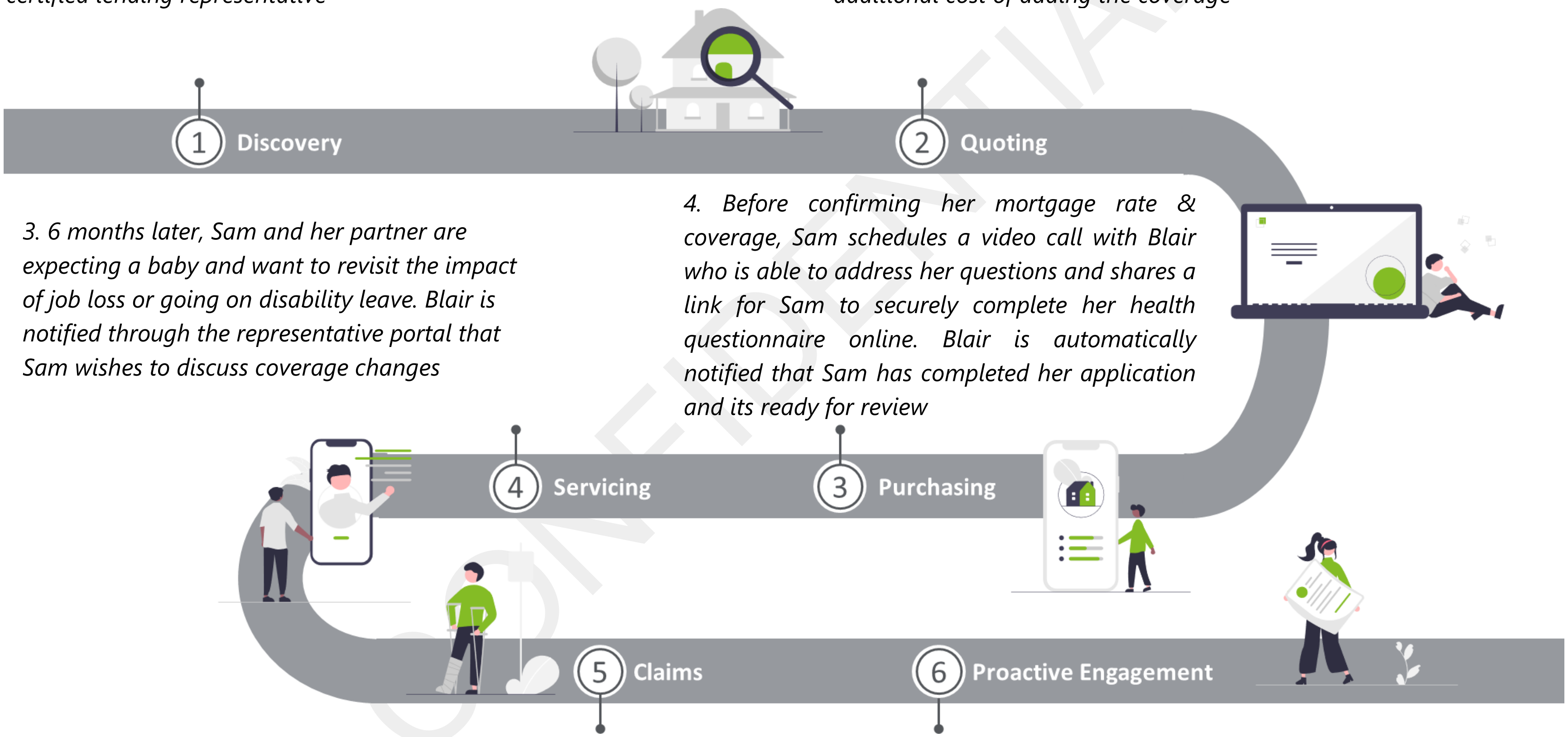


See page 29 for full graphic

Illustrative Future Digital CPI Customer Journey – Graphic (Figure 16)

1. Sam is a 33-year-old Teacher looking to purchase her first home. She goes online to complete an online mortgage pre-approval and was provided relevant information for 'first time home buyers' with an option to virtually connect with Blair, a certified lending representative

2. While completing the online mortgage application, Sam is notified she's eligible for Credit Protection and is provided with relevant 'what if' scenarios that demonstrate the value of having protection in the event something unexpected happens, along with the estimated additional cost of adding the coverage



3. 6 months later, Sam and her partner are expecting a baby and want to revisit the impact of job loss or going on disability leave. Blair is notified through the representative portal that Sam wishes to discuss coverage changes

4. Before confirming her mortgage rate & coverage, Sam schedules a video call with Blair who is able to address her questions and shares a link for Sam to securely complete her health questionnaire online. Blair is automatically notified that Sam has completed her application and its ready for review

5. Sam is unfortunately involved in a car accident and will be unable to work for an extended period. Sam goes into her online banking to view her coverage and can submit her claim and upload the required documentation securely online

6. Sam purchases a new vehicle with the use of a personal loan, and is notified of the option to add-on the same protection that is present on their mortgage on the personal loan which she selects easily online

Illustrative Future Digital CPI Customer Journey – Discussion

Discovery: First Home Purchase

***Key Pain Point Addressed**: Due to the nature of CPI being tied to lending products, the digitization of the lending journey requires CPI to be digitized to continue to reach potential customers*

***Differentiating Feature:** Embedding advice options within the experience such as "Click to Chat"*

***Leading Insurance Example:** PolicyMe tailored educational content*

Quoting: Online Mortgage Application

***Key Pain Point Addressed:** The digitization of lending experiences has caused a downward pressure on CPI penetration rates, primarily due to the loss of opportunity to advise consumer on their risk and the value of CPI*

***Differentiating Feature:** "Productize" advice into self-serve digital channels for consumers*

***Market Example:** La Capitale and Breathe Life's algorithm-driven customized advice and recommendations*

Purchasing: Mortgage Confirmation

***Key Pain Point Addressed:** While consumers increasingly value digital channels, there continues to be a strong need for real time advice to be available at key moments throughout the journey, namely before purchasing to ensure peace of mind*

***Differentiating Feature:** Integrating access to advisors within the journey, and empowering advisors with tools to support their customers*

***Market Example:** Sonnet's online self-service tools and access to live advisors*

Servicing: Growing Family

***Key Pain Point Addressed:** Protection needs of customers evolve throughout their life, and to ensure their CPI continues to provide value, it must be flexible and easily adjustable*

***Differentiating Feature:** Digital self-serve portals and advisor platforms that enable real time adjustments*

***Leading Insurance Example:** Ladders' on-demand coverage changes service on platform*

Claims: Car Accident

***Key Pain Point Addressed:** In the event of a claim, the priority should be providing the customer access their eligible payouts and reducing friction from surrounding requirements*

***Differentiating Feature:** Digital claims portals integrated within the same app / platform as their credit product*

***Market Example:** Lemonade's AI-empowered AI claim approval process*

Proactive Engagement: New Vehicle Purchase

***Key Pain Point Addressed:** Customers aren't always aware how changes in their assets affect their risk profile nor what options are available to them in order to address them*

***Differentiating Feature:** Digital customer profiles can identify gaps in coverage*

***Market Example:** Manulife & Vitality's 'next best action' advisor nudge service*

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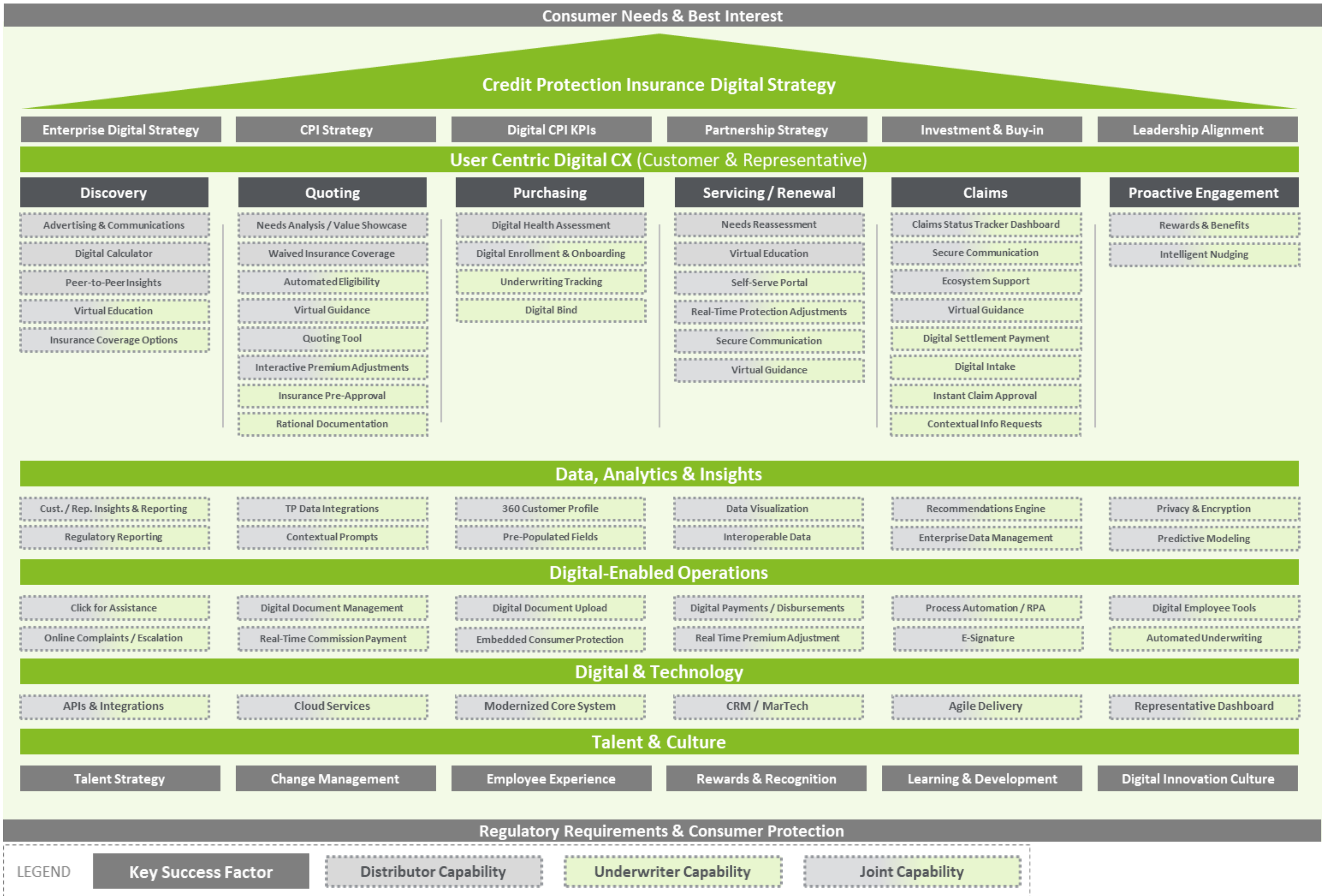
Deloitte's Digital CPI Capability Framework (Figure 17)



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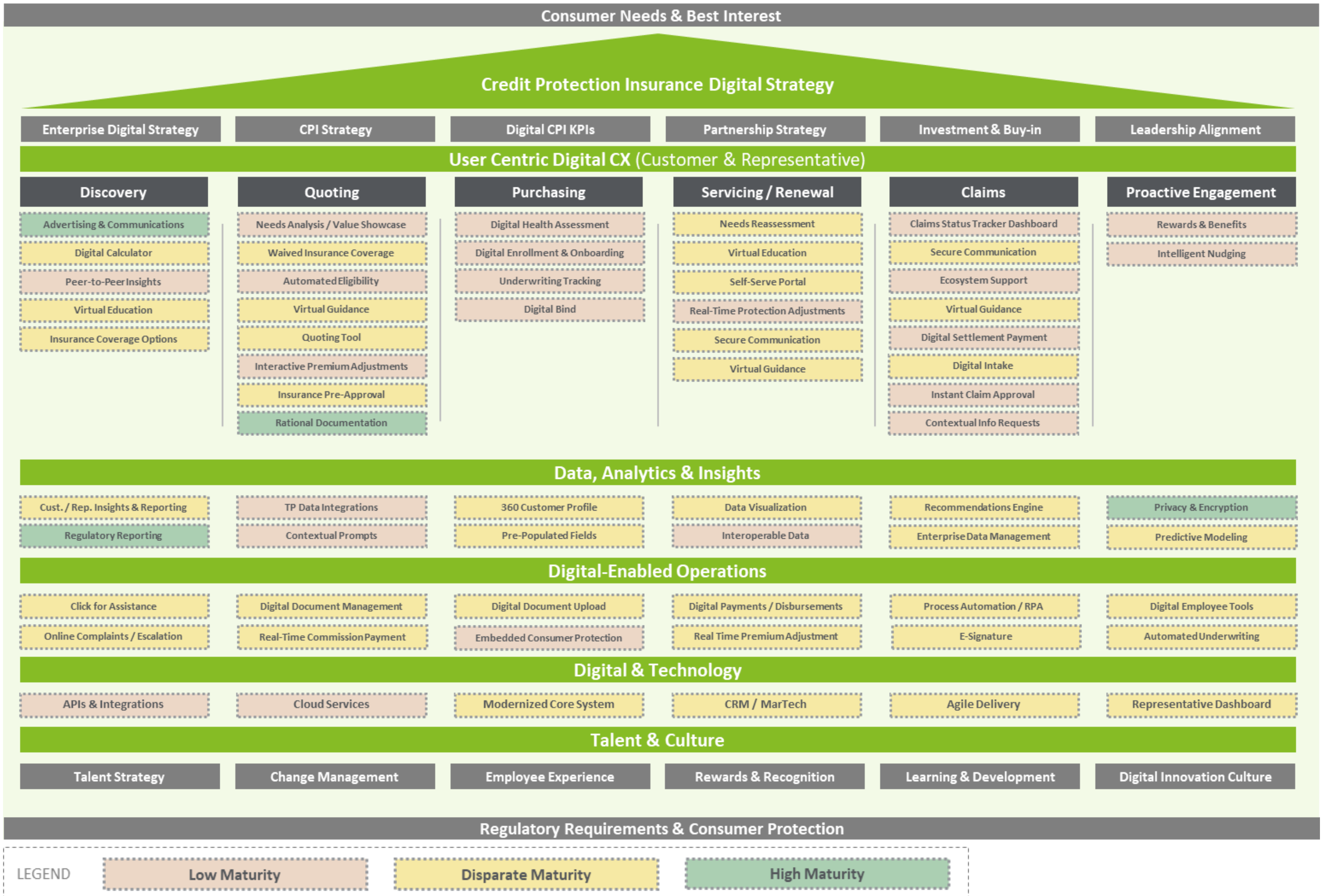
Deloitte Digital CPI Capability Maturity (Figure 18)



Deloitte's Digital CPI Capability Framework & Maturity – Discussion

While we discuss each layer in more detail below, two of the primary insights that are visualized by the capability framework and maturity assessment are:

- Almost all capabilities are identified as being joint between distributors and underwriters – further reinforcing the need for collaboration and partnerships across the industry
- Most of the capabilities were assessed as being of "Disparate Maturity" – highlighting that while investments in digitizing CPI have been made, the level of maturity remains extremely fragmented, especially across distributors

1 **CPI Digital Strategy** — Not Assessed

Given the strategy of each organization will be unique, the industry's maturity was not assessed, and instead of capabilities, key success factors that need to be in place to drive a winning CPI Digital Strategy were identified:

- Enterprise Digital Strategy
- CPI Strategy
- Digital CPI KPIs
- Partnership Strategy
- Investment and Buy-in (at all levels)
- Leadership Alignment

Beyond the success factors identified, it should be noted that if the organization competes in more than the CPI market, its CPI strategy should be rooted and aligned to its overall enterprise strategy.

2 **User Centric Experiences** — Low Maturity

Current digital investments have primarily been focused on "Sales & Servicing" type interactions, due to their alignment with lending experiences as well as their direct association to penetration rates. While current market leaders are starting to launch digital capabilities across the entire journey (e.g., digital claim portals), it will soon become table stakes to offer fully digitized experiences. To prioritize investments in digital capabilities and features, organizations should ensure they have a good understanding of their target consumer needs and preferences first.

While over 75% of underwriters can provide automated underwriting and eligibility at the point of sale for most applications, less than 25% of underwriters can assess, quantify, and pay a claim without human interaction.

Although survey data continues to showcase the importance of integrating human advice and digital self-serve experiences, over 75% of distributors indicated not having the ability to allow customers to move seamlessly between digital and in-person channels for an application.

3 Data, Analytics & Insights — Disparate Maturity

To enable streamlined experiences, as well as create personalization at scale, analytics are critical. While historic analytics investments were primarily targeted at maintaining regulatory compliance, future investments in the area will have the opportunity to lead to significant differentiation, namely when it comes to the integration of third-party data sources that may simplify and potentially replace a large portion of the quoting and purchasing experience while enabling customers to obtain offers that are hyper-personalized to their needs.

Less than 30% of distributors indicated that their representatives could view a unified profile of their customers in a single platform that would include current loan and protection data.

4 Digital-Enabled Operations — Disparate Maturity

Very few organizations have made significant investments in mid- & back-office digitization, with almost 70% of CAFII members indicating that most processes remain manual. Investments in this area are often larger, requiring process redesign and having significant impact on staff responsibilities and requirements; they are however required to fully capture benefits of front-end digitization.

5 Digital & Technology — Disparate Maturity

Beyond modernizing core technology systems, which all of the underwriters engaged agreed is critical in order to deliver digital experiences to customers and advisors, underwriters, distributors, and regulators should focus on integration technologies. By enabling players across the ecosystem to collaborate and share consumer data, the industry will enable increased value for consumers.

None of the underwriters engaged indicated having the ability to provide their distributors immediate access to an advisor through video call or chat messaging to support with an application or a claim.

6 Talent & Culture — Not Assessed

Similar to the first layer (CPI Digital Strategy), Talent & Culture capability requirements are unique to each organization and we have identified success factors that will support the delivery of “Best-in-Class Experiences”.

Although specific “People” capabilities required will vary from organization to organization, to attract and retain talent with digital skills, most incumbent CPI distributors and underwriters will need to invest significantly to achieve the required culture shift.

Conclusion and Looking Forward

Based on the Deloitte Digital CPI Framework, Deloitte has identified priority investments across each of the six layers of the Digitization of CPI that span across underwriters and distributors.

1. **Assess gaps in current CPI digital strategy**
   To ensure CPI investments are supporting a unified direction, the first step should be to review the current strategy, ensuring there is alignment around key questions such as:
   - Who are the target customers?
   - What are our digital ambitions?
   - What are our financial and non-financial objectives?
   - How will we measure success of digital? (i.e., KPIs)

2. **Define end-to-end journey**
   Once the strategy is defined, organizations should ensure that future state customer and representative journeys are designed in sequence with human-centered design to integrate digital features and human-led advice in a seamless fashion. Organizations should also validate that target state journeys are aligned to all regulatory requirements.

3. **Identify required capabilities and features**
   Leveraging the CPI Digital Framework, and their respective target state journeys, organizations should identify the required capabilities to enable the experience across the mid-, front- and back-office.

4. **Assess current maturity and prioritize initiatives**
   Once capability requirements are defined, organizations should assess their own respective maturity to identify and prioritize gaps to be addressed based on business priorities, projected benefits and strategic KPIs.

5. **Identify the APIs and Integrations required**
   To enable seamless customer and representative experiences, the identification of required APIs and integration tools as well as alignment on partner collaboration models across distributors / underwriters is critical.

6. **Develop the workforce of the future**

   Assess gaps in enabling Talent & Culture, with plans for addressing talent gaps by upskilling, hiring, partnering with, and acquiring talent whilst enabling change through culture shifts and building new skills across the business.

7. **Integrate consumer value and protection**
   Refine customer protection strategy, identifying opportunities to ensure value delivery through digital customer experiences at key moments within the journey.

Appendix

Deloitte Digital CPI Framework Functional Capability Definitions (Figure 19)

Each functional capability from Deloitte Digital CPI Framework is defined below.

1. Discovery

- CX RX **1.1 Advertising & Communications**
  Deploy targeted ads regarding lending and CPI products on digital channels, provide representatives with promotional material, with the ability to share them on-demand
- CX RX **1.2 Digital Calculator**
  Consumer facing digital loan calculator, which includes creditor protection insurance calculation – available on the representative dashboard as well
- CX RX **1.3 Peer-to-Peer Insights**
  Access to "people like you" engine for client online discovery, including common coverages and cost benchmarks to support education for consumers
- CX RX **1.4 Online Education**
  Access to landing page on FI's website with information about the different loan and insurance products, with an option to show tools, videos or articles based on needs
- CX RX **1.5 Insurance Coverage Options**
  Access to coverage details in common language on the different insurance coverage options available to each consumer's personal situation

2. Quoting

- CX RX **2.1 Needs Analysis / Value Showcase**
  Intake consumer information which is used to assess and identify their loan and insurance needs; client-led and representative-guided tool, showcasing protection value
- CX RX **2.2 Waived Insurance Coverage**
  Access to waiving insurance coverage and selecting reason from a drop-down field for each waived coverage for completion by clients or representatives
- CX **2.3 Automated Eligibility**
  Based on needs analysis, determination of potential consumers eligibility for product based on local regulation, consumer protection, and value derived from product
- CX RX **2.4 Virtual Guidance**
  Virtual tailored support through automated, asynchronous and synchronous channels, enabling consumer to make informed decisions
- CX RX **2.5 Quoting Tool**
  Access to a self-serve online or guided in-branch quoting loan and insurance tool that shows a unified premium including the loan payment and insurance premium
- CX RX **2.6 Interactive Premium Adjustments**
  Ability to see real-time time impact on premium of any protection and loan adjustments, including any changes in conditions or eligibility
- CX RX **2.7 Insurance Pre-Approval**
  Receive immediate pre-approval for certain consumers based on their existing information
- CX RX **2.8 Rational Documentation**
  Recording of rational for consumer declining or accepting the quote provided, to be used for future reference (e.g., consumer protection, service improvement)

3. Purchasing

- CX RX **3.1 Digital Health Assessment**
  Answer additional health questions directly in the online application or on a digital form in-branch
- CX RX **3.2 Enrollment & Onboarding**
  Enroll consumers with their personal details and coverage details with underwriter; policy documents automatically generated and shared with clients
- CX RX **3.3 Underwriting Tracking**
  Ability for consumer and representative to view current quote underwriting status through a self-serve channel
- CX RX **3.4 Digital Bind**
  Ability for consumer and representative to bind a policy digitally without need of live interaction with consumer

LEGEND: CX Customer Experience | RX Representative Experience | Distributor Capability | Underwriter Capability | Joint Capability

Deloitte Digital CPI Framework Functional Capability Definitions Cont. (Figure 20)

4. Servicing / Renewal

- CX RX **4.1 Needs Reassessment** — Ability for the customer and the representative to reassess protection needs during the renewal process or after a significant life moment
- CX **4.2 Virtual Education** — Receive and manage representative commission payment based on periodic sales performance
- CX **4.3 Self-Serve Portal** — Manage consumer account information (e.g., address, payment method) digitally (e.g., self-serve), through the call center or in-branch
- CX RX **4.4 Real-Time Protection Adjustments** — Scale-up or down consumer existing coverage via prebuilt options based on future needs and life events
- CX RX **4.5 Secure Communication** — Ability for customer and representative to securely communicate through digital channels
- CX RX **4.6 Virtual Guidance** — Virtual tailored support through automated, asynchronous and synchronous channels, enabling consumer to make informed decisions

5. Claims

- CX RX **5.1 Claims Status Tracker Dashboard** — View the progress of in-process claims and receive notifications each time the status changes, allowing for a consolidated dashboard of all claims, and generate reports
- CX RX **5.2 Secure Communication** — Ability for customer, representative, and claims representative to securely communicate through digital channels
- CX **5.3 Ecosystem Support** — Access to broader ecosystem of support benefits and perks that may provide value to the customer in the event of a claim (i.e., mental health virtual care)
- CX RX **5.4 Virtual Guidance** — Virtual tailored support through automated, asynchronous and synchronous channels, enabling consumer to make informed decisions
- CX RX **5.5 Digital Intake** — Initiate FNOL digitally by uploading relevant documentation for the claim, or via representative through the branch/call center
- CX **5.6 Instant Claim Approval** — Ability to provide automatic claim approval based on consumer provided data as well as access to authorized TP data (e.g., lender data)
- CX **5.7 Contextual Info Requests** — Receive and send requests for additional information / documentation when necessary, or additional information when a claim is denied
- CX **5.8 Digital Settlement Payment** — Ability to receive and send payment directly to the consumer's financial institution based on settlement eligibility through digital channels

6. Continued Engagement

- CX **6.1 Rewards & Benefits** — Ability to provide active policy consumers with additional perks and benefits that are aligned to their specific needs and preferences through proactive engagement
- CX RX **6.2 Intelligent Nudging** — Send proactive notifications of upcoming renewals, proposed coverage amendments/cancellations, and additional perks / benefits utilization

LEGEND: CX Customer Experience | RX Representative Experience | Distributor Capability | Underwriter Capability | Joint Capability

Deloitte Digital CPI Framework Functional Capability Definitions Cont. (Figure 21)

8. Data, Analytics, & Insights

8.1 Cust. / Rep. Insights & Reporting Delivery of actionable insights on customers and representatives based on habits and usage data to appropriate stakeholders	**8.5 360 Customer Profile** Single customer profile, showcasing all products / policies as well as general profile and preference information, as permitted by local regulation	**8.9 Recommendations Engine** Ability to generate contextualized recommendations for consumers and representative based on available data
8.2 Regulatory Reporting Delivery of required regulatory reports and disclosures based on local jurisdiction	**8.6 Pre-Populated Fields** Ability to pre-populate fields for consumers and representative throughout the journey (e.g., quote, claims) leveraging internal and external data as permitted	**8.10 Enterprise Data Management** Ability of an organization to precisely define, easily integrate and effectively retrieve data for both internal applications and external sources as permitted
8.3 TP Data Integrations Inbound and outbound data transfers with TP data sources related to the consumer as permitted by jurisdiction requirements and consumer permissions	**8.7 Data Visualization** Enabling employees and representatives to visualize historical data related to consumer and representatives CPI / lending behaviors	**8.11 Privacy & Encryption** Ability to appropriately protect data while being stored and transmitted, abiding by required privacy protocols
8.4 Contextual Prompts Delivery of automated actionable nudges, recommendations and insights to consumers and representatives based on specific needs, situations, and preferences	**8.8 Interoperable Data** ability of systems and services that create, exchange and consume data to have clear, shared expectations for the contents, context across platforms	**8.12 Predictive Modelling** Ability to develop and improve predictive models based on available data

7. Digital-Enabled Operations

7.1 Click for Assistance Access to talk to an representative or contact center rep for guidance by through a call, online chat, or in-person / branch meeting	**7.5 Digital Document Upload** Ability for consumers to upload digital documentation to their CPI application and customer profile	**7.9 Process Automation / RPA** Digitization and automation of redundant internal manual processes
7. 2 Online Complaints / Escalation Ability for customer to easily file a complaint, or escalate an issue through a variety of channels including digital	**7.6 Embedded Consumer Protection** Inclusion of digital controls to ensure consumers using self-serve options are only provided with options that deliver value and are made aware of policy conditions	**7.10 E-Signature** Ability to accept and provide digital signatures that are aligned with local jurisdiction requirements
7. 3 Digital Document Management Ability to store, access, update, and track documentation in digital formats, as well as digitizing paper-based documents in readable / searchable formats	**7.7 Digital Payments / Disbursements** Ability to securely accept and disburse payments sent in electronic forms and through widely available payment platforms (e.g., apple pay)	**7.11 Digital Employee Tools** Enabling employees to perform their work with digital tools and processes
7.4 Real-Time Commission Payment Calculate, update and pay representative commission payment based on periodic sales performance and adjustments	**7.8 Real-Time Premium Adjustments** Ability to adjust premium and related commission amounts in real-time based on changes to protection and underlying conditions	**7.12 Automated Underwriting** Ability to underwrite CPI applications without human intervention

9. Digital & Technology

9.1 APIs & Integrations Ability to enable connections with external applications via their APIs (application programming interfaces) that allow systems to exchange data sources	**9.3 Modernized Core System** Suite of core systems that can enable digital processes and integrations with required digital platforms (internal and external)	**9.5 Agile Delivery** Enable teams to make simplified process decisions around incremental and iterative solution delivery
9.2 Cloud Services Availability of applications and data storage in the cloud as permitted by regulation	**9.4 CRM / MarTech** Ability to leverage customer / representative profiles make data-driven relationship management decisions	**9.6 Representative Dashboard** Ability for a representative to access all relevant tools and information through a digital self-serve portal as well as interact with their customers throughout the journey

LEGEND CX Customer Experience RX Representative Experience Distributor Capability Underwriter Capability Joint Capability

Endnotes

1) What is Credit Protection Insurance? Accessed from The Canadian Association of Financial Institutions in Insurance, https://www.cafii.com/credit-protection-insurance/
2) Accessed from Canadian Life & Health Insurance Association via email
3) Credit Protection Insurance – Process and Methods – Research Report, March 2021, Canadian Association of Financial Institutions in Insurance
4) *Ibid.*
5) *Ibid.*

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 5(b)(i)
Strategy Setting and Implementation; and Regulatory Matters-- CAFII's Next Steps on AMF Credit Card-Embedded Insurance Benefits Issue-- AMF's Consideration of CAFII's January 17/22 Submission on Proposed Wording Modifications to Fact Sheet and Notice of Rescission to Make Them Fit Credit Card-Embedded Insurance Benefits

Purpose of this Agenda Item – *Update*

An update on a recent interaction with the AMF.

Background Information

On 17 January, 2022, CAFII sent the AMF the Association's proposed wording changes to the Fact Sheet and the Notice of Rescission with respect to making those two documents reflect and incorporate credit card-embedded insurance benefits. This is an update on this matter.

Recommendation / Direction Sought – *Update*

This is an update item only.

Attachments Included with this Agenda Item

2 attachments.

AUTORITÉ DES MARCHÉS FINANCIERS

L'objectif de cette fiche de renseignements est de vous informer sur vos droits.
Elle ne dégage ni l'assureur ni le distributeur de leurs obligations envers vous.

PARLONS ASSURANCE !

Nom du distributeur : ______________________

Nom de l'assureur : ______________________

Nom du produit d'assurance : ______________________

LIBERTÉ DE CHOISIR

Vous n'êtes jamais obligé d'acheter une assurance :

- qui vous est offerte chez votre distributeur;
- auprès d'une personne que l'on vous désigne;
- ou pour obtenir un meilleur taux d'intérêt ou tout autre avantage.

Même si vous êtes tenus d'être assuré, **vous n'êtes pas obligé** d'acheter l'assurance que l'on vous offre présentement. **C'est à vous de choisir** votre produit d'assurance et votre assureur. **

** Ne s'applique pas à l'assurance incluse avec votre carte de crédit.

COMMENT CHOISIR

Pour bien choisir le produit d'assurance qui vous convient, nous vous recommandons de lire le sommaire qui décrit le produit d'assurance et que l'on doit vous remettre.

RÉMUNÉRATION DU DISTRIBUTEUR

Une partie de ce que vous payez pour l'assurance sera versée en rémunération au distributeur.

Lorsque cette rémunération est supérieure à 30 %, il a l'**obligation** de vous le dire.

DROIT D'ANNULER

La Loi vous permet de mettre fin à votre assurance, **sans frais**, dans les 10 jours suivant l'achat de votre assurance. L'assureur peut toutefois vous accorder un délai plus long. Après ce délai, si vous mettez fin à votre assurance, des frais pourraient s'appliquer. **Informez-vous** auprès de votre distributeur du délai d'annulation **sans frais** qui vous est accordé. **

Lorsque le coût de l'assurance est ajouté au montant du financement et que vous annulez l'assurance, il est possible que les versements mensuels de votre financement ne changent pas. Le montant du remboursement pourrait plutôt servir **à diminuer la durée du financement. Informez-vous** auprès de votre distributeur.

** Ne s'applique pas à l'assurance incluse avec votre carte de crédit. Vous pouvez décider de ne pas utiliser l'assurance ou contacter l'émetteur de la carte pour obtenir une carte de crédit différente avec une autre assurance ou sans assurance - c'est votre choix.

L'Autorité des marchés financiers peut vous fournir de l'information **neutre et objective**.
Visitez le www.lautorite.qc.ca ou appelez-nous au 1 877 525-0337.

Espace réservé à l'assureur :

Cette fiche ne peut être modifiée.

ANNEXE 5
(a.32)

AVIS DE RÉSOLUTION D'UN CONTRAT D'ASSURANCE **
AVIS DONNÉ PAR LE DISTRIBUTEUR

** *Nota* : Cet avis ne s'applique pas à l'assurance incluse avec votre carte de crédit. Vous pouvez décider de ne pas utiliser l'assurance ou de contacter l'émetteur de la carte pour obtenir une carte de crédit différente avec une autre assurance ou sans assurance.

Article 440 de la Loi sur la distribution de produits et services financiers (chapitre D-9.2)

LA LOI SUR LA DISTRIBUTION DE PRODUITS ET SERVICES FINANCIERS VOUS DONNE DES DROITS IMPORTANTS.

La Loi vous permet de mettre fin au contrat d'assurance, **sans pénalité,** dans les 10 jours suivant la date de la signature du contrat d'assurance. L'assureur peut toutefois vous accorder un délai plus long.
Pour mettre fin au contrat, vous devez donner à l'assureur, à l'intérieur de ce délai, un avis par poste recommandée ou par tout autre moyen vous permettant de recevoir un accusé de réception.

Malgré l'annulation du contrat d'assurance, le premier contrat conclu demeurera en vigueur. Attention, il est possible que vous perdiez des conditions avantageuses qui vous ont été consenties en raison de cette assurance; informez-vous auprès du distributeur ou consultez votre contrat.

Après l'expiration du délai applicable, vous avez la faculté d'annuler le contrat d'assurance en tout temps, mais des pénalités pourraient s'appliquer.

Pour de plus amples informations, communiquez avec l'Autorité des marchés financiers au 1-877-525-0337 ou visitez le www.lautorite.qc.ca.

AVIS DE RÉSOLUTION D'UN CONTRAT D'ASSURANCE ** *Nota : Non applicable pour les couvertures d'assurance incluses avec une carte de crédit.*

À:

____
(nom de l'assureur)

____
(adresse de l'assureur)

Date:______________________________(date d'envoi de cet avis)

En vertu de l'article 441 de la Loi sur la distribution de produits et services financiers, j'annule le contrat d'assurance no:____________________(numéro du contrat s'il est indiqué)

conclu le:________________(date de la signature du contrat) à:__

______________________(lieu de la signature du contrat)

______________________________(nom du client)
______________________________ (signature du client)

Le distributeur doit remplir au préalable cette section.

AUTORITÉ DES MARCHÉS FINANCIERS

The purpose of this fact sheet is to inform you of your rights.
It does not relieve the insurer or the distributor of their obligations to you.

LET'S TALK INSURANCE!

Name of distributor: ____________________

Name of insurer: ____________________

Name of insurance product: ____________________

IT'S YOUR CHOICE

You are never required to purchase insurance:

- that is offered by your distributor;
- from a person who is assigned to you; or
- to obtain a better interest rate or any other benefit.

Even if you are required to be insured, **you do not have to** purchase the insurance that is being offered. **You can choose** your insurance product and your insurer **.

**** This does not apply to insurance included with your credit card**

HOW TO CHOOSE

To choose the insurance product that's right for you, we recommend that you read the summary that describes the insurance product and that must be provided to you.

DISTRIBUTOR REMUNERATION

A portion of the amount you pay for the insurance will be paid to the distributor as remuneration**.

The distributor **must** tell you when the remuneration exceeds 30% of that amount.

RIGHT TO CANCEL

The Act allows you to rescind an insurance contract, **at no cost**, within 10 days after the purchase of your insurance. However, the insurer may grant you a longer period of time. After that time, fees may apply if you cancel the insurance. **Ask** your distributor about the period of time granted to cancel it **at no cost**.**

If the cost of the insurance is added to the financing amount and you cancel the insurance, your monthly financing payments might not change. Instead, the refund could be used **to shorten the financing period. Ask your distributor for details**.

**** This does not apply to insurance included with your credit card. You can decide not to use the insurance or contact the card issuer to obtain a different credit card with other insurance or no insurance—it's your choice**

The *Autorité des marchés financiers* can provide you with unbiased, objective information.
Visit www.lautorite.qc.ca or call the AMF at 1-877-525-0337.

Reserved for use by the insurer:

This fact sheet cannot be modified

SCHEDULE 5
(s. 31)
NOTICE OF RESCISSION OF AN INSURANCE CONTRACT **
NOTICE GIVEN BY A DISTRIBUTOR

***** Note:* This notice does not apply to insurance included with your credit card. You can decide not to use the insurance or to contact the card issuer to obtain a different credit card with other insurance or no insurance**

Section 440 of the Act respecting the distribution of financial products and services (chapter D-9.2)
THE ACT RESPECTING THE DISTRIBUTION OF FINANCIAL PRODUCTS AND SERVICES GIVES YOU IMPORTANT RIGHTS.

The Act allows you to rescind an insurance contract, without penalty, within 10 days of the date on which it is signed. However, the insurer may grant you a longer period.

To rescind the contract, you must give the insurer notice, within that time, by registered mail or any other means that allows you to obtain an acknowledgement of receipt.

Despite the rescission of the insurance contract, the first contract entered into will remain in force. Caution, it is possible that you may lose advantageous conditions as a result of this insurance contract; contact your distributor or consult your contract.

After the expiry of the applicable time, you may rescind the insurance contract at any time; however, penalties may apply.

For further information, contact the Autorité des marchés financiers at 1-877-525-0337 or visit www.lautorite.qc.ca.

NOTICE OF RESCISSION OF AN INSURANCE CONTRACT ***–Note: Not applicable for insurance coverage(s) included with a credit card***

To: ____

(name of insurer)

(address of insurer)

Date:____(date of sending of notice)

Pursuant to section 441 of the Act respecting the distribution of financial products and services, I hereby rescind insurance contract no.:____(number of contract, if indicated)

Entered into on:________________________________(date of signature of contract)

In:____(place of signature of contract)

________________________________ (name of client)

________________________________ (signature of client)

CAFII Board Meeting 12 April, 2022—Agenda Item 5(b)(ii)
Strategy Setting and Implementation; and Regulatory Matters-- CAFII's Next Steps on AMF Credit Card-Embedded Insurance Benefits Issue-- AMF's Plans for Issuing Feedback Letter to The Industry With Respect to December 17/21 Action Plans Submitted for Bringing Credit Card-Embedded Insurance Benefits into Compliance with AMF's RADM-Based Expectations

Purpose of this Agenda Item – *Update*

An update on a recent interaction with the AMF.

Background Information

The AMF has indicated to CAFII that while it is generally satisfied with the Action Plans submitted by relevant/affected insurers with respect to bringing credit-card embedded insurance benefits into compliance with the Regulation respecting Alternative Distribution Methods (RADM), the AMF did have some constructive feedback observations which it wanted to share with those insurers.

The AMF has now sent its observations in a letter addressed to CAFII on Friday, April 1, 2022, which was c.c.'d to THIA and blind-copied to relevant/affected insurers.

Recommendation / Direction Sought – *Update*

This is an update item only.

Attachments Included with this Agenda Item

1 attachment.

AUTORITÉ DES MARCHÉS FINANCIERS

Quebec City, April 1, 2022

By e-mail: brendan.wycks@cafii.com

Mr. Rob Dobbins
Chair, Executive Operations Committee and Board Secretary
Canadian Association of Financial Institutions in Insurance
200-411 Richmond Street E
Toronto, ON, M5A 3S5

Sir:

Client No.: 3001449692
Reference No.: 2032425050

Subject: Credit Card-Embedded / Included Insurance Benefits

This follows receipt of the December 2021 action plans from insurers active in the credit card-embedded insurance industry.

The Autorité des marchés financiers (the "AMF") is satisfied with the timelines suggested for the implementation of the action plans. However, we wish to provide some general comments that will be useful to insurers as they implement their action plans.

- Travel insurance and debit/credit card insurance are two different products under two separate sections of the Distribution Act.

  As such, we expect these products to be in separate summaries disclosed under separate DWR files. Some insurers chose to put these summaries together in one document/brochure with a table of contents. In this case, we emphasize that each summary must be easily identified, and each must meet the requirements of the *Regulation respecting Alternative Distribution Methods* ("RADM").

- Delivery of the product summary:

  Offer in person:
  The AMF directs you to section 431 of the Distribution Act which stipulates that the distributor must describe the product to the client and explain to him or her the nature of the guarantee and the exclusions.

Offer by phone:
The AMF wishes to emphasize that by virtue of section 23 of the RADM, the insurer must ensure that the distributor mentions the information contained in the summary to the client.

Offer via Internet (made by the distributor):
When the distributor's offer is done through the Internet, the product summary must be delivered, not just made available, to the consumer at the time the product is offered. It must be in a format that allows it to be saved.

- We are concerned that some insurers mentioned in their action plan that the product summary could be sent via email or another electronic means when the offer is made in person. The objective is for the consumer to read the summary before he or she applies for the card, not to consult it at home afterwards. Thus, a consumer who is comfortable consulting the product summary on his or her phone could agree to receive it electronically, but the purpose of delivering this document at the time of the offer should not be circumvented.

- We remind insurers that they must disclose to the AMF the hyperlink used by distributors to offer the product over the Internet. They can use the AMF E-Services to add it.

The AMF expects insurers to comply with their submitted action plans for the delivery of product summaries and other obligations even though discussions about the notice of rescission and the fact sheet are still ongoing. Insurers that disclosed credit card-embedded insurance will be informed of the outcome of these discussions.

The AMF also requires that insurers provide us with a confirmation when the product summary deployment is completed.

Do not hesitate to contact the analyst, Ms. Charlène Boucher (charlene.boucher@lautorite.qc.ca), if you have any questions pertaining to the above.

Please note that this letter should not be construed by any insurer as a waiver by the AMF of its rights and recourses under any law or regulation for any other past, present, or future breach by insurers.

Yours truly,

Mario Beaudoin
Director, Alternative Insurance Distribution Practices

c.c. Insurers that disclosed credit card-embedded insurance products
Travel Health Insurance Association (“THIA”)

CAFII Board Meeting 12 April, 2022—Agenda Item 5(c)
Strategy Setting and Implementation; and Regulatory Matters-- Insights Gained from February 17/22 Meeting with FCAC Staff Executives for Feedback on How CAFII's Submission on Consultation on Proposed "Guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks" Has Resonated with FCAC and Influenced Final Version of the Guideline (Released February 24/22)

Purpose of this Agenda Item – *Update*

An update on a recent interaction with the FCAC.

Background Information

CAFII has made multiple efforts to influence the FCAC around the application of its planned Appropriateness Guideline to Authorized Insurance Products/credit protection insurance – including, most recently, meeting with FCAC staff executives on February 17/22 to discuss how CAFII's written submission on the Proposed Appropriate Products and Services Guideline for Banks and Authorized Foreign Banks would be tweaked to reflect CAFII's feedback. The final version of the FCAC Appropriateness Guideline was released on 24 February, 2022 and there are some significant changes that were made in the Guideline that addressed CAFII's concerns.

Recommendation / Direction Sought – *Update*

This is an update item only.

Attachments Included with this Agenda Item

3 attachments.

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Agenda Item 5(c)(1)
April 12/22 Board Meeting

Outcomes Of February 17/22 CAFII Meeting With FCAC Staff Executives
Re Final Decisions/Position On Content Of FCAC's
Appropriate Products and Services Guideline For Banks and Authorized Foreign Banks

The FCAC reached out to CAFII on February 11/22 requesting a February 17/22 half-hour virtual meeting to share the FCAC's decisions/position on the final content of its Appropriate Products and Services Guideline for Banks and Authorized Foreign Banks; and, in particular, its response to the feedback points raised in CAFII's January 6/22 written submission on the draft Appropriateness Guideline.

Participating in the February 17/22 virtual meeting from the FCAC were Bradley Schnarr, Manager, Regulatory Guidance and Coordination, Supervision and Enforcement Branch; and Stephen Wild, Senior Research and Policy Officer, Supervision and Enforcement Branch. Brendan Wycks and Keith Martin dialogued with Messrs. Schnarr and Wild, on behalf of CAFII.

In the meeting, Messrs. Schnarr and Wild were cordial, engaged, and very open in their responses to CAFII's questions and comments.

Their opening comment was that while the FCAC had listened carefully to and understood CAFII's expressed concerns about the draft Guideline – as communicated in both our written submission and a January 14/22 virtual meeting, attended by approximately 15 CAFII representatives including Messrs. Wycks and Martin, which stemmed from an FCAC invitation to CAFII to present the highlights of the Association's written submission – the Agency had decided that the final version of the Guideline would remain largely unchanged from the consultation draft, save and except for what they referred to as some minor clarifications and housekeeping edits.

That said, they indicated that some of the minor changes that would be introduced in the final version of the Guideline were intended to address some of CAFII's feedback on the consultation draft.

More specifically, the clarifications and housekeeping edits to be made to the Appropriate Products and Services Guideline include the following:

- the ordering of the first six paragraphs will be changed to improve their logical flow and the understandability of the content.

- CAFII's expressed concern that adhering to the FCAC Appropriateness Guideline could potentially put CAFII members in an untenable situation and force them to be off-side provincial/territorial insurance licensing requirements would be addressed in two ways **(in CAFII's considered view, the significance of these FCAC adjustments should not be downplayed, even though Messrs. Schnarr and Wild positioned them as "minor clarifications")**, as follows:

First, Paragraph 6 will be amended to include wording to the following effect: "this Guideline should be read in the context of **all applicable laws and regulations**." Those words, Messrs. Schnarr and Wild asserted, would make it clear that the FCAC understands that CAFII members must also comply with provincial/territorial regulatory requirements.

Second, Messrs. Schnarr and Wild advised that the FCAC does **not** have an expectation that determining the appropriateness of a financial or insurance product for a consumer must necessarily include a needs analysis or providing advice. That verbal clarification to CAFII (which will not be reflected in writing the Guideline), they asserted, should address our Association's concern that it would not be permissible or possible for CAFII members to provide consumers with advice with respect to credit protection insurance, an Authorized Insurance Product under the federal Bank Act, due to provincial/territorial insurance licensing requirements.

- Paragraph 8 will be amended to include a motherhood statement about the importance of protecting vulnerable Canadians, which should address CAFII's expressed concern about our members being able to continue offering simple and accessible insurance protection to lower and middle income Canadians who may not otherwise have any insurance coverage.

- the word "before" will be dropped in favour of consistent use of the word "when" throughout the Guideline, in a fix that will be made in direct response to this feedback point in CAFII's written submission:

  We note the following inconsistency: Clauses 10i and 10iii speak of an FRFI collecting information "before it offers or sells products or services to them" while Clause 19 says "A Bank's Policies and Procedures should ensure that the bank conducts an appropriateness assessment when it offers or sells products or services to consumers." We believe that the use of the term "when" is more appropriate than "before."

- A number of sections of the Guideline will be "cleaned up" to ensure consistent and clear use of the term "Policies and Procedures" versus the more generic "policies and procedures" in direct response to this feedback point in CAFII's written submission:

  We note that Clause 2 in the document establishes "Policies and Procedures" as a defined term related to the appropriateness check performed with a customer as part of the offer or sale of a product. However, throughout the document there are also references to policies and procedures generally, interspersed with the use of upper case "Policies and Procedures" to denote the defined term. We recommend that the document maintain a constant and clear distinction between the twotypes of policies and procedures (i.e. "Policies and Procedures" related to the appropriateness checkat the time of the offer; and more general policies and procedures within an FRFI).

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In a more general point about overall industry feedback on the draft Guideline, Messrs. Schnarr and Wild said that the FCAC had received several requests to add more prescriptive detail around what would satisfy the stated *Know Your Client* requirements, as well as on what would be required around staff training to meet the FCAC's expectations. However, the Agency decided not to accede to that request for more prescription as it wants the Guideline to remain principles-based. Messrs. Schnarr and Wild concurred with CAFII's observation that such a request for additional prescriptiveness was not contained in our Association's written submission or our verbal presentation of its highlights.

Next Steps and Implementation Considerations

Messrs. Schnarr and Wild indicated that the FCAC intends to release the final version of the Appropriate Products and Services Guideline during the week of February 21 to 25, 2022. However, that planned timing was contingent upon being able to secure release approval sign-offs from several approval authorities "whose schedules were very challenging."

There will be no sunset provision in the Appropriate Products and Services Guideline requiring its periodic review (unlike the Bank Act which has a sunset provision requiring that it be reviewed every five years), but Messrs. Schnarr and Wild advised that the FCAC does intend to review the Guideline from time to time.

On the question of compliance monitoring and supervision/enforcement with respect to the Appropriate Products and Services Guideline, Mr. Schnarr hesitated to commit to anything specific about whether compliance audits would occur, saying that this would all be worked out over time. He did say, however, that a new "Thematic Review Team" had recently been set up within the FCAC; that it was hiring a lot of new staff; and that it would likely take the lead on ensuring compliance with the Guideline. However, he also said that it was likely that, at least in the initial few years of implementation, any compliance reviews determined to be necessary would be conducted on an informal basis, as opposed to a structured and formal basis.

Messrs. Schnarr and Wild said there was nothing the FCAC could do about the legislated June 30, 2022 in-force date for the new federal Financial Consumer Protection Framework (FCPF), which included the Appropriate Products and Services Guideline for Banks and Authorized Foreign Banks. However, Mr. Schnarr emphasized that the FCAC was "a reasonable regulator" and that it would not use enforcement or penalties in the initial implementation period if a regulated entity was making demonstrable best efforts to comply with the Guideline. The Agency's preferred approach would be to work with a regulated entity during that initial implementation period to work out any issues, he concluded.

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Agenda Item 5(c)(2)
April 12/22 Board Meeting

Guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks

From: Financial Consumer Agency of Canada

Publication date: February 24, 2022

Effective date: June 30, 2022

On this page

- I. Introduction
- II. Key principles
  - Effectiveness
    - i. Know your consumer
    - ii. Know your product
    - iii. Assess appropriateness
    - iv. Inform consumers
    - v. Align remuneration
- III. Know your consumer
- IV. Know your product
- V. Assessing appropriateness
- VI. Informing consumers
- VII. Aligning remuneration
- VIII. Miscellaneous

I. Introduction

1. The Financial Consumer Agency of Canada (FCAC) has developed a *Guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks* (Guideline) to set out its expectations with respect to Banks' (including federal credit unions) and Authorized Foreign Banks' (Banks) implementation of the appropriate product or service provisions in the *Bank Act* and the *Financial Consumer Protection Framework Regulations*.

2. Part XII.2 of the *Bank Act* establishes the provisions that apply to Banks regarding products and services offered or sold by Banks. A Bank must establish and implement policies and procedures to ensure that the products or services in Canada that it offers or sells to a natural person other than for business purposes are appropriate for that person, having regard to their circumstances, including their financial needs (Policies and Procedures).

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3. FCAC encourages other federally regulated financial entities, such as trust and loan companies and insurance companies, to review this Guideline to develop and improve their appropriate product or service Policies and Procedures.

4. A Bank is responsible for ensuring it meets the requirements established in the *Bank Act* including ensuring the compliance of any parties subject to the requirements in s. 627.15 of the *Bank Act* (Third Parties).

5. FCAC recognizes that Banks may tailor their Policies and Procedures to align with the nature, size and complexity of their business, distribution channels, and products and services. Each Bank may adapt its existing processes to comply with its obligations under s. 627.06 and s. 627.07.

6. This Guideline should be read in conjunction with all applicable legislation and regulations.

II. Key principles

7. A Bank's senior management and the committee of the board responsible for the Bank's compliance with consumer provisions—or, in the case of an Authorized Foreign Bank, its senior management—should oversee the establishment and implementation of the Policies and Procedures.

8. When establishing and implementing Policies and Procedures, a Bank should recognize that consumers are a diverse group, and that some consumers may have financial vulnerabilities. Policies and Procedures should be comprehensive and result in a Bank offering or selling products or services that are appropriate for consumers, having regard to their circumstances, including their financial needs.

9. A Bank should keep records that demonstrate that it has established and implemented Policies and Procedures that meet the requirements of the *Bank Act*.

Effectiveness

10. A Bank should effectively address and implement the following:

i. Know your consumer

A Bank should collect and assess Know Your Consumer (KYC) information to understand consumers' circumstances, including their financial needs, when it offers or sells products or services to them.

ii. Know your product

A Bank should understand the features, charges, risks and benefits of the products or services that it offers or sells.

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iii. Assess appropriateness

A Bank should assess the appropriateness of the product or service when it offers or sells it.

iv. Inform consumers

A Bank should inform consumers when it has assessed a product or service as not appropriate for them, or when the Bank is unable to conduct the assessment.

v. Align remuneration

A Bank should include controls relating to its remuneration, incentive and benefit practices to align with the intent and application of the Policies and Procedures.

III. Know your consumer

11. A Bank's Policies and Procedures should ensure that the Bank collects and records the KYC information it needs to understand consumers' circumstances so that it can assess the appropriateness of the products or services being offered or sold. The nature of the KYC information that a Bank may need to collect and record can vary depending on consumers' circumstances, including their financial needs, and on the products or services that it offers or sells.

12. A Bank's Policies and Procedures should cover the collection and updating of information, including what information is to be collected and how it is to be used.

13. A Bank's Policies and Procedures should cover the verification of information, including how to proceed if that information is unreliable, inaccurate, outdated, or incomplete, or if the information has any other issue that calls its use into question.

14. A Bank's Policies and Procedures should cover circumstances when consumers refuse or are unable to provide KYC information.

IV. Know your product

15. In developing, designing, approving and offering appropriate products or services, a Bank should ensure it has an internal assessment, review and approval process in place that applies throughout the product or service life cycle that accounts for:

> 15.1. an assessment of the features, risks, charges and benefits to consumers associated with the product or service
>
> 15.2. considerations regarding distribution channels
>
> 15.3. consumer-facing materials, such as disclosure documents or marketing materials

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info@cafii.com www.cafii.com

16. A Bank should ensure that the internal assessment, review and approval process applies when:

16.1. products and services are developed by the Bank, regardless of whether the product or service is sold directly by the Bank or through a Third Party

16.2. Third Party products or services are offered or sold by or through the Bank

16.3. material changes are made to existing products or services

17. A Bank should require initial and ongoing training to ensure that an officer, employee or any person involved in the offer or sale of a Bank product or service has the necessary skills, knowledge and expertise to discharge their responsibilities related to the appropriateness of the product or service. This training should:

17.1. cover the Bank's obligations regarding the offer or sale of appropriate products or services

17.2. cover the products or services that the officer, employee or person is offering or selling, including the relevant features, charges, risks and benefits of the Bank's products or services and how to explain these to consumers

18. A Bank should ensure it:

18.1. provides the training program

18.2. monitors officers', employees' or other persons' completion of the training program

18.3. regularly reviews and updates the training

V. Assessing appropriateness

19. A Bank's Policies and Procedures should ensure that the Bank conducts an appropriateness assessment when it offers or sells products or services to consumers. For greater certainty, a Bank's Policies and Procedures should ensure that it conducts an appropriateness assessment even when these products or services have been requested by consumers.

20. A Bank's Policies and Procedures should ensure that the Bank can demonstrate that assessments are being conducted and the outcome of these.

21. A Bank's Policies and Procedures should address how to proceed if consumers wish to purchase products or services that the Bank has assessed as not appropriate for them, or if it cannot conduct the assessment.

VI. Informing consumers

22. A Bank's Policies and Procedures should ensure that the Bank informs consumers when it has assessed products or services as not appropriate for them or if it cannot conduct the assessment so that consumers can make informed decisions. The Bank's Policies and Procedures should ensure that this information:

22.1. is provided in a manner, and using language, that is clear, simple and not misleading

22.2. is presented in a manner that accounts for factors such as the distribution channel, the nature of the products or services and any other relevant factors

VII. Aligning remuneration

23. A Bank should ensure that:

23.1. an employee's, officer's or any person's remuneration is determined in a manner that does not interfere with their obligation to comply with the Bank's Policies and Procedures to offer or sell products or services that are appropriate

23.2. the metrics used to determine remuneration align with the Bank's obligation to offer or sell products and services that are appropriate

23.3. remuneration and benefits account for monetary and non-monetary components, such as salaries, variable pay, commissions, bonuses, pension benefits and awards

24. A Bank's remuneration, incentives and benefits should be reviewed regularly to ensure they do not interfere or conflict with its obligations regarding appropriate products or services.

VIII. Miscellaneous

25. Questions relating to this Guideline can be sent by email to compliance@fcac-acfc.gc.ca or by mail to:

Financial Consumer Agency of Canada
Attention: Deputy Commissioner, Supervision and Enforcement Branch
427 Laurier Ave West, 6th Floor
Ottawa, ON K1R 5C7

~~Proposed~~ Guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks

From: Financial Consumer Agency of Canada

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Publication date: February 24, 2022

Effective date: June 30, 2022

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- ~~I. Introduction~~
- ~~II. Key principles~~
  - ~~Effectiveness~~
    - ~~i. Know your consumer~~
    - ~~ii. Know your product~~
    - ~~iii. Assess appropriateness~~
    - ~~iv. Inform consumers~~
    - ~~v. Align remuneration~~
- ~~III. Know your consumer~~
- ~~IV. Know your product~~
- ~~V. Assessing appropriateness~~
- ~~VI. Informing consumers~~
- ~~VII. Aligning remuneration~~

- I. Introduction
- II. Key principles
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    - ii. Know your product
    - iii. Assess appropriateness
    - iv. Inform consumers
    - v. Align remuneration
- III. Know your consumer
- IV. Know your product
- V. Assessing appropriateness
- VI. Informing consumers

- VII. Aligning remuneration
- VIII. Miscellaneous

I. Introduction

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1. The Financial Consumer Agency of Canada (FCAC) has developed ~~this draft~~ a *Guideline Appropriate Products and Services for Banks and Authorized Foreign Banks* (Guideline) to set out ~~the Agency's~~its expectations with respect to Banks' (including federal credit unions) and Foreign Banks' (Banks) implementation of the appropriate product or service provisions in the *Bank Act* and the *Financial Consumer Protection Framework Regulations*.

2. Part XII.2 of the *Bank Act* ~~sets out~~establishes the ~~requirements~~provisions that apply and services offered or sold by ~~banks, including federal credit unions, and~~ procedures to ensure that the products or services in Canada that it offers or sells to a natural person other than for business purposes are appropriate for that person, having regard to their circumstances, including their financial needs (Policies and Procedures).

3. FCAC encourages other federally regulated financial entities, such as trust and loan companies and insurance companies, to review this Guideline to develop and improve their appropriate product or service Policies and Procedures.

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4. A Bank is responsible for ensuring it meets the requirements established in the *Bank Act*~~,~~ including ensuring the compliance of any parties subject to the requirements in s. 627.15 of the *Bank Act* (Third Parties).

~~4.~~ 5. FCAC recognizes that Banks may tailor their Policies and Procedures ~~in~~ size and complexity of their business, distribution channels, and products and services. Each Bank may adapt its existing processes to comply with its obligations under s. 627.06 and s. 627.07.

~~5. FCAC encourages other federally regulated financial entities, such as trust and loan companies and insurance companies, to review this Guideline to develop and improve their appropriate product or service Policies and Procedures.~~

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II. Key principles

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7. A Bank's senior management and the committee of the board ~~of directors~~ responsible for compliance with consumer provisions—or, in the case of an Authorized Foreign Bank, its senior management—should oversee the establishment and implementation of the Policies and Procedures.

~~8.~~8. When establishing and implementing Policies and Procedures, a Bank should recognize that consumers are a diverse group, and that some consumers may have financial vulnerabilities. Policies and Procedures should be comprehensive and result in a Bank offering or selling products or services that are appropriate for consumers, having regard to their circumstances, including their financial needs.

9. A Bank should keep records that demonstrate that it has established and implemented Policies and Procedures that meet the requirements of the *Bank Act*.

Effectiveness

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10. ~~A Bank's Policies and Procedures~~ A Bank should effectively address and

i. Know your consumer

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A Bank should collect and assess Know Your Consumer (KYC) information to understand consumers' circumstances, including their financial needs, ~~before~~when it offers or sells services to them.

ii. Know your product

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A Bank should understand the features, charges, risks and benefits of the products or services that ~~they offer~~it offers or ~~sell~~sells.

iii. Assess appropriateness

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A Bank should assess the appropriateness of the product or service ~~before they offer~~when

iv. Inform consumers

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A Bank should inform consumers when it has assessed a product or service as not appropriate for them, or when the Bank is unable to conduct the assessment.

v. Align remuneration

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A Bank should include controls relating to its remuneration, incentive and benefit practices to align with the intent and application of the Policies and Procedures.

III. Know your consumer

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11. A Bank's Policies and Procedures should ensure that the Bank collects and records the KYC information it needs to understand consumers' circumstances so that it can assess the appropriateness of the products or services being offered or sold. The nature of the KYC information that a Bank may need to collect and ~~verify~~record can vary depending on circumstances, including their financial needs, and on the products or services that it offers or sells.

12. A Bank's Policies and Procedures should cover the collection and updating of information, including what information is to be collected and how it is to be used.

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IV. Know your product

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15. In developing, designing, approving and offering ~~a product~~appropriate products or should ensure ~~its Policies and Procedures cover~~it has an internal assessment, review throughout the product or service life cycle ~~and~~that accounts for:

- 15.1. an assessment of the features, risks, charges and benefits to consumers associated with the product or service
- 15.2. considerations regarding distribution channels
- 15.3. consumer-facing materials, such as disclosure documents or marketing materials

16. ~~The~~ A Bank should ensure that the internal assessment, review and approval process when:

- ~~all~~ 16.1. products and services are developed by the Bank, regardless of whether the or service is sold directly by the Bank or through a Third Party
- ~~any~~ 16.2. Third Party products or services are offered or sold by or through the Bank
- ~~any~~ 16.3. material changes are made to existing products or services

17. A ~~Bank's Policies and Procedures~~Bank should require initial and ongoing person involved in the offer or sale of a Bank product or service has the necessary skills, knowledge and expertise to discharge their responsibilities related to the appropriateness of the product or service. This training should:

- 17.1. cover the Bank's obligations regarding the offer or sale of appropriate products or services
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18. A ~~Bank's Policies and Procedures~~Bank should ~~cover~~ensure it:

- ~~providing~~18.1. provides the training program
- ~~monitoring~~18.2. monitors officers', employees' or other persons' completion of the
- ~~regular~~18.3. regularly reviews and updates ~~of~~ the training

V. Assessing appropriateness

19. A Bank's Policies and Procedures should ensure that the ~~bank~~Bank conducts an assessment when it offers or sells products or services to consumers. For greater certainty, a Bank's Policies and Procedures should ensure that it conducts an appropriateness assessment even when these products or services have been requested by consumers.

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VII. Aligning remuneration

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25. Questions relating to this Guideline can be sent by email to compliance@fcac-acfc.gc.ca or by mail to:

Financial Consumer Agency of Canada
Attention: Deputy Commissioner, Supervision and Enforcement Branch
427 Laurier Ave West, 6th Floor
Ottawa, ON K1R 5C7

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info@cafii.com www.cafii.com

Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 5(d)
Committee Updates: Travel Insurance Experts: Insights Gained From CAFII/CLHIA/THIA BiWeekly Calls Re Impact Of COVID-19 On Travel Insurance Industry

Purpose of this Agenda Item – *Update*

To update the Board on recent industry insights.

Background Information

To update the Board on issues discussed at recent CAFII/CLHIA/THIA biweekly meetings on the impact of COVID-19 on travel and the travel insurance industry.

Recommendation / Direction Sought – *Update*

This is an update only.

Attachments Included with this Agenda Item

No attachments.

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info@cafii.com www.cafii.com

The Canadian Association of Financial Institutions in Insurance | L'association canadienne des institutions financières en assurance

Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 5(e)
Committee Updates: Highlights of EOC-Approved 2022 Scope of Work Proposal from Operatic Agency Re CAFII Website and Search Engine Optimization Results Enhancements

Purpose of this Agenda Item – *Update*

To update the Board on plans for enhancements to be made to the CAFII website in 2022.

Background Information

CAFII and Operatic Agency have discussed the options for 2022 around improvements to the website. New CAFII Media Advocacy Chair Jacqlyn Marcus, Director, Marketing and Communications, at Valeyo, will provide the Board with an update on the main features of the 2022 website action plan, which have been approved by the EOC.

Recommendation / Direction Sought – *Update*

This is an update only.

Attachments Included with this Agenda Item

1 attachment.

OPERATIC AGENCY
TAKE THE STAGE

Scope of Work February 15, 2022

2022 Marketing Program

Prepared for CAFII

Table of Contents

Overview	**2**
Video	**3**
Website	**4**
Search Engine Optimization	**4**
French Website Enhancements	**5**
Google Business Profile	**5**
Reporting & Strategy	**6**
Project Governance	**6**
Investment	**7**
Terms and Conditions	**7**

Overview

At our core, Operatic is a creative digital agency that solves complex business challenges with data-inspired strategy. Our strengths include research, creative and digital strategy, performance marketing, design including UX/CRO, and the development of websites/platforms/tools that better connect brands with their intended audience segments. We have a proven ability to produce deliverables that exceed our clients' expectations on time and on budget. To learn more about our approach and the value it drives for our clients, please visit our website.

But enough about us, we're here for you and based on our discussions, we understand CAFII's objectives for this year to be; increased organic visibility and the enhancement of user experience / engagement. In this proposal we've included the following tactics which we've discussed with you in order to meet the above noted objectives:

1. Video
2. Website
3. SEO
4. French Website Enhancements
5. Google Business Profile
6. Reporting & Strategy

We looking forward to continuing our long standing partnership.

Video

Continuing with our series, we'll create one 60-90 second on-brand, motion graphic video covering the topic of your choosing. As always, the animation will be produced in both English & French, and deployed on your website. Once you've determined the video topic of your choosing, our process will be as follows:

Pre-Production:

1. CAFII will provide English and French scripts which read no more than 90 seconds to Operatic
2. Operatic will storyboard the English script for CAFII review and feedback
3. Operatic will complete one-round of revisions incorporating CAFII's feedback
4. CAFII will sign-off on the script and storyboard for production

Production:

5. Operatic will complete a rough-cut English animation (with FPO voiceover for pacing purposes only) as well as options for voice over talent and music
6. CAFII will provide feedback on the animation, and their selections for voice over talent and music
7. Operatic will complete the final English animation including voice over and music
8. CAFII will review the English animation and provide feedback
9. Operatic will complete one-round of revisions and minor graphic updates as needed
10. CAFII will sign-off on polished English animation output
11. Operatic will create the French animation including voice over and music
12. CAFII will review the French animation and provide feedback
13. Operatic will complete one-round of revisions related to pacing
14. CAFII will sign-off on polished French animation

*Please note that adaptations to this process may result in scope change orders.

Website

This year, we'll continue to improve your website's user experience through the following:

FAQs

We'll research the top 5 FAQs not currently addressed on your website and will provide them to your team so they may create responses. From there, we'll take the approved content you provide and will design/develop it into the website on the appropriate pages.

Once complete, we'll work with you to categorize all of the FAQs on the website into distinct and organized subsections, and will create a search functionality so users can more easily find the answers to their questions.

Event Page

We'll create a new event page on the website with blog-style functionality. We'll move all of your existing webinars and recordings from the Research page to the Event page, and in doing so, we'll ensure any necessary optimizations are in place.

Website Hosting, Maintenance & Support

Your retainer will continue to cover the activities listed below, as well as the implementation of of this scope of work (ie. uploading work to your website and testing).

- Hosting fee for your website
- SSL certificate fee, attack mitigation and DNS services - keeping your websites secure
- CDN fee - contributing to speeding up your website
- Automated backups - providing an up-to-date backup to rely on
- Uptime monitoring - proactively flag challenges with your site
- Proactive maintenance of any small hiccups and tweaks that are inevitably required to keep your website running smoothly
- Front of the line access to our website support team.

Search Engine Optimization

A continued focus on search engine optimization is necessary to improve your website's organic visibility - ensuring that it's found by the right people at the right time. We'll improve your websites visibility through the following:

Keyword Research

First, we'll conduct updated keyword research to better understand the way that your audience is searching for topics relevant to your association. This keyword research will guide all of our search engine optimizations. Once complete, we'll book a review session with you to share our findings, and garner your feedback - ensuring we've covered everything and that we're on the same page. Once, your feedback has been incorporated, we'll lock down the new set of searches that we'll be monitoring for results moving forward and we'll conduct a gap analysis on your website, to identify areas of opportunity.

On-page Optimization

Secondly, our SEO specialists will create an action plan for applying the above research to your site through technical optimizations. Once complete, they'll work hand in hand with the lead web developer to iteratively to make enhancements on your site to drive improvement in your rankings.

Link Clean Up

Additionally, we'll scan the links on your website and will evaluate the performance of each of them. From there, we'll develop a roadmap to identify which links need to be removed, which need to be updated, and identify new linking opportunities. From there we'll work to continuously improve your backlink profile by executing against the roadmap.

French Website Enhancements

We'll improve the experience of those searching for your website in French.

Keyword Research

First, we'll conducted French keyword research to determine the terms your audience is using to search for topics related to your association.

Search Experience Analysis

Once we understand how your audience is searching in French, well leverage the research to better understand the current experience their presented with. From there, we'll implement enhancements which will include a combination of the most impactful elements below:

- URL Structure
- Title Tags
- Meta Dscription Tags
- H Tags
- Image Alt Tags
- 301 Redirects

Google Business Profile

Your Google Business Profile is an integral part of your online ecosystem, taking up valuable real estate within the search engine results page. Ensuring that you show up for searches related to your association has been a key focus of our activities in years past. This year, we're going to work towards having more visitors pass through your profile to your website, by enhancing the user experience. That will include:

Images & Video

We would like to continue to leverage any existing photos and videos - uploading any assets that you can share, or that we create (for example the videos that we are finishing, or creating this year).

Review Building

We would also like for you to request reviews from your networks. Ideally that would span, members, regulators and end-users wherever possible. We'll provide instructions that you can share with your network in order to make this as seamless as possible. Your 2022 goal needs to be an absolute minimum of 5 reviews. 10 would be a better accomplishment. To give perspective, 50 is your long-term goal. Once reviews are published, we'll work with you to respond to the reviews.

Posts

Posting on Google Business Profile allows you to share up to date and relevant information with your audience. We'll create a content calendar that aligns with your business goals, key messages, and upcoming events. Once approved, we'll create and publish two posts per month on Google Business Profile.

FAQ / Responses

Leveraging the top FAQs from your website, we'll pose one question per quarter on your Google Business Profile, and we'll answer it with the pre-approved responses.

Reporting & Strategy

We'll prepare one Executive Presentation with data on performance, insights, recommendations. This will be presented to the CAFII board, and will include one round of revisions before a presentation to the broader CAFII group. This will be presented by our CEO, Chris Barrett at the start of 2023. Additionally, we'll create 2023's recommendations and strategy for your review and approval.

Project Governance

What About Feedback?

Feedback is an important part of our process, so addressing it needs to be a part of our workflow. Throughout our program (we'll need you to be especially active out of the gate), you will be given the opportunity to review and provide feedback before deliverables are implemented. We have included one round of revisions for all deliverables in this proposal. Should additional feedback be given after approval is received or one round of revisions is already completed, a Change of Scope Order will be required.

We ask that you do your best to be timely with your feedback so that we may keep your deliverables on time. We understand that from time to time unanticipated challenges arise which delay feedback from you. If this does occur, we'll communicate the effect of the delay on your project timeline.

Scope & Scope Changes

We're partners and as such will deliver what we've scoped in this document, whether or not we're on a budget. That said, from time to time new information, needs or wishes arise from our partners and it's important to note that anything that does not fall within this document is out of scope. When this occurs, our team will be diligent in ensuring that you're aware of the options you have available to you, as well as the pros and cons of each option. In cases where changes are determined to be necessary, a change request will be processed as follows:

- Operatic will create a Change of Scope Order that documents the relevant information, including but not limited to:
  - Description of the change
  - Rationale
  - Impact assessment
  - Effort
  - Associated incremental investment to implement the change
- This Change of Scope Order will be submitted to you and reviewed for final approval before we proceed.

Investment

Item	Investment
Video	$11,000
Website	$8,500
SEO	$8,500
French Enhancements	$3,500
Google Business Profile	$5,500
Reporting & Strategy	$3,000
TOTAL	$40,000

Terms and Conditions

- Investment is shown in CAD and does not include applicable taxes.
- 25% due upon acceptance of this proposal
- 25% due on July 1st, 2022
- 25% due in October 1st, 2022
- 25% due December 1st, 2022
- All Invoices are net thirty (30).
- Operatic reserves the right to charge a late interest fee of 2.75% per month on invoices past due thirty (30) days.
- Accepted payment methods include cheque, EFT, and credit card. A 2.75% processing fee will apply to all credit card transactions.

OPERATIC AGENCY
TAKE THE STAGE

Signature of authorized representative
February 15, 2022

Signature of authorized representative
Date:

200-411 Richmond Street E, Toronto, ON M5A 3S5
☎ (416) 494-9224 🖷 (416) 967-6320
info@cafii.com www.cafii.com

Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 6(a)

Read Only Items: CAFII Signed 2022-24 (Three Year) Contract With Managing Matters for Association Management Services

Purpose of this Agenda Item – *Read Only*

This is a read only item.

Background Information

CAFII has now signed a three-year extension contract with Managing Matters. In addition to the activities that Managing Matters has undertaken in the past for CAFII, we are also now engaging Managing Matters to provide event management support for up to six webinars annually, on an incremental cost basis.

Recommendation / Direction Sought – *Read Only*

This is a read only item.

Attachments Included with this Agenda Item

1 attachment.

Toronto
411 Richmond Street East, Suite 200
Toronto, ON
M5A 3S5

managingmatters
event + association + creative
416.944.3183 managingmatters.com 1.844.944.3183

Chicago
201 West Lake Street, Suite 2
Chicago, IL
60606

EXTENSION OF CONTRACT
BETWEEN
MANAGING MATTERS INC. (MM)
AND
CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE (CAFII)

CAFII and Managing Matters agree to extend the contract signed 6 December, 2018, in it's entirely for the period 1 January, 2022 to 31 December, 2024 with the following amendment: fees are adjusted as per Appendix A.

For Managing Matters Inc.:

January 28, 2022
Jenny Faucher, President Date

For CAFII:

20 JANUARY, 2022
Keith Martin, Co-Executive Director Date

Appendix A

Role	Percentage of Time (FTE-Full Time Employee)	Base Year (2% Increase) January 2021-December 2021	Year 1 (5% Inrease) January 2022 - December 2022)	Year 2 (3% increase)	Year 3 (2% increase)	Important Notes
Executive Administrator	40%	$3,920	$4,116	$4,239	$4,324	Membership and Administrative
IT	10%	$980	$1,029	$1,060	$1,081	
Accountant	14%	$1,372	$1,441	$1,484	$1,513	Includes accounting for events
Event Manager	20%	$2,261	$2,374	$2,446	$2,495	3 receptions & Executive Luncheon
Total FTE (Full Time Employees)	**84%**					
MM Staffing (monthly)		**$8,533**	**$8,960**	**$9,229**	**$9,413**	
Administrative Charge	5%	N/A	N/A	N/A	N/A	
Overhead	5%	N/A	N/A	N/A	N/A	
Archive storage						*No charge
Computer Maint. and Support						*No charge
Total Monthly (CAD)		**$8,533**	**$8,960**	**$9,229**	**$9,413**	
Total Annual		**$102,397**	**$107,517**	**$110,742**	**$112,957**	
HST		**$13,312**	**$13,977**	**$14,396**	**$14,684**	
Total Annual (plus HST)		**$115,709**	**$121,494**	**$125,139**	**$127,642**	
Additional webinar management (per event)		**20 hrs @ $85**	**$1,700**			
25th Anniversary Event management		**TBD based on scope and requirements as planning evolves**				

Km

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 6(b)

Read Only Items: Recently Completed and Imminent CAFII Regulatory Submissions As At April 5/22

Purpose of this Agenda Item – *Read Only*

This is a read only item.

Background Information

CAFII has faced an unprecedented number of regulatory submissions over the past six months. Under the leadership of the Market Conduct & Licensing Committee Chair Brad Kuiper, ScotiaLife Financial, and its Vice-Chair Fay Coleman, TD Insurance, we have been able to make quality submissions to all of the regulatory consultations that are pertinent to CAFII. The attachment for this agenda item summarizes all of the recent CAFII submissions in a table form.

Recommendation / Direction Sought – *Read Only*

This is a read only item.

Attachments Included with this Agenda Item

1 attachment.

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Agenda Item 6(b)
April 12/22 Board Meeting

<u>Recently Completed and Imminent/Pending CAFII Regulatory Submissions As At April 5, 2022</u>

Regulatory Authority	***Topic***	***Deadline***	***Comments***
CISRO	Survey of Industry Associations on "Understanding the Consumer Awareness Strategies Currently Undertaken By Industry"	November 30, 2021	Completed by B. Wycks on CISRO's Survey Monkey site.
AMF	Draft Regulation on Complaints Handling and Dispute Resolution in the Financial Sector	December 8, 2021	CAFII submission sent on December 8/21.
FCAC	Proposed Guideline On Complaint Handling Procedures For Banks and Authorized Foreign Banks	December 11, 2021	CAFII submission sent on December 11/21.
FCAC	Proposed Guideline on Appropriate Products and Services For Banks and Authorized Foreign Banks	January 6, 2022	CAFII submission sent on January 6/22. Follow-up virtual Stakeholder Session, requested by FCAC, took place on Friday, January 15/22.
AMF	Revised/Updated Sound Commercial Practices Guideline	January 28, 2022	CAFII submission sent on January 28/22.
FCAC	Proposed Guideline on Whistleblowing Policies and Procedures for Banks and Authorized Foreign Banks	January 29, 2022	CAFII Co-Executive Directors are of the view that this consultation is "out of scope" for our Association, and is best left for the Canadian Bankers Association (CBA) to respond to/address.This is the third in a series of consultations on guidelines that FCAC has developed to help Banks comply with their obligations in the *Bank Act* and the new *Financial Consumer Protection Framework Regulations*, which will come into force on June 30, 2022. A first consultation on a proposed Guideline on Complaints Handling Procedures ended on December 11, 2021. A second consultation on a proposed Guideline on Appropriate Products and Services is in progress until January 6, 2022.

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FCNB	"Proposed Rule INS-001: Insurance Intermediaries Licensing and Obligations"	CAFII submission sent on February 7, 2022	Among various matters, outlines specifics of FCNB's plan to introduce a Restricted Insurance Agent (RIA) licensing regime in New Brunswick, which will be the first in Atlantic Canada.
OSFI	Draft Guideline B-13: Technology and Cyber Risk Management	February 9, 2022	Insights gained from a November 30/21 OSFI Information Session webinar enabled CAFII to determine that this OSFI consultation is "out of scope" for our Association, as it is exclusively prudential regulation/"going concern"-focused and not inclusive of consumer-oriented, market conduct regulatory issues.
FSRA	"Information Guidance on complaints resolution"	February 15, 2022	Released on December 22/21 for a 55 days public consultation. CAFII has responded to FSRA consultations of this nature/type in the past.
FCNB	Proposed Rule INS-002: Insurance Fees"	February 18, 2022	Released on December 17/21 for a 60 days public consultation. CAFII has responded to FCNB consultations of this nature/type in the past.
AMF	Incentive Management Guideline	February 18, 2022	AMF extended deadline from the initial January 28/22, largely at CLHIA's behest.
BCFSA	"Discussion Paper: Information Security Incident Reporting"	CAFII submission sent on March 1, 2022	A delegation of approximately 15 CAFII representatives met virtually with BCFSA staff executives Saskia Tolsma, Rob O'Brien, and Steven Wright to discuss the Authority's "Discussion Paper: Information Security Incident Reporting" and CAFII's preliminary feedback on that consultation document (Rob and Steven, collectively, are responsible for drafting BCFSA's market conduct-related consultation documents). Insights gained caused CAFII to overhaul its draft written submission on the Discussion Paper – largely to be more emphatic and specific in its recommendations around national harmonization, through CCIR – and to secure a two business days deadline extension to March 1/22.
CCIR/CISRO	Proposed "Incentive Management Guidance"	April 4, 2022	Released on February 17/22 for a 46 days public consultation.
FSRA	"Principles-Based Regulation" consultation document	April 29, 2022	Released on March 16/22 for a 44 days public consultation.

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 6(c)

Read Only Items: December 8/21 CAFII Response Submission to AMF on "Draft Regulation Respecting Complaint Processing and Dispute Resolution in the Financial Sector"

Purpose of this Agenda Item – *Read Only*

This is a read only item.

Background Information

Attached is the December 8/21 CAFII Response Submission to the AMF on its *"Draft Regulation Respecting Complaint Processing and Dispute Resolution in the Financial Sector."*

Recommendation / Direction Sought – *Read Only*

This is a read only item.

Attachments Included with this Agenda Item

2 attachments.

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Le 8 décembre 2021

Maître Philippe Lebel
Secrétaire et directeur général des affaires juridiques
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640, boulevard Laurier, 3e étage
Québec (Québec) G1V 5C1
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Objet: Commentaires de l'ACIFA sur le Projet de règlement de l'AMF concernant le traitement des plaintes et le règlement des différends dans le secteur financier

Maître,

L'ACIFA remercie l'AMF de lui avoir donné l'occasion de formuler des commentaires sur le Projet de règlement sur le traitement des plaintes et le règlement des différends dans le secteur financier. Notre Association soutient fermement un processus de traitement des plaintes et de résolution des différends qui soit équitable, pratique et transparent et qui garantisse que les clients disposent de moyens facilement accessibles et adaptés pour aborder et résoudre leurs préoccupations, leurs plaintes et leurs différends.

Commentaires préliminaires

Nous notons que:

> *Le Projet de règlement s'inscrit dans un objectif d'harmoniser et de renforcer le traitement équitable des plaintes dans le secteur financier québécois. Il prévoit des exigences qui s'inspirent des principes nationaux et internationaux développés en matière de traitement équitable des consommateurs et a été rédigé en tenant compte des commentaires soulevés par les membres de divers comités consultatifs de l'Autorité et de multiples intervenants du secteur financier.*

Nous notons également que l'objectif du règlement est résumé comme suit:

> *Le Projet de règlement établit des règles et des pratiques communes aux institutions financières, aux intermédiaires financiers et aux agents d'évaluation crédit que ceux-ci seraient tenus de respecter en matière de traitement des plaintes et de règlement des différends. Ces règles et ces pratiques portent également sur la tenue du dossier de plainte et sur le transfert de ce dossier pour examen par l'Autorité. Le Projet de règlement propose aussi d'interdire certaines pratiques.*
>
> *Le Projet de règlement spécifie les éléments sur lesquels la politique de traitement des plaintes et de règlement des différends adoptée par les intermédiaires financiers devrait porter.*

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> *Finalement, il prévoit des sanctions administratives pécuniaires que l'Autorité pourrait imposer aux institutions financières ou agents d'évaluation du crédit qui ne respectent pas les dispositions du règlement qui s'appliquent à leurs pratiques.*

L'ACIFA soutient de façon générale les déclarations susmentionnées sur l'objectif et l'intention du Projet de règlement; cependant, nous avons des préoccupations au sujet du Projet de règlement qui découlent de son niveau d'exigences prescriptives dans un certain nombre de cas - s'écartant ainsi de la réglementation fondée sur des principes.

Les sociétés membres de l'ACIFA sont des institutions financières et des assureurs qui ont depuis longtemps mis en place des processus solides et complets de traitement des plaintes et de résolution des différends. De ce point de vue, notre Association estime que les régulateurs devraient communiquer leurs attentes par le biais de principes généraux et laisser à chaque entité réglementée le soin de définir les mécanismes et les détails de la réalisation des résultats pour les consommateurs associés à ces principes. Une telle approche fondée sur des principes est, à notre avis, plus efficiente et efficace qu'une approche prescriptive car elle évite une situation dans laquelle un régulateur dicte aux entreprises comment gérer les détails de leurs opérations.

Commentaires et observations générales

L'ACIFA croit fermement que l'écosystème de l'assurance et des services financiers au Québec, et en fait dans tout le Canada, est mieux servi par un système de réglementation qui est harmonisé au maximum entre les juridictions provinciales/territoriales et fédérales. Avec ce règlement, tel qu'il est rédigé, le Québec introduira un ensemble de règles nouvelles et uniques qui, à bien des égards, diffèrent nettement de celles utilisées dans les autres provinces, les territoires et le secteur financier sous réglementation fédérale.

Les membres de notre Association sont des institutions nationales dont les politiques et les procédures sont conçues pour être suivies dans l'ensemble du Canada. Les conséquences pratiques de l'introduction par l'AMF d'un règlement sur le traitement des plaintes qui comprend des éléments distincts et non harmonisés sont que les institutions financières qui choisissent d'exercer leurs activités au Québec devront consacrer des ressources financières et autres considérables pour faire face aux dispositions uniques du Québec, ressources qui auraient pu être consacrées à la satisfaction des besoins et des désirs des consommateurs québécois en matière d'assurance. Le résultat final est un système plus coûteux et inefficace sans, à notre avis, protéger davantage les consommateurs.

À cet égard, nous pensons que certaines dispositions du Projet de règlement dépassent les limites de la réglementation et sont donc incompatibles avec les engagements exprimés par l'AMF en matière de réglementation fondée sur des principes et d'optimisation de la charge réglementaire.

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Un autre point thématique général que nous voulons souligner - développé dans les commentaires spécifiques ci-dessous - est que le Projet de règlement semble être très orienté vers les processus de plaintes sur papier. Il serait donc avantageux d'ajuster la formulation dans l'ensemble du document afin de supprimer ce parti pris et cette orientation, et de refléter plutôt le fait que les plaintes sont souvent déposées, et souvent résolues, verbalement ou électroniquement; et, de même, de préciser que les moyens de communication numériques sont tout à fait acceptables dans les processus de traitement des plaintes et de résolution des différends.

Période de transition et de mise en œuvre

Nous notons que le Projet de règlement et les documents d'accompagnement connexes sont muets sur la question cruciale d'une période de transition et de mise en œuvre. Cette incertitude préoccupe particulièrement les membres de l'ACIFA, étant donné qu'il s'agit d'un règlement totalement nouveau et substantiel qui appelle des changements majeurs dans la gouvernance, l'allocation des ressources, la structure, les systèmes, les politiques et les procédures des entreprises, ainsi que dans l'embauche et la formation du personnel à une époque de pénurie importante de main-d'œuvre. Compte tenu de tous ces facteurs, les membres de l'ACIFA demandent une période de transition et de mise en œuvre d'au moins trois ans à compter de l'entrée en vigueur du règlement, afin de disposer du temps nécessaire pour apporter les changements requis en fonction d'un calendrier de réalisations prioritaires et échelonnées, ce qui constituera une tâche énorme. Pendant cette période de transition et de mise en œuvre, les assureurs, les distributeurs et les intermédiaires veilleront à ce que les plaintes soient traitées et les différends résolus de manière diligente, conformément aux attentes actuelles de l'AMF et du CCRRA.

Commentaires sur les articles et dispositions spécifiques

- Nous sommes fermement en désaccord avec l'exigence énoncée à l'article 11 selon laquelle les entités réglementées doivent fournir «un service d'assistance à la rédaction d'une plainte» à toute personne qui en exprime le besoin. Nous soutenons le concept selon lequel les processus de plaintes doivent être simples et accessibles, et que les institutions doivent garantir le traitement équitable des clients. Cependant, demander à une entreprise d'aider un client à rédiger une plainte - une plainte qui concerne et sera adressée à l'entreprise elle-même - produit, à notre avis, un conflit d'intérêts évident. Ce conflit d'intérêts évident ne serait pas avantageux pour le plaignant et ne serait en aucun cas dans son intérêt. En pratique, un tel service d'assistance à la rédaction serait extrêmement difficile à structurer, à doter de ressources et à mettre en œuvre. À notre avis, un tel service d'assistance à la rédaction serait beaucoup plus approprié s'il était offert par l'AMF elle-même. Cette approche permettrait d'éviter le problème du conflit d'intérêts et serait plus efficace que si les entités réglementées devaient chacune élaborer elles-mêmes un tel service d'assistance.

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- Nous sommes fermement en désaccord avec l'exigence énoncée à l'article 14, selon laquelle une entité réglementée doit continuer à gérer une plainte au moyen de ses processus existants, même lorsque «l'auteur de la plainte a introduit une demande ou une requête portant sur des éléments de la plainte auprès d'un tribunal ou d'un organisme juridictionnel». À notre avis, agir de la sorte serait totalement incompatible avec les attentes appropriées en matière de droit et de bonne gouvernance. Nous considérons qu'à partir du moment où un plaignant décide de porter sa plainte ou son différend devant un tribunal ou un organisme juridictionnel, il s'est retiré de la procédure interne de traitement des plaintes de l'entreprise; par conséquent, la procédure interne de traitement des plaintes doit être interrompue et le dossier classé.

  Nous recommandons également l'ajout d'une clause d'exclusion dans le Projet de règlement afin que les dossiers des tribunaux et des organismes juridictionnels soient exclus de la définition de « plainte » une fois que le plaignant a choisi cette voie.

- En ce qui concerne les articles 27, 28 et 29 sur les sanctions administratives pécuniaires, nous constatons que l'AMF se donne la latitude d'imposer des sanctions pour des erreurs administratives même très mineures et insignifiantes. À notre avis, cela constituerait un dépassement de la réglementation et serait incompatible avec les engagements exprimés par l'AMF en faveur d'une réglementation fondée sur des principes et d'une optimisation de la charge réglementaire.

- La définition de « plainte » énoncée à l'article 3, à savoir: « Toute insatisfaction ou reproche à l'égard d'un service ou d'un produit offert par une institution financière ou un intermédiaire financier…», est très vaste et générale; elle pourrait donc englober des problèmes très mineurs qu'un client n'a pas l'intention de présenter comme une « plainte ». Dans certains cas, un client mentionne verbalement, généralement au téléphone ou en personne, un point d'irritation mineur - dont il veut simplement que l'entreprise soit informée - et le client déclare expressément qu'il ne dépose pas de plainte officielle à ce sujet et qu'il ne s'attend pas à recevoir de suivi ou de réponse (par exemple: «J'ai été mis en attente pendant très longtemps pour parler à un représentant du service à la clientèle.»).

  Dans le même ordre d'idées, dans la définition de «plainte», les mots « auquel on ne peut remédier dans l'immédiat » sont utilisés pour nuancer la définition. Selon l'ACIFA, cela exclurait les plaintes de niveau 1, lorsque ces plaintes sont résolues immédiatement à la satisfaction du plaignant. Nous demandons plus de clarté sur ce point dans la version ultérieure du règlement.

- Nous recommandons que l'article 4 fasse référence aux attentes réglementaires existantes de l'AMF et du CCRRA-OCRA en matière de traitement équitable des clients, y compris celles décrites dans la ligne directrice sur les saines pratiques commerciales de l'AMF; et, dans la mesure du possible, la formulation de l'article 4 devrait s'aligner sur ces attentes.

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- Dans l'article 7, il n'est pas raisonnable d'attendre du personnel responsable du traitement des plaintes qu'il ait «une connaissance approfondie des produits et des services que l'intermédiaire financier offre», car il peut y avoir des cas - en particulier dans les grandes institutions financières/intermédiaires - où il existe une équipe centralisée chargée des plaintes et où ses spécialistes du traitement des plaintes s'appuient sur l'expertise de divers secteurs de l'entreprise pour être en mesure de traiter les plaintes qui surviennent et qui sont liées à des secteurs particuliers de l'entreprise. Nous recommandons de modifier la formulation en «avoir accès à des connaissances et des ressources approfondies concernant les produits et services offerts par l'intermédiaire financier.»

  De même, nous recommandons que la formulation suivante du paragraphe 7(2) concernant le personnel responsable du traitement des plaintes - c'est-à-dire qu'il doit avoir « un accès en tout temps à l'information essentielle à l'exercice des fonctions de ce personnel » - soit modifiée pour refléter des attentes réalistes. Il n'est pas réaliste, du point de vue de la sécurité et de la protection de la vie privée, de s'attendre à ce qu'un membre du personnel chargé du traitement des plaintes ait un accès illimité à toutes les informations relatives aux clients. Dans certains cas de plaintes, des informations sur les clients jugées pertinentes devront être demandées à d'autres secteurs de l'entreprise, au lieu d'être directement et immédiatement accessibles au membre du personnel chargé du traitement des plaintes. Nous suggérons une révision de la formulation dans ce sens : «l'information essentielle pour permettre au personnel chargé du traitement des plaintes d'exercer ses fonctions doit être accessible à ces personnes en tout temps.»

  Nous tenons également à souligner qu'il sera impossible, en particulier dans une grande entreprise, pour une seule personne de remplir le rôle de membre du personnel responsable des plaintes - car il lui faudra traiter un très grand nombre de dossiers de plaintes, de lettres d'accusé de réception et de réponses finales. Nous recommandons donc que le Projet de règlement soit modifié pour préciser que les membres du personnel responsables des plaintes peuvent déléguer leurs responsabilités à une autre personne; et qu'ils peuvent nommer un remplaçant, tel qu'un responsable de la conformité, s'ils sont dans l'incapacité d'agir ou en cas de conflit d'intérêts (par exemple, un plaignant qui est un membre de la famille ou une connaissance). De cette façon, les entreprises pourront planifier les ressources nécessaires pour se conformer aux exigences du Projet de règlement tout en ayant des contrôles en place pour gérer les délégations de pouvoir. Il est également tout à fait possible, notamment au sein d'une petite entreprise, qu'un responsable des plaintes ait d'autres fonctions et responsabilités non liées. Étant donné la nature prescriptive du Projet de règlement dans cet article et à d'autres endroits, il serait prudent d'aborder la possibilité des situations susmentionnées dans le Projet de règlement, notamment pour que les entreprises puissent structurer leurs ressources de manière efficace.

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- Nous recommandons que la formulation de l'article 10 soit modifiée afin de clarifier si l'interprétation suivante est correcte ou non : l'analyse mentionnée à l'article 10 n'est pas censée être publiée ou diffusée publiquement; l'analyse mandatée est plutôt censée être un effort interne des institutions financières et des intermédiaires, dont le but est de déterminer s'il existe des problèmes systémiques qui sont à l'origine des plaintes. Dans le même ordre d'idées, nous recommandons à l'AMF d'aligner ses exigences d'analyse sur la directive autour de l'analyse des plaintes CCRRA-OCRA : *Conduite des activités d'assurance et traitement équitable des clients*, qui repose sur des principes de haut niveau.

- Au chapitre II, qui s'applique aux intermédiaires financiers, nous notons que ces sociétés peuvent varier considérablement en taille et en sophistication. Les attentes réglementaires prescriptives de type « applicables à tous » énoncées dans ce chapitre peuvent être très difficiles à respecter pour les petites sociétés d'intermédiation financière.

- En ce qui concerne l'article 12, certaines plaintes sont assez simples à résoudre, tandis que d'autres qui sont transmises à un niveau supérieur (plaintes de niveau 3) peuvent être très compliquées. Un délai de résolution de 60 jours pourrait s'avérer très difficile à respecter dans le cas de plaintes plus complexes transmises à un échelon supérieur. L'ACIFA ne sait pas non plus si le délai de 60 jours inclut le temps nécessaire à l'utilisation de la procédure dite du « ombudsman interne » (qui sera désormais une progression gérée par un «responsable des plaintes» interne).

- Nous sommes d'avis que l'utilisation du mot « *enlightened* » dans la phrase «*to allow the complainant the opportunity to seek advice for the purpose of making an enlightened decision*» est une utilisation inappropriée de ce mot en anglais; et l'intention serait mieux rendue en utilisant le mot «*informed*».

- En ce qui concerne l'article 15, certaines plaintes soulèvent de multiples enjeux, y compris une variété de plaintes qui peuvent ne pas être liées ou même toutes dirigées contre la même entreprise. Si une entreprise recevant une plainte doit la résoudre en coordination avec une autre entreprise, telle qu'un partenaire commercial (par exemple, un distributeur d'assurance recevant une plainte qui implique également son assureur), il est raisonnable de s'attendre à ce que l'entreprise recevant la plainte informe le plaignant qu'il doit déposer lui-même sa plainte auprès de l'autre entreprise et lui fournisse les coordonnées de cette dernière. Il convient toutefois de préciser que si le plaignant dépose une plainte à enjeux multiples qui inclut des préoccupations concernant une autre entreprise - préoccupations que l'entreprise recevant la plainte ne peut pas aborder et résoudre parce qu'elles ne lui sont pas liées - alors l'entreprise recevant la plainte ne devrait pas être tenue de fournir des informations sur le ou les aspects «non applicables» de la plainte en réponse au plaignant.

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- À l'article 16, nous recommandons d'éviter l'utilisation du terme «tout», qui implique «tous», comme modificateur de «document ou information» au paragraphe (3); le règlement devrait plutôt préciser un seuil pertinent, car il n'est pas nécessaire de saisir toutes les communications avec le client. Nous recommandons que le règlement spécifie «l'accusé de réception et la lettre de réponse finale au plaignant» comme étant le seuil pertinent.

  Toujours à l'article 16, au lieu d'utiliser le terme «forme précise (*precise form*)» qui n'a pas une signification suffisante en anglais, nous recommandons l'utilisation de «clair, précis et non trompeur (*clear, accurate, and not misleading*)».

- L'article 18 est un exemple de disposition très prescriptive qui entre dans les détails sur la manière dont une entreprise doit gérer les plaintes qu'elle reçoit, au lieu de rester fondée sur des principes et de définir les attentes/résultats de l'organisme de réglementation en matière de protection des clients. Selon nous, cette clause est incompatible avec l'engagement exprimé par l'AMF d'optimiser la charge réglementaire.

  Nous supposons que «sa fédération» fait référence aux deux Chambres du Québec que l'AMF supervise; et nous recommandons que ce manque de clarté soit corrigé dans la prochaine version du règlement. Nous supposons également que le terme «registre des plaintes» est censé signifier un registre de toutes les plaintes individuelles gérées par l'entreprise qui reçoit la plainte. Nous recommandons que le manque de clarté autour de ces deux points soit traité dans la prochaine version du règlement.

- En ce qui concerne l'article 19, nous sommes d'avis qu'une plainte de niveau 1 qui est immédiatement résolue par l'entreprise à la satisfaction du plaignant ne devrait pas être soumise à cet article. Nous croyons que le fait de préciser cette exclusion permettrait d'harmoniser le Règlement Québec/AMF avec la définition d'une plainte de niveau 1 énoncée dans la Déclaration annuelle sur les pratiques commerciales du CCRRA. En l'absence d'harmonie entre la définition d'une plainte de niveau 1 de l'AMF et la définition correspondante utilisée dans la Déclaration annuelle sur les pratiques commerciales, il serait nécessaire que l'AMF utilise son propre mécanisme distinct de l'industrie pour la déclaration des plaintes (en dehors de la Déclaration annuelle sur les pratiques commerciales), ce qui serait inefficace et dégraderait la valeur de la déclaration faite par l'intermédiaire de la Déclaration annuelle sur les pratiques commerciales.

- En ce qui concerne l'article 20, nous recommandons que, lorsque le règlement fait référence à un autre document ou à un autre règlement, les dispositions ou articles pertinents soient inclus et explicités directement, plutôt que d'obliger le lecteur ou l'utilisateur à trouver et à consulter le document distinct. Le sens de l'expression « forme écrite » n'est pas clair, et nous recommandons que la prochaine version du règlement précise qu'il ne s'agit pas d'une expression exclusivement «sur papier», mais qu'elle inclut également les moyens de communication numériques/électroniques et verbaux.

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En outre, le paragraphe 20(6) prévoit «la signature du responsable du traitement des plaintes». Nous recommandons que cette formulation soit modifiée pour dire «la signature du responsable du traitement des plaintes ou d'un délégué».

Dans l'ensemble, cet article est un autre exemple d'une approche très prescriptive qui abandonne la réglementation fondée sur des principes.

- En ce qui concerne le paragraphe 21(5), nous recommandons que le Projet de règlement soit modifié pour préciser qu'une signature électronique - ou simplement un bloc-signature dans un message électronique - est suffisante; et que le terme «signature» ne signifie pas exclusivement une signature manuscrite sur papier. Nous recommandons également que pour les plaintes adressées à l'AMF (ou à une fédération, ce que nous supposons être une Chambre du Québec), le règlement précise un délai pour sa réponse au plaignant.

  De même, en ce qui concerne l'article 21 en général, nous recommandons que pour la version anglaise du règlement, au lieu d'utiliser le terme «*offer*», qui en anglais peut impliquer un règlement financier, le terme «*resolution*» devrait être utilisé, car certaines plaintes peuvent être résolues de manière satisfaisante sans aucun règlement financier. Nous recommandons donc de dire «*has accepted the proposed resolution to the complaint****, if applicable****.* («...a accepté la résolution proposée pour la plainte, **le cas échéant.**»)

- Dans l'article 23, nous recommandons de préciser les attentes de l'AMF concernant l'expression « entre autres ». Il serait également bénéfique que le règlement reconnaisse explicitement que toutes les plaintes ne sont pas formulées par écrit, car certaines ne sont transmises que verbalement; et le processus de réponse à ces plaintes uniquement verbales implique souvent aussi une communication uniquement verbale.

- L'article 24 est trop restrictif dans sa formulation, car il ne reflète pas le fait que les plaintes peuvent être déposées verbalement, par exemple par l'intermédiaire d'un représentant du centre d'appel.

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En conclusion, L'ACIFA remercie à nouveau l'AMF de lui avoir donné l'occasion de présenter ses commentaires sur le Projet de règlement sur le traitement des plaintes et le règlement des différends dans le secteur financier. Si vous souhaitez obtenir de plus amples renseignements de la part de L'ACIFA ou rencontrer des représentants de notre Association au sujet de cette soumission ou de toute autre question, veuillez communiquer avec Keith Martin, codirecteur général de L'ACIFA, à keith.martin@L'ACIFA.com ou au numéro 647-460-7725.

Veuillez agréer, Maître, l'expression de mes sentiments les meilleurs.

Rob Dobbins
Secrétaire du Conseil d'administration et président du Comité exécutif des opérations

c.c. M. Éric Jacob, surintendant de l'assistance aux clientèles et de l'encadrement de la distribution
M. Patrick Déry, surintendant de l'encadrement de la solvabilité
Mme Louise Gauthier, directrice principale des politiques d'encadrement de la distribution
M. Mario Beaudoin, directeur des pratiques de distribution alternatives en assurance

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À propos de l'ACIFA

L'ACIFA est une association sectorielle à but non lucratif qui se consacre au développement d'un marché de l'assurance ouvert et flexible. Notre association a été créée en 1997 pour donner une voix aux institutions financières qui vendent des assurances par l'entremise de divers canaux de distribution. Nos membres proposent des assurances par le biais de centres d'appels, d'agents et de courtiers, d'agences de voyage, de publipostage, de succursales d'institutions financières et d'Internet.

L'ACIFA croit que les consommateurs sont mieux servis lorsqu'ils ont un choix significatif dans l'achat de produits et services d'assurance. Nos membres offrent l'assurance voyage, l'assurance vie, l'assurance maladie, l'assurance dommages et l'assurance-crédit collective dans tout le Canada. En particulier, l'assurance-crédit collective et l'assurance voyage sont les lignes de produits sur lesquelles se concentre l'ACIFA, car nos membres ont un point commun.

La diversité des membres de l'ACIFA permet à notre association d'avoir une vue d'ensemble du régime réglementaire qui régit le marché de l'assurance. Nous travaillons avec les gouvernements et les organismes de réglementation (principalement provinciaux et territoriaux) afin d'élaborer un cadre législatif et réglementaire pour le secteur de l'assurance qui contribue à garantir que les consommateurs canadiens obtiennent les produits d'assurance qui répondent à leurs besoins. Notre objectif est d'assurer la mise en place de normes appropriées pour la distribution et la commercialisation de tous les produits et services d'assurance.

Les membres de l'ACIFA comprennent les branches d'assurance des principales institutions financières du Canada - BMO Assurance, Assurance CIBC, Desjardins Assurances, Banque Nationale Assurances, RBC Assurances, La Financière ScotiaVie, et TD Assurance - ainsi que les principaux acteurs de l'industrie: Assurant, Assurance-vie Canada, la Banque Canadian Tire (BCT), Compagnie d'assurance-vie Première du Canada, CUMIS Services Incorporated, Manuvie (La Compagnie d'Assurance-Vie Manufacturers), Sun Life, et Valeyo.

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8 December, 2021

Me Philippe Lebel
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c.c. Mr. Éric Jacob, Superintendent, Client Services and Distribution Oversight
Mr. Patrick Déry, Superintendent, Solvency
Ms. Louise Gauthier, Senior Director, Distribution Policies
Mr. Mario Beaudoin, Director, Alternative Insurance Distribution Practices

Re: CAFII Feedback On AMF's Draft Regulation respecting Complaints Handling and Dispute Resolution in the Financial Sector

Dear Mr. Lebel:

CAFII thanks the AMF for the opportunity to provide feedback comments on the Autorité's Draft Regulation respecting Complaints Handling and Dispute Resolution in the Financial Sector. Our Association strongly supports a fair, convenient, and transparent complaints handling and dispute resolution process, one which ensures that customers have readily accessible and responsive avenues available to them to address and resolve concerns, complaints, and disputes.

Opening Comments

We note that

> *The Draft Regulation is intended to harmonize and strengthen the fair processing of complaints in Québec's financial sector. It includes requirements drawn from national and international FTC (fair treatment of customers) principles and was drafted taking into account input from various AMF advisory committees and the comments of multiple financial sector stakeholders.*

We also note that the purpose of the Regulation is summarized as follows:

> *The Draft Regulation establishes a common set of rules and practices to be followed by financial institutions, financial intermediaries and credit assessment agents in processing complaints and resolving disputes. These rules and practices also cover the keeping of complaint records and the sending of such records to the AMF for examination. The Draft Regulation would also prohibit certain practices.*
>
> *The Draft Regulation identifies the elements to be included in a financial intermediary's complaint processing and dispute resolution policy.*

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Finally, it sets out the monetary administrative penalties that may be imposed on financial institutions or credit assessment agents by the AMF in the event of non-compliance with the Regulation's provisions applicable to their practices.

CAFII generally supports the above-noted statements on the Draft Regulation's purpose and intent; however, we do have concerns about the Draft Regulation which arise from its level of prescriptiveness – thus straying from principles-based regulation – in a number of instances.

CAFII member companies are financial institutions and insurers which have long had robust and comprehensive complaints and dispute resolution processes in place. From that perspective, our Association believes that regulators should communicate their expectations through broad principles, and leave to individual regulated entities the mechanics and details of how the consumer outcomes associated with those principles will be achieved. Such a principles-based approach is, in our view, more efficient and effective than a prescriptive approach because it avoids a situation in which a regulator is dictating to businesses how to manage the details of their operations.

General Comments and Observations

CAFII strongly believes that the insurance and financial services ecosystem in Québec, and indeed throughout Canada, is best served by a regulatory system that is harmonized to the maximum degree possible across provincial/territorial and federal jurisdictions. With this Regulation, as drafted, Québec will be introducing a novel and unique set of rules that is, in many respects, distinctly different from those utilized in other provinces, territories, and the federally regulated financial sector.

Our Association's members are national institutions with policies and procedures designed to be followed throughout all of Canada. The practical implications of the AMF's introduction of a Regulation on Complaints Handling that includes distinctly different and unharmonized elements is that financial institutions which choose to operate in Québec will have to dedicate considerable financial and other resources to dealing with Québec's unique provisions, resources which otherwise could have been devoted to meeting the insurance needs and wants of Québec consumers. The end result is a more costly and inefficient system, and one which we do not believe will deliver enhanced consumer protection.

In that connection, we believe that there are certain provisions in the Draft Regulation which constitute regulatory over-reach and are therefore inconsistent with the AMF's expressed commitments to principles-based regulation and regulatory burden reduction.

One other general, thematic point – elaborated upon in the specific feedback below – which we want to highlight is that the Draft Regulation seems to be very oriented towards and supportive of paper-based complaints processes. It would therefore be beneficial to adjust the wording throughout the document to remove that bias and orientation; and instead to reflect the fact that complaints are often made, and often resolved, verbally or electronically; and, similarly, to clarify that digital means of communication are fully acceptable in complaints handling and dispute resolution processes.

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Transition and Implementation Period

We note that the Draft Regulation and its related transmittal materials are silent on the critical issue of a Transition and Implementation Period. That uncertainty is of particular concern to CAFII members, given that this is a totally new and substantive Regulation which calls for major changes to firms' existing governance, resource allocation, structure, systems, and policies and procedures, as well as staff hiring and training during a time of significant labour shortages. All those factors considered, CAFII members must request a minimum three-year Transition and Implementation Period from the coming into force of the Regulation, in order to have adequate time to make the necessary changes based on a schedule of prioritized and staggered deliverables, which will be a huge undertaking. During that Transition and Implementation Period, insurers, distributors, and intermediaries will ensure that complaints are processed and disputes resolved in a diligent manner, in accordance with the AMF's and CCIR's current expectations.

Feedback on Specific Clauses and Provisions

- We strongly disagree with the requirement in Clause 11 that regulated entities provide a "complaint drafting assistance service" for any person expressing a need for it. We support the concept that complaints processes must be simple and accessible, and that institutions need to ensure the fair treatment of customers. However, to ask a company to assist a customer in drafting a complaint – a complaint that is about and will be directed to that company itself -- produces, in our view, a clear conflict-of-interest. That readily apparent conflict-of-interest would not be beneficial to the complainant nor in any way be in his/her/their best interest. In practice, such a drafting assistance service would be extremely difficult to structure, resource, and implement. In our view, such a drafting assistance service would be much more appropriately offered by the AMF itself. That approach would avoid the conflict-of-interest challenge, and would be more efficient than having regulated entities each have to develop such an assistance service themselves.

- We strongly disagree with the requirement set out in Clause 14 that a regulated entity must continue to manage a complaint through its existing processes even when a "complainant files an application or motion pertaining to elements of the complaint with a court or adjudicative body." In our view, doing that would be entirely inconsistent with appropriate legal and good governance expectations. We believe that once a complainant decides to take his/her complaint or dispute to a court or adjudicative body, he/she has opted out of the company's internal complaint handling process; and therefore, the internal complaint process must be terminated and the file closed.

  We also recommend that a "carve out" be added to the Draft Regulation so that such court/adjudicative body files are excluded from the definition of "complaint" once that avenue is chosen by a complainant.

- With respect to Clauses 27, 28, and 29 on monetary penalties, we note that the AMF is giving itself the latitude to impose penalties for even very minor and trivial administrative errors. In our view, that would constitute regulatory over-reach and be inconsistent with the AMF's expressed commitments to principles-based regulation and regulatory burden reduction.

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- The definition of "complaint" set out in Clause 3 as *"… any dissatisfaction or reproach in respect of a service or product offered by a financial institution or financial intermediary"* is very broad and sweeping; and thereby could capture very minor issues that a customer does not intend to bring forward as a "complaint." In some instances, a customer verbally mentions, typically on the phone or in-person, a minor point of irritation -- which the customer just wants the company to be aware of – and the customer expressly states that he/she is not filing an official complaint about the issue, nor does he/she expect to receive any follow-up or response about it (e.g. "I was kept waiting on hold for very long time to speak to a customer service representative.").

  In that same connection, in the definition of "complaint" the words "that cannot be remedied immediately" are used to qualify the definition. CAFII's understanding is that this would exclude Level 1 complaints, when such complaints are remedied immediately to the complainant's satisfaction. We request additional clarity on this point in the subsequent version of the Regulation.

- We recommend that Clause 4 should reference existing AMF and CCIR/CISRO regulatory expectations around the fair treatment of customers, including those outlined in the AMF's Sound Commercial Practices Guideline; and, to the extent practicable, clause 4's wording should align with those expectations.

- In Clause 7, it is not reasonable to expect the staff person responsible for processing complaints to have "detailed knowledge of the products and services offered by the financial intermediary," because there may be cases – particularly in large financial institutions/intermediaries – where there is a centralized complaints team and its complaints handling specialists rely on expertise from various areas of the business to be able to deal with complaints that arise related to particular areas of the business. We recommend that the wording here be modified to "have access to detailed knowledge and resources with respect to the products and services offered by the financial intermediary."

  Similarly, we recommend that the following wording in Sub-Clause 7(2) with respect to staff responsible for complaint handing – i.e. should have "access at all times to information essential to the performance of the functions of this staff" – should be modified to reflect realistic expectations. It is not realistic, from a security and privacy perspective, to expect that a complaints officer will have unfettered access to all customer information. In some complaint matters, some customer information that is deemed pertinent will need to be requested from other areas of the company, rather than be directly and immediately accessible to the complaints officer. We suggest revised wording along these lines: "information that is essential to allow staff responsible for complaint handling to perform their duties should be available to those persons at all times."

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We also want to point out that it will be impossible, particularly in a large company, for one person alone to perform the role of complaints officer -- because it will require him/her to process a huge number of complaint records, acknowledgement letters, and final responses. We therefore recommend that the Draft Regulation be amended to specify that complaints officers can delegate their responsibilities to another person; and that they may appoint a substitute, such as a compliance officer, if they are unable to act or in the case of a conflict-of- interest (e.g. a complainant who is a family member or an acquaintance). In this way, firms will be able to plan for the resources needed to comply with the requirements of the Draft Regulation while having controls in place to deal with delegations of authority. It is also quite possible, particularly within a small company, that a complaints officer will have other, unrelated duties and responsibilities. Given the Draft Regulation's prescriptive nature in this Clause and other places, it would be prudent to address the possibility of the above-noted situations in the Draft Regulation, particularly so that businesses are able to structure their resources effectively.

- We recommend that the language in Clause 10 should be modified in order to clarify whether or not the following interpretation is correct: the analysis referred to in clause 10 is not expected to be published or publicly released; rather, the mandated analysis is intended to be an internal effort by financial institutions and intermediaries, the goal of which is to determine if there are any systemic issues that are the root causes of complaints. In that same connection, we recommend that the AMF align its analysis requirements with the *CCIR/CISRO Guidance: Conduct of Insurance Business and Fair Treatment of Customers* around analysis of complaints, which is based on high-level principles.

- In Chapter II, which applies to financial intermediaries, we note that such companies can vary significantly in size and sophistication. The "one size fits all" prescriptive regulatory expectations set out in this Chapter may be quite challenging for smaller financial intermediary companies to comply with.

- With respect to Clause 12, some complaints are quite simple to resolve while others that become escalated (Level 3 complaints) can be very complicated. A 60-day resolution deadline could be quite challenging to meet with respect to more complicated, escalated complaints. It is also not clear to CAFII whether the 60-day deadline includes the time required for the heretofore-called "internal ombudperson" process to be utilized (which will now be an escalation that is managed by an internal "complaints officer").

- We believe that use of the word 'enlightened' in "to allow the complainant the opportunity to seek advice for the purpose of making an enlightened decision" is an improper use of that word in English; and the intent would be better captured by using the word 'informed' instead.

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- With respect to Clause 15, there are some complaints where multiple issues are raised, including a variety of complaints that may not be related or even all directed at the same company. If a company receiving a complaint has to resolve it in coordination with another company, such as a business partner (an example being an insurance distributor receiving a complaint that also involves its insurance underwriter), it is reasonable to expect that the company receiving the complaint would advise the complainant that he/she needs to file the complaint with the other company him/herself, and to provide the other company's contact information. It should be specified, however, that if the complainant is filing a multiple issues complaint which includes concerns about another company – which concerns the company receiving the complaint cannot address and resolve because they are not connected to them – then the receiving company should not be expected to provide any information about the 'not applicable' aspect(s) of the complaint in response to the complainant.

- In Clause 16, we recommend avoiding the use of "any," which implies "all," as a modifier of "document or information" in subsection (3); and instead the Regulation should specify a pertinent threshold, because not every communication with the customer needs to be captured. We recommend that the Regulation should specify "the acknowledgement and final response letter to the complainant" as that pertinent threshold.

  Also in Clause 16, instead of using the term "precise form" which does not carry sufficient meaning in English, we recommend the use of "clear, accurate, and not misleading."

- Clause 18 is an example of a very prescriptive provision that goes into great detail about how a company must manage the complaints it receives, as opposed to remaining principles-based and setting out the regulator's customer protection-focused expectations/outcomes. In our view, this Clause is inconsistent with the AMF's expressed commitment to regulatory burden reduction.

  We are assuming that "its federation" refers to the two Quebec Chambres which the AMF oversees; and we recommend that that lack of clarity be addressed in the next version of the Regulation. We are also assuming that "complaints register" is intended to mean a log of all individual complaints managed by the company receiving the complaint. We recommend that the lack of clarity around those two points be addressed in the next version of the Regulation.

- With respect to Clause 19, it is our view that a Level 1 complaint that is immediately remedied by the company to the complainant's satisfaction should not be subject to this Clause. We believe that specifying this exclusion would bring the Quebec/AMF Regulation into harmony with the definition of a Level 1 complaint set out in CCIR's Annual Statement on Market Conduct (ASMC). In the absence of harmony between the AMF's definition of a Level 1 complaint and the corresponding definition used in the ASMC, it would be necessary for the AMF to utilize its own separate industry mechanism for complaint reporting (outside of the ASMC), which would be inefficient and degrade the value of reporting done through the ASMC.

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- With respect to Clause 20, we recommend that when the Regulation references another document or Regulation, the relevant clauses/provisions should be included and directly spelled out, rather than forcing the reader/user to locate and reference the separate document. The meaning of the term "written form" is not clear, and we recommend that the next version of the Regulation provide clarity that it is not intended to mean exclusively "paper-based," but rather also includes digital/electronic and verbal-only means of communication.

  In addition, Sub-Clause 20(6) calls for "the signature of the complaints officer." We recommend that that wording be amended to say "the signature of the complaints officer or a delegate."

  Overall, this Clause is another example of a very prescriptive approach which abandons principles-based regulation.

- With respect to Sub-Clause 21(5), we recommend that the Draft Regulation be amended to spell out that an electronic signature—or simply a signature block in an email message —is sufficient; and that "signature" does not mean exclusively a paper-based, wet signature. We also recommend that for complaints referred to the AMF (or a federation, which we assume is a Quebec Chambre), the Regulation should specify a deadline for its response to the complainant.

  As well, with respect to Clause 21 generally, we recommend that for the English version of the Regulation, instead of using the term "offer," which in English can imply a financial settlement, the term "resolution" should be used, because some complaints may be satisfactorily resolved without any financial settlement. We therefore recommend saying "…has accepted the proposed resolution to the complaint**, if applicable**."

- In Clause 23, we recommend spelling out what the AMF's expectations are with respect to the term "among other elements." It would also be beneficial for the Regulation to recognize explicitly that not all complaints are made in writing, as some are delivered verbally only; and the process of responding to such verbal-only complaints often also entails verbal-only communication.

- Clause 24 is too narrow in its framing, as it does not reflect the fact that complaints may be made verbally, for example through a call centre representative.

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In conclusion, CAFII again thanks the AMF for the opportunity to offer our comments on the Draft Regulation respecting Complaint Processing and Dispute Resolution in the Financial Sector. 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 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.

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 6(d)

Read Only Items: December 11/21 CAFII Submission to FCAC on "Proposed Guideline on Complaint Handling Procedures for Banks and Authorized Foreign Banks"

Purpose of this Agenda Item – *Read Only*

This is a read only item.

Background Information

Attached is the December 11/21 CAFII Submission to FCAC on its *"Proposed Guideline on Complaint Handling Procedures for Banks and Authorized Foreign Banks."*

Recommendation / Direction Sought – *Read Only*

This is a read only item.

Attachments Included with this Agenda Item

1 attachment.

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11 December, 2021

Mr. Frank Lofranco
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Re: CAFII Feedback On FCAC Proposed Guideline on Complaint Handling Procedures for Banks and Authorized Foreign Banks

Dear Mr. Lofranco:

CAFII thanks the FCAC for the opportunity to provide feedback comments on its *Proposed Guideline on Complaint-Handling Procedures for Banks and Authorized Foreign Banks.* Our Association strongly supports a fair, convenient, and transparent complaints handling and dispute resolution process, one which ensures that customers have readily accessible and responsive avenues available to them to address and resolve concerns, complaints, and disputes.

General Comments and Observations

CAFII supports the Proposed Guideline's purpose and intent. We agree with the key principles set out therein; and, in particular, that policies and procedures should be guided by effectiveness, timeliness, and accessibility.

We find the Proposed Guideline to be largely principles-based and not prescriptive, which we believe leads to better regulatory outcomes. CAFII member companies are financial institutions and insurers which have long had robust and comprehensive complaints and dispute resolution processes in place. From that perspective, our Association believes that regulators should communicate their expectations through broad principles, and leave to individual regulated entities the mechanics and details of how the consumer outcomes associated with those principles will be achieved. Such a principles-based approach is, in our view, more efficient and effective than a prescriptive approach because it avoids a situation in which a regulator is dictating to businesses how to manage the details of their operations.

CAFII particularly appreciates the FCAC's principles-based recognition that financial institutions differ in size, complexity, and approach; and different organizations may have different ways of meeting the FCAC's expectations. In that regard, we strongly support Clause 6 in the Proposed Guideline, as follows:

> *FCAC recognizes that banks may tailor their complaint-handling policies and procedures to align with the nature, size and complexity of their business, distribution channels, and products and services.*

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On a separate very important matter, CAFII strongly believes that the insurance and financial services ecosystem in Canada is best served by a regulatory system that is harmonized to the maximum degree possible across provincial/territorial and federal jurisdictions.

As you may be aware, CAFII's members -- which comprise federally regulated financial institutions (FRFIs) that distribute credit protection insurance (CPI) and travel insurance across the country as Authorized Insurance Products, along with their insurer underwriter partners -- are subject to both federal and provincial regulatory frameworks that govern the offering of CPI and travel insurance.

Given that dual regulatory framework reality, it is our strong belief that major benefits would be achieved for both consumer protection and industry efficiency and effectiveness throughout Canada if the FCAC's Guideline on Complaints Handling could be as consistent and harmonized as possible with corresponding provincial/territorial guidance.

We therefore encourage the FCAC to engage with, and possibly become an observer participant at the meetings of, the Canadian Council of Insurance Regulators (CCIR), the national co-ordinating body of provincial/territorial insurance supervisory authorities.

Having a patchwork of different regulations and guidelines in federal and provincial/territorial jurisdictions across the country results in inefficiencies, and causes financial institutions to have to focus on exception management rather than dedicating the optimal level of resources to meeting both consumers' needs and wants and regulators' objectives around fair treatment of customers.

In that connection, we note the current timeliness of reaching out to CCIR for harmonization purposes with respect to complaints handling procedures, as the AMF in Quebec, a leader at the CCIR table, is now consulting with the industry on its Draft Regulation on Complaint Processing and Dispute Resolution in the Financial Sector.

By way of a small example to illustrate why harmonization is not just desirable but imperative: with respect to the reporting of certain complaints to the FCAC (Clause 30 in the Proposed Guideline), we note that provincial/territorial regulations also mandate situations where complaints need to be reported to the regulatory authority. Therefore, for CAFII members, many of which are the insurance arms of federally regulated banks, there will be situations where a complaint in Quebec, for example, will need to be reported to both the AMF and the FCAC, each of which may have different expectations in terms of the timing, form, and content of that reporting. Those sorts of regulatory inconsistencies do nothing to enhance consumer protection, yet they can have a significant impact upon FRFIs by forcing them to allocate resources to deal with the inefficiencies; and by imposing additional costs, which ultimately can divert resources away from being used to serve consumers.

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Specific Points of Feedback

On a point of future-oriented feedback, we view the requirement found in Clause 30 that "If an employee who is not designated to deal with complaints requires input or assistance from a designated employee to do so, the complaint should be considered to have been referred to a designated employee. Therefore, the bank must report it to FCAC" as one that will give rise to unintended consequences because it will force the reporting of many inconsequential, irritant only-type complaints, which is beyond the scope of what we believe the FCAC intended, is expecting, or would find to be of 'informational value.'

We recognize that this is a requirement set out in legislation, and as such our members will comply, but we recommend that the FCAC review the benefits of this all-encompassing requirement and consider having it adjusted via a future amendment to the underlying legislation.

In addition, our Association is concerned that Clause 43 seems to indicate that a substantive written response must be provided to *all* complainants, even when the complaint is addressed and resolved immediately, at first point of contact when the matter is brought to the bank's attention. If that interpretation is correct, Clause 43 would impose a very burdensome requirement by being overly broad and sweeping. As drafted, this clause would seemingly capture even very minor issues that a customer does not actually intend to bring forward as a "complaint." In some instances, a customer verbally mentions, typically on the phone or in-person, a minor point of irritation -- which he/she/they just wants the company to be aware of – and the customer expressly states that he/she/they is not filing an official complaint about the issue, nor does he/she/they expect to receive any follow-up or response about it (e.g. "I was kept waiting on hold for a very long time to speak to a customer service representative").

In conclusion, CAFII, as a key industry Association stakeholder, thanks the FCAC for the opportunity to provide feedback comments on the *Proposed Guideline on Complaint Handling Procedures For Banks and Authorized Foreign Banks.* Should you require further information from CAFII or wish to meet with representatives from our Association on this or any other matter at any time, please contact Keith Martin, CAFII Co-Executive Director, at keith.martin@cafii.com or 647-460-7725.

Sincerely,

Rob Dobbins
Board Secretary and Chair, Executive Operations Committee

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About CAFII

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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.

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 6(e)
Read Only Items: January 6/22 CAFII Response Submission to FCAC on proposed "Guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks"

Purpose of this Agenda Item – *Read Only*

This is a read only item.

Background Information

Attached is the January 6/22 CAFII Response Submission to FCAC on its proposed *"Guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks."*

Recommendation / Direction Sought – *Read Only*

This is a read only item.

Attachments Included with this Agenda Item

1 attachment.

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6 January, 2022

Mr. Frank Lofranco
Deputy Commissioner, Supervision and Enforcement
Financial Consumer Agency of Canada
Supervision and Promotion Branch
427 Laurier Avenue West, 6th floor
Ottawa, ON K1R 1B9

FCAC.Consultation.ACFC@fcac-acfc.gc.ca

Re: CAFII Feedback on FCAC's proposed Guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks

Dear Mr. Lofranco:

CAFII thanks the FCAC for the opportunity to provide feedback comments on its proposed *Guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks*.

We are focusing our Association's comments on the application of the proposed Guideline to the credit protection insurance (CPI) and travel insurance Authorized Insurance Products offered by CAFII member banks, as federally regulated financial institutions (FRFIs). That is, our feedback has been developed using the lens of CPI life insurance, critical illness insurance, disability insurance, and job loss insurance offered by CAFII member banks in connection with debt obligations such as mortgages, lines of credit, loans, and credit cards. These are unique insurance products for which an Appropriateness Guideline can pose particular challenges.

In that connection, it's important to highlight a key contextual distinction.

With respect to most non-Authorized Insurance Products (e.g. traditional life insurance), the coverage is typically offered by licensed individuals who are permitted to provide the customer with advice. Canada's provinces and territories require a license when insurance advice is being provided.

In contrast, CPI products and travel insurance are Authorized Insurance Products under the federal Bank Act and the Insurance Business (Banks and Bank Holding Companies) Regulations; and they are regulated at both the federal and provincial levels. Authorized Insurance Products can be offered by banks' non-licensed representatives as part of a bank's consumer lending processes, within strict parameters. However, because these bank representatives do not hold an insurance licence, banks offering CPI and travel insurance cannot conduct a comprehensive needs analysis on a consumer, nor can they offer advice or recommendations or engage in any activities that are restricted to insurance licensees.

General Comments and Observations

CAFII understands that the legislation and Regulations which the proposed Guideline is augmenting will come into force on 30 June, 2022, which the Guideline explains as follows:

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> *The proposed Guideline sets out FCAC's expectations with respect to Banks' implementation of, and compliance with, the appropriate product or service provisions in the* Bank Act *and the* Financial Consumer Protection Framework Regulations*, which will come into force June 30, 2022.*

In that connection, while CAFII members subject to the proposed Guideline are large organizations with robust procedures and processes in place for managing change, it is not reasonable or practical to expect such FRFIs to be able to develop effective compliance controls to address new requirements and standards without providing adequate lead time prior to implementation. It is also important to recognize that compliance implementation work cannot begin until the Guideline is finalized and communicated to the industry as such.

Since the deadline for responses to this consultation is 6 January, 2022 and the FCAC will need some time to determine whether and how it will adjust the final Guideline based on stakeholder feedback, it is unlikely that FRFIs will be able to launch their compliance implementation work that targets the new requirements before February or March 2022— just a few short months before the 30 June, 2022 coming-into-force date. It will also be extremely difficult for them to pivot and come into compliance with the new expectations set out in the final version of the Guideline in such a brief period of time.

Typically, financial services regulators provide the industry with a minimum 12 to 18 months implementation period -- to ensure effective compliance with any significant new provisions, especially if they entail changes to training, communications, systems, processes, or technology (IT).

CAFII therefore requests that the FCAC consider a deferral of enforcement with respect to the Guideline on Appropriate Products and Services and the intertwined Financial Consumer Protection Framework (FCPF) Regulations. Such regulatory forbearance for a specified and reasonable period of time has been utilized in the past by other Canadian financial services regulators when faced with similar circumstances.

In addition to the FCAC's federal regulatory authority over CPI and travel insurance as Authorized Insurance Products, the regulation of distribution and market conduct related to those products is also governed by provincial/territorial frameworks. CAFII members therefore must balance the new appropriateness requirements with existing obligations while continuing to comply with the market conduct and fair treatment of customers expectations of 14 different jurisdictions and, in addition, the varied insurance licensing requirements of the 10 provinces and 3 territories.

In that regard, CAFII and its members strongly believe that having a clear and shared understanding of jurisdiction and regulatory approach between federal and provincial/territorial regulators can help greatly in the achievement of harmonization, efficiency, effectiveness, and consumer fairness and protection. Conflicting regulations and a lack of harmonization only stymie the attainment of those desirable objectives.

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The FCAC's proposed Guideline on Appropriate Products and Services will introduce new regulatory expectations around distribution and market conduct for the offering of and enrolment in CPI and travel insurance Authorized Insurance Products. Not only will this lead to an increase in the complexity of the regulatory environment – with a heightened potential for contradictions between federal and provincial/territorial regulatory expectations – it may also make it difficult for vulnerable populations to gain access to these protection products (see comment on Clause 10 under Specific Comments and Observations below).

CAFII therefore strongly encourages the FCAC to participate in the national co-ordinating body activities of the Canadian Council of Insurance Regulators (CCIR), which seeks to promote consistency and harmonization among insurance regulators. The federal Office of the Superintendent of Financial Institutions (OSFI) – even though it deals almost exclusively with prudential regulatory issues -- has, for many years, been an Associate Member with a seat at the CCIR table, in the interests of information-sharing, co-ordination, and harmonization. A strengthening of CCIR as a forum and "shared space" for provincial/territorial and federal regulators to discuss their expectations, plans, and outcomes around insurance regulation – through FCAC's direct and active participation -- would, we strongly believe, be of major benefit to all regulator participants, to industry, and ultimately to consumers.

The FCAC's potential involvement in CCIR deliberations could go a long way toward addressing the probability that there will be circumstances where an FRFI's compliance with the FCAC's Guideline on Appropriate Products and Services will give rise to the unintended consequence of non-compliance with provincial/territorial regulations. For example, CAFII members offer CPI in branches and call centres, as well as digitally; and since it is non-licensed individuals who are offering these products, they cannot conduct a comprehensive needs or suitability analysis and they are prohibited from offering insurance advice or recommendations. Given that there are expectations in the proposed Appropriateness Guideline that seem to require the provision of advice or recommendations with respect to an offer of insurance, they would cause CAFII members to be off-side of provincial and territorial licensing regulations.

Another unintended consequence of the new FCAC Guideline may be that vulnerable populations who need insurance coverage may not be able to access bank-offered CPI and travel insurance Authorized Insurance Products, due to the additional barriers that the Guideline will put in place (see comment on Clause 10 under Specific Comments and Observations below).

With all of these considerations in mind, CAFII requests that the FCAC provide an exemption for CPI and travel insurance Authorized Insurance Products from the ambit of the proposed Guideline on Appropriate Products and Services, so that the above-noted unintended and harmful consequences can be avoided.

As a contingency alternative, we would request an explicit acknowledgement within the Guideline which confirms that compliance with it should not create non-compliance with any other applicable legislative and/or regulatory requirements. To be more specific, language could be added to the Guideline to the effect that 'in the event of a conflict between the Guideline and other legislation or regulations, the FCAC expects the industry to comply with the latter.'

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We believe that this recommendation/request reinforces our earlier point about a shared forum/space for federal and provincial insurance regulators to discuss their respective approaches to regulating the industry; and that a co-ordinated approach among federal and provincial/territorial regulatory authorities could address any potential concerns related to the interpretation and application of their respective requirements.

In concluding this section on General Comments and Observations, we note that the FCAC's pre-consultation work, which produced the current draft of the proposed Guideline, was conducted with one industry Association alone; and that the time period now being allowed for all other industry stakeholders to provide feedback is a rather compressed 45 calendar days.

In that connection, we note again that CAFII members offer a unique CPI and travel insurance Authorized Insurance product set for consumers' protection; and, as noted above, our members must deal and comply with unique multi-jurisdictional/layered regulatory requirements.

However, the FCAC did not call upon CAFII to share insights about CPI and travel insurance Authorized Insurance Products during the pre-consultation phase of its work on the proposed Guideline. We believe that a more open, inclusive approach to the pre-consultation work -- with more than one industry stakeholder involved -- would have allowed the FCAC to receive broader feedback over a less-compressed and hurried time period. We therefore encourage the FCAC, in future consultations, to broaden the stakeholders it initially consults in any pre-consultation work; with and to provide a minimum of 60 calendar days for written feedback submissions.

<u>**Specific Comments and Observations**</u>

- We note that Clause 2 in the document establishes "Policies and Procedures" as a defined term related to the appropriateness check performed with a customer as part of the offer or sale of a product. However, throughout the document there are also references to policies and procedures generally, interspersed with the use of upper case "Policies and Procedures" to denote the defined term. We recommend that the document maintain a constant and clear distinction between the two types of policies and procedures (i.e. "Policies and Procedures" related to the appropriateness check at the time of the offer; and more general policies and procedures within an FRFI). For example, it would not be appropriate for the policies and procedures that govern the conversations at the time of an offer of or enrolment in insurance also to include content related to officers' compensation, product development, review of customer-facing materials, and other more general practices addressed through other policies and procedures within a financial institution which are not germane to the appropriateness check performed with a customer.

- We applaud the proposed Guideline's recognition that there is not one size fits all in financial products and services, as noted in Clause 4: "FCAC recognizes that Banks may tailor their Policies and Procedures in accordance with the nature, size and complexity of their business, distribution channels, and products and services." We believe that this recognition is important in the context of the challenges of meeting some of the FCAC's expectations for CPI. (As noted above, provincial/territorial regulatory frameworks create unique complexities for CPI.)

We also recommend adding to this clause an explicit acknowledgement that compliance should not create the risk of non-compliance with any other applicable legislative and/or regulatory requirements. To be more specific, language could be added to the Guideline to the effect that 'in the event of a conflict between the Guideline and other legislation or regulations, the FCAC expects the industry to comply with the latter.'

- We interpret Clause 5 to mean that while the Guideline is aimed at banks, other federally-regulated entities can use it as well. We recommend that this clause include the statement that policies and procedures developed to align with the Guideline should be consistent with other applicable legislative and/or regulatory requirements.

- With respect to Clause 6, this is another relevant section that would benefit from the insertion of an acknowledgement that compliance with the Guideline should not result in non-compliance with other applicable legislative and/or regulatory requirements. To be more specific, language could be added to the Guideline to the effect that 'in the event of a conflict between the Guideline and other legislation or regulations, the FCAC expects the industry to comply with the latter.'

- Many of the requirements of Clause 10 may be problematic for CPI, which is offered by non-licensed individuals who cannot offer advice or conduct a comprehensive needs assessment with a customer. As written, we interpret this section to mean that the FCAC expects a level of customer service which can only be delivered by licensed individuals within provincial/territorial insurance regulatory frameworks. If that interpretation is correct, whole groups of people may not be able to access CPI and travel insurance Authorized Insurance protection through a bank, if it is only to be offered by licensed individuals. More vulnerable populations would thereby be put at risk – which is not a positive outcome for consumers, society, or government.

- We note the following inconsistency: Clauses 10i and 10iii speak of an FRFI collecting information "before it offers or sells products or services to them" while Clause 19 says "A Bank's Policies and Procedures should ensure that the bank conducts an appropriateness assessment when it offers or sells products or services to consumers." We believe that the use of the term "when" is more appropriate than "before." We note that the underlying legislation and the FCPF Regulations do not specify that the appropriateness check must occur "before" the bank offers products or services. Linking the requirement to "when" an offer is being made would also ensure that the information the customer receives is relevant to his/her/their particular interests. With respect to Clause 10iv, we believe that for reasonableness and practicality, the wording should be adjusted to indicate that a customer needs to be informed of the appropriateness (or inappropriateness) of a product if it is being offered to him/her/them, or if he/she/they have expressed an interest in it.

- We note that some clauses, such as 16, 17, and 18, appear to address issues that are broader than the appropriateness of products and services. Yet, these sections utilize the upper case "Policies and Procedures," which is defined in Clause 2 as being specific to the appropriateness check performed with a customer.

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- Clause 17 is an example of a move towards a more prescriptive, as opposed to principles-based, approach by moving beyond an articulation of the regulator's expectations and desired outcomes to dictating how the regulated entity is to achieve those expectations and outcomes.

As a key stakeholder industry Association, CAFII again thanks the FCAC for the opportunity to provide feedback comments on its proposed *Guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks*. Should you require further information from CAFII or wish to meet with representatives from our Association on this or any other matter at any time, please contact Brendan Wycks, CAFII Co-Executive Director, at brendan.wycks@cafii.com or 647-218-8243.

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.

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 6(f)
Read Only Items: January 28/22 CAFII Response Submission to AMF on Revised/Updated "Sound Commercial Practices Guideline"

Purpose of this Agenda Item – *Read Only*

This is a read only item.

Background Information

Attached is the January 28/22 CAFII Response Submission to the AMF on its Revised/Updated *"Sound Commercial Practices Guideline."*

Recommendation / Direction Sought – *Read Only*

This is a read only item.

Attachments Included with this Agenda Item

2 attachments.

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Le 28 janvier 2022

Me Philippe Lebel
Secrétaire et directeur général des affaires juridiques
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640, boulevard Laurier, 3e étage
Québec (Québec) G1V 5C1
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Objet : Commentaires de l'ACIFA sur la mise à jour de la ligne directrice sur les saines pratiques commerciales de l'AMF

Cher Monsieur Lebel :

CAFII remercie l'AMF de lui avoir donné l'occasion de formuler des commentaires sur le projet de mise à jour de la ligne directrice sur les saines pratiques commerciales de l'Autorité.

Commentaires généraux

Nous notons que la ligne directrice initiale sur les saines pratiques commerciales (2013) était un document de 13 pages, et que la version mise à jour est beaucoup plus détaillée avec 23 pages.

En ce qui concerne le niveau de détail du document et la longueur totale qui en résulte, l'ACIFA croit fermement que les réglementations et les lignes directrices fondées sur les pratiques de marché devraient souligner les attentes des régulateurs en matière de résultats pour les consommateurs, mais sans entrer dans les détails prescriptifs sur la façon d'atteindre ces résultats.

En ajoutant beaucoup plus de contenu prescriptif à la version mise à jour de la ligne directrice sur les saines pratiques commerciales, l'AMF s'est éloignée de la réglementation fondée sur des principes pour spécifier aux entités réglementées - les entreprises qui ont l'expérience commerciale directe des relations avec les consommateurs et de la gestion des relations avec les clients - comment elles doivent agir, de certaines manières spécifiques. C'est tout à fait différent que de définir les attentes de l'AMF, en tant que régulateur, en matière de résultats pour les consommateurs, et de laisser les entités réglementées déterminer les meilleurs moyens de réaliser vos attentes. L'ACIFA est d'avis qu'une approche réglementaire largement prescriptive entraîne une augmentation de la charge réglementaire et des inefficacités du secteur, sans pour autant produire des avantages compensatoires en matière de protection des consommateurs.

En tant que commentaire préliminaire spécifique à l'ACIFA, nous voulons souligner que les produits d'assurance crédit offerts par nos membres aux Québécois sont très différents des autres types de couverture d'assurance vie et santé disponibles sur le marché.

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Les produits d'assurance crédit sont proposés en relation avec un titre de créance connexe, tel qu'un prêt hypothécaire, une ligne de crédit hypothécaire, un prêt à la consommation ou une carte de crédit. Les Québécois, comme les Canadiens en général, sont généralement très peu assurés ou non assurés. Par conséquent, l'offre de ces produits - qui, dans le cas de l'assurance-vie hypothécaire, protège les consommateurs contre une perte catastrophique associée à ce qui est généralement la plus grande dette contractée au cours d'une vie - constitue une option de protection importante pour les Québécois.

Cependant, les produits d'assurance crédit sont principalement offerts par des personnes sans permis de représentants en assurance travaillant dans des institutions financières - en vertu du régime québécois de distribution sans représentant - et ces employés ne peuvent pas fournir de conseils aux clients ni effectuer une analyse complète des besoins ou une évaluation de la pertinence. Bien que des informations soient fournies aux clients pour qu'ils puissent prendre une décision éclairée, les employés ne sont pas en mesure de déterminer si les produits conviennent au client. Des informations sur les produits sont plutôt fournies afin que le client puisse évaluer lui-même leur convenance.

Commentaires spécifiques

L'ACIFA est d'avis qu'une partie très importante de la ligne directrice sur les saines pratiques commerciales mise à jour est la partie 2 sur la culture d'entreprise, et nous sommes d'accord avec l'avis de l'AMF selon lequel « La culture d'entreprise est l'un des principaux vecteurs dictant le comportement des membres du personnel au sein d'une institution. » Toutefois, nous constatons également que la culture d'entreprise est difficile à mesurer.

En ce qui concerne la culture d'entreprise, les membres de l'ACIFA sont très engagés envers le traitement équitable des clients, et agissent d'une manière conforme à cet engagement. À ce titre, nous estimons que l'AMF ne devrait pas présumer que les entreprises n'ont pas de culture d'entreprise de traitement équitable des clients en place, à moins qu'il n'y ait des indices pour le prouver.

En ce qui concerne les intermédiaires et autres fournisseurs de services externes, les membres de l'ACIFA s'engagent à respecter le principe selon lequel l'impartition de certaines activités à des partenaires commerciaux ne supprime pas l'obligation de maintenir et d'assurer le traitement équitable des clients en ce qui concerne les activités imparties.

En ce qui concerne les conflits d'intérêts, les membres de l'ACIFA soutiennent - et font tout leur possible pour intégrer dans leur culture organisationnelle - les dispositions relatives à la gestion des conflits d'intérêts qui sont énoncées dans le document du CCRR et des OCRA : *Conduite des activités d'assurance et traitement équitable des clients.* Ces efforts de vigilance consistent notamment à s'assurer que l'intérêt du client prime sur celui de la représentant ou du vendeur ou du conseiller; à divulguer les conflits d'intérêts ou les conflits d'intérêts potentiels; et à traiter la convenance du produit de manière appropriée.

À cet égard, nous notons que la partie 6.7 de la ligne directrice sur les saines pratiques commerciales mise à jour, intitulée « Offre d'un produit à un client », énonce une attente selon laquelle « Les politiques, procédures et contrôles de l'institution devraient permettre de s'assurer que le produit offert convient au client. » (Page 18)

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En ce qui concerne la convenance du produit, la position de l'ACIFA est que si un client est « admissible » à l'adhésion à l'assurance crédit (une forme d'assurance collective), alors cette couverture d'assurance est « appropriée » pour cette personne. Toutefois, comme indiqué ci-dessus, en raison des exigences du régime de permis d'assurance au Québec (et dans d'autres provinces et territoires), un représentant d'une institution financière offrant l'assurance crédit ne peut pas fournir de conseils ni effectuer une analyse complète de la convenance ou des besoins du client.

À cet égard, en plus de se conformer aux lignes directrices du CCRR et des OCRA, les membres de l'ACIFA adhèrent également à toutes les lignes directrices pertinentes de l'ACCAP; et nous offrons les observations suivantes sur la ligne directrice 13 de l'ACCAP qui est directement pertinente, intitulée *Structures de rémunération : Gestion des conflits d'intérêts.*

Nous sommes tout à fait d'accord avec les prémisses fondamentales de la ligne directrice 13 selon lesquelles « Un solide mécanisme de rémunération est nécessaire si l'on veut attirer et retenir des professionnels qualifiés qui offriront et placeront des produits d'assurances de personnes répondant aux besoins des consommateurs. En outre, tout mécanisme de rémunération bien conçu doit prendre en compte le risque de conflit d'intérêts que présente la rémunération liée aux ventes », et que « l'un des éléments du traitement équitable des clients repose notamment sur des stratégies de rémunération et de récompense donnent des résultats équitables pour les clients ».

Sur une autre question importante, notre association est préoccupée par la nature prescriptive de deux clauses spécifiques de la ligne directrice mise à jour, dont la première est « Aviser le client de tout changement significatif qui survient relativement à la divulgation des conflits d'intérêts qui lui a déjà été transmise. »

Nous sommes d'avis que le fait de suivre et de signaler aux clients les changements apportés aux conflits d'intérêts historiques, précédemment divulgués, présente beaucoup moins d'intérêt pour la protection des consommateurs que le fait de mettre en place les procédures et les contrôles nécessaires pour garantir que les conflits d'intérêts actuels et existants sont gérés correctement.

La nouvelle exigence prescrite « d'aviser le client » créera une nouvelle charge réglementaire pour le secteur; de plus, elle entraînera probablement une confusion chez les consommateurs quant à la raison pour laquelle ils reçoivent une mise à jour d'un conflit d'intérêts déjà divulgué, sans qu'aucune amélioration compensatoire de la protection des consommateurs ne vienne contrebalancer la confusion créée.

Dans le même ordre d'idées, nous estimons que la clause suivante est très prescriptive et imposerait une charge réglementaire supplémentaire au secteur sans qu'aucune amélioration compensatoire de la protection des consommateurs :

> « Documenter chaque situation de conflit d'intérêts qui survient et la façon dont l'institution l'a gérée. L'information colligée devrait permettre d'évaluer l'importance du préjudice qu'un tel conflit d'intérêts peut poser au client. »

Nous notons qu'à la note de la page 11, l'AMF semble diminuer et atténuer quelque peu l'impact de cette nouvelle exigence prescriptive, en déclarant ce qui suit :

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> « Par exemple, dans le cas d'un préjudice peu important envers le client, l'institution financière pourrait consigner l'information de façon plus générale, notamment par catégorie ou par type de conflit, plutôt que d'en consigner chaque cas et son traitement. »

Néanmoins, exiger des entités réglementées qu'elles documentent chaque situation de conflit d'intérêts de manière détaillée - alors que les membres de l'ACIFA ont des millions d'interactions chaque année avec les clients - revient à promouvoir « les processus et les rapports » plutôt que « la culture et les pratiques commerciales appropriées ».

Nous sommes d'avis que si les processus, les procédures, les contrôles, et la formation essentiels à la protection des consommateurs sont en place, il ne devrait pas être nécessaire d'exiger des entités réglementées qu'elles effectuent ce travail supplémentaire nouvellement prescrit, en particulier lorsque toute contribution accrue à la protection des consommateurs est suspecte.

Il n'y avait aucune exigence de ce genre dans ligne directrice initiale de 2013 sur les saines pratiques commerciales; et nous croyons que l'approche initiale est beaucoup plus efficace, alors que l'AMF s'attendait à ce que l'industrie ait mis en place les éléments suivants :

> « Des mécanismes et des contrôles pour s'assurer que les dérogations aux stratégies, politiques et procédures de l'institution, les conflits d'intérêts ou toutes autres situations susceptibles de nuire au traitement équitable des consommateurs soient identifiés et traités; » (Page 5)

Nous encourageons vivement l'AMF à reconsidérer la partie 6.2 « Traitement des conflits d'intérêts » dans la ligne directrice mise à jour, en tenant compte des implications pratiques de la nouvelle exigence prescriptive, et à revenir sur cet aspect à une approche fondée sur des principes.

En ce qui concerne le traitement et règlement des demandes d'indemnités, nous notons que l'AMF prévoit que « Le tout est confirmé par écrit au client, et la possibilité de demander une révision de la décision lui est offerte. » (Page 21)

Nous demandons à l'AMF de clarifier et de confirmer que l'expression « par écrit » ne se limite pas aux communications sur papier et que la communication avec les clients par voie numérique ou par d'autres moyens électroniques sera conforme à cette attente.

En ce qui concerne le traitement des plaintes et le règlement des différends, l'ACIFA a récemment présenté une soumission écrite détaillée liée à la consultation de l'AMF sur son « Projet de règlement sur le traitement des plaintes et le règlement des différends dans le secteur financier ».

<u>Conclusion</u>

En tant qu'acteur clé du secteur, l'ACIFA remercie à nouveau l'AMF de lui donner l'occasion de formuler des commentaires sur le projet de mise à jour de la ligne directrice sur les saines pratiques commerciales de l'Autorité. Si vous souhaitez obtenir de plus amples renseignements de la part de L'ACIFA ou rencontrer des représentants de notre Association au sujet de cette soumission ou de toute autre question, veuillez communiquer avec Keith Martin, codirecteur général de L'ACIFA, à keith.martin@L'ACIFA.com ou au numéro 647-460-7725.

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Veuillez agréer, Monsieur Lebel, l'expression de mes sentiments les meilleurs.

Rob Dobbins
Secrétaire du Conseil d'administration et président du Comité exécutif des opérations

c.c. M. Éric Jacob, Surintendant de l'assistance aux clientèles et de l'encadrement de la distribution
M. Patrick Déry, Surintendant de l'encadrement de la solvabilité
Mme Louise Gauthier, Directrice principale des politiques d'encadrement de la distribution
M. Mario Beaudoin, Directeur des pratiques de distribution alternatives en assurance

À propos de l'ACIFA

L'ACIFA est une association sectorielle à but non lucratif qui se consacre au développement d'un marché de l'assurance ouvert et flexible. Notre association a été créée en 1997 pour donner une voix aux institutions financières qui vendent des assurances par l'entremise de divers canaux de distribution. Nos membres proposent des assurances par le biais de centres d'appels, d'agents et de courtiers, d'agences de voyage, de publipostage, de succursales d'institutions financières et d'Internet.

L'ACIFA croit que les consommateurs sont mieux servis lorsqu'ils ont un choix significatif dans l'achat de produits et services d'assurance. Nos membres offrent l'assurance voyage, l'assurance vie, l'assurance maladie, l'assurance dommages et l'assurance-crédit collective dans tout le Canada. En particulier, l'assurance-crédit collective et l'assurance voyage sont les lignes de produits sur lesquelles se concentre l'ACIFA, car nos membres ont un point commun.

La diversité des membres de l'ACIFA permet à notre association d'avoir une vue d'ensemble du régime réglementaire qui régit le marché de l'assurance. Nous travaillons avec les gouvernements et les organismes de réglementation (principalement provinciaux et territoriaux) afin d'élaborer un cadre législatif et réglementaire pour le secteur de l'assurance qui contribue à garantir que les consommateurs canadiens obtiennent les produits d'assurance qui répondent à leurs besoins. Notre objectif est d'assurer la mise en place de normes appropriées pour la distribution et la commercialisation de tous les produits et services d'assurance.

Les membres de l'ACIFA comprennent les branches d'assurance des principales institutions financières du Canada - BMO Assurance, Assurance CIBC, Desjardins Assurances, Banque Nationale Assurances, RBC Assurances, La Financière ScotiaVie, et TD Assurance - ainsi que les principaux acteurs de l'industrie: Assurant, Assurance-vie Canada, la Banque Canadian Tire (BCT), Compagnie d'assurance-vie Première du Canada, CUMIS Services Incorporated, Manuvie (La Compagnie d'Assurance-Vie Manufacturers), Sun Life, et Valeyo.

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28 January, 2022

Mr. Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
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c.c. Mr. Éric Jacob, Superintendent, Client Services and Distribution Oversight
Mr. Patrick Déry, Superintendent, Solvency
Ms. Louise Gauthier, Senior Director, Distribution Policies
Mr. Mario Beaudoin, Director, Alternative Insurance Distribution Practices

Re: CAFII Feedback On AMF's Draft Sound Commercial Practices Guideline Update

Dear Mr. Lebel:

CAFII thanks the AMF for the opportunity to provide feedback comments on the Autorité's draft update to its existing Sound Commercial Practices Guideline.

General Feedback Comments

We note that the original Sound Commercial Practices Guideline (2013) was a 13 page document, and the updated version is much more detailed at 23 pages.

Germane to the document's level of detail and resulting overall length, CAFII strongly believes that market conduct-based regulations and guidelines should outline regulators' consumer outcome expectations but not get into prescriptive details as to how to achieve those outcomes.

By adding significantly more prescriptive content to the updated Sound Commercial Practices Guideline, the AMF has moved away from principles-based regulation and into specifying for regulated entities – the companies which have the direct business experience of dealing with consumers in the marketplace and with managing customer relationships – how they must act, in certain specific ways. That is altogether different from setting out the AMF's consumer outcome expectations as the regulator, and leaving it to regulated entities to determine the best ways and means to achieve your expectations. In CAFII's view, a largely prescriptive regulatory approach will result in increased regulatory burden and industry inefficiencies, while not providing any offsetting consumer protection benefits.

As a CAFII-specific opening comment, we also want to emphasize that the credit protection insurance (CPI) products that our members offer to Quebeckers are very different from other types of life and health insurance coverage available in the marketplace.

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CPI products are offered in connection with a related debt obligation, such as a mortgage, home equity line of credit, consumer loan, or credit card. Quebeckers, like Canadians generally, are typically significantly underinsured or uninsured. Therefore, the offering of these products -- which in the case of mortgage life insurance protects consumers against a catastrophic loss associated with what is generally the largest debt obligation taken on in one's lifetime – provides an important protection option for Quebeckers.

However, CPI products are offered primarily by unlicensed individuals working in financial institutions – under Quebec's Distribution Without Representation regime – and those representatives cannot provide customers with advice nor perform a comprehensive needs analysis or suitability assessment.

While information is provided to customers to ensure that they can make an informed decision, representatives are not able to determine the suitability of products for the customer. Instead, information about the products is provided so that the customer can make his/her own assessment of suitability/appropriateness.

Specific Feedback Comments
It is CAFII's view that a very important section of the updated Guideline is Section 2 on Business Culture, and we agree with the AMF's view that "Business culture is one of the main vectors of staff behaviour within an institution." However, we also note that business culture is difficult to measure.

With respect to business culture, CAFII members are very committed to the fair treatment of customers (FTC), and act in a manner consistent with that commitment. As such, we feel that the AMF should not assume that companies do not have an FTC business culture in place, unless there are indicators to substantiate that.

With respect to intermediaries and other external service providers, CAFII members are committed to the principle that outsourcing certain activities to business partners does not remove the obligation to maintain and ensure FTC with respect to the outsourced activities.

With respect to conflicts of interest, CAFII members support -- and make every effort to embed in their organizational cultures -- the provisions on managing conflicts of interest which are set out in the CCIR/CISRO *Guidance: Conduct of Insurance Business and Fair Treatment of Customer*s. Those vigilant efforts include ensuring that the customer's interest takes precedence over the representative's/salesperson's/advisor's interest; disclosing conflicts or potential conflicts of interest; and addressing product suitability in an appropriate manner.

In that connection, we note that Section 6.7 of the updated Sound Commercial Practices Guideline on "Offering a product to a client" sets out an expectation that "*The institution's policies, procedures and controls should ensure that the product offered is suitable for the client." (page 17)*

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With respect to product suitability/appropriateness, it is CAFII's position that if a customer is 'eligible' for enrolment in CPI (a form of group insurance), then that insurance coverage is 'appropriate' to be offered to that individual. However, as noted above, due to insurance licensing regime requirements in Quebec (and other provinces/territories), a financial institution representative offering CPI cannot provide advice to nor perform a comprehensive suitability or needs analysis for the customer.

In that regard, in addition to complying with the *CCIR/CISRO Guidance*, CAFII members also adhere to all relevant CLHIA Guidelines; and we offer the following observations on directly relevant CLHIA *Guideline G13, Compensation Structure: Managing Conflicts of Interest.*

We strongly concur with *G13*'s fundamental premises that "a robust compensation system is needed to attract and retain qualified professionals to offer, place and service life and health insurance products that meet the needs of the consumer. At the same time, it is important that well-designed compensation systems be alert to the risk that sales-related compensation could create conflicts of interest"; and that "one element of FTC is that remuneration and reward strategies take account of fair customer outcomes."

On a separate but important matter, our Association has concerns with the prescriptive nature of two particular clauses in the updated Guideline, the first of which is "Notify the client of any significant change that occurs regarding previously disclosed conflicts of interest."

It is our view that tracking and reporting to clients on changes to historical, previously disclosed conflicts of interest is of far less consumer protection value than having the necessary procedures and controls in place to ensure that current/existing conflicts of interests are managed properly.

The prescribed new "Notify the client" requirement will create a new regulatory burden upon the industry; and further, it will likely create confusion among consumers as to why they are receiving an update to a previously disclosed conflict of interest, without any offsetting enhancement to consumer protection that would outweigh the confusion created.

In a similar vein, in our view, the following clause is very prescriptive and would impose additional regulatory burden upon the industry, without providing any offsetting consumer protection benefits:

> *Document each conflict of interest situation that arises and how the institution managed it. The information collected should provide a basis for assessing the extent of the harm that may be caused to the client by such a conflict of interest.*

We note that in footnote 10, the AMF seems to diminish and mitigate somewhat the impact of this new prescriptive requirement, by stating the following:

> *For example, if the harm to the client is insignificant, the financial institution could record the information in a more general manner, such as by category or type, rather than recording each case and the way it was handled.*

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CAFII members have millions of interactions each year with customers. Requiring regulated entities to document each conflict of interest situation in detail will not provide any additional consumer protection benefits, but will simply promote 'process and reporting' over 'appropriate business culture and practices.'

We believe that if the processes, procedures, controls, and training essential to protecting consumers are in place, it should not be necessary to require regulated entities to perform this newly prescribed 'busy work,' especially when any enhanced contribution to consumer protection is suspect.

There was no such requirement in the original 2013 Sound Commercial Practices Guideline; and we believe that the original approach is much more effective, where the AMF expected industry to have in place the following:

> *mechanisms and controls to identify and deal with any departure from the institution's strategies, policies and procedures, any conflicts of interest or any other situation likely to interfere with fair treatment of consumers (page 9).*

We strongly encourage to AMF to reconsider *Section 6.2 – Handling conflicts of interest* in the updated Guideline, taking into account the practical implications of the new prescriptive requirement; and to return to a principles-based approach on this matter.

On the subject of Claims Examination and Settlement, we note that the AMF sets out the expectation that "*Everything is confirmed in writing to the client, who is offered the opportunity to request a review of the decision."* (page 20)

We ask the AMF to clarify and confirm that "in writing" is not intended to be limited to paper-based communication; and that communicating with customers digitally or by other electronic means will constitute compliance with this expectation.

With respect to Complaint Processing and Dispute Resolution, CAFII has recently made a detailed written submission on the AMF's separate consultation on its "Draft Regulation on Complaints Handling and Dispute Resolution in the Financial Sector."

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Conclusion
As a key industry stakeholder, CAFII again thanks the AMF for the opportunity to offer feedback comments on the draft update to the Autorité's Sound Commercial Practices Guideline. 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 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.

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 6(g)
Read Only Items: February 7/22 CAFII Response Submission to FCNB on "Rule INS-001: Insurance Intermediaries Licensing and Obligations"

Purpose of this Agenda Item – *Read Only*

This is a read only item.

Background Information

Attached is the February 7/22 CAFII Response Submission to FCNB on its *"Rule INS-001: Insurance Intermediaries Licensing and Obligations."*

Recommendation / Direction Sought – *Read Only*

This is a read only item.

Attachments Included with this Agenda Item

1 attachment.

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February 7, 2022

Corporate Secretary
Financial and Consumer Services Commission
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secretary@fcnb.ca
c.c.: david.weir@fcnb.ca; ella-jane.loomis@fcnb.ca

Re: CAFII Feedback on FCNB Draft Rule INS-001: Insurance Intermediaries Licensing and Obligations

Dear Corporate Secretary:

CAFII commends FCNB for undertaking this consultation. As a key industry stakeholder, we appreciate the opportunity to provide feedback on the licensing provisions and related market conduct obligations set out in Draft Rule INS-001.

CAFII's focus as an industry Association is on credit protection insurance (CPI) and travel insurance, the product sectors of the life and health insurance industry in which our members offer simple, accessible, and affordable insurance solutions for Canadians through alternate distribution channels such as financial institution branches, internet/online/digital, contact centres, and direct mail. CPI and travel insurance are Authorized Insurance Products under the federal Bank Act and the related Insurance Business (Banks and Bank Holding Companies) Regulations.

Our major focus in this submission will be on the Draft Rule's provisions underpinning the introduction of a restricted insurance licensing regime in New Brunswick, which will be the first in Atlantic Canada, while also providing feedback on select other elements that are relevant to our Association's members.

High Level Feedback Germane To FCNB's Proposed Restricted Insurance Licensing Regime

In Draft Rule INS-001, there are a number of differences between FCNB's proposed definitions and key provisions related to the new restricted insurance licensing regime, on the one hand, and the counterpart provisions in the three existing Western Canada Restricted Insurance Agent (RIA) licensing regimes, on the other hand. Those differences will create compliance challenges and regulatory burden for CAFII members and other industry players, as they will have to navigate a new licensure regime that has the same overall consumer protection goals as the predecessor regimes but yet has numerous subtle and nuanced differences.

Therefore, CAFII believes that there is still room for New Brunswick to bring its restricted insurance licensing regime into fuller harmony with the existing RIA licensing regimes in Alberta, Saskatchewan, and Manitoba. Our view is that the Manitoba regime, the one most recently launched, is the one which operates most efficiently and effectively for both the regulator and RIA licensees; and we therefore encourage FCNB to align its new regime as closely as possible with the Manitoba model.

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In that connection, CAFII is strongly of the view that FCNB will be doing itself, the industry, and ultimately consumers a disservice if it decides to call its new restricted insurance licensing regime a "Restricted Insurance Representative" regime. That's because in common English parlance, the word "Representative" is typically used solely in connection with an individual person, whereas restricted insurance licences are issued almost exclusively to corporate entities. We believe that the proposed use of "Restricted Insurance Representative" for the name of the new regime and for the type of licence that it issues will cause wholesale and unhelpful confusion for all parties who are exposed to that terminology. We encourage FCNB to reconsider its proposed unique nomenclature and instead harmonize with the three existing Western Canada comparator regimes by calling the new regime a "Restricted Insurance Agent" licensing regime which issues "RIA licences" or "Restricted certificates."

With a view to enhancing users' ease of reading/referencing and utilizing the new Rule, we encourage FCNB to combine and integrate all of the RIA regime-related provisions into one discrete section. If the Rule is finalized as drafted, users will have to scan and search to find provisions that are scattered throughout the document in order to have confidence that they have not missed one or more important provisions. Our request for a complete integration into one discrete section – such that any RIA-relevant provision will be found only in that section and nowhere else -- will greatly assist both industry and FCNB with usability, understanding/assimilation, and industry compliance.

We also want to reiterate an RIA regime-related recommendation we made in our January 31, 2020 submission to FCNB on its *Consultation Paper Insurance 2019: Incidental Selling of Insurance, Restricted Insurance Licensing Regime*:

> *CAFII notes that when New Brunswick's proposed restricted insurance licensing regime comes to fruition and is launched, it will be the only such regime in Canada that does not have oversight from an Insurance Council populated by industry representatives to help ensure that the regime is operated, maintained, and adjudicated efficiently and effectively.*
>
> *Particularly because some adjudication/disciplinary issues are technical in nature and best understood by industry practitioners who have direct experience and expertise in the field, we believe that a Restricted Insurance Licensing Advisory Group would provide FCNB with a valuable mechanism for consultation and advice. Such an Advisory Group has been developed by the Insurance Councils of Saskatchewan, in consultation with industry stakeholders (CAFII and CLHIA), and is being launched in 2020 (actually launched in 2021 and now fully operational).*
>
> *CAFII strongly suggests that New Brunswick's new restricted insurance licensing regime would benefit immeasurably from an industry Advisory Group akin to the one about to be launched in Saskatchewan.*

As a final point of feedback on FCNB's proposed RIA regime itself, when provinces and territories are finalizing new regulatory changes, and especially when a new licensure regime is being launched, CAFII always requests that lead time of 12 to 18 months be provided to allow for our members' implementation of the required changes. These changes inevitably become major projects within our members' organizations and it takes time to ensure that the necessary systems changes are made, forms revised, staff trained, and consumers notified of how the changes will affect them.

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<u>Feedback On Specific Provisions/Clauses</u>

With respect to Clause 4.2 (page 5), we recommend that FCNB specify that a person working from home for the company will be considered to be working at the head office of the insurer.

With respect to Clause 6(1)(a) (page 6), we question why the minimum age requirement to be issued an insurance licence by FCNB is 19 years of age, and not 18 years of age which is the age of majority to be eligible to vote in New Brunswick.

With respect to Clause 6(3) (page 6), we commend FCNB for the reciprocal recognition, harmonization, and industry flexibility it is supporting via this provision.

With respect to Clause 7(2) (page 7), given that there is no reference (which we could find) in any of the three existing Western Canada RIA regimes to a licence applicant having to be distant/removed enough from a negatively-framed "objectionable"-ness threshold/standard; and, as well, given that there does not appear to be any compelling reason for FCNB to include in its Rule such a vague concept – one potentially open to arbitrary interpretation -- we recommend that FCNB either (i) harmonize with the existing RIA regimes by removing all references to "objectionable"; or, failing that, (ii) provide clear guidance, and therefore greater certainty for regulated entities, as to what would constitute "objectionable."

With respect to Clause 27(1) and 27(2) (page 11), the language here could be interpreted to mean that New Brunswick has its own particular life insurance agent licensure exam and accident & sickness insurance agent licensure exam, when in fact the LLQP exam (outside of Quebec) is the same throughout the country. Therefore, we encourage FCNB to modify the language to make that factual reality clear.

With respect to the definition of "mortgage insurance" found in Clause 31 (page 15), we recommend that FCNB should instead call the cited product "mortgage default insurance" in order to distinguish it from credit protection life/disability/critical illness/loss of employment insurance on a mortgage and thereby avoid confusion.

With respect to Clause 35(1)(d) (page 17), CAFII strongly requests that FCNB not require the provision and constant updating of branch lists, as that would be an onerous regulatory burden upon the industry; instead, we ask that FCNB work with the industry on identifying what essential information is needed and can be readily provided, so that a less onerous requirement can be put in place.

With respect to Clause 35(1)(h) (page 17), CAFII strongly requests that FCNB change this requirement by adopting the approach used in Alberta and Saskatchewan where restricted licence applicants with more than 500 employees are required to provide a numerical range for the number of employees who will be authorized to transact insurance, rather than a precise number, because in large employers/licence holders, the relevant number of employees is variable on an ongoing, practically daily basis.

With respect to Clause 36(a) (page 17), we are not clear on what "where applicable" means in this context and we ask that FCNB add clarity on that point. We are also concerned about how a call centre located outside of New Brunswick, but which supports New Brunswick customers, would fit and comply with this business name registration requirement.

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With respect to Clause 37 (page 17), CAFII strongly requests that this requirement be changed to a numeric range of employees -- as opposed to a list of actual employee names -- which would alleviate an onerous, regulatory burden compliance requirement. We reiterate the following from our January 31, 2020 submission on the FCNB's *Consultation Paper Insurance 2019: Incidental Selling of Insurance, Restricted Insurance Licensing Regime*:

> *2.2 "Do you foresee any operational challenges with authorizing the Superintendent to obtain a list of employees engaged in the business of insurance and information on any such employee? If so, what do you propose?"*
>
> *Yes, CAFII foresees significant operational challenges with authorizing the Superintendent to obtain a list of employees engaged in the business of insurance. It will be very difficult and onerous for a large restricted insurance licence holder/business, such as CAFII members, to provide such a list because the roster of employees is constantly changing, and HR and IT systems are not structured to provide real-time lists. Any such list of employees provided to the Superintendent would be outdated almost immediately and it would not put the FCNB in a position to make informed, effective decisions.*
>
> *In addition, should New Brunswick include in its restricted insurance agent licensing regime the requirement to provide such a list upon the Superintendent's request, it would be the only RIA regime in Canada to have such a requirement and, as a result, would be an outlier in this regard (Saskatchewan's RIA regime requires a list of employees but only for applicants with fewer than 500 employees, and only at the time of initial application).*
>
> *We believe that harmonizing with the Alberta, Saskatchewan, and Manitoba restricted licensing regimes on this point and not including the requirement to provide such a list will in no way compromise consumer protection; and doing so will also allow CAFII members and other insurance businesses to dedicate more of their resources to meeting consumer expectations and enhancing the consumer experience.*
>
> *In contrast, we do not foresee any such operational challenge in providing the Superintendent with information on a given/specified employee, upon request, within the parameters permitted under applicable privacy legislation.*

We note, by way of comparative example, that Manitoba's Insurance Agents and Adjusters Regulation requires, in its Clause 26(2)c, the following:

> *a statement of the number of persons who will be authorized to negotiate, solicit or transact insurance on behalf of the applicant when and if the license is issued. (Page 26.)*

With respect to Clause 38 (page 17) around "Suitability," we recommend that the term/title "Knowledge" would be a better term than "Suitable"; that "knowledgeable" would be a better term than "suitable"; and that both of those alternate terms would be more consistent with the terminology used in the three existing Western Canada RIA regimes.

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With respect to Clause 39(a) (page 18), while the requirements set out therein would be reasonable for the Designated Representative of the corporate licence holder, they would be very onerous and not achievable for financial institution (FI) branch personnel. Branch-level FI human resources policies and procedures do not currently screen for such requirements; and screening out based on such matters is not required in any of the three existing Western Canada RIA regimes. In those jurisdictions, the RIA licensee is responsible for the behaviour of its employees and for ensuring that they adhere to corporate and industry codes of conduct and guidelines; and CAFII strongly believes that should be the requirement in New Brunswick as well.

With respect to Clause 40(1) (page 18), we recommend that the words "for the related product or service" should be replaced with the following: "for the related debt obligation, product or service."

Further with respect to Clause 40(1) (page 18), CAFII fully supports the requirement that an application for the classes/types of CPI specified therein shall use a form separate from the related debt obligation, product or service because that requirement will enhance the consumer's ability to fully appreciate the nature of the insurance being offered and to assess whether it is appropriate for his/her needs. In that connection, we thank FCNB for adopting our previous recommendation and stipulating in 40(2) (page 18) that the application for insurance in subsection (1) can cover multiple classes or types of insurance.

However, that said, with respect to that same provision, we draw FCNB's attention to the fact that use of the word "form" in this provision could be problematic – because it suggests a physical or standalone document. When an application for CPI is taken digitally, the application will be distinct from the application for the credit product but it can be part of the same digital flow. Therefore, the wording used by Alberta would be preferable, as follows:

> *Alberta, Insurance Agents and Adjusters Regulation*
> ***14(1)*** *When a holder of a restricted certificate negotiates or enters into a transaction with a person for credit-related insurance at the same time as a credit arrangement is being negotiated or entered into with the person, the holder must provide the person with a separate application for the insurance coverage.*

With respect to Clause 42 (page 19), we recommend that FCNB include additional language to clarify that informing a customer "in writing" includes digital or electronic communication; and that this same clarification point should also be added elsewhere in the Draft Rule wherever "in writing" is referenced.

With respect to that same provision, we want to draw to FCNB's attention the fact that it is problematic to require that information be provided to a client 'in writing at time of application' because, particularly in the case of CPI, an application may be taken over the phone. It would be preferable to follow the approach taken by either (i) Alberta, which requires that information be provided to clients at time of application but does not specify that it be provided in writing (which allows for verbal disclosure); or (ii) Quebec, which allows for the required information to be delivered to the client when the certificate of insurance is delivered, if the client provides consent and the information is verbally disclosed to the client at time of application.

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With respect to Clause 43 (page 19), CAFII has serious concerns about and strongly objects to this provision which imposes different and heightened disclosure requirements for a particular type/class of insurance products, in this case CPI products. We view this regulatory singling out as a "tilting of the level playing field" and a form of favouritism/bias. We have no objection to the disclosure requirements set out here, but they should apply equally to all types/classes of insurance, rather than just one. Should this Clause – which is not found in any of the three existing Western Canada RIA regimes -- remain in the final Rule, CAFII strongly implores FCNB to make it universal to all classes/types of insurance.

In a similar vein, CAFII has serious concerns about and strongly objects to Clause 45 because it squarely puts the regulator, FCNB, in a position of favouring one insurance distribution channel over a competing distribution channel. By forcing RIA representatives and employees to effectively refer clients to licensed insurance agents for a second opinion, the unintended but equally unacceptable consequence would be the tilting of what is otherwise a level playing field. Licensed agents will not recommend the simple, accessible, affordable CPI insurance products offered by FIs because such sales do not provide them with a commission. New Brunswickers and their fellow Canadians across the country are vastly uninsured and underinsured, and CPI provides them with an opportunity to obtain protection against unexpected life occurrences that could severely impair their ability to repay a major debt obligation, possibly leading to a catastrophic financial loss. This Clause – which is not found in any of the three existing Western Canada RIA regimes -- would effectively and practically eliminate that option, and thereby limit the degree of choice that consumers have in a competitive marketplace. We are strongly of the view that this Clause should be struck in its entirety.

That same provision may also cause FIs to breach inadvertently the Insurance Business (Banks and Bank Holding Companies) Regulations under the federal Bank Act, which prohibit banks from referring clients to insurance agents, brokers or companies.

With respect to Clause 46 (page 20) and Clause 52 (page 21), we believe that there is significant overlap between them and that it would be beneficial, and help to avoid confusion, to combine them.

With respect to Clause 75 (page 28), CAFII believes that use of the term "suitable" in subsection (1) and "suitability" in subsection (2) is inappropriate. Instead, we recommend that FCNB adopt the following wording found in Clause 28 of the *Manitoba Insurance Agents and Adjusters Regulation*:

> *A person may not be the designated official under a restricted insurance agent licence unless (b) the person has the qualifications, and satisfies the educational, training and other standards, established under section 396.1 of the Act.*

With respect to Clause 77(2) (page 28), we believe that the expectation set out in this clause is too sweeping and broad. The designated representative has responsibility for, but not oversight of, all employees. Therefore, we recommend that FCNB adjust the wording of this responsibilities clause accordingly.

With respect to Clause 77(1) and 78(1) (both on page 28), CAFII views the two as highly duplicative. Given that 78(1) is more comprehensive, we recommend that you replace the current 77(1) with the current 78(1); delete the current 78(1) from its current position; and have the current 78(2) become 78(1).

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Another feedback observation on Clause 77 (page 28) is that use of the term "firm" is not consistent with the terminology used in other provinces. We suggest that "entity" might be the best term, with other alternatives being "holder of the Certificate of Authority" or "owner of the Certificate." In our view, it is also strongly advisable to make it clear that the sub-clauses found under 77 pertain to the licence holder and not to the entire FI; and also that they do not pertain to all insurance activities, just to those undertaken in relation to distribution.

With respect to Clause 81(3) (page 30), we note that the requirements set out therein are already set out in other relevant legislation and regulations, related to privacy and the use of personal information, such as the *Personal Information Protection and Electronic Documents Act (PIPEDA)*. It is also our view that the modifier words "without delay," impose too onerous a requirement and should be modified.

With respect to Clause 84 (page 30), CAFII strongly recommends that clarification language be added to this provision to make it clear that brand names can also be displayed in relation to the activities authorized by the licence.

With respect to Clause 85(2) (page 30), CAFII strongly recommends that the language therein should be modified to indicate that it is acceptable to disclose potential conflict of interest information in the disclosure documents which are sent to the customer after a transaction has been completed.

With respect to Part 12 Duty to Report (pages 33-34), CAFII recommends that the notification/reporting period to the Superintendent be increased from 10 days to 15 days.

With respect to Clause 94(3)(b) (page 34), CAFII thanks FCNB for adopting our previous recommendation that it provide an exemption for RIAs that are federally regulated financial institutions (FRFIs), given that under the federal *Trust and Loan Companies Act*, FRFIs are exempt from having to carry errors and omissions insurance.

With respect to Clause 99 and Clause 104(1) under Part 14 Trust Accounts (pages 35-36), CAFII believes that, in the case of CPI, these matters are already fully covered by the wording set out in group master policies; and therefore, compliance with these provisions should not be a requirement to obtain or maintain an RIA licence for a CPI business.

With respect to Clause 105 (page 36), CAFII believes that the scenario contemplated therein applies to MGAs but not to CPI. Therefore, we recommend that reference to RIA licence holders be removed from this Clause.

Finally, with respect to Clause 112 (page 37), CAFII believes that an unintended drafting error can be corrected by changing the wording from "for 60 days after submitting the application" to "for 60 days after issuance of the licence," as applicants cannot conduct activity until the licence is issued.

Concluding Comments

CAFII again thanks FCNB for the opportunity to provide key industry stakeholder feedback on *Draft Rule INS-001: Insurance Intermediaries Licensing and Obligations.* 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 Brendan Wycks, CAFII Co-Executive Director, at brendan.wycks@cafii.com or 647-218-8243.

Sincerely,

Rob Dobbins
Board Secretary and Chair, Executive Operations Committee

About CAFII

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 6(h)
Read Only Items: February 15/22 CAFII Response Submission to FSRA on "Information Guidance on Complaints Resolution"

Purpose of this Agenda Item – *Read Only*

This is a read only item.

Background Information

Attached is the February 15/22 CAFII Response Submission to FSRA on its *"Information Guidance on Complaints Resolution."*

Recommendation / Direction Sought – *Read Only*

This is a read only item.

Attachments Included with this Agenda Item

1 attachment.

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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 handing 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.

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#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.

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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 or 647-460-7725.

Sincerely,

Rob Dobbins
Board Secretary and Chair, Executive Operations Committee

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 6(i)
Read Only Items: February 18/22 CAFII Response Submission to FCNB on "Proposed Rule INS-002: Insurance Fees"

Purpose of this Agenda Item – *Read Only*

This is a read only item.

Background Information

Attached is the February 18/22 CAFII Response Submission to FCNB on its "Proposed Rule INS-002: Insurance Fees."

Recommendation / Direction Sought – *Read Only*

This is a read only item.

Attachments Included with this Agenda Item

1 attachment.

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February 18, 2022

Corporate Secretary
Financial and Consumer Services Commission
85 Charlotte Street, Suite 300
Saint John, New Brunswick E2L 2J2
E-mail: secretary@fcnb.ca
c.c. David Weir, Senior Technical Advisor, FCNB
Ella-Jane Loomis, Senior Legal Counsel, FCNB

Dear Sir or Madam:

Re: CAFII Feedback On FCNB's Proposed Rule INS-002 Insurance Fees

The Canadian Association of Financial Institutions in Insurance (CAFII) appreciates the opportunity to offer feedback comments on FCNB's proposed *Rule INS-002 Insurance Fees*.

Overall, we support the fee amounts and related provisions set out in the proposed Rule. We are pleased to see that there will be no distinction in the fee amounts between resident and non-resident licence applicants.

Our single recommended change to the proposed Rule relates to *Part 4 Refunds*.

The way that Clause 4 in Part 4 of the proposed Rule is drafted – with a Refund of a licence application fee being totally dependent on the Superintendent's discretion and determination as to "fair and reasonable" – makes this provision seem vulnerable to subjective and arbitrary decision-making.

We therefore recommend that this Refunds provision should instead state the circumstances in which the Superintendent/FCNB would routinely and automatically provide a Refund of a licence application fee, given that doing so would only be fair and reasonable under those circumstances.

As a key industry stakeholder, CAFII again thanks the FCNB for the opportunity to offer feedback comments on proposed *Rule INS-002 Insurance Fees*. 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 Brendan Wycks, CAFII Co-Executive Director, at brendan.wycks@cafii.com or 647-218-8243.

Sincerely,

Rob Dobbins
Board Secretary and Chair, Executive Operations Committee

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 6(j)
Read Only Items: February 18/22 CAFII Response Submission to AMF on "Incentive Management Guideline"

Purpose of this Agenda Item – *Read Only*

This is a read only item.

Background Information

Attached is the February 18/22 CAFII Response Submission to the AMF on its *"Incentive Management Guideline."*

Recommendation / Direction Sought – *Read Only*

This is a read only item.

Attachments Included with this Agenda Item

2 attachments.

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Le 18 février 2022

Maître Philippe Lebel
Secrétaire et directeur général des affaires juridiques
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640, boulevard Laurier, 3e étage
Québec (Québec) G1V 5C1
Télécopieur : 418-525-9512
Adresse électronique : consultation-en-cours@lautorite.qc.ca

Objet : Commentaires de l'ACIFA concernant le projet de Ligne directrice de l'AMF sur la gestion des incitatifs de novembre 2021

Maître,

L'ACIFA remercie l'AMF de lui avoir donné l'occasion de formuler des commentaires sur le projet de Ligne directrice sur la gestion des incitatifs.

Commentaires préliminaires

L'ACIFA croit fermement que les réglementations et les lignes directrices fondées sur la conduite du marché doivent souligner les attentes des régulateurs en matière de protection des consommateurs en ce qui concerne les résultats, mais ne doivent pas entrer dans les détails prescriptifs quant à la manière dont ces résultats peuvent ou doivent être atteints.

Nous sommes donc heureux de vous aviser que nous trouvons que le projet de Ligne directrice sur la gestion des incitatifs de l'AMF est généralement fondé sur des principes et axé sur les résultats, décrivant les attentes de l'Autorité de manière suffisamment détaillée sans prescrire la façon dont les entités réglementées peuvent ou devraient répondre à ces attentes.

Cela dit, nous trouvons que certaines parties du projet de Ligne directrice tendent vers un langage plus prescriptif. Par exemple, le document utilise systématiquement des termes qui sont de nature plus impérative et rigide - tels que « assurer », « satisfaire » et « identifier » - plutôt qu'un langage davantage fondé sur des principes, tel que « raisonnablement conçu pour », qui donnerait des meilleures orientations de haut niveau.

L'ACIFA croit fermement qu'une approche fondée sur des principes et axée sur les résultats - que l'AMF a, pour l'essentiel, adoptée dans le cadre de l'élaboration du projet de Ligne directrice sur la gestion des incitatifs - donne lieu à de meilleurs résultats en matière de réglementation, car elle offre aux entreprises la latitude nécessaire pour utiliser leur connaissance du marché et de leurs clients, ainsi que leur expertise opérationnelle, afin de répondre de manière efficace et efficiente aux attentes de l'organisme de réglementation en matière de traitement équitable des clients.

Commentaires sur les principes généraux de la gestion des mécanismes incitatifs

L'ACIFA reconnaît que la consultation actuelle de l'AMF sur le projet de Ligne directrice sur la gestion des incitatifs - ainsi que la mise à jour de Ligne directrice sur les saines pratiques commerciales sur laquelle l'Autorité a récemment mené des consultations; et les examens de surveillance connexes pour la conformité, dont la Ligne directrice sur la gestion des incitatifs a émané - trouvent leur origine dans les préceptes de gestion des conflits d'intérêts fondés sur les incitatifs, énoncés dans le principe de base 19 de l'Association internationale des contrôleurs d'assurance (AICA) : *Conduite des activités*. Notre Association se réfère souvent au principe de base 19 comme repère pour discuter des meilleures pratiques de l'industrie et de la manière dont les entreprises peuvent faire encore mieux en matière de traitement équitable des clients.

En ce qui concerne la situation ici au Canada, nous offrons l'observation suivante tirée du très pertinent document de réflexion de l'ACCAP de février 2016 intitulé « *Distribution d'assurance au Canada : Promouvoir un système axé sur le client* » :

L'ACIFA appuie fermement l'affirmation de l'ACCAP selon laquelle « Au Canada, les conflits d'intérêt potentiels (ou perçus) sont gérés de deux façons. D'une part, les conseillers sont encouragés à axer la vente sur les besoins et à formuler des recommandations répondant à ces besoins et d'autre part, ils doivent indiquer aux clients quels assureurs ils représentent et comment ils sont rémunérés. Cela est renforcé par les principes du CCRRA pour la gestion des conflits d'intérêt, et par les pratiques et les lignes directrices de l'industrie. »

Les membres de l'ACIFA soutiennent, et font tout leur possible pour intégrer dans leur culture organisationnelle, les meilleures pratiques de l'industrie en ce qui a trait au traitement équitable des clients et à la gestion des conflits d'intérêts que le CCRRA et les CISRO ont fournis dans leur guide : *Conduite des activités d'assurance et traitement équitable des clients* - à savoir que l'intérêt du client doit primer sur celui du vendeur/conseiller; que le vendeur/conseiller doit divulguer les conflits d'intérêts ou les conflits d'intérêts potentiels; et que le produit vendu doit être adapté aux besoins du client.

Les membres de l'ACIFA se conforment également à toutes les lignes directrices applicables de l'ACCAP; en particulier, nous formulons les observations suivantes sur la ligne directrice 13, *Structures de rémunération – Gestion des conflits d'intérêts*; et la ligne directrice 14, *Confirmation de la communication de renseignements concernant les conseillers*, qui sont des exemples éloquents de la façon dont l'industrie a répondu aux préoccupations des organismes de réglementation.

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Notre Association est d'accord avec les prémisses fondamentales de la ligne directrice 13 selon lesquelles « Un solide mécanisme de rémunération est nécessaire si l'on veut attirer et retenir des professionnels qualifiés qui offriront et placeront des produits d'assurances de personnes répondant aux besoins des consommateurs et qui s'occuperont du service après-vente. En outre, tout mécanisme de rémunération bien conçu doit prendre en compte le risque de conflit d'intérêts que présente la rémunération liée aux ventes » et que « l'un des éléments du traitement équitables des clients est que les stratégies de rémunération et de récompense donnent des résultats équitables pour les clients. »

En ce qui concerne la ligne directrice 14, nos membres appuient et respectent toutes les dispositions applicables relatives à la divulgation de renseignements par les conseillers, mais en particulier - en tant que distributeurs d'assurance crédit, d'assurance voyage et d'autres types d'assurance vie et maladie - la disposition selon laquelle « Lorsqu'un assureur accepte une proposition provenant d'un centre d'appels ou obtenue en ligne par un agent détenteur d'un permis d'assurance vie ou d'assurance accident et maladie, ou les deux, les mécanismes dont dispose l'assureur devraient garantir également que les renseignements pertinents ont été communiqués au client. » Nous notons également que le projet de Ligne directrice sur la gestion des incitatifs stipule ce qui suit :

L'Autorité s'attend notamment à ce que le conseil d'administration :

- *Veille à ce que les comités chargés de suivre l'évolution de la culture d'entreprise et d'identifier les risques de pratiques pouvant nuire au traitement équitable des clients aient également la responsabilité de s'assurer que les intérêts des clients sont pris en compte dans la gestion des mécanismes incitatifs ;*
- *Veille à ce que des changements aux mécanismes incitatifs soient apportés rapidement lorsque le traitement équitable des clients ne peut être assuré ;*
- *Veille à ce que des mesures appropriées soient prises à l'égard des clients concernés lorsqu'une pratique qui nuit au traitement équitable des clients est identifiée.*

Bien que nous soyons d'accord avec le fait que le conseil d'administration d'une entité réglementée devrait donner le ton général en ce qui concerne la culture d'entreprise - y compris l'importance centrale du traitement équitable des clients - nous ne sommes pas d'accord avec le fait que les détails concernant les dispositions relatives aux incitatifs seraient du ressort du conseil d'administration d'une grande institution financière, étant donné que les décisions tactiques/opérationnelles de cette nature seraient de la responsabilité de la haute direction.

<u>Commentaires et observations spécifiques sur le projet de Ligne directrice sur la gestion des incitatifs</u>

Nous admettons que les incitatifs variables, qu'ils soient qualitatifs ou quantitatifs, peuvent présenter un risque et doivent être gérés. Mais nous ne considérons pas que de tels incitatifs soient intrinsèquement problématiques, en particulier lorsqu'un incitatif, telle qu'une prime, est structuré comme une composante d'un programme de rémunération global qui est basé sur un certain nombre d'objectifs et non seulement sur les ventes ou le volume des primes - par exemple, un programme qui inclut des objectifs liés au traitement équitable des clients et de satisfaction de la clientèle.

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À titre d'information sur les méthodes de rémunération et les contrôles généralement utilisés par nos membres, les représentants du service à la clientèle des membres de l'ACIFA - dont la majorité sont des employés salariés - sont hautement supervisés tant dans les succursales que dans les centres de contact avec la clientèle. Les représentants du service à la clientèle de nos membres suivent la formation complète et continue sur les produits afin de pouvoir fournir aux consommateurs des informations précises et fiables. Ils reçoivent également la formation sur l'éthique et l'intégrité qui souligne l'importance d'un traitement équitable des clients. Il existe également des mesures considérables de surveillance de la gestion et d'assurance de la qualité utilisées par les membres du l'ACIFA.

Cette formation permet aux représentants du service à la clientèle qui offrent de l'assurance d'acquérir les connaissances, les compétences et les outils nécessaires pour effectuer leur travail et bien servir les clients. Elle permet également d'assurer que nos sociétés membres, en tant qu'employeurs, agissent conformément aux lois et règlements fédéraux, provinciaux et territoriaux applicables en matière d'assurance et aux lignes directrices de l'industrie.

À cet égard, nous souscrivons à l'énoncé d'introduction du projet initiale de Ligne directrice sur la gestion des incitatifs selon lequel « Parmi les attentes qui y sont énoncées, l'Autorité indique notamment qu'elle s'attend à ce que tout conflit d'intérêts réel ou potentiel soit évité ou géré de façon à assurer le traitement équitable des clients. »

Cependant, nous ne sommes pas d'accord avec l'affirmation suivante : « Les incitatifs consentis aux membres du personnel d'une institution financière, aux intermédiaires ou à toute autre personne qui agit pour son compte et qui intervient dans l'offre de ses produits et services constituent une source importante de conflits d'intérêts. » A notre avis, si un incitatif est correctement géré et soumis à des contrôles suffisants, ce n'est absolument pas le cas.

Enfin, nous sommes d'accord avec les grands principes énoncés dans les sections du projet de Ligne directrice sur la gestion des incitatifs portant sur la gouvernance, la gestion des mécanismes incitatifs, l'identification et l'évaluation des risques de pratiques pouvant nuire autraitement équitable des clients, et les contrôles de la qualité.

Conclusion
Les membres de l'ACIFA sont très conscients du fait qu'une proportion importante de Québécois, et de Canadiens en général - généralement ceux qui appartiennent à des ménages à revenu faible ou moyen - est largement non assurée ou sous-assurée en ce qui concerne la couverture d'assurance vie et maladie. Selon une étude LIMRA 2019 sur la souscription à une assurance vie au Canada, 50 % des adultes canadiens n'ont aucune couverture d'assurance vie. L'assurance vie n'est pas une préoccupation pour la plupart des gens et, par conséquent, il est difficile de proposer ces produits. Une approche équilibrée des incitatifs qui accorde aux représentants des services financiers une reconnaissance, financière ou autre, pour avoir offert ces produits importants - dans le cadre d'une conversation sur la gestion des risques que la plupart des gens souhaitent éviter - peut mener à la mise en place d'une protection importante pour les Québécois, protection qu'ils n'auraient peut-être pas obtenue autrement.
En tant qu'intervenant clé de l'industrie, CAFII remercie à nouveau l'AMF de lui avoir donner l'occasion de présenter ses commentaires sur le projet de Ligne directrice sur la gestion des incitatifs. Si vous

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souhaitez obtenir de plus amples renseignements de la part de l'ACIFA ou rencontrer des représentants de notre Association au sujet de cette soumission ou de toute autre question, veuillez communiquer avec Keith Martin, codirecteur général de L'ACIFA, à keith.martin@cafii.com ou au numéro 647-460-7725.

Veuillez agréer, Maître, l'expression de mes sentiments les meilleurs.

Rob Dobbins
Secrétaire du Conseil d'administration et président du Comité exécutif des opérations

c.c. M. Éric Jacob, surintendant de l'assistance aux clientèles et de l'encadrement de la distribution
M. Patrick Déry, surintendant de l'encadrement de la solvabilité
Mme Louise Gauthier, directrice principale des politiques d'encadrement de la distribution
M. Mario Beaudoin, directeur des pratiques de distribution alternatives en assurance

À propos de l'ACIFA

L'ACIFA est une association sectorielle à but non lucratif qui se consacre au développement d'un marché de l'assurance ouvert et flexible. Notre association a été créée en 1997 pour donner une voix aux institutions financières qui vendent des assurances par l'entremise de divers canaux de distribution. Nos membres proposent des assurances par le biais de centres d'appels, d'agents et de courtiers, d'agences de voyage, de publipostage, de succursales d'institutions financières et d'Internet.

L'ACIFA croit que les consommateurs sont mieux servis lorsqu'ils ont un choix significatif dans l'achat de produits et services d'assurance. Nos membres offrent l'assurance voyage, l'assurance vie, l'assurance maladie, l'assurance dommages et l'assurance-crédit collective dans tout le Canada. En particulier, l'assurance-crédit collective et l'assurance voyage sont les lignes de produits sur lesquelles se concentre l'ACIFA, car nos membres ont un point commun.

La diversité des membres de l'ACIFA permet à notre association d'avoir une vue d'ensemble du régime réglementaire qui régit le marché de l'assurance. Nous travaillons avec les gouvernements et les organismes de réglementation (principalement provinciaux et territoriaux) afin d'élaborer un cadre législatif et réglementaire pour le secteur de l'assurance qui contribue à garantir que les consommateurs canadiens obtiennent les produits d'assurance qui répondent à leurs besoins. Notre objectif est d'assurer la mise en place de normes appropriées pour la distribution et la commercialisation de tous les produits et services d'assurance.

Les membres de l'ACIFA comprennent les branches d'assurance des principales institutions financières du Canada - BMO Assurance, Assurance CIBC, Desjardins Assurances, Banque Nationale Assurances, RBC Assurances, La Financière ScotiaVie et TD Assurance - ainsi que les principaux acteurs de l'industrie : Assurant, Assurance-vie Canada, Compagnie d'assurance-vie Première du Canada, CUMIS Services Incorporated, la Banque Canadian Tire, Manuvie (La Compagnie d'Assurance-Vie Manufacturers), Sun Life et Valeyo.

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18 February, 2022

Mr. Philippe Lebel
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c.c. Mr. Éric Jacob, Superintendent, Client Services and Distribution Oversight
Mr. Patrick Déry, Superintendent, Solvency
Ms. Louise Gauthier, Senior Director, Distribution Policies
Mr. Mario Beaudoin, Director, Alternative Insurance Distribution Practices

Re: CAFII Feedback On AMF's Incentive Management Guideline November 2021

Dear Mr. Lebel:

CAFII thanks the AMF for the opportunity to provide feedback comments on the Autorité's draft Incentive Management Guideline.

Opening Comments

CAFII strongly believes that market conduct-based regulations and guidelines should outline regulators' consumer protection expectations in terms of outcomes, but should not get into prescriptive details as to how those outcomes can or should be achieved.

We are therefore pleased to advise that we find the AMF's draft Incentive Management Guideline to be generally principles-based and outcomes-focused, outlining the Autorité's expectations in reasonable detail without prescribing how regulated entities can or should meet those expectations.

However, that said, we do find that there are parts of the draft Guideline that stray into more prescriptive language. For example, the document consistently uses terms that are more imperative and rigid in nature – such as "ensure," "satisfy," and "identify" – rather than more principles-based language such as "reasonably designed to" which would convey the optimal high-level guidance.

CAFII strongly believes that a principles-based and outcomes-focused approach -- which the AMF has, for the most part, taken in developing the draft Incentive Management Guideline -- leads to better regulatory outcomes because it gives businesses the latitude to use their knowledge of the marketplace and their customers, and their operational expertise, to achieve the regulator's fair treatment of customers (FTC) expectations efficiently and effectively.

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Feedback On Incentive Management General Principles

CAFII recognizes that the AMF's current Incentive Management Guideline consultation -- as well as the updated Sound Commercial Practices Guideline which the Autorité recently consulted on; and the related supervisory examinations for compliance, from which the Incentive Management Guideline has emanated -- have their root in the management of incentives-based conflicts of interest precepts set out in the International Association of Insurance Supervisors' (IAIS) *Insurance Core Principle 19: Conduct of Business*. Our Association often refers to ICP 19 as a benchmark for discussing industry best practices and ways that companies can do an even better job on FTC.

With respect to the situation here in Canada, we offer the following observation derived from CLHIA's very relevant February 2016 Issues Paper titled *"Insurance Distribution In Canada: Promoting A Customer-Focused System*":

CAFII strongly supports CLHIA's assertion that "in Canada, the potential for conflicts of interest (or the perception of such) is managed in a twofold way – first, by fostering needs-based selling and making recommendations that are suitable to the customer; and second, by advisor disclosure about the insurers that they represent and how they are paid. This is reinforced through CCIR's principles for managing conflicts of interest, and supported by industry practices and guidelines."

CAFII members support, and make every effort to embed in their organizational cultures, the industry best practices guidance with respect to FTC and managing conflicts of interest which CCIR/CISRO provided in their *Guidance: Conduct of Insurance Business and Fair Treatment of Customers* – namely that the customer's interest must take precedence over the salesperson's/advisor's; that the salesperson/advisor must disclose conflicts or potential conflicts of interest; and that the product sold must be suitable for the needs of the customer.

CAFII members also comply with all applicable CLHIA Guidelines; and in particular, we offer the following observations on *Guideline G13, Compensation Structure: Managing Conflicts of Interest*; and *Guideline G14, Confirming Advisor Disclosure*, which are prime examples of how the industry has responded to regulators' concerns.

Our Association concurs with G13's fundamental premises that "a robust compensation system is needed to attract and retain qualified professionals to offer, place and service life and health insurance products that meet the needs of the consumer. At the same time, it is important that well-designed compensation systems be alert to the risk that sales-related compensation could create conflicts of interest" and that "one element of FTC is that remuneration and reward strategies take account of fair customer outcomes."

With respect to G14, our members support and comply with all applicable provisions related to Advisor Disclosure but particularly -- as distributors of credit protection insurance, travel insurance, and other types of life and health insurance -- its provision that "where an insurer accepts an application through a call centre or online process using a licensed life and/or accident & sickness insurance agent, the insurer's processes should also ensure that appropriate disclosure has been made."

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We also note that the draft Incentive Management Guidance states the following:

Among other things, the AMF expects the board of directors to:

- *Ensure that the committees responsible for monitoring changes in the business culture and identifying risks of practices that could adversely affect FTC are also responsible for ensuring that clients' interests are taken into account in managing incentive arrangements*
- *Ensure that changes are quickly made to incentive arrangements when FTC cannot be ensured*
- *Ensure that appropriate measures are taken with respect to the clients concerned when a practice that adversely affects FTC is identified*

While we agree that a regulated entity's Board of Directors should set the overall tone with respect to business culture -- including the central importance of fair treatment of customers -- we do not concur that details around incentives arrangements would be within the purview of the Board of Directors of a large financial institution, as tactical/operational decisions of that nature would be the responsibility of senior management.

Specific Comments and Observations On Draft Incentive Management Guideline

We agree that variable incentives, whether qualitative or quantitative, could raise a risk and need to be managed. But we do not view such incentives as inherently problematic, particularly where an incentive, such as a bonus, is structured as a component of an overall compensation package that is based on a number of objectives and not just sales or premium volume – for example, a package that includes FTC and related customer satisfaction objectives.

By way of background on the compensation methods and controls typically used by our members, CAFII member client service representatives – the majority of whom are salaried staff – are highly supervised both in branch and in client contact centres. Our members' client service representatives undergo comprehensive and recurring product training to enable them to provide consumers with accurate and reliable information; as well, they receive ethics and integrity training which underscores the importance of fair treatment of consumers (FTC). There is also considerable management oversight and quality assurance measures used by CAFII members.

That training provides client service representatives offering insurance with the knowledge, skills, and tools to do their jobs and serve clients well and that they and our member companies, as their employers, act in accordance with applicable federal and provincial/territorial insurance legislation and regulations; and industry guidelines.

In that connection, we concur with the draft Incentive Management Guideline's introductory statement that "Among the expectations set out in the Guideline, the AMF indicates that it expects any real or potential conflicts of interest to be avoided or managed in a manner that ensures the fair treatment of clients (FTC)."

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However, we do not agree with the following statement: "The incentives awarded to a financial institution's staff, intermediaries or any other person acting on its behalf who is involved in offering its products and services are a major source of conflicts of interest." In our view, if properly managed and subject to sufficient controls, that is definitely not the case.

Finally, we agree with and support the broad principles outlined in the draft Incentive Management Guideline's sections on Governance, Managing Incentive Arrangements, Identification and Assessment of Risks and Practices that Could Adversely Affect FTC, and Quality Monitoring.

Conclusion

CAFII members are very aware that a significant proportion of Quebeckers, and Canadians overall – typically those from lower and middle income households -- is vastly uninsured or under-insured with respect to life and health insurance coverage. According to a 2019 LIMRA Canadian Life Insurance Ownership Study, 50% of adult Canadians do not have any life insurance coverage. Life insurance is not something most people want to think about; and, as a result, these products are challenging to offer. A balanced approach to incentives that appropriately gives financial services representatives recognition, financial or otherwise, for offering these important products -- as part of a risk management conversation that most people wish to avoid -- can lead to important coverage being put in place for Quebeckers, protection which they otherwise might not secure.

As a key industry stakeholder, CAFII again thanks the AMF for the opportunity to offer feedback comments on the draft Incentive Management Guideline. 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 or 647-460-7725.

Sincerely,

Rob Dobbins
Board Secretary and Chair, Executive Operations Committee

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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.

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 6(k)
Read Only Items: March 1/22 CAFII Response Submission to BCFSA on its "Discussion Paper: Information Security Incident Reporting"

Purpose of this Agenda Item – *Read Only*

This is a read only item.

Background Information

Attached is the March 1/22 CAFII Response Submission to BCFSA on its *"Discussion Paper: Information Security Incident Reporting."*

Recommendation / Direction Sought – *Read Only*

This is a read only item.

Attachments Included with this Agenda Item

1 attachment.

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March 1, 2022

Ms. Saskia Tolsma
Vice President, Stakeholder Engagement
BC Financial Services Authority
600-750 West Pender Street
Vancouver, B.C. V6C 2T8
policy@bcfsa.ca

Dear Ms. Tolsma:

Re: CAFII Feedback on BCFSA *Discussion Paper: Information Security Incident Reporting*

CAFII thanks BCFSA for the opportunity to provide feedback comments on the Authority's *Discussion Paper: Information Security Incident Reporting.*

We also thank you, Rob O'Brien, and Steven Wright for the information exchange meeting on the Discussion Paper which our Association had with you as BCFSA staff executives on February 24. The more than 15 CAFII representatives who participated found the meeting to be very informative and valuable. The insights and perspectives we exchanged prompted our Association to amend our written feedback comments in this final version of our submission. We also thank you and your colleagues for granting CAFII's request for a brief submission deadline extension of two business days to March 1, 2022.

CAFII understands and supports the important regulatory outcomes which BCFSA is seeking to achieve through its Information Security Incident Reporting initiative.

Our feedback below is divided into two sections: beginning with general *High Level Feedback and Resulting Recommendations*; followed by *Specific Feedback On Matters Raised In The Discussion Paper*.

<u>High Level Feedback and Resulting Recommendations</u>
CAFII has a critically important point of feedback to convey to BCFSA related to its desired outcome of being notified of information security incidents, one which arises from the intersection and overlapping which exists between provincial/territorial regulation of insurance and federal regulation of products and services offered by federally regulated financial institutions (FRFIs).

CAFII members, which are mainly the insurance arms of Schedule I Canadian banks and their insurer/underwriter partners, operate across the country in the life and health insurance sector; and, as such, they are provincially/territorially regulated. However, as federally regulated financial institutions (FRFIs), banks, some credit unions, and many insurers are also subject to federal regulation, including by the Office of the Superintendent of Financial Institutions (OSFI).

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Due to the fact that our Association's members are subject to both federal and provincial/territorial regulation (some 17 regulatory authorities in total, across the country), CAFII constantly requests of regulators that they harmonize their expectations of regulated entities to the maximum extent possible.

Often, regulators in different provinces introduce regulatory requirements which have the exact same intent as existing requirements in another province or federally, but yet which differ slightly in the details of how those expectations are defined, or are to be implemented and/or reported on by regulated entities.

In such cases, regulated entities have to allocate significant resources to deciphering and adjusting to the nuanced differences from jurisdiction to jurisdiction. This time-consuming, costly, and attention-sapping "exception management" process diverts resources away from the essential consumer protection aspects of regulators' expectations; and, in the case of an information security incident, away from investigating and resolving the incident for the benefit of affected consumers.

CAFII views BCFSA's *Discussion Paper: Information Security Incident Reporting* to be an example of the above-noted problem that significantly affects our members and other regulated entities.

There already exists a well-established, widely accepted and complied with, and effective OSFI Technology and Cyber Security Incident Reporting Advisory. OSFI's current Advisory came into force on August 16, 2021, replacing a predecessor version which was published on March 31, 2019. The OSFI Advisory includes all of the Information Security Incident Reporting dimensions which BCFSA covers in its Discussion Paper, including the following: definition of an information security incident; initial reporting requirements (which, identical to BCFSA's proposal, requires reporting within 24 hours of the regulated entity's determination that an information security incident has occurred); subsequent reporting requirements; the consequences of failure to report; examples of reportable incidents; and a form to use for reporting incidents.

Based on the foregoing relevant background context (and, as well, on the issues, concerns, and opportunities discussed in our February 24 meeting with BCFSA), CAFII makes the following inter-related recommendations to the Authority:

- Recommendation #1: BCFSA should lead an initiative at the Canadian Council of Insurance Regulators (CCIR), the national co-ordinating body of provincial/territorial insurance regulators, to develop one national Guideline/Guidance dealing with Information Security Incident Reporting, which would contain clearly specified triggers and requirements for the reporting of material, significant information security incidents.

  That Guideline/Guidance would be developed on a harmonized, national basis akin to the "Guidance: Conduct of Insurance Business and Fair Treatment of Customers" which was jointly developed by CCIR and CISRO and released publicly in September 2018, with shared, multi-jurisdiction compliance monitoring mechanisms built-in which give the Guidance the force and effect of a national Rule.

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The reporting template/vehicle developed to support the Guideline/Guidance would be akin to CCIR's very successful and nationally harmonized Annual Statement on Market Conduct (ASMC), except that reporting would be triggered immediately by a material information security incident, rather than being an annual, aggregation-type of reporting. This nationally standardized reporting mechanism would provide significant harmonization and efficiency benefits for regulated entities, and at the same time create a central and comprehensive repository of national information security incident data for regulators, data which could readily be used to conduct aggregated trends analyses and facilitate any regulatory follow-up that may be required.

The reporting requirements set out in this new Guideline/Guidance would prevail under and be beneficial for all provincial/territorial regulators, regardless of whether a particular jurisdiction has Rule-Making Authority or not.

- Recommendation #2: That the Guideline/Guidance to be developed by CCIR, under BCFSA's leadership/initiative, should utilize OSFI's current Technology and Cyber Security Incident Reporting Advisory and its related reporting form, to the maximum extent possible, as its model and template.

  Any additional information security incident data which provincial/territorial regulators may require to be reported, such as the number of provincial/territorial consumers affected by the incident, in order to meet their market conduct oversight responsibilities – given that OSFI's reporting template is concerned only with prudential regulatory issues – can be addressed simply by adding additional fields to the OSFI reporting template.

In keeping with the above-noted Recommendations, CAFII's view is that BCFSA ought not to use its Rule-Making Authority to introduce a BC-unique/specific Information Security Incident Reporting Rule when a nationally harmonized Guideline/Guidance approach – akin to the already proven CCIR/CISRO FTC Guidance and CCIR ASMC mechanisms – would be much more optimal for all stakeholders including -- indirectly but undoubtedly -- consumers.

In that connection (and to elaborate on a point briefly discussed in our February 24 meeting), CAFII and its members strongly disagree with the proposition that Guidelines are viewed as optional by the industry. We believe that Guidelines – whether regulator-issued Guidelines or industry Guidelines and voluntary commitments such as CLHIA Guidelines and the Canadian Bankers Association (CBA) Code of Conduct For Authorized Insurance Activities – constitute requirements. Compliance with Guidelines is a must and CAFII members strive to comply fully.

Turning now to contingency options, should BCFSA find that taking on the leadership mantle at CCIR in developing a nationally harmonized Guideline/Guidance is not something that it can contemplate at this time, CAFII would recommend that (i) BCFSA strongly encourage another well-resourced regulator at the CCIR table – such as Ontario's FSRA or Quebec's AMF – to lead that national harmonization initiative; and (ii) should advocacy for a nationally harmonized initiative not find fertile ground at CCIR, then BCFSA should still seek to adopt the essence of CAFII's Recommendation #2 and our related commentary: i.e. the Authority should utilize OSFI's Technology and Cyber Security Incident Reporting Advisory and its related reporting form as its model and template, replicating it in an updated BC Guideline/Guidance on Information Security Incident Reporting to the maximum extent possible. Any additional data which BCFSA may require to be reported in order to meet the Authority's market conduct oversight responsibilities, such as the number of BC consumers affected by an incident, can be addressed simply by adding additional fields to the OSFI reporting template.

In summary, both the optimal nationally harmonized approach which CAFII advocates and the somewhat less optimal *harmonized-with-OSFI-only* approach would allow BCFSA to achieve its regulatory objectives with respect to information security incident reporting without imposing a largely new set of requirements upon regulated entities doing business in BC; and would thereby spare them from the costly inefficiencies which duplicative, yet slightly different regulations create.

Specific Feedback On Matters Raised In The Discussion Paper

CAFII is comfortable with BCFSA sharing information on patterns or trends which it may detect through an analysis of IS incident reports, via an aggregated, anonymized report. However, in that connection, our strongly held view is that the optimal approach for such information-sharing would be through an ASMC-like nationally standardized reporting mechanism as described in our Recommendation #1 above. We also believe that CCIR's sharing (optimal) or BCFSA's sharing (less optimal) of such reports periodically with the industry should be an important component of market conduct activities in this area.

While we are comfortable with BCFSA differentiating between two classes of institutions with respect to information security incidents, we question why the reporting requirements would be different for the two classes of institutions. We acknowledge that BCFSA's supervisory authority may differ between the two classes of institutions, but we fail to see why that fact should give rise to differentiated incident reporting requirements.

With respect to the sanctions and penalties that BCFSA proposes to have at its disposal with respect to information security incident reporting, CAFII strongly recommends that the Authority take a more measured approach than is outlined in the Discussion Paper. Particularly with respect to first/initial instances of non-compliance, we recommend that non-compliant financial institutions not be subject to possible administrative penalties of up to $50,000. We believe that a more collaborative and phased approach would be appropriate; and, in that connection, we note OSFI's approach to non-compliance:

> *Failure to report incidents as outlined above may result in increased supervisory oversight including but not limited to enhanced monitoring activities, watch-listing or staging of the FRFI. (Page 3.)*

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Conclusion
CAFII again thanks BCFSA for the opportunity to provide input and feedback on the Authority's *Discussion Paper: Information Security Incident Reporting.* Should you require further information from CAFII or wish to meet with representatives from our Association on this or any other matter at any time, please contact Keith Martin, CAFII Co-Executive Director, at keith.martin@cafii.com, or 647.460.7725.

Sincerely,

Rob Dobbins
Board Secretary and Chair, Executive Operations Committee

About CAFII

The Canadian Association of Financial Institutions in Insurance (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.

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 6(l)
Read Only Items: April 4/22 CAFII Response Submission to CCIR/CISRO on their joint Updated Draft "Incentive Management Guidance"

Purpose of this Agenda Item – *Read Only*

This is a read only item.

Background Information

Attached is the April 4/22 CAFII Response Submission to CCIR/CISRO on their joint Updated Draft *"Incentive Management Guidance."*

Recommendation / Direction Sought – *Read Only*

This is a read only item.

Attachments Included with this Agenda Item

1 attachment.

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April 4, 2022

Ms. Louise Gauthier, Co-Chair, CCIR/CISRO Fair Treatment of Customers (FTC) Working Group; and
Mr. Ron Fullan, Co-Chair, CCIR/CISRO Fair Treatment of Customers Working Group
c/o Messrs. Tony Toy and Munir Chagpar, CCIR Policy Managers/Secretariat; and
Ms. Adrienne Warner, CISRO Policy Manager/Secretariat

Dear Ms. Gauthier and Mr. Fullan:

Re: CAFII Comments on CCIR/CISRO Revised Incentive Management Guidance

Dear Ms. Gauthier and Mr. Fullan:

CAFII thanks CCIR and CISRO for the opportunity to review and provide feedback on the CCIR/CISRO Fair Treatment of Customers Working Group's updated draft *Incentive Management Guidance*.

Our Association very much appreciates and supports CCIR/CISRO's efforts to augment the jointly developed *Guidance: Conduct of Insurance Business and Fair Treatment of Customers*, with specific Guidance on its implications for the Incentive Management programs utilized by the insurance industry. We are pleased that this work is being done at a national level, with the two national co-ordinating bodies of provincial and territorial regulators working together, which helps to foster a harmonized approach across jurisdictions.

We also thank CCIR and CISRO for recognizing and respecting – as demonstrated by both the *Guidance: Conduct of Insurance Business and Fair Treatment of Customers* and the updated draft *Incentive Management Guidance* -- the importance of balancing the primary objective of fair treatment of customers, on the one hand, with a regulatory framework that does not impede consumer choice in accessing and purchasing insurance products, on the other hand.

CAFII's feedback on specific sections of the updated draft *Incentive Management Guidance,* which we felt it germane to comment on, follows.

B. Preamble

We note that the updated draft Guidance includes the following new paragraph in its Preamble section:

> *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 taking into account representatives' regulatory obligations in order to facilitate achieving the Customer outcomes reflected in this guidance.*

CAFII fully supports CCIR/CISRO for including this new clarifying and context-setting paragraph. It sets out several important considerations including a recognition of the need for regulatory flexibility around "the nature, size and complexity of their activities" and that there is no 'one size fits all' correct approach to Fair Treatment of Customers (FTC).

C. Scope

We note that Scope section in the updated draft Guidance includes the following new paragraph:

> *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.*

CAFII firmly supports the inclusion of this new paragraph in the *Incentive Management Guidance* as it is a helpful explanation.

1. Governance: CCIR and CISRO expect Insurers' and Intermediaries' governance and business culture to place FTC at the center of decisions concerning the way Incentive arrangements are designed and managed.

CAFII is appreciative of the fact that the updated draft Guidance now purposely avoids the use of the term "core" and that it also makes clear the CCIR/CISRO's acknowledgement that governance matters related to incentives may be the responsibility of Boards **and/or senior management**. This section now more accurately reflects typical and proper governance roles and responsibilities within regulated entities.

4. Post-sale controls: CCIR and CISRO expect Insurers and Intermediaries to establish effective post-sale controls to identify inappropriate sales resulting from Incentive arrangements.

CAFII thanks CCIR/CISRO for adopting our feedback, in part, by replacing the adjective "unsuitable" with "inappropriate" as a modifier of "sales" in the above-referenced summary expectation statement associated with post-sale controls in the updated draft Guidance.

That said, it is our strong view that the concept of "suitability" and related modifiers such as "unsuitable" should not be used in a blanket and unqualified manner anywhere in the Guidance. Rather, that the concept needs to be either (i) used/treated in a distinct, qualified manner; or (ii) replaced with a better, less problematic concept such as "appropriateness" and related modifiers such as "inappropriate" throughout the Guidance.

In that connection, in our September 21, 2022 CAFII submission on the preliminary draft of the *Incentive Management Guidance*, we offered the following commentary with respect to its application to credit protection insurance (CPI), which we continue to view as critically important feedback and therefore now reiterate:

> *CAFII cautions against a blanket and unqualified use of the term "unsuitable sales" throughout this section, as it is not applicable to Authorized Insurance Products/CPI offered by banks and other FRFIs.*

In an insurance context in Canada, the concept of "suitability" (and variations on that word) – which implies the provision of "advice" to customers -- is not applicable to Authorized Insurance Products/CPI.

The issue around "suitability" stems from the fact that while the federal Bank Act and section 5(1) of thefederal Insurance Business (Banks and Bank Holding Companies) Regulations (IBBRs) permit banks and other federally regulated financial institutions (FRFIs) to offer advice regarding Authorized Insurance Products/CPI, the offering of that advice is significantly tempered by provincial/territorial regulatory andlicensing requirements.

The nature of the advice that banks/FRFIs are permitted to provide around an Authorized Insurance Product/CPI is strictly limited to the Authorized Insurance Product itself and must not include suitability-related measures such as a needs-based financial/insurance assessment, Know Your Client tools, or holistic advice.

In the case of Authorized Insurance Products/CPI, because the consumer is purchasing/enrolling in optional insurance related to a single and specific borrowing need such as a mortgage, line of credit, orcredit card – and that scenario falls within the scope of activity permitted to occur through a non- advisory sales channel, i.e. the business must provide consumers with sufficient information, which meets provincial/territorial regulations and industry commitments and guidelines, to enable them to make an informed decision – Authorized Insurance Products/CPI are typically offered by non-licenced individuals in most provinces and territories. Non-licenced individuals are strictly prohibited from offering advice and recommending an insurance product as "suitable."

With respect to Authorized Insurance Products/CPI, given the prohibition against holistic advice engendered by the combination of the federal Bank Act and IBBRs with provincial/territorial regulatory and licensing requirements, FRFIs legally can only ascertain a consumer's "eligibility" for coverage and tomake a claim at the time that an Authorized Insurance Product/CPI is being offered as optional insurance. FRFIs therefore prioritize establishing certainty of the consumer's "eligibility" for coverage and to make a claim under the group CPI master policy.

This situation makes Authorized Insurance Products/CPI a unique product set – a product set to which the concept of product suitability does not apply due to legal constraints; but a product set to which themore limited concept of "eligibility" for coverage and to make a claim does indeed apply as a Fair Treatment of Customers (FTC) consideration.

As a proposed solution to deal with the problematic application of the words "unsuitable sales" in the Draft Incentive Management Guidance, CAFII recommends that those words be precisely defined within the Guidance – perhaps through an approach which uses a superscript number and corresponding footnoted definition below -- and that the definition expressly state that "unsuitable sales" does not apply to Authorized Insurance Products/CPI as defined by the federal Bank Act and the federal Insurance Business (Banks and Bank Holding Companies) Regulations.

In our view, the updated draft Guidance has not adequately addressed the above-noted important feedback.

Further, stemming from a quite recent development, continued CCIR/CISRO use of the "suitability" concept would be particularly problematic for CAFII members and other players in the *bancassurance*/Authorized Insurance Products/CPI sector due to its inconsistency with the Financial Consumer Agency of Canada (FCAC)'s recently finalized and released *Guideline On Appropriate Products and Services For Banks and Authorized Foreign Banks*. This is because the *Incentive Management Guidance* would immediately result in "exception management" challenges for CAFII members and other regulated entities in the same sector.

In summary, continued use of "suitability" and related terms is very problematic for CAFII members and others in the *bancassurance*/Authorized Insurance Products/CPI sector, while equally effective alternative terminology is readily available to be utilized instead.

Final Observations
CAFII believes there is no fundamental conflict between FTC and offering incentives to the insurance sales and customer service personnel who interact with customers, as part of their overall compensation package.

The adage that insurance is sold, not bought, is true. Life and health insurance, in particular, is not easily sold because it is completely optional and not something that people readily think about and pursue. Therefore, offering incentives to sales/customer service-personnel -- as part of a well-designed and implemented and carefully monitored program -- can help promote healthy competition in the marketplace resulting in more access and choice for consumers in securing life and health insurance protection, which is ultimately in their personal best interest and the best interest of society.

CAFII members have extensive controls in place around sales practices and related incentive programs, including training, scripts, sales reviews, and a variety of post-sales monitoring tools, which together help prevent, detect, and address inappropriate sales incidents from occurring.

With respect to training, our members' customer service personnel undergo comprehensive and recurring product training, to enable them to provide consumers with accurate and reliable information; as well as ethics and integrity training which underscores the importance of FTC.This training provides them with the knowledge, skills, and tools to do their jobs and serve consumers well. It also helps ensure that they, as sales/customer service-personnel, and CAFII member companies, as their employers, act in accordance with all applicable federal and provincial/territorial insurance legislation and regulations; and industry guidelines.

Conclusion
Thank you again for the opportunity to provide feedback on CCIR/CISRO's updated draft *Incentive Management Guidance*. Should you require further information from CAFII or wish to meet with representatives from our Association on this or any other matter at any time, please contact Keith Martin, CAFII Co-Executive Director, at keith.martin@cafii.com or at 647-460-7725.

CAFII and its members remain committed to supporting CCIR and CISRO in their critically important independent and joint work; and we look forward to continuing our involvement as a key stakeholder contributor to your efforts.

Sincerely,

Rob Dobbins
Board Secretary and Chair, Executive Operations Committee

About CAFII

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 6(m)
Read Only Items: February 2/22 Operatic Agency Annual Accountability Report on CAFII Website Performance in 2021

Purpose of this Agenda Item – *Read Only*

This is a read only item.

Background Information

Attached is the annual report from Operatic Agency that summarizes achievements in 2021 on the CAFII website. The report notes that while 2021 traffic declined slightly from 2020, this was noted throughout the insurance industry because 2020 saw a one-time-only COVID-19/work-from-home related spike; and 2021 traffic is actually up from 2019. CAFII continues to make significant improvements around search engine optimization results for CPI topics.

Recommendation / Direction Sought – *Read Only*

This is a read only item.

Attachments Included with this Agenda Item

1 attachment.

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AGENDA

01 Relationship Recap

02 2021 Program Summary

03 2021 Performance Recap

04 2022 Next Steps

05 Glossary of Terms

01 Relationship Recap

2017 - 2022

Visibility — SEO Optimized Website Foundation

Usability — Engaging Content

OPERATIC AGENCY

02 2021 Program Summary

Work We Completed Together

Element	Item	Status
Video Production	3 New Motion Graphic Videos (EN & FR version of each)	-1 (Digitization Research - Pollara) - Live -1 (Job Loss) - Final Polish 1- (Consumer Protection) - In Progress
Local Listings Enhancements	Google Business Profile, Bing Places, & Directory-Building (Top 5)	Complete
Website Enhancements	FAQ Content Support (Research, Strategy & Web)	Complete
	"Insight Blog" Website Template Development	Complete
	Website Maintenance & Support	Ongoing
Reporting & Communication	1 Performance Report / YE Executive Presentation	In Progress

OPERATIC AGENCY

03 2021 Performance Recap

Website Traffic Overview

Website Metrics

2019 / 2020 Total Visits	2021 Total Visits	2019 / 2020 Unique Visits	2021 Unique Visits
2019 TOTAL VISITS 20,904 2020 TOTAL VISITS 28,036	2021 TOTAL VISITS 21,291 ⬇ 24.1% YoY	2019 UNIQUE VISITS 17,562 2020 UNIQUE VISITS 24,168	2021 UNIQUE VISITS 18,224 ⬇ 24.6% YoY

- Insurance as a category is down 21% YoY.
- Significant spike in search during the onset of the pandemic.
- Significant changes in both search behaviour and algorithms.
- **Next step:** To revisit SEO research, strategy and implementation in 2022.

03 2021 Performance Recap

OPERATIC AGENCY

Website Traffic Sources | Top Channels

Top Sources

ORGANIC
14,486
33.7% YoY
2020: 21,854

REFERRAL
777
4.2% YoY
2020: 811

DIRECT
3,186
35.4% YoY
2020: 2,353

GOOGLE
13,900
34.4% YoY
2020: 21,160

BING
483
9.7% YoY
2020: 440

YAHOO
103
17.6% YoY
2020: 1[illegible]5

SOCIAL
43
50.0% YoY
2020: 86

OPERATIC AGENCY

03 2021 Performance Recap

Website Traffic Sources | Geography & Devices

Your Top Cities

City	Visits	Avg. Session Duration
Toronto	1,731	2:51
Montreal	547	1:23
Quebec City	417	0:05
Calgary	318	0:48
Hamilton	207	1:14
Ottawa	189	0:46
Edmonton	187	0:42
Vancouver	181	0:41
Brampton	152	0:43

Next step:
Improve the search experience for the French speaking audience.

Device Usage

Device	Visits
Desktop	10,061 (55%)
Mobile	7,895 (43.15%)
Tablet	338 (1.85%)

29% YoY Decrease

Top Mobile Device
Apple iPhone

Top Tablet Device
Apple iPad

03 2021 Performance Recap

Keyword Rankings

Keywords in 1st Position	Keywords on Page 1	Keywords with Improved Rankings
46	99	70
⬆️43.8%	⬆️17.8%	⬆️66.7%
32 (2020)	84 (2020)	42 (2020)

Includes: Google Desktop, Google Mobile, Bing Desktop, Bing Mobile

OPERATIC AGENCY

03 2021 Performance Recap

Keywords | In First Position

Keywords in 1st Position

46

⬆️43.8%
32 (2020)

Keyword Search Examples
credit card insurance
credit protection insurance
disability insurance for loans
how does credit card insurance work
job loss insurance
loan disability insurance
what is credit card insurance
what is credit insurance premium
what is mortgage disability insurance
what is trip interruption insurance

Includes: Google Desktop, Google Mobile, Bing Desktop, Bing Mobile

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03 2021 Performance Recap

Keywords | On Page 1

Keywords on Page 1

99

⬆️17.8%
84 (2020)

Keyword Search Examples
how does credit card insurance work
how does credit insurance work
job loss mortgage insurance
loan life insurance
mortgage disability insurance
critical illness insurance
mortgage life insurance
trip interruption insurance
what is credit card insurance
what is credit protection insurance

Includes: Google Desktop, Google Mobile, Bing Desktop, Bing Mobile

03 2021 Performance Recap

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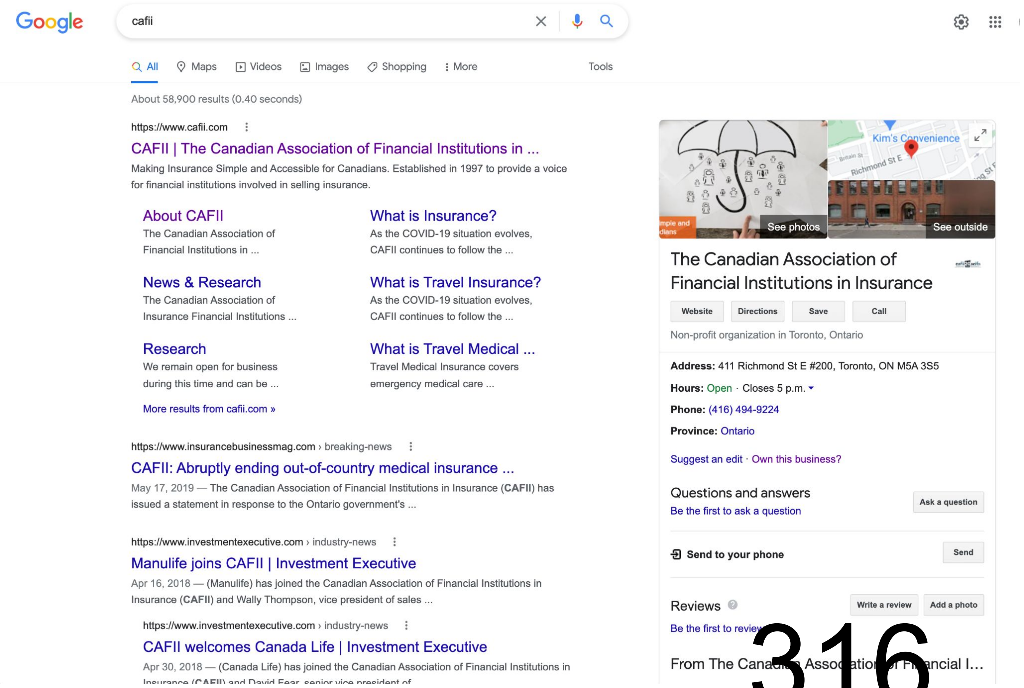
Keywords | Improved Rankings - Top Movers

Keyword	Ranking Change	Current Position	Position in 2020
Home loan life insurance	⬆️53	25	78
What is critical illness insurance	⬆️50	45	95
Mortgage loan life insurance	⬆️46	19	65
Benefits of credit insurance	⬆️41	17	58
Trip interruption insurance	⬆️24	7	31
What is mortgage life insurance	⬆️21	2	23
Do I need critical illness insurance	⬆️17	63	80
Mortgage disability and critical illness insurance	⬆️15	2	17
Mortgage disability and critical illness	⬆️12	1	13
How does credit insurance work	⬆️12	1	13

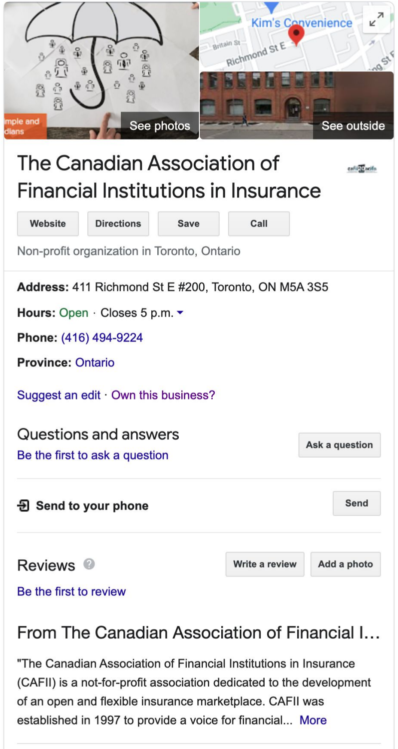
03 2021 Performance Recap

OPERATIC AGENCY

Business Listing Performance



316



03 2021 Performance Recap

Business Listing Performance

OPERATIC AGENCY

Your largest increase was with branded search views, which means more people than ever before sought you out, specifically by name.

That said, there was no improvement in terms of the individuals searching for you, progressing through to your website.

This is primarily because we're not active on Google Business Profile.

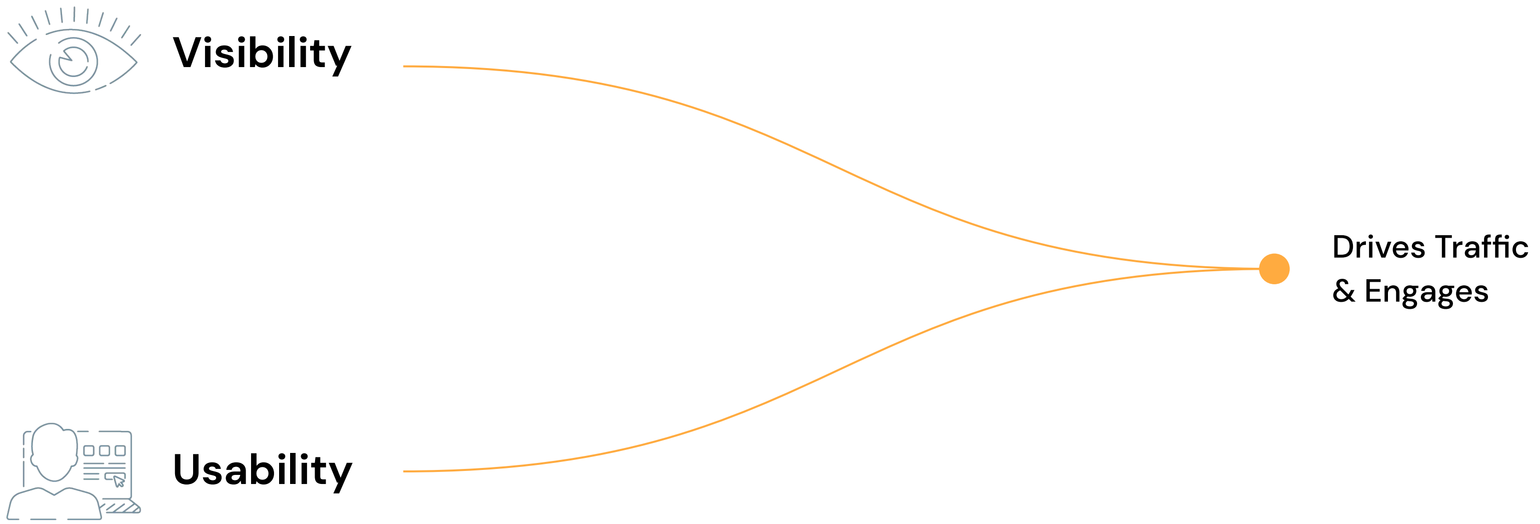
Next steps:
More images & videos uploaded, FAQs posed and answered monthly Google Posts utilized and at a minimum 5 reviews solicited.

KPI	2021 Performance	YoY
Searches		
Branded Searches (CAFII)	5,996	⬆️286% YoY
Non-Branded Searches	8,692	⬇️1.7% YoY
Total	***14,688***	⬆️34.4% YoY
Views		
Total	***15,680***	⬆️35.7% YoY
Actions		
Clicks To Website	96	⬇️12% YoY

OPERATIC AGENCY

04 2022 & Beyond

Synergistic & Simultaneous Efforts



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Thank You!
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Glossary of Key Terms

Glossary

Website - Key Terms

Website Visits
The overall number of visits to your website within a given period.
A single person can visit a website multiple times.

Unique Visits
The number of unique people who visited your website within a given period (ie: last quarter).

Bounce Rate
The percentage of individuals that instantly leave a website without taking any action.

Conversions
The completion of a specific action on a website deemed to be important to a business' success. (ie: Visitor fills out a contact form, clicks to make a phone call or clicks to write an email).

Contact Form (submission)
A website visitor who fills out a form on your website.

Phone Call
A website visitor who places a phone call from your website.

Email Click
A website visitor who clicks to email from your website.

Direct Website Visits
The visits that came to your website from someone typing in your website URL into a browser, or through browser bookmarks.

Organic Website Visits
The number of visits that came to a website through a search engine (not including paid advertisements).

Referral Website Visits
The visits that came to a website by clicking on a link placed on a different website.

Glossary

Google My Business - Key Terms

Branded Searches
Visitors who find your listing searching for your business name or address.

Non-Branded Searches
Visitors who find your listing searching for a category, product or service without using your brand in their search query.

Map Views
Users who view your listing on Google Maps.

Search Views
Users who view your listing on a Google Search Engine Results Page.

Clicks To Website
When a visitor finds you on Google My Business and clicks through to your website.

Clicks For Driving Directions
When a visitor finds you on Google My Business and clicks to find driving directions.

Clicks To Place Phone Call
When a visitor finds you on Google My Business and clicks to place a phone call.

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Briefing Note

CAFII Board Meeting 12 April, 2022—Agenda Item 6(n)
Read Only Items: CAFII 2021 Media Engagement Accomplishments Summary

Purpose of this Agenda Item – *Read Only*

This is a read only item.

Background Information

CAFII Media Consultant David Moorcroft has produced a summary of the major media accomplishments for the Association in 2021.

Recommendation / Direction Sought – *Read Only*

This is a read only item.

Attachments Included with this Agenda Item

1 attachment.

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Agenda Item 6(n)
April 12/22 Board Meeting

SUMMARY OF CAFII MEDIA ACHIEVEMENTS FOR 2021

News Releases issued: 3

March 11 - **CAFII Releases New Video that Explains How Credit Protection Insurance Works for Critical Illness and Disability**
June 17 - **Pandemic has changed the way Canadians conduct financial transactions, and for some the change will be permanent**
July 8 - **CAFII welcomes Canadian Tire Bank as a new member**

Media coverage of CAFII: 6

June 18 – Mortgage Broker News: **How comfortable are Canadians with conducting financial transactions online?**
June 18 **–** Retail Banker International: **Covid accelerates Canadians digital drive: CAFII**
June 18 – Insurance Business Canada: **How has COVID changed how credit protection insurance customers purchase coverage?**
June 19 – RBI website video interview: **CAFII executive discusses new study with Retail Banker International**
June 22 – Onside Media newsletter: **Pandemic has changed the way Canadians conduct financial transactions, and for some the change will be permanent**
June 29 – Blockchain Internet Radio: **Keith Martin talks about CAFII study on Blockchain Radio**

Insight Blogs: 5

May 4 - **New video helps explain insurance products**
May 25 - **What types of insurance should homebuyers consider?**
June 17 - **Canadians embrace fintech & insurance during pandemic**
September 17 - **Travel insurance more important than ever**
November 15 - **Consumer education remains a top priority for CAFII**

Website videos: 3

June – **Pollara research on effect of pandemic on how Canadians wish to conduct bank and insurance transactions**
March, 2022 – **Job Loss Insurance (drafted and approved in 2021 but still in production)**
March, 2022 – **Consumer protection tips (drafted and approved in 2021 but still in production**

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Briefing Note

CAFII Board Meeting, 12 April, 2022—Agenda Item 6(o)
Read Only Items: Summary of Completed and Upcoming 2022 CAFII Webinars

Purpose of this Agenda Item – *Read Only*

This is a read only item to the Board on insights gained from recent CAFII webinars and from plans for an upcoming webinar.

Background Information

CAFII held a webinar on life insurers' health and wellness incentivization programs on 31 January, 2022. Panellists were:

- Patti Annable, Assistant Vice-President, Marketing Communications, Lumino Health, Sun Life;
- Lisa Heath, CEO, MediResource Inc, business partner to Canada Life's Health Connected; and
- Paul Savage, Head of Product and Pricing, including for Vitality, Manulife.

The following regulators registered for the event:

The Financial Services Regulatory Authority of Ontario, or FSRA;
The Government of Alberta ;
The Ontario Ministry of Finance;
BC Financial Services Authority, or BCFSA;
The Insurance Council of BC;
The Financial and Consumer Services Commission of New Brunswick, or FCNB;
The Insurance Councils of Saskatchewan;
The Canadian Insurance Services Regulatory Organizations, or CISRO; and
The Ontario Ministry of Finance.

A summary of the event can be found in the March 2022 Regulatory Update (a Consent Item in the materials for the April 12/22 CAFII Board meeting).

CAFII held a webinar on mental health issues and challenges in the workplace, at home, and in society on 7 March, 2022. Panelists were:

- Paula Allen, Global Leader and SVP, Research and Total Wellbeing, LifeWorks, the successor to the business formerly know as Morneau Sobeco;
- Irene Keller, Director, Group Benefits Product and Solutions, Sun Life;
- Shawna Oliver, AVP, Head of Global Benefits, Manulife.

The following regulators registered for the event:

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The Alberta Insurance Council;
The British Columbia Financial Services Authority, or BCFSA ;
The Financial and Consumer Services Commission of New Brunswick;
The Government of Alberta;
The Insurance Council of Manitoba; and
The Insurance Councils of Saskatchewan.

A summary of the event can be found in the March 2022 Regulatory Update (a Consent Item in the materials for the April 12/22 CAFII Board meeting).

CAFII is also planning for a webinar on 3 May, 2022 on *Principles-Based Regulation (PBR); The Emergence of Rule-Making Authority; and How They Work Together: A Complementary, Harmonious Fit Or 'Dynamic Tension' For Canada's Insurance Regulators?* Speakers will be Dr. Cristie Ford, Professor at the Allard Business School, University of British Columbia, and Stuart Carruthers, Partner, Stikeman Elliott.

Recommendation / Direction Sought – *Read Only*

This is a read only item.

Attachments Included with this Agenda Item

No attachments.

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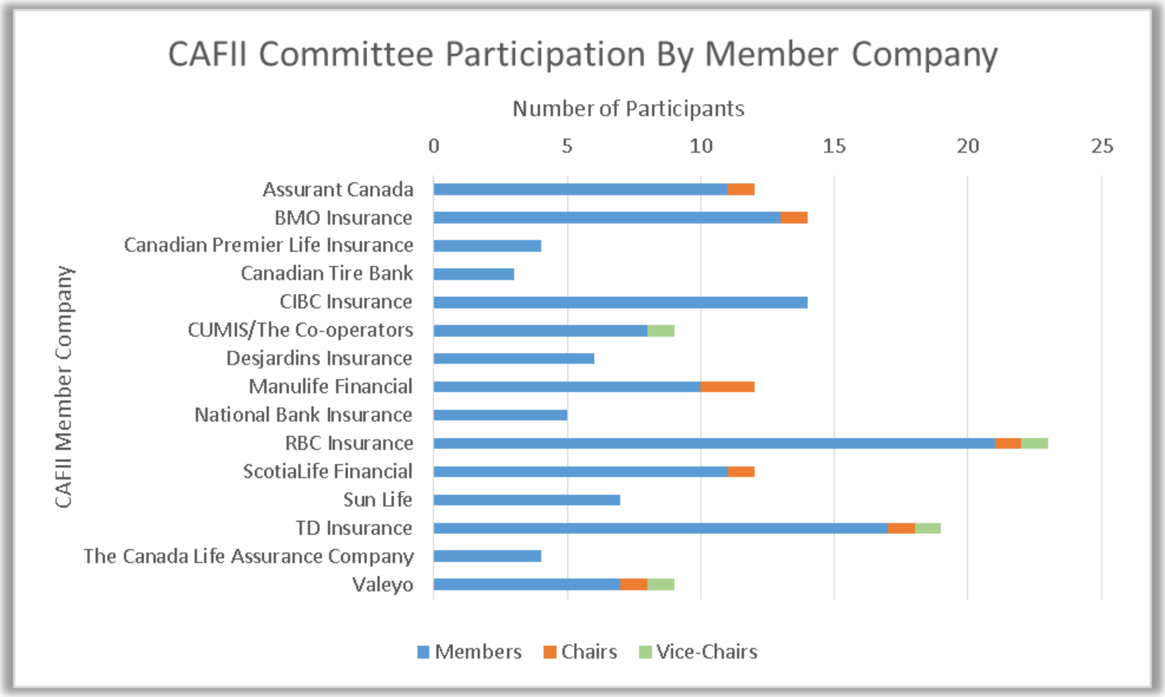
CAFII Member Company Committee & Working Group Involvement



Notes: Acting Chairs and Vice-Chairs of Committees & Working Groups were also counted as Members of that same Committee or Working Group. See below the raw data count of each Member company's Committee/Working Group participation.

Company	Members	Chairs	Vice-Chairs	Total
Assurant Canada	11	1	0	12
BMO Insurance	13	1	0	14
Canadian Premier Life Insurance	4	0	0	4
Canadian Tire Bank	3	0	0	3
CIBC Insurance	14	0	0	14
CUMIS/The Co-operators	8	0	1	9
Desjardins Insurance	6	0	0	6
Manulife Financial	10	2	0	12
National Bank Insurance	5	0	0	5
RBC Insurance	21	1	1	23
ScotiaLife Financial	11	1	0	12
Sun Life	7	0	0	7
TD Insurance	17	1	1	19
The Canada Life Assurance Company	4	0	0	4
Valeyo	7	1	1	9

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Agenda Item 7(b)
April 12/22 Board Meeting

CAFII Policy On Association Executive Staff Annual Performance Review and Consideration For Compensation Adjustment

Date Prepared: November 30, 2020
Recommended By: Martin Boyle, Immediate Past-Board Secretary and EOC Chair
Date Presented To Board of Directors: December 1, 2020
Date Approved By Board of Directors: December 1, 2020

Purpose of Policy

- to formally document CAFII's practices related to its process for the Executive Staff Annual Performance Review and Consideration for Compensation Adjustment; and
- to bring transparency, rigour, objectivity, and certainty to this process.

Executive Staff Annual Performance Review and Consideration For Compensation Adjustment

This policy shall apply to whomever the CAFII Board shall determine to be the Association's "Executive Staff."

The person in the CAFII Officer role of Board Secretary and Executive Operations Committee Chair (hereinafter referred to as "EOC Chair") shall be responsible for carrying out this policy, in consultation with the Board Chair and Board Vice-Chair.

In November/December each year, the EOC Chair shall gather appraisal input for an Executive Staff member's annual performance review from three sources:

- Board members' responses to a survey on the Executive Staff member's goals/objectives/Position Description-based performance within the period being evaluated. The EOC Chair shall develop the survey questions in consultation with the Executive Staff, and such questions will be subject to annual review and update;

- EOC members' responses to a survey on the Executive Staff member's goals/objectives/Position Description-based performance within the period being evaluated. The EOC Chair shall develop the survey questions in consultation with the Executive Staff, and such questions will be subject to annual review and update; and

- the Executive Staff member's self-evaluative goals/objectives/Position Description-based key performance accomplishments for the period being evaluated.

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Taking those inputs into account, the EOC Chair shall prepare a written assessment of the Executive Staff member's performance in the period being evaluated, for use in a performance feedback discussion with the Executive Staff member and eventual placement into the individual's personnel file.

The EOC Chair shall also formulate a recommended compensation adjustment based on the Executive Staff member's performance, for discussion with the Board Chair and Board Vice-Chair.

Prior to conducting a performance feedback discussion with the Executive Staff member, the EOC Chair shall consult with the Board Chair and Board Vice-Chair on the written assessment of the Executive Staff member's performance in the period being evaluated; and on the EOC Chair's recommended compensation adjustment for that Executive Staff member. The EOC Chair shall take the views of the Board Chair and the Board Vice-Chair into account in finalizing the written assessment of the Executive Staff member's performance and any resulting compensation adjustment.

Following completion of the EOC Chair's consultation with the Board Chair and Board Vice-Chair, the EOC Chair shall schedule and conduct a performance feedback discussion with the Executive Staff member, in which the written assessment of Executive Staff member's performance in the period being evaluated and any resulting compensation adjustment shall be communicated and discussed.

Executive Staff Member's Right Of Appeal

In the event that an Executive Staff Member does not agree with the written assessment of his/her performance and/or the compensation adjustment offered, he or she has the right to appeal either or both of those performance evaluation components.

The Executive Staff member must file an appeal in writing – setting out grounds/rationale for the appeal -- to the Board Chair and Board Vice-Chair, for consideration. The Board Chair and Vice-Chair shall review the written appeal, in consultation with the EOC Chair, and make a decision on the appeal on its merits, which decision shall be final.

Timing Of Effect Of Any Compensation Adjustment Awarded

Any compensation adjustment awarded to a CAFII Executive Staff member shall take effect on January 1 of the year following the period for which performance has been evaluated. Adjustments may be made retroactive to this date if the performance review was not completed and finalized prior to the end of the calendar year.

Reporting/Accountability To Board of Directors

Following the completed execution of this *Executive Staff Annual Performance Review and Consideration For Compensation Adjustment Policy* each year, the EOC Chair – or in his/her absence, the Board Chair – shall report to the Board of Directors in an *in camera* session that this annual policy responsibility has been completed.