

CAFII Board of Directors Meeting

Date: Tuesday, April 16, 2019 **Time:** 3:00 – 6:00 p.m.
Location: The National Club, Blake Lounge, 3rd Floor, 303 Bay St., Toronto, ON **Dial-in:** 416-477-0921; 514-447-8925; 604-283-9145; or 1-888-543-2449; Participant: 1500 | Host: 1501
Chair: N. Benson **Zoom:** <https://zoom.us/j/4164770921>

Agenda

Item	Presenter	Document	Action
1. Call to Order; Governance and Special Matters 3:00 p.m.	N. Benson		
1.1 Approval of Agenda		✓	Approval
1.2 Appointment of a CAFII Director (TD Insurance)		✓	Approval
1.3 Loss of Amex Bank of Canada as a CAFII Member	B. Wycks/K. Martin	✓	Update
1.4 Next Steps for the Special Project on CCBPI:	K. Martin/Stikeman		
i. Common Interest Privilege and Joint Defense Agreement	Stikeman Guests	✓ (4)	Discussion
ii. Recommendations Arising From Presentations Meeting with Business Consultant RFP Respondents	K. Martin/N. Benson	✓ (11)	Discussion
iii. CCBPI Special Project Funding Issues	All		Discussion
iv. Next Steps in the CCBPI Special Project	All		Discussion
v. Proposal for CAFII to have Ongoing Legal Council	C. Lobbezoo		Discussion
1.5 Deployment of Credit Protection Insurance Research Results	K. Martin/D. Quigley	✓ (3)	Discussion
2. Consent Items 4:15 p.m.	N. Benson		
2.1. Draft Board Meeting Minutes, November 27, 2018		✓	Approval
2.2. Draft Board Special Teleconference Meeting Minutes, December 10, 2018		✓	Approval
2.3. Draft Board Special Teleconference Meeting Minutes, March 1, 2019		✓	Approval
2.4. Summary of Board & EOC Action Items		✓	Receipt
2.5. Consultations/Submissions Timetable		✓	Receipt
2.6. Regulatory Update		✓	Receipt
2.7. Regulator and Policy-Maker Visit Plan		✓	Receipt
3. Financial 4:20 p.m.			
3.1. Financial Statements as at March 31, 2019	T. Pergola	✓	Approval
3.2. Revised 2019 Budget Forecast, Reflecting Loss of Amex Bank	T. Pergola	✓	Discussion
3.3. Draft 2018 Audited Financial Statements	T. Pergola	✓	Approval
4. Regulatory 4:35 p.m.			
4.1 EOC Recommendation That CAFII Pursue A Liaison and Education Meeting with Richard Bilodeau, Acting Deputy Commissioner, FCAC	K. Martin/B. Wycks		Discussion
4.2 CAFII Dialogue with CCIR/CISRO Re Fair Treatment of Customers	B. Wycks/K. Martin	✓	Update
4.3 AMF Regulation Respecting Alternative Distribution Methods: April 17/19 Meeting in Montreal and Other Next Steps	K. Martin/ B. Wycks	✓ (7)	Update
4.4 AMF Spousal Coverage Issue: CAFII Proposed Strategies and Solutions Submission; and Next Steps	B. Wycks	✓	Update
4.5 FSRA Start-Up As Successor Regulator To FSCO in Ontario	B. Wycks/K. Martin	✓	Update
4.6 BC Ministry of Finance: 10-Year Review of Financial Institutions Act	B. Wycks	✓	Update
4.7 Saskatchewan Implementation of New Insurance Act and Regulations on January 1, 2020	B. Wycks		Update
4.8 Insurance Councils of Saskatchewan Launch of RIA Advisory Cttee.	B. Wycks		Update
4.9 Manitoba: July 1/19 Reduction in PST Rate and Impact on Periodic Life and Health Insurance Premiums	B. Wycks	✓ (2)	Update
4.10FCNB Insurance Act Rewrite	B. Wycks		Update
i. Introduction of RIA Licensing Regime	B. Wycks/M. Gill		Update

ii. Consultation on Licensing Exemptions 4.11 CAFII Regulator and Policy-Maker Meetings During 2019 CLHIA Conference 4.12 CAFII Western Canada Regulators and Policy-Makers Visits Tour: Deferral to Fall 2019 Recommended	B. Wycks/M. Gill	✓	Update
	B. Wycks/M. Gill	✓	Update
	K. Martin/ B. Wycks		Update
5. Strategy and Membership <i>5:05 p.m.</i> 5.1 Feedback on H. Troup, Australia, Visit to CAFII and Its Members 5.2 CAFII Initiation Member, Returning Member, and Associate Prospects	B. Wycks/K. Martin B. Wycks/ K. Martin		Discussion Update
6. Committee Reports Addressing CAFII Priorities: <i>5:10 p.m.</i> 6.1 Market Conduct 6.2 Media Advocacy i. CAFII Website Enhancement Investments in 2019 6.3 Licensing Efficiency Issues 6.4 Research & Education i. Recommendation on 2019 CAFII Research 6.5 Travel Medical Experts	B. Kuiper C. Blaquiere K. Martin M. Gill D. Quigley D. Quigley/K. Martin A. Baig	✓	Update Update Update Update Update Update Update
7. Other Business <i>5:30 p.m.</i> 7.1 Expected Regulator and Policy-Maker Attendance at April 16/19 CAFII Reception 7.2 Next CAFII Board Meeting and Reception: June 4/19 at Manulife Financial 7.3 Speaker at June 4/19 CAFII Reception	B. Wycks B. Wycks K. Martin/ B. Wycks		Update Update Discussion
8. In-Camera Session <i>5:40 p.m.</i>	N. Benson		Discussion

Agenda Item 1.2
April 16/19 Board Meeting

1.2 Appointment of a CAFII Director (TD Insurance)

Janice Farrell Jones became the Head of TD Insurance's Life & Health business, effective March 18, 2019, succeeding Chris Knight.

Janice is responsible for the strategy and profitable growth of TD Insurance's portfolio of Life & Health products. Janice joined TD in 2011 and thereafter held a number of progressively senior roles in Wealth, Personal Banking Product, and Branch Banking. Most recently, she was TD Insurance's Vice-President, Customer Strategy and Innovation, and an integral member of the Insurance Senior Executive Committee.

Janice is an MBA graduate of Northwestern University and a Chartered Professional Accountant (CPA).

Janice Farrell Jones
Head of TD Insurance Life & Health
(647) 929 2390
janice.farrelljones@td.com
Executive Assistant – Karen Volpe (karen.volpe@td.com)

Sent: Thursday, February 21, 2019 10:17 AM
Subject: **FYI: Organizational Announcement - HR Leadership**

I am very pleased to announce that **Chris Knight**, currently SVP, TD Insurance, will take on the role of SVP, HR for Finance, Risk and Customer & Colleague Experience, effective March 18, 2019.

Chris is a seasoned and versatile leader, known across TD for driving strong business results through his collaborative leadership style. Chris has worked across the organization, including roles in Auto Finance, Business Banking, Finance, Technology and the Office of the President and CEO. While in TD Insurance, he has successfully led the Life business through significant change to position it for continued growth and success. He is well positioned to bring his broad business acumen, passion for diversity and talent development and strong leadership capabilities to HR, as we continue to align business strategy with people strategy and enhance the colleague experience across the enterprise.

Agenda Item 1.3
April 16/19 Board Meeting

1.3 Loss of Amex Bank of Canada as a CAFII Member

CAFII Board and EOC Members:

For your information only at this time, Keith Martin and I regret to advise that as per the communication below from Joe Ryan, Vice-President, Consumer Lending, Insurance, and Internal Acquisition at Amex Bank of Canada, his company is terminating its membership in CAFII, effective immediately. (Amex had not yet paid its 2019 membership dues.)

This development, while unfortunate, did not come as a surprise to us – and we had informed the EOC, in particular, in recent meetings, that Amex's membership was very tenuous and "at risk" – for the following reasons:

- Joe Ryan's opening premise/salvo to Keith and me in our February 28/19 half-hour teleconference meeting with him (first and only opportunity granted to meet with him, following his appointment into the senior insurance role at Amex Bank of Canada in early January) was "given that we're a very small, ancillary insurance player in the industry, why should we not just cancel our CAFII membership, save a lot of money, and then ride on the coattails of the other CAFII members who are big players in the full spectrum of creditor's group insurance and travel insurance; and thereby benefit indirectly, rather than directly, in the work that CAFII does on behalf of the industry?" (Without much reading between the lines, it was readily apparent to Keith and me that a major component of Joe's current mandate is cost-cutting); and
- while Amex Bank of Canada has been a Regular Member of CAFII since 2012 (following two years as a CAFII Associate from 2010-12),
 - it has not had a CAFII Director since June 2018 when Nick Bilodeau left the company;
 - it has not had an active participant CAFII Director since January 2015 when then-CAFII Director Vivianne Gauci left the company (Nick Bilodeau attended just two CAFII Board meetings in two-plus years as a Director, both by teleconference);
 - during its time as a CAFII Member, Amex Bank of Canada has only had an EOC Member for a brief period of about six months, in the latter part of 2012; and
 - CAFII was previously at risk of losing Amex Bank of Canada as a member in 2015, following a management reorganization in January of that year and an ensuing, extended hiatus period with no Amex Director on the CAFII Board. However, thanks in part to the positive influence/intervention of another CAFII member, Amex did remain a CAFII member at that time and paid its 2015 dues in November 2015.

We have included two items related to this development on the agenda for the upcoming April 16/19 CAFII Board Meeting (draft agenda attached):

1.3 *Loss of Amex Bank of Canada as a CAFII Member* (in the Governance and Special Matters section); and

3.2 *Revised 2019 Budget Forecast, Reflecting Loss of Amex Bank* (in the Financial Management section).

Brendan Wycks, BA, MBA, CAE

Co-Executive Director

Canadian Association of Financial Institutions in Insurance

Brendan.wycks@cafii.com

T: 647.218.8243

Alternate T: 647.361.9465

www.cafii.com

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From: Joseph P Ryan <joseph.p.ryan@aexp.com>

Sent: March-29-19 8:46 AM

To: Keith Martin <Keith.Martin@cafii.com>; Brendan Wycks <brendan.wycks@cafii.com>

Cc: Sarah J deGruchy <sarah.j.degruchy@aexp.com>

Subject: CAFII Membership

Good morning Brendan/Keith

As a follow up to our call a month ago, I wanted to advise you that we have decided to terminate our CAFII membership. This will be effective immediately.

As discussed on our call in February, we feel that the mutual value of CAFII membership is more relevant to the larger players in the industry; less so for non-insurance companies like us, who offer a small range of insurance products as ancillary benefits to our core products.

Please advise if there are any exit formalities that must be addressed.

Thank you for your past support.

Regards

Joe

JOE RYAN | VP, CONSUMER LENDING, INSURANCE AND INTERNAL ACQUISITION

GLOBAL CONSUMER SERVICES GROUP

AMEX BANK OF CANADA

2225 Sheppard Avenue East | Toronto, ON M2J5C2, Canada

O: 437-836-6391 | E: joseph.p.ryan@aexp.com



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COMMON INTEREST PRIVILEGE AND JOINT DEFENCE AGREEMENT

This Common Interest Privilege and Joint Defence Agreement (the “**Agreement**”) is entered into as of this ● day of April, 2019 by and among the financial institutions and other entities listed in Appendix A hereto (each a “**CAFI Member**”), the Canadian Association of Financial Institutions in Insurance (“**CAFI**”) and outside legal counsel to CAFI, Stikeman Elliott LLP (“**Counsel**”, together with CAFI and CAFI Members, the “**Parties**”), in connection with the legal and regulatory analysis aspects of the CAFI 2019 Credit Card Balance Protection Insurance Special Project, which includes but is not limited to, working to minimize the risks associated with any potential litigation or regulatory inquiries/investigations and/or taking reasonable steps to be prepared to respond to any litigation or regulatory inquiries/investigations that arise in connection therewith (the “**Project**”).

WHEREAS the Parties acknowledge and agree that they have a common interest in and a desire to cooperate with respect to the completion of the Project, and without limiting the generality of the foregoing to share, subject to appropriate protocols being put in place, information, documents, material, work product, and strategies to address legal and regulatory issues under, and at all times in compliance with, all applicable legislation, including insurance laws and the *Competition Act*, and in the defence of any actual or threatened legal proceedings or inquiries or investigations in respect of the subject matters covered by the Project before an administrative tribunal, court or regulatory body, including all appeals therefrom (collectively, “**Regulatory Compliance**”);

AND WHEREAS the Parties acknowledge and agree that it is in their several and common interest to share information for the dominant purpose of addressing Regulatory Compliance and to instruct Counsel in relation thereto;

AND WHEREAS the Parties wish to pursue their common interest with respect to Regulatory Compliance, ensure that all confidentiality and privileges which apply continue to be maintained through the joint effort to address Regulatory Compliance, and avoid the possibility of any argument of waiver of confidentiality and privilege in respect of the Project;

AND WHEREAS the Parties desire and intend to preserve the confidential and privileged nature of all information and materials exchanged and intend that all privileges, immunities and protections otherwise afforded shall not be waived;

AND WHEREAS each Party has its own privileges which underly and inform the Parties’ common interest privilege;

AND WHEREAS the Parties intend and agree that this Agreement is itself a fundamental aspect of their common interest with respect to Regulatory Compliance and is privileged and confidential and not to be disclosed except in accordance with this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and protections contained herein, and for other good and valuable consideration, the receipt and sufficiency of which

each Party hereby acknowledges, the Parties agree as follows:

A. General Provisions

1. The Parties each acknowledge and agree that they have a common interest in addressing Regulatory Compliance, and that the Parties would benefit from the sharing, on a legally privileged and confidential basis, of (among other things) documents, information, data, financial projections, opinions, factual materials, mental impressions, memoranda, notes, chronologies, analyses, summaries, interview reports, legal and litigation strategies and related agreements and documents (including drafts thereof), communications between the Parties, communications with Counsel, communications between the Parties or Counsel and other third parties, legal advice and other information (orally, in writing, or otherwise) related to the Parties which are protected by solicitor-client privilege, litigation privilege, work product doctrine, settlement privilege, or other applicable privileges, immunities or protections (collectively, "**Common Interest and Joint Defence Materials**").
2. The Parties agree that all Common Interest and Joint Defence Materials previously disclosed or to be disclosed or shared by one Party to another or shared among the Parties in connection with Regulatory Compliance are subject to this Agreement. This Agreement is intended as the written embodiment of prior agreements and understandings of the Parties related to confidentiality and maintenance of privilege in respect of Common Interest and Joint Defence Materials.
3. The Parties agree that the existence of this Agreement (including all drafts and communications in respect of this Agreement) is privileged and confidential and is not to be disclosed without the prior written consent of all Parties, except as required by law (subject to paragraph 16 below) or if disclosure is necessary for the enforcement of this Agreement.

B. No Waiver of Privilege

4. The Parties agree that the sharing or disclosure of Common Interest and Joint Defence Materials among the Parties or to any of the persons contemplated herein will not diminish in any way the confidentiality of such materials and will not constitute a waiver of any applicable privilege, immunity or protection. The Parties agree that they shall not claim or assert that there has been such a waiver as a result of the sharing or disclosure, and that they will diligently assert the application of privilege, immunity and protection to Common Interest and Joint Defence Materials if any third party argues otherwise and/or seeks disclosure of such materials.
5. The Parties will use their best efforts to ensure that the privilege and confidentiality of the Common Interest and Joint Defence Materials is maintained at all times, and that no disclosure is made to any person not authorized by this Agreement to receive Common Interest and Joint Defence Materials without the prior written consent of all Parties expressly agreeing to the waiver of privilege and confidentiality. Any waiver of privilege and confidentiality as to particular Common Interest and Joint Defence Materials shall not be construed to relate to any other Common Interest and Joint

Defence Materials not explicitly covered by the applicable waiver.

6. The Parties agree that, in the event of any breach of the Agreement by any Party, such breach shall not be construed as a waiver of any applicable privilege, immunity or protection.

C. Non-Derogation of Rights

7. The Parties acknowledge and agree that nothing in this Agreement imposes any obligation on any Party to disclose any documents or information, including Common Interest and Joint Defence Materials, to any other Party or individual employed by any other Party.
8. Nothing in this Agreement shall prevent any Party from waiving whatever privilege it may hold over its own internally-created Common Interest and Joint Defence Materials (i.e., not received from or created jointly with another Party) and/or providing those materials to a third party.
9. Nothing in this Agreement affects Counsel's right or obligation to advise CAFII according to what Counsel believes to be in CAFII's best interest. Nothing in this Agreement shall bind or obligate any Party to agree to a single course of action or to take any specific action with respect to Regulatory Compliance.
10. Nothing in this Agreement shall affect any rights of ownership to and control over any of the Common Interest and Joint Defence Materials.

D. Permitted Disclosure and Use

11. The Parties agree that Common Interest and Joint Defence Materials received pursuant to the Agreement, or the contents thereof, may be disclosed to their respective directors, officers, employees and agents but only to the extent that such persons have a need to receive such information (collectively, "**Permitted Recipients**"). The Parties agree that all Permitted Recipients are subject to the terms of this Agreement and the disclosing Party will ensure compliance by the Permitted Recipients with this Agreement.
12. The Parties agree that the sharing of Common Interest and Joint Defence Materials, and the information contained therein, is for the purpose of addressing Regulatory Compliance while maintaining solicitor-client and litigation privilege.
13. The Parties agree that a Party may use or disclose information generated by that Party or obtained independently of this Agreement by that Party, and such use or disclosure includes the right to disclose information to other Parties in a redacted format and to impose additional limitations on the use of Common Interest and Joint Defence Materials. By written designation, a Party may limit disclosure of Common Interest and Joint Defence Materials to "Counsel and Experts Only", in which case Counsel and any relevant Experts will accordingly limit any disclosure of such Common Interest and Joint Defence Materials or redact as appropriate.
14. The Parties agree that for the purposes of assisting with respect to addressing

Regulatory Compliance, a Party may disclose Common Interest and Joint Defence Materials received pursuant to this Agreement, or the contents thereof, to third party experts or consultants ("**Permitted Third Party Recipients**") who have a signed undertaking to abide by the terms of this Agreement.

15. Nothing in this Agreement shall limit the right of each Party to use, or to disclose to anyone, any of its own documents or information, or any documents or information obtained independently and not pursuant to this Agreement. The obligations set out in this Agreement shall not apply in respect of Common Interest and Joint Defence Materials which:

- a. are or become generally available to the public other than as a result of unauthorized disclosure by a Party;
- b. were already lawfully in possession of, or known by, the receiving Party on a non-confidential basis before receipt from the originating Party;
- c. become available lawfully and in good faith to the receiving Party on a non-confidential basis from a source other than the Parties hereto, provided, however, that, to the knowledge of the receiving Party after reasonable inquiry, such source is not bound by a confidentiality agreement with, or other obligation of secrecy to, the disclosing Party or another person or otherwise prohibited from giving the Common Interest and Joint Defence Materials to the receiving Party by a contractual, legal or fiduciary obligation; or
- d. are developed by the receiving Party independently of any Common Interest and Joint Defence Materials received from the originating Party.

E. Judicial, Regulatory or Governmental Requests for Production

16. If any other person or entity not a Party to this Agreement (including any regulatory or administrative authority) requests or demands of a Party (the "**Receiving Party**") by document request, summons, subpoena, motion or application, or otherwise, that the Receiving Party produce Common Interest and Joint Defence Materials, the Receiving Party shall promptly notify all Parties of the request or demand unless prohibited by law. Unless and until written notice is received from the other affected Parties that all applicable rights, privileges, protections and immunities have been waived, the Receiving Party shall take all appropriate steps reasonably necessary to assert all applicable rights, privileges, protections and immunities with respect to the Common Interest and Joint Defence Materials, and will cooperate with all Parties in any judicial or administrative proceeding relating to such requested or demanded disclosure of Common Interest and Joint Defence Materials, with each Party (including the Receiving Party) to bear its own costs in connection with such a proceeding, request or demand.

F. Joint and Limited Scope Retainer

17. Subject to the terms of this Agreement, each CAFII Member agrees to retain Counsel pursuant to a joint and limited scope retainer for legal services in connection with the Project as it pertains to the CAFII Member's status as a member of CAFII

(“**JLS Retainer**”). Each CAFII Member confirms that its consent to the JLS Retainer is informed, genuine and uncoerced. The Parties agree that nothing disclosed to Counsel in respect of the JLS Retainer will be confidential so far as the other Parties are concerned, and if a conflict develops the Parties agree to work together in good faith to determine the extent to which Counsel can continue to act. Notwithstanding the foregoing, nothing in this Agreement shall be construed to affect the separate and independent representation of any Party by its own customary counsel. For the avoidance of doubt, it is acknowledged that CAFII will pay Counsel’s fees with respect to dealings with CAFII Members concerning the Project unless otherwise agreed.

18. Conflict waiver: Each CAFII Member waives any conflict relating to Counsel’s engagement under the JLS Retainer and will not assert the JLS Retainer as the basis of any conflict in relation to engagements not substantively related to the JLS Retainer.

19. This Agreement shall not create any agency or similar relationship between the Parties. None of the Parties to this Agreement shall have authority to waive any applicable privilege, immunity or protection on behalf of the other Parties, nor shall any waiver of privilege or confidentiality by one Party be construed to apply to the other Parties.

G. Termination of Agreement

20. Any Party may terminate its participation in this Agreement at any time upon giving express written notice to the other Parties. Such termination shall not affect or impair the obligations set out in this Agreement with respect to Common Interest and Joint Defence Materials previously provided pursuant to this Agreement, and the Parties agree that all rights, privileges, protections, and immunities continue to apply in respect of Common Interest and Joint Defence Materials even after the termination of this Agreement.

H. Right to Have Documents Returned

21. Subject to the provisions of paragraph 22, the Parties agree that documents constituting Common Interest and Joint Defence Materials will, upon request in writing at any time by a Party that originally disclosed such documents, regardless of whether that Party is still a Party to this Agreement, which written request will identify the specific Common Interest and Joint Defence Materials that are the subject of the request: (a) be promptly returned to that requesting Party within a reasonable time period; (b) be promptly destroyed within a reasonable time period and a written statement be provided to that Party that such materials and records have been destroyed.

22. Paragraph 21 does not require a Party to return any Common Interest and Joint Defence Materials which are work-product to be used in connection with Regulatory Compliance, the return of which could prejudice it. The obligation to return or destroy Common Interest and Joint Defence Materials upon request does not require the Parties to return or destroy any Common Interest and Joint Defence Materials that reside in electronic archiving and back-up storage media, and which must legally be

retained for document retention purposes.

I. Remedies

23. The Parties will at all times use their best efforts to ensure that the confidentiality of the Common Interest and Joint Defence Materials is maintained at all times, and that no disclosure is made to any person not authorized by this Agreement to receive Common Interest and Joint Defence Materials without the prior written consent of all Parties.
24. The Parties agree that, in the event of any breach of this Agreement by any Party, such breach could not adequately be remedied by damages, that interim, interlocutory and permanent injunctive relief is appropriate as a remedy, and that this Agreement shall be specifically enforceable where otherwise appropriate.

J. Dispute Resolution

25. This Agreement shall be interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada.

K. Miscellaneous

26. The recitals and Schedules to this Agreement form part of the terms and conditions of the Agreement.
27. This Agreement shall not affect or alter any other obligations or agreements between the Parties now existing or which will come into existence in the future.
28. This Agreement may be modified, amended, or supplemented only by a written amendment signed and agreed to by all the Parties hereto.
29. This Agreement shall be binding on the Parties, Permitted Recipients, Permitted Third Party Recipients, and their successors and assigns.
30. Each Party signing this Agreement represents that its Permitted Recipients are fully informed of the terms of this Agreement, and that the Party has agreed to be bound by all of the terms of this Agreement.
31. Each provision in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision by a court of competent jurisdiction shall not affect the validity of enforceability of any other provision hereof or thereof.
32. This Agreement may be executed in counterparts, all of which comprise one document.

IN WITNESS WHEREOF we have affixed our signatures below:

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

Name: Keith Martin

Title: Co-Executive Director, CAFII

Name: Brendan Wycks

Title: Co-Executive Director, CAFII

STIKEMAN ELLIOTT LLP

Name:

Title:

MEMBERS:

Name: Joseph Ryan

Title: Vice President, Consumer Lending, Insurance & Internal Acquisition, AMEX Bank of Canada

Name: Paul Cosgrove

Title: VP Business Partnerships, Assurant Canada

Name: Peter McCarthy

Title: President & CEO, BMO Life Insurance Company of Canada

Name: David Fear

Title: Senior Vice-President, The Canada Life Assurance Company

Name: Nicole Benson

Title: CEO, Canadian Premier Life

Name: Sandra Rondzik

Title: Vice President, CIBC Insurance

Name: Kelly Tryon

Title: VP Creditor Insurance and Retail Distribution—Eastern Canada, CUMIS Life Insurance Company

Name: Christian DuFour

Title: Senior Vice-President, Desjardins

Name: Wally Thompson

Title: VP Sales & Marketing, Partnerships and CoverMe, Insurance Manulife

Name: Peter Thompson

Title: Senior Vice President, Insurance and President, National Bank Insurance

Name: Chris Lobbezoo

Title: VP, Creditor Product & Sales Distribution, RBC Insurance

Name: Zack Fuerstenberg

Title: Senior Vice President, Insurance Canada, ScotiaLife Financial

Name: Chris Knight

Title: Senior Vice President, Life, Health and Creditor Products, TD Insurance

Name: Janice Farrell Jones

Title: VP Strategy and Innovation, TD Insurance

SCHEDULE "A"

CAFII MEMBERS

AMEX Bank of Canada

Assurant Canada

BMO Life Insurance Company of Canada

Canada Life Insurance Company

Canadian Premier Life

CIBC Insurance

CUMIS Life Insurance Company

Desjardins

Manulife

National Bank Insurance

RBC Insurance

ScotiaLife Financial

TD Insurance

COMMON INTEREST PRIVILEGE AND JOINT DEFENCE AGREEMENT

This Common Interest Privilege and Joint Defence Agreement (the “**Agreement**”) is entered into as of this ● day of ~~March~~April, 2019 by and among the financial institutions and other entities listed in Appendix A hereto (each a “**CAFII Member**”), the Canadian Association of Financial Institutions in Insurance (“**CAFII**”) and outside legal counsel to CAFII, Stikeman Elliott LLP (“**Counsel**”, together with CAFII and CAFII Members, the “**Parties**”), in connection with the legal and regulatory analysis aspects of the CAFII 2019 Credit Card Balance Protection Insurance Special Project, which includes but is not limited to, working to minimize the risks associated with any potential litigation or regulatory inquiries/investigations and/or taking reasonable steps to be prepared to respond to any litigation or regulatory inquiries/investigations that arise in connection therewith (the “**Project**”).~~[NTD: Amend to add consultant retained by Stikeman Elliott LLP or otherwise consultant can sign a joinder.]~~

WHEREAS the Parties acknowledge and agree that they have a common interest in and a desire to cooperate with respect to the completion of the Project, and without limiting the generality of the foregoing to share, subject to appropriate protocols being put in place, information, documents, material, work product, and strategies to address legal and regulatory issues under, and at all times in compliance with, all applicable legislation, including insurance laws and the *Competition Act*, and in the defence of any actual or threatened legal proceedings or inquiries or investigations in respect of the subject matters covered by the Project before an administrative tribunal, court or regulatory body, including all appeals therefrom (collectively, “**Regulatory Compliance**”);

AND WHEREAS the Parties acknowledge and agree that it is in their several and common interest to share information for the dominant purpose of addressing Regulatory Compliance and to instruct ~~counsel~~Counsel in relation thereto;

AND WHEREAS the Parties wish to pursue their common interest with respect to Regulatory Compliance, ensure that all confidentiality and privileges which apply continue to be maintained through the joint effort to address Regulatory Compliance, and avoid the possibility of any argument of waiver of confidentiality and privilege in respect of the Project;

AND WHEREAS the Parties desire and intend to preserve the confidential and privileged nature of all information and materials exchanged and intend that all privileges, immunities and protections otherwise afforded shall not be waived;

AND WHEREAS each Party has its own privileges which underly and inform the Parties’ common interest privilege;

AND WHEREAS the Parties intend and agree that this Agreement is itself a fundamental aspect of their common interest with respect to Regulatory Compliance and is privileged and confidential and not to be disclosed except in accordance with this Agreement~~:-~~.

NOW, THEREFORE, in consideration of the mutual covenants and protections contained herein, and for other good and valuable consideration, the receipt and sufficiency of which each Party hereby acknowledges, the Parties agree as follows:

A. General Provisions

1. The Parties each acknowledge and agree that they have a common interest in addressing Regulatory Compliance, and that the Parties would benefit from the sharing, on a legally privileged and confidential basis, of (among other things) documents, information, data, financial projections, opinions, factual materials, mental impressions, memoranda, notes, chronologies, analyses, summaries, interview reports, legal and litigation strategies and related agreements and documents (including drafts thereof), communications between the Parties, communications with Counsel, communications between the Parties or Counsel and other third parties, legal advice and other information (orally, in writing, or otherwise) related to the Parties which are protected by solicitor-client privilege, litigation privilege, work product doctrine, settlement privilege, or other applicable privileges, immunities or protections (collectively, “**Common Interest and Joint Defence Materials**”).
2. The Parties agree that all Common Interest and Joint Defence Materials previously disclosed or to be disclosed or shared by one Party to another or shared among the Parties in connection with Regulatory Compliance are subject to this Agreement. This Agreement is intended as the written embodiment of prior agreements and understandings of the Parties related to [confidentiality and maintenance of privilege in respect of](#) Common Interest and Joint Defence Materials.
3. The Parties agree that the existence of this Agreement (including all drafts and communications in respect of this Agreement) is privileged and confidential and is not to be disclosed without the prior written consent of all Parties, except as required by law ([subject to paragraph 16 below](#)) or if disclosure is necessary for the enforcement of this Agreement.

B. No Waiver of Privilege

4. The Parties agree that the sharing or disclosure of Common Interest and Joint Defence Materials among the Parties or to any of the persons contemplated herein will not diminish in any way the confidentiality of such materials and will not constitute a waiver of any applicable privilege, immunity or protection. The Parties agree that they shall not claim or assert that there has been such a waiver as a result of the sharing or disclosure, and that they will **assiduously** [diligently](#) assert the application of privilege, immunity and protection to Common Interest and Joint Defence Materials if any third party argues otherwise and/or seeks disclosure of such materials.
5. The Parties will use their best efforts to ensure that the privilege and confidentiality of the Common Interest and Joint Defence Materials is maintained at all times, and that no disclosure is made to any person not authorized by this Agreement to receive Common Interest and Joint Defence Materials without the prior written consent of all Parties expressly agreeing to the waiver of privilege and confidentiality. Any waiver

of privilege and confidentiality as to particular Common Interest and Joint Defence Materials shall not be construed to relate to any other Common Interest and Joint Defence Materials not explicitly covered by the applicable waiver.

6. The Parties agree that, in the event of any breach of the Agreement by any Party, such breach shall not be construed as a waiver of any applicable privilege, immunity or protection.

C. Non-Derogation of Rights

7. The Parties acknowledge and agree that nothing in this Agreement imposes any obligation on any Party to disclose any documents or information, including Common Interest and Joint Defence Materials, to any other Party or individual employed by any other Party.
8. Nothing in this Agreement shall prevent any Party from waiving whatever privilege it may hold over its own ~~(sole)~~ internally-created Common Interest and Joint Defence Materials (i.e., not received from or created jointly with another Party) and/or providing those materials to a third party.
9. Nothing in this Agreement affects Counsel's right or obligation to advise CAFII according to what Counsel believes to be in CAFII's best interest. Nothing in this Agreement shall bind or obligate any Party to agree to a single course of action or to take any specific action with respect to Regulatory Compliance.
10. Nothing in this Agreement shall affect any rights of ownership to and control over any of the Common Interest and Joint Defence Materials.

D. Permitted Disclosure and Use

11. The Parties agree that Common Interest and Joint Defence Materials received pursuant to the Agreement, or the contents thereof, may be disclosed to their respective directors, officers, employees and agents but only to the extent that such ~~employees~~ persons have a need to receive such information (collectively, "**Permitted Recipients**"). The Parties agree that all Permitted Recipients are subject to the terms of this Agreement and the disclosing Party will ensure compliance by the Permitted Recipients with this Agreement.
12. The Parties agree that the sharing of Common Interest and Joint Defence Materials, and the information contained therein, is for the ~~sole~~ purpose of addressing Regulatory Compliance ~~and for no other purpose~~ while maintaining solicitor-client and litigation privilege.
13. The Parties agree that a Party may use or disclose information generated by that Party or obtained independently of this Agreement by that Party, and such use or disclosure includes the right to disclose information to other Parties in a redacted format and to impose additional limitations on the use of Common Interest and Joint Defence Materials. By written designation, a Party may limit disclosure of Common Interest and Joint Defence Materials to "Counsel and Experts Only", in which case

Counsel and any relevant Experts will accordingly limit any disclosure of such Common Interest and Joint Defence Materials or redact as appropriate.

14. The Parties agree that for the purposes of assisting with respect to addressing Regulatory Compliance, a Party may disclose Common Interest and Joint Defence Materials received pursuant to this Agreement, or the contents thereof, to third party ~~economic or other~~ experts or consultants ("**Permitted Third Party Recipients**") who have a signed undertaking to abide by the terms of this Agreement.
15. Nothing in this Agreement shall limit the right of each Party to use, or to disclose to anyone, any of its own documents or information, or any documents or information obtained independently and not pursuant to this Agreement. The obligations set out in this Agreement shall not apply in respect of Common Interest and Joint Defence Materials which:
 - a. are or become generally available to the public other than as a result of unauthorized disclosure by a Party;
 - b. were already lawfully in possession of, or known by, the receiving Party on a non-confidential basis before receipt from the originating Party;
 - c. become available lawfully and in good faith to the receiving Party on a non-confidential basis from a source other than the Parties hereto, provided, however, that, to the knowledge of the receiving Party after reasonable inquiry, such source is not bound by a confidentiality agreement with, or other obligation of secrecy to, the disclosing Party or another person or otherwise prohibited from giving the Common Interest and Joint Defence Materials to the receiving Party by a contractual, legal or fiduciary obligation; or
 - d. are developed by the receiving Party independently of any Common Interest and Joint Defence Materials received from the originating Party.

E. Judicial, Regulatory or Governmental Requests for Production

16. If any other person or entity not a Party to this Agreement (including any regulatory or administrative authority) requests or demands of a Party (the "**Receiving Party**") by document request, summons, subpoena, motion or application, or otherwise, that the Receiving Party produce Common Interest and Joint Defence Materials, the Receiving Party shall promptly notify all Parties of the request or demand unless prohibited by law. Unless and until written notice is received from the other affected Parties that all applicable rights, privileges, protections and immunities have been waived, the Receiving Party shall take all appropriate steps reasonably necessary to assert all applicable rights, privileges, protections and immunities with respect to the Common Interest and Joint Defence Materials, ~~and~~ will cooperate with all Parties in any judicial or administrative proceeding relating to such requested or demanded disclosure of Common Interest and Joint Defence Materials, with each Party (including the Receiving Party) to bear its own costs in connection with such a proceeding, request or demand.

F. Joint and Limited Scope Retainer

~~F.~~ Legal Relationships

~~17. Nothing in this Agreement shall be deemed to create a solicitor-client relationship between Counsel and anyone other than CAFII. Nothing~~ Subject to the terms of this Agreement, each CAFII Member agrees to retain Counsel pursuant to a joint and limited scope retainer for legal services in connection with the Project as it pertains to the CAFII Member's status as a member of CAFII ("JLS Retainer"). Each CAFII Member confirms that its consent to the JLS Retainer is informed, genuine and uncoerced. The Parties agree that nothing disclosed to Counsel in respect of the JLS Retainer will be confidential so far as the other Parties are concerned, and if a conflict develops the Parties agree to work together in good faith to determine the extent to which Counsel can continue to act. Notwithstanding the foregoing, nothing in this Agreement shall be construed to affect the separate and independent representation of any Party by its own customary counsel. ~~Apart from the obligations to preserve the privilege and confidentiality of information as specified in this Agreement, Counsel shall have no obligations to any Party other than CAFII. No Party shall assert that Counsel is prohibited from accepting any mandate that is not the Regulatory Compliance as a result of this Agreement.~~ For the avoidance of doubt, it is acknowledged that CAFII will pay Counsel's fees with respect to dealings with CAFII Members concerning the Project unless otherwise agreed.

18. Conflict waiver: Each CAFII Member waives any conflict relating to Counsel's engagement under the JLS Retainer and will not assert the JLS Retainer as the basis of any conflict in relation to engagements not substantively related to the JLS Retainer.

19. ~~18.~~ This Agreement shall not create any agency or similar relationship between the Parties. None of the Parties to this Agreement shall have authority to waive any applicable privilege, immunity or protection on behalf of the other Parties, nor shall any waiver of privilege or confidentiality by one Party be construed to apply to the other Parties.

G. Termination of Agreement

20. ~~19.~~ Any Party may terminate its participation in this Agreement at any time upon giving express written notice to the other Parties. Such termination shall not affect or impair the obligations set out in this Agreement with respect to Common Interest and Joint Defence Materials previously provided pursuant to this Agreement, and the Parties agree that all rights, privileges, protections, and immunities continue to apply in respect of Common Interest and Joint Defence Materials even after the termination of this Agreement.

H. Right to Have Documents Returned

21. ~~20.~~ Subject to the provisions of ~~section [21]~~ paragraph 22, the Parties agree that documents constituting Common Interest and Joint Defence Materials will, upon request in writing at any time by a Party that originally disclosed such documents, regardless of whether that Party is still a Party to this Agreement, which written request will identify the specific Common Interest and Joint Defence Materials that

are the subject of the request: (a) be promptly returned to that requesting Party within a reasonable time period; (b) be promptly destroyed within a reasonable time period and a written statement be provided to that Party that such materials and records have been destroyed.

22. ~~21. Section [20]~~ Paragraph 21 does not require a Party to return any Common Interest and Joint Defence Materials which are work-product to be used in connection with Regulatory Compliance, the return of which could prejudice it. The obligation to return or destroy Common Interest and Joint Defence Materials upon request does not require the Parties to return or destroy any Common Interest and Joint Defence Materials that reside in electronic archiving and back-up storage media, and which must legally be retained for document retention purposes.

I. Remedies

23. ~~22.~~ The Parties will at all times use their best efforts to ensure that the confidentiality of the Common Interest and Joint Defence Materials is maintained at all times, and that no disclosure is made to any person not authorized by this Agreement to receive Common Interest and Joint Defence Materials without the prior written consent of all Parties.

24. ~~23.~~ The Parties agree that, in the event of any breach of this Agreement by any Party, such breach could not adequately be remedied by damages, that interim, interlocutory and permanent injunctive relief is appropriate as a remedy, and that this Agreement shall be specifically enforceable where otherwise appropriate.

J. Dispute Resolution

25. ~~24.~~ This Agreement shall be interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada.

K. Miscellaneous

26. ~~25.~~ The recitals and Schedules to this Agreement form part of the terms and conditions of the Agreement.

27. ~~26.~~ This Agreement shall not affect or alter any other obligations or agreements between the Parties now existing or which will come into existence in the future.

28. ~~27.~~ This Agreement may be modified, amended, or supplemented only by a written amendment signed and agreed to by all the Parties hereto.

29. ~~28.~~ This Agreement shall be binding on the Parties, ~~their officers~~ Permitted Recipients, ~~directors~~ Permitted Third Party Recipients, ~~employees, agents, and their~~ successors and assigns.

30. ~~29.~~ Each Party signing this Agreement represents that ~~it is~~ its Permitted Recipients are fully informed of the terms of this Agreement, and that the Party has agreed to be bound by all of the terms of this Agreement.

31. ~~30.~~ Each provision in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof or thereof.

32. ~~31.~~ This Agreement may be executed in counterparts, all of which comprise one document.

IN WITNESS WHEREOF we have affixed our signatures below:

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

Name: [Keith Martin](#)

Title: [Co-Executive Director, CAFII](#)

Name: [Brendan Wycks](#)

Title: [Co-Executive Director, CAFII](#)

STIKEMAN ELLIOTT LLP

Name:

Title:

~~[add signature lines for members]~~

MEMBERS:

Name: Joseph Ryan

Title: Vice President, Consumer Lending, Insurance & Internal Acquisition, AMEX Bank of Canada

Name: Paul Cosgrove

Title: VP Business Partnerships, Assurant Canada

Name: Peter McCarthy

Title: President & CEO, BMO Life Insurance Company of Canada

Name: David Fear

Title: Senior Vice-President, The Canada Life Assurance Company

Name: Nicole Benson

Title: CEO, Canadian Premier Life

Name: Sandra Rondzik

Title: Vice President, CIBC Insurance

Name: Kelly Tryon

Title: VP Creditor Insurance and Retail Distribution—Eastern Canada, CUMIS Life Insurance Company

Name: Christian DuFour

Title: Senior Vice-President, Desjardins

Name: Wally Thompson

Title: VP Sales & Marketing, Partnerships and CoverMe, Insurance Manulife

Name: Peter Thompson

Title: Senior Vice President, Insurance and President, National Bank Insurance

Name: Chris Lobbezoo

Title: VP, Creditor Product & Sales Distribution, RBC Insurance

Name: Zack Fuerstenberg

Title: Senior Vice President, Insurance Canada, ScotiaLife Financial

Name: Chris Knight

Title: Senior Vice President, Life, Health and Creditor Products, TD Insurance

Name: Janice Farrell Jones

Title: VP Strategy and Innovation, TD Insurance

SCHEDULE "A"

~~[NTD: List members.]~~

CAFII MEMBERS

AMEX Bank of Canada

Assurant Canada

BMO Life Insurance Company of Canada

Canada Life Insurance Company

Canadian Premier Life

CIBC Insurance

CUMIS Life Insurance Company

Desjardins

Manulife

National Bank Insurance

RBC Insurance

ScotiaLife Financial

TD Insurance

Comparison Details	
Title	compareDocs Comparison Results
Date & Time	4/8/2019 11:55:58 AM
Comparison Time	3.57 seconds
compareDocs version	v4.3.205.1

Sources	
Original Document	[SEDOCS][#109502316] [v2] CAFII - JD&CIPA.doc
Modified Document	[SEDOCS][#109502316] [v6] CAFII - JD&CIPA.doc

Comparison Statistics	
Insertions	65
Deletions	11
Changes	30
Moves	0
Font Changes	0
Paragraph Style Changes	0
Character Style Changes	0
TOTAL CHANGES	106

Word Rendering Set Markup Options	
Name	Office 2016
Insertions	
Deletions	
Moves / Moves	
Font Changes	
Paragraph Style Changes	
Character Style Changes	
Inserted cells	
Deleted cells	
Merged cells	
Changed lines	Mark left border.
Comments color	By Author.
Balloons	False

compareDocs Settings Used	Category	Option Selected
Open Comparison Report after Saving	General	Always
Report Type	Word	Formatting
Character Level	Word	False
Include Headers / Footers	Word	True
Include Footnotes / Endnotes	Word	True
Include List Numbers	Word	True
Include Tables	Word	True
Include Field Codes	Word	True
Include Moves	Word	True
Show Track Changes Toolbar	Word	True
Show Reviewing Pane	Word	True
Update Automatic Links at Open	Word	False
Summary Report	Word	End
Include Change Detail Report	Word	Separate
Document View	Word	Print
Remove Personal Information	Word	False

Flatten Field Codes	Word	True
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CAFII Special Project

Proposed Business Consultancy Outputs—Risks and Benefits

The current CAFII Special Project effort identified some key outputs – at both an industry-wide, Association level and at an individual company, proprietary level – which would help CAFII members proactively respond to potential regulatory and public criticisms of Credit Card Balance Protection Insurance (CCBPI). Strategically, there are both business and legal risks to any effort to gather information and develop strategic options through a common cause initiative in an industry Association, but it was felt that these were manageable and that the larger and more significant risk is actually to not proactively engage in this effort, and only respond to regulatory, media, and consumer group criticisms in a reactive, defensive manner.

Below is a list of the key business consultancy outputs currently contemplated as part of this project, with an analysis of the legal and business benefits and risks of each.

Business Output	Description	Benefits of the Output	Is there a valid basis to assert a claim of privilege?	Is It Discoverable?	Risks of Disclosure and Offsets	Mitigating Factors
International Comparative Research	What is similar and what is different between Canada and other jurisdictions around CCBPI and Regulatory Concerns around the product?	Gives us a fact base and allows us to focus on where we may have issues	Provided to legal firm and shared as advice with CAFII--Yes	Possibly	<p>--Regulators could become aware of what a CAFII project found to be issues related to CCBPI</p> <p>--On the other hand, regulators -- if they learned we were doing this -- might view it as a positive indication that the Canadian industry is striving to understand where issues have existed in other countries, and where the Canadian industry should focus its efforts to improve on Fair Treatment of Consumers</p> <p>--There is a risk if existing issues are identified as serious concerns in Canada, and we do not as an industry implement changes</p> <p>--Will business consultant interviews with CAFII members to strengthen their Subject Matter Expertise be potentially discoverable?</p>	In the engagement contract with the Business Consultancy firm, emphasize no editorializing—this needs to be fact-based and objective

Business Output	Description	Benefits of the Output	Is there a valid basis to assert a claim of privilege?	Is It Discoverable?	Risks of Disclosure and Offsets	Mitigating Factors
Canadian Industry Benchmarking	Collect data on key dimensions from our members and aggregate them anonymously so we that we have benchmarks on several key dimensions	This allows us to understand the industry across some key dimensions, and for individual members to benchmark where they are against the industry	Data is not privileged	<p>This information is already readily available to regulators.</p> <p>FICOM is already collecting this in B.C. – through its 2019 follow-up survey on implementation of the 2015 CGI Information Bulletin -- and can share it with other CCIR members.</p> <p>Within CAFII, a similar benchmarking exercise (on the consumer value proposition of creditor's group mortgage life insurance) has been done through actuarial firms Avalon Actuarial and Towers Watson (firms now combined in Willis Towers Watson), without legal oversight, three times in the past.</p> <p>Our members provide similar information to CLHIA annually.</p> <p>Most CAFII members also participate in an annually/biannually recurring industry benchmarking survey on CCBPI, which is commissioned by Assurant and carried out by Willis Towers Watson.</p> <p>There is an Annual Survey on Market Conduct that the CCIR conducts every year that collects data.</p>	There may be concerns about assembling information about loss ratios, although this is not something that a regulator would have difficulty getting if it so desired.	We could remove premiums collected, claims payouts, and loss ratios from the information collected, but the benefits of such removals may be outweighed by the loss of useful data.

Business Output	Description	Benefits of the Output	Is there a valid basis to assert a claim of privilege?	Is It Discoverable?	Risks of Disclosure and Offsets	Mitigating Factors
Fact Pack	An easy-to-understand graphical explanation of CAFII members' CCBPI products and how they work.	The Fact Pack will be an educational tool, drawing on this overall effort, which can be used with the regulators, placed on our website, etc.	No	Yes	There is no risk, we are developing this with the intention of sharing it with regulators etc.	

Business Output	Description	Benefits of the Output	Is there a valid basis to assert a claim of privilege?	Is It Discoverable?	Risks of Disclosure and Offsets	Mitigating Factors
Consumer Value Proposition	Based on the research and on interviews, develop a summary of the consumer value proposition of the CCBPI product in Canada.	Provides a clear understanding of the consumer benefits of the product, as well as potential areas for enhancements.	Yes	Potentially	If a regulator obtained this information, could it pose risks around areas for enhancements if these are not implemented?	Keep this high level.

Business Output	Description	Benefits of the Output	Is there a valid basis to assert a claim of privilege?	Is It Discoverable?	Risks of Disclosure and Offsets	Mitigating Factors
Business Modeling	Developing a financial model of the key levers that affect business outputs, for example what would be the impact upon the loss ratio of a premium reduction?, a higher claims payout rate?; and/or changes in the coverage limitations/exclusions?	Under the careful oversight of a Competition Lawyer, could allow the CAFII and its members to identify the best approach for establishing industry guidelines/ best practices, to affect change	Yes	Possibly	--If we develop a Guideline around changes but it is not ultimately adopted, could be used to criticize members --Several members have questioned the value of this output, because they are very skilled internally at this type of analysis—will this really bring any new knowledge to our members?	

Business Output	Description	Benefits of the Output	Is there a valid basis to assert a claim of privilege?	Is It Discoverable?	Risks of Disclosure and Offsets	Mitigating Factors
Strategic Options	A set of possible actions or options at the industry level and/or the individual member proprietary level	Provides actionable options available to the industry and to individual members	Yes	Potentially	<p>This is probably one of the more beneficial outputs, but also one of the more sensitive ones.</p> <p>If a regulator obtained our Strategic Options document, it could question why we did not implement any of them.</p>	<p>Only provide high level options and identify the benefits, risks, and issues around each.</p> <p>Do not issue recommendations, just options for discussion.</p>

Business Output	Description	Benefits of the Output	Is there a valid basis to assert a claim of privilege?	Is It Discoverable?	Risks of Disclosure and Offsets	Mitigating Factors
Strategic Recommendations	Business consultancy firm identifies what it thinks are the right set of changes to make.	Provides objective, third-party recommendations that are actionable.	Yes	Potentially	<p>If a specific recommendation is made, what happens if we do not implement it and a regulator questions why?</p> <p>Some members noted that some recommendations could be very sensitive. If the business consultancy recommends a specific loss ratio and the recommendation is not implemented, that is potentially damaging.</p>	<p>Perhaps the strategic options provide enough guidance for the industry, and the recommendations output should be eliminated.</p> <p>If the business consultant would like to make some soft recommendations, they can be made verbally only.</p>

Toronto Memorandum

To: CAFII
Re: Credit Card Balance Protection Insurance Special Project (the “**Project**”) – Overview and process for preservation of legal privilege
Date: March 22, 2019

Privileged and Confidential

BACKGROUND

This memorandum is to provide a concise summary of key aspects of legal privilege relevant to the Project, and to recommend information sharing protocols and best practices for the preservation of legal privilege, with particular reference to the sharing of confidential documents and information with a business consultancy firm (the “**Consultant**”), and potentially with other third party experts deemed necessary for the completion of the Project.

LEGAL PRIVILEGE

(i) Solicitor-Client Privilege

- Solicitor-client privilege (“**SCP**”) protects from disclosure all confidential communications between a lawyer and client for the purpose of obtaining legal advice.
- SCP applies only to legal advice – not business communications – and does not cloak with privilege facts that have an independent existence (e.g., business data).
- Provided it is not waived, the protection is permanent and prevents disclosure to the whole world, subject to very narrow exceptions. SCP belongs to the client and can only be waived by or through the client’s informed consent.
- In certain circumstances, SCP has been extended to include communications with and from third parties on the basis that the third party performs a function integral to the lawyer-client relationship, or has a common interest in the legal advice or completion of a commercial transaction. The integral function exception can apply to communications and circumstances where the third party employs expertise in assembling information *provided by the client* and in explaining that information to the lawyer.
- Whenever confidential information is communicated to a non-lawyer third party, there is a risk that it will be found not to be protected by SCP. That risk increases with the number of people privy to the confidential communication. For this reason, in such cases it is important to indicate clearly that each potentially sensitive communication is for the purpose of obtaining legal advice, is intended to be maintained as confidential, and legal privilege is not waived.

(ii) Litigation Privilege

- Litigation privilege protects communications and documents made for the dominant purpose of use in aid of actual or anticipated litigation. It is not necessary for litigation actually to be commenced, only that it is reasonably possible.

- Litigation privilege can protect a much broader range of information than SCP, including non-confidential communications and documents, communications with third parties, and communications that do not involve seeking or giving legal advice (provided the communication is made for the dominant purpose of the anticipated litigation). However, litigation privilege only applies in respect of the litigation adversary and terminates with the end of the litigation.

PROCESS FLOW AND BEST PRACTICES

The following practices can help CAFII and its members preserve legal privilege and protect the confidentiality of documents and information in respect of dealings with Stikeman Elliott LLP (the “**Law Firm**”), the Consultant, other third party expert consultants, and generally.

CAFFI and its members should:

- enter into a Common Interest Privilege and Joint Defence Agreement (“**CIP Agreement**”) of the nature a draft of which has been provided to CAFII;
- mark all documents pertaining to the Project that contain confidential information as “Privileged and Confidential” and “Prepared for the purpose of obtaining legal advice”;
- restrict dissemination of confidential information and documents on a need-to-know basis;
 - each CAFII member should consider implementing an ethical wall so as to confine the sharing of information in respect of the Project to a limited team.

With respect to dealings between CAFII, its members and the Consultant or other third party expert consultant:

- where the third party’s function is limited to gathering of information **from outside sources** and passing the information on to the Law Firm in order that the Law Firm may advise CAFII, there is an increased risk that this is **not** protected by SCP;
- by contrast, where the third party’s function is to assemble information **obtained from CAFII and its members** and to interpret it into a form that can be understood by the Law Firm, then SCP is more likely to apply;
 - accordingly, the second function above should be conducted by an ethically-walled “team” within the Consultant, or by a separate third party expert consultant.
- Aligning the third party consulting services with the provision of legal advice as closely as possible is the best way to ensure that privilege extends to documents generated by the third party. Thus,
 - the engagement letter for the Consultant or other third party expert should be between the Law Firm and the Consultant/third party, and should be carefully reviewed by the Law Firm;
 - the Consultant/third party should agree to **[be bound by/join]** the CIP Agreement;
 - to the extent possible, communications should flow as follows:
 - Consultant/third party ↔ Law Firm ↔ CAFII;

- but it is understood that direct communications between the Consultant/third party and CAFII members will be necessary for the benchmarking component of the Project, and may be necessary at other times.
- reports, drafts, and working documents of the Consultant/third party should all be marked “Privileged and Confidential” and “This report is prepared at the request of [name], [position], for the purpose of providing legal advice.”
- Consultants and other experts who regularly testify in litigation often have standard practices respecting saving over drafts, rather than retaining earlier drafts that are potentially producible; ensure any Consultant’s document-retention practices are compatible with the risk of disclosure in any potential litigation.

* * *



REQUEST FOR PROPOSAL

**BUSINESS CONSULTANCY FIRM TO LEAD
BUSINESS RESEARCH, MODELING, AND STRATEGIC
RECOMMENDATIONS FOR
SPECIAL PROJECT ON
CREDIT CARD BALANCE PROTECTION INSURANCE**

**FOR
CANADIAN ASSOCIATION OF FINANCIAL
INSTITUTIONS IN INSURANCE (CAFII)**

MARCH 2019

CAFII Request for Proposal for Business Consultancy Firm to Lead Business Research, Modeling, and Strategic Recommendations for the Special Project on Credit Card Balance Protection Insurance

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CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

REQUEST FOR PROPOSAL FOR BUSINESS CONSULTANCY FIRM TO LEAD BUSINESS RESEARCH, MODELING, AND STRATEGIC RECOMMENDATIONS FOR SPECIAL PROJECT ON CREDIT CARD BALANCE PROTECTION INSURANCE

Executive Summary

The Canadian Association of Financial Institutions in Insurance (CAFII) is currently seeking proposals from business consultancy firms to lead the business research, business modeling, and business strategic recommendations for a special project on credit card balance protection insurance (CCBPI).

CCBPI has been the subject of attention by some regulators, including the Financial Consumer Agency of Canada (FCAC). There are signals that Canadian insurance regulators may focus increased attention on this product. There has also been heightened media focus on this product recently, for example the 9 November, 2018 CBC Marketplace story on CCBPI.

It is important for the industry to be prepared for such developments, to be able to articulate and provide evidence of the consumer value proposition of this product.

CAFII is the industry Association most directly focused on CCBPI and it intends to play a leadership role articulating the interests of the industry around this product. CAFII needs to put itself and its Members in a position of poised readiness to present positive information about the product to regulators, media, consumer groups, and other stakeholders.

This RFP, in its entirety, provides a detailed explanation of the nature and purpose of this special project. In summary, however, CAFII, on behalf of its Members, seeks to identify the concerns that CCBPI has caused among regulators and consumer advocacy groups in other countries and compare them to the situation in Canada; to identify where those situations are the same or different than the situation in Canada, and propose, if applicable, enhancements to address the concerns of regulators and advocacy groups.

CAFII's first step in this project was to solicit law firms to bid on a Request for Proposal (RFP). We sought to engage a law firm with a national and international insurance and financial services regulatory presence who could take the lead in two areas: as subject matter experts on the research component of this effort, and to provide a competition law lens on the entire project.

The overarching reason why CAFII chose to engage a law firm as the first step in this project is to have a competition law lens oversee the entire process, to ensure that at no time would CAFII and its Members inadvertently stray into conversations or actions that are prohibited

under the Competition Act or be otherwise inappropriate. As well, while we now seek a business consultancy firm to lead the research effort, the business modeling, and the strategic recommendations, we would expect the law firm to be a subject matter expert with input into the research and strategic recommendations, especially with respect to consistency with the regulatory framework (e.g. any business recommendations have to be consistent with the federal Bank Act; the federal Insurance Business (Banks and Bank Holding Companies) Regulations; and provincial insurance legislation and regulations).

The law firm that we have chosen is Stikeman Elliott, with leading insurance advisory lawyer Stuart Carruthers as the quarterback for Stikeman Elliott, and competition lawyers Michael Kilby and Michael Laskey as a key part of the legal team on this project. The chosen business consultancy firm and Stikeman Elliott are expected to work collaboratively together, with the law firm leading all elements of this project to ensure complete compliance with the Competition Act, to ensure that the resulting recommendations are feasible in terms of substantive insurance and banking law requirements, and to maintain client-solicitor and litigation privilege.

Now that we have a law firm in place, we are seeking a business consultancy firm to lead the research, modeling, and strategic recommendations components of this project.

Clarification questions on this RFP can be sent directly to CAFII Co-Executive Director Keith Martin at keith.martin@cafii.com. All questions will be collected into one document and a consolidated document with all the answers will be sent to all organizations who indicate that they will be responding to this RFP. The identity of the organization posing a question will not be disclosed. The deadline for submitting clarification questions is **5:00 PM, Tuesday, 19 March, 2019**; and CAFII will distribute a consolidated response document by **Friday, 22 March, 2019**.

The deadline for submission of proposals is **5:00 PM, Thursday, 28 March, 2019**. Each firm submitting an RFP response will then be invited to present their proposal in a meeting with a Selection Committee of the CAFII Board of Directors. We anticipate that presentation meetings will occur on **Monday, 1 April, 2019**. Proposals should be submitted electronically through an email sent to keith.martin@cafii.com.

Introduction and Background on 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 travel, life, health, property and casualty, and creditor's group insurance across Canada. In particular, creditor's group 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 that helps ensure Canadian consumers get the insurance products that suit their needs. Our aim is to ensure appropriate standards are in place for the distribution and marketing of all insurance products and services.

CAFII is currently the only Canadian Association with members involved in all major lines of personal insurance. Our Members are the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Financial Security; RBC Insurance; ScotiaLife Financial; TD Insurance; and National Bank Insurance – along with major industry players American Express, Assurant, Canadian Premier Life Insurance Company, CUMIS Services Incorporated, Manulife (The Manufacturers Life Insurance Company), and The Canada Life Assurance Company.

Timelines

CAFII has identified the following timelines for this RFP:

- 11 March, 2019 – Distribution of NDA; after signed NDA is received, firm will be sent RFP
- 19 March, 2019 (5.00P PM)—Deadline for submission of RFP clarification questions
- 22 March, 2019—CAFII circulates consolidated responses document to answer RFP clarification questions
- 28 March, 2019 (5:00 PM) – Deadline for RFP Submissions
- 1 April, 2019 – Presentations by respondent firms to CAFII Board of Directors
- Post 4 April, 2019 – CAFII's Selection Decision Announced
- 8 Weeks Following Selection Decision—Deadline for Submission of final outputs with winning firm presenting to Board of Directors

Confidentiality and Access to Information

All data and information which firms participating in this RFP gather from CAFII or its Members must be managed in a strictly confidential manner and be maintained on computer programs in a secure and encrypted manner and in a manner that protects and maintains privilege. All firms bidding on this RFP are to have pre-signed an NDA. Any third-party firms which the bidding firm seeks to engage in this RFP, and with whom it shares any information contained in the RFP, is expected to sign an NDA with the bidding firm prior to any information being shared with that third-party.

Detailed Requirements

Work with Law Firm to Ensure Competition Law Lens Throughout the Project

Because part of the CCBPI discussions which CAFII Members may engage in includes the consumer value proposition of the product and potential enhancements to it, and because we must remain fully compliant with Canada's Competition Act, we have retained the services of Stikeman Elliott based on its recognized expertise in both competition law and insurance law, and to maintain privilege where possible. Stikeman Elliott will be the lead on the areas of permissible discussion and those which must be avoided and on steps to be followed in order for privilege to be maintained. Initially, CAFII will provide background on the types of activities we seek to engage in, to obtain general competition law advice throughout this process to ensure that discussions, the work product and final product are prepared in a manner that does not create competition law concerns. For that reason, and to maintain privilege, the law firm engaged will lead the entire process including any outsourcing to special expertise firms to be engaged by the law firm with respect to some of the outputs we seek.

Key Research Output—Outline and Explain Similarities and Differences Between Canada and Other Markets; and the Consumer Value Proposition of CAFII Members' CCBPI

As a key output of this special project, CAFII seeks an internationally-focused comparative research project. This is not intended to be technical or legalistic analysis. Rather, we are trying to compare Canada to four jurisdictions, in particular: Australia, U.K., U.S., and Ireland, along the following dimensions: what was it about CCBPI that was or concern to regulators and consumer groups in those jurisdictions? Are those concerns the same here in Canada? What is different here in Canada? Are there any learnings from those other jurisdictions that we should consider in Canada?

More specifically, following is an illustrative, and not exclusive, list of some of the questions that a research program might be able to address:

- How do the features of CCBPI in other jurisdictions (such as, but not necessarily limited to, Australia, the UK, the US, and Ireland) differ from the features of CCBPI in the Canadian marketplace?
- How do the concerns of regulators and consumer groups in Australia, the UK, the US and Ireland differ from the concerns of regulators and consumer groups in Canada?
- What is the consumer value proposition of the CCBPI product in Canada? What are the major benefits to consumers as CCBPI is currently structured in this country?
- What are the major criticisms levelled at the product in Canada by regulators, media, and consumer groups?
- How does the product differ among different CAFII Members? (This could be a table showing, based entirely on public information, how each product differs in terms of

price, exclusions, limitations, eligibility, claims approach (what is paid out if a claim is made) etc.)

- What features of the Canadian CCBPI marketplace are different from the environments in other jurisdictions (such as the regulatory environment, controls, compliance, training, adherence to the fair treatment of customers, etc.)?
- Is there a specified CCBPI loss ratio in other jurisdictions?
- What are the similarities and differences in the CCBPI regulatory environment in Canada versus those in the four other jurisdictions?
- What are the differences and similarities between Canadian business culture and support for the fair treatment of customers, relative to the four other jurisdictions?
- What are the similarities and differences around CCBPI controls / training / monitoring / sales incentives in Canada relative to those in the four other jurisdictions?

Criticisms of CCBPI

By way of further clarity on the issues that the research should explore, following are some of the complaints that have been made about CCBPI in various jurisdictions by regulators, media, and consumer groups:

- Aggressive/high-pressure sales tactics;
- Consumers enrolled in the product without giving express consent;
- CCBPI typically offers bundled insurance coverages, parts of which the customer may not be eligible for: e.g. a retiree signs up for a bundled package which includes job loss insurance;
- Financial Institutions / distributors enrol consumers who are not eligible (for example, job loss coverage for unemployed people);
- Not clear on pre-existing conditions / exemptions / exclusions;
- Too many exemptions / exclusions;
- “Post-claims underwriting” with a high percentage of claims denials;
- Difficulty to make a claim – high claims denial rate;
- Too expensive / low loss ratio;
- Profit machine for the banks;
- Consumers not aware of the “free look” review period during which they can cancel coverage and receive a full refund of premiums paid to that point in time;
- Free look/review period used as leverage in a high-pressure sales process; and
- Employees are incented to sell the product and have sales targets, which results in a conflict with the consumer’s best interests.

Research Methodology

We will leave it to the firms bidding on this RFP to determine what is/are the best methodology(ies) to answer the research questions, but we believe that the following could be among the methods used:

- Review of public documents;

- Review of website information;
- Review of academic and government studies;
- Other publicly available documents;
- Interviews with experts including CAFII Members, business people in the other jurisdictions, and experts within the law or business consultancy firms themselves or outsourced firms who have knowledge of these matters; and
- We would expect Stikeman Elliott to be a Subject Matter Expert that could provide valuable input into this research effort.

Benchmarking

We will ask the business consultancy firm to bid on a benchmarking study, although we will consider outsourcing this component of the project to a separate business firm. This effort entails consulting with CAFII about the dimensions we seek to benchmark, and then anonymously and confidentially collecting information about these attributes across the CAFII membership in a manner that is fully compliant with competition laws, and in a manner that maintains privilege. The aggregated, anonymized results can then be assembled and shared subject to competition law oversight. Individual CAFII members can, on a proprietary basis, have access to their individual results so as to make comparative analysis, but any analysis or recommendations at a proprietary level will be paid for individually by interested CAFII members and will not be funded at an industry level as part of the budget for this Special Project.

We may for this component of the project only go to an external consultant that specializes in benchmarking. **As such, we would ask that bidding firms call out the specific costs for this component of the project, and also indicate their total costs with this component included and excluded.**

Benchmarking List of Components

Following are items to capture in the benchmarking effort. This study is limited to credit card balance protection insurance, for all products and also broken out for: life, critical illness, disability, and job loss; figures would be both totals and for 2018 only. Again, the information would at all times be handled in compliance with relevant competition laws.

<u>Benchmarking Component</u>	<u>Metric</u>
Total in-force policies	#
Total premium (overall and per policy)	\$
Total claims made	#
Total claims paid	\$
Percentage claims paid	%
Loss ratio	%
Applications approved	%
Applications denied	%
Total employees	#
Complaints made	#
Cancellation of the Product within XX months	#
Complaints escalated to ombudsperson	#

Fact Pack

Coming out of our learnings from this effort, we propose to develop simple and easy-to-understand explanations of how CAFII Members' CCBPI products work, including key facts about the products and their sales/distribution (such as number of employees involved, number of protected policy-holders etc.). Some of this could be presented in consumer-friendly, graphical form and would be a useful educational tool for insurance regulators and policy-makers.

What is the Credit Card Balance Protection Insurance Value Proposition?

This output would involve developing a detailed explanation of the value proposition of the CCBPI product for Canadian consumers. This would provide CAFII members with a deeper understanding of what is beneficial about the product. What are the concerns expressed by consumer advocates, regulators, policy-makers, and media about the value proposition, and what practical measures could be taken at an industry and at a proprietary level to address these concerns?

Business Strategy Options

This effort would provide options, for consideration, of ways to enhance the CCBPI product. The range of options provided, not all of which might be recommended, should constitute an extensive list of possible options.

We would expect that Stikeman Elliott will carefully review the business strategy options to ensure they are realistic. Options must be consistent with the federal Bank Act; the federal Insurance Business (Banks and Bank Holding Companies) Regulations; and provincial insurance legislation and regulations.

Business Strategy Recommendations -- Final Report to Include Strategy Recommendations Including Possible Enhancements to the CCBPI Product

Based on the research effort, we would expect the business consultancy firm **to develop possible enhancements on industry-level and individual company proprietary-level**. This output would allow CAFII and its Members to make decisions on enhancements that can be adopted at an industry-level or at an individual company proprietary-level.

Industry-level CAFII funding will be for industry level implementations only; proprietary, individual company implementations, to the extent they require the involvement of a business consultancy firm, will be separately funded by the individual firms themselves with each individual firm ultimately responsible for its own proprietary level decision-making in relation to CCBPI.

As noted above, a key objective of this research is to identify where there may be risks for the Canadian CCBPI product and the industry which offers it. However, another objective is to identify where the criticisms and concerns levelled in other jurisdictions may not be relevant and applicable in Canada. Out of these research findings, we also seek **expert strategy recommendations** on what are the risks and opportunities for the Canadian industry, including possible enhancements that could demonstrate that the industry is being proactive and responsive to the concerns of insurance regulators and policy-makers; and consumer advocacy groups. Some of those enhancements could be at an industry level (for example, one option would be CAFII Guidelines similar in nature to existing CLHIA Guidelines); others might be changes made at a proprietary level within individual companies. **In all cases, it is critical that this component of the effort include a competition law lens that ensures that all discussions, and any actions taken, fully comply with obligations under the Competition Act.**

Business Modeling

This output would develop different models of changes that could be made at an individual company proprietary-level to enhance the CCBPI product. The models developed would illustrate how those changes could be implemented in an institution. The effort would be to develop “generic” models that could involve modifications to the CCBPI product and/or its distribution. For illustrative purposes only, at an industry level, such a model could suggest that to increase the loss ratio of the product, the premium could decline, the claims payout rate could increase, the limitations and exceptions could be modified, etc.

Individual firms could test the models against their own financial and other business realities to identify the best mix for themselves from the list of possible changes. Industry-level modeling will be funded by CAFII funds assembled for the Special Project; individual firms seeking to test

a model(s) internally with the help of a business consultancy firm will fund that effort themselves with each individual firm ultimately responsible for its own proprietary level decision-making in relation to CCBPI.

In all cases, it is critical that this component of the effort include a competition law lens that ensures that all discussions, and any actions taken, fully comply with obligations under the Competition Act.

Summary of the Research Outputs and their Benefits

<u>Initiative</u>	<u>Description</u>	<u>Benefit</u>
Comparative international research	Compare Canada to Australia, U.K., U.S., and Ireland, along the following dimensions: what was it about CCBPI that was of concern to regulators and consumer groups in those jurisdictions?; are those concerns the same here in Canada?; and what is different here in Canada?	Provides an evidence-based, research output that gives CAFII and its Members information on where there might be issues from an insurance regulation and/or insurance policy perspective.
Benchmarking	Aggregate CAFII Member-supplied data into anonymized metrics across a series of dimensions (loss ratios, claims payout percentages, complaints data, cancellation levels, premiums collected, etc.)	Gives CAFII useful industry level statistics. CAFII Members could get proprietary information on their own metrics relative to the industry, to let them know whether they are above, below, or at industry norms.
Fact Pack	Develop simple and easy-to-understand explanations of how CAFII Members' CCBPI products work.	Could be shared with regulators as an educational tool.
Value Proposition	Develop a detailed explanation of the value proposition of the CCBPI product to Canadian consumers; and of its shortcomings.	Provides a deeper understanding of what is beneficial about the product, and what could possibly be enhanced.
Strategy options, industry and proprietary	Develop a list of what industry-level and individual company proprietary-level enhancements and adjustments could be made to possibly enhance the value proposition of the CCBPI product.	Provides options, for consideration, of ways to enhance the CCBPI product.
Strategy recommendations	Develop specific, actionable recommendations on industry-level and individual company proprietary-level changes that could be implemented.	Allows CAFII and its Members to make decisions on possible enhancements that can be adopted at an industry-level or at an individual company proprietary-level. Industry-level funding will be for industry level implementations only; proprietary, individual company implementations will be separately funded by individual firms.
Business Modeling	Identify different models of changes that could be made at an individual company proprietary-level to enhance the CCBPI product. Then model how those changes could be implemented in an institution.	Individual firms could test the models against their own financials to identify the best mix for themselves from the list of possible enhancements. Industry-level modeling will be funded by CAFII for the Special Project; individual firms seeking to test the model internally will fund that effort themselves and will at all times make their own individual decisions.

- ***All discussions of enhancements or modifications will be made under competition law firm oversight, to ensure compliance with the Competition Act***

Roles and Responsibilities of Law Firm and Business Consultancy Firm

Note: to maintain privilege – the law firm will be the lead in all cases and instruct the business consultancy firm

Initiative	Business Consultancy Firm	Law Firm
Project Management	Develops overall project management plan.	Develops the detailed project management plan relative to the competition law component.
Comparative international research	Is the lead in producing the research, including interviewing international insurance industry knowledge experts and CAFII members.	Is a subject matter expert particularly on legal and regulatory issues.
Benchmarking	Is the lead.	Supports from a Competition Law perspective.
Fact Pack	Is the lead.	No role.
Value Proposition	Is the lead.	Subject matter expert; and supports from a Competition Law perspective.
Strategy options, industry and proprietary	Is the lead.	Detailed engagement and involvement from a competition law perspective.
Strategy recommendations	Is the lead.	Detailed engagement and involvement from a competition law perspective.
Business Modeling	Is the lead.	Detailed engagement and involvement from a competition law perspective.

Proprietary Presentations

While CAFII will only be paying for industry level efforts, and individual Members will be paying individually for any work done in their own institutions at a proprietary level, there is one exception. As part of this RFP, CAFII is requesting that the business consultancy firm join the law firm for 12 one-hour, internal presentations within our Member institutions, to present the findings of this research effort and the strategy recommendations. The purpose of this is to have the external experts provide learnings to senior leaders within CAFII Member institutions, and to make the case for why the strategic enhancements should be implemented.

Research Effort and Price Ranges

CAFII is seeking the research output, and the strategy recommendations as outlined in the next section, within 8 weeks of the granting of the contract. As there could be a variety of different types of reports depending on the complexity and depth of analysis, we are open to bidding firms providing cost ranges based on the depth of the analysis—for example, a 25-page report with limited analysis at price A, a 50-page report with more detailed analysis at price B, etc.

As part of the proposal to CAFII, please indicate your expectations around remuneration (paid up front, paid upon completion of project, portion paid up front and remainder paid upon completion etc.).

Engagement of the Wider Industry

This section of the RFP is for background information purposes only. If coming out of this Special Project, there are enhancements contemplated to CCBPI, there are non-members of CAFII whom we may wish to engage in the industry-wide enhancement opportunity. This will be a consideration that CAFII will discuss with its Members. The non-members of CAFII players include Canadian Tire Financial, PC Financial, Walmart Bank, Rogers Bank, HBC, Sears, and Chubb Insurance. As well, as this project moves forward, CAFII would need to find a way to keep the Canadian Bankers Association (CBA) and the Canadian Life and Health Insurance Association (CLHIA) informed of developments.

Possible Phase II of the Special Project on CCBPI

After considering the output of Phase I of this project, CAFII and its Members may consider a Phase II which would involve an RFP to engage a government relations / public relations firm which would develop a GR/PR campaign based on our findings in Phase I, including any possible enhancements that may be made at an industry or proprietary level. This will only be decided upon after the completion of Phase I.

Additional Work Coming out of this Special Project

It is possible that individual CAFII Members will seek the involvement of a business consultancy firm, at their firm's own individual cost, to guide the firm through any proprietary CCBPI enhancements they may engage in coming out of this industry Association-led special project on CCBPI.

Proposal Submission—Required Content

Review all of the detailed requirements as outlined above and provide a written submission detailing how your organization is able to meet or exceed these requirements, including pricing for each of the services required and any and all additional costs you would charge for.

Provide details around how your firm would structure its involvement in this project and the required outputs, and detail the costs associated with each component part as well as the overall cost.

Provide details on what components of this Special Project you would outsource and the process for such outsourcing.

CAFII Evaluation Criteria

<u>Criteria</u>	<u>Weight</u>
Firm has demonstrated a thorough, comprehensive, credible understanding of the project; has demonstrated that it has the required expertise and experience within the firm to lead the project and to successfully produce the required outputs	45%
Firm's price is competitive	25%
Firm has a strong Project Management capability and has demonstrated a Project Management plan to guide the entire project	15%
<p>Firm has demonstrated knowledge of CAFII and its Members, including being an Associate of CAFII, so that CAFII time and effort required for orientation and assistance in climbing learning curve will be minimal.</p> <p><u>Specifically:</u></p> <p>CAFII Associates get 3 automatic points in this category</p> <p>All bidding firms are assessed on "demonstrated knowledge of CAFII and its Members," with a maximum possible score on this dimension of 12 points</p>	15%

CAFII Non-Disclosure Agreement (NDA)

Confidentiality and Non-disclosure Obligations.

1. BIDDING FIRM agrees and undertakes:
 - (a) to maintain in strict confidence any data or information provided pursuant to this agreement by CAFII and/or CAFII Member (whether orally, in writing or in any other form) ("Confidential Information") by virtue of the Initiative, provided that information that is (i) already known to BIDDING FIRM at the time of disclosure; (ii) in the public domain or publicly available; (iii) available from a third party who is under no such obligation of confidentiality; or (iv) independently developed by BIDDING FIRM shall not be considered as 'Confidential Information';
 - (b) to protect all Confidential Information which the other party provides to it against unauthorized access, use, disclosure, destruction, loss or alteration using at least the same degree of care that BIDDING FIRM uses to protect its own confidential and/or proprietary information, but in no event less than a reasonable degree of care;
 - (c) to restrict access to the Confidential Information only to those employees engaged in the Initiative and who have a need to know for the purposes described herein and provided that such employees are bound by obligations of confidentiality that are at least as strict as those set out herein, to the exclusion of any other employees who do not provide services in connection with the Initiative;
 - (d) use the Confidential Information for solely for evaluating and implementing the Initiative (except if required otherwise by applicable laws, court or governmental agency) ("Permitted Purpose");
 - (e) not use or attempt to use the Confidential Information in any way that would be in violation of any applicable law or in any manner that could be deemed anticompetitive;
 - (f) not disclose, make available to, or provide or permit access to or use of any Confidential Information, by a third party except as expressly permitted by this agreement; and
 - (g) establish safeguards to ensure that all data is uniquely identified as to the Initiative participant to whom it belongs, and all Confidential Information will be secure from unauthorized disclosure, access and/or use.

Ownership of Confidential Information

2. All Confidential Information will remain the exclusive property of CAFII and/or applicable CAFII Member, and BIDDING FIRM will have no rights, by license or otherwise, to the Confidential Information except for use as expressly provided in this agreement.

Compelled Disclosure

3. BIDDING FIRM may disclose Confidential Information to its legal advisors to protect its own legitimate interests and to comply with any legal or regulatory requirements. If any court, regulatory authority, professional body or legal process requires the recipient to disclose information covered by this confidentiality obligation, then BIDDING FIRM may make any such disclosure; provided that the BIDDING FIRM will, if permitted by law, advise the CAFII promptly of any such requirement and cooperate, at the CAFII's expense, in responding to it.

Additional Obligations of Bidding Firm

4. BIDDING FIRM represents and warrants that it is familiar with, has complied with, and will comply, in all respects, with applicable competition laws including the provisions of Canada's Competition Act and will implement appropriate policies, conduct appropriate training of its employees and directors, and adopt appropriate processes for meetings and documentation to ensure that it and their employees and directors will remain compliant.
5. BIDDING FIRM will be liable for any failure by its employees to comply with the terms of this agreement. BIDDING FIRM shall indemnify and hold CAFII and CAFII Members and their respective officers, employees, directors, agents and representatives harmless from, and shall pay for, any cost, loss, expense, liability, claim, demand or damage (including reasonable legal fees and the cost of enforcing this indemnity) arising out of or resulting from any unauthorized use or disclosure of the Confidential Information or other breach of this agreement by BIDDING FIRM or its employees.
6. Irrespective of where BIDDING FIRM receives or holds individually identifiable personal information ("Personal Data") on behalf of any of the other parties, BIDDING FIRM confirms that, acting as data processor it will take appropriate technical, physical and organizational/administrative measures to protect that Personal Data against accidental or unlawful destruction or accidental loss or unauthorized alteration, disclosure or access. BIDDING FIRM will only use that Personal Data for the Permitted Purpose, unless permitted otherwise in writing by CAFII or a CAFII Member. The other parties and BIDDING FIRM shall each comply with the provisions and obligations imposed on each of them by applicable data privacy legislation and regulations.
7. Upon written request from CAFII or a CAFII Member, BIDDING FIRM will promptly return or destroy, and verify in writing its destruction of all material, in any form, embodying any Confidential Information, provided that BIDDING FIRM may retain a copy of such Confidential Information only to the extent that it is part of its backup or recovery processes where such Confidential Information is not readily accessible.

Remedies

8. Disclosure or use of Confidential Information provided by CAFII contrary to this agreement, or any other breach of the terms and conditions of this agreement by BIDDING FIRM, will give rise to irreparable injury to CAFII and/or CAFII Member that is not adequately compensable by damages. CAFII and/or CAFII Member may, in addition to any other remedy, enforce the performance of this agreement by way of injunction or specific performance upon application to a court of competent jurisdiction without proof of actual damages (and without the requirement of posting a bond or other security) and, notwithstanding that damages may be readily quantifiable, you agree not to plead sufficiency of damages as a defence in any such proceeding. The rights and remedies provided in this agreement are cumulative and are in addition to, and not in substitution for, any other rights and remedies available at law or equity. All such rights and remedies may be exercised from time to time, and as often and in such order as is deemed to be expedient.
9. In the event of a breach of BIDDING FIRM'S obligations under this agreement or any actual or suspected security breach involving Confidential Information provided by CAFII, BIDDING FIRM will immediately notify CAFII and CAFII Members, immediately allocate required resources to address and cure the breach and implement all reasonable mechanisms to mitigate the risk and prevent future occurrences, including cooperating in all reasonable respects with CAFII and CAFII Members to minimize the impact of the security breach or loss and any damage resulting therefrom.

Miscellaneous

10. Except as otherwise provided in this agreement, the obligations of the parties under this agreement continue and are binding for an indefinite period of time.
11. Any notice, direction or other communication given regarding the matters contemplated by this agreement must be in writing, sent by personal delivery, courier or facsimile (but not by electronic mail) and addressed:
to BIDDING FIRM at:

[INSERT]

to CAFII at:

Keith Martin
Co-Executive Director, CAFII
411 Richmond Street East, Suite 200

Toronto, Ontario
M5A 3S5

12. A notice, direction or other communication is deemed to be given and received (i) if sent by personal delivery or courier, on the date of delivery if it is a business day and the delivery was made prior to 4:00 p.m. (local time in place of receipt) and otherwise on the next business day, or (ii) if sent by facsimile, on the business day following the date of confirmation of transmission by the originating facsimile. A party may change its address for service from time to time by providing a notice in accordance with the foregoing. Any subsequent notice, direction or other communication must be sent to the party at its changed address. Any element of a party's address that is not specifically changed in a notice will be assumed not to be changed.
13. No waiver of any of the provisions of this agreement will constitute a waiver of any other provision (whether or not similar). No waiver will be binding unless executed in writing by the party to be bound by the waiver. A party's failure or delay in exercising any right under this agreement will not operate as a waiver of that right. A single or partial exercise of any right will not preclude a party from any other or further exercise of that right or the exercise of any other right it may have.
14. This agreement constitutes the entire agreement between the parties relating to its subject matter and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties with respect to such subject matter. This agreement may only be amended, supplemented, or otherwise modified by written agreement signed by all of the parties.
15. Neither this agreement nor any of the rights or obligations under this agreement may be assigned or transferred, in whole or in part, by a party without the prior written consent of the other party.
16. If any provision of this agreement is determined to be illegal, invalid or unenforceable, by an arbitrator or any court of competent jurisdiction from which no appeal exists or is taken, that provision will be severed from this agreement and the remaining provisions will remain in full force and effect.
17. This agreement is governed by, and will be interpreted and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein and the parties attorn to the non-exclusive jurisdiction of the courts in the City of Toronto.

18. This agreement may be executed in any number of counterparts, each of which is deemed to be an original, and such counterparts together constitute one and the same instrument. Transmission of an executed signature page by facsimile, email or other electronic means is as effective as a manually executed counterpart of this agreement.

If BIDDING FIRM services do not conform to the requirements agreed between all parties, BIDDING FIRM will be notified promptly and it shall re-perform any non-conforming services at no additional charge or, at BIDDING FIRM option, refund the portion of the fees paid with respect to such services.

If re-performance of the services or refund of the applicable fees would not provide an adequate remedy for damages, the aggregate liability of BIDDING FIRM and its employees, directors, officers, agents and subcontractors (the "related persons") to the parties whether in contract, tort (including negligence), breach of statutory duty or otherwise for any losses arising from or in any way connected with our services shall not exceed in aggregate the greater of (a) \$250,000 or (b) the total amount of the fees paid to BIDDING FIRM for the services provided pursuant to this agreement, unless otherwise agreed in writing. Nothing in these terms shall exclude or limit the liability of BIDDING FIRM or its related persons in the case of: (a) death or personal injury resulting from our or our related person's negligence; (b) willful misconduct; (c) fraud; or (d) other liability to the extent that the same may not be excluded or limited as a matter of law. In no event shall BIDDING FIRM or any of its related persons or affiliates be liable for any incidental, special, punitive, or consequential damages of any kind (including, without limitation, loss of income, loss of profits, or other pecuniary loss).

Where BIDDING FIRM are jointly liable with another party, BIDDING FIRM shall to the extent permitted by law only be liable for those losses that correspond directly with its share of responsibility for the losses in question.

SIGNED BY REPRESENTATIVE OF BIDDING FIRM



REQUEST FOR PROPOSAL

BUSINESS CONSULTANCY FIRM TO LEAD BENCHMARKING EFFORT FOR A SPECIAL PROJECT ON CREDIT CARD BALANCE PROTECTION INSURANCE

**FOR THE
CANADIAN ASSOCIATION OF FINANCIAL
INSTITUTIONS IN INSURANCE (CAFII)**

MARCH 2019

CAFII Request for Proposal for Business Consultancy Firm to Lead Benchmarking Research on Credit Card Balance Protection Insurance

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CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

REQUEST FOR PROPOSAL FOR BUSINESS CONSULTANCY FIRM TO LEAD BENCHMARKING STUDY FOR A SPECIAL PROJECT ON CREDIT CARD BALANCE PROTECTION INSURANCE

Executive Summary

The Canadian Association of Financial Institutions in Insurance (CAFII) is currently seeking proposals from business consultancy / actuarial firms to lead a benchmarking component of a Special Project on credit card balance protection insurance (CCBPI). We are inviting business consultancy firms to bid on other elements of this project including the benchmarking component, and will decide which model we prefer after we received proposals—to go to a firm that does all components, or to split out the benchmarking component and go to a firm with specialized capabilities in that area.

CCBPI has been the subject of attention by some regulators, including the Financial Consumer Agency of Canada (FCAC). There are signals that Canadian insurance regulators may focus increased attention on this product. There has also been heightened media focus on this product recently, for example the 9 November, 2018 CBC Marketplace story on CCBPI.

It is important for the industry to be prepared for such developments, to be able to articulate and provide evidence of the consumer value proposition of this product.

CAFII is the industry Association most directly focused on CCBPI and it intends to play a leadership role articulating the interests of the industry around this product. CAFII needs to put itself and its Members in a position of poised readiness to present positive information about the product to regulators, media, consumer groups, and other stakeholders.

CAFII's first step in this project was to solicit law firms to bid on a Request for Proposal (RFP). We sought to engage a law firm with a national and international insurance and financial services regulatory presence who could take the lead in two areas: as subject matter experts on the research component of this effort, and to provide a competition law lens on the entire project.

The overarching reason why CAFII chose to engage a law firm as the first step in this project is to have a competition law lens oversee the entire process, to ensure that at no time would CAFII and its Members inadvertently stray into conversations or actions that are prohibited under the Competition Act or be otherwise inappropriate.

The law firm that we have chosen is Stikeman Elliott, with leading insurance advisory lawyer Stuart Carruthers as the quarterback for Stikeman Elliott, and competition lawyers Michael Kilby and Michael Laskey as a key part of the legal team on this project. The chosen business

consultancy firm and Stikeman Elliott are expected to work collaboratively together, with the law firm leading all elements of this project to ensure complete compliance with the Competition Act, to ensure that the resulting recommendations are feasible in terms of substantive insurance and banking law requirements, and to maintain client-solicitor and litigation privilege.

Clarification questions on this RFP can be sent directly to CAFII Co-Executive Director Keith Martin at keith.martin@cafii.com. All questions will be collected into one document and a consolidated document with all the answers will be sent to all organizations who indicate that they will be responding to this RFP. The identity of the organization posing a question will not be disclosed. The deadline for submitting clarification questions is **5:00 PM, Tuesday, 19 March, 2019**; and CAFII will distribute a consolidated response document by **Friday, 22 March, 2019**.

The deadline for submission of proposals is **5:00 PM, Thursday, 28 March, 2019**. Each firm submitting an RFP response will then be invited to present their proposal in a meeting with a Selection Committee of the CAFII Board of Directors. We anticipate that presentation meetings will occur on **Monday, 1 April, 2019**. Proposals should be submitted electronically through an email sent to keith.martin@cafii.com.

Introduction and Background on 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 travel, life, health, property and casualty, and creditor's group insurance across Canada. In particular, creditor's group 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 that helps ensure Canadian consumers get the insurance products that suit their needs. Our aim is to ensure appropriate standards are in place for the distribution and marketing of all insurance products and services.

CAFII is currently the only Canadian Association with members involved in all major lines of personal insurance. Our Members are the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Financial Security; RBC Insurance; ScotiaLife Financial; TD Insurance; and National Bank Insurance – along with major industry players American Express, Assurant, Canadian Premier Life Insurance Company, CUMIS Services Incorporated, Manulife (The Manufacturers Life Insurance Company), and The Canada Life Assurance Company.

Timelines

CAFII has identified the following timelines for this RFP:

- 11 March, 2019 – Distribution of NDA; after signed NDA is received, firm will be sent RFP
- 19 March, 2019 (5.00P PM)—Deadline for submission of RFP clarification questions
- 22 March, 2019—CAFII circulates consolidated responses document to answer RFP clarification questions
- 28 March, 2019 (5:00 PM) – Deadline for RFP Submissions
- 1 April, 2019 – Presentations by respondent firms to CAFII Board of Directors
- Post 4 April, 2019 – CAFII's Selection Decision Announced
- 8 Weeks Following Selection Decision—Deadline for Submission of final outputs with winning firm presenting to Board of Directors

Confidentiality and Access to Information

All data and information which firms participating in this RFP gather from CAFII or its Members must be managed in a strictly confidential manner and be maintained on computer programs in a secure and encrypted manner and in a manner that protects and maintains privilege. All firms bidding on this RFP are to have pre-signed an NDA. Any third-party firms which the bidding firm seeks to engage in this RFP, and with whom it shares any information contained in the RFP, is expected to sign an NDA with the bidding firm prior to any information being shared with that third-party.

Detailed Requirements

Benchmarking

We will ask the business consultancy firm to bid on a benchmarking component of this effort, although we will consider outsourcing this component of the project to a separate business firm specializing in this type of study. This effort entails consulting with CAFII about the dimensions we seek to benchmark, and then anonymously and confidentially collecting information about these attributes across the CAFII membership in a manner that is fully compliant with competition laws, and in a manner that maintains privilege. The aggregated, anonymized results can then be assembled and shared subject to competition law oversight. Individual CAFII members can, on a proprietary basis, have access to their individual results so as to make comparative analysis, but any analysis or recommendations at a proprietary level

will be paid for individually by interested CAFII members and will not be funded at an industry level as part of the budget for this Special Project.

Benchmarking List of Components

Following are items to capture in the benchmarking effort. This study is limited to credit card balance protection insurance, for all products and also broken out for: life, critical illness, disability, and job loss; figures would be both totals and for 2018 only. Again, the information would at all times be handled in compliance with relevant competition laws.

Benchmarking Component	Metric
Total in-force policies	#
Total premium (overall and per policy)	\$
Total claims made	#
Total claims paid	\$
Percentage claims paid	%
Loss ratio	%
Applications approved	%
Applications denied	%
Total employees	#
Complaints made	#
Cancellation of the Product within XX months	#
Complaints escalated to ombudsperson	#

Proprietary Presentations

While CAFII will only be paying for industry level efforts, and individual Members will be paying individually for any work done in their own institutions at a proprietary level, including identifying how they individually compare to the industry findings around benchmarking.

Research Effort and Price Ranges

CAFII is seeking the research output, and the strategy recommendations as outlined in the next section, within 8 weeks of the granting of the contract.

As part of the proposal to CAFII, please indicate your expectations around remuneration (paid up front, paid upon completion of project, portion paid up front and remainder paid upon completion etc.).

Engagement of the Wider Industry

This section of the RFP is for background information purposes only. If coming out of this Special Project, there are enhancements contemplated to CCBPI, there are non-members of CAFII whom we may wish to engage in the industry-wide enhancement opportunity. This will be a consideration that CAFII will discuss with its Members. The non-members of CAFII players

include Canadian Tire Financial, PC Financial, Walmart Bank, Rogers Bank, HBC, Sears, and Chubb Insurance. As well, as this project moves forward, CAFII would need to find a way to keep the Canadian Bankers Association (CBA) and the Canadian Life and Health Insurance Association (CLHIA) informed of developments.

Possible Phase II of the Special Project on CCBPI

After considering the output of Phase I of this project, CAFII and its Members may consider a Phase II which would involve an RFP to engage a government relations / public relations firm which would develop a GR/PR campaign based on our findings in Phase I, including any possible enhancements that may be made at an industry or proprietary level. This will only be decided upon after the completion of Phase I.

Additional Work Coming out of this Special Project

It is possible that individual CAFII Members will seek the involvement of a business consultancy firm, at their firm's own individual cost, to guide the firm through any proprietary CCBPI enhancements they may engage in coming out of this industry Association-led special project on CCBPI.

Proposal Submission—Required Content

Review all of the detailed requirements as outlined above and provide a written submission detailing how your organization is able to meet or exceed these requirements, including pricing for each of the services required and any and all additional costs you would charge for.

Provide details around how your firm would structure its involvement in this project and the required outputs, and detail the costs associated with each component part as well as the overall cost.

Provide details on what components of this Special Project you would outsource and the process for such outsourcing.

CAFII Evaluation Criteria

<u>Criteria</u>	<u>Weight</u>
Firm has demonstrated a thorough, comprehensive, credible understanding of the project; has demonstrated that it has the required expertise and experience within the firm to lead the project and to successfully produce the required outputs	45%
Firm's price is competitive	25%
Firm has a strong Project Management capability and has demonstrated a Project Management plan to guide the entire project	15%
<p>Firm has demonstrated knowledge of CAFII and its Members, including being an Associate of CAFII, so that CAFII time and effort required for orientation and assistance in climbing learning curve will be minimal.</p> <p><u>Specifically:</u></p> <p>CAFII Associates get 3 automatic points in this category</p> <p>All bidding firms are assessed on "demonstrated knowledge of CAFII and its Members," with a maximum possible score on this dimension of 12 points</p>	15%

CAFII Non-Disclosure Agreement (NDA)

Confidentiality and Non-disclosure Obligations.

1. BIDDING FIRM agrees and undertakes:
 - (a) to maintain in strict confidence any data or information provided pursuant to this agreement by CAFII and/or CAFII Member (whether orally, in writing or in any other form) ("Confidential Information") by virtue of the Initiative, provided that information that is (i) already known to BIDDING FIRM at the time of disclosure; (ii) in the public domain or publicly available; (iii) available from a third party who is under no such obligation of confidentiality; or (iv) independently developed by BIDDING FIRM shall not be considered as 'Confidential Information';
 - (b) to protect all Confidential Information which the other party provides to it against unauthorized access, use, disclosure, destruction, loss or alteration using at least the same degree of care that BIDDING FIRM uses to protect its own confidential and/or proprietary information, but in no event less than a reasonable degree of care;
 - (c) to restrict access to the Confidential Information only to those employees engaged in the Initiative and who have a need to know for the purposes described herein and provided that such employees are bound by obligations of confidentiality that are at least as strict as those set out herein, to the exclusion of any other employees who do not provide services in connection with the Initiative;
 - (d) use the Confidential Information for solely for evaluating and implementing the Initiative (except if required otherwise by applicable laws, court or governmental agency) ("Permitted Purpose");
 - (e) not use or attempt to use the Confidential Information in any way that would be in violation of any applicable law or in any manner that could be deemed anticompetitive;
 - (f) not disclose, make available to, or provide or permit access to or use of any Confidential Information, by a third party except as expressly permitted by this agreement; and
 - (g) establish safeguards to ensure that all data is uniquely identified as to the Initiative participant to whom it belongs, and all Confidential Information will be secure from unauthorized disclosure, access and/or use.

Ownership of Confidential Information

2. All Confidential Information will remain the exclusive property of CAFII and/or applicable CAFII Member, and BIDDING FIRM will have no rights, by license or otherwise, to the Confidential Information except for use as expressly provided in this agreement.

Compelled Disclosure

3. BIDDING FIRM may disclose Confidential Information to its legal advisors to protect its own legitimate interests and to comply with any legal or regulatory requirements. If any court, regulatory authority, professional body or legal process requires the recipient to disclose information covered by this confidentiality obligation, then BIDDING FIRM may make any such disclosure; provided that the BIDDING FIRM will, if permitted by law, advise the CAFII promptly of any such requirement and cooperate, at the CAFII's expense, in responding to it.

Additional Obligations of Bidding Firm

4. BIDDING FIRM represents and warrants that it is familiar with, has complied with, and will comply, in all respects, with applicable competition laws including the provisions of Canada's Competition Act and will implement appropriate policies, conduct appropriate training of its employees and directors, and adopt appropriate processes for meetings and documentation to ensure that it and their employees and directors will remain compliant.
5. BIDDING FIRM will be liable for any failure by its employees to comply with the terms of this agreement. BIDDING FIRM shall indemnify and hold CAFII and CAFII Members and their respective officers, employees, directors, agents and representatives harmless from, and shall pay for, any cost, loss, expense, liability, claim, demand or damage (including reasonable legal fees and the cost of enforcing this indemnity) arising out of or resulting from any unauthorized use or disclosure of the Confidential Information or other breach of this agreement by BIDDING FIRM or its employees.
6. Irrespective of where BIDDING FIRM receives or holds individually identifiable personal information ("Personal Data") on behalf of any of the other parties, BIDDING FIRM confirms that, acting as data processor it will take appropriate technical, physical and organizational/administrative measures to protect that Personal Data against accidental or unlawful destruction or accidental loss or unauthorized alteration, disclosure or access. BIDDING FIRM will only use that Personal Data for the Permitted Purpose, unless permitted otherwise in writing by CAFII or a CAFII Member. The other parties and BIDDING FIRM shall each comply with the provisions and obligations imposed on each of them by applicable data privacy legislation and regulations.
7. Upon written request from CAFII or a CAFII Member, BIDDING FIRM will promptly return or destroy, and verify in writing its destruction of all material, in any form, embodying any Confidential Information, provided that BIDDING FIRM may retain a copy of such

Confidential Information only to the extent that it is part of its backup or recovery processes where such Confidential Information is not readily accessible.

Remedies

8. Disclosure or use of Confidential Information provided by CAFII contrary to this agreement, or any other breach of the terms and conditions of this agreement by BIDDING FIRM, will give rise to irreparable injury to CAFII and/or CAFII Member that is not adequately compensable by damages. CAFII and/or CAFII Member may, in addition to any other remedy, enforce the performance of this agreement by way of injunction or specific performance upon application to a court of competent jurisdiction without proof of actual damages (and without the requirement of posting a bond or other security) and, notwithstanding that damages may be readily quantifiable, you agree not to plead sufficiency of damages as a defence in any such proceeding. The rights and remedies provided in this agreement are cumulative and are in addition to, and not in substitution for, any other rights and remedies available at law or equity. All such rights and remedies may be exercised from time to time, and as often and in such order as is deemed to be expedient.
9. In the event of a breach of BIDDING FIRM'S obligations under this agreement or any actual or suspected security breach involving Confidential Information provided by CAFII, BIDDING FIRM will immediately notify CAFII and CAFII Members, immediately allocate required resources to address and cure the breach and implement all reasonable mechanisms to mitigate the risk and prevent future occurrences, including cooperating in all reasonable respects with CAFII and CAFII Members to minimize the impact of the security breach or loss and any damage resulting therefrom.

Miscellaneous

10. Except as otherwise provided in this agreement, the obligations of the parties under this agreement continue and are binding for an indefinite period of time.
11. Any notice, direction or other communication given regarding the matters contemplated by this agreement must be in writing, sent by personal delivery, courier or facsimile (but not by electronic mail) and addressed:
to BIDDING FIRM at:

[INSERT]

to CAFII at:

Keith Martin

Co-Executive Director, CAFII
411 Richmond Street East, Suite 200
Toronto, Ontario
M5A 3S5

12. A notice, direction or other communication is deemed to be given and received (i) if sent by personal delivery or courier, on the date of delivery if it is a business day and the delivery was made prior to 4:00 p.m. (local time in place of receipt) and otherwise on the next business day, or (ii) if sent by facsimile, on the business day following the date of confirmation of transmission by the originating facsimile. A party may change its address for service from time to time by providing a notice in accordance with the foregoing. Any subsequent notice, direction or other communication must be sent to the party at its changed address. Any element of a party's address that is not specifically changed in a notice will be assumed not to be changed.
13. No waiver of any of the provisions of this agreement will constitute a waiver of any other provision (whether or not similar). No waiver will be binding unless executed in writing by the party to be bound by the waiver. A party's failure or delay in exercising any right under this agreement will not operate as a waiver of that right. A single or partial exercise of any right will not preclude a party from any other or further exercise of that right or the exercise of any other right it may have.
14. This agreement constitutes the entire agreement between the parties relating to its subject matter and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties with respect to such subject matter. This agreement may only be amended, supplemented, or otherwise modified by written agreement signed by all of the parties.
15. Neither this agreement nor any of the rights or obligations under this agreement may be assigned or transferred, in whole or in part, by a party without the prior written consent of the other party.
16. If any provision of this agreement is determined to be illegal, invalid or unenforceable, by an arbitrator or any court of competent jurisdiction from which no appeal exists or is taken, that provision will be severed from this agreement and the remaining provisions will remain in full force and effect.
17. This agreement is governed by, and will be interpreted and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable

therein and the parties attorn to the non-exclusive jurisdiction of the courts in the City of Toronto.

18. This agreement may be executed in any number of counterparts, each of which is deemed to be an original, and such counterparts together constitute one and the same instrument. Transmission of an executed signature page by facsimile, email or other electronic means is as effective as a manually executed counterpart of this agreement.

If BIDDING FIRM services do not conform to the requirements agreed between all parties, BIDDING FIRM will be notified promptly and it shall re-perform any non-conforming services at no additional charge or, at BIDDING FIRM option, refund the portion of the fees paid with respect to such services.

If re-performance of the services or refund of the applicable fees would not provide an adequate remedy for damages, the aggregate liability of BIDDING FIRM and its employees, directors, officers, agents and subcontractors (the "related persons") to the parties whether in contract, tort (including negligence), breach of statutory duty or otherwise for any losses arising from or in any way connected with our services shall not exceed in aggregate the greater of (a) \$250,000 or (b) the total amount of the fees paid to BIDDING FIRM for the services provided pursuant to this agreement, unless otherwise agreed in writing. Nothing in these terms shall exclude or limit the liability of BIDDING FIRM or its related persons in the case of: (a) death or personal injury resulting from our or our related person's negligence; (b) willful misconduct; (c) fraud; or (d) other liability to the extent that the same may not be excluded or limited as a matter of law. In no event shall BIDDING FIRM or any of its related persons or affiliates be liable for any incidental, special, punitive, or consequential damages of any kind (including, without limitation, loss of income, loss of profits, or other pecuniary loss).

Where BIDDING FIRM are jointly liable with another party, BIDDING FIRM shall to the extent permitted by law only be liable for those losses that correspond directly with its share of responsibility for the losses in question.

SIGNED BY REPRESENTATIVE OF BIDDING FIRM

CAFII RFP ON THE SPECIAL PROJECT ON CREDIT CARD BALANCE PROTECTION INSURANCE

RFP-RELATED QUESTIONS AND ANSWERS

In its RFP, CAFII noted the following:

*Clarification questions on this RFP can be sent directly to CAFII Co-Executive Director Keith Martin at keith.martin@cafii.com. All questions will be collected into one document and a consolidated document with all the answers will be sent to all organizations who indicate that they will be responding to this RFP. The identity of the organization posing a question will not be disclosed. The deadline for submitting clarification questions is **5:00 PM, Tuesday, 19 March, 2019**; and CAFII will distribute a consolidated response document by **Friday, 22 March, 2019**.*

Questions have now been received and the answers are contained below. However, there was a desire to clarify an element of the RFP. As such, we are also sharing with responding firms the following clarifying statement:

*In the RFP, we have asked for comparisons of the Canadian situation with other international jurisdictions, but we need to emphasize that this is only to inform our understanding of the risks (and opportunities) in the current Canadian regulatory and policy-making environment based on what has happened elsewhere. **We seek strategic options and recommendations based on the current and evolving Canadian regulatory and policy-making environment.** In particular, we seek to proactively respond to the current and potentially evolving view of Canadian domestic regulators (FCAC, CCIR, provincial regulators, and consumer advocacy groups), the current and evolving regulatory framework in Canada (Bill C-86, CCIR FTC Guidance, FSRA and its new powers, AMF's new regulations on alternate distribution, etc.) and how the regulators may apply the current and evolving regulatory framework for credit card balance protection insurance.*

Question 1:

Will (or can) business representation from the individual member companies be engaged throughout the process given that they've requested for industry and individual company strategic options (e.g., company specific product enhancements)?

Answer:

The scope of this project does not encompass individual company strategic options being implemented within individual companies. Individual companies may choose to engage the bidding firm, or another firm, to assist them in implementing strategic options at the company

level, but the individual company would need to fund that separately. Please see Page 10 of the RFP:

*Based on the research effort, we would expect the business consultancy firm **to develop possible enhancements on industry-level and individual company proprietary-level**. This output would allow CAFII and its Members to make decisions on enhancements that can be adopted at an industry-level or at an individual company proprietary-level.*

Industry-level CAFII funding will be for industry level implementations only; proprietary, individual company implementations, to the extent they require the involvement of a business consultancy firm, will be separately funded by the individual firms themselves with each individual firm ultimately responsible for its own proprietary level decision-making in relation to CCBPI.

The only individual company activity that is funded through CAFII through this RFP is a series of one-hour presentations within each individual member firm, to provide a summary of the results coming out of the project and the recommendations being offered, and to help in getting senior executive internal buy-in within our member institutions. Please see Page 12 of the RFP:

Proprietary Presentations

While CAFII will only be paying for industry level efforts, and individual Members will be paying individually for any work done in their own institutions at a proprietary level, there is one exception. As part of this RFP, CAFII is requesting that the business consultancy firm join the law firm for 12 one-hour, internal presentations within our Member institutions, to present the findings of this research effort and the strategy recommendations. The purpose of this is to have the external experts provide learnings to senior leaders within CAFII Member institutions, and to make the case for why the strategic enhancements should be implemented.

With respect to business representation from individual member companies, our members have considerable expertise in the product line this project is about, and can be subject matter experts. The Consultancy Firm would have access to our members to gain knowledge, share ideas, and get feedback on possible options.

Question 2:

Will CAFII members (specific individuals) be available to provide their individual company data and offer clarification (where necessary), to support the benchmarking exercise? Can data requests and interviews be done to support this benchmarking exercise, or is a survey expected?

Answer:

Yes, individual company data can and would be expected to be provided so long as any data collected is aggregated and anonymous in accordance with appropriate competition law protocols. Individual company data must be strictly protected and maintained confidentially.

Question 3:

What format is CAFII expecting the Fact Pack and Value Proposition deliverables – in PowerPoint or Word?

Answer:

We would like to use this for the education of regulators and policy-makers on how our members' products work. We defer to the bidding firms to advise us on the best format to achieve this objective.

Question 4:

How detailed is the Business Modeling deliverable expected to be? Are detailed financial considerations expected? How detailed do you expect the operational analysis to be at a minimum?

Regarding the business modelling, what level of detail would be required for the generic model? How much adjustment to each or categories of industry participants is expected?

Answer:

We would expect a detailed business model that includes financial modeling that would be capable of being used to determine levers that could shift the profitability of a product. So, by way of illustrative example, please see Page 10 of the RFP:

For illustrative purposes only, at an industry level, such a model could suggest that to increase the loss ratio of the product, the premium could decline, the claims payout rate could increase, the limitations and exceptions could be modified, etc.

We would not expect any customization of the generic business models for individual companies. If an individual company desires support of a business consultancy firm to review or implement the business model internally, that would need to be separately funded by that company and is not within the scope of this project.

Question 5:

Will the 12 one-hour sessions to present findings to Members be expected within the 8-week timeframe, or following the completion of the 8 weeks?

Answer:

The 12 one-hour sessions will occur following the completion of the project, so after the 8 weeks timeframe.

Question 6:

Will CAFII select a single consultancy for all scope items stipulated in the RFP?

Answer:

Yes, with the possible exception of the benchmarking component alone. We have isolated that component and asked Actuarial firms that specialize in benchmarking to bid on that component alone. The winning firm will either have a mandate to do everything requested in the RFP; or to do everything but for the benchmarking component. For this reason, in the RFP, bidding firms are asked to call out the cost of the benchmarking component alone.

Question 7:

With the selection decision announced 'post-April 4', is it still fair to assume that the engagement will start at some time in April?

Answer:

Yes, we are anxious to start this project and our objective is, depending on our response to the RFP submissions, to in principle engage a firm to proceed as soon as possible after 1 April, 2019.

Question 8:

What are CAFII criteria for success of this effort?

Answer:

Ultimately, success would be achieved if the project produced implementation of industry and company-level (proprietary) enhancements to the product that would shift the perception of this product among regulators, policy-makers, and consumer advocates, within a vigorously competitive environment. Individual companies will of course make their own independent decisions about what enhancements they would each implement, acting at all times in compliance with competition laws.

Question 9:

Who are the CAFII Associates mentioned in the RFP?

Answer:

CAFII has a level of membership called “Associates” that mostly offer networking opportunities at our receptions throughout the year. For \$4800 a year, Associates are invited to three networking receptions following our Board meetings, and one Annual Members Luncheon. Our current Associates are:

RSM Canada
Willis Towers Watson
KPMG MSLP
Munich Reinsurance Company Canada Branch (Life)
Optima Communications
RGA Life Reinsurance Company of Canada
DGA Careers Inc.
AXA Assistance Canada
Torys LLP

Question 10:

How do you intend to use the name of the consulting firm retained to support this effort?

Answer:

The report that is submitted will be submitted to Stikeman Elliott, which will then share it with us as legal advice. If we choose to share components of the output of the project, any findings, or any actions coming out of this project with regulators and policy-makers, or publicly, we would consider noting that our efforts were supported by the expert input of the winning business consultancy firm and law firm.

Question 11:

What level of engagement can we expect from stakeholders (CAFII staff, CAFII member staff, law firm)? Who will be the executive sponsor for this work?

Answer:

There will be significant engagement from stakeholders. CAFII staff (Keith Martin and Brendan Wycks) will be fully engaged, as will be the law firm. CAFII members are funding this project and are committed to it, and will be available as subject matter experts. Individual member engagement however must be coordinated through CAFII and the law firm, to ensure that a competition law lens is part of any discussions with individual members.

CAFI is the executive sponsor for this work, under the direction of the CAFI 13-member Board of Directors.

Question 12:

If we are not selected to do the benchmarking phase, will the outputs be provided to us as they could inform potential business strategy options.

Answer:

Yes, and the firm doing the benchmarking would be asked to provide that prior to the 8-week completion of the project, so that the data could be used in the development of business strategy options.

List of Attendees from CAFII at 1 April, 2019
Business Consultancy Presentations

Firm	Board Member	Attending?	Surrogate (Attending)
Desjardins	Christian Dufour	No	Isabelle Choquette
BMO	Peter McCarthy	No	Gillian Noble
valeyo	Nicole Benson	Yes, in part, by phone	
RBC	Chris Lobbezoo	Yes	Charles MacLean
Canada Life	David Fear	Yes	
ScotiaLife	Zack Fuerstenberg	Yes	
Assurant	Paul Cosgrove	No Response	Rob Dobbins
TD Insurance	Chris Knight	Tentative	Peter Thorn
Manulife	Wally Thompson	No	Monika Spudas
CIBC	Sandra Rondzik	Tentative	Joanna Onia
National Bank	Peter Thompson	No Response	
CUMIS	Kelly Tryon	No	
AMEX		No response	

Schedule of Business Consultancy Presentations on 1 April 2019
Business Consultancy / Actuarial Firms that have Signed NDA and Received RFP

<u>Firm</u>	<u>Lead</u>	<u>Other Attendees</u>	<u>Time</u>
Deloitte	Chris Duvinage	James Colaco Melissa Carruthers	8.30-9.10am
BCG	Thomas Foucault	James Tucker Sucharita Sridhar	9.15-9.55am
PwC	Matthew Lawrence	Byren Innes	10.00-10.40am
			BREAK
KPMG	Walter Rondina – Lead Partner on this Engagement and KPMG Strategy Lead for the Insurance Sector	Clark Savolaine – Senior Manager Economics Practice Michael Promislow – Senior Manager Life and Pensions Practice Hudson Lopez – Lead Partner on CAFII and CAFII's current Audit Partner	10.55-11.35am
			INITIAL DISCUSSION OVER WORKING LUNCH 11.35am-1.00pm
RSM Canada	Fabricio Naranjo	Joel Cohen Stanley Caravaggio Matthew Haymes	1.00-1.40pm
Towers Watson	Michael Arlitt, Assistant Vice President, Affinity and Special Risks	Christine Panet-Raymond	1.45-2.25pm
			BREAK TO 2.45pm
			CONTINUATION OF DISCUSSION AND DECISIONS 2.45-5.00pm

Special Project on Credit Card Balance Protection Insurance

Request for proposal submission

MARCH 28, 2019

Executive Summary

CAFI is looking for assistance to lead business research, modeling and strategic recommendations regarding the future of CCBPI in Canada

- Learning from other jurisdictions including Australia, US, UK and Ireland
- Benchmarking of key metrics across CAFI members
- Business modeling of impact of potential scenarios
- Business strategy recommendations for the industry and individual companies, in line with regulatory constraints

We believe CAFI should use this effort to explore a broad range of scenarios to sustainably bring this useful product to Canadian consumers, while addressing current risks. The case for action is strong as CCBPI is a sizable profit contributor for CAFI members.

- Although CCBPI has real value for certain segments of consumers - protection against life-altering situations and financial hardship...
- ...A number of practices associated with CCBPI have come under scrutiny in Canada and abroad, at times with far-reaching consequences

CAFI could consider a number of moves to drive industry evolution and provide a sustainable value proposition to Canadian consumers

- Fix the basics to address important concerns such as the appearance of high-pressure sales tactics and unfair claim procedures
- Explore fundamental moves such as rebalancing product economics across time-horizons, expanding value pools through a consumer lens

We believe BCG is the best partner for you for this engagement

- We go deep to unlock insight and have the courage to act: Strategy is in our DNA
- We bring a global network with extensive coverage of your geographies of interest: ~4,000 staff across Canada, UK, Australia and US
- We understand the Canadian context: we work for 5 of the largest Canadian FIs, we have 3 offices and a Center for Canada's Future
- As an option, we bring a fit-for-purpose financial services benchmarking capability: Expand, a 100% subsidiary of BCG

A number of practices associated with CCBPI have come under scrutiny in Canada and abroad, at times with far-reaching consequences

United Kingdom



- FCA announced deadline of Aug 2019 for final PPI¹ claims for up to 64M policies deemed 'mis-sold'
- Prohibition of selling payment protection at the same time as credit card
- Many incumbents no longer use individual sales targets



Regulatory changes and responses

Similarities and differences with Canada

- 5 major banks dominate the industry
- Minister of finance has a large role
- Regulated by a small number of agencies that have aggressively enforced consumer protection regulations

Ireland



- Central Bank updated Code with general principles (e.g. does not mislead, full disclosure of all charges)
- FCA² announced new rules and guidance for handling PPI complaints
- Deadline of Aug 2019 for PPI claims



- 4 major banks dominate the industry with a competitive market similar to Canada
- Regulated by a small number of agencies that have implemented more stringent requirements

Australia



- Sales commission capped at 20%
- FSRA introduced licensing, training and regulations
- Unbundling of packaged accounts
- Strengthening process for obtaining consent and improved disclosure of cost/duration



- 4 major banks dominate the industry with a competitive market similar to Canada
- Regulated by a small number of agencies that have implemented more stringent requirements

America



- Banks such as AMEX, BoA, Capital One etc. have suspended the sale
- Several states suing banks over marketing practices
- Consumer Finance Protection Bureau and Federal Deposit Insurance Corp are jointly investigating Discover for business practices



- ~5,000 banks with vast amounts of credit card providers
- Intense competition between 5 vertical players
- Decentralized regulators with competing federal agencies

Canada



- Similar to UK/AUS/Irish markets in political and banking systems, except regulators/ politicians have prioritized financial system stability (safety and soundness)
- Some banks have moved away from individual sales targets, and are self-policing consumer protection issues
- Liberals expected to strengthen the mandate of FCAC³ to enforce consumer protection rules, especially with upcoming elections

Deep dive UK: Impact extends beyond credit cards to branch sales incentives and scrutiny on packaged accounts

Impact on credit card economics



PPI complaint claims

- PPI has been sold alongside credit cards since the 1990s, which has since been banned
- Lloyd's Banking Group set aside billions to compensate customers who were mis-sold PPI, to date they have **spent £18.7bn¹**
- **Credit card ROE has been significantly impacted** as a result of customer revision spend

Broader impact on other dimensions



In-branch incentives

- Regulatory focus on sales incentives led to **termination of individual sales tactics** by large incumbents
- Impact varied across products; **essential products** (eg. checking acct.) **experienced sales improvement** while non-essential products (eg. insurance) saw sales declines



Packaged accounts

- New rules designed to **help customers understand** whether the product was right for them
- **Prohibitions put in place** at different stages of the selling process to avoid packaged account mis-selling



Product management

- Focus on **conduct risk** in the product approval governance process, leading to **increased monitoring of product usage** through metrics such as:
 - Packaged account composition
 - How many uses
 - How many claims processed etc.

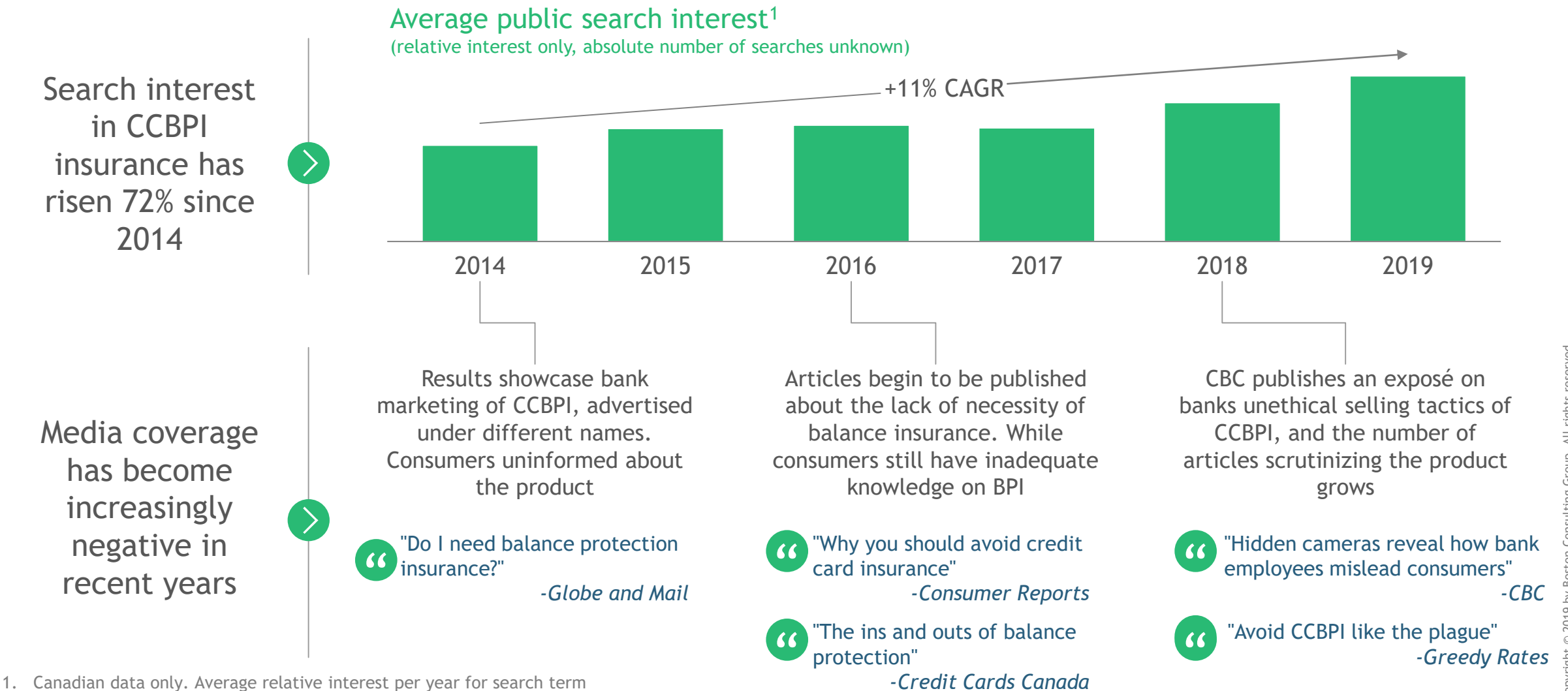


Considerations for Canadian market

- UK market tends to be more competitive than Canadian market - e.g. direct and aggregator models more prevalent across FI businesses
- Canadian regulator putting more emphasis on stability than innovation - e.g. direction and progress on Open banking
- Consumer protection tends to have more teeth in the UK - e.g. FCA rules on Asset Management practices

1. All PPI revisions (e.g. mortgages, loans, credit cards etc.)
Source: BCG analysis

CCBPI has become an increasingly public issue in recent years, and press coverage has become more negative



1. Canadian data only. Average relative interest per year for search term "Balance Protection Insurance"
Source: Google Trends, News articles, investment websites

As public and regulatory scrutiny of CCBPI increases, there is a range of potential scenarios to be prepared for

Minimal impact

Significant impact

Increased public scrutiny and press coverage

- An increase in press coverage & scrutiny harms public perception of CCBPI, potentially forces a decrease in premiums and/or an increase in claims
- No major response from regulators
- Overall, no major changes to industry

More stringent regulatory requirements

- Increased public scrutiny forces reaction from regulators, e.g.
 - Controls on how CCBPI can be marketed & sold
 - Caps on commissions of policy sales, etc.
- Significant impact on premiums and economics

Regulatory ban on sales practices

- Regulatory ban on sales of CCBPI products at the same time as credit card sales, or government steps in with low-cost offer as an alternative to consumers
- Significant reduction in new sales and revenue of CCBPI coupled with increased claims from outstanding policies

Example
countries



CAFII members could consider a number of moves...

Preliminary—to be developed

Fix the basics to address important concerns



Revise sales incentives to ease public concern over appearance of high-pressure sales practices

- Remove individual sales tactics (e.g. high commission, various consumer pressure tactics)
- Define and publicize value proposition to clearly highlight benefits to consumers
- Enforce complete transparency of product and disclosure of associated terms such as:
 - Monthly fees
 - Length of time valid
 - Payout amount



Educate and empower consumers with information

- Provide consumers with detailed information and tools required to determine if balance payment insurance is the right decision for them (e.g., fact sheet, coverage calculator)



Clarify claim eligibility and procedures

- Implement quick turnaround and effective processing through knowledgeable support staff to provide consumers with claim reimbursement

Explore fundamental moves



Rebalance economics across time-horizons

- Lower CCBPI premiums and target efforts on attrition reduction to maintain customer lifetime value
- Increase product benefits eg. maximum benefit amount, period of validity






Explore adjacent value pools through a consumer lens

- Debt restructuring
- Insurance of purchased goods
- Monetization of data

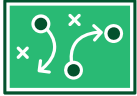


...

We will deliver strategic recommendations grounded in international best practices and in-line with regulatory constraints (I)

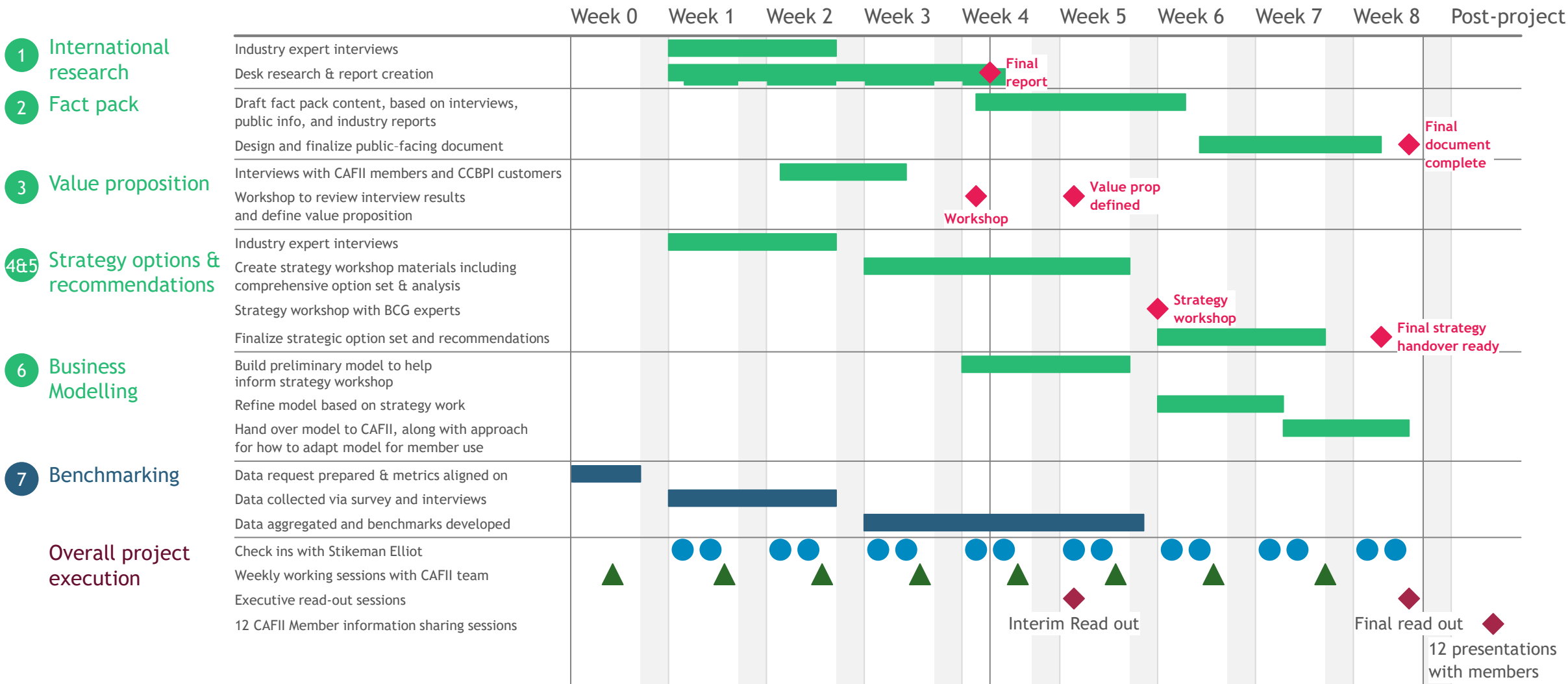
	Deliverables	Methodology / Activities	Sources of information
1 Comparative international research 	<ul style="list-style-type: none"> Overview and comparison of the CCBPI landscape in Canada, UK, US, Australia, and Ireland, including detailed summary of consumer concerns and activity, along with information on recent and future regulatory environment changes Prioritized list of both existing and potential future concerns, relevant for CAFII and its members 	<ul style="list-style-type: none"> Desk research to generate detailed fact base on CCBPI within each market Interviews of 3+ experts from each geography to collect fulsome view of each market and relevant issues 	<ul style="list-style-type: none"> Public information (Press search, public corporate communications) Interviews with experts from banks, regulators, and insurers Market reports¹
2 CCBPI Fact Pack <i>Public document</i> 	<ul style="list-style-type: none"> Primer on CCPBI - what it is, who it is for, how it is sold, and who it is sold by Simple, easy to digest summary of CCBPI products offered by CAFII members Vignette examples of CCBPI products successfully used around the world FAQ section 	<ul style="list-style-type: none"> Interviews with key staff at CAFII member organizations familiar with CCBPI products Leverage BCG's design team to ensure document is highly compelling, aesthetic, and digestible by a public audience 	<ul style="list-style-type: none"> Interviews with CAFII member organizations Public information (Press search, public corporate communications)
3 Value Proposition 	<ul style="list-style-type: none"> Detailed definition of consumer value proposition of CCBPI products to Canadian consumers Tangible examples of CCBPI product applications in the Canadian market place List of shortcomings of CCBPI products 	<ul style="list-style-type: none"> Interviews or focus groups with Consumers of CCBPI Workshop with small CAFII team to review interview results and define collective view on value proposition 	<ul style="list-style-type: none"> Interviews or focus groups with consumers Public information (Press search, public corporate communications)

1. E.g. *Payment Protection Insurance report* by UK Office of Fair Trading, *Market Investigation into Payment Protection Insurance* by UK Competition Commission

We will deliver strategic recommendations grounded in international best practices and in-line with regulatory constraints (II)

	Deliverables	Methodology / Activities	Sources of information
4&5 Strategy options & recommendations <i>Industry & proprietary</i> 	<ul style="list-style-type: none"> Comprehensive list of strategic options for enhancements to CCBPI on an industry level Comparative analysis of strategic option set to guide CAFII and it's members in decision making process, including risk and opportunity analysis Review of options with law firm to ensure recommendations consistent with regulations 	<ul style="list-style-type: none"> Conduct interviews with BCG experts and industry experts from various geographies Leverage results of business modeling exercise to inform recommendations Ensure close collaboration with law firm 	<ul style="list-style-type: none"> Interviews with experts from banks, regulators, and insurers BCG internal expertise Law firm guidance on regulation
6 Business Modelling 	<ul style="list-style-type: none"> Analytical model to illustrate impact of various scenarios e.g. changes to loss ratios, premiums, payout rates, etc. Analytical approach to share with CAFII members to serve as a starting point to identify best mix for themselves from menu of possible product changes 	<ul style="list-style-type: none"> Identification of appropriate scenarios to model & incorporation of data from Benchmarking exercise Leverage BCG's business modelling expertise and advanced analytical tools 	<ul style="list-style-type: none"> Benchmarking output BCG expertise
7 Benchmarking (Optional) 	<ul style="list-style-type: none"> Aggregated set of benchmarks covering CAFII member organizations Benchmarks cover topics of average number/amount of policies, premiums, claims received and paid, loss ratios, applications, employees, complaints etc. 	<ul style="list-style-type: none"> BCG Expand, a specialist FI benchmarking research outfit, to complete this work Data collection via interviews and data request surveys (must be launched in week 1 of project to get data in time) Close collaboration with CAFII in survey design and launch 	<ul style="list-style-type: none"> Data collection survey sent to CAFII members Interviews with executives as CAFII member companies (as needed)

We propose a robust work plan for this project



We will run
"high-frequency"
interactions to
give you
visibility in
progress and
engage
stakeholders



Meeting

Check-ins
with
Stikeman
Elliot

Cadance

2
*times per
week*

Purpose

Ensure all work completed in compliance with competition law, and to engage Stikeman Elliot as subject matter experts



Working
meeting with
CAFI team

1
*time per
week*

Share interim output, collect and incorporate feedback, and collectively make important decisions



Readouts

2
*times
total*

To keep leadership informed of progress being made and the direction of the work, as well as provide updates on emerging findings

We will bring deep strategic expertise and knowledge of priority markets

Execution team



James Tucker
Partner
Toronto

Lead BCG FI practice in Canada ;
Expert in Canadian retail banking
market. Experience in benchmarking
the Canadian bancassurance market



Thomas Foucault
Partner
Toronto

Expert in Canadian Retail Banking
and Insurance markets; Deep
experience in financial services
strategy



Sucharita Sridhar
Principal
*(potential project manager- subject to
availability)*
Toronto

Experience leading strategy and research
projects in retail banking and insurance.
Core member of BCG's Financial Services
practice area



Experts with topic expertise across countries (Selection)



Ian Walsh
Senior Partner
London

Global leader of Retail Banking
segment and member of the FI
practice area leadership team



GB Taglioni
Senior Partner
NYC

North American leader for the
Insurance practice area. Expert in
Global bancassurance with a focus
on the United States



Norbet Gittfried
Associate Director
Frankfurt

Expert on risk and regulation in
Financial Services. Previously
advised projects on topic of CCBPI



Alasdair Keith
Knowledge Expert
London

UK Retail banking topic expert.
Deep expertise in topic of CCBPI



Wendy MacKay
Partner
Sydney

Core member of BCG's Financial
Institutions practice areas.
Extensive experience working with
Retail Banks
and Insurers



Benchmarking Expertise



Raz Hussain
Director - Expand
NYC

Financial Services benchmarking
expert. Leads Expand in
North America



BCG, best partner to take up the challenge



We have a global network with extensive coverage of geographies of interest

- We will bring a global team, with offices in the UK, Australia, the US, and Canada
- Access to local experts and industry practitioners in all relevant markets



We have access to world-leading experts in insurance and retail banking

- 100+ dedicated FI and Insurance partner teams across geographies of interest
- 15 dedicated FI & Insurance Knowledge Analysts/specialists supporting clients globally
- Access to 45+ senior advisors in the Banking and Insurance spaces (former industry executives)
- Through third-party partnerships, access to network of 1000s more former FI and Insurance executives around the world



We know the Canadian retail banking and insurance markets extensively

- ~50 Canadian FI staff who have worked with the largest Canadian banks and Insurance companies over the past 3 years
- Dedicated expert partners focused on Insurance and bancassurance in Canada
- We have worked with ~5 CAFII member institutions in the past 3 years



We understand the Canadian context

- BCG Canada has three offices and over 300 staff across the country
- We run the BCG Center for Canada's future, a think tank focused on shaping the national agenda
- We co-founded and host the LEAP-Pecaut Center for social impact



BCG Expand is a recognized leader in benchmarking for the financial services industry

- A 100% BCG owned company that provides research & benchmarking to global financial players
- Expand provides independent, impartial and anonymous benchmarks of firms' business, operations and technology performance relative to peers.

Proposed commercial terms

James Tucker and Thomas Foucault (Partners and managing directors) will oversee the delivery of this project and be accountable for overall work quality on behalf of BCG. They will actively involve supporting experts and will ensure to bring the best of BCG to the table during this project

To deliver the support outlined in this document, they will be supported over 8 weeks by a BCG team as described below:

- A project manager and a team of 2 BCG consultants
- Experts mobilized and deeply engaged in content, in particular to provide first-hand expertise on the Canadian markets and main players on your geographies of interest (Western Europe, Australia, USA)

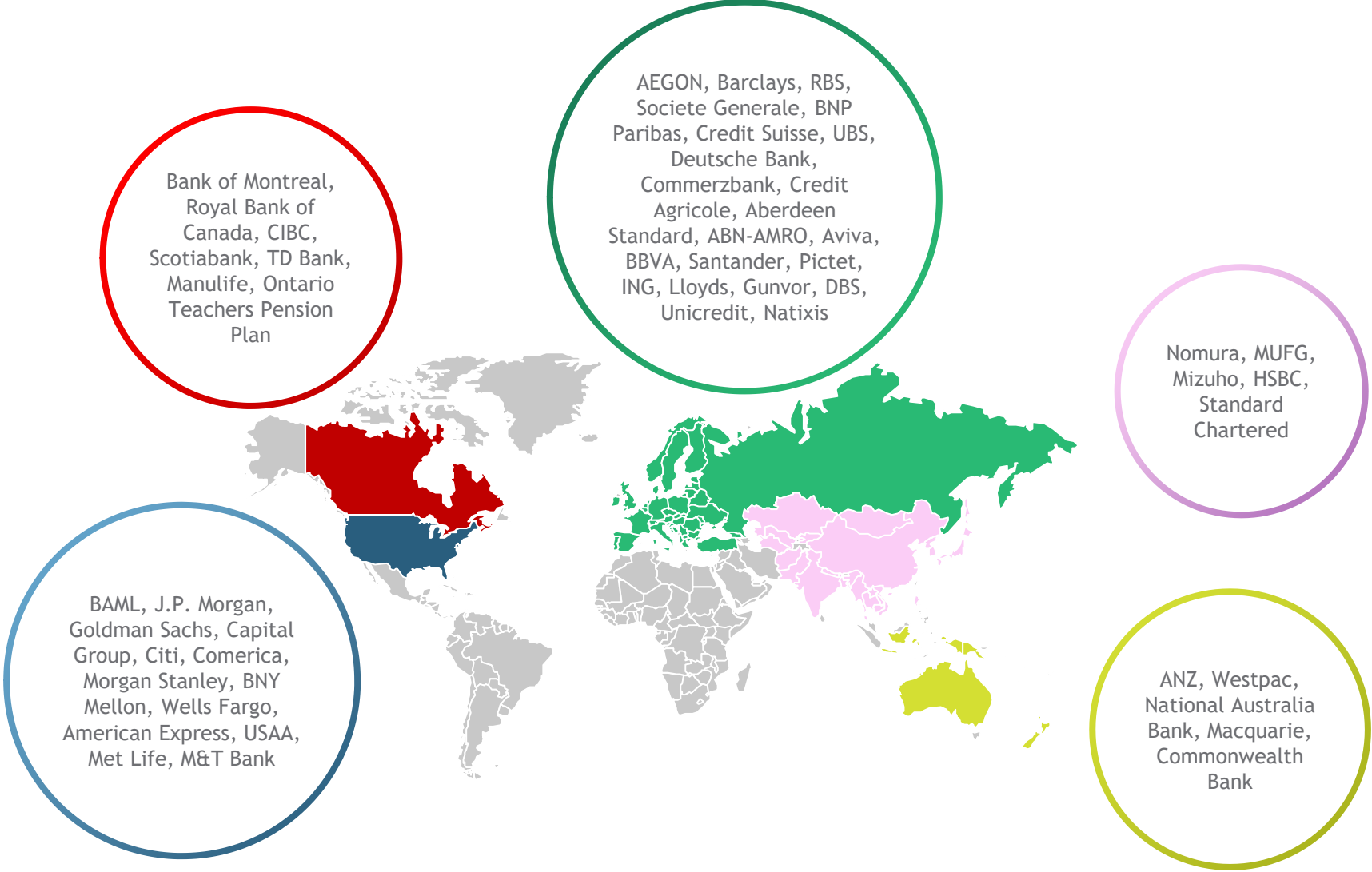
Our professional fees to conduct this work on the basis of the scope and timeline outlined in this document (excluding benchmarking) will be CAD \$1.1M (Includes all expenses and excludes applicable taxes)

The benchmarking exercise would be an additional CAD \$0.25M (Includes all expenses and excludes applicable taxes). This portion of the project will be conducted by BCG Expand (further details in Appendix)



Appendix- BCG Expand

Expand works with some of the most globally respected financial institutions



Expand are market leaders in providing benchmarking and research solutions to all areas of a financial institution



Business Strategies

Trading Strategies, Client Intelligence, Business Productivity



Technology Strategies

IT Total Cost of Ownership, Human Capital Strategies, IT Effectiveness



Operational Strategies

Operational Costs and FTEs, Operational Metrics and Efficiency, Client Impact



Corporate Functions

Management & Strategy for transversal functions incl. Risk, Finance, Compliance



Market Data

Market Data cost and consumption analysis



FinTech

Online portal with FinTech profiling, Tailored research calendars



Forums & Working Groups

Regular face to face peer reviews, Platform for cross industry initiatives



Bespoke Research

Strategy & investment validation, competitive landscaping

Over the past 18 years expand has developed and launched over 50 current benchmarks

Expand currently works annually with over 60 of the world's top Financial Institutions across its product suite

Unique approach to data normalisation



- Expand leverages years of experience to ensure unparalleled accuracy while maintaining a low burden on participant firms.
- Benchmark data is collected via MIS extracts, is standardized by Expand analysts and verified by the client. This ensures minimal work for participants while allowing for the strongest like for like comparisons.

Detailed gap analysis



- Expand's benchmarks focus on identifying cost and performance deviations of the firm from the benchmark and best-in-class, as well as the impact of human capital strategies across the different functional areas
- All data is scaled to key business performance metrics allowing for truly actionable insights

Unparalleled Market Insight



- Expand facilitates numerous industry roundtables and forums to supplement the benchmark data with market leading insight
- Firms using Expand's benchmarks gain first hand insight from peers by being part of the community

Price point



- Cost of all the benchmarks are syndicated across the industry allowing for competitive fees
- Commercial offering ensures both skin in game for participating firms and neutrality of Expand as a stand alone entity.

Granularity & Trending Data



- By downloading data directly from a firm's MIS, Expand is able to benchmark at an increasingly granular level
- Unparalleled granularity and trending of data can be used to provide historical analysis if required

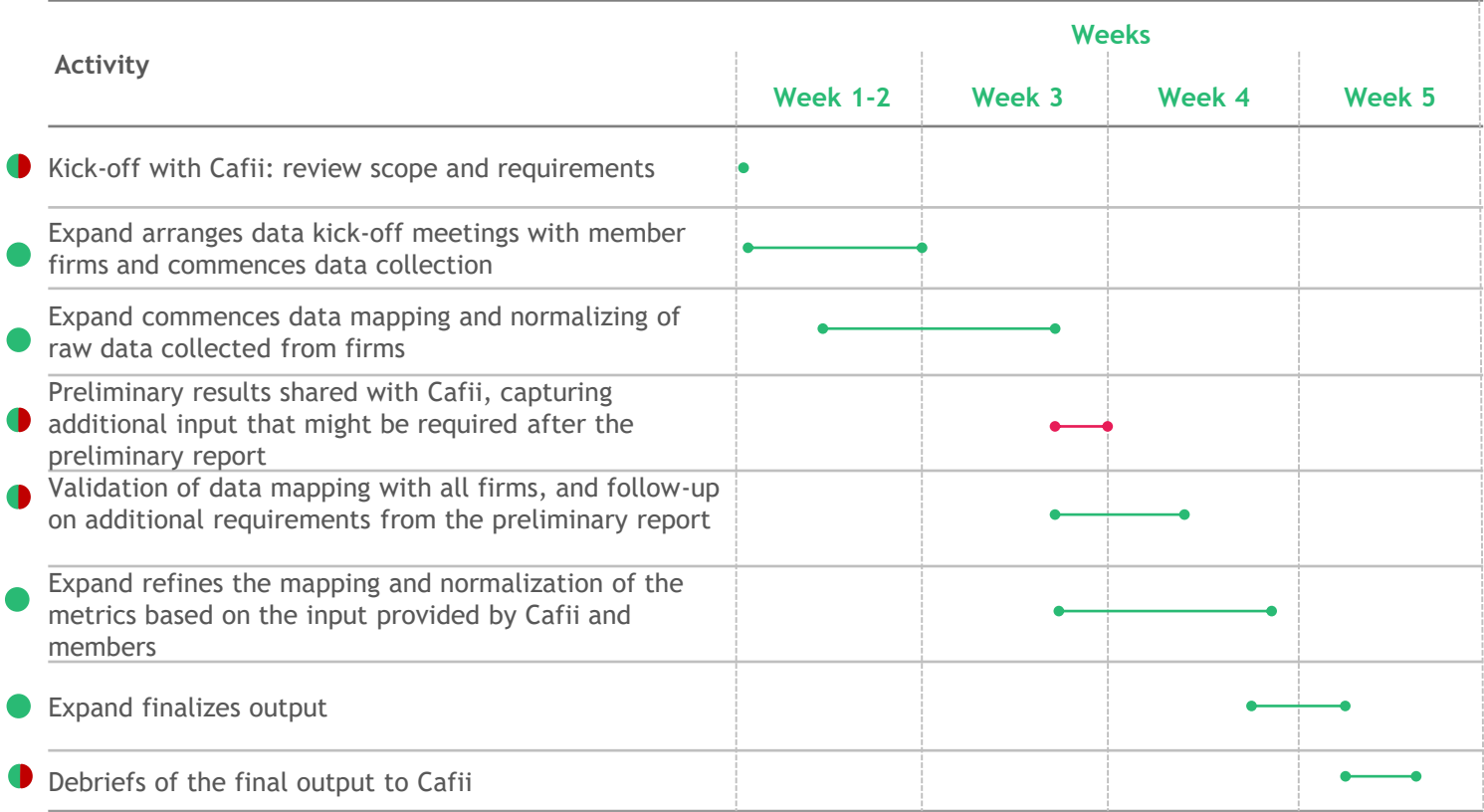
Accessible and timely data



- Using Expand's proprietary database, dedicated analysts are able to turn around bespoke reports ensuring the closest possible comparability
- Ad-hoc work, within reason, is available through Expands dedicated analysts to ensure a full benchmark service

Expand is widely acknowledged as the industry leader for benchmarking

Proposed benchmark timeline



Key

Expand Action

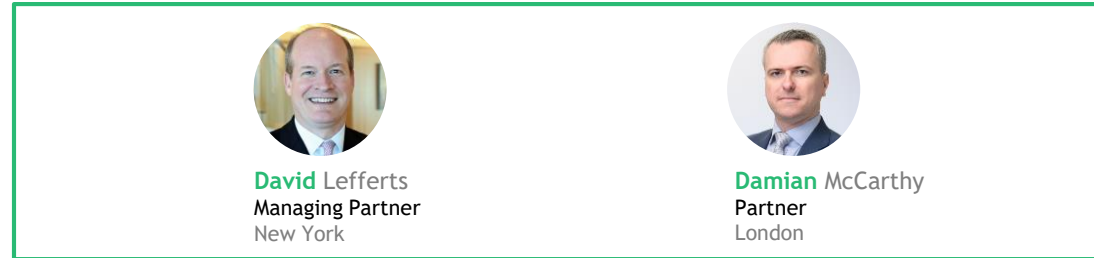
Joint Action

The Expand Team



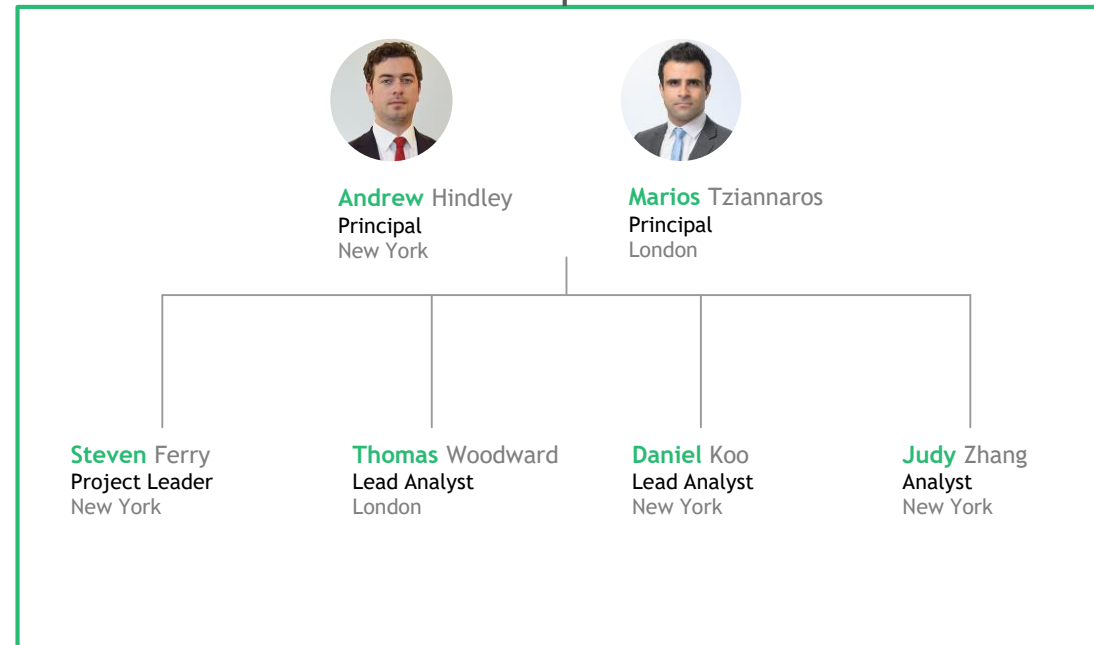
Leadership team

- Review/approve recommendations
- Set expectations for team output
- Provide overall guidance for team



Working team

- Expert perspective on benchmarking
- Manage day-to-day work of team
- Focus on meeting deliverables
- Lead benchmarking activities





bcg.com



The Canadian Association of Financial Institutions in Insurance

Request for Proposal – Deloitte Response

March 28th, 2019

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Project Approach, Deliverables, and Timeline	15
Team and Pricing	27
The Deloitte Difference	32
Qualifications	40



Summary of RFP Requirements

Initiative	Description	RFP Reference	Proposal Reference	Met
Comparative International Research	Compare Canada to Australia, U.K., U.S., and Ireland, along the following dimensions: what was it about CCBPI that was of concern to regulators and consumer groups in those jurisdictions?; are those concerns the same here in Canada?; and what is different here in Canada?	Page 11	Slide 19	✓
Benchmarking	Aggregate CAFII Member-supplied data into anonymized metrics across a series of dimensions (loss ratios, claims payout percentages, complaints data, cancellation levels, premiums collected, etc.)	Page 11	Slide 20	✓
Fact Pack	Develop simple and easy-to-understand explanations of how CAFII Members' CCBPI products work	Page 11	Slide 19	✓
Value Propositions	Develop a detailed explanation of the value proposition of the CCBPI product to Canadian consumers; and of its shortcomings	Page 11	Slide 19	✓
Strategy Options, Industry and Proprietary	Develop a list of what industry-level and individual company proprietary-level enhancements and adjustments could be made to possibly enhance the value proposition of the CCBPI product	Page 11	Slide 21	✓
Strategy Recommendations	Develop specific, actionable recommendations on industry-level and individual company proprietary-level changes that could be implemented	Page 11	Slide 23	✓
Business Modeling	Identify different models of changes that could be made at an individual company proprietary-level to enhance the CCBPI product. Then model how those changes could be implemented in an institution	Page 11	Slide 23	✓
Project Management	Business consultancy firm develops overall project management plan	Page 12	Slides 25 - 29	✓
Proprietary Presentations	As part of this RFP, CAFII is requesting that the business consultancy firm join the law firm for 12 one-hour, internal presentations within our Member institutions, to present the findings of this research effort and the strategy recommendations	Page 12	Slide 23	✓
Research Effort and Price Ranges	As part of the proposal to CAFII, please indicate your expectations around remuneration (portion paid up front and remainder paid upon completion etc.)	Page 12	Slides 24, 31	✓

Our Understanding

Our Understanding (1/2)

CAFII is seeking to conduct an international market research project for CCBPI, to enhance the understanding of leading practices across different jurisdictions, and propose enhancements to address the concerns of regulators and advocacy groups

Background

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 marketplace in the Canadian insurance industry

- CAFII represents a **group of member institutions consisting of financial institutions** involved in selling insurance in Canada through various distribution channels
- Members typically offer a **wide range of bank-distributed insurance products**, including travel, life and health, property and casualty, and creditor insurance
- Recently, financial institutions have been subject to **increased media presence and scrutiny** on Credit Card Balance Protection Insurance ("CCBPI") products, that has prompted the attention of regulators, including the Financial Consumer Agency of Canada ("FCAC")
- Despite FCAC finding some evidence of **misleading sales tactics**, none of Canada's financial institutions have been fined
- CAFII intends to play a **leadership role in articulating the benefits of the CCBPI product**, and are seeking an international comparator data (e.g. Canada, Australia, US, UK, and Ireland) to **identify and present factual information of the value CCBPI products provide to consumers**
- CAFII may also engage the services of a consultancy to assist in the **preparation of a benchmarking study** to confidentially and anonymously collect information about CCBPI products across individual CAFII members

Our Understanding (2/2)

CAFII is requesting support in preparing a number of deliverables related to the CCBPI industry, including a global research perspective, fact pack, value proposition, strategy options and recommendation, and business modelling

Engagement Deliverables

As part of the engagement, CAFII will be seeking a consulting firm to assist in the preparation of the following as they relate to the industry only*:



Comparative International Research: Develop a holistic repository of international product comparator research from Canada, Australia, U.S., U.K. and Ireland that highlights the value proposition of the product, shortcomings, lessons learned and stakeholder feedback (consumers, regulators, competition boards)



Fact Pack: Develop a user friendly fact-pack on CCBPI products for CAFII and other relevant stakeholders (regulators, policy makers) to describe the benefits of the CCBPI products



Value Proposition: Develop a detailed explanation of the value proposition of the CCBPI product to Canadian consumers



Strategy Options & Recommendations: Provide detailed and actionable strategic options and actionable recommendations at both the industry and individual-proprietary company level to be implemented to enhance the CCBPI product



Business Modelling: Development of a business model for individual company level consideration to stress test product changes and enhancement to product offerings for the CCBPI product



Benchmarking (Optional): Aggregation of CAFII member data into a database in order to dashboard metrics on various dimensions (e.g., loss ratios, claims payout, complaints data, cancellations, premiums collected)

Our Perspective

Our Perspective | CCBPI Overview

Credit Card Balance Protection Insurance (CCBPI) is considered the primary insurance revenue engine for CAFII's members and is undergoing increasing threat from third-parties



Creditor Insurance (CI) is **highly profitable, but is generally commoditized** across the Banks and faces a number of barriers which impede its potential growth in the market



- **CI is a "sold product" not a "bought product"**
 - ease of sales execution and customer understanding is important to success
- The product offering needs to be enabled with the right advisor guidance, customer advice and marketing tools



- **CI is the main profit engine for the banks**, who are therefore hesitant to adjusting product features that may deter volumes or impact loss ratios
- Banks are looking to balance the changes that they make to their credit portfolio while actively looking to other product alternatives as a means to drive growth



- **There has been increased regulatory scrutiny** on creditor pricing and sales practices, as profitability of this product category is perceived to conflict with consumer protection and advocacy
- Lack of transparency of product coverages and exclusions results in high denial rates and escalations to ombudsman



- **CI is a largely commoditized product** that is undifferentiated from other Bank creditor products and competes with traditional, simple life insurance products
- There is a need to innovate on how this product is manufactured, bundled and sold to better meet the needs of today's consumers



- **CI is highly dependent on product, channel and technology** roadmaps of Retail lending and cards groups
- Enterprise initiatives such as 'digital card activation' can impact stability and composition of a creditor portfolio, requiring close alignment between Bank and Insurance partners



Through this exercise, CAFII has an **opportunity to encourage the fair treatment of CCBPI customers** in Canada while **supporting its members** with strategic options and enhancements for implementation

Our Perspective | Domestic and International Overview

Across major insurance markets, CCBPI has faced considerably public and regulatory scrutiny in recent years, influenced by evolving market dynamics and regulatory action



GLOBAL INSIGHTS



United Kingdom

- Sale of CCBPI products was heavily incentivized by commissions
- Market size declined heavily in the mid-2010s due to new regulations that restrict product sales issued by the FCA



Australia

- Sold as a bundled or separate insurance product
- Banks and insurers are key players in the market, with some pulling out in recent years due to regulatory scrutiny and public pressures



NORTH AMERICAN INSIGHTS



United States

- Average credit life premium rates have declined steadily, while claim costs have remained fairly steady
- While credit-related insurance continues to remain an important part of consumer lending, less companies have been writing these policies
- A few select major insurance companies have dominated the industry in the U.S., rendering it highly consolidated
- Loss ratios have been tightened in several states, putting increased pressure on insurers



CANADIAN INSIGHTS



Canada

- Creditor products are considered extremely profitable and typically sold through emotional marketing messages
- Negative sentiment amongst customers exists around buying CCPB
- Offered by major financial institutions and insurers
- Permitted under the Bank Act, but currently subject to considerable scrutiny
- Some evidence of misleading sales tactics have been identified, but no financial institutions have been levied fines to date

Our Perspective | United Kingdom Insights



UK financial institutions hardly offer CCBPI products due to regulatory constraints and lack of consumer interest

Key Insights



Market Overview

- The **sale of CCBPI was incentivized by large commissions**; the financial institution would make more money on the insurance product than interest on the actual loan
- Sales agents often used malicious sales scripts to sway consumers into buying this insurance and were sometimes **accused of telling customers that this product was mandatory**



Market Size

- CCBPI was **widely sold in the United Kingdom before 2013/2014**
- The creditor insurance industry in the UK has **suffered from the payment protection insurance (PPI) mis-selling scandal**
- Gross written premiums expected to decrease at a CAGR of -6.62%, from ~£500M in 2013 to below ~£300M in 2018
- The scandal revealed dishonest sales strategies and elicited compensations claims worth billions of pounds, resulting in the **plummet of the creditor insurance market in 2009 – 2013, and again in 2014**



Key Players

- Though the **market is a shell of what it was pre-regulation**
- **Key players include:** Allianz, Aviva, Axa, Genworth Financial Inc., Legal & General Group, Lloyds Banking Group, Pinnacle Insurance, Royal & Sun Alliance Insurance



Regulatory

- Consumer groups and regulators uncovered that **CCBPI was often “mis-sold” and experienced systematic mismanagement** around the handling of claims
- The Financial Conduct Authority, UK’S financial regulatory body, **fined several financial institutions for their malpractice** with this insurance product (e.g., Clydesdale Bank, Capital One, HFC and Egg)
- New **regulations now restrict UK banks from selling CCBPI**, and include restrictions such as being unable to sell the insurance at the same time as the credit card

Our Perspective | Australian Insights



Australia is similar to Canada in that most of their financial institutions continue to widely offer CCBPI

Key Insights



Market Overview

- Can be bought as a **“bundle” insurance product or purchased separately**; most often sold with credit cards, as well as on loan and mortgages
- Products are typically structured as **life insurance or a hybrid of life and general insurance**, including accident, sickness and involuntary unemployment



Market Size

- Of the total risk-based product market of **~\$16.3B annual in-force premiums**, CCBPI market comprises approximately **\$400M (2.3%)**
- Of all consumer credit insurance benefits written under General Insurance licenses, **CCBPI comprised the smallest category**
- **CCBPI market has been decreasing in recent years**, largely due to increased regulatory scrutiny and increased awareness of international issues



Key Players

- Key players include the **banks** (i.e., CBA, Westpac, NAB, ANZ, Suncorp, etc.) **as well as insurers** (e.g., Allianz)
- In recent years, there has been a shift in market players with some **banks withdrawing completely and other large scale remediation programs taking place due to increased regulatory scrutiny and public pressures**



Regulatory

- There has been substantial **regulatory scrutiny surrounding CCBPI**, specifically with regard to the **customer value proposition and sales tactics being employed**
- In September 2016, the Australian Regulator (ASIC) issued Report 256 (REP256), setting out **10 recommendations to raise industry standards** and ensure consumers are confident and informed, reducing the risk that the CCBPI product is mis-sold
- In 2018, two investigations were conducted, and though the findings are preliminary, some **banks have begun implementing remediation processes** due to the issues identified, with a **number of financial institutions publically pulling out of the market** (e.g., CBA, Westpac and Latitude Financial)

Our Perspective | North American Insights



Companies are beginning to leave the credit insurance industry due to changing regulatory requirements combined with Consumer Financial Protection Bureau (CFPB) oversight

Key Insights



Market Overview

- Average credit life premium rates have leveled off in recent years after declining steadily since 1995 (dropping from \$0.54 / \$100 coverage / year to \$0.49 in 2016)
- The countrywide average claim cost for credit life insurance from 2012 – 2017 was **\$0.22/\$100 coverage/year; remaining fairly constant over the last 20 years**



Market Size

- Countrywide premiums for credit-related insurance decreased in 2017, with **credit life insurance NWP decreasing by 6.9% in 2017** and **credit disability NWP decreasing by 2.1%**
- At the end of 2017, there were **16.2 million credit life contracts in force**; average **face amount was \$6,600**
- As NWP has declined, the number of **companies writing credit-related insurance has been trending steadily downward**
- Credit-related insurance **continues to remain an important component of consumer lending**, with Federal Reserve Board studies consistently finding strong satisfaction amongst purchasers



Key Players

- Credit Insurance, including Life, Disability, and IUI, has historically been **dominated by a few major insurance companies; Assurant is the biggest player** in this space, with **26.7% market share in 2017** based on direct written premiums
- The **top 20 companies write about 95% of business**, with the **top 38 companies writing virtually all** of the credit-related insurance business



Regulatory

- **The Consumer Credit Insurance Association (CCIA) is the lobbying body for credit insurance products**, meeting quarterly to discuss relevant market trends
- Over the past few years, **loss ratios have been tightened** by various states, causing insurers to **find ways to increase premiums without increasing losses** (e.g., creating add-on benefits, such as terminal illness), to increase overall premiums

Our Perspective | Canadian Insights



Creditor insurance is highly profitable, with a favorable growth outlook; however, the risk of greater scrutiny and regulation has led banks to increase their focus on creditor products

Key Insights



Market Overview

- Creditor products are **extremely profitable** due to low loss ratios compared to other insurance products
- The evolution of mortgage distribution and the **reduction of in-person contact with mortgage buyers** is expected to negatively impact the ability to cross-sell CI
- Most financial institutions market this insurance using **emotional marketing messages** (e.g., family hardships and anecdotes about overcoming unexpected events)



Market Size

- The Canadian **balance protection market is estimated at \$1.1B**, with future growth expected to be fueled by rising household consumer debt
- There is **negative sentiment around buying CCBPI** due to low balance protection coverage, insurance overlap, high price, extensive exclusions, lack of transparency and unethical sales practices



Key Players

- **Most major Canadian financial institutions** (e.g., 'Big 6' Banks, Credit Unions, Insurance Carriers, etc.) **offer CCBPI** in addition to their credit card products
- As of 2016, the market share of outstanding Visa & MasterCard was **led by TD with 20.6%**, following by RBC, CIBC, Desjardins, and BMO



Regulatory

- Under the Bank Act (Section 416), **Banks are permitted to sell, offer advice on, and promote certain insurance products** within their branches, which are closely related to lending
- The Financial Consumer Agency of Canada (FCAC) conducted a **six-month review of sales practices inside the big banks** — an investigation prompted after more than 3,000 current and former employees from all the major banks wrote to CBC's Go Public about the pressure to push products to meet sales targets
- Despite FCAC finding some evidence of misleading sales tactics, **none of Canada's financial institutions have been fined**

Our Perspective | Strategic Considerations

Across mature insurance markets globally, the sustainability of CCBPI in its current state is threatened, leading to the strategic imperative to identify opportunities for enhancement

Strategic Considerations



Channels

- **New Channel Strategy:** Online purchases and prompts within online banking for those showing signs of need
- **Review Sales Practices:** Standardized sales training programs for advisors and brokers, stricter licensing and examination processes
- **Advice Tools:** Develop advice tools that actually identify when someone is not in need of this product and recommend more appropriate product lines
- **Digital:** CCBPI products will need to be digitized driven by the digitization of the underlying lending products



Products

- **Simplified Offerings:** Unbundle products and policy wording such that consumers understand coverages, eligibility, and exclusions upfront
- **Product Modularity:** Look to the use of modular versus bundled product offerings
- **Coverage Details:** Offer new coverages beyond life and morbidity that resonate with a new segment of the market
- **Pricing:** Adjust pricing to target loss ratios with other comparable products
- **Claims:** Reduce the number of claim denials, looking at automated and proactive claims processes taken on by other insurance lines, to change the stigma behind insurers; leverage banking and third-party data to proactively pay claims



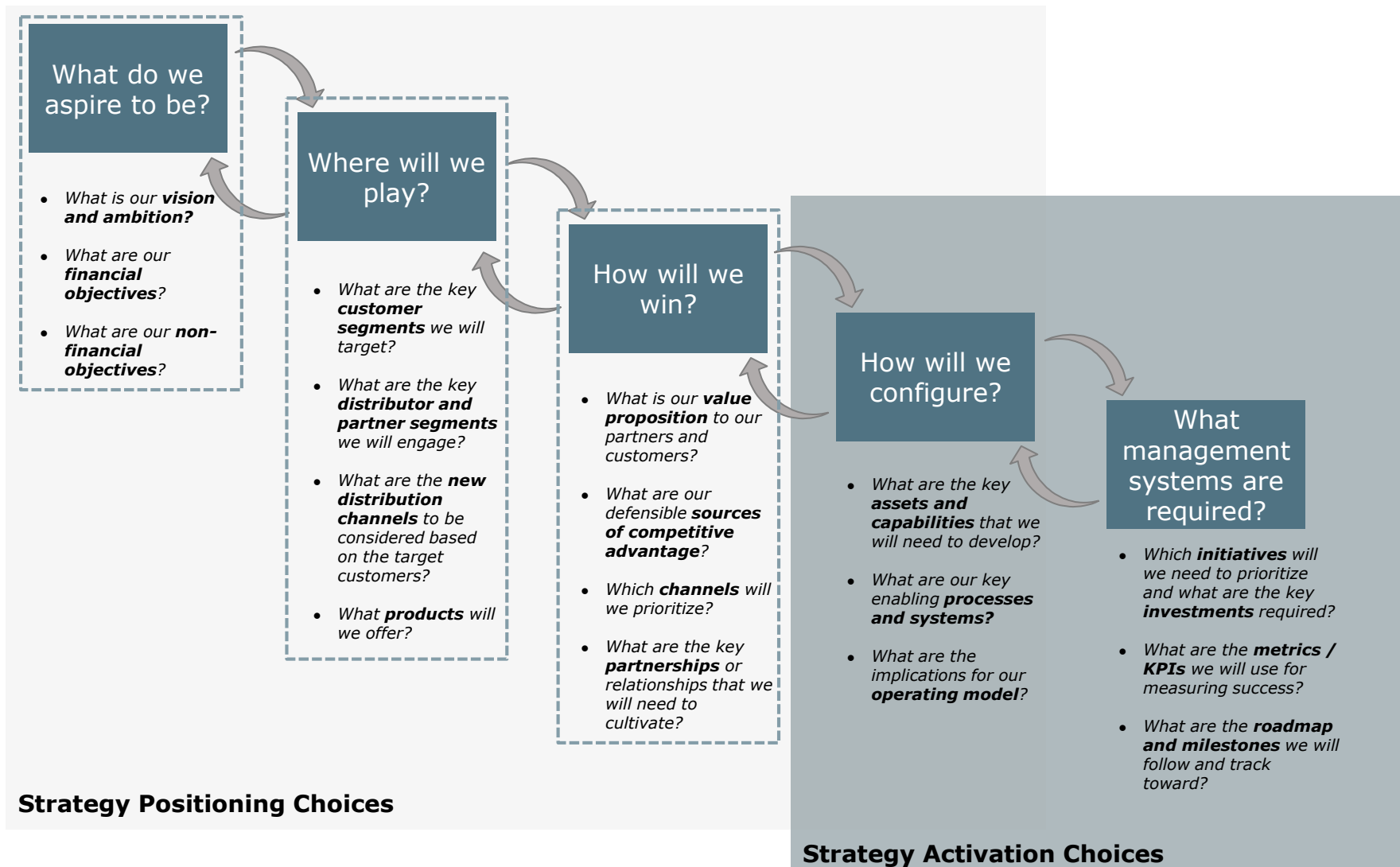
Segments

- **Expand Target Segment:** Meet the needs of today's mass consumer by adjusting product offering to target a wider segment of the market
- **Customer Education:** Provide enhanced understanding of the CCBPI product and education to prospective customers, including what is covered and fit for needs
- **Brand Awareness:** Increased marketing driving more awareness and consideration for CCBPI products in order to compete against similar life insurance products (e.g., Term)

Project Approach, Deliverables and Timeline

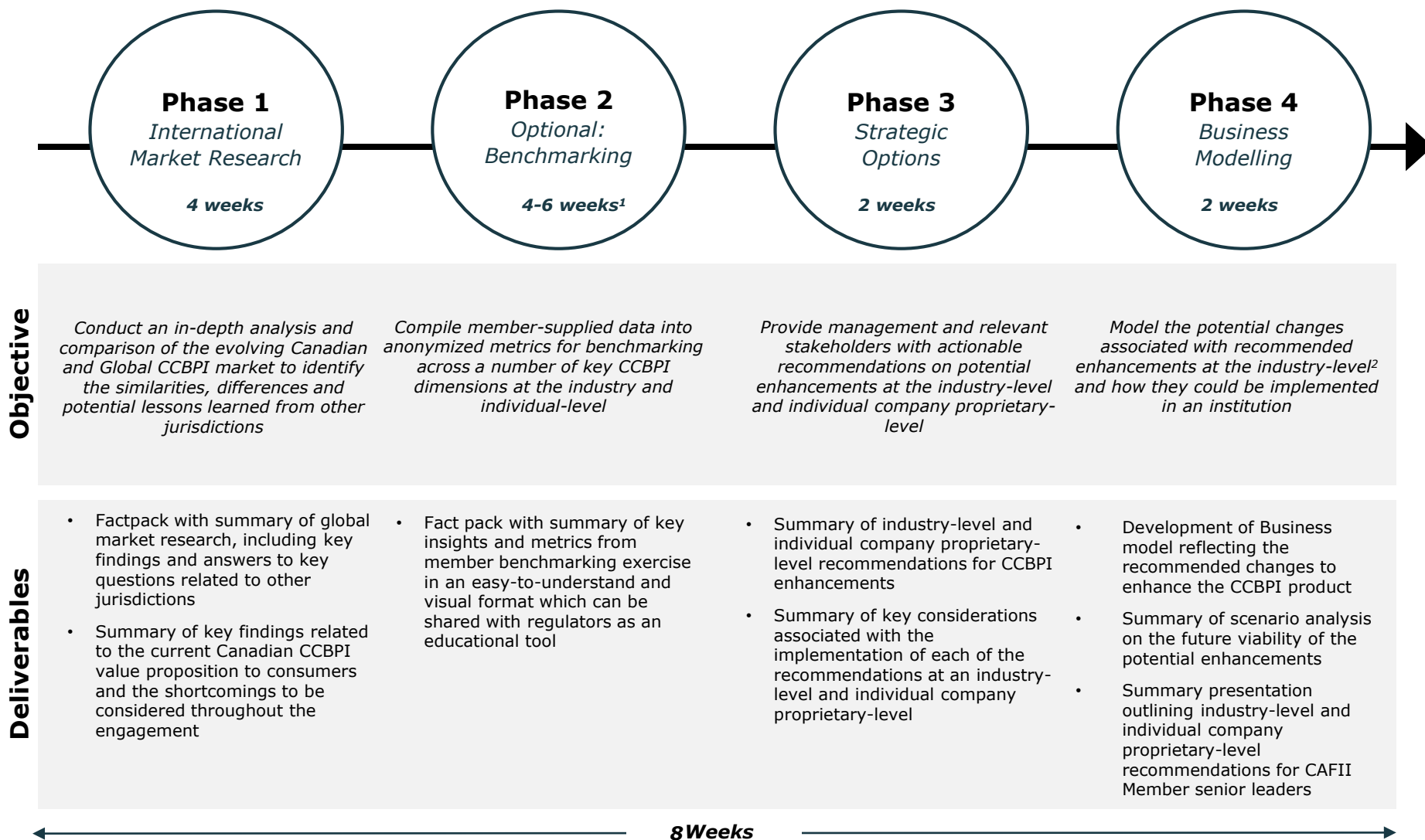
Our Approach | Strategy Choice Cascade

We will leverage Deloitte's Strategic Choice Cascade™ in identifying and recommending opportunities to CAFII for improving the CCBPI value proposition to consumers



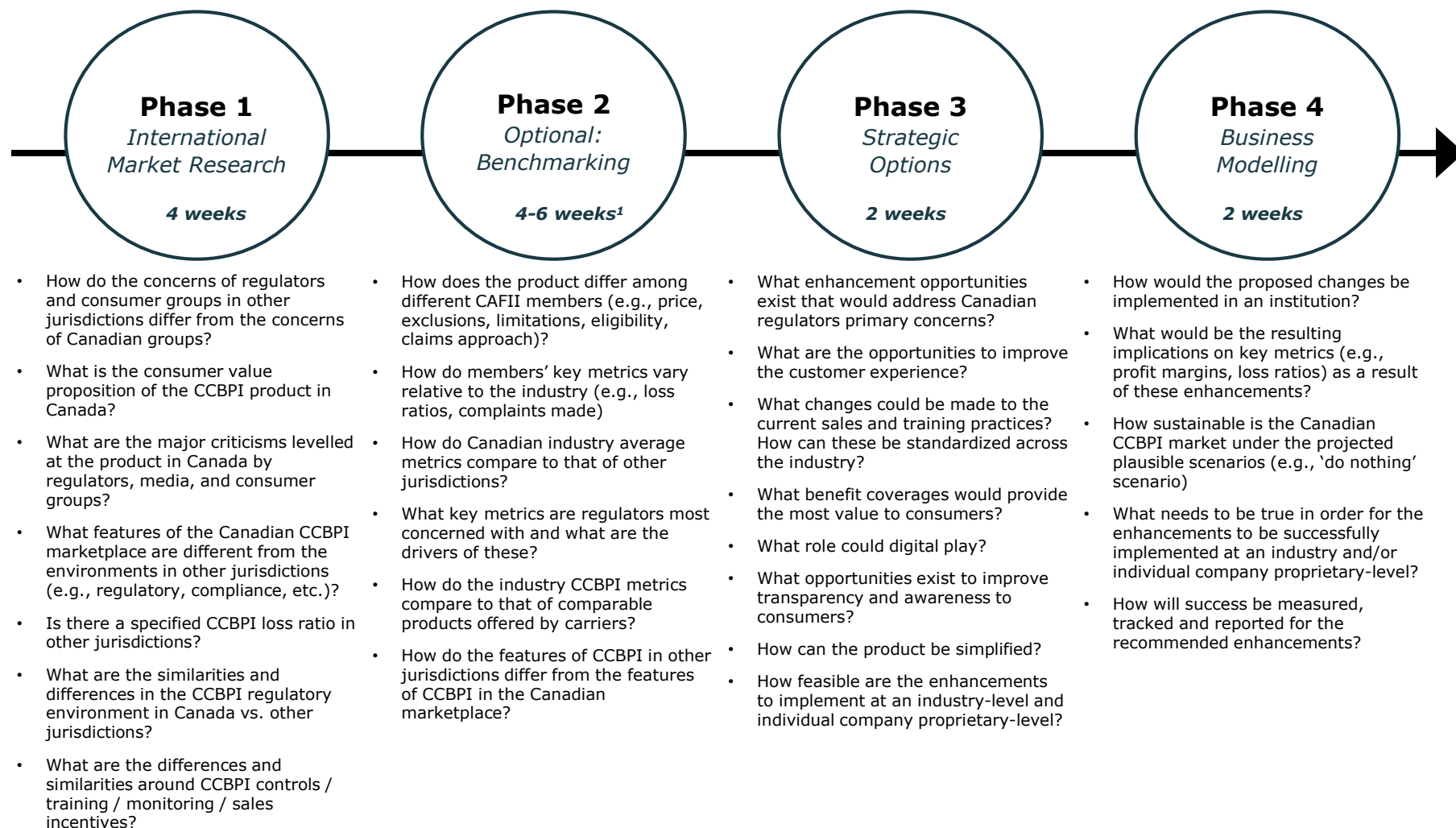
Our Approach | Overview

We will take a four-phased approach comprised of a combination of external research, stakeholder interviews and member benchmarking to inform recommendations



Key Questions To Be Answered

The following key questions will be addressed through the 8-week exercise



Our Approach | Phase 1: International Market Research

A deep-dive discovery exercise will be conducted and validated with stakeholders to better understand current product attributes, and inform the international market research study

Detailed Activities

- Provide data request to CAFII and members ("CAFII") (e.g., product offerings, market research conducted to date) to gather insight on the Canadian market for input into the international market comparison
- Conduct 2-hour kick-off meeting with key stakeholders from CAFII, Stikeman Elliott ("SE") to review and align on project approach, timelines and deliverables
- Conduct 1:1 interviews with subject matter experts including but not limited to CAFII, SE and Canadian regulatory bodies (e.g., CLHIA) to better understand threats, opportunities, and challenges to Canadian CCBPI to be explored and addressed throughout this exercise as well as Members perspective of their consumer CCBPI value proposition in the market today
- Work closely with SE to align on approach, activities and timelines for comparative research and development of the factpack
- Conduct interviews with Deloitte global subject matter experts ("SME") in other jurisdictions, specially US, Australia, UK and Ireland to gather insights on the creditor BPI marketplace (e.g., regulatory environment, key players, sales incentives, sales practices, product offerings, market trends, etc.)
- Conduct additional secondary research in order to gain a thorough understanding of the CCBPI environment in each of the jurisdictions as well as on the current state of the Canadian CCBPI market (e.g., regulatory concerns, consumer perspective)
- Conduct follow-up interviews as required with Canadian and Global subject matter experts and key stakeholders to supplement the assessment of how the Canadian CCBPI market and concerns compare to that of the other jurisdictions
- Develop a view on the current Canadian CCBPI product value proposition to consumers and summarize the primary concerns of third parties on the value proposition as it exists today
- Summarize key findings from market research and interviews, including similarities and differences between Canada and other markets into a fact pack in order to address key questions²
- Host working session with key stakeholders to review and discuss key findings from the market factpack and align on 'Goals and Aspirations' for CAFII and its members as it relates its strategic objectives for CCBPI

Deliverables¹

SCORECARD - EFFICIENCY BENCHMARKING
LEADS ON BILLING MANAGEMENT AND CASH APPLICATION - OPPORTUNITIES IN CREDIT AND A/R

Category	Baseline	Enhanced	Target
Accounts Receivable	120	130	140
Accounts Payable	110	120	130
Order Management	100	110	120
Customer Service	90	100	110
Financial Reporting	80	90	100
Compliance	70	80	90
Internal Controls	60	70	80
IT Systems	50	60	70
Human Resources	40	50	60
Marketing	30	40	50
Operations	20	30	40
Legal	10	20	30

- Factpack with summary of global market research, including key findings and answers to key questions related to other jurisdictions
- Summary of key findings related to the current Canadian CCBPI value proposition to consumers and the shortcomings to be considered throughout the engagement



Our Approach | Phase 2: Benchmarking

The optional Phase 2 will run in parallel with Phase 1, in order to identify and survey CAFII members, gathering benchmarking data for both industry and individual member data

Detailed Activities

- Conduct working session with CAFII to align on the dimensions to be included in the benchmarking study and to align on the approach for anonymously and confidentially collecting the data from the CAFII members
- Design a survey tool for collecting the information from the identified CAFII members such that the following metrics can be benchmarked on an industry and individual member level for comparative analysis and associated recommendations (*see metrics listed below*)
- Meet with Stikeman Elliott and CAFII to ensure the survey approach and tool is fully compliant with competition laws, and in a manner that maintains privilege
- Deploy survey to participating CAFII members, gather and consolidate CCBPI anonymous data provided by CAFII members
- Work with CAFII members to address any questions or discrepancies related to the data provided, cleanse data as required
- Conduct benchmarking analysis for all products and split by life, critical illness, disability and job loss for the following dimensions:
 - Total in-force policies
 - Total premium
 - Total claims made
 - Total claims paid
 - Percentage claims paid
 - Loss ratio
 - Applications approved/ denied
 - Total employees
 - Complaints made
 - Cancellation timing of the Product
 - Complaints escalated
- Leveraging extensive experience working with other comparable life, disability and CI product lines, compare CCBPI metrics relative to other industry benchmarks for additional insight into competing life insurance offerings
- Summarize key findings of the benchmarking analysis into an easy to understand and visual fact pack
- Conduct working session with key stakeholders to review and discuss key insights and findings from the benchmarking exercise

Deliverables¹

Measurement	Product/Market	Comparison Method	Explanatory/Remarks
Industry Data	Life Insurance	Industry Data	Industry Data
Company Data	Life Insurance	Company Data	Company Data
Compliance	Life Insurance	Compliance	Compliance
Financial Performance	Life Insurance	Financial Performance	Financial Performance
Health	Life Insurance	Health	Health
Analysis	Life Insurance	Analysis	Analysis

- Fact pack with summary of key findings from benchmarking exercise, including an overview of how CAFII Members' CCBPI products work in an easy-to-understand and visual format



Our Approach | Phase 3: Strategic Options

In Phase 3, the initial list of options will be vetted by Counsel and presented to stakeholders for validation and refinement to inform strategic option considerations

Detailed Activities

- Conduct working session with key stakeholders to align on guiding principles and criteria (e.g., concerns to be addressed, maximum level of investment) that will inform and aid in the identification of strategic enhancement opportunities
- Based on research findings, stakeholder interviews and output from the benchmarking exercise, identify an initial list of strategic “where to play” and “how to win” opportunities to enhance the Canadian CCBPI product and value proposition on an industry-level and individual company proprietary-level for consideration
- Identify the key considerations and initiatives required for the industry and an individual institution to implement the enhancement in order to test the feasibility and viability of the proposed enhancement
- Conduct follow-up interviews with select stakeholders to test, refine and validate the proposed opportunities to ensure they adequately address the primary concerns of regulators
- Work closely with Stikeman Elliott to review the initial list of options to ensure they are realistic and consistent with the federal Bank Act and fully comply with obligations under the Competition Act
- Conduct working session with key stakeholders to review and discuss the initial list of strategic options (i.e., enhancements and adjustments) at an industry and individual proprietary level, clearly outlining key considerations and rationale for the recommended options and align on a refined set of prioritized options for input into business modeling
- Summarize specific and actionable industry-level and individual company proprietary-level “where to play” and “how to win” recommendations for CCBPI enhancements including key considerations for implementation (i.e., prioritization and sequencing of recommendations)

Deliverables¹

- Summary of industry-level and individual company proprietary-level recommendations for CCBPI enhancements
- Summary of key considerations associated with the implementation of each of the recommendations at an industry-level and individual company proprietary-level

Our Approach | Ethnographic Interviews

In-depth ethnographic interviews with consumers and regulators will be conducted to test the strategic options and future value proposition opportunities

Detailed Activities

An ethnographic approach to primary research leverages observation, perception, and interpretation to discover what is really going on in customers' mind and how they make decisions

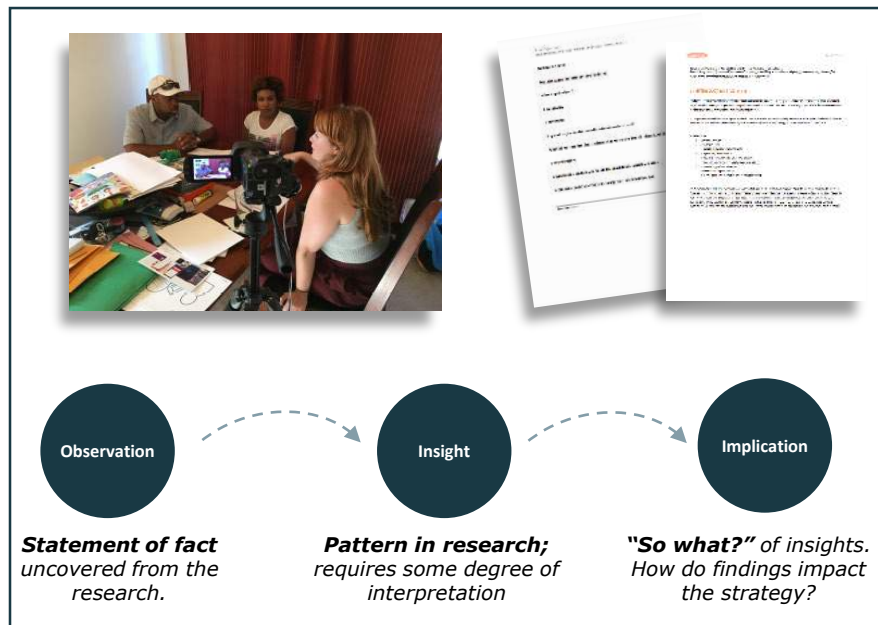
In-depth interviews are **immersive interviews** conducted in-home / at-work, and in-context that **reveal new insights** into what people actually do, how they think, and the choices they make. These interviews are designed to provide new ways of thinking about solutions and can serve as a tool for validating potential enhancement opportunities.

To support CAFII's strategic research project with deep insights from customers' perspectives, we propose including **4-5 ethnographic interviews with consumers** and **4-5 ethnographic interviews with regulators to test the proposed enhancements and how these may enable improved value propositions in the market**. These interviews will shed a light into actual needs of customers to de-risk the strategy selected by individual members by focusing on value propositions that are desirable in the market



Key Questions

- What do consumers believe the benefit is to creditor insurance?
- What perception do consumers have of these products and do they feel they are meeting their needs?
- Will the proposed enhancements address regulators concerns and the increasing public pressure received by third-parties?
- What unmet insurance needs exist and how can the CCBPI coverages and product features be better positioned in the market to meet it?



Target Outcomes

- Identification of unmet pain points and needs of consumers
- Deeper understanding of consumer's insurance motivations and desires
- Initial validation of CCBPI enhancement opportunities
- Input into strategic options assessment and value proposition development

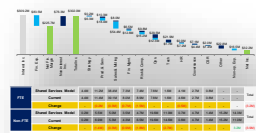
Our Approach | Phase 4: Business Modelling

Leveraging feedback from stakeholders and research outputs, we will create an initial business model and scenarios, with refinements to industry and individual product changes

Detailed Activities

- Identify assumptions (e.g., product features, loss ratios) impacted by the recommended enhancements to be utilized and tested for business modelling purposes at the individual company proprietary-level and industry level
- Develop 'base case' scenario for the industry should no changes be made to existing CCBPI product
- Develop 1-2 plausible future scenarios based on findings from other jurisdictions and research findings from third-parties and key stakeholders to test the future viability and sustainability of the CCBPI product in Canada
- Leveraging output from the benchmarking exercise and CAFII member product information (e.g., industry loss ratios) develop a "generic" high-level business model including the base case and 2-3 plausible future scenarios for illustrating how the various CCBPI changes (e.g., increase loss ratio) at an industry level could be implemented in an institution and the resulting business and financial implications; model to be developed in a way that individual firms could test the model and corresponding changes against their own financials¹
- Model and test the future viability of the recommended enhancements under the base scenario and 2-3 future scenarios
- Review high-level business model, underlying assumptions and illustrated changes as a result of enhancements with Stikeman Elliott to ensure compliant with the competition act
- Summarize business modelling documentation, assumptions, scenario analysis and modelling output for review with CAFII and CAFII Members
- Develop an executive-level presentation summarizing industry-level and individual company proprietary-level CCBPI enhancement recommendations, along with supporting business model insights, for proprietary presentations with members
- Alongside Stikeman Elliott, conduct 12 one-hour internal presentations with senior leaders of the CAFII Member institutions to make a case for why the strategic engagements should be implemented²

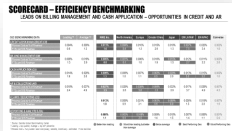


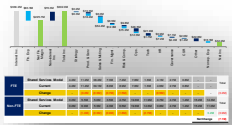
Deliverables³



- High-level business models reflecting the recommended changes to enhance the CCBPI at an industry and individual company proprietary level which illustrate how the changes could be implemented at an institution
- Summary of scenario analysis on the future viability and sustainability of the recommended industry and individual company CCBPI enhancements
- Executive-level summary presentation outlining industry-level and individual company proprietary-level recommendations for CAFII Member senior leaders

Deliverables

The following slide depicts the deliverables that will be provided to CAFII as part of this exercise, dependent on the option selected (i.e., Baseline vs. Enhanced)

Deliverable	Description	Enhanced	Format	Timing
International Market Research 	<p>Factpack with summary of global market research, including key findings and answers to key questions related to other jurisdictions (45 – 60 slides)</p> <p>Summary of key findings related to the current Canadian CCBPI value proposition to consumers and the shortcomings to be considered throughout the engagement</p>	60 - 100 slides	Powerpoint Presentation	Phase 1
Optional: Benchmarking 	<p>Fact pack with summary of key insights and metrics from member benchmarking exercise in an easy-to-understand and visual format which can be shared with regulators as an educational tool</p>	N/A	Powerpoint Presentation	Phase 2
Strategic Options 	<p>Summary of industry-level and individual company proprietary-level recommendations for CCBPI enhancements</p> <p>Summary of key considerations associated with the implementation of each of the recommendations at an industry-level and individual company proprietary-level</p>	Includes validation with 8-10 ethnographic interviews	Powerpoint Presentation	Phase 3
Business Modelling 	<p>Business model reflecting the recommended changes to enhance the CCBPI product (8-10 enhancements)</p> <p>Summary of scenario analysis on the future viability of the potential enhancements (base scenario only)</p> <p>Summary presentation outlining industry-level and individual company proprietary-level recommendations for CAFII Members senior leaders</p>	<p>10 – 15 enhancements</p> <p>Addition of 1-2 future plausible scenarios for analysis</p>	Excel Model; Powerpoint Presentation	Phase 4

Independence Assumptions

We are required to provide independence assumptions to reflect the fact that certain CAFII members may be audit clients of Deloitte and therefore some services may be restricted

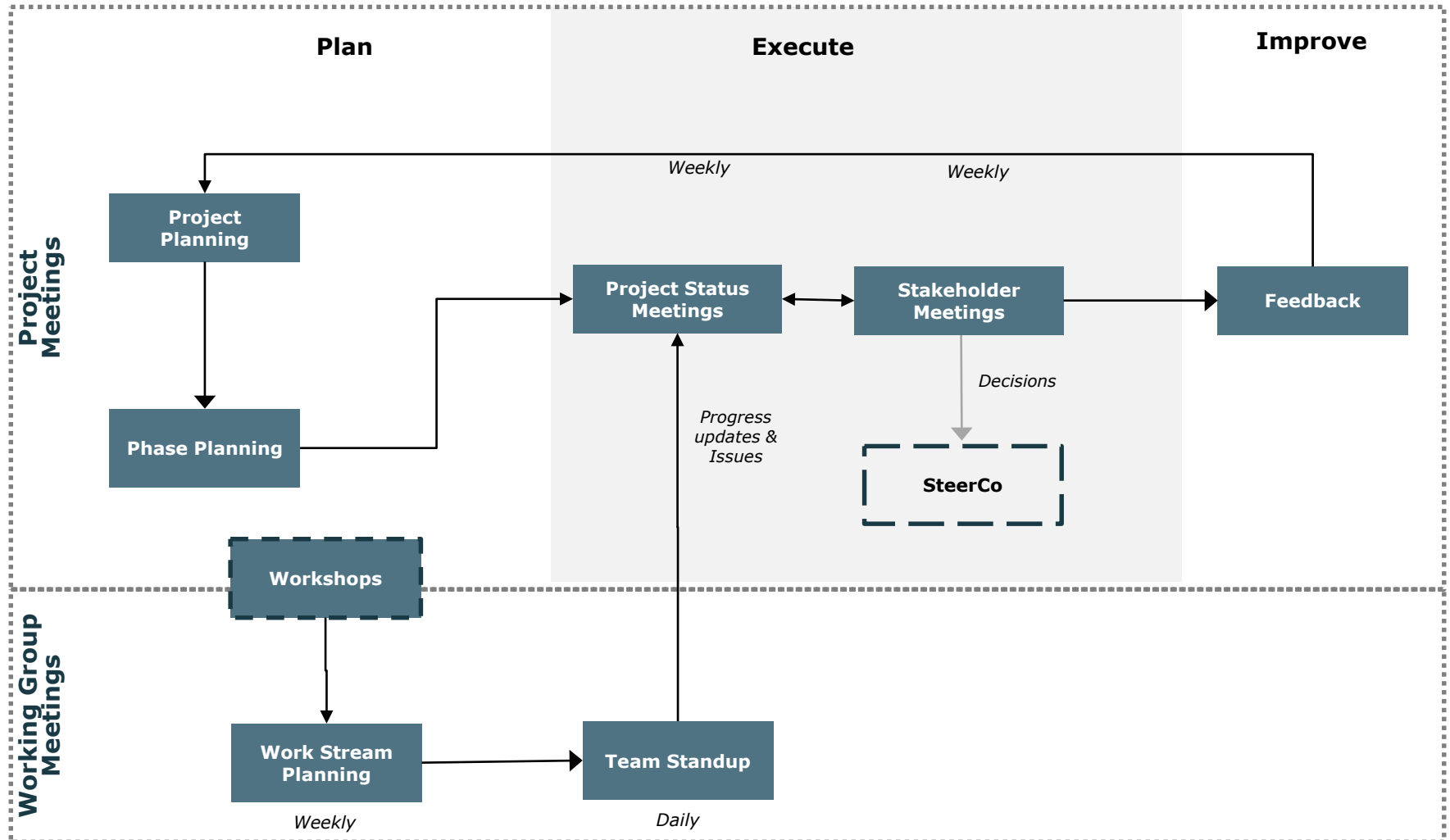
1. CAFII shall be solely responsible for, among other things: (a) making all management decisions and performing all management functions; (b) designating one or more individuals who possess suitable skill, knowledge, and/or experience, preferably within senior management to oversee the services; (c) evaluating the adequacy and results of the Services; (d) accepting responsibility for the results of the Services; and (e) establishing and maintaining internal controls, including, without limitation, monitoring ongoing activities.
2. Irrespective of the roles assigned to each activity or deliverable, CAFII is accountable for the outcomes and decisions based on each activity as well as the final content of deliverables and recommendations or decisions they contain, including the ultimate selection of any strategy;
3. Deloitte may participate in workshops, perform research, conduct internal interviews, perform analysis tasks, document observations and recommendations, and advise on activities and deliverables at the direction of CAFII management, however all recommendations and management decisions based on this engagement are the responsibility of CAFII. Accordingly, the deliverables, reports, or other materials issued or prepared by Deloitte pursuant to this engagement reflect our understanding of the decisions and judgments made by management of CAFII during the course of the engagement and will be made available to CAFII management in draft form for their review and approval;
4. Deloitte can act as a project manager over Deloitte personnel; however, Deloitte cannot coordinate or oversee the work of CAFII resources. Deloitte can maintain a draft status scorecard of progress made towards achieving management's action steps and reporting on such to management. Management retains overall responsibility for the plan, management of company employees and reporting to other company executives and/or the board of directors.
5. Deloitte will not make any decisions or assessments on any third parties in completion of the engagement. Deloitte can advise in evaluating the advantages and disadvantages of alternative models, systems or processes based on CAFII provided criteria.
6. CAFII management will be solely responsible for providing accurate and complete information requested by Deloitte. Deloitte has no responsibility for the accuracy or completeness of the information provided by or on behalf of CAFII.
7. Deloitte will act as a technical advisor and facilitate Company led working sessions, based on its industry experience, best practices and Deloitte's understanding through discussions of management's established criteria.

Our Approach | Proposed Timeline and Key Activities



Our Project Management Approach

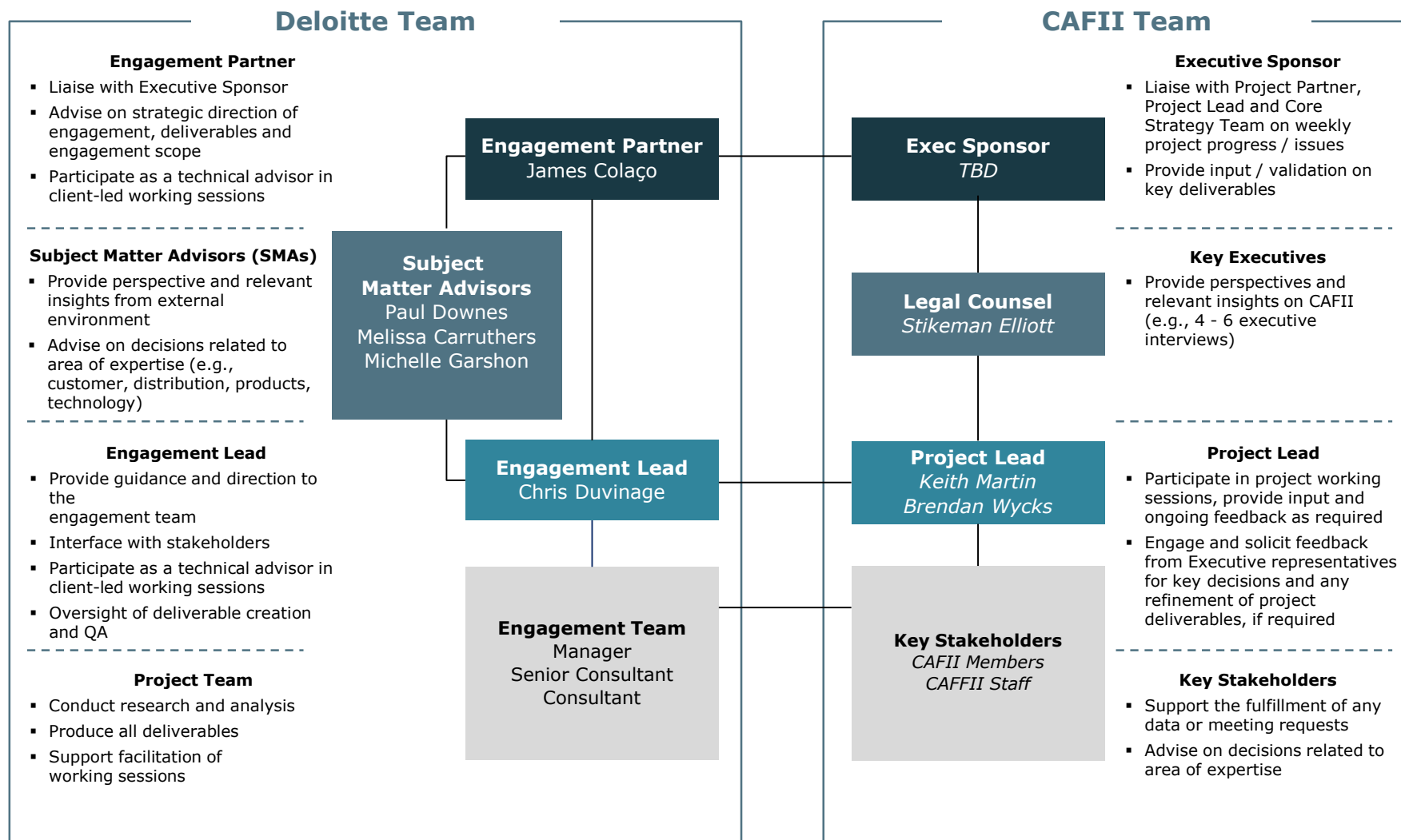
Regular checkpoints will be conducted throughout the project to ensure swift decision making and smooth delivery



Team and Pricing

Proposed Team Structure

The Deloitte team will work closely and in collaboration with the CAFII team to capture inputs and drive results



Our Leadership Team

Deloitte's leading insurance experts will be brought together to develop effective recommendations for CAFII



James Colaço
National Insurance
Sector Leader,
Monitor Deloitte

Role: Engagement
Partner

James Colaço is the Canadian National leader for Deloitte's Insurance practice and a Partner in the Monitor Deloitte practice. Based in Toronto, James has over 16 years' global experience. His areas of focus are corporate and business unit strategy, business case development, and business transformation, primarily in the Insurance sector. James is an industry expert in the insurance space, having led numerous strategic, operational, and transformational engagements with Canadian and global insurers. On one such case, James spent 18 months with a global insurer leading the business transformation of their pricing program. James received a B.A.Sc. in Engineering Science and a Master of Business Administration (MBA) from the University of Toronto.



Chris Duvinage
Senior Manager,
Insurance Strategy
Monitor Deloitte

Role: Engagement Lead

Chris Duvinage is a Senior Manager in the Canadian Monitor Deloitte practice. Based in Toronto, Chris has extensive experience in helping clients develop successful sales, distribution, growth and go-to-market strategies. His recent scope of projects includes large scale sales and business transformations as well as numerous go-forward direct and indirect distribution strategies, for several top 10 P&C insurers in Canada. Chris was also involved in reshaping the product, distribution and channel strategies for one of Canada's largest Crown Corporations and providers of Specialty insurance. Prior to joining Deloitte, Chris spent several years in IT and business consulting in North America, before founding and successfully exiting two eCommerce companies in Europe. Chris holds a Bachelor of Arts Honours with distinction in Economics from Queen's University and an MBA from the University of Toronto - Rotman School of Management.

Our Subject Matter Advisors

Deloitte's leading insurance advisors will be brought together to develop effective recommendations for CAFII



Paul Downes
National Leader,
Actuarial, Rewards &
Analytics

Role: Actuarial Subject
Matter Advisor

Paul Downes is a Partner and leader of Deloitte's Actuarial, Rewards and Analytics practice in Canada. I lead a team of 40 Life, P&C and Pensions actuaries across Canada. During my 25+ years in insurance I have been Chief Actuary for a UK-based life co and an actuarial consultant for nearly 15 years. Paul has actuarial experience covering IFRS 17, actuarial valuations, risk & capital management, actuarial transformation, predictive analytics and M&A. Paul is the global lead actuarial audit partner for one of Canada's largest life insurers and actuarial audit partner and Peer Reviewer for a number of other insurers in Canada.



Melissa Carruthers
Senior Manager,
Insurance Strategy
Monitor Deloitte

Role: L&H Insurance
Subject Matter Advisor

Melissa Carruthers is a Senior Manager in the Canadian Monitor Deloitte practice. She joined Deloitte with over six years of actuarial experience working in both the direct and reinsurance industry. Since joining Deloitte, her focus has been on life and health insurance strategy, with a focus on business unit, customer, distribution, and product strategy. Melissa currently serves as treasurer of the Society of Actuary's Entrepreneur and Innovation section council and is a frequent speaker at industry functions, presenting on topics such as the future of life and health insurance and the applications of emerging technologies in insurance operations. She is a Fellow of the Society of Actuaries and a Fellow of the Canadian Institute of Actuaries.



Michelle Garshon
Senior Manager,
Actuarial, Rewards, &
Analytics

Role: Benchmarking
Subject Matter Advisor

Michelle Garshon is a Senior Manager in the Canadian Actuarial Rewards and Analytics practice. Based in Toronto, Michelle specializes in Insurance Audit. Michelle joined Deloitte in early 2017 and she is a Fellow of the Society of Actuaries and the Canadian Institute of Actuaries with over 25 years' experience in the Insurance and Banking Industry. Prior to joining Deloitte, Michelle spent over 16 years working in Insurance branches of major Canadian financial institutions, occupying senior leadership roles for Insurance and Pension risk, where she had significant focus on the banks core insurance creditor products. Her roles also included pricing and product development along with product management of creditor insurance with major focus on accidental death insurance, credit card balance insurance for life, job loss and disability as well as travel medical insurance.

Project Fees

Our fees based on the proposed approach and scope outlined within this document are provided below

Deloitte's Fees

Phases 1, 3 & 4: Baseline

\$350,000

Includes all deliverables included under the 'Baseline' Option on Slide 24

Phases 1, 3 & 4: Enhanced

\$450,000

Includes all deliverables included under the 'Enhanced' Option on Slide 24

Phase 2: Benchmarking

Standalone: \$250,000
Discounted with Phases 1 3, & 4:
\$200,000

Includes all deliverables included within Phase 2: Optional Benchmarking

- Fee estimates are CAD, based on fixed fee, and are exclusive of expenses and any applicable taxes
- Half of fees (and applicable expenses) will be invoiced mid-way through the engagement (i.e., end of Week 4) with the remainder invoiced at the end of the engagement (i.e., end of Week 8)
- Expenses are anticipated to be limited (<10%), and will be billed at cost upon completion of the engagement

Other Assumptions

- **Data / Materials:** access to all relevant data and materials, including all prior work regarding strategic planning, will be made available at the project outset to enable rapid mobilization.
- **Scheduling:** all executive workshops and key meetings will be scheduled prior to project initiation
- **Stakeholders:** ready access will be provided to Executives and other key stakeholders to enable completion of the deliverables as per the timeline
- **Governance:** a project governance structure (e.g., Steering Committee, Working Group) will be set-up as required during Week 1 and key stakeholders will be briefed such that the team are able to make an accelerated start
- **Change Control:** any proposed expansion of scope or resources will be discussed with the Executive Sponsor prior to incurring changes

The Deloitte Difference

Why Deloitte?

Deloitte's multi-disciplinary consulting model allows us to combine our leading Canadian L&H insurance team with access to a network of next generation tools and accelerators



We shape the agenda of the financial services industry

- Through our **collaboration with the World Economic Forum** on the *Future of Financial Services*, Deloitte is at the centre of an evolving financial services innovation ecosystem
- Deloitte's 2017 **Canadian Life & Health Insurance Outlook Survey** provides valuable insight into the competitive landscape and upcoming trends against which Canadian Life Insurers can be benchmarked across multiple areas of focus



We are the strategic advisor of choice to leading insurers

- Deloitte has **extensive qualifications** in developing executable strategy, customer experience, and transformation projects for major financial institutions and insurers both in North America and globally
- Deloitte serves as a strategic advisor to all of the **top 10 L&H insurers** in Canada and the US



We put customers at the centre

- Deloitte recognizes one of the most critical elements of success is putting **customers at the centre**
- Deloitte's Dublin practice has pioneered the field of **user-driven design and innovation**; we are one of the global leading experts in unveiling customer needs and pain points and translating them into winning innovative solutions



We offer proven capabilities to accelerate value realization

- Deloitte's service offerings **expand beyond strategy** and innovation to digital, technology, actuarial, analytics, and change management capabilities
- We have **real and varied experience** taking a design on paper through implementing it with people in the organization, which makes our designs tactical and real



We are a leader in business analytics

- Our **analytics-enabled approach** leverages advanced tools to efficiently and dynamically cleanse and confirm current state data, design the future state structure, and track benefits realization and delivery quickly and efficiently, helping to drive smarter insights faster
- **Omnia**, Deloitte's new artificial intelligence (AI) practice, is **the largest provider of end-to-end AI solutions in Canada** and is comprised of centralized best-in-class data and analytics capabilities. We are consistently ranked by analysts like Forrester and Gartner as global leaders in business analytics

Deloitte will bring a robust insurance industry lens and proven methods for success for developing recommendations to improve the customer value proposition of the CCBPI product

We Are Drivers in the Insurance Industry

Deloitte addresses a broad range of issues brought on by globalization, advances in technology, regulatory changes, competition and the changing demands of customers

Deloitte's Global Insurance Practice Highlights

- Deloitte's global insurance practice includes more than 800 partners and directors and 4,900 practitioners across the globe, of which over 500 in Canada
- Our Insurance practice serves:
 - **18** of the top **20** Insurance Firms
 - **10** of top **10** P&C Insurers
 - **10** of top **10** L&H Insurers
 - **5** of top **5** Insurance Advisors
 - **8** of top **10** Reinsurers
 - **7** of the **10** largest group practices
 - More than **500** insurance clients in over **40** countries
 - **Market eminence** through thought leading research and benchmarking surveys
- Deloitte is also leader in serving world-class financial services companies. Deloitte member firms serve:
 - **20** of the top **20** Banks
 - **17** of the top **20** Asset Managers
 - All **10** of the top **10** Securities Firms

Deloitte works with
ALL

Top 10

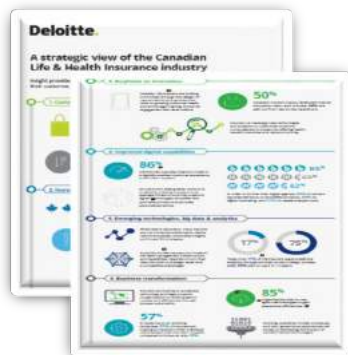
Canadian L&H Carriers

500+

dedicated insurance
professionals

We Are Insurance Industry Thought Leaders

Through extensive experience with Fortune 500 companies, we have developed a number of perspectives for the insurance marketplace over the past few years



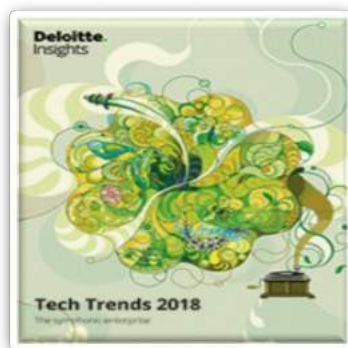
2017 Canadian Life & Health Insurance Outlook Survey: A strategic view of the L&H insurance industry



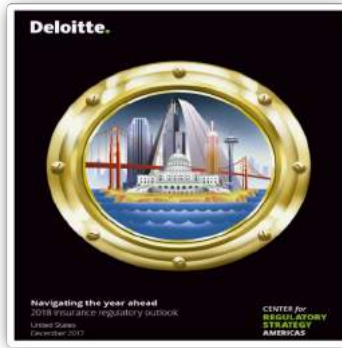
2019 Insurance Industry Outlook: Shifting strategies to compete in a cutting-edge future



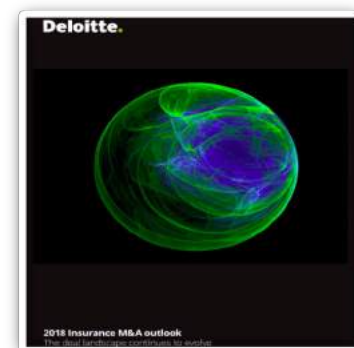
The Future of Financial Services: A World Economic Forum initiative



Tech Trends 2018: The symphonic enterprise



Top regulatory trends for 2018 in Insurance



2018 Insurance M&A Outlook: The deal landscape continues to evolve

Our Actuarial, Rewards & Analytics (ARA) Practice

Deloitte's ARA practice has been advising clients since 2003, providing actuarial consulting services to many clients within the insurance industry

Research, Benchmarking & Advanced Analytics Capabilities

Our Canadian actuarial practice has extensive experience supporting the insurance industry on conducting research, both quantitative and qualitative, to support competitive benchmarking across multiple product lines and areas of the value chain.

INSURANCE ANALYTICS

Underwriting

- Identify best risks and prioritize acceptance efforts
- Identify applicants for whom additional underwriting is needed
- Support a simplified underwriting process

Pricing

- Improve pricing accuracy (refined pricing or better risk categorization using better predictors)
- Project impact of deviations from pricing parameters

Experience studies and reserving

- Identify experience drivers
- Improve mortality / lapse assumption modeling
- Reserve more accurately

Inforce management

- Improve customer experience: provide tailored services and relevant information to customers
- Identify and retain clients
- Profile clients
- Cross-selling/ Up-selling: offer additional products to current customers

Claims management and insurance fraud detection

- Predict claim frequency and severity
- Claims triage/ preliminary processing
- Prioritize claims management resources
- Identify likely fraudulent activities
- Find fraud patterns

OPERATIONAL ANALYTICS

RPA-AI Modeling

Risk management: Determining range of outcomes of key performance metrics, capital/equity modeling

HR analytics: Direct employee to best functions, improve employee retention, assess impact of human resources policies on performance

(Non-insurance) fraud detection

MODELING SUPPORT AND GOVERNANCE

Preparedness assessment: Analyze preparedness and support the development/implementation of databases

Data clean up

External data sources/ vendor selection

Exploratory Data Analysis and visualization

Modeling support

Model conversion

R training

External review/ Model validation

SALES ANALYTICS

Sales and marketing

- Identify target sales groups
- Identify individual characteristics correlated with purchase decision
- Understand purchase behaviors and recommend the right product

Distribution/Agency management

- Identify traits of highly productive agents
- Retain productive agents
- Match prospective clients with the most appropriate sales agent

Our Financial Services Industry (FSI) Practice

We offer solutions that are tailored to the unique needs of clients within the financial services arena

Global Financial Services Industry Practice

- We established the Global Financial Services Industry (GFSI) in 1994 in response to the globalization of financial services and the increased complexities the changing landscape posed for financial services firms and regulators
- Today, our GFSI practice includes more than 45,000 dedicated professionals across the global Deloitte network who serve over 100 of the 119 FSI companies on the Fortune Global 500 through four distinct sectors:
 - *Banking and Securities*
 - *Insurance*
 - *Investment Management*
 - *Real Estate*
- Our GFSI network provides global resources and capabilities, yet our presence is local– with a clear understanding of the Ontario market. Our practice has been recognized by leading market analysts for our depth and breadth of expertise, including most recently by Kennedy for our expertise in Financial Services
- In response to the demand for specialized services from regulators, we have mobilized a global network of over 1,100 professionals in more than 115 countries who have relationships with some of the world's largest regulatory bodies
- These capabilities and expertise provides us with an intimate understanding of the environment in which regulators operate and the unique challenges and opportunities they encounter
- Today, we address the unique challenges of financial institutions by sharing experiences, leading practices, methodologies, and resources through the GFSI network

Canadian Financial Services Industry Practice

- Our Canadian Financial Services practice includes more than 1,000 professionals in six regions across the country
- We offer solutions that are tailored to the unique needs of clients within the financial services arena
- For example, we serve more than 1,000 financial services clients, including 89% (or 106 companies) of the 119 FG500 FSI companies
- Our deep capabilities and experiences within the Canadian financial services sector will help CAFII leadership to better understand the landscape under which it will operate and its underlying member organizations.



- ✓ **#1 in Global Financial Services Consulting**
- ✓ **Global leader in Finance Transformation Consulting Services**

Deloitte's Insurance Market Relationships

We have curated and established an insurance ecosystem of partners, including regulatory bodies, enabling Deloitte to keep up-to-date with evolving market trends

Our Industry Relationships

Canadian Insurance Ecosystem

Regulators & Industry Groups

Responsible for developing policies, regulations, and methods to govern the ecosystem



Incumbent Insurance Institutions

Built relationships with leading insurers through prior consulting engagements and audit advisory work



Insurtech Ventures

Developed partnerships and advisory roles with start-ups to collaborate and embed their capabilities into clients' PoCs and digital solutions



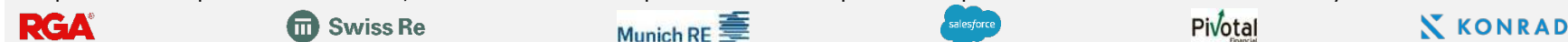
Technology Clusters

Hubs that provide a collaboration platform and investments to help start-ups accelerate their pace of innovation



Delivery Advisor

Deep relationships with reinsurers, internal & external partners that help Deloitte provide state-of-the-art advisory services



Leader in Insurance Innovation

Insurtech Summit



- In June 2017, Deloitte hosted the Insurtech Summit in Toronto. As the first-of-its-kind event in Canada at scale, our leaders brought local and global experts from all segments of the insurance ecosystem to learn about trends and discuss the implications that innovation and emerging technologies will have on the industry
- In May 2018, we hosted our second edition, with global and local experts covering topics and future scenarios related to insurance in the age of artificial intelligence
- Our strong relationships with InsurTechs and incumbents has introduced a multitude of partnerships in recent years and accelerated the strategic priorities across the industry

Qualifications

Insurance Strategy Qualifications

Leading Canadian Financial Institution

Established strategy and foundational capabilities to drive digital creditor product growth



Issue

The client, a leading Canadian financial institution, sought to establish a strategic direction and define an executable transformation roadmap that centered on growing its Life and Health insurance portfolio, including all creditor insurance lines.

Solution

Deloitte's approach consisted of validating the client's strategy, determining the target operating model, identifying business and technology capabilities required, and sequencing initiatives to align with key growth objectives. In parallel, benefits and investment profiles were clearly articulated, understood, managed, and tracked to deliver a practical transformation roadmap.

First, Deloitte conducted a market and competitive analysis, which highlighted emerging customer expectations of an end-to-end, immersive digital experience when purchasing L&H insurance products. This insight, coupled with the client's increased focus on digital distribution lending products (e.g., mortgages, cards), triggered a re-think of its creditor insurance strategy, including a review of product offerings and distribution channels. After identifying opportunities to enhance their creditor product offerings to drive increased penetration of their existing card members, Deloitte defined the capabilities and key initiatives required to implement the reinvented creditor insurance strategy.

Impact

The project provided the client with a strategic direction and executable roadmap based on actionable market insights. This enabled their transformation journey, providing them with an opportunity to capture additional value from new and existing card holders.

Large Canadian Co-Operative

Designed a comprehensive business plan for entry into the Canadian creditor insurance market



Issue

The client, a leading Canadian financial service co-operative, sought to expand into new markets by becoming the credit life insurance company of choice for select retail banks. This required the development of an end-to-end business plan that took into account market dynamics, detailed operating considerations, and robust financial analysis.

Solution

Deloitte conducted market analysis and used its findings to inform the development of a detailed creditor insurance business plan for a newly established subsidiary. First, Deloitte researched the creditor insurance market, developing an understanding of its size, trends, and competitive dynamics while identifying benchmarks against leading practices. Insights from this research were leveraged to create a market entry strategy that included identification of target customer, articulation of a value proposition, and the identification of priority capabilities required for success.

The market entry strategy was used to drive a detailed operating plan, which included an operating model, talent strategy, and implementation roadmap. Finally, Deloitte developed a five-year financial plan and set of key metrics, validating the strategy through analysis of performance across multiple scenarios.

Impact

Deloitte's development of a rigorous business plan allowed the client to rapidly establish a creditor insurance subsidiary positioned to grow rapidly and provide a high and sustainable ROI. An in-depth market analysis highlighted ways to deliver differentiated value to customers, while detailed operating and financial plans provided the client with a clear roadmap to success. The client used the comprehensive blueprint to effectively grow its business and diversify into a new market.

Canadian Group Insurance Carrier

Developed a product strategy for its group life and disability products business lines



Issue

In recent years, the carrier was struggling with poor profitability on its Group Life and Disability book of business. The client engaged Deloitte to conduct a review of current operations and existing product portfolio to identify opportunities to improve not only the product suite but also areas for generating more sustainable profit margins.

Solution

The scope of the engagement included conducting a competitive review of product offerings in the market and benchmarking those to the client's existing product shelf in order to identify gaps as well as areas of opportunity to differentiate its offerings in the market. In parallel Deloitte conducted in-depth primary research through ethnographic interviews with advisors, sponsors and members to better understand unmet needs and preferences, and underserved segments in the market for further input into generating and assessing strategic product opportunities.

Deloitte facilitated working sessions with senior leadership and key stakeholders in order to gain alignment on the opportunities that they would like to pursue. Following this, Deloitte identified the required capabilities and associated capability gaps to be addressed through key priority initiatives to enable the execution of the desired strategy. Final output included the development of an actionable high-level execution roadmap.

Impact

Deloitte helped the client land on a future product suite in order to address key gaps, enable them to be competitive in the marketplace, and identify partnership opportunities that would create a more comprehensive product suite while simultaneously achieving more sustainable profit margins.

Through ongoing implementation support, Deloitte is now assisting the client in the roll-out of the strategy through a series of tactical execution initiatives.

Leading Canadian Financial Institution

Identified unmet customer segments' needs to drive a differentiated experience and offering



Issue

The client, a leading Canadian financial institution, was in the midst of a major transformation of their General Insurance business. As part of this program, a customer segmentation model helped form the foundation of a differentiated and personalized customer experience and opportunities to improve their customer value proposition. The client took the opportunity to revisit their existing model, which had not been widely accepted or operationalized, and sought to build one able to drive action and be readily applied in pursuit of transformation priorities.

Solution

Deloitte used a three-phase customer segmentation build to drive actionable and differentiated customer experiences by segment, understanding and anticipating their needs.

- In Phase 1, Deloitte created segments from the client book of business (1 million+ current customers) using advanced multivariate techniques and machine learning
- In Phase 2, Deloitte overlaid external geo-demographics data (EnviroNics Analytics) to further define segments.
- In Phase 3, Deloitte conducted primary market research among segments to size the overall market, and provide additional profiling metrics unavailable from other sources.

The final deliverable included detailed customer personas and implications to key workstreams within the transformation program that would ultimately transform the value proposition in the market and how the organization delivers on it.

Impact

The segmentation model was readily accepted by stakeholders and has quickly become the common language for efforts to revitalize the value proposition and brand across marketing, customer service and other touch points.

Large Canadian Financial Institution

Identified opportunities to reimagine specialty lines after-sale credit protection offering



Issue

A large Canadian financial institution engaged Deloitte to provide a point of view and identify key opportunities to reimagine their after-sale credit protection offering available to car dealerships which was struggling to achieve growth targets.

Solution

Deloitte developed a research approach designed to identify stakeholders' motivations and behaviour drivers in order to effectively create a differentiated offering. Through research, it was discovered that a product-led approach to credit insurance offering design did not incorporate important value propositions relevant to many of them. Deloitte learned that:

- Consumers needed to understand the value and potential risk associated with their new purchase, and then explore varying levels of coverage
- Car dealers needed a simple commission product integrated into their 'menu selling' process and aligned with other aftermarket products that do not compete for the same budget envelope
- Dealers were not ready to go digital
- Sellers needed a better approach to selling, and a better way to navigate after-sale product options. Customer needs and likely purchases must be assessed in real time, and it is difficult to align them with products on which sellers have expertise and will make the highest commission

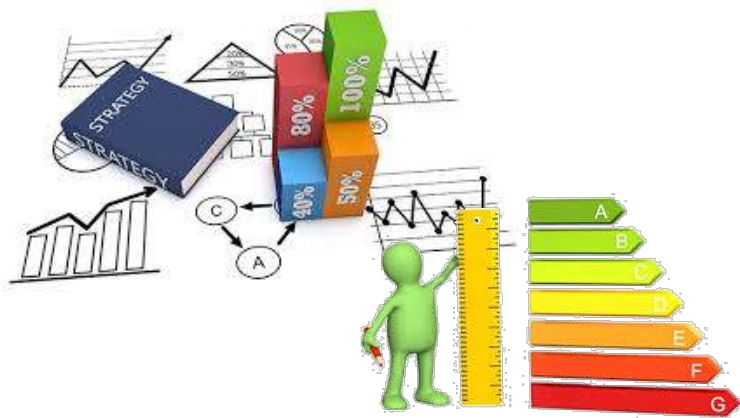
Impact

This information helped the client to deeply understand the range of parties and interactions relevant to its after-sale credit protection products, ensuring that its offering aligns with their needs, motivators, and behaviour drivers. Stakeholder insights led to the identification of opportunities to create a differentiated offering and strong value proposition.

Industry Research and Benchmarking Qualifications

Canadian Institute of Actuaries

Conducted industry benchmarking study on analytics capabilities of Canadian Life Insurers



Issue

The increasing availability of big data and the use of predictive analytics are changing how insurers have traditionally operated. Both the Canadian Institute of Actuaries ("CIA") and the Society of Actuaries ("SOA") have identified predictive analytics as a strategic priority and were looking to engage a consultant to lead an industry-wide research effort to better understand the maturity, tools and applications of predictive analytics in the Canadian Life Insurance market.

Solution

Over the course of twelve weeks, Deloitte conducted in-person interviews with representatives from each of the Canadian Life and Health insurers which was then supplemented by a survey tool which was deployed to the same insurers in order to capture more detailed data in a standardized format which could then be used for benchmarking purposes.

Deloitte was responsible for developing the survey questions, deploying the survey tool and conducting interviews with participants, collecting and cleansing the survey data then compiling and summarizing benchmark findings.

Throughout the analysis, the DELTA method was applied in assessing the maturity of each organization's predictive analytics capability. The benchmarking results and maturity assessment were then summarized and presented back to leaders of the participating organizations.

Impact

The insight from this research study provided the CIA and SOA with industry level benchmarks for which to present back to its members, providing them with a perspective of the future of predictive analytics applications and maturity in the next 3-5 years. It also provided individual participants the opportunity to benchmark themselves to their competitors.

LTD Claims Analytics

Developed an industry-wide predictive model for LTD claims aimed at improving carrier-specific management of long term disability cases



Issue

The Canadian industry as a whole was struggling with its ability to achieve profitability targets on its disability business due to increasing claims volumes, both frequency and severity, of both LTD and STD cases. As a means to support its clients with more accurate assumptions and insight into comparator benchmarking on LTD claims, a global reinsurer engaged Deloitte to support them in the development of a predictive model for industry LTD claims.

Solution

Deloitte supported the reinsurer by gathering all client LTD claims data, including 12-15 Canadian carriers which participated, along with additional data dimensions (third-party and internal) which would be used to identify the factors underlying industry and carrier specific LTD experience.

Deloitte was responsible for gathering, cleansing and consolidating the data prior to developing a predictive model based on the monthly probability of termination for long-term disability claims using a Generalized linear model (probit).

This model was then provided back to the reinsurer to provide as a value-add service to its clients as they look to update their LTD termination assumptions as well as more proactively manage their claims within the distinct individual carriers.

Impact

The predictive model gave insights beyond the industry tables produced by Canadian Institute of Actuaries study that allowed to identify the key drivers. The predicted cumulative termination probability allowed us to identify claims to manage more closely, by carrier.

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THE CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE (CAFI)

**Proposal to lead business research, modeling and
strategic recommendations for special project on
credit card balance protection insurance**

28 March 2019





Private and Confidential

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON, Canada M5H 2S5

Telephone (416) 777 8500
Fax (416) 777 3515
Internet www.kpmg.ca

Executive Committee
The Canadian Association of Financial Institutions in Insurance
411 Richmond Street East, Suite 200
Subject: RFP for CAFII Credit Card Balance Protection Insurance

March 28, 2019

On behalf of KPMG Canada ("KPMG"), we're excited to submit this proposal to the Canadian Association of Financial Institutions in Insurance ("CAFII"). We believe in your mission to represent, promote and advance the interests of your members to foster an open and flexible marketplace and are proud of our well established CAFII-KPMG relationship to date.

Credit card balance protection insurance is a valuable product that millions of Canadians depend on to protect their financial security and credit ratings during unforeseen challenges – whether they suffer a debilitating illness or sudden job loss. Despite its numerous benefits, it's clearly a nuanced and potentially complex product and, as a result, has been challenged from various sources for the ways some market participants have marketed, priced and underwritten it.

KPMG is uniquely qualified to lead the business research, modeling and strategic recommendations for such an important initiative to ensure this type of protection is properly understood by the market, media and – perhaps most importantly – regulators. We are an independent, leading business consultancy firm and proud of our long-standing and deep connections with Canada's insurance, financial services and regulatory professionals. We support numerous clients in heavily regulated sectors with similar business research needs, from industry associations like the Toronto Financial Services Alliance and Ontario Road Builders Association to numerous local regulators and government officials like the Ontario Energy Board and Government of Canada. We work with most if not all major insurance companies in Canada (P&C, Life, Health, Reinsurers and Distributors) as well as global insurance leaders. We excel at preparing robust analysis, identifying key insights and communicating these findings in polished, substantive research papers and executive-level client briefings.

KPMG is well qualified to deliver success for CAFII, which is demonstrated through our main differentiators:

- We offer a range of services to meet your project needs from end-to-end under one integrated firm approach
- Our local presence and global reach
- We are leaders in strategic planning and strategic reflections
- We are leaders in CX (customer experience)
- We know the insurance sector and
- We know public policy

Herein, we have outlined our understanding of your needs, a proposed approach to developing the key deliverables, our firm's supporting qualifications and a specific quote for our professional fees. We are prepared to begin work immediately and would look forward to collaborating with you and your staff to deliver exceptional value.

Walter Rondina, MBA
Partner, Advisory Services
Management Consulting, Insurance Advisory
T 514 795 2765 | wrondina@kpmg.ca

Jonathan Erling, P.Eng.
Executive Director, Advisory Services
National Lead, KPMG Economics Practice
416-777-3206 | jerling@kpmg.ca



Key Contacts

Walter Rondina



Partner, Management Consulting

Mobile (514) 795 2765

Email wrondina@kpmg.ca

Jonathan Erling



Executive Director, KPMG Economics Practice

Mobile (416) 777 3206

Email jerling@kpmg.ca

Clark Savolaine



Senior Manager, KPMG Economics Practice

Mobile (416) 777 3203

Email csavolaine@kpmg.ca

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Our team and experience

Professional fees

APPENDIX

Team resumes

SME resumes

Standard Terms and Conditions

Our understanding of your needs

Regulators may focus increased attention on CCBPI and as a result CAFII is looking to prepare for such developments. CAFII is looking for a business consultant to perform:

1

Comparative international research

Compare Canada to Australia, U.K., U.S., and Ireland, along the following dimensions: what was it about CCBPI that was of concern to regulators and consumer groups in those jurisdictions?; are those concerns the same here in Canada?; and what is different here in Canada?

2

Benchmarking

Aggregate CAFII Member-supplied data into anonymized metrics across a series of dimensions (loss ratios, claims payout percentages, complaints data, cancellation levels, premiums collected, etc.).

3

Fact Pack

Develop simple and easy-to-understand explanations of how CAFII Members' CCBPI products work.

4

Value Proposition

Develop a detailed explanation of the value proposition of the CCBPI product to Canadian consumers; and of its shortcomings.

5

Strategy options, industry and proprietary

Develop a list of what industry-level and individual company proprietary-level enhancements and adjustments could be made to possibly enhance the value proposition of the CCBPI product.

6

Strategy recommendations

Develop specific, actionable recommendations on industry-level and individual company proprietary-level changes that could be implemented.

7

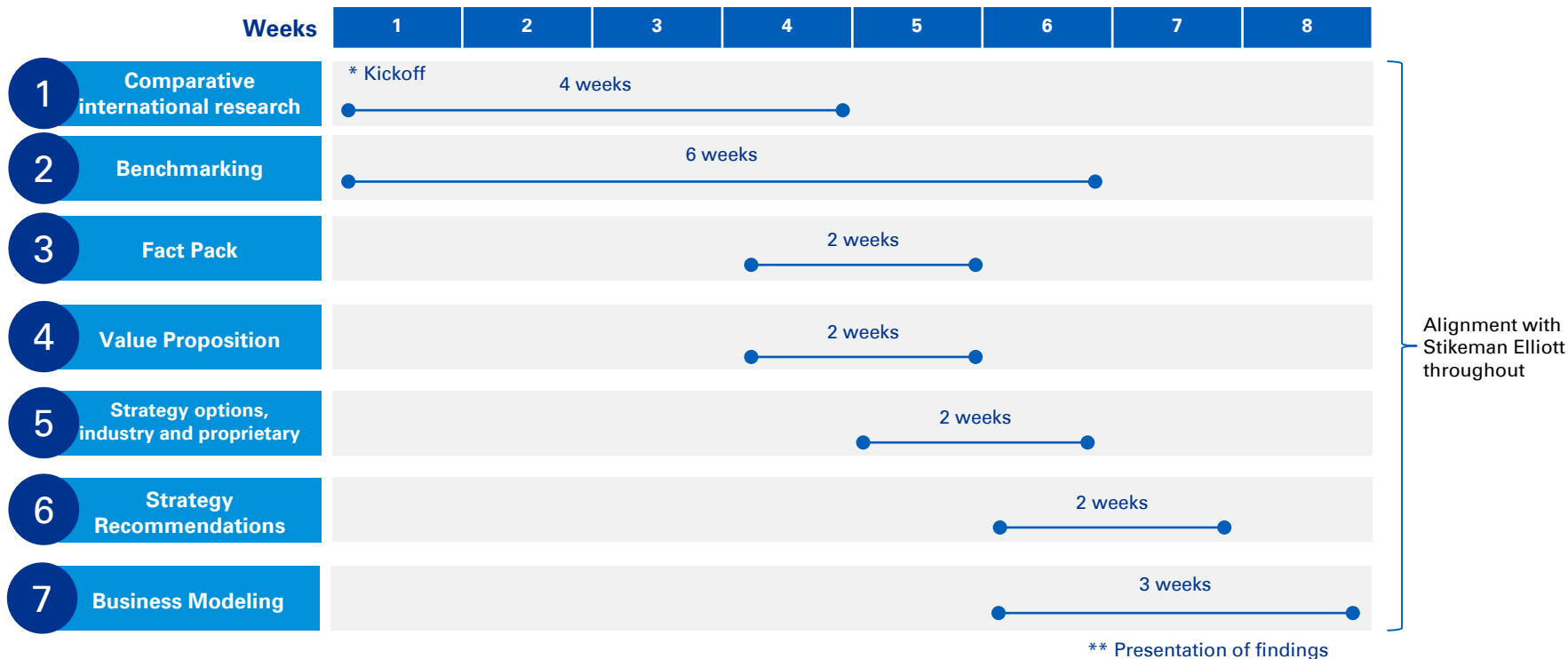
Business Modeling

Identify different models of changes that could be made at an individual company proprietary-level to enhance the CCBPI product. Then model how those changes could be implemented in an institution.

Proposed approach and timeline

We propose the following timeline to produce the desired deliverables as specified in the RFP

This timeline can be finalized during the early phases of the engagement in a collaborative workshop with CAFII stakeholders as well as Stikeman Elliott



Note (*): We propose using a substantive kick-off process to establish how KPMG, CAFII and Stikeman Elliott would work together in developing the internationally-focused comparative research project. To meet your 8-week timeline, this meeting would be a critical success factor and allow us to move quickly and efficiently. We would endeavor to meet with you for a 2-hour kickoff meeting as soon as possible following engagement commencement. This is to ensure our understanding of your needs is accurate, discuss additional considerations regarding the purposes and ultimate uses for the paper and to review initial thinking and preliminary hypotheses. Any anticipated challenges or limitations, as well as high-level timelines, would be covered at the kickoff meeting, too.

Note (**): KPMG will join Stikeman Elliott for 12 one-hour, internal presentations within the Member institutions, to present the findings of this research effort and the strategy recommendations. The presentation dates are to be determined.

Proposed approach and timeline

Outline and explain similarities and differences between Canada and other markets; and the consumer value proposition of CAFII members' CCBPI

1

Comparative international research

Approach Highlights and Deliverable

We're eager to lead the business research for this special project on credit card balance protection insurance. In our experience, the key success factor for this type of research initiative is balancing (i) the need for a comprehensive evidence base that can withstand scrutiny and challenge with (ii) a straightforward, plain language document that can be internalized by diverse audiences. While regulators, the media, consumer groups and financial institutions will come to the paper from different perspectives and levels of expertise – all readers will require (and appreciate) a cogent and lucid final report that gets to the point, emphasizes key insights and minimizes jargon. Cutting through complexity is where KPMG excels. Thoughtful, rigorous and data-driven evidence, supported by carefully planned engagement with industry and market leaders, will serve as the foundation for our insightful and informed research. In our opinion, you have already identified the most comparable economies and regulatory regimes – the United States, United Kingdom, Australia and Ireland. To the extent our public source research or global consultations reveal additional jurisdictions, we would immediately highlight these for your consideration.

Key elements of our research methodology are:

- The KPMG project team will then commence a review of available data and documentation on the paper's various topics and themes (which you outlined in detail in your RFP document) and align the workplan accordingly. We would propose a weekly teleconference between the KPMG, Stikeman Elliott and CAFII leads.
- Given timelines, and to supplement our ongoing public source research, consultations with experts across the KPMG global network and CAFII membership would be scheduled as soon as possible to develop and stress test various topics and to identify current global and national trends in the insurance sector specifically related to credit card insurance. We find that there is no substitute for direct consultation to reveal the most useful crystallization of something as important as a product's value proposition. Our proposed KPMG project team has a proven track record of designing and implementing effective stakeholder engagement processes in complex, multi-stakeholder environments that engage executive C-suites, elected officials, industry and the general public. Specifically, our team has designed and implemented effective stakeholder engagement processes for industry associations like the Toronto Financial Services Alliance and Ontario Road Builders' Association, several governments like the City of Toronto, and private equity and investors like Nieuport Aviation Infrastructure Partners, among others.
- In addition to publicly available sources, such as regulatory websites, academic research and mainstream media, KPMG has access to numerous proprietary databases and similar sources. KPMG has access to up-to-date data sources that we would leverage (refer to following page for a list of these sources). In addition to these sources, KPMG will review any of CAFII's existing research materials and publications in order to accelerate our understanding of the unique and varied roles CAFII members play. Central to the secondary research is a hypothesis-driven approach that avoids "boiling the ocean" and helps identify focus areas which are material and critical to the understanding of the activities within the insurance sector. In addition we also have access to a network of experts in the in-scope geographies.

Proposed approach and timeline

Outline and explain similarities and differences between Canada and other markets; and the consumer value proposition of CAFII members' CCBPI

1

Comparative international research cont'd

Approach Highlights and Deliverable

Key elements of our research methodology cont'd:

- We believe that for a research paper to be most effective it must provide specific and tangible examples of the subject matter under review. To this end, we would seek to categorize the variety of CCBPI arrangements and then to describe the relevant, local legislative and regulatory frameworks in concise “case study” format. With guidance from you, we would anticipate either 2-3 page profiles presented in a consistent layout. For these types of papers, a consistent framework for comparison is critical so that the research outputs are understandable to diverse audiences and useable for different purposes – such as to develop policy options. Another key purpose is to reveal where contexts are clearly not comparable or relevant for various historical, legal or market reasons.
- As described in your RFP document, to the extent feasible, we would seek to identify where this primary and secondary research could be used to inform subsequent benchmarking studies using local data and products from your members.
- To ensure the research meets your needs, we would propose to facilitate at least one workshop with CAFII executive leadership and Stikeman Elliott (and other requested attendees) to review our analysis against the objectives of the organization to produce a useful research paper that ensures all key findings and recommendations fully comply with obligations under the Competition Act.

Deliverable: Internationally-focused comparative research project that Outlines and Explains Similarities and Differences Between Canada and Other Markets and Describes the Consumer Value Proposition of CAFII Members' CCBPI

Indicative list of up-to-date data sources that KPMG would leverage:



Additional details regarding our benchmarking and fact pack development approach

2

Benchmarking study

Approach highlights:

- Agree on benchmarking objectives with CAFII and Stikeman Elliott
- Agree on benchmarking approach (including qualitative information if any and quantitative metrics) with CAFII and Stikeman Elliott
- Agree on benchmarking participants with CAFII and Stikeman Elliott
- Agree on skeleton benchmarking report with CAFII and Stikeman Elliott
- Identify key stakeholders from participant organizations to contact
- Communicate with stakeholders from participant organizations to explain context, etc.
- Produce benchmarking questionnaire
- Send benchmarking questionnaire with participant organization key stakeholders
- Be available to participant organizations to answer questions
- Receive benchmarking results
- Ask any clarification questions
- Compile results
- Produce benchmarking report (anonymized)
- Present key conclusions

Deliverable: Anonymized benchmarking report and key conclusions

3

Fact Pack: Key facts about the products and their sales/distribution

Approach highlights:

- An effective fact pack is a strategic tool used to shape opinions and secure support for clearly defined strategic objectives. An effective fact pack and value proposition are more than a pamphlet: they are a set of coordinated actions that combine consistent information, persuasive key messages, and proactive stakeholder engagement. Taken together, these elements can result in measurable change in market sentiment.
- As with any complex market product with perceived community-level impacts, information about your members' CCBPI and the broader regulatory context are currently spread across several sources. A first step is to link this information together into a concise, brochure-length document. Key elements of our approach include:
 - Collecting information from CAFII members regarding their products
 - Doing research on the products
 - Documenting key elements of the product: features, services, pricing, distribution channels, etc.
- We believe that in addition these documents you will likely require – in potentially subsequent phases of work – a comprehensive stakeholder engagement plan, communications strategy and government relations/ public relations plan. We would look forward to discussing our ideas for these tactics in further discussions with you.

Deliverable: Simple and easy-to-understand Fact Pack

Business strategy options and strategy recommendations

5

Strategy options, industry and proprietary

Approach highlights:

Our proven approach to strategy and strategic reflections is fact-based, highly collaborative and implementation-oriented. The proposed approach to identifying strategic options is the following:

- Leverage the results of the Comparative international research, the benchmarking (if available), the fact pack and the value proposition
- Using a workshop based approach:
 - Identify key issues, strengths, weaknesses and opportunities associated with CCBPI
 - Develop various strategic objectives / criteria to evaluate strategic options (e.g. financial impact, customer experience – target customers, regulatory, growth, etc.)
- If needed, conduct research to complete the strategic options
- Assessment and qualification / quantification of strategic options
- Document the exhaustive list of strategic options (1 page per option and information on the various criteria)
- Document gaps between current state and strategic options

Deliverable: Strategic options of ways to enhance the CCBPI product

6

Final report to include strategy recommendations including possible enhancements to the CCBPI product

Approach highlights:

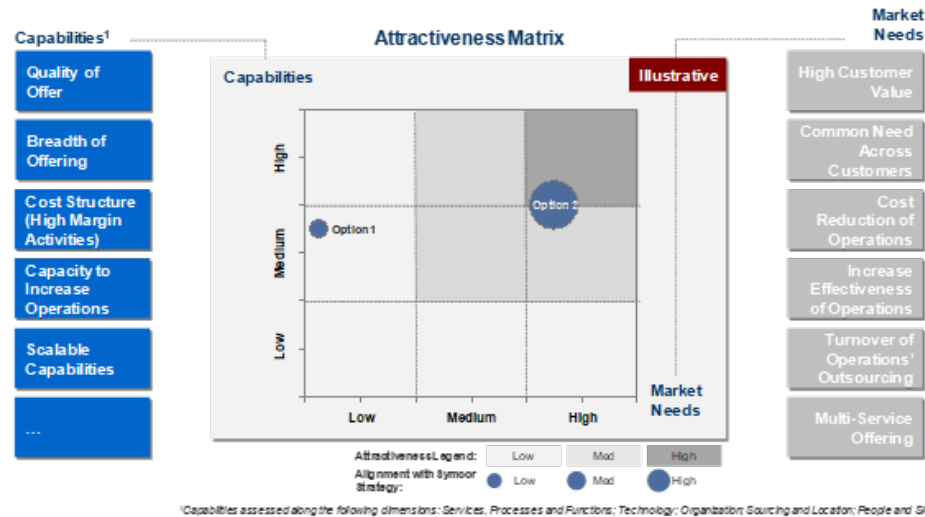
- In a workshop-based approach, KPMG would support the prioritization of the strategic options identified in step 5 (Strategy options, industry and proprietary). The graphs on the next page are examples of prioritization tools that KPMG will leverage for this engagement
- Based on the outputs of the above workshop, understand and document the implications of the prioritized strategies
- Create a high-level profile of each prioritized strategic recommendation:
 - Name of the strategic recommendation
 - Impact on customers
 - Impact on financials
 - Impact on public perception
 - High-level costs to implement
 - High-level benefits to implement

Deliverable: Recommendations for possible enhancements on industry-level and individual company proprietary-level

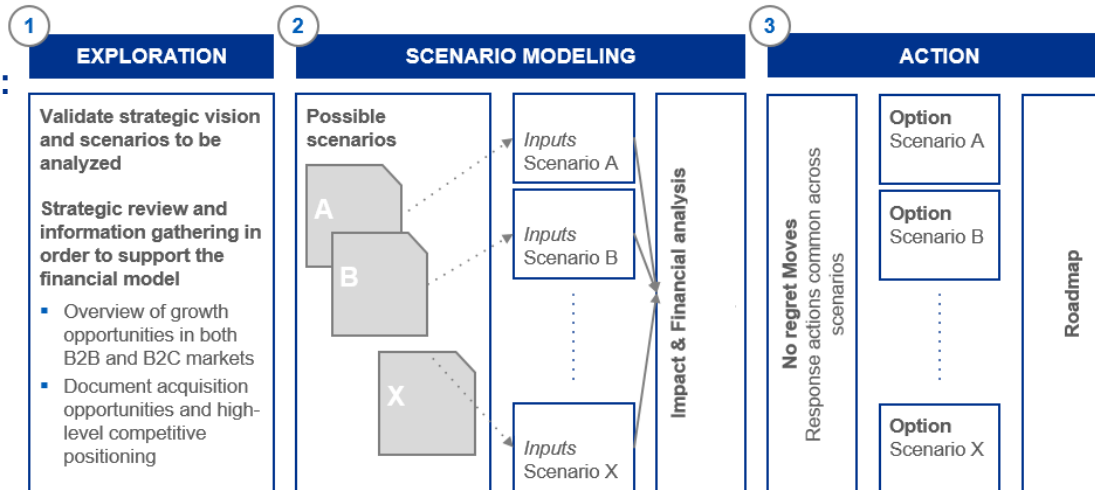
Proposed approach and timeline

Examples of tools that KPMG will leverage:

Example 1:



Example 2:



Business Modeling

7

Develop different models of changes that could be made at an individual company proprietary-level to enhance the CCBPI product

Approach Highlights and Deliverable

Approach highlights:

We believe that business modeling can come in two facets: 1) product-feature related modeling and 2) modeling of other strategic options above and beyond product-specific elements. Given the ask of the RFP, we will focus on product-feature related modeling. The assumption is that this will be financial modeling performed by our actuarial practice subject matter advisors. The KPMG project team, along with CAFII and Stikeman Elliott can evaluate the need to model any strategic options above and beyond product-related elements after steps 5 (Strategy options, industry and proprietary) and 6 (Strategy Recommendations).

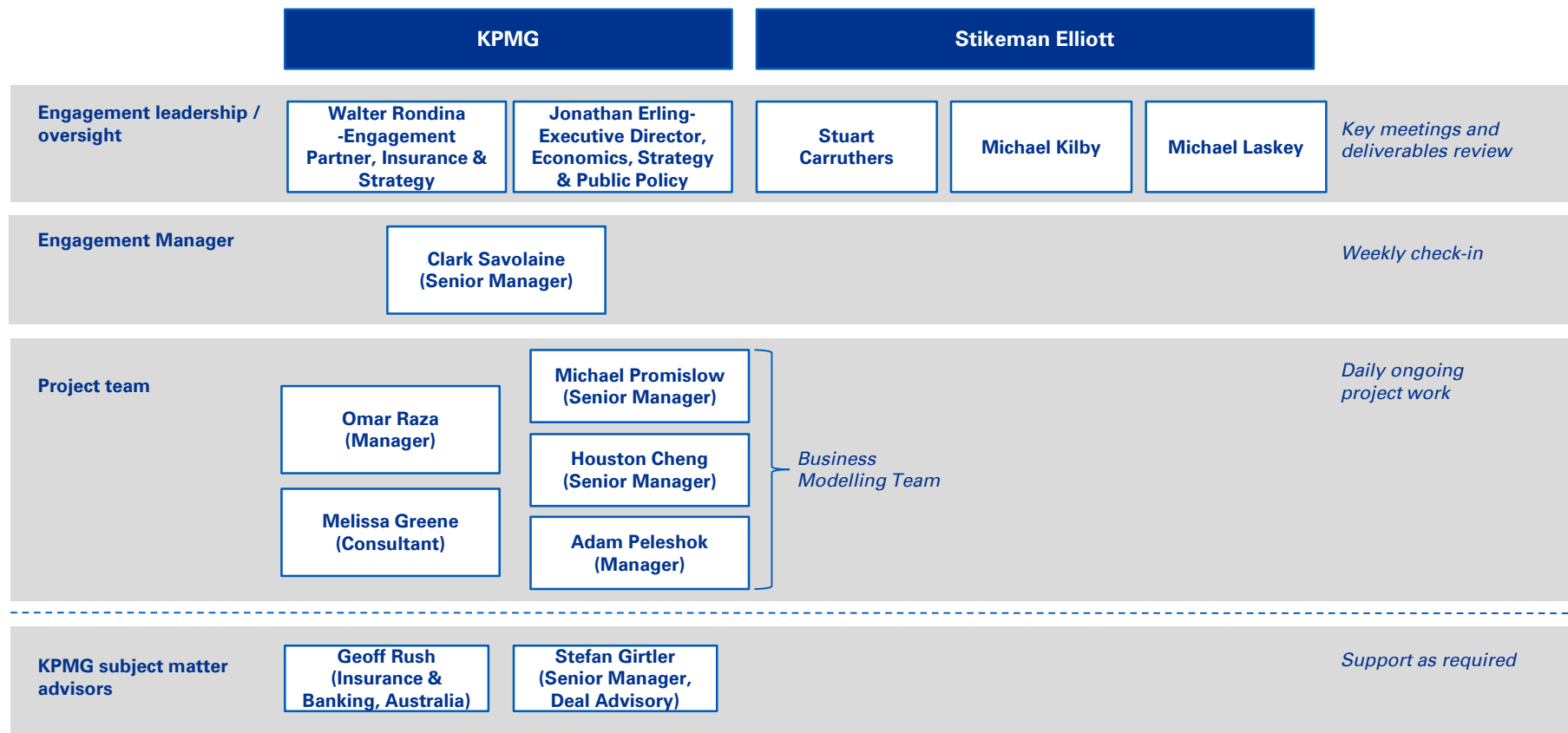
The approach for modeling product related features is the following:

- Clarify modeling objectives with CAFII and Stikeman Elliott based on outcomes of steps 5 (Strategy options, industry and proprietary) and 6 (Strategy Recommendations)
- Develop a base model that represents the current product and allows us to meet the modeling objectives (KPMG may be able to re-use elements of KPMG existing models – models already exist for various products)
- Allow for flexible / dynamic modeling to allow variation of key inputs (e.g. retention rates, pricing, coverage, etc.)
- Validate model results - Determine pricing analysis and profitability metrics
- Adjust model results as needed - Complete sensitivity analysis to determine the impact of adjusting key variables
- Present model results to CAFII / CAFII members

Deliverable: KPMG will provide different models of changes that could be made at an individual company proprietary-level to enhance the CCBPI product

Our team and experience

The team will coordinate with appropriate Stikeman Elliott management



Our team and experience

Our proposed team covers all areas of required expertise

Project team	Team member	International research	Benchmarking	Fact Pact	Value Proposition	Strategy options, industry and proprietary	Strategy recommendations	Business modeling
	Walter Rondina	✓	✓	✓	✓	✓	✓	✓
	Jonathan Erling	✓	✓	✓	✓	✓	✓	✓
	Clark Savolaine	✓	✓	✓	✓	✓	✓	
	Omar Raza	✓	✓		✓	✓	✓	
	Melissa Greene				✓	✓	✓	
	Michael Promislow					✓	✓	✓
	Houston Cheng				✓	✓	✓	✓
	Adam Peleshok					✓	✓	✓
Subject matter experts	Pierre Lepage	✓	✓	✓	✓	✓	✓	✓
	Geoff Rush	✓	✓	✓	✓	✓	✓	✓
	Stefan Girtler	✓	✓	✓	✓	✓	✓	✓

Our team and experience

We can leverage our vast KPMG network and our broad knowledge of the market

KPMG NETWORK



Who are we?

- Canadian limited liability partnership
- Established under the laws of Ontario
- Canadian member firm affiliated with KPMG International Cooperative (KPMG International), a Swiss entity
- Work shoulder-to-shoulder with our clients, integrating innovative approaches and deep expertise to deliver real results
- KPMG's roots in Canada date back to 1869
- More than 115 firms from coast-to-coast joined forces to create our current firm
- KPMG in Canada operates through four functional units—Audit, Tax, Advisory, Enterprise (Private Company Adviser)
- Our partners and professionals provide services to the public and private sectors in Canada and internationally.
- Organized along the following lines of business: Business Services; Consumer Markets; Energy; Financial Services; Industrial Markets; Technology, Media & Telecommunications; Mining; Private Equity; Public Sector; and Real Estate.
- The KPMG brand is internationally recognized for its values, approach to service delivery and commitment to quality.
- All of our clients know what to expect from our global team wherever they operate in the world. Our global presence in **152 countries** enables us to access a strong network of services, resources and people.

KPMG key differentiators

We offer a range of services to meet your project needs from end-to-end under one integrated firm approach:

KPMG is uniquely positioned to lead this important project given that we have all of the requisite competencies required to deliver from an end-to-end perspective. KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. We operate in **152 countries** with more than **197,000 employees** and more than **6,000** employees in Canada. We have experts in insurance including actuaries (both P&C and Life/Health/Pensions), we have strategy advisors who perform strategic reflections and jurisdictional scans, we are often called upon to perform benchmarking analyses for our clients and we have business and product modeling capabilities and work in many heavily regulated sectors.

Experience in strategy:

We have extensive experience in providing advisory projects to the Insurance industry with an in-depth knowledge of strategy. We help customers in their strategic planning exercises and strategic reflections aimed at growth, cost optimization, improving the customer experience and managing risks. We take a fact-based, collaborative and workshop based approach to strategic engagements such as your engagement

Local Lead, global reach:

With KPMG, you have access to a strong local team that will make CAFII, its members and Canadian consumers a priority. Our Canadian advisors understand the Canadian context and market. In addition, with KPMG, you also get global reach of our member firms in more than **152 countries** including in-scope geographies (UK, US, Ireland and Australia). By leveraging our global presence, we can bring the perspective and learnings from other geographies into our analysis and make these available for this important engagement.

We know insurance:

With KPMG, CAFII has access to resources that are proven experts in the insurance sector, from strategy all the way to execution. We have put together a senior team that can support you through this important initial phase as well as through any subsequent phases. This includes Actuarial experts in both P&C insurance and Life/Health/Pensions for any required modeling on the product features of CPPBI as well as insurance strategy advisors that work with some of Canada's largest insurer's on strategic reflections similar to those outlined in your RFP. Additionally, our Canadian insurance advisory professionals and actuaries frequently collaborate with their counterparts across the globe including in-scope geographies (UK, US, Ireland and Australia).

Customer experience:

KPMG has a leading Customer Experience practice that can help you better understand client needs as well as the customer value proposition to best meet those needs.

We know public policy:

Business and government leaders alike come to KPMG for support during transformational policy, regulatory and stakeholder initiatives. We're uniquely positioned to translate the public policy context, across and within borders, into practical insights that inform Client research needs and desired business outcomes.

Our team and experience

Qualifications

The qualifications listed below provide examples of **selected relevant projects** and highlights the knowledge, skills and expertise that KPMG can provide to support this important initiative. Refer to the detailed project descriptions in the subsequent pages.

Qualifications	1 - Research	2- Benchmark	3- Fact Pact	4- Value prop	5- Strategic options	6- Strategic recommendations	7- Business modeling
1- Ontario Energy Board	✓						
2- Toronto Financial Services Alliance	✓						
3- Ontario Centres of Excellence	✓						
4- Insurance System Replacement		✓					
5- For a new yogurt brand	✓		✓	✓	✓	✓	✓
6- Identification of non-interest-income growth strategies	✓		✓	✓	✓	✓	✓
7- Design of an operating model for a major financial institution	✓		✓	✓	✓	✓	✓
8- For a financial services business process outsourcer	✓		✓	✓	✓	✓	✓
9- IFRS 17 Transition Project							✓

Jurisdictional Review of Natural Gas Distribution System Expansions

CHALLENGE

The natural gas sector is regulated by the Ontario Energy Board. The Board required substantive jurisdictional research and benchmarking to better determine leading practices for natural gas distribution system expansion.

The Board had solicited requests from applicants for regulatory flexibility pertaining to proposed system expansion projects. To inform its review of applications, the Board required substantive research on similar expansions in comparable jurisdictions. This included identifying key similarities and differences, and potential economic models that could be applied to the Ontario context.

KPMG'S APPROACH

The purpose and scope of our research entailed a review of similar and relevant jurisdictions (– Alaska, Connecticut, Maine, New York, North Carolina and New Brunswick) to determine if there were lessons to be learned for rural natural gas expansion, particularly with respect to the onboarding of new franchise areas and new entrants.

In undertaking this research and analysis, KPMG relied on information obtained from numerous legislative and regulatory sources, including:

- reports, presentations and orders made by local regulators;
- utility applications;
- expert testimony;
- legislative records
- regulatory websites and databases
- academic articles; and
- various submissions and advocacy pieces by industry associations and energy commentators.

RESULTS

Our final report included:

- 6 detailed case studies on the legislative and regulatory contexts of other jurisdictions
- identification of the tools used by other regulators to achieve similar ends
- a process-oriented analysis describing regulatory decision-making
- a description of outcomes, such as any subsequent developments, if known
- comparative tables to provide a benchmarking of the key findings from our jurisdictional review

Research paper on Toronto's financial sector and public-private partnerships

CHALLENGE

The Toronto Financial Services Alliance sought a research paper, based on a comprehensive jurisdictional and data review, to describe what makes the Toronto financial sector stand out from its peers with respect to infrastructure public-private partnership arrangements, and to determine what opportunities lie ahead.

Established in 2001, TFSA is a collaboration involving three levels of government, the financial services industry and academia. Working collaboratively with industry and government, it builds international awareness of the advantages offered by the Toronto region and works with financial services companies from around the world that are exploring business opportunities in Toronto.

KPMG'S APPROACH

To obtain a clearer understanding of the scale of these infrastructure investments globally, we analyzed transaction data covering the previous three years from several comprehensive databases, including InfraDeals, Capital IQ and the Canadian Council for Public-Private Partnerships.

We conducted interviews with market leaders, soliciting their views on Toronto's strengths and challenges as a financial hub for P3s. More importantly, we solicited input on the policy changes or market developments that could significantly enhance Toronto's market value proposition.

We summarized our jurisdictional research in 6 profiles, including London, New York, Toronto, Hong Kong, Singapore and Sydney.

Based on extensive stakeholder consultation with 14 banks, life insurers and infrastructure funds, we identified opportunities and emerging trends, which were described in a concise, public-facing "policy paper" as the format for our final report.

RESULTS

Our final report highlighted Toronto's strength in P3 transactions and the unique roles played by the sector's banks, life and health insurers, and infrastructure funds bring to the structuring of deals, strong lender oversight and effective asset management.

The paper included various P3 funding models and approaches for best supporting government sponsors of new infrastructure projects. Key findings revealed that robust competition amongst capital providers, established access to long-term bond and bank financing, and committed fixed-rate financing have allowed for the successful completion of 270 projects in the Canadian marketplace over the past two decades.

Connected and autonomous vehicle ecosystem: regulatory and policy jurisdictional review

CHALLENGE

➤ **Ontario has the potential to be a global leader in connected and autonomous vehicles due to its strong history in automotive manufacturing and its world-class technology and machine learning industries.**

Market participants across industry, academia and government were aware of the significant progress in Ontario but there was not a comprehensive picture of the breadth and scale of activity and the future opportunities for connected and autonomous vehicles within the provincial legislative and regulatory context. The Client sought a well-researched, comprehensive report that would centralize this information in comparison to other competitor jurisdictions.

KPMG'S APPROACH

KPMG helped to identify the leading global jurisdictions, priority stakeholders, and assessed the market dynamics for the connected and autonomous vehicle sector in Ontario.

KPMG worked closely with OCE to identify the key players to engage for market and business insights. KPMG conducted interviews with 20 active market participants to gain an understanding of the industry.

Desktop research was conducted in order to supplement market insights and inform the jurisdictional review of global best practices and emerging trends. 6 jurisdictions were reviewed in detail and built on KPMG's leading global publication, *Autonomous Vehicle Readiness Index*.

The information and findings were communicated based on the economic development lifecycle of research and development, commercialization, investment, scaling and escalation.

Global trends identified in the jurisdictional scan were used to inform future areas of focus in Ontario to catalyze the development of the sector

RESULTS

The final report identified opportunities for market enhancements in Ontario and prioritized the areas of focus including open data, development of standards, efficient commercialization and opportunities for developing and retaining talent. The report also assessed:

- The interactions and partnerships between various key and supporting market participants and stakeholders;
- The activities that were occurring along the economic development pipeline in new automotive technologies;
- The drivers behind investment decisions; and
- The distinguishing strengths and opportunities in Ontario.

CHALLENGE

A top Canadian insurer was bogged down by its current legacy systems. These systems, which were more than 30 years old, were a significant constraint in enabling growth, acquisitions, product innovation and a positive customer experience (including omni-channel interactions with customers). Wanting to maintain and improve its competitive positioning, the client decided to replace its core insurance systems. Given the significant investments required for the implementation of the new systems (\$500M+), the board of directors asked the project team to perform a benchmarking exercise for system replacement exercises for insurers (Canadian, US, UK, Australia, etc.). KPMG performed the benchmarking exercise to provide comfort to the executive team and board of directors that their investments were in line with the investments that other insurers were making.

RESULTS

- Discussions with KPMG partners and staff from various jurisdictions who were involved in similar programs
- Discussions with clients who were willing to share information
- Research
- Discussions with solution vendors

- The project team then provided the benchmarks that the client was looking for in a consolidated report:
- Scope of similar programs
- Implementation costs (including a breakdown by functional area – testing, configuration, etc.)
- Total Cost of Ownership costs (3 year, 5 year, etc.)
- Licensing costs
- Maintenance and upgrade costs
- Productivity metrics for implementation programs

A few adjustments were made in some parts of the program (e.g. the amount budgeted for Claims seemed too high and the amount for policy administration seemed too low)

Strategy and implementation support for the massive launch of a new yogurt brand

CHALLENGE

Organizing the launch of a new yogurt brand, including a complete product line, in a highly competitive market in a 15 month timeline

After being the second most important yogurt producer in Canada for 40 years, the client risked losing its franchise contract in 2 years. The board requested different strategic options to overcome this problematic situation. The selected strategy was to launch a new yogurt brand and required the creation of a complete line of products

KPMG'S APPROACH

KPMG helped to identify the different strategic options available and was also part of each key step of the development of the new brand and its product line

KPMG worked closely with the client, taking responsibility for the project's strategic management, coordinating the activities held in parallel by 7 work groups and ensuring that all relevant information of this \$70 million dollar project was communicated to the executive committee and to the board. More precisely, KPMG's responsibilities consisted of:

- Defining the optimal governance model and calendar for the project
- Coordinating and hosting 5 of the 7 work groups (extension of the product line, marketing plan, sales plan, targeted marketing, human resources)
- Building tools and conducting analysis necessary for decision making in order to accelerate the operation and to ensure strategic harmonization
- Preparing the deliverables for the executive committee and the board and supporting the executive team during important presentations
- Presenting a weekly and monthly reports to the executive committee and to the board in order to measure the progression, to signal potential issues and to support important decisions

RESULTS

The launch of the brand in August 2012 is considered as one of the most important in the last 5 years in its category

Launch realized in a record timeline:

- Only 15 months to launch the new complete product line (including 7 categories of milk products and more than 40 different SKUs)

The product is already a big commercial success

- Many awards have been given by the industry
- Brand awareness is already above 70%
- Brand is already one of Canadians' 'favorite yogurt brands'

Identification of non-interest-income growth strategies and development of supporting business cases

CHALLENGE



The client wished to grow its non-interest income top-line, through the expansion of its current service offering and addressable market

The client was looking for innovative ways to grow its top-line, without charging its customers any unnecessary fees. The client wished to assess new market and new business opportunities, supported by complete business cases

KPMG'S APPROACH

KPMG worked with executives and their respective teams in order to accomplish the following:

- Identification of long-list of potential growth opportunities (market, product / service)
- Assessment of alignment and feasibility of each opportunity with client's global strategy, and prioritization of opportunities for high-level business case exercise
- Definition of high-level business cases for shortlisted opportunities
 - Assessment of potential market
 - High-level cost-benefit analysis
 - Alignment with core competencies
- Workshop to drive the selection of opportunities to comprise the growth strategy portfolio
- Creation of detailed business cases to support the growth strategy
 - Detailed market study
 - Business model and operating model definition
 - Identification of potential partners
 - Full risk assessment, including impact on current business
 - Financial considerations, including break-even analysis

RESULTS

A portfolio of growth strategies with supporting business cases, approved by the board of directors

- KPMG assisted in the identification of a portfolio of growth opportunities totaling top-line revenues of \$80M
- For each opportunity, KPMG provided a clear picture of the potential market, the market entry strategy, the details of the operating model, and the resulting P&L

Design of a lower cost (digital) operating model for a major financial institution

CHALLENGE

The financial institution was facing disruption from a more agile, non-traditional competitor

The competitor, who was a digital bank, was offering a very high-interest savings account that traditional brick-and-mortar financial institutions were unable to compete with given their heavy cost structures. Our client was constrained with a siloed culture, a legacy and duplicated IT environment, and a large proportion of manual processes to support business operations. In order to compete, our client wanted to define a lower-cost, digital operating model, leveraging internal core competencies from the brick & mortar institution

KPMG'S APPROACH

KPMG assisted the client in the definition of its Target Operating model:

- Facilitated workshops in order to map a canvas of the current state of the organization across the following areas: distribution channels, marketing and innovation, sales and service, operations, technological support, shared services
- Identified capabilities and pain points across the following areas: services, processes and functions, organization, technology, sourcing and location, performance management, core competencies
- Performed an industry scan leveraging KPMG's expertise and network in order to identify market leading practices
- Defined a Target Operating Model for the new lower-cost, digital bank, highlighting gaps between the current and target states
- Prioritized initiatives required to close the gaps on the basis of cost, benefit, feasibility and risk, and defined an implementation roadmap
- Created a complete business case (including the P&L) for the new operating model

In addition, KPMG supported the implementation of certain resulting initiatives

- Support for the selection of a new core banking platform (definition of business and technical requirements, creation of qualitative and quantitative evaluation models for the selection of potential suppliers, definition of requirements and scenarios for supplier demonstrations)

RESULTS

The definition of KPMG's operating model and creation of the underlying business case highlighted the key areas where cost takeout was required

- Cost savings were possible through the reduction of required staff in exchange for the use of more modern technology (25% savings in technology costs alone)
- These savings were required to ensure profitability of the business case, leading to board approval and the eventual launch of the digital bank

Identification and implementation of growth strategies for a financial services outsourcer in a declining market

CHALLENGE

A large printing and cheque processing outsourcer in the financial services sector was looking to diversify its revenues due to declining volumes in its core business lines

Its objectives were to identify potential growth opportunities in new and adjacent markets to replace 150M in declining revenues over a 5 year period

KPMG'S APPROACH

Growth Opportunity Identification

- Identification of potential growth opportunities in new and adjacent markets – an opportunity was identified in the insurance market
- Assessment of potential market, estimating volumes and outlining the potential revenues for the new venture (full business case)

Business Model, Target Operating Model (TOM) Definition and Gap Analysis

- Definition of value proposition for new venture, and validation of offering with industry players
- Definition of target operating model for BPO offering (people, process, technology)
- Identification of gaps with current state and design of implementation roadmap with associated costs & risk analysis
- Definition of the business model for the launch of the new venture (full market assessment, identification and selection of potential partners, definition of roles and responsibilities, supporting P&L)

Claims Handling and Policy Administration System Selection

- Definition of claims handling, policy administration and billing requirements
- Analysis of potential partner landscape, and definition of partnership structure for the selected partners

RESULTS

- Full business case, highlighting revenues, costs, and partners required to launch the new venture
- Clear business structure, outlining the value proposition and the supporting operational structure (with clear roles and responsibilities for each partner)
- Approval from the board, and a project that is currently undergoing implementation by the client

Actuarial modeling for IFRS 17

CHALLENGE

Faced with the move to IFRS 17, many of KPMG's clients are aiming to get a better understanding of how these changes will impact their book of business and their financials

Its objectives were to facilitate understanding and decision making in order to optimize the financial position in adoption of the new standard

KPMG'S APPROACH

KPMG built financial modeling tools for P&C, Life/Health and Reinsurance to show how financials will change by varying different inputs. Clients are able to model various product lines and financial statements. KPMG also works collaboratively with clients to improve the models and to educate clients on how to use the models so that they can continue to use them even after the KPMG engagement.

KPMG engaged clients in interactive workshops to help educate them on the particular aspects of the standards and to provide a basis for decision making.

Provide an integrated solution by partnering with our Management Consulting group so that changes to data management and financial reporting were made in a coordinated and efficient manner.

RESULTS

- Clients gained a better understanding and appreciation of the standard
- Clients were able to use the tool to determine the financial impact of various implementation choices
- Necessary changes to data management and financial reporting were implemented in a smooth and integrated manner.

Our professional fees

Indicative project fees based on proposed timeline

We are committed to ensure that our professional fees remain competitive, while maintaining high quality standards. Based on the approach and calendar described before, we estimate our professional fees to be **\$125,000 - \$188,975** over an **8 week period**. Outlined below is a summary table of the estimated fees:

Deliverable	Low range effort (in hours)	Low range fees	High range effort (in hours)	High range fees
1) Comparative international research (Note ^{a)})	130	\$ 31 375	190	\$ 44 875
2) Benchmarking (Note ^{b)})	118	\$ 25 475	118	\$ 25 475
3) Fact Pack	38	\$ 8 700	38	\$ 8 700
4) Value Proposition	56	\$ 12 475	56	\$ 12 475
5) Strategy options, industry and proprietary	46	\$ 11 225	46	\$ 11 225
6) Strategy Recommendations	46	\$ 11 225	46	\$ 11 225
7) Business Modeling (Note ^{c)})	118	\$ 50 000	176	\$ 75 000
8) 12 one-hour internal presentations	30	\$ 0	30	\$ 0
Total including fee for benchmark	582	\$ 150 000	700	\$ 190 000
Total excluding fee for benchmark	464	\$ 125 000	582	\$ 165 000

Note ^(a): A low range effort would consist of a 25 page research report, whereas a high range effort would consist of a 50 page research report.

Note ^(b): A low range effort is if the benchmarking component is outsourced to a separate firm, whereas the high range effort would be if KPMG performed the this component.

Note ^(c): A low range effort would consist of a 2 financial models, whereas a high range effort would consist of a 4 financial models.

Note ^(d): If specific or complementary analyses are needed during the mandate, a cost estimate will be submitted before the work is carried out. All fees and other charges above do not include any applicable federal, provincial, or other harmonized sales taxes or duties whether presently in force or imposed in the future. Any such taxes or duties shall be assumed and paid by CAFII without deduction from the fees and charges hereunder. An additional 7% technology fee will be charged over and above the professional fees, along with applicable taxes. Additional expenses such as travel and meals costs will be billed at cost, as well as applicable taxes.



Appendix - Team

Walter Rondina

Partner - Insurance Strategy



Walter Rondina

Partner

KPMG Canada
600 de Maisonneuve Blvd. West
Suite 1500, KPMG Tower
Montréal, Qc, H3A 0A3

Tel: 514-795-2765
wrondina@kpmg.ca

Function and Specialization

Walter is a Partner in our Insurance Advisory Practice. He specializes in strategic reflections to accelerate growth, optimize profitability, improve the customer experience and mitigate risks. He is an industry hire who worked in the Strategy team of a Top 3 P&C insurer prior to joining KPMG.

Languages

English, French

Education, licences & certifications

- Bachelor of Computer Science, Concordia – University
- MBA, John Molson School of Business (Concordia University)

Background

Walter Rondina is a Montreal-based partner in KPMG's Management Consulting team. He leads KPMG's strategy consulting services for the insurance sector (serving P&C insurers, Life/Health insurers, reinsurers, distributors including brokers, MGAs and TPAs). He has over 15 years of consulting and project management experience and has deep experience in enterprise / operations transformation, leading strategic reflections and managing large, complex transformation programs. He has helped clients with their strategic reflections / transformations aimed at accelerating growth, optimizing costs, improving the customer experience and managing risk / compliance.

Professional and Industry Experience

Walter has extensive experience in the insurance sector where he has led projects from corporate strategy through to operationalization / implementation. His experience in the insurance sector includes: strategic planning, strategic reflections, benchmarking, jurisdictional scans, system/vendor selection, growth strategy, new product introduction, cost optimization, customer experience optimization and value proposition development/improvement.

He also has extensive experience leading strategy exercises and strategic reflections and has worked for public sector clients in insurance.

Representative engagements within the past 5 years

- Canadian P&C insurer – Corporate Strategy & business model definition: Walter led an engagement to help a client define their Operational Excellence business model transformation which had impacts throughout the value chain: strategy, customer segmentation strategy, pricing strategy, product mix, distribution channel strategy, operating model & capabilities (UW processes, IT, Claims processes, etc.)
- Canadian P&C insurer – Small business strategy: Walter supported a leading Canadian insurer in defining its strategy for very small business / small business insurance (target segments, value proposition, distribution strategy, IT, processes, data).
- Regional Canadian P&C insurer – Corporate strategy: Walter supported the client to develop its corporate strategy including setup of its direct insurance business (phone / web / mobile). Walter played a key role in the strategic reflection and facilitation portion of the strategy planning exercise (diagnostic including internal and external / market analysis, orientation, action plan). He was also the program manager for the 3-year transformation program that followed. The transformation program included 4 work-streams with over 15 projects aimed at accelerating growth, reducing costs and improving the customer experience. Walter was involved in setting up the business plans for the largest projects within the program (e.g. launch of the new direct insurance company)
- Canadian P&C insurer – Telematics strategy: Walter helped define and implement the client's telematics (usage-based insurance) strategy. This included market analysis, jurisdictional scan, strategy definition, value proposition definition, solution design, vendor selection and marketing strategy.
- Canadian P&C insurer – White label strategy: Walter helped the client define and implement its white label strategy: jurisdictional scan, value proposition development, risk sharing, strategic options (e.g. white label vs joint venture), business plan development, launch preparation, process and system impacts
- International insurer – Personal lines manufacturing strategy: Walter supported the client in refining their personal lines manufacturing strategy: jurisdictional scan, Canadian market scan, strategic options, recommendations, high-level benchmarking

Jonathan Erling

Executive Director – Infrastructure



Jonathan Erling, P.Eng.

Executive Director

KPMG LLP
333 Bay Street
Toronto, ON M5H 2S5

Tel 416-777-3206
Fax 416-777-3515
Cell 416-315-1067
jerling@kpmg.ca

Function and Specialization

Jonathan is a member of the Global Infrastructure Projects Group specializing in the energy and regulated utility sectors.

Education, licences & certifications

Jonathan graduated from the University of Western Ontario with a Bachelor of Engineering Science (Mechanical Option). He also has an M.B.A. in Finance from the University of Toronto.

Background

Jonathan Erling is an Executive Director in the Infrastructure Advisory practice in KPMG's Toronto office and he leads the firm's internal network of economic advisors. He has over 26 years of advisory experience with KPMG. Jonathan specializes in energy and utility economics, regulatory issues, statistics, and forecasting. He also provides financial modelling, cost allocation and strategic planning services for utility and public sector clients.

Professional and Industry Experience

Jonathan has provided expert testimony at the Ontario Energy Board (OEB), the Manitoba Public Utility Board (PUB) and the Island Regulatory and Appeals Commission (PEI). He has acted as Board Consultant for the Nova Scotia Utility and Review Board (NSUARB).

He is a member of Professional Engineers Ontario, the International Association of Energy Economists, and the Toronto Association of Business Economists.

Representative engagements within the past 5 years

- Insurance / Risk Assessment
- New Brunswick Insurance Board-Impact of Insurance Cost Increases.
- Manitoba Public Insurance — Review of Cost Allocation Approach.
- Surety Association of Canada—Measurement of the Benefits of Surety Bonding.
- Insurance Corporation of British Columbia—Economic Assessment of Collision Cost Increases.
- Legal counsel to the Department of Justice—Quantification of Damages.

Jurisdictional Reviews

- CAMPUT — Alternative Approaches to Regulation.
- Ontario Energy Board-Jurisdictional Review of Natural Gas System Expansion.
- Ontario Energy Board- Review of Models for Consumer Representation and Adjudicative Decision-Making.
- Ontario Energy Board- Jurisdictional Review of Policy Options for Funding Capital Investment.
- Ontario Ministry of the Environment-Regulatory Impacts.

Regulatory Support

- New Brunswick Power—Overhead Capitalization and Corporate Cost Allocation.
- Nova Scotia Utility and Review Board— Wholesale Gasoline Margins.
- Direct Energy— Identification of Stand-Alone Costs.
- Union Gas – Cost Allocation—
- Ontario Energy Board- Review of Models for Consumer Representation.
- Manitoba Hydro – Financial Target Review –
- Port of Algoma — Risk Assessment of Alternative Transportation Modes.

Clark Savolaine

Senior Manager- Economics Practice



Clark Savolaine

Senior Manager

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON, Canada M5H 2S5

Tel: 416-777-3203
csavolaine@kpmg.ca

Function and Specialization

Clark is a Senior Manager in KPMG's Advisory practice. He specializes in economic, fiscal and infrastructure policy analysis and strategy development. Clark's clients include government decision-makers at all three levels across the country.

Languages

English

Education, licences & certifications

MSc., London School of Economics, 2005
B.A., Washington and Lee University, 2003

Background

For the past 15 years, Clark has provided robust business analysis and strategic policy advice to corporate leaders and government officials alike in heavily regulated sectors of the economy. Clients often describe his research reports, options analysis and recommendations as insightful, clearly written and substantive. He is a dependable project manager.

Clark has a Master's of Science from the London School of Economics and is proficient in public policy and econometrics. He is a member of the Toronto Association of Business Economists, Toronto Region Board of Trade Infrastructure Committee and has served as an advisor and project manager for senior officials across Canada, the United States and Caribbean.

Professional and Industry Experience

Clark has extensive experience in jurisdictional research, policy analysis and regulatory affairs. His business consulting skill set includes:

- Strategic thinking, policy development and policy implementation
- Leading extensive stakeholder consultations on complex policy topics
- Evaluating cost-benefit trade-offs and performing value-for-money analysis
- Performing detailed jurisdictional reviews and international benchmarking
- Defining expected quantitative and qualitative benefits
- Designing and leading executive-level workshops

Representative engagements within the past 5 years

Toronto Financial Services Alliance, Public-Private Partnerships Policy Paper (2018). KPMG prepared a policy paper on the role that Toronto's financial services sector plays in making the City a global P3 hub. The paper included various P3 funding models and approaches. Clark led the engagement, which included extensive stakeholder consultation with banks, insurers and infrastructure funds.

Ontario Centres of Excellence, Autonomous Vehicles Innovation Network Ecosystem Analysis (2018). Clark led the stakeholder engagement workstream and developed the stakeholder engagement strategy to assist in developing a current state assessment of the Connected and Autonomous Vehicle ecosystem in Ontario. The purpose of the program review was to identify opportunities for further support in developing the C/AV ecosystem and to drive growth of this globally competitive sector.

City of Toronto, Revenue Options Study (2016). Clark led a team that examined the Ontario legislative and regulatory framework to provide a comprehensive assessment of potential revenue tools (e.g., taxes, fees and levies) permitted under current laws to fund the City's planned infrastructure investments. The purpose was to evaluate long-term funding options for the City's stable implementation of transportation capital projects.

Ontario Energy Board, Jurisdictional Benchmarking of Economic Tests Used in Natural Gas System Expansions (2015). The OEB retained KPMG to provide advisory services to help in determining best practices for long-term funding of natural gas distribution system expansion in rural areas. This work included an evaluation of alternative funding models and economic tests used by regulators to best provide for stable, long-term funding for Ontario's programs and support expansion of rural natural gas access.

Omar Raza

Manager - Global infrastructure



Omar Raza

Manager

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON, M5H 2S5

Tel: 416-777-3123
Fax: 416-777-3515
omaraza@kpmg.ca

Function and Specialization

Omar is a Manager in the Global Infrastructure within KPMG's Advisory Services. Omar has seven (7) years of experience in project management, identifying strategic opportunities and stakeholder management.

Languages

English, French

Education, licences & certifications

Master of Laws in Business Law, Osgoode Hall Law School
Bachelor of Laws, University of Windsor
Bachelor of Science (Honours) in Behaviour, Cognition and Neuroscience
Barrister and Solicitor, Law Society of Upper Canada

Background

For the past 8 years, Omar has led strategic projects in the areas of opportunity definition, market research, and the evaluation of historical and current agreements and requirements. He has supported clients in collecting and evaluating information about potential partners.

Omar has extensive experience working with stakeholders and coordinating large and multi-track consultations. He has conducted market assessments in order to provide advice and recommendations about the strategic opportunities for his clients.

Omar is a lawyer and practiced in the area of corporate law and real estate. He has a Master of Laws in Business Law in which he examined board effectiveness and corporate re-organizations in order to enhance business outcomes, profitability, and long-term sustainability.

Professional and Industry Experience

Omar has extensive experience in project management, stakeholder engagement, policy analysis and business case development. His business consulting experience includes:

- leading initiatives to align client needs and service offerings with the return-on-investment analysis and internal or public reporting
- supporting the development of evaluation criteria to be applied to tailored methodologies in order to attain short, medium and long-term public policy objectives
- facilitating large, multi-track consultations with stakeholders and project partners

Representative engagements within the past 5 years

Ontario Centres of Excellence – Connected and Autonomous Vehicle Ecosystem (2018).

OCE is responsible for the administration of the Autonomous Vehicle Innovation Network and retained KPMG to map and identify the connected and autonomous vehicle ecosystem. Omar was the lead author for the final report and coordinated with the team to conduct an extensive series of stakeholder interviews, surveys and an international jurisdictional review to inform the findings of the final report.

Toronto Financial Services Alliance – Public – Private Procurement – (2018).

KPMG completed a benchmarking study to understand the position of the City of Toronto as a cluster for P3 transactions to inform the understanding of the trends and innovation within the P3 market, international, national and local financial services and insurance companies were surveyed for their insights. Omar supported the research and writing of the report that identified Toronto as a centre for P3 excellence.

Confidential Investment Client – Affordable Housing International Comparator Research Paper (2018).

The Client was exploring opportunities to further understand the mix of housing, community plans, community benefits, ownership models, and key risks for affordable housing redevelopments across Canada. Comparable research focused on a large redevelopments of over 100 acres that were analogous to the target site acquired by the client.

Confidential International Registry Provider – Alternative Service Delivery for Registry Services (2017).

KPMG conducted an international jurisdictional scan to understand the leading practices for the delivery of registry services. Omar led and oversaw the development of the policy paper through an agile and dynamic review process with the client due to the changing environmental of the subject area.

Melissa Greene

Consultant - Operations



Melissa Greene

Management Consulting, Operations

KPMG

600 de Maisonneuve O
Montréal, QC, H3A 0A3
Tel +1 514-840-2452
Fax +1 514-840-2187
melgreene@kpmg.ca

Function and Specialization

Melissa is part of KPMG's MC Operations team. Her clients are from both the private and public sectors and operate in a variety of industries, including retail and banking.

Languages

English, French

Education, licences & certifications

BComm, Concordia University
Graduate Certificate in Public Accountancy,
Concordia University
Member of the Quebec Chartered
Professional Accountants Order

Background

Melissa is a part of KPMG's Management Consulting Operations team. She is based out of the Montreal office and is fluent in both English and French. Melissa has over 4 years of experience working as an auditor with large public and private clients in a wide range of industries. Her role as a Senior in Charge consisted of performing risk assessments, executing control testing and substantive procedures while ensuring compliance with IFRS, U.S GAAP and ASPE. While her mandates always required a strong technical skillset and attention to detail, her leadership role also enabled her to develop strong project management skills to meet tight deadlines while ensuring high quality deliverables from her team. Melissa leverages her deep understanding of her client's businesses and her passion for delivering operational excellence to come up with strategic and innovative recommendations for complex business problems.

Representative Experience

Confidential Investment Client

Strategic planning and valuation for a firm seeking financing for growth and expansion targets in the senior residence market. Melissa was responsible for producing two main deliverables (Confidential Information Memorandum and a two page Teaser) and for ensuring smooth communication points between all key stakeholders.

Technology Leader in the Engineering Sector

Melissa was in charge of managing a team performing revision of accounting methods to reflect change in revenue recognition and lease standards. She delivered business process recommendations to ensure the company's financial statements were presented fairly and the control environment was SOX compliant.

International Bank

Designed operating effectiveness test plans for controls in a global organization in order to comply with reporting and regulatory purposes and ensuring data integrity. She was responsible for performing detailed analysis and presenting a high level deliverable to executives to ensure efficiency in the problem solving process.

Manufacturing and Distribution Industry:

Melissa optimized control processes for high risk areas within the organization through the analysis and mapping of key procedures in order to mitigate both the possibility of fraud and error.

Michael Promislow

Senior Manager and Consulting Actuary



Michael Promislow

Senior Manager & Consulting Actuary
Life & Pensions Actuarial Practice

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON M5H 2S5

Direct Tel: 416-819-7824
Office Tel: 416-777-3824
Fax: 416-777-8818
Email: mpromislow@kpmg.ca

Function and Specialization

Life Insurance Valuation and Financial Reporting, Business Planning, Risk Management, Internal Audit, External audit, Life Insurance taxation, GGY AXIS

Languages

English

Education & Certifications

Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries
Volunteer: SOA Examination Committee

Background

Michael is a Consulting Actuary at KPMG in the Life & Pensions Actuarial Practice.

He is an experienced actuary who has worked in a variety of actuarial capacities both in the public and private sector. He specializes in Appointed Actuary work, focusing on Canadian financial reporting, business modeling and sensitivity analysis for Life Insurance companies, Creditor Insurance Companies and Workers Compensation Boards. He has worked on preparing year-end financial statements and supporting disclosures, providing internal management information and analysis and determining external capital requirements. He has experience working with the new Canadian Capital regime (LICAT) as well as analyzing and advising on upcoming changes to actuarial accounting standards (IFRS 17). He has excellent system and data management experience, having extensive experience working with GGY's AXIS, including liability modeling, Canadian reserving (CALM) calculations and Datalink functionality.

Representative Experience

Life Insurance Financial Reporting

- Managed various financial reporting responsibilities to support the work of the Appointed Actuary, including quarterly and annual capital filing and year-end disclosures for Financial Statements and Appointed Actuary report.
- Developed and managed Source of Earnings reporting process for Life insurance products.

External Audit Manager – Life and Health Insurers

- Managed actuarial audit for several insurance entities
- Clients include: Canadian and Caribbean based Life Insurers, Canadian provincial Workers Compensation Boards.
- Audited key assumptions and inputs, actuarial models and accuracy of reported values. Provided written reports to audit partner.
- Reviewed initial LICAT submissions. Advise clients on implementation issues relating to consistency with OSFI Guideline.
- Provided review and signoff to audit team attesting to the reasonableness and sufficiency of the Annual return and public sensitivity disclosures for a large Canadian life insurer

Life Insurance Accounting Standards

- Knowledgeable regarding IFRS 17 standard and industry issues.
- Advised clients on IFRS 17 transition requirements and modeled impact for particular blocks of business.
- Participated in cross functional team for implementation of Fair Value Accounting and adoption of IFRS reporting standards.

Business Planning and Risk Management

- Built line of business financial models to project income, balance sheet and Canadian capital requirements.
- Advised international clients on Canadian reserving and capital requirements
- Adapted models to test significant sensitivities and adverse scenarios (DCAT)
- Managed quarterly sensitivity testing and capital adequacy testing programs

Life insurance Taxation

- Provided oversight and analysis regarding new personal insurance tax regulations to assist client in updating their in-force management and illustration systems.
- Provided actuarial support to taxation area with respect to ongoing CCRA tax audits and financial reporting. Responsible for quarterly and annual actuarial tax reporting requirements.

Houston Cheng

Senior Manager & Consulting Actuary



Houston Cheng

Senior Manager & Consulting Actuary

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON M5H 2S5

Tel: 416-777-8364
Cell: 647-924-3968
hhcheng@kpmg.ca

Function and Specialization

Houston is an actuary in KPMG's Canadian Insurance Practice. His area of focus is providing actuarial advisory services to insurance entities. He is appointed actuary, peer reviewer, and audit actuary to a diverse group of clients in Canada.

Languages

English, Cantonese, French

Education & Certifications

Fellow of the Canadian Institute of Actuaries (FCIA)
Fellow of the Casualty Actuarial Society (FCAS)
B.Math, University of Waterloo

Background

Houston has been part of KPMG's Canadian Property & Casualty (P&C) Actuarial Practice since 2003. Houston is experienced in providing actuarial advisory services to a wide variety of insurance entities, and is knowledgeable on insurance regulatory and governance issues. He is appointed actuary to four companies, including the Alberta Motor Association Insurance Company (AMAI) and New Home Warranty Insurance (Canada) Corporation (NHWIC). He is also peer reviewer and audit actuary to various insurers. Houston is an actuary who excels at communication and is a frequent speaker on actuarial and emerging insurance topics. He is also author of various reports on P&C insurance topics. Houston is an active volunteer, and serves in a leadership capacity with various actuarial organizations. Since 2014, Houston has been teaching an actuarial course on the fundamentals of P&C actuarial reserving concepts at the University of Toronto.

Highlights of professional and industry experience

- Actively involved in current IFRS17 engagements
- Organization of educational material for Canadian actuaries on IFRS17
- Lead author of the Automobile Insurance Transparency and Accountability Expert Reports prepared for the Ontario Ministry of Finance, providing both quantitative and qualitative review of the progress from auto insurance reforms
- Co-author of report for the Insurance Bureau of Canada, analyzing industry profitability for Ontario private passenger automobile insurance
- Appointed actuary to AMAI, NHWIC, Allied World Specialty Insurance Company (Canadian Branch), and the Alberta School Boards Insurance Exchange
- At the CIA, Chair of P&C Financial Reporting Committee and the P&C subcommittee of the Continuing Education Committee

Technical skills

- Obtained significant regulatory experience from 12-month secondment at the Office of the Superintendent of Financial Institutions
- Provide reserving, DCAT and pricing actuarial analysis for P&C insurance companies

Speaking engagements

- Various IFRS17 updates
- Introduction to IFRS17 for actuaries at CIA/CAS webinar (May 2018)
- Impact of sustainability on P&C insurance at CAS Spring meeting (May 2017)
- Trends in P&C insurance at KPMG annual insurance conference (December 2016)
- Implications of sharing economy on insurance at CAS In Focus seminar (October 2016)
- Various seminars on auto insurance in the era of autonomous vehicles (2015-2016)
- Various seminars on water damage risk and Canadian property pricing (2013-2014)

Other activities

- Past Chair of the Board of Directors of Toronto City Mission
- Treasurer and Member of the Board of Directors of the Ontario Prayer Breakfast
- Treasurer of Pacific Rim Actuaries' Club of Toronto

Adam Peleshok

Manager & Consulting Actuary



Adam Peleshok

Manager & Consulting Actuary

KPMG LLP

Bay Adelaide Centre

333 Bay Street, Suite 4600

Toronto, ON M5H 2S5

Tel: 416-777-3771

Fax: 416-777-8818

Email: apeleshok@kpmg.ca

Function and Specialization

Adam is a Manager in KPMG's Canadian Insurance Practice focusing on IFRS 17, appointed actuary support, internal audit and mortgage insurance

Languages

English

Education, Licenses & Certifications

Fellow of the Casualty Actuarial Society (FCAS)

B.Math in Honours Actuarial Science/Statistics Minor, University of Waterloo

Background

Adam is a manager in the Canadian P&C insurance practice of KPMG. He assists insurance companies, audit clients, and industry stakeholders with:

Financial reporting and actuarial valuation of policy liabilities, including modelling of IFRS 17 impacts;

Risk and capital management functions associated with Dynamic Capital Adequacy Testing (DCAT);

Internal audit support of actuarial functions; and

Insurance industry research reports.

Adam has industry experience in valuation, financial projections, and funding with both collective and self-insured employers. Prior to joining KPMG, Adam held the position of actuarial associate at the Workplace Safety & Insurance Board (WSIB) from 2004 to 2012.

Adam has been with KPMG since 2012. He is a Fellow of the Casualty Actuarial Society.

Professional and Industry Experience

- Member of the Canadian KPMG IFRS 17 modelling team
- Provide actuarial analysis of loss reserves and DCAT to a range of property and casualty multi-line and specialty-line companies, including Appointed Actuary Reports
- Participant in the first collaborative insurtech project at Cookhouse Lab with peers, partners, and start-ups in the insurance industry
- Project and resource co-ordination for over 70 audit clients
- Audit support of actuarial estimates of policy liabilities
- Extensive involvement in actuarial analysis for home warranty programs and mortgage insurance
- Provide internal audit support of various actuarial groups within insurance entities, including Sarbanes-Oxley compliance
- Developed a ground-up valuation model for the WSIB
- Performed and analyzed projections of senior management strategic initiatives for setting premium rates and controlling the unfunded liability.
- Experience in working with public entities
- Support the external review process of appointed actuaries valuation reports
- Developed models and templates used in various actuarial analyses
- Researcher and writing contributor to the CIA Research Paper on Water Damage Risk and Canadian Property Pricing

Representative Clients

Allied World Specialty Insurance Company, Genworth Financial Canada, Insurance Bureau of Canada, TD Insurance, Fairfax Financial



Appendix - Subject Matter Experts

Geoff Rush

Partner - Management Consulting



Geoff Rush

Partner, Management Consulting

KPMG Canada
333 Bay Street, Suite 4600
Toronto ON M5H 2S5
M 416 454 8324
T 416 777 3918
geoffrush@kpmg.ca

Education & Certifications

MBA, Melbourne Business School
MA, University of Melbourne
BA, University of Western Ontario

Background

Geoff is a Partner in KPMG's Management Consulting practice based in Toronto. He recently joined KPMG Canada from KPMG's Financial Services practice in Australia. Geoff has over 20 years of experience leading large transformation programs in the banking, insurance and wealth management sectors. During his career, Geoff has held leadership roles in secured and unsecured consumer lending, banking operations and finance. Geoff brings a global perspective to his engagements having worked with leading banks in Canada, the United States, the United Kingdom, Malaysia, Indonesia, New Zealand and Australia. His engagement experience includes developing growth strategies, strategic planning, budgeting and forecasting, program management, operating model design and implementation, operations improvement, channel optimization and customer experience design and implementation. Prior to joining KPMG, Geoff worked for National Australia Bank, Citigroup and A.T. Kearney.

Representative Experience

- Developed a growth strategy for an Australian credit card and consumer lending business
- Reengineered a major Australian bank's end to end process for credit cards and personal loans origination and fulfillment
- Designed the target operating model for a start-up bank in Australia including development of customer journeys and the future bank's product and channel strategy
- Developed an artificial intelligence solution for an Australian bank to help customers select and apply for the mortgage product best suited to their needs
- Developed a growth strategy for the first party distribution channel of a leading Australian retail bank's mortgage business
- Migrated Diners Club Australia from its bespoke cards platform onto its parent bank's VisionPlus cards platform
- Stood up a large scale remediation program for an Australian Wealth Management business to review the quality of advice provided by its financial planners
- Offshored the back-office credit card processing operations of an Australian bank to a low cost country

Stefan Girtler

Senior Manager – DA Infrastructure



Stefan Girtler

Senior Manager, Deal Advisory

Function and Specialization

- Financial Modelling & Option Analysis
- Infrastructure M&A
- Risk Management
- Real Estate Analysis & Development
- Asset Management
- Project Management

Languages

French, English, German, Spanish

Education & Certifications

- Master's degree in International Business Studies from the University of Applied Sciences Kufstein, Austria
- CFA Charterholder
- BIWS Advanced Financial Modelling
- BIWS Oil & Gas Modelling
- Corality Advanced Project Finance Modelling
- Corality Best Practice Project Finance Modelling
- Corality Metals & Mining Modelling
- BIWS Real Estate Modelling
- Euromoney Financial Modelling
- Eurex derivatives exchange trader license
- Canadian Securities Course

Background

Stefan Girtler is a Senior Manager with KPMG's Deal Advisory practice in Montreal, where he focuses on providing financial advisory, financial modelling, and transaction structuring services to global institutional investors. He holds a master's degree in International Business Studies from the University of Applied Sciences Kufstein in Austria and is a CFA Charterholder.

Stefan has over thirteen years of international experience in mergers & acquisitions, financial analysis, and project management. During his career, he has participated in a large number of transactions, developing and validating complex financial models and deal structures for financial and strategic investors.

Representative Experience

Prior to joining KPMG, Stefan worked for PSP Investments, one of Canada's largest pension funds, where he was in charge of risk management for the fund's \$7 billion global infrastructure investment portfolio. In this role, he worked on the fundamental analysis, risk management, and the financial modelling of infrastructure transactions across the globe with a total deal value of over \$12 billion. Before this position, Stefan was an Investment Banking Associate at Asp. Group in Austria where he worked on mergers & acquisitions, real estate development, and project finance mandates.

Financial modelling, confidential

- Stefan leads the development of a complex operating financial model for a brownfield infrastructure asset in the transportation sector, including various business and financing scenarios, allowing the client and its public partners to determine the project's profitability and gainsharing at any point in time.

Real Estate Investment Analysis, Walmart Canada Inc.

- During this 9-month engagement (interim basis), Stefan directly led Walmart Canada's real estate investment analysis department (staff of 14).
- Stefan's team was responsible for the financial modelling and analysis of potential capital investments in Walmart Canada's real estate park of more than 400 stores, the assessment of new real estate opportunities including negotiation support with landlords, the development of alternative strategies for existing stores, the evaluation of high-impact, strategic investments such as the construction of automated distribution centers in Canada, and the assessment of potential acquisitions and strategic partnerships.
- Stefan also managed and improved the capital allocation and approval process for Walmart Canada's annual capital budget and multi-year investment strategy.

Credit Risk Modelling Review, Ontario Teachers' Pension Plan (OTPP)

- For OTPP's global infrastructure investment portfolio, reviewed the credit risk modelling initiatives and recommended on best practices



Appendix – Standard Terms and Conditions

Appendix – Standard Terms and Conditions

1. TERMS AND CONDITIONS.

- a. These Terms and Conditions are an integral part of the accompanying Proposal or Engagement Letter from KPMG that identifies the engagement to which they relate.
- b. In the event of conflict between the Proposal or Engagement Letter and these Terms and Conditions, these Terms and Conditions shall prevail unless specific reference to a provision of the Terms and Conditions being varied is made in the Proposal or Engagement Letter. Other capitalized words in these Terms and Conditions shall have the meanings given to them in the Proposal or Engagement Letter.

2. SERVICES.

KPMG will use reasonable efforts to complete the performance of the services within any agreed-upon time-frame. It is understood and agreed that KPMG's services may include advice and recommendations, but all decisions in connection with the implementation of such advice and recommendations shall be the responsibility of, and made by, Client. KPMG will not perform management functions or make management decisions for Client. Nothing in these Terms and Conditions or Engagement Letter (or Proposal) shall be construed as precluding or limiting in any way the right of KPMG to provide services of any kind or nature whatsoever to any person or entity as KPMG in its sole discretion deems appropriate.

3. CLIENT RESPONSIBILITIES.

- a. Client agrees to cooperate with KPMG in the performance of the services under the Engagement Letter and shall provide or arrange to provide KPMG with timely access to and use of the personnel, facilities, equipment, data and information necessary for KPMG to perform the services under the Engagement Letter. To the extent that KPMG personnel are on Client premises, Client will take all reasonable precautions for the safety of KPMG partners and employees at Client premises. Client shall be responsible for the performance of its employees and agents and for the accuracy and completeness of all data and information provided to KPMG for purposes of the performance by KPMG of its services hereunder. The Proposal or Engagement Letter may set forth additional responsibilities of Client in connection with the engagement. Client acknowledges that Client's failure to perform these obligations could adversely impact KPMG's ability to perform its services.
- b. Client agrees that Client, and not KPMG, shall perform the following functions: (i) make all management decisions and perform all management functions; (ii) designate an individual who possesses suitable skill, knowledge and experience, preferably within senior management, to oversee the performance of the services under the Engagement Letter, and to evaluate the adequacy and results of such services; (iii) accept responsibility for the results of such services; and (iv) establish and maintain internal controls over the processes with which such services are concerned, including, without limitation, monitoring ongoing activities.
- c. Client acknowledges and agrees that KPMG will, in performing the services, base its conclusions on the facts and assumptions that Client furnishes and that KPMG may use data, material, and other information furnished by or at the request or direction of Client without any independent investigation or verification and that KPMG shall be entitled to rely upon the accuracy and completeness of such data, material and other information. Inaccuracy or incompleteness of such data, material and other information furnished to KPMG could have a material effect on KPMG's conclusions.
- d. Client acknowledges that information made available by it, or by others on Client's behalf, or otherwise known to partners or staff of KPMG who are not engaged in the provision of the services hereunder shall not be deemed to have been made available to the individuals within KPMG who are engaged in the provision of the services hereunder. Client undertakes that, if anything occurs after information is provided by Client to KPMG to render such information untrue, unfair or misleading, Client shall promptly notify KPMG.

4. REPORTING.

- a. All oral and written communications by KPMG to Client with respect to the engagement, including, without limitation, drafts and those communications occurring prior to the execution of the Engagement Letter, will be subject to the terms and conditions of the Engagement Letter and these Terms and Conditions. During the performance of the services, KPMG may supply oral, draft or interim advice, reports or presentations but in such circumstances KPMG's written advice or final written report shall take precedence. No reliance should be placed by Client on any oral, draft or interim advice, reports or presentations. Where Client wishes to rely on oral advice or oral presentation, Client shall inform KPMG and KPMG will provide documentary confirmation of the advice concerned. In the event that no final report is issued and Client wishes to rely on draft or interim advice provided by KPMG, Client shall advise KPMG of same and obtain documentary confirmation from KPMG that Client may rely on such advice.

Appendix – Standard Terms and Conditions

- b. Subsequent to the completion of the engagement, KPMG will not update its advice, recommendations or work product for changes or modification to the law and regulations, or to the judicial and administrative interpretations thereof, or for subsequent events or transactions, unless Client separately engages KPMG to do so in writing after such changes or modifications, interpretations, events or transactions occur.

5. WORKING PAPERS AND USE OF REPORTS; USE OF NAME AND LOGO

- a. KPMG retains all rights in all methodologies, know-how, knowledge, applications and software developed by KPMG either prior to or during the engagement. KPMG also retains all rights (including, without limitation, copyright) in all reports, written advice and other working papers and materials developed by KPMG during the engagement. Unless contemplated by the Engagement Letter, all reports and written advice are confidential and intended solely for Client's internal use (or the use of Client's management, as applicable) to assist with this specific matter or transaction, and, where applicable, government taxation authorities, and are not for general use, circulation or publication. Such reports and written advice shall not be edited, referred to, circulated, reproduced, distributed, published, made available, used for any other purpose or relied upon by any other person without KPMG's express written permission and on such terms and conditions as KPMG may require in its sole discretion. If such permission is given, Client shall not publish any extract or excerpt of KPMG's written advice or report or refer to KPMG without providing the entire advice or report at the same time. Notwithstanding the foregoing, Client may disclose in whole any report or written advice given to Client by KPMG hereunder solely to Client's legal and professional advisors for the purposes of Client seeking advice in respect of the transaction or matter to which the engagement relates, provided that when doing so Client informs such advisors that: (i) disclosure by them (except as permitted herein) is not permitted without KPMG's prior written consent; and (ii) KPMG accepts no responsibility or liability to such advisors in connection with such reports or written advice. Subject to the restrictions of Section 6, KPMG is entitled to use or develop the knowledge, experience and skills of general application gained through performing the engagement.
- b. Client shall not refer to KPMG or use KPMG's name or logo in any manner or medium without the prior written permission of KPMG in each instance, which permission may be unreasonably withheld by KPMG.
- c. The contents of this Section 5 may be reproduced in any report or written advice of KPMG, in whole or in part, at KPMG's sole discretion. Any failure of KPMG to include any such language shall not derogate from the obligations set out in this Section 5.

6. CONFIDENTIALITY.

- a. Except as described in Section 5 above, Client will treat in confidence any information provided by KPMG to Client, including but not limited to KPMG methodologies, know-how, knowledge, application or software, and will not use or disclose any such confidential information of KPMG to others.
- b. Except as expressly set forth herein, KPMG will treat as confidential all proprietary information and personal information obtained from Client in the course of the engagement.
- c. The restrictions in subsections 6(a) and (b) above shall not apply to any information that: (i) is required by law or professional standards applicable to KPMG to be disclosed; (ii) that is in or hereafter enters the public domain; (iii) that is or hereafter becomes known to Client or KPMG, as the case may be, without breach of any confidentiality obligation; or (iv) that is independently developed by KPMG.
- d. KPMG shall be entitled to include a description of the services rendered in the course of the engagement in marketing and research materials and disclose such information to third parties, provided that all such information will be rendered anonymous and not subject to association with Client.
- e. KPMG shall be entitled to share all information with all other member firms of KPMG International Cooperative ("KPMG International"). KPMG may also use such information to offer services that may be of interest to Client. KPMG may retain and may disclose to other KPMG International member firms, subject to terms of this Section 6, such information required for compliance with applicable professional standards or internal policies or for quality reviews or to share best practices.
- f. Professional standards require KPMG personnel performing any audit or assurance services for clients to discuss or have available to them all information and materials that may affect the audit or assurance engagement. Client authorizes, if Client is or becomes an assurance Client, KPMG personnel performing services under the engagement to make available to the KPMG assurance engagement team and other KPMG personnel, the findings, observations and recommendations from the engagement and agrees that KPMG may use all such findings, observations and recommendations in KPMG's assurance engagement.

Appendix – Standard Terms and Conditions

- g. Except as required by applicable law or regulation, Client shall keep confidential the existence and terms of the Proposal or the Engagement Letter (as applicable) and these Terms and Conditions. Such confidential information shall not be distributed, published or made available to any other person without KPMG's express written permission. Further, for purposes of the services described in the Engagement Letter only, the Client hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of Client solely for presentations or reports to the Client or for internal KPMG presentations and intranet sites.

7. PERSONAL INFORMATION CONSENTS AND NOTICES.

Any collection, use or disclosure of personal information is subject to KPMG's Privacy Policy available at www.kpmg.ca. KPMG may be required to collect, use and disclose personal information about individuals during the course of the engagement. Client represents and warrants that: (i) it will obtain from individuals all consents required by law to permit KPMG to collect, use and disclose all personal information reasonably required in the course of the engagement, and (ii) it has provided notice of KPMG's potential processing of information outside of Canada (as described in Section 8 below) to all individuals whose personal information is disclosed to KPMG.

8. USE OF MEMBER FIRMS AND THIRD PARTY SERVICE PROVIDERS.

Personal and/or confidential information collected by KPMG during the course of the engagement may be used, processed and stored outside of Canada by KPMG, KPMG International member firms providing services hereunder, KPMG subsidiaries, affiliates and related parties or third party service providers to provide professional services and administrative, analytical and clerical support and to comply with applicable law, regulations and professional standards. Client also understands and agrees that KPMG aggregates Client's information with information from other sources for the purpose of improving quality and service, and for use in presentations to clients and non-clients, in a form where such information is sufficiently de-identified so as not to be attributable to Client. KPMG represents to Client that each KPMG International member firm; KPMG subsidiary, affiliate and related party; and third party service provider providing services hereunder has agreed or shall agree to conditions of confidentiality with respect to Client's information to the same or similar extent as KPMG has agreed pursuant to Section 6. Further, KPMG is responsible to Client for causing such KPMG subsidiaries, affiliates, related parties and third party service providers to comply with such conditions of confidentiality, and KPMG shall be responsible to Client for their failure to comply and failure of each KPMG International member firm providing services hereunder to comply with its obligations of confidentiality owed to KPMG. Any services performed by KPMG subsidiaries, affiliates, related parties and third party service providers shall be performed in accordance with the terms of the Engagement Letter, including Section 6, but KPMG shall remain responsible to Client for the performance of such services and services performed by each KPMG International member firm providing services hereunder. Such personal and/or confidential information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG's Privacy Officer noted in KPMG's Privacy Policy is able to answer any individual's questions about the collection of personal information required for KPMG to deliver services hereunder.

9. TAXES/BILLING/EXPENSES/FEES.

- a. All fees and other charges do not include any applicable federal, provincial, or other goods and services or sales taxes, or any other taxes or duties whether presently in force or imposed in the future. Any such taxes or duties shall be assumed and paid by Client without deduction from the fees and charges hereunder.
- b. Bills will be rendered on a regular basis as the engagement progresses. Our professional fees are also subject to a technology and support charge to cover information technology infrastructure costs and administrative support of our client service personnel which are not included in our client service personnel fee. The technology and support fee covers costs such as our client service personnel computer hardware and customized KPMG software, telecommunications equipment, client service professional administrative support, IT programming, professional services and other client support services. Other direct out-of-pocket costs, such as travel, will be charged separately based on our actual costs. For certainty, Client acknowledges that to the extent a subsidiary, affiliate or related party of KPMG is engaged by KPMG to assist KPMG in providing the services hereunder, Client may receive bills from such subsidiary, affiliate or related party of KPMG for such services. Accounts are due when rendered. Interest on overdue accounts is calculated at the rate noted on the invoice commencing 30 days following the date of the invoice.
- c. Without limiting its rights or remedies, KPMG shall have the right to halt or terminate entirely its services until payment is received on past due invoices.

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- d. In the event that the engagement is terminated and Client proceeds to complete the transaction or financing within 18 months from the termination date, then the full amount of any Completion Fee shall be payable on closing of the transaction or the completion of financing, regardless of whether KPMG provided further service.

10. INDEMNIFICATION AND LIMITATION OF LIABILITY.

- a. In the event that an engagement requires the involvement of individuals who are not members of the Ordre des comptables professionnels agréés du Québec and who reside outside of the Province of Québec, the liability of KPMG arising from the performance of the Services by these individuals shall be limited as follows: (i) KPMG shall not be liable to Client for any actions, damages, claims, complaints, demands, suits, proceedings, fines, penalties, liabilities, costs, expenses, or losses (collectively, "Claims") in any way for an aggregate amount in excess of the fees paid by Client to KPMG under the engagement, (ii) KPMG shall not be liable to Client for consequential, special, indirect, incidental, punitive or exemplary damages, liabilities, costs, expenses, or losses (including without limitation lost profits and opportunity costs), and (iii) the liability arising from the performance of the services by these individuals shall be joint and not solidary with the liability (if any) arising from the performance of the services by members of the Ordre des comptables professionnels agréés du Québec and individuals who reside in the Province of Québec. On a multi-phase engagement, KPMG's liability shall be based on the amount actually paid to KPMG for the particular phase that gives rise to the liability.
- b. In the event of a Claim by any third party against KPMG, Client will indemnify KPMG as follows : (i) with respect to any Claim that arises out of or relates to the services performed by members of the Ordre des comptables professionnels agréés du Québec or individuals who reside in the Province of Québec, Client will indemnify and hold harmless KPMG from all such Claims, including without limitation, reasonable legal fees, except to the extent finally determined to have resulted from the fault or negligence of these individuals, (ii) with respect to any claim that arises out or relates to Services performed by individuals who are not members of the Ordre des comptables professionnels agréés du Québec and who reside outside of the Province of Québec, Client will indemnify KPMG from all such Claims, including without limitation, reasonable legal fees, except to the extent finally determined to have resulted from the intentional, deliberate or fraudulent misconduct of these individuals.
- c. In any Claim arising out of the engagement, Client agrees that KPMG's liability will be joint and not solidary. Client may only claim payment from KPMG of KPMG's proportionate share of the total liability based on degree of fault.
- d. For purposes of this Section 10, the term KPMG shall include its subsidiaries, its associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives. The provisions of this Section 10 shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

11. LEGAL PROCEEDINGS.

- a. Client agrees to notify KPMG promptly of any request received by Client from any court or applicable regulatory authority with respect to the services hereunder, KPMG's confidential information, KPMG's advice or report or any related document.
- b. If KPMG is required by law, pursuant to government regulation, subpoena or other legal process to produce documents or personnel as witnesses arising out of the engagement and KPMG is not a party to such proceedings, Client shall reimburse KPMG at standard billing rates for professional time and expenses, including, without limitation, reasonable legal fees, expenses and taxes, incurred in responding to such compelled assistance.
- c. If Client requests that KPMG produce documents or personnel as witnesses in any proceedings in any way related to the engagement or services provided by KPMG hereunder and KPMG is not a party to such proceedings, KPMG may agree to produce documents or personnel as witnesses on such terms and conditions as KPMG may, in its sole discretion, determine. Without limiting the generality of the foregoing, Client shall reimburse KPMG at standard billing rates for professional time and expenses, including, without limitation, reasonable legal fees, expenses and taxes, incurred in responding to such Client requests.

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- d. Client acknowledges that KPMG may from time to time receive requests or orders from professional, securities or other regulatory, judicial or governmental authorities (both in Canada and abroad) to provide them with information and copies of documents in KPMG's files including, without limitation, working papers and other work-product relating to Client, which information and documents may contain confidential information of Client. Except where prohibited by law, KPMG will advise Client of the request or order. Client hereby acknowledges that KPMG will provide these documents and information without further reference to, or authority from Client.

Client must mark any document over which it asserts privilege or professional secrecy as "privileged". When such an authority requests access to KPMG's working papers and other work-product relating to Client's affairs, KPMG will, on a reasonable efforts basis, refuse access to any document over which Client has expressly informed KPMG at the time of delivery that the Client asserts privilege or professional secrecy (by the Client marking such document as "privileged" as contemplated in the foregoing sentence). Notwithstanding the foregoing, where disclosure of privileged documents or documents protected by professional secrecy is required by law, KPMG will disclose such documents. If and only if the authority requires such access to such privileged documents or documents protected by professional secrecy pursuant to the laws of a jurisdiction in which express consent of the Client is required for such disclosure, then Client hereby provides its consent.

Where privileged Client documents or documents protected by professional secrecy are disclosed by KPMG as contemplated above, KPMG is directed to advise the authority that Client is permitting disclosure only to the extent required by law and for the limited purpose of the authority's exercise of statutory authority. KPMG is directed to advise the authority that Client does not intend to waive privilege or secrecy for any other purpose and that Client expects its documents to be held by the authority as privileged and confidential material). For greater certainty, Client and KPMG hereby agree that this acknowledgement (and, if required, consent) does not negate or constitute a waiver of privilege or secrecy for any purpose and Client expressly relies upon the privilege or secrecy protections afforded under statute and otherwise under law.

12. TERMINATION.

Unless terminated sooner in accordance with its terms, the engagement shall terminate on the completion of KPMG's services hereunder, which completion shall be evidenced by the delivery by KPMG to Client of the final invoice in respect of the services performed hereunder. Should Client not fulfill its obligations set out herein or in the Engagement Letter and in the absence of rectification by Client within 10 days, KPMG may, upon written notice, terminate its performance and will not be responsible for any loss, cost or expense resulting therefrom. If at any time during the engagement it is determined by KPMG, in its sole discretion, that there may be an actual or potential breach by KPMG of applicable professional standards, KPMG may terminate the engagement, without liability, immediately on notice to Client. The engagement may be terminated by either party at any time by giving written notice to the other party not less than 30 calendar days before the effective date of termination. Upon early termination of the engagement, Client shall be responsible for the payment to KPMG for KPMG's time and expenses incurred up to the termination date, as well as reasonable time and expenses to bring the engagement to a close in a prompt and orderly manner.

13. E-MAIL COMMUNICATION.

Client recognizes and accepts the risks associated with communicating by Internet e-mail, including (but without limitation) the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Unless Client requests in writing that KPMG does not communicate by Internet e-mail, Client assumes all responsibility or liability in respect of the risk associated with its use.

14. POTENTIAL CONFLICTS OF INTEREST.

- a. For purposes of this Section 14, "KPMG" means KPMG LLP and KPMG subsidiaries, affiliates and related parties providing services hereunder, if applicable. KPMG is engaged by a wide variety of entities and individuals, some of whom may be creditors, investors, borrowers, shareholders, competitors, suppliers or customers of Client, or other parties with conflicting legal and business interests to Client, including, without limitation, in relation to the audit, tax or advisory services provided to Client by KPMG. KPMG's engagements with such companies and individuals may result in a conflict with Client's interests.
- b. As a condition of KPMG's engagement by Client, Client agrees that: (i) without further notice or disclosure, KPMG may accept or continue engagements on unrelated matters to KPMG's engagement for Client in which KPMG may act contrary to Client's interests even if those unrelated matters are materially and directly adverse to Client; and (ii) without further notice or disclosure, KPMG may provide advice or services to any other person or entity making a competing bid or proposal to that of Client whether or not KPMG is providing advice or services to Client in respect of Client's competing bid or proposal.

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- c. In accordance with professional standards, and except as set out below, KPMG will not use any confidential information regarding Client in connection with its engagements with other clients, and will establish confidentiality and other safeguards to manage conflicts, which may include, in KPMG's sole discretion, the use of separate engagement teams and data access controls. In no event shall KPMG be liable to Client or shall Client be entitled to a return of fees and disbursements incurred on behalf of Client or any other compensation whatsoever as a result of KPMG accepting or continuing a conflicting engagement.
- d. Client further agrees that KPMG may, in its sole discretion, disclose the fact or general nature of its engagement for Client to (i) KPMG International and other KPMG International member firms in order to check against potential conflicts of interest, and (ii) to the extent reasonably required in order to obtain the consent of another entity or individual in order to permit KPMG to act for such entity or individual, or for Client, in connection with the engagement or any future engagement.
- e. Where another party has engaged KPMG to deliver services before Client has done so, and subsequently circumstances change such that there is a conflict, which in KPMG's sole opinion cannot be adequately managed through the use of confidentiality and other safeguards, KPMG shall be entitled to terminate the engagement for Client, without liability, immediately upon notice.
- f. Other KPMG International member firms are engaged by many entities and individuals, including, without limitation, entities and individuals that may enter into transactions or may have disputes with Client or Client's related or affiliated entities. Client agrees that (i) it will not assert that other KPMG International member firms are precluded from being engaged by those other entities or individuals, and (ii) those engagements of other KPMG International member firms do not conflict with KPMG's engagement for Client.
- g. Client will indemnify and hold harmless KPMG, its subsidiaries and associated and affiliated entities, and their respective current and former partners, directors, officers, employees, agents and representatives from any Claim by any third party (including, without limitation, reasonable legal fees) that alleges that KPMG was in a conflict of interest by providing services hereunder, except to the extent finally determined to have resulted from the fault or negligence of KPMG. The provisions of this subsection 14(g) shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.
- h. KPMG encourages Client to obtain legal advice with respect to Client's rights in connection with potential future conflicts prior to entering into the engagement.

15. FORCE MAJEURE.

Neither Client nor KPMG shall be liable for any delays resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire or other casualty, act of God, strike or labour dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.

16. INDEPENDENT CONTRACTOR.

It is understood and agreed that each of the parties hereto is an independent contractor and that neither party is, nor shall be considered to be, an agent, distributor or representative of the other. Neither party shall act or represent itself, directly or by implication, as an agent of the other or in any manner assume or create any obligation on behalf of, or in the name of, the other.

17. SURVIVAL.

Sections 1, 4(b), 5 to 14, 16 to 29, 30(a) and (c)-(g) and 32 to 33 hereof shall survive the expiration or termination of the engagement.

18. SUCCESSORS AND ASSIGNS.

These Terms and Conditions and the accompanying Proposal or Engagement Letter shall be binding upon the parties hereto and their respective subsidiaries and associated and affiliated entities and their respective partners, directors, officers and employees and successors and permitted assigns. Except as provided below, neither party may assign, transfer or delegate any of the rights or obligations hereunder without the prior written consent of the other party. KPMG may assign its rights and obligations hereunder to any affiliate or successor in interest to all or substantially all of the assets or business of the relevant KPMG practice, without the consent of Client. In addition, KPMG may arrange for or engage (as applicable) KPMG affiliates, subsidiaries, related parties, independent contractors and KPMG International member firms to assist KPMG in performing the services hereunder.

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19. SEVERABILITY.

The provisions of these Terms and Conditions and the accompanying Proposal or Engagement Letter shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law, regulation or professional standards. If any of these provisions shall be held to be invalid, void or unenforceable, then the remainder of these Terms and Conditions and the attached Proposal or Engagement Letter, as the case may be, shall not be affected, impaired or invalidated, and each such provision shall be valid and enforceable to the fullest extent permitted by law.

20. ENTIRE AGREEMENT.

These Terms and Conditions and the accompanying Proposal or Engagement Letter including, without limitation, Exhibits, constitute the entire agreement between KPMG and Client with respect to the engagement and supersede all other oral and written representation, understandings or agreements relating to the engagement.

21. GOVERNING LAW.

These Terms and Conditions and the accompanying Proposal or Engagement Letter shall be subject to and governed by the laws of the province of Quebec (without regard to Quebec's rules on conflicts of law).

22. LANGUAGE.

Client has expressly required that the Terms and Conditions and the Proposal or Engagement Letter and all documents and notices relating hereto be drafted in English.

Le client a expressément exigé que les présentes conditions et l'offre de service ou la lettre de mission, de même que tous les documents et avis connexes, soient rédigées en anglais.

23. PUBLICITY.

Upon the closing of a transaction, KPMG will have the right (but shall not be obliged), at its expense, to publicize its association with the transaction by way of public announcement in "tombstone" or similar format, subject to prior review of the wording for any such announcement with Client.

24. KPMG INTERNATIONAL MEMBER FIRMS.

In the case of multi-firm engagements, all KPMG International member firms performing services hereunder shall be entitled to the benefits of these Terms and Conditions. Client agrees that any Claims that may arise out of the engagement will be brought solely against KPMG, the contracting party, and not against any other KPMG International member firms or such third party service providers referred to in Section 8 above.

25. SARBANES-OXLEY ACT.

Except as set forth in the Engagement Letter, Client acknowledges that completion of the engagement or acceptance of KPMG's reports, advice, recommendations and other deliverables resulting from the engagement will not constitute a basis for Client's assessment of internal control over financial reporting or Client's evaluation of disclosure controls and procedures, or its compliance with its principal officer certification requirements under Section 302 of the *Sarbanes-Oxley Act of 2002* (the "Act"). The engagement shall not be construed to support Client's responsibilities under Section 404 of the Act requiring each annual report filed under Section 13(a) or 15(d) of the *Securities Exchange Act of 1934* to contain an internal control report from management.

26. NATIONAL INSTRUMENT 52-109.

Except as set forth in the Engagement Letter, Client acknowledges that completion of the engagement or acceptance of KPMG's reports, advice, recommendations and other deliverables resulting from the engagement will not constitute a basis for Client's evaluation of disclosure controls and procedures and internal control over financial reporting, or its compliance with its CEO/CFO certification requirements under *National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings*, including those related to the design of disclosure controls and procedures and internal control over financial reporting.

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27. SPECIFIC ACCOUNTING AND OTHER ADVICE.

Except as set forth in the Engagement Letter, the engagement does not contemplate the provision of specific accounting advice or opinions or the issuance of a written report on the application of accounting standards to specific transactions and facts and circumstances of Client. Such services, if requested, would be provided pursuant to a separate engagement.

Client should consult with and/or engage legal counsel for the purpose of advising on legal aspects of matters on which KPMG provides its advice and drafting any legal documents and/or agreements that may be required. To the extent legal counsel or other professional service providers are required, Client is exclusively responsible for engaging and paying such service providers.

28. TAX SERVICES.

- a. If tax work is specifically requested by Client, KPMG will perform the procedures in accordance with this Section 28. KPMG will base its findings exclusively on the facts and assumptions provided to KPMG by Client and Client's personnel and advisors. KPMG will consider the applicable provisions of the relevant taxing statutes, the regulations thereunder, applicable tax treaties and judicial and administrative interpretations thereof. In the case of Canadian tax services only, KPMG will also take into account all specific proposals to amend such statutes, regulations and treaties publicly announced prior to the date of KPMG's reports, based on the assumption that these amendments will be enacted substantially as proposed. For certainty, in the case of US tax services, KPMG shall not take into account any specific proposals to amend such statutes, regulations and treaties. The authorities referred to in this subsection 28(a) are subject to change, retroactively and/or prospectively, and any such changes could affect the validity of KPMG's findings and may result in incremental taxes, interest or penalties. KPMG's findings will not otherwise take into account or anticipate any changes in law or practice, by way of judicial, governmental or legislative action or interpretation. Unless Client specifically requests otherwise, KPMG will not update tax work to take any such changes into account.
- b. KPMG will use professional judgment in providing advice, and will, unless Client instructs otherwise, take the position most favourable to Client whenever reasonable. All returns are subject to examination by tax authorities, and KPMG's advice may be audited and challenged by a tax authority. Client understands that KPMG's conclusions are not binding on tax authorities or the courts and should not be construed as a representation, warranty or guarantee that the tax authorities or courts will agree with KPMG's conclusion.
- c. Client is also responsible for ensuring that KPMG's advice is implemented strictly in accordance with KPMG's recommendations. KPMG is not responsible for any penalties or interest assessed against Client as a result of a failure by Client to provide KPMG with accurate and complete information.
- d. Unless expressly provided for, KPMG's services do not include representing Client in the event of a challenge by the Canada Revenue Agency or other tax or revenue authorities.

29. TAX SERVICES FOR SEC REGISTERED AUDIT CLIENTS AND/OR US TAX SERVICES

- a. In circumstances where the services provided by KPMG hereunder: (i) involve the delivery of any tax services, Client is or is an affiliate of (whether at the time of the engagement or at any point thereafter) an entity that is registered with the United States Securities and Exchange Commission ("SEC"), and Client or such affiliate is audited by KPMG; or (ii) involve the delivery of US tax services, then the prohibition regarding the distribution of KPMG's reports and written advice set out in Section 5 of these Terms and Conditions shall not apply and no provision of the Engagement Letter is or is intended to be construed as a condition of confidentiality in relation to the tax services to which (i) and/or (ii) above are applicable. Further, in respect of the services to which (i) and/or (ii) above are applicable, no provision in the Engagement Letter or these Terms and Conditions is or is intended to be construed as a condition of confidentiality within the meaning of Internal Revenue Code ("IRC") sections 6011, 6111, 6112 or the regulations thereunder, or under any similar or analogous provisions of the laws of a state or other jurisdiction. In particular, Client (and each employee, representative, or other agent of Client) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of any transaction within the scope of the engagement and all materials of any kind (including opinions and other tax analyses) that are provided to Client relating to such tax treatment and tax structure. Client also agrees to use commercially reasonable efforts to inform KPMG of any conditions of confidentiality imposed by third party advisors with respect to any transaction on which KPMG's advice is requested. Such notification must occur prior to KPMG providing any advice with respect to the transaction.
- b. For certainty, Section 5 of these Terms and Conditions shall continue to apply in its entirety, and this Section 29 shall not apply, to any tax services to which subsection 29(a)(i) and/or (ii) above are not applicable. In this Section 29, the term "affiliate" is interpreted as that term is used by the SEC with reference to auditor independence rules.

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- c. In respect of any tax services to which subsection 29(a)(i) or (ii) above are applicable, any reports or advice (“Tax Deliverable”) released to Client in any form or medium shall be supplied by KPMG on the basis that it is for Client’s benefit and use only. If Client refers to or discloses in whole or in part any Tax Deliverable to any third party, Client shall notify such third party in writing as follows: that (i) the tax services performed by KPMG for Client were designed to meet Client’s agreed requirements only, as determined by Client’s needs at the time; (ii) any product of the tax services should not be regarded as suitable to be used or relied upon by any party wishing to acquire any rights against KPMG other than Client; (iii) KPMG does not assume any responsibility in respect of the tax services performed for Client, any product of the tax services, or any judgments, conclusions, opinions, findings or recommendations that KPMG may have formed or made, to any party except Client; (iv) to the fullest extent permitted by law, KPMG accepts no liability in respect of any such matters to any other person; and (v) should any person or entity except Client choose to rely on the tax services or any product thereof, that person or entity will do so at their own risk. Notwithstanding the foregoing, (A) in the event of a disclosure made by Client that is required by law, that is made to a regulatory authority having jurisdiction over Client, or that is made pursuant to subsection 29(a) above, no such notification shall be required and (B) no such notification shall be required with respect to disclosures expressly authorized by the Engagement Letter.
- d. If Client refers or discloses in whole or in part any Tax Deliverable to any third party but does not notify such third party in writing as required in subsection 29(c) above, unless KPMG has agreed in writing with such third party to accept responsibility and liability to that third party in respect of the tax services and the Tax Deliverable, Client shall compensate KPMG and reimburse KPMG for and protect, indemnify and hold harmless KPMG against any Claim incurred by KPMG (including, without limitation, reasonable legal fees) as a result of, arising from or in connection with any such reference or disclosure, except to the extent finally determined to have resulted from the fault or negligence of KPMG. If any payment is made by Client under this subsection 29(d), Client shall not seek recovery of that payment from KPMG at any time. In this subsection 29(d), “KPMG” shall include KPMG and its subsidiaries, its associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives, and “Client” shall include Client, Client’s affiliates and any other beneficiaries of KPMG’s tax services. The foregoing indemnification obligations shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.
- e. Treasury regulations under IRC section 6011 require taxpayers to disclose to the IRS their participation in reportable transactions and IRC section 6707A imposes strict penalties for noncompliance. Client agrees to use commercially reasonable efforts to inform KPMG if Client is required to disclose any transaction covered by the Engagement Letter as a reportable transaction to the IRS or to any state or other jurisdiction adopting similar or analogous provisions. IRC section 6111 requires a material advisor with respect to a reportable transaction to disclose information on the transaction to the IRS by a prescribed date, and IRC section 6112 requires the material advisor to maintain, and make available to the IRS upon request, a list of persons and other information with respect to the transaction. KPMG will use commercially reasonable efforts to inform Client if KPMG provides Client’s identifying information to the IRS under IRC section 6111 or 6112, or to any state or other jurisdiction adopting similar or analogous provisions.
- f. For engagements where services will be provided by a KPMG International member firm with offices located in California, Client acknowledges that certain of KPMG’s personnel who may be considered “owners” under the California Accountancy Act and implementing regulations (California Business and Professions Code section 5079(a); 16 Cal. Code Regs. sections 51 and 51.1) and who may provide services in connection with the engagement, may not be licensed as certified public accountants under the laws of any of the various states.

30. DUE DILIGENCE SERVICES (TAX AND TRANSACTION SERVICES)

- a. The procedures KPMG will perform are limited to those referred to in the Engagement Letter and its appendices. The procedures KPMG will perform are limited in nature and extent to those determined by Client to meet its needs and, as such, will not necessarily disclose all significant matters about Target or reveal errors in the underlying information, instances of fraud, or illegal acts, if any. KPMG provides no assurance and makes no representation regarding the sufficiency of the procedures either for the purpose of the proposed transaction in the context of which KPMG has been engaged or for any other purpose. KPMG’s findings will not constitute recommendations to Client as to whether or not Client should proceed with any proposed transactions. In performing the procedures and reporting its findings, KPMG will rely exclusively upon information provided to KPMG by Target, its personnel and advisors, Client’s advisors, and Client, and any publicly available information KPMG obtains, and will not independently verify the accuracy or completeness of such information. KPMG’s procedures with respect to Target’s financial information will be substantially less in scope than any audit or other attestation standards, including without limitation those established by the Auditing and Assurance Standards Board and the Chartered Professional Accountants of Canada. Consequently, KPMG expresses no opinion and will provide no other form of assurance on Target’s prospective financial information, financial statements or Target’s internal control over financial reporting.

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- b. Client agrees to review reports promptly and to advise KPMG on a timely basis of any additional procedures Client would like KPMG to perform or areas to address.
- c. In the event KPMG performs procedures related to future-oriented financial information, KPMG will not compile, examine, or apply other assurance procedures to such information and, accordingly, will express no opinion or any other form of assurance or representations concerning its accuracy, completeness or presentation format. Future-oriented financial information is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.
- d. Unless specifically requested by Client, KPMG is not obligated to provide a copy of the report to Target for the purpose of confirming Target's representations concerning the accuracy of the factual information presented in the report. If Client would like Target to review the report, KPMG will require Client and Target to indemnify KPMG for any Claims arising out of or relating to such review on such terms and conditions specified by KPMG in its sole discretion. In certain instances, Client may request that KPMG's report be distributed to a third party for informational purposes. KPMG will consider consenting to distribution based on such factors as the identity of the third party and the third party's intended use of the report. If KPMG agrees to the distribution of the report to a third party, Client agrees to execute and agrees to require the third party to execute an agreement in the form provided by KPMG regarding the release of information.
- e. Client expressly acknowledges and agrees that if Client and Target (as such terms are defined in the Engagement Letter) are the same entity, that all references herein to "Target" shall be deemed to be references to "Client".
- f. The provisions of subsections 3(c)-(d) and Section 6 shall apply to information about Target provided to KPMG in the course of performing the services under the Engagement Letter. Client agrees to use all reasonable efforts to arrange for KPMG's access to Target's personnel and advisors, business offices and financial information as required for KPMG to perform the services contemplated by the Engagement Letter.
- g. If KPMG serves as independent auditors of Target or another party disclosed to Client, or provides any other audit or attestation services to Target or such other party (such as the target of a contract compliance review or a party having a connection to an investigation or proceeding), Client hereby acknowledges and agrees that KPMG may be in possession of confidential information concerning Target or such other party that may be relevant to Client's due diligence procedures or other services KPMG is providing to Client under the Engagement Letter and that such information will not be disclosed to Client unless Target or such other party provides prior written consent to such disclosure or provides such information directly to Client or to the KPMG engagement team serving Client for purposes of the services under the Engagement Letter.

31. LOBBYING

Unless expressly stated in the Engagement Letter, KPMG will not undertake any lobbying activity, as that term is defined in all applicable federal, provincial and municipal lobbyist registration statutes and regulations, in connection with the engagement. In the event that KPMG and Client agree that KPMG will undertake lobbying activity in connection with the engagement, such agreement shall be set out in an amendment to the Engagement Letter.

32. LLP.

KPMG LLP is a registered limited liability partnership ("LLP") established under the laws of the Province of Ontario and is registered extra-provincially in Quebec. KPMG is a partnership, but its partners have a degree of limited liability. A partner is not personally liable for any debts, obligations or liabilities of the LLP that arise from a negligent act or omission by another partner or any person under that other partner's direct supervision or control. The legislation relating to limited liability partnerships does not, however, reduce or limit the liability of the firm. The firm's insurance exceeds the mandatory professional indemnity insurance requirements established by the relevant professional bodies. Subject to the other provisions hereof, all partners of the LLP remain personally liable for their own actions and/or actions of those they directly supervise or control.

Appendix – Standard Terms and Conditions

33. ALTERNATIVE DISPUTE RESOLUTION.

The parties shall, and shall cause both their and their respective subsidiaries', affiliates' and associated entities' current and former officers, partners, directors, employees, agents and representatives, to first attempt to settle any dispute arising out of or relating to the Engagement Letter or the services provided hereunder (the "Dispute") through good faith negotiations in the spirit of mutual cooperation between representatives of each of the parties with authority to resolve the Dispute. In the event that the parties are unable to settle or resolve a Dispute through negotiation within 30 days of when one of the parties has notified the other party of the Dispute by delivering a notice of dispute or such longer period as the parties may mutually agree upon, such Dispute shall, as promptly as is reasonably practicable, be subject to mediation pursuant to the National Mediation Rules of the ADR Institute of Canada, Inc. that are in force at the time the notice of dispute is delivered. Any Dispute remaining unresolved for more than 60 days following the parties first meeting with a mediator or such longer period as the parties may mutually agree upon shall, as promptly as is reasonably practicable, be resolved by arbitration pursuant to the Arbitration Rules of the ADR Institute of Canada, Inc. (the "Arbitration Rules") that are in force at the time the Dispute is subject to arbitration. For certainty, the parties hereby waive any right they may otherwise have to bring a court action in connection with a Dispute. The parties also waive any right they may otherwise have to bring or participate in a class, collective or representative proceeding in connection with a Dispute, whether in court or before an arbitrator. The arbitrator's decision shall be final, conclusive and binding upon the parties, and the parties shall have no right to appeal or seek judicial review of the arbitrator's decision. For certainty, the parties hereby waive any right of appeal which may otherwise be available under applicable legislation or under the Arbitration Rules. The place of mediation and arbitration shall be the city in Canada in which the principal KPMG office that performed the engagement is located. The language of the mediation and arbitration shall be English.

TERMS AND CONDITIONS FOR ADVISORY AND TAX SERVICES (QUÉBEC) – JUNE 2018



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Canadian Association of
Financial Institutions in
Insurance (CAFII)



Proposal for Credit Card
Balance Protection
Insurance (CCBPI)
Benchmarking Study

March 28, 2019



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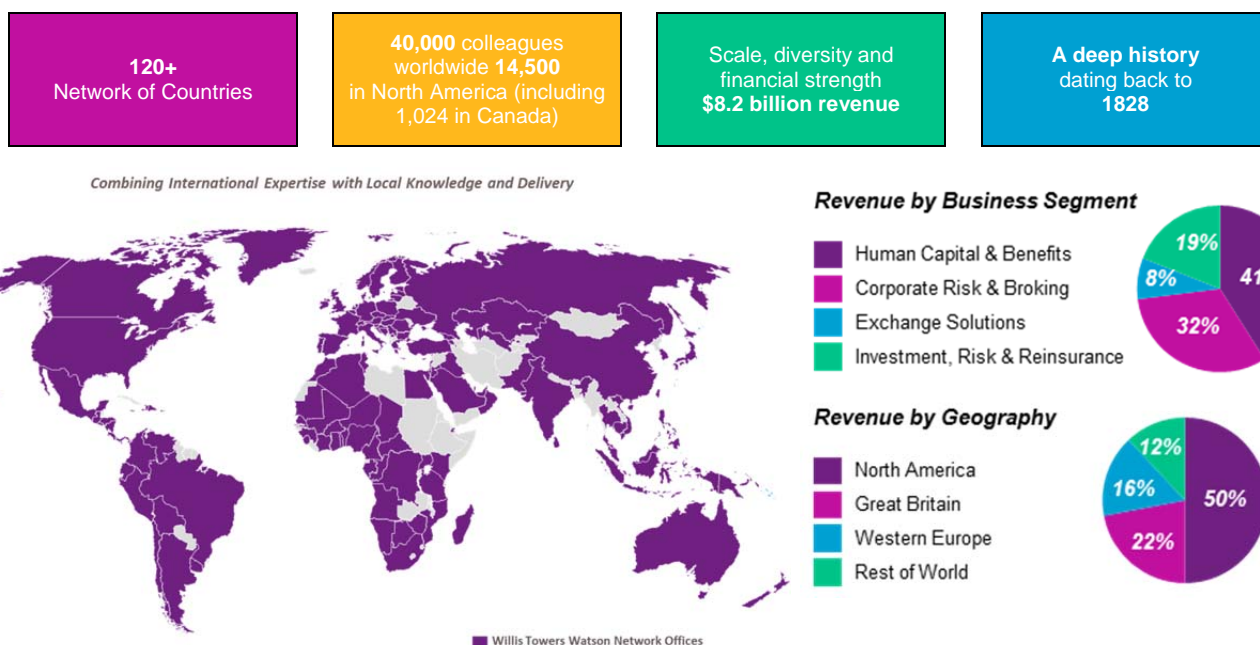
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Appendix A: Bios of Key Support Personnel

Section 1: WTW Experience

1.1 Background on WTW

Willis Towers Watson (WTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, WTW has 40,000 employees in more than 120 countries. We design and deliver solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas — the dynamic formula that drives business performance.



We aim to be the leading global advisory, broking and solutions company. We have relationships with:



1.2 WTW Affinity Practice

This RFP response is being led by WTW's Canadian Affinity Practice, part of WTW's Corporate Risk and Broking segment. We have been operating in the Canadian industry for more than 25 years with financial institutions, associations and other groups, developing tailored, customer-centric insurance and ancillary solutions that are complementary to the core offerings and services that our clients provide to their customers or members. Solutions that we develop on behalf of our clients seek to achieve some or all of the following benefits (subject to the desired goals of the client):

- Fulfil the protective needs of customers or members
- Complement the core services of the organization
- Differentiate offers relative to "standard" offerings in the marketplace
- Increase customer/member engagement, benefits, experience, and overall loyalty
- Allow for the generation of new revenue streams

Our Affinity Practice in Canada is supported by a variety of insurance professionals that allow for a full breadth of support for insurance affinity services, including actuaries representing both the property & casualty and life & health insurance segments. The Canadian Affinity practice's experience and knowledge base includes access to a broader Global Affinity business unit of WTW. As a result of this global business unit integration, our Canadian group is able to draw upon marketplace best practices expertise and knowledge from the global marketplace to support our work on product and services offered to our Canadian clients.

While we are bound by confidentiality in naming specific clients we work with, over 25+ years of experience in Canada, WTW's Affinity practice has worked with and/or continues to work with the major banks and insurance companies, most of whom are members of CAFII. This is inclusive of the wide breadth of business lines referenced in the RFP (i.e. travel, life, health, property and casualty, and creditor).

1.3 Experience with CCBPI

WTW is an independent third party organization that manages the collection and compilation of an annual credit card balance protection insurance market study for the industry. Participants in the study include the “big five” Canadian banks, credit unions, and retailers. WTW compiles and analyses the data of such participating credit card issuers, and develops the study which acts as a benchmarking tool for participants. This study largely focuses upon the distribution and acquisition of consumers of CCBPI, but also includes various key financial metrics of the relevant CCBPI programs. This includes results for the most recent year, along with consideration of trends developing over an approximate five year period. The results of the credit card balance insurance market study are presented on an aggregate basis. Key metrics analysed for the year completed as well as developing trends include:

- Penetration rates for CCBPI participation
- Insured card account volumes
- Average outstanding balances
- Overall cards in good standing, insured card volumes, and proportion of each segment deemed to be “active”
- Premium rates
- Premium volume
- Proportionate distribution channel acquisition (e.g. card application {split by source such as online, paper, phone, etc.}, card activation {similarly split by source}, telemarketing, cross-sell, etc.)

In addition to reporting on key metrics and overall trends, we also look at tactics for customers retention, acquisition of the core credit card (i.e. outside of simply CCBPI acquisition), and reasons for CCBPI cancellation, amongst other items.

Beyond the above-noted annual benchmarking study, WTW and the key personnel supporting this mandate have past experience in working with credit card issuers on various aspects of CCBPI programs. This includes, but is not limited to:

- Actuarial analysis on CCBPI, including review of cession statements to captive reinsurers, and sign-offs on actuarial valuations supporting annual audits;
- Management of RFP's in respect of CCBPI insurance and provision of related consulting guidance to sponsoring card issuers;
- Assistance with the management of CCBPI portfolio transfers from one insurance carrier to another;
- Provision of consulting support on marketing and acquisition of CCBPI participants.

Our experience on CCBPI collectively as a group spans a wide array of overall skillsets and aspects of the business. This has helped us to collectively better understand the value proposition of this product from a consumer standpoint, and to trace this evolution over its historical development period.

As part of a global affinity practice, we are able to share learnings across geographies, inclusive of specific learnings on CCBPI (and approximate equivalents). This additional feedback and learning helps to articulate potential issues that could come to light in the Canadian market as respects the distribution and ongoing consumer relationships for CCBPI products.

Our Affinity practice experience also includes being closely engaged with various professional associations linked to the banking and insurance industries in Canada, along with ongoing monitoring of new developments in regulations, guidelines and other matters affecting positioning on behalf of clients.

Additionally, we have supported CAFII in past endeavours, including a survey on the provision of Mortgage Creditor Insurance, the results of which were presented to CAFII members and regulatory bodies.

Lastly, we are uniquely positioned as a firm which has decades of experience in managing benchmarking surveys with a wide array of clients. Notwithstanding the CCBPI survey referenced above, WTW manages the additional market surveys / benchmarking activities, which include:

- Quarterly surveys on creditor insurance in Canada (i.e. creditor insurance on mortgages, loans, LOC's, and credit cards);
- Quarterly credit card market surveys, inclusive of key details on all embedded credit card insurance, as well as an examination of select optional insurance offerings such as CCBPI;
- Quarterly surveys conducted on the travel insurance market in Canada;
- A bi-annual survey conducted for the United States Travel Health Insurance Association (USTIA), presented to members at their conference;
- An annual survey conducted for the North American Pet Health Insurance Association (NAPHIA), similarly presented to members at their annual conference.

In addition to the foregoing, individual clients engage us for specific benchmarking analyses to support various endeavours. This is managed within the parameters of focus desired by our clients, and the required preservation of privileged and confidential information.

Given this breadth of experience in managing benchmarking and survey activities over decades of tenure, we have created a dedicated survey and market research unit in Canada. This unit is managed by Pascal Bino, who will be a core member of the team leading this initiative on behalf of CAFII, if selected.

Section 2: Methodology

2.1 Overall Process Steps

We have broken down our proposed process methodology into a number of key steps as follows:

- Step 1:** Reaffirm goals and objectives of CAFII, confirm scope of analysis and member participation, preferred process for data collection and member communication, and level(s) of result distribution and dissemination.
- Step 2:** WTW development of survey based on parameters of Step 1. Review and feedback on survey by CAFII, with adjustments made as necessary.
- Step 3:** CAFII-led and/or jointly developed intro communication to members. Distribution of survey, completion by members and collection of results.
- Step 4:** Compilation of results by WTW and analysis.
- Step 5:** Production and presentation of WTW draft report to CAFII board. Review and adjustments based on CAFII feedback to finalize report.
- Step 6:** Presentation of WTW report (or “exec summary” version as may be preferred) to broader CAFII membership, as may be desired by CAFII.

Each of the above-noted proposed steps is discussed further in the sections that follow. We would also like to emphasize that WTW is flexible in its approach, and the above-noted steps should be viewed as recommended steps only. This can be adapted to suit CAFII’s preferred method of proceeding and member engagement.

Lastly, we would also recommend (and would intend to undertake) periodic status updates (either weekly or bi-weekly) with the designated CAFII project team to track project progress and any issues as they develop.

2.2 Process Steps Detail

2.2.1 Step 1: Reaffirm Key Aspects of Project

Goals and Objectives

It was noted in the RFP document that more recent areas of focus and potential concern emanate from developments in markets such as Australia, in addition to a reference to CBC Marketplace's recent serial on CCBPI in Canada. Additionally, further notes were provided around CAFII putting itself and its Members "...in a position of poised readiness to present positive information about the product to regulators, media, consumer groups and other stakeholders". With these parameters in mind, during Step 1, we would want to better understand the various dimensions of consideration as this relates to the benchmarking exercise specifically (relative to the overall Business Consultancy project), which could necessitate capture of additional data points relating to aspects of consumer satisfaction that may not necessarily be captured directly in the twelve benchmarking components listed in the RFP currently. We would engage CAFII during this Step of the project to better understand the goals and objectives of CAFII, the desired output and levels of consideration (i.e. financial standpoint, consumer purchaser standpoint, claimant standpoint, insurer standpoint, other). This has been considered further in Section 2.3 that examines potential additional benchmark input data points that could be collected from members to support more robust examinations on specific elements.

Scope of Analysis and Participating Members

The overall scope of the analysis would need to be confirmed with CAFII; however, given CAFII's membership composition and overall mandate, we are anticipating that there will be a focus upon bank credit card issuers. This distinction is made given that a number of the insurer members of CAFII are underwriters for both CCBPI programs of bank credit card issuers as well as retailers and other groups. A greater understanding of CAFII's focus/scope will help to define the process and contacts for channelling data collection and survey construction. If CAFII is considering CCBPI offerings that are attached to retail, private label and other credit card offerings, this would affect the overall scope, methodology and key contacts to coordinate data collection and analysis. For example, collection of responses from insurers that write both bank CCBPI programs as well as retail CCBPI programs could result in results duplication if the survey is distributed out to both Bank and insurer participants, and not crafted in a clear and concise way. We would therefore recommend that the project formally kicks off with a discussion around overall scope to assist with this clarity, prior to crafting the survey itself and initiating contact with CAFII members.

Preferred Process for Data Collection

WTW would intend to work with CAFII to align with preferred methods for member engagement and data collection, and to be consistent with prior surveys which have met with success in terms of timeliness and responsiveness of members. We are happy to take the lead on all member communications as may be desired by CAFII; however, we would seek additional guidance from CAFII

around preferred methods for member contact. During Step 1, we would like to better define how CAFII wishes to proceed. However, this should include a discussion pertaining to whether or not the survey is intended to require mandatory participation or will be on a voluntary basis.

Additionally, the data collection step may include development and execution of Non-Disclosure Agreements (NDA's) as required. Such NDA's may need to be setup as tri-party NDA's (i.e. CAFII, WTW and survey respondents).

Level of Result Distribution and Dissemination

It is our understanding from the RFP that CAFII wishes to have aggregated data and information available through the results of our work to be able to share with the CAFII membership that is fully compliant with competition laws, and in a manner that maintains privilege. Further discussion should take place during Step 1 to better understand if this could include multiple levels of dissemination – for example, one level for broad member consumption, and a different level for CAFII's board. Please note that the multiple level approach would fully take into consideration such compliance requirements.

2.2.2 Step 2: Survey Development

The parameters of Step 1 will become the key inputs towards the construction of the survey. Based on the feedback from CAFII in Step 1, WTW will take the lead in developing a draft survey along with any required member communications or process items to support it. WTW's draft survey will be distributed to CAFII's working group for this mandate for review and input and will endeavour to satisfy the key parameters of Step 1 (i.e. goals and objectives of CAFII, participating members, levels of data analysis and dissemination, etc.). It is anticipated that, given the potential focus on financial elements, along with CAFII's intention to expedite the benchmarking process as much as possible, the survey will likely be developed in excel format for member completion.

Any CAFII working group feedback on the draft survey would be incorporated, with the survey adjusted as required to finalize. Please note that should CAFII feel comfortable in having WTW develop the survey without the need for additional review, it is expected that this could expedite our overall timeline considered in Section 3.2.

2.2.3 Step 3: Survey Distribution and Collection

In Step 1, we would seek to better understand how CAFII has historically engaged members to support surveys, and to confirm the preferred process for member contact for this CCBPI survey. We would once again note that WTW is flexible from this standpoint, and would be happy to consider multiple approaches, which could include:

1. WTW manages all contact with members, thereby minimizing resourcing requirements of CAFII to coordinate.

2. CAFII provides an intro communication to members introducing the concept of the survey (potentially co-crafted by WTW), and WTW manages communications thereafter, including dissemination of the survey and collection of key data points.

At this stage, without further information and discussion, we would suggest that approach 2 is preferable from WTW's standpoint, and optimally positioned to introduce the concept of the survey from CAFII itself (to enhance overall resonance and any required participation of members), while still alleviating pressure upon CAFII to support ongoing communications and requirements of members. A powerful communication from CAFII regarding the importance of the survey at the outset (which could be drafted by WTW), along with key timelines to adhere to will help to ensure that the entire process stays on track for timely delivery.

We would also request CAFII's ongoing support towards any required follow-ups with members for data collection, as may be needed under exceptional circumstances. CAFII's overall recognition and member commitment requirements will be important to leverage for survey participants that may appear to be becoming delinquent in timely response to the survey after multiple attempts by WTW to conduct follow-ups.

2.2.4 Step 4: Compilation of Results and Analysis

WTW will collect and compile all of the survey information and commence its analysis as quickly and efficiently as possible upon receipt, along with managing any required follow-ups to CAFII members to clarify responses or manage data collection (in accordance with CAFII's preferred methods of member communication). In this regard, we would note that WTW has significant experience in managing client surveys (as noted in Section 1.3), and therefore are uniquely positioned to quickly pinpoint data or member inputs that may be out of sync with expected results, enabling a flag for quick and easy follow-up.

To ensure expeditious analysis and compilation, this requires well thought out survey construction and consistency of format, making Step 1 a critical link to the efficiency of additional steps, including the compilation of results and analysis.

2.2.5 Step 5: Development of Report

As noted in Step 1, the final work product report could be considered across multiple levels for various stakeholders involved. This could consider a full report inclusive of all data points and observations, along with a more streamlined version of the report (i.e. executive summary version) that could be targeted towards the broader CAFII membership. Again, the preferred format(s) would require further discussion with CAFII.

Key sections of the report are expected to include:

- Goals and Objectives of Analysis
- Scope of Survey and Participants
- Methodology for Survey
- Key Results and Observations

An executive summary can also be provided, either as part of the core report, or on a stand-alone basis (i.e. to support the creation of a streamlined presentation format).

2.2.6 Step 6: Presentation of Report to Broader CAFII Membership

We are anticipating that in addition to the written report provided to CAFII, there may be a desire for in-person presentations at various levels. This could include presentations directly to the CAFII board, and/or to the broader CAFII membership base. We would certainly be prepared to undertake these presentations of our key results, with the level of information required / desired commensurate with CAFII's expectations (and time allowances) for the intended audience(s).

2.3 Potential Additional Parameters / Metrics for Consideration

We have noted the 12 benchmark metrics included in the RFP document. We would suggest that a survey on CCBPI could include considerations from a number of angles, which could necessitate the expansion of data inputs. This would of course need to be balanced with the ability to affect timeliness of member response.

The full breadth of potential benchmarking points for consideration would be defined in conjunction with CAFII at the conclusion of Step 1. Please note that a distinction needs to be made between data collection points and data outputs (e.g. metrics), as the combination of multiple data inputs collected could result in the availability of additional metrics (such as ratios and averages). Additionally, it should be noted that certain inputs will facilitate an aggregate snapshot (e.g. average outstanding balances, proportion of active cardholders, etc.), whereas other inputs will facilitate a CCBPI breakdown by segment (e.g. life, critical illness, disability and job loss). The exact scope and set of data points to be collected would be defined at the conclusion of Step 1, but could include the following:

Financial Performance

Current Elements (Described in RFP Request)	Potential Additional Data Inputs
Total premium (overall and per policy)	Total paid losses
Loss ratio	Total incurred losses
	Incurred Loss Ratio
	Average Outstanding Balance (CCBPI Participants)
	Average Outstanding Balance (Full Card Portfolio)
	Proportion of Active Cardholders (CCBPI Participants)
	Proportion of Active Cardholders (Full Card Portfolio)
	New business premium (i.e. 2018 inception)
	Renewal business premium

Customer Experience

Current Elements (Described in RFP Request)	Potential Additional Data Inputs
Total claims made	Top 3 claims denial reasons
Total claims paid	Top 3 complaint reasons
Percentage claims paid	Top 3 reasons for cancelling product
Complaints made	Average tenure of participants (months)
Cancellation of the Product within XX months	Annual retention rate
Complaints escalated to ombudsperson	

Participation & Acquisition

Current Elements (Described in RFP Request)	Potential Additional Data Inputs
Total in-force policies	Applications approved by channel type
Applications approved	Applications denied by channel type
Applications denied	Number of downsell options proposed
	Number of downsell options accepted
	Number of participants by age band
	Number of participants by gender
	Number of participants by household income levels

While the above-noted list provides an idea to CAFII regarding the realm of potential data inputs, we would intend to focus the benchmarking survey around a simple, easy-to-complete exercise for participating members to facilitate an expeditious completion of our mandate. As a result, it is

expected that the more extensive list of potential additional data inputs may be reduced / streamlined considerably and/or focused in specific areas of interest.

We had noted one additional metric (total number of employees) which we could not explicitly categorize into the above-noted segments. Further discussion would need to take place to more accurately understand what was intended through the collection of this data input, and whether there are other aspects not contemplated in the categorizations above that would be of interest to CAFII and its members.

2.4 Integration into Business Consultancy Report

We understand that our work product is a complement to the Business Consultancy Report that would be prepared for CAFII in tandem. We are prepared to work with your selected provider supporting the Business Consultancy to assist with integration into a report and/or presentation that combines the results of both their work product and ours, if desired by CAFII.

Section 3: Project Team, Timelines and Fees

3.1 Project Team

This project will be managed by WTW's Canadian Affinity & Special Risks team, and will be led by Michael Arlitt, based in Toronto. Christine Panet-Raymond, who leads this team, will be the executive sponsor of this endeavour and will assist with providing key input into the process along with helping to shape and deliver our final work product. The management of the survey activities, inclusive of survey design, member communication and data collection will be driven by Pascal Bino who manages our survey unit based out of Montreal, inclusive of the current CCBPI survey described herein. Bios of these three key team members are included in Appendix A to this document; however, additional Affinity team members not explicitly included in Appendix A will be leveraged to support this mandate.

Please note that **no aspects** of this mandate would be outsourced to third parties outside of WTW.

3.2 Anticipated Timelines

We have noted a desire to complete the work mandate within an approximate 8 week timeframe. We believe this to be a reasonable timeframe to deliver a full report to CAFII, with presentation(s) to CAFII and its members along with potential integration with the broader Business Consultancy review in subsequent weeks as desired, predicated upon the following anticipated schedule:

Project Milestone	Anticipated Timing	Parties Involved
Project definition (goals & objectives, scope and member participation, communication process, etc.)	Week 1	CAFII / WTW
Craft benchmarking survey and submit to CAFII for review	Weeks 1 - 2	WTW
CAFII feedback to survey and updates; distribution to membership	Week 3	CAFII
Member completion of survey	Weeks 4 - 5	CAFII members
Compilation of results by WTW and analysis	Weeks 6 - 7	WTW
Report to CAFII, feedback and updates to finalize	Week 8	CAFII / WTW

It should be noted that there are elements of the above-noted timeline that are contingent upon both CAFII and its members. This includes an anticipated two week timeframe for CAFII members to complete the survey, which could be challenging for some members. We would therefore note this as an anticipated timeline only, with each project milestone completion having contingent timing elements associated with those that precede it. However, subject to adherence to the elements outside of WTW's control, we believe this to be a reasonable timeframe for completion of the mandate.

Additionally, to the extent that CAFII seeks to accelerate the timeline, we would see the ability to accelerate by at least one weeks, potentially with a consolidation of week 1 – 3 activities into an approximate 1.5 – 2 week timeframe. Other acceleration capability options would depend upon timeliness of responses by members to support data collection, and the level of engagement that CAFII wishes to have to support work product review and finalization.

3.3 Fees

Our base fee for completion of the work is \$35,000 plus applicable taxes. This fee is based upon the parameters collected in the RFP to date, and the scope of support articulated through our response.

In the event that, upon completion of Step 1, we see combined additional complexity associated with significant additional parameters to be captured and reported on, or scope beyond that described in the RFP, we would bring this to the attention of CAFII. For significant additions to the number of parameters, we would anticipate an incremental charge, not to exceed \$8,000 plus applicable taxes, over-and-above our base fee quote.

We would anticipate invoicing CAFII for the project upon completion of the mandate, where completion would coincide with the delivery of the final report, and completion of any required presentation(s) to CAFII and its members. However, we are flexible in this regard and would be happy to work with CAFII around preferred invoicing processes and timing.

Appendix A

Bios of Key Support Personnel



Michael Arlitt
Hons. B. Sc., ASA
 Assistant Vice President
 Affinity Practice

Willis Towers Watson
 Toronto Office (Downtown)

Telephone: 416.646.3168

Email: michael.arlitt
 @willistowerswatson.com

Role in this Project

Michael will be the account lead for this project, coordinating input from CAFII regarding project scope, work requirements with the WTW team, and managing regular status updates to CAFII. Michael will also coordinate the production and delivery of reports and presentation material through this project.

Role at Willis Towers Watson

Michael joined WTW's Affinity practice in 2012 and leads its Toronto chapter; providing consulting support to financial institutions, retail and association clients. This includes the development of new insurance and specialty non-insurance lines of business, strategic program structuring and negotiation of financial arrangements, modeling of specialty risks, dynamic financial analysis, pricing development, and valuation of life and health and property & casualty and actuarial reserves supporting Affinity lines of business.

Relevant Experience/Specialization

Michael has a total of approximately 19 years of professional and actuarial consulting experience, the majority of which has been focused on the Affinity markets segment (financial institutions, retailers, professional associations, group employers and union groups). Prior to joining WTW, Michael was employed with a competing actuarial consulting firm for approximately 12 years where he held a number of roles in the financial institutions, retail and alternative markets, and property and casualty actuarial practice areas. This included providing actuarial consulting to providers of CCBPI insurance, actuarial evaluations to support captive insurance company audits, and managing RFP's on CCBPI which included the transition of well-established blocks of CCBPI insurance across insurer providers. Within WTW, Michael continues to work with Financial Institution and alternative providers of CCBPI insurance.

Education and Credentials

Michael graduated from the University of Toronto with an Honors B.Sc. degree in Statistics and Actuarial Science. He earned his Associate Actuary designation from the Society of Actuaries where he has served on project oversight groups related to the development of the profession into non-traditional specialty lines.



**Christine Panet-Raymond
ASA**

Executive Vice President
National Practice Leader
Affinity Practice

Willis Towers Watson
Montreal Office (Downtown)

Telephone: 514-360-4801

Email: Christine.raymond
@willistowerswatson.com

Role in this RFP

Christine will provide executive guidance to the team on this RFP. This shall include provision of key insights related to the survey development and analysis, and the production and delivery of the final work product to CAFII commensurate with the goals and objectives of CAFII and its members.

Role at Willis Towers Watson

Christine is responsible for overseeing the Affinity and Special Risks consulting practice, and the Insurance Market Survey division of Willis Towers Watson. Consulting services include competitive market analyses, insurance product design, pricing, underwriting criteria assessments, RFP management, claims and reserve analyses, financial arrangement and reinsurance structuring, preparation of financial and actuarial reports, third party audits, and marketing of credit card, travel, and other affinity insurance programs, among other tasks. Her clients include banks and large financial institutions, credit card issuers, retailers, tour operators/airlines, insurance companies (and captives), industry and professional/trade associations and other affinity groups. She also holds responsibility for the preparation of competitive insurance industry market surveys and benchmarking studies which are distributed to a number of large Canadian and foreign-based financial institutions, and Insurance Industry Associations.

Relevant Experience/Specialization

Christine started her career in 1994 at W F Corroon in employee benefits consulting and banking and insurance products. Since that time, Ms. Panet-Raymond developed a special expertise in Affinity Insurance Programs, working with large clients including major financial institutions, travel and leisure companies, retailers, and associations, and other affinity groups for over 20 years.

Ms. Panet-Raymond is recognized as a leading source of travel and credit card insurance expertise and has frequently been interviewed by several industry journals and newspapers and speaks at many association conferences.

Education and Credentials

Ms. Panet-Raymond graduated with distinction from Concordia University, obtaining a bachelor of science degree with a specialization in actuarial mathematics and is an Associate member of the Society of Actuaries. She was awarded a Leadership Prize from the MS Society in recognition of her achievements in her field of expertise.



Pascal Bino
Senior Consultant
Affinity Practice

Willis Towers Watson
Montreal Office

Telephone: 514.360.4783

Email: pascal.bino
@willistowerswatson.com

Role in this Project

Pascal will support the workflow of the benchmarking survey, including the distribution of the data collection tool, consolidation of responses and data analysis.

Role at Willis Towers Watson

Pascal is a senior consultant in WTW's Affinity practice, with expertise spanning across a variety of product offerings, including creditor insurance, embedded and optional credit card insurance, travel insurance, extended warranty solutions and pet insurance, amongst others. Pascal leads the development and management oversight of our market surveys that span across various product lines, and is part of a dedicated staff that constantly monitors developments in the Canadian marketplace.

Relevant Experience/Specialization

Pascal has more than 20 years of consulting experience in all aspects of WTW's Affinity Practice, including the development of ad hoc benchmarking studies. Pascal has worked with a variety of Affinity sponsors, distributors, associations, assistance providers and insurers to provide "out of the box" solutions and market intelligence to help grow their business.

Education and Credentials

Pascal graduated from Concordia University, obtaining a Bachelor's degree in Actuarial Science.



Work with an advisor
Who truly understands creditor insurance

PROPOSAL TO PROVIDE CONSULTING SERVICES

The Canadian Association of Financial Institutions in Insurance

March 28, 2019



March 28, 2019

Mr. Keith Martin
Co-Executive Director
The Canadian Association of Financial Institutions in Insurance
411 Richmond Street East, Suite 200
Toronto, Ontario
M5A 3S5

RSM Canada Consulting LP

11 King St W
Suite 700, Box 27
Toronto, ON M5H 4C7
T +1 416 480 0160
F +1 416 480 2646
www.rsmcanada.com

Dear Mr. Martin:

We appreciate the time you have spent providing an overview of your organization and sharing your strategic objectives. The following proposal reflects our understanding of your needs and illustrates the approach we will take in providing professional services for CAFII.

Your RSM Canada Consulting LP (RSM) engagement team looks forward to building a long-term relationship with CAFII and delivering value for your organization now and well into the future.

Once you have had the opportunity to review this response, we would be pleased to discuss your needs in greater detail or make a presentation to your team. In the meantime, please feel free to contact us with any questions.

Sincerely,

Fabricio Naranjo
Partner
Actuarial Services
fabricio.naranjo@rsmcanada.com
416 408 5351

Joel Cohen
Partner
National Consulting Leader
joel.cohen@rsmcanada.com
416 408 5320

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Executive summary

Based on our understanding of your expectations, we are confident that RSM has the right capabilities, qualifications and client-service culture to serve as your advisor.

To illustrate this alignment, we would like to highlight the following:

Deep experience with similar projects

We recognize that CAFII would be best served by a firm that understands your niche in the insurance market. With many years of experience serving the insurance and financial services community, RSM helps organizations like yours and your members navigate complex reporting, governance and regulatory issues to achieve their business objectives.

Your engagement team includes professionals who have worked with the major Canadian banks on similar creditor insurance products, including benchmarking of insurance products. In fact, members of our proposed service team have done benchmarking for a number of CAFII financial institutions members as well as benchmarking for credit card balance protection insurance.

In working with RSM, CAFII will benefit from technical knowledge of the insurance industry, as well as our firm's longstanding commitment to providing exceptional service to CAFII members.

We understand CAFII

To meet your needs for this engagement, we are committed to providing you with a consistent and familiar service team, who understands and can respond to the complexities of this project.

Through our membership in CAFII and longstanding relationships with various CAFII members, we have gained a deep understanding of your structure, your complex systems and processes, and organizational responsibilities and objectives. If selected, you can be confident that your service team will leverage all of our institutional knowledge to bring efficiencies to your engagement.

Most importantly, CAFII will be a priority client of our practice and our firm. You will consistently receive the time and attention you deserve—from professionals who genuinely value your business.

Giving you attentive, year-round service

As a priority client of our actuarial services practice, CAFII will be served by an engagement team that strives to truly understand your business plans, operating challenges and day-to-day activities.

CAFII will be front of mind for us, not only during this project, but throughout the year. When it comes to potential tax saving ideas, operational improvement recommendations or updates related to new accounting pronouncements or tax law changes, we will help to ensure our best ideas are communicated to you.

In working with us, CAFII will have access to advisors who understand the unique aspects of your business—and are committed to supporting your success.

Understanding of project

Scope of engagement

With the heightened regulatory and media focus on the Canadian creditor group insurance market in recent years – in particular credit card balance protection insurance (CCBPI) products – there is an increasing concern that the value of this type of insurance product is either misunderstood by the marketplace or, alternatively, should be modified to better meet the marketplace's needs and/or expectations.

CAFII has played, and will continue to play, a leadership role in preparing its members to readily present information about CCBPI in a positive manner to various stakeholders, including regulators, media, and consumer groups. While CAFII provides a voice for financial institutions, it believes that consumers should be provided with meaningful choices in the context of Canadian creditor group insurance products. In CAFII's effort to enhance consumer value, this benchmarking project for CCBPI has been proposed.

As described on the following pages, RSM has provided benchmarking services to members of CAFII for many years, until recently, which provides us with a deep and unique experience in delivering on the proposed scope of this project, which will consist of:

- Consulting with designated CAFII representatives and the Stikeman Elliott project team to determine and agree on the minimum required benchmarking metrics, which should include at least the following (broken down by type of coverage: life, critical illness, disability and job loss):
 - Total in-force policies,
 - Total premiums (overall and per policy),
 - Total claims made,
 - Total claims paid,
 - Percentage claims paid,
 - Loss ratio,
 - Applications approved,
 - Applications denied,
 - Total employees,
 - Number of complaints made,
 - Number of cancellations of the product within XX months, and
 - Number of complaints escalated to ombudsperson.
- Preparing the information requests to CAFII members, RSM will work closely with the legal team at Stikeman Elliott project team to ensure that the collection of data is compliant with competition law.
- Communicating regularly with the designated CAFII representatives and the Stikeman Elliott project team as needed throughout the process.
- Preparing the necessary deliverables to CAFII including the above required benchmarking metrics reported on an annual aggregate basis and strategy recommendations with respect to the CCBPI market.
- Presenting final results of the benchmarking to the CAFII Board of Directors.

Relevant experience

Practice overview

Using proprietary tools and technology, RSM provides creative solutions that manage risk exposure while optimizing economic and financial value.

With experience in the insurance and reinsurance sector that spans over 30 years, the actuarial services practice provides economic and financial value optimization for clients and their customers through the use of risk management and insurance techniques. As it relates to the Canadian creditor group insurance market, RSM is a leading national firm in providing benchmarking, strategic management and design consulting services for many financial institution clients, representing multiple CAFII members. Our wealth of experience and expertise with the Canadian creditor group insurance market, accumulated over the span of more than two decades, is unmatched in the market.

Our partners and professionals are recognized for their modelling capabilities, track record of delivering custom designed solutions, technical understanding, and distinctive ability to decode complex issues. This expertise is further enhanced by proprietary tools and state-of-the-art software—developed by in-house actuarial services professionals—which have been critical to successfully solving complex business challenges.

We offer novel market, capital, and risk management solutions. Our clients include several major Canadian financial institutions, municipalities (as well as water and transit commissions), local electrical distribution companies, professional associations, affinity groups, and retailers. Some of these clients and partners include:

Bank of Montreal	Sun Life Financial
Canadian Imperial Bank of Commerce	Empire Life
TD Canada Trust	Reliable Life Insurance Company
Royal Bank of Canada	MCAP Services Corporation
Scotiabank	Canadian Dental Services Plan Inc. (CDSPI)
Manulife Financial	Engineers Canada
Police Credit Union	Kawartha Credit Union

Through many of these assignments and relationships, we have gained a wealth of knowledge in the Canadian creditor group insurance market landscape. The products that we have worked with in this market include life, disability, critical illness, and job loss insurance sold with mortgage loans, personal fixed and variable loans, lines of credit, credit cards, and business loans.

We are able to assist clients in all aspects of their creditor group insurance program offerings, with the key areas being:

- Benchmarking of program performance and data analyses
- Product and program design, development and valuations
- Business strategy and management advisory
- Experience studies and reserve level reviews
- Preparing financial projections and risk analysis
- Optimizing financial structure/arrangements and negotiating with third-party insurance providers

The actuarial team proposed in this submission collectively possesses the requisite combination of skills, certification and education required. In addition, this team has the qualifications and certification to meet the Canadian Institute of Actuaries' Consolidated Standards of Practice.

Recent Client Examples

To highlight the qualifications of the Engagement Team, the following table provides a summary of comparable creditor group insurance engagements performed in recent years.

Various Canadian financial institutions	<p>Benchmarking of creditor group insurance products offered by major Canadian financial institutions (FIs).</p> <p>This benchmarking project included the following phases:</p> <ol style="list-style-type: none"> 1) Data collection including premiums, claims, distribution allowance expense, insurer fees, other expense, number of policies and penetration rate. 2) Preparation of anonymized benchmarking exhibits 3) Presenting results to creditor insurance product teams at various FIs
Various major Canadian insurance companies and financial institutions	<ol style="list-style-type: none"> 1) Pricing of creditor group insurance product offered on personal loans. 2) Pricing of creditor group insurance product offered on automotive loans. 3) Pricing of creditor group insurance product offered on mortgage loans. <p>The above product pricing projects included the following phases:</p> <ol style="list-style-type: none"> i. Data collection including loan portfolio data, historical claims data, proposed plan design ii. Review of data and development of actuarial assumptions iii. Develop optimal pricing for product to achieve client's business objectives iv. Develop stress-testing and adverse scenarios and financial projections v. Preparation and presentation of product pricing report
Major Canadian financial institution	<p>Due diligence of CCBPI multi-coverage product pricing changes</p> <p>The above due diligence product included the following phases:</p> <ol style="list-style-type: none"> i. Data collection including loan portfolio data, historical claims data, proposed product design changes ii. Review of pricing analysis completed by CCBPI insurer iii. Develop independent pricing impact analysis for pricing/product changes iv. Preparation and presentation of analysis to financial institution management

Not-for-profit association	<p>Re-design and pricing of group life and group disability insurance product</p> <p>The above product pricing projects included the following phases:</p> <ol style="list-style-type: none"> Market research and competitive study of similar insurance products offered in the marketplace Data collection including customer data, historical claims data, proposed plan design Review of data and development of actuarial assumptions Develop optimal pricing for product to achieve client's business objectives Proposed changes to client with respect to product's eligibility requirements, underwriting rules/processes to maximize product value proposition and sales penetration Develop financial projections Preparation and presentation of product pricing report
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Understanding and knowledge of CAFII

For decades, RSM (and its predecessor firms) have built strong working relationships with various members of CAFII in the creditor group insurance industry. Over the years, our firm has been engaged to provide the following services to CAFII members:

- pricing of new products,
- re-pricing of existing products,
- providing strategic advice on implementation of creditor products and insurance providers
- measuring the financial impact of certain product features changes,
- measuring the financial impact of certain regulatory changes, and
- providing strategic advice to enhance the value proposition of existing or new creditor insurance products and how to increase sales penetration.

In some cases, we have been engaged to review the minimum capital requirements of these financial institutions, and consulted on the transition to the International Financial Reporting Standards for insurance contract liabilities. Lastly, we have assisted in developing strategic frameworks to have shaped their insurance business throughout the years. With the strong fundamental understanding of this industry, we are confident that we can bring forth this insight in assisting CAFII with this project.

Furthermore, RSM is an associate member of CAFII which provides us with a strong understanding of CAFII's priorities, as well as its operations, stakeholders, goals and objectives.

Through our partnership with CAFII, we have gained a deep understanding of your structure, your complex systems and processes, and organizational responsibilities and objectives. If selected, you can be confident that your service team will leverage all of our institutional knowledge to bring efficiencies to your engagement.

Approach and methodology

Our approach to your services

We are highly qualified and keenly interested in working with CAFII in benchmarking the Canadian credit card creditor group insurance market, and in continuing to support their members in their efforts to assess and understand the customer value proposition offered by creditor group insurance products. We have been involved in the benchmarking, strategic management and design of creditor insurance programs for many financial institution clients, representing multiple CAFII members, for over 30 years including various benchmarking, pricing, product design, product pricing, structural reinsurance, and strategic management projects for creditor group insurance programs.

We propose to follow a collaborative approach with CAFII and Stikeman Elliott to identify the key objectives/goals, gather the information, and design the study to meet CAFII strategic objectives and ensure that our processes and methodology are not prohibitive under the Competition Act or otherwise deemed legally inappropriate. In working with CAFII and its members, we will challenge the status quo and bring our outside-the-box approach and thinking. We ensure that, given our unique experience and understanding of the creditor group insurance market, our insight and thoughts will bring a unique viewpoint to both CAFII and its members that no other consulting firm can provide.

We have proposed the below project outline, including details of RSM's and CAFII's involvement in each step of the process, and believe this process will effectively meet the objectives of the study. Throughout each stage proposed below, we will incorporate oversight from Stikeman Elliott.

Stage I – Project Kick-Off

- RSM will schedule a meeting with the designated CAFII representatives and Stikeman Elliott project team to:
 - Discuss and establish main goals and objectives for the analysis
 - Consult with CAFII regarding the information required and CAFII member contacts for the benchmarking exercise
 - Consult with Stikeman Elliott to fully understand the legal concerns related to the Competition Act and set strict guidelines for the study to ensure that the study is considered appropriate for CAFII and its members
 - Review and agree upon project plan and work schedule

Stage II – Information Gathering

- RSM will work with the designated CAFII representatives and Stikeman Elliott project team to collect necessary information for the study as determined in Stage I of this process. This consists of:
 - Creating an appropriate questionnaire for the CAFII members included in the study
 - Confirming agreement from the designated CAFII representatives and Stikeman Elliott with respect to the proposed questionnaire for the study
 - Distributing the questionnaire to the CAFII members included in the study
 - Responding to questions and concerns of the CAFII members included in the study if any arise
 - Setting up secure data transfer protocols and secure data storage facilities at RSM to ensure the integrity of the data provided by CAFII members included in the study
 - Collecting responses using the developed secure data transfer protocols and reviewing these responses for completeness
 - Preparing data to be input into RSM's model for analysis

Stage III – Analysis, Assessment and Strategy Recommendations

- During the analysis stage, RSM will:
 - Develop required benchmarking models
 - Create data output as specified by CAFII in line with CAFII prepared Request for Proposal
 - Review and analyze preliminary results and strategy recommendations of the benchmarking study
 - Meet with and share preliminary results and strategy recommendations with Stikeman Elliott project team
 - Incorporate any changes to preliminary results and strategy recommendations of the benchmarking study recommended by Stikeman Elliott project team
 - Work with Stikeman Elliott project team to prepare draft results and strategy recommendations in compliance with Competition Act to be shared with designated CAFII representatives
 - Discuss draft results with designated CAFII representatives
 - Work with Stikeman Elliott project team and designated CAFII representatives to finalize benchmarking study results incorporating any additional analysis as a result of discussions with CAFII representatives

Stage IV – Preparation of Report and Deliverables

- During this final stage, RSM will:
 - Develop format of benchmarking report to CAFII
 - Prepare a preliminary report detailing the analysis and RSM strategy recommendations regarding the Canadian credit card creditor group insurance market
 - Review and discuss preliminary report with Stikeman Elliott project team incorporating any suggested changes into draft report for designated CAFII representatives
 - Review and discuss draft report with designated CAFII representatives
 - Prepare and present the results of the benchmarking study and RSM recommendations regarding the Canadian credit card creditor group insurance market to CAFII board members
 - Distribute final report

During each stage of the project noted above, RSM will provide its expertise in the Canadian creditor group insurance market by providing strategic management suggestions with respect to the benchmarking study results and recommendations for the Canadian credit card creditor group insurance market.

We will also seek assistance and input from the designated CAFII representatives and Stikeman Elliott project team to ensure that the approach and processes both exceed CAFII expectations and are in line with the Competition Act.

Throughout this process RSM will not be outsourcing any elements of the above proposed project outline. Additionally, RSM will not audit any of the data provided by CAFII members or provide any legal counsel with respect to the benchmarking study. For these elements, RSM will rely on Stikeman Elliott and each individual CAFII members audit teams, at the expense of CAFII or its individual members.

Project plan

In the following table, we have outlined our approach to your services, including activities undertaken, deliverables and anticipated timing. We are committed to working with your team to align our project plan to your organizational timelines and availability.

Key Deliverable	Organization(s) Responsible	Due Date
Project kick-off meeting with CAFII and Stikeman Elliott	RSM, SE & CAFII	April 5, 2019
Questionnaires to be sent to CAFII members	RSM, SE	April 10, 2019
Provide responses to questionnaires	CAFII members	May 3, 2019
Analysis and assessment of information	RSM, SE	May 17, 2019
Preparation of draft report and deliverables	RSM, SE	May 24, 2019
Presentation to CAFII's Board of Directors	RSM	May 31, 2019

The ability to meet the established timelines will be highly dependent on the responsiveness of the survey participants and on the designated CAFII representatives and Stikeman Elliott project team being able to meet with RSM and provide the information and feedback required for the study.

Ultimately, our aim is to keep the lines of communication open and keep everyone informed as to the progress throughout the project in order to identify and deal with any potential road blocks or issues which may interfere with the ability to meet the established timelines and objectives.

Approach to project management

Project management

Our team will comply with all relevant standards of the Canadian Institute of Actuaries.

In addition to complying with the above actuarial standards, our firm's quality assurance program consists of a peer review process that fosters clear and logical communication and advice that is free from mistakes and errors. All communications from RSM which provide advice (be it numerical or otherwise) are peer reviewed prior to delivery to clients.

To facilitate our commitment to quality services:

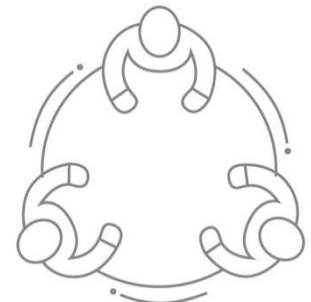
- The team will meet on at least a bi-weekly basis to help ensure allocated tasks and deliverables are on track
- All team members will be actively involved in all components of each work project to help ensure seamless communication and provide redundancy in capabilities
- Regular calls will be held with the CAFII (as desired and needed) to provide progress reports and review the work plan and status of deliverables
- We operate an open-door policy between senior and junior staff, which fosters teamwork and helps ensure open lines of communication between team members
- We use a 'do once, check twice' philosophy, whereby all actuarial work (including that done by senior actuaries) is reviewed by at least two other team members
- We have an ongoing mentoring program between senior staff and all junior staff, and a bi-annual goal-setting process for all staff, to help ensure staff competency and regular monitoring and review



Client service relationship

Our relationship with CAFII and Stikeman Elliott will be based on certain long-standing principles, including:

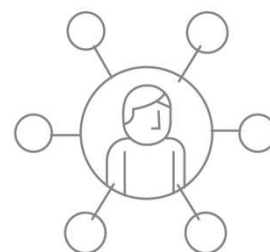
- An outstanding client service experience, focused on efficient and well-coordinated services
- Commitment to completing work within the agreed-upon time frame, assuming your preparation of requested information and other supporting documentation before we commence the project and assuming no unforeseen technical issues
- Staffing of the service team based on industry-specific qualifications and technical experience
- Hands-on approach to planning, with meetings and conference calls held routinely
- Fees that are reasonable based on the scope of work
- Transparent approach to billing, with clear communication and an emphasis on avoiding surprises



About your engagement team

Engagement team members

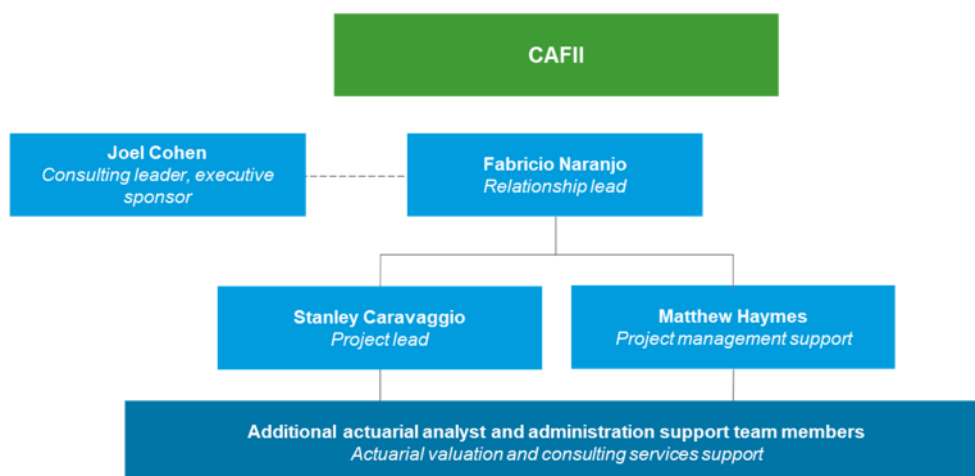
The following professionals have the qualifications and experience to handle your needs for this engagement and are committed to exceeding your expectations. Please refer to Appendix A for detailed biographies.



Team member, engagement role	Qualifications to serve CAFII
<p>Fabricio Naranjo Partner, Actuarial Services fabricio.naranjo@rsmcanada.com 416 408 5351</p> <p><i>Relationship lead.</i></p> <p>As your relationship lead, Fabricio will be responsible for your complete satisfaction with the services we provide. Fabricio will oversee the client relationship and will be available at all times to discuss any issues CAFII or Stikeman Elliott has with the delivery of our services.</p>	<ul style="list-style-type: none"> • 21 years' experience • Experience providing strategic advice and innovative solutions to clients through the use of risk management, insurance and reinsurance techniques • His experience includes, among other things, design, pricing and valuations of Canadian creditor group insurance programs, stress testing, stochastic analysis of risk exposures, financial risk management and modeling as well as providing business and reinsurance strategies to clients • Involved with benchmarking of creditor insurance products since 2003
<p>Joel Cohen Partner, National Consulting Leader joel.cohen@rsmcanada.com 416 408 5320</p> <p><i>National Consulting leader, executive sponsor.</i></p> <p>Joel will work closely with Fabricio to provide oversight of the engagement team. As our national consulting leader, he will serve as executive sponsor, and will be pleased to hear from CAFII or Stikeman Elliott regarding any matter you wish to discuss, including opportunities to strengthen our relationship and improve upon your client experience.</p>	<ul style="list-style-type: none"> • Canadian national consulting and national financial services industry leader • Close to 30 years of actuarial consulting experience • Joel provides innovative and value-added consulting solutions in a number of areas including strategic management for Canadian creditor group insurance programs, affinity/association insurance design, delivery and optimization; capital deployment and efficiency; employment benefit design, delivery and funding; life, disability and critical illness insurance; reinsurance and reinsurance structuring; and tax efficiency • Involved with benchmarking of creditor insurance products since 2001

Team member, engagement role	Qualifications to serve CAFII
<p>Stanley Caravaggio Director, Actuarial Services stanley.caravaggio@rsmcanada.com 416 408 5306</p> <p><i>Project lead.</i></p> <p>Stanley will be the main project lead, as well as main point of contact for any processes and items related to the deliverables to be provided. Stanley will be available throughout the term of the engagement as reasonably required.</p>	<ul style="list-style-type: none"> • 22 years' experience • Experience assisting financial institutions in relation to their insurance programs and international reinsurance portfolios as well as retirement benefit consulting to clients in various sectors • His experience includes, among other things, Canadian creditor group insurance program design and benchmarking, analysis of risk exposures in insurance/reinsurance portfolios using stochastic models, actuarial valuation of defined benefit retirement and post-employment benefit plans (registered and non-registered) for funding/wind-up/accounting related purposes, and the design, implementation and administration of retirement plan arrangements • Involved with benchmarking of creditor insurance products since 2003 • Fellow of the Canadian Institute of Actuaries and the Society of Actuaries
<p>Matthew Haymes Manager, Actuarial Services matthew.haymes@rsmcanada.com 416 725 5377</p> <p><i>Project management support.</i></p> <p>Matthew will be available as an additional resource for the review and development of all deliverables to CAFII.</p>	<ul style="list-style-type: none"> • 6 years' experience • Experience providing analytical support to both our life and property and casualty insurance project teams • He has a strong background in mathematics and actuarial statistics, and has been actively involved in providing strategic consulting support for various Canadian creditor group insurance programs, building stochastic models, completing actuarial valuations and the analysis of risk exposures in insurance/reinsurance portfolios using actuarial techniques and risk management strategies • Associate of the Canadian Institute of Actuaries

Client service team structure



Pricing

Our professional fees for the services will be **\$100,000**, plus applicable taxes. This cost is based on the complexity of the issues and the time required of the individuals who will be performing the services at their standard hourly billing rates, as outlined in the following table.

Engagement Team Level	Billing Rate (per hour)
Partners/Senior Advisors	\$600
Directors	\$450
Managers	\$300
Associates and Senior Associates	\$200-275
Administrative Support	\$180

These fees were based on the information provided by CAFII and the Engagement Team's experience with prior similar work engagements and reflects the time required to complete the scope of services outlined herein.

We aim to add value and work efficiently with all engagements and, as such, in our estimates, every effort has been made to ensure that work is done by the lowest cost qualified Engagement Team member.

In addition to the above quoted fixed fee, CAFII will also be responsible to pay all reasonable and pre-approved travel and out-of-pocket expenses that are supported by receipts and incurred by RSM staff when performing the services requested by CAFII.

The professional fees for this benchmarking study can be allocated to the various stages of the project as follows:

Project Stage	Estimate Fees
Stage I – Project Kick-Off	\$5,000
Stage II – Information Gathering	\$10,000
Stage III – Analysis, Assessment and Strategy Recommendations	\$60,000
Stage IV – Preparation of Report and Deliverables	\$25,000
Total	\$100,000

Additional Services

In addition to the services noted above, we will also be prepared to provide actuarial and other consulting services, for which you seek our advice (“Additional Services”), on an ad-hoc basis to support CAFII or its members. We will provide these Additional Services necessary to respond to matters presented to us by CAFII, its members or matters we bring to CAFII’s attention.

If such matters exceed the scope of this service agreement, we will issue additional correspondence to confirm the particular scope and terms. Fees for Additional Services will be based on the complexity of the issues and the time required of the individuals who will be performing the services computed at our standard hourly rates.

Appendices

Appendix A—Engagement team biographies



Fabricio Naranjo

Partner, Actuarial Services
RSM Canada
Toronto, Ontario
fabricio.naranjo@rsmcanada.com
416 408 5351

Summary of experience

As partner in the actuarial services practice, Fabricio brings more than 20 years of experience providing strategic advice and innovative solutions to clients through the use of risk management, insurance and reinsurance techniques.

His experience includes, among other things, design, pricing and valuations of insurance programs, stress testing, stochastic analysis of risk exposures, financial risk management and modeling as well as providing business and reinsurance strategies to clients. He is also active in assisting various clients with their employee benefits plans. Fabricio joined the actuarial services practice of RSM Canada's predecessor firm in 2003.

Prior to joining, Fabricio worked as an actuarial consultant for five years at a major pension and benefits consulting firm. His primary responsibilities were to assist clients in the design, implementation and ongoing administration of their retirement plans.

Fabricio holds a Bachelor of Science degree in Actuarial Science from Université du Québec à Montréal.

Professional affiliations and credentials

- Licensed insurance agent, Financial Services Commission of Ontario (FSCO)

Education

- Bachelor of Science, actuarial science, Université du Québec à Montréal



Joel Cohen, ACIA ASA

Partner, National Consulting Leader
RSM Canada
Toronto, Ontario
joel.cohen@rsmcanada.com
416 408 5320

Summary of experience

Joel is the Canadian national consulting and national financial services industry leader. He brings nearly 30 years of actuarial consulting experience. Joel provides innovative and value-added consulting solutions in a number of areas including affinity/association insurance design, delivery and optimization; capital deployment and efficiency; employment benefit design, delivery and funding; life, disability and critical illness insurance; reinsurance and reinsurance structuring; and tax efficiency. He previously acted as the appointed actuary for various off-shore reinsurance entities.

Before joining RSM Canada's predecessor firm, Joel was the CEO of an industry leading actuarial consulting firm and, prior to that, a partner at one of the big four accounting firms.

A graduate of the University of Toronto, he is also a member of the Canadian Institute of Actuaries and the Society of Actuaries.

Professional affiliations and credentials

- Associate of the Canadian Institute of Actuaries and the Society of Actuaries
- Member, Canadian Institute of Actuaries, Eligibility and Education Council
- Member, Canadian Pension and Benefits Institute, Ontario Council

Education

- Bachelor of Science, actuarial science, University of Toronto



Stanley Caravaggio, FCIA FSA

Senior Manager, Actuarial Services
RSM Canada
Toronto, Ontario
stanley.caravaggio@rsmcanada.com
416 408 5306

Summary of experience

As a senior manager in the actuarial services group, Stanley's primary responsibilities include assisting financial institutions in relation to their insurance programs and international reinsurance portfolios as well as retirement benefit consulting to clients in various sectors. His experience includes, among other things, creditor insurance program design and benchmarking, analysis of risk exposures in insurance/reinsurance portfolios using stochastic models, actuarial valuation of defined benefit retirement and post-employment benefit plans (registered and non-registered) for funding/wind-up/accounting related purposes, and the design, implementation and administration of retirement plan arrangements.

Stanley has a Bachelor's degree in Actuarial Science (Honors) from the University of Toronto, and has been a Fellow of the Canadian Institute of Actuaries and the Society of Actuaries since 2005.

Professional affiliations and credentials

- Fellow of the Canadian Institute of Actuaries and the Society of Actuaries

Education

- Bachelor of Science, actuarial science, honors, University of Toronto



Matthew Haymes, ACIA ASA

Manager, Actuarial Services
RSM Canada
Toronto, Ontario
matthew.haymes@rsmcanada.com
416 725 5377

Summary of experience

Matt joined RSM Canada's predecessor firm's actuarial team in May 2012, and provides technical support to our life insurance, post-retirement benefit valuation and property and casualty insurance project teams. He has a strong background in mathematics and actuarial statistics, and has been actively involved in building stochastic models, completing actuarial valuations and the analysis of risk exposures in insurance/reinsurance portfolios using actuarial techniques and risk management strategies.

While working with the RSM actuarial team, Matt has gained experience in the following areas: Canadian creditor group insurance management including but not limited to product design, pricing, capital valuations, policy liability valuations, and reinsurance consulting; post-retirement benefit liability valuations; risk management consulting including the identification, analysis, modelling, and management strategies for financial and insurance risks.

Matt is currently pursuing his fellowship under the Canadian Institute of Actuaries.

Professional affiliations and credentials

- Associate of the Canadian Institute of Actuaries and the Society of Actuaries

Education

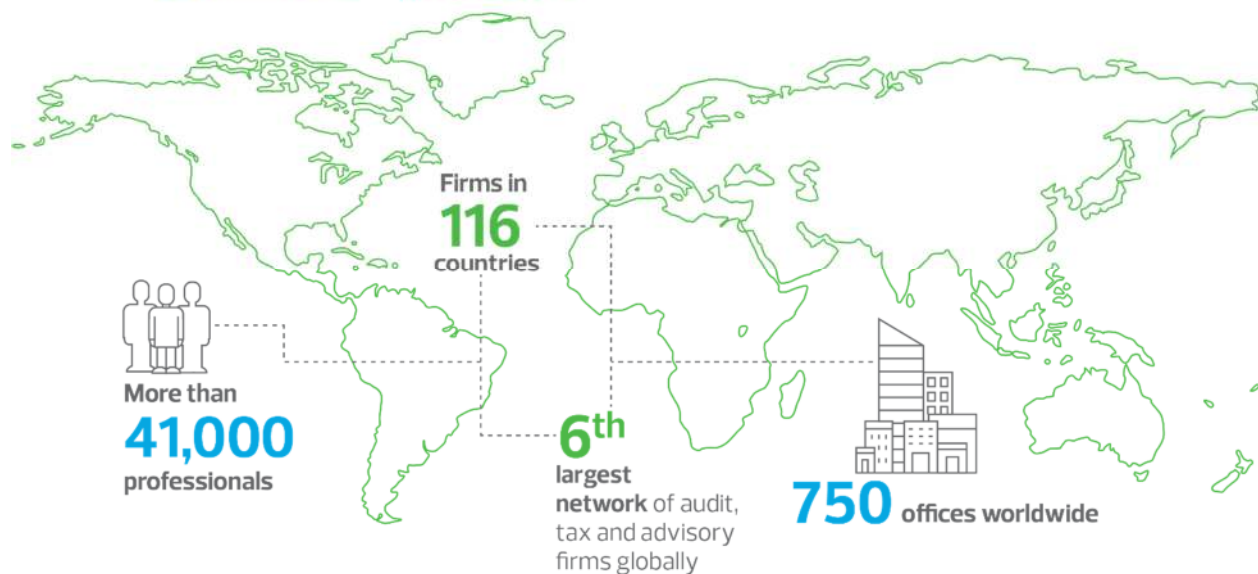
- Bachelor of Mathematics in Actuarial Science Honours, focus on finance and economic option, Statistics and Actuarial Science Faculty, University of Waterloo

Appendix B—About RSM

RSM's purpose is to deliver the power of being understood to our clients, colleagues and communities through world-class audit, tax and consulting services focused on middle market businesses. The clients we serve are the engine of global commerce and economic growth, and we are focused on developing leading professionals and services to meet their evolving needs in today's ever-changing business environment.

RSM Canada LLP provides public accounting services and is the Canadian member firm of RSM International, a global network of independent audit, tax and consulting firms with 41,000 people in 116 countries. Our team comprises 69 partners and over 600 people nationally in four office locations spanning Ontario and Alberta, as well as a presence in Ottawa and Montreal. We serve clients in various industries, including finance & insurance, manufacturing, private equity, real estate and construction, technology, business and professional services, and government, health care and education. We service over 107 public entities, 150 clients in the nonprofit sector and over 3,000 private company clients. This includes municipal, provincial and federal governments as our clients. Our engagements with our clients can range from short month-long projects to multi-year, ongoing and recurring assignments. RSM Alberta LLP is a limited liability partnership and independent legal entity that provides public accounting services. RSM Canada Consulting LP provides consulting services and is an affiliate of RSM US LLP, a member firm of RSM International. For more information visit rsmcanada.com, like us on Facebook, follow us on Twitter and/or connect with us on LinkedIn.

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The background of the slide is a blurred image of a credit card payment terminal. The terminal is dark-colored with a small screen and a numeric keypad. The screen shows some text, but it's not legible. The keypad has numbers 1-9, 0, and some function keys like 'MENU' and 'F'. The overall tone is professional and business-oriented.

CAFII

Business Research, Modeling & Strategic Recommendations for credit card balance protection insurance

Proposal to provide consulting services
March 28, 2019



Our commitment to you

Dear Keith,

Thank you for the opportunity to submit our response for conducting a global market scan; benchmarking industry data and developing possible enhancements related to the credit card balance protection insurance (CCBPI) product.



CCBPI has been under global scrutiny by regulators and consumer advocacy groups on the product value and its sales and distribution practices. In some jurisdictions we have noted significant penalties imposed by regulators on the industry, or simply discontinuing the otherwise highly lucrative industry. These are early warnings for CAFII and its members, but present an opportunity to proactively reevaluate the consumer value proposition of CCBPI. In conducting this assessment we understand it will be critical to highlight improvement areas for the industry at large, yet we also recognize that there is no a “one size fits all” solution and therefore it will be important to identify the different options available to CAFII’s membership base and their potential impacts. These insights can provide guidance to CAFII’s members on an optional basis for bespoke solutions.

We understand the importance of this report to you and your members. We are uniquely positioned to provide you with global insights and actionable recommendations because we:



Have assembled a solid team globally, and have already started our research - Time is short, so we already got started. We assembled a global team of partners to gain their insights on the work they have done with regulators and the industry on creditor insurance, customer fairness and remedies across Canada, the UK, the US and Australia. Our team comprises of insurance strategists, risk and regulatory practitioners, actuaries, and data scientists.



We know your members - We work with many of your member firms, either as strategic advisors, on regulatory reform (such as FATCA, CRM2, IFRS), as appointed actuaries or peer reviewers and more. This gives us the added advantage of intimate knowledge of their products, services, distribution channels and more, so we can derive more value for you when we conduct the proposed interviews with the CAFII members.



Have done this before - Our teams have prepared similar market studies and reports in the financial services industry and its associations in Canada and globally. In one of our reports - “Putting customers at the heart of your business - Impacts of Bill C-86”, we provide our views on C-86 and how it dovetails with the proposed Fair Treatment of Customers from CCIR and CISRO.



Manage projects with rigor - Staying on top of stakeholder schedules, conducting the research, benchmarking and strategic assessment will be needed to deliver the various artefacts. At PwC, every engagement we run adopts our 12 elements of delivery excellence, which means that our proposed team is fluent with managing the rigor required for successful delivery and on time.

We are looking forward to hearing from you. If you have any questions regarding this proposal, you can always give me a call at 416 815 5052.

Keegan Iles
Partner, PricewaterhouseCoopers Associates,
Authorised Representative of PricewaterhouseCoopers
LLP
18 York Street, Suite 2600 | Toronto, ON | M5J 0B2
416 815 5052 | keegan.a.iles@pwc.com



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Our understanding of your needs

We have developed a robust plan to deliver you and your members high quality outputs that bring together our top multidisciplinary team. From your RFP and Q&A, we understand you are looking for market research, benchmarking, and a report on strategic recommendations to enhance the credit card balance protection insurance (CCBPI) product.

What you've told us


- Credit Card Balance Protection Insurance (CCBPI) products have been the **subject of attention** by regulators, media and consumer advocacy groups.
- It is important for the industry to be able to articulate positive information, including the **consumer value proposition** of this product to relevant stakeholders.
- CAFII, on behalf of its members, is seeking to **identify the concerns** with CCBPI and their causes in other countries, **compare them to Canada** and **propose enhancements** to address the concerns of regulators and advocacy groups.
- CAFII is currently seeking proposals from business consultancy firms to **lead the market research, industry benchmarking, business strategic recommendations and business modeling** for CCBPI.

Our plan

- Leverage **our global network of insurance and regulatory reform specialists** who have experience working on CCPBI and similar projects in Australia, the U.K., the U.S. and Ireland. This will enable us to quickly understand concerns with CCPBI and the nuances that will be relevant to Canada, accelerating our market scan.
- We will deploy our experienced **Data Analytics** team to conduct thorough benchmarking of CAFII members' performance and statistical assessment for economic insights on the product and sales/distribution. This will enable us to understand the drivers of trends and what levers we can pull in our strategic recommendations to influence lasting, impactful change.
- We will integrate our findings from parts 1 and 2 to drive meaningful insights, develop **strategic recommendations**. We will work with our business and **Actuarial** team to design and build "generic" **business models** for CAFII and its members.

Global Creditor Insurance Market Perspective

Several factors globally, such as regulatory reviews and increasingly active consumer advocacy groups, lack of awareness for consumers and traditional sales practices for credit card balance insurance are resulting in declining sales and regulatory penalties. These serve as early 'warning signs' for Canadian FIs to prevent the unwanted consequences.



Regulatory reviews are prompting significant changes

Major reviews have been conducted in the United States, Ireland, UK and Australia prompting changes to sales distribution, marketing and reporting functions. The FCAC report on sales practices issued in March 2018 in Canada was directional and did not point out systemic cases of customer detriment.



Sales practices & distribution models

Traditional sales and distribution models have been challenged due to regulatory review. It has been observed that misaligned sales incentive structures have prompted mis-selling of products to customers who are not suitable (or even eligible) for it. Deferred sales models (such as that in Australia) could challenge the way creditor insurance is typically sold to consumers and result in far lower sales volumes.



Lack of awareness

Customers may be unaware that they have purchased creditor insurance, or are unsure what they are eligible to submit as a claim. The value proposition is often unclear and many contracts are written with complicated language. Too often the result is consumer dissatisfaction and poor outcomes.



Declining sales and regulatory penalties

Misleading sales practices and regulator-mandated customer payouts have garnered international attention, and the market continues to suffer from reputational damage. As an example, the total premiums in the UK have decreased by ~7% annually between 2013 and 2018, and in Australia the big banks could face a class action over the sale of millions of dollars of “worthless” credit card insurance.

Source:

UK creditor insurance unlikely to bounce back, The Actuary, August 2015

Domestic bank retail sales practices review, Financial Consumer Agency of Canada, March 2018

Banks to overhaul consumer credit insurance sales processes, Australian Securities & Investments Commission August 2017

Regulatory Changes: Sample Country Snapshots

After extensive regulatory reviews, new rules and expectations pertaining to commission disclosures, customer complaints, sales practices and online distribution have been proposed in other jurisdictions.

Ireland & UK



More information must be disclosed to the customer (UK)

- The Financial Conduct Authority (FCA) introduced measures for insurers to disclose information to the customer prior to the point of sale (e.g., commission). August 29, 2019 has been established as the deadline for customers to submit claims for compensation if they were mis-sold coverage, or not told details about what percentage was paid in commission.

Consumer protection laws apply to add-on insurance products (Ireland)

- The Central Bank of Ireland confirmed that the Consumer Protection Code applies to add-on/linked insurance coverage. Over 77,000 customers unknowingly purchased coverage were eligible for a refunds totalling nearly €67.6M between 2007 and 2014.

Australia



Express consent from customers required for online transactions

- Reforms introduced in August 2017 require insurers to obtain express consent to purchase add-on coverage. Earlier in 2017, Commonwealth Bank was forced to refund \$10M to 65,000 customers after the ASIC alleged add-ons were oversold.
- When obtaining consent, insurers also required to disclose full cost and duration of the policy.

Deferred sales model is mandatory for coverage sold over the phone or in branches

- Australian Securities & Investments Commission (ASIC) requires insurers to wait a minimum of four days to sell coverage to consumers after they have applied for a credit card over the phone.
- Reforms introduced in August 2017 with the goal of reducing pressure on consumer to purchase a product that may not meet their needs.

Sources:

FCA proposes tweaks to PPI rules that may increase bank payouts, Financial Times, July 2018

Summary report of payment protection review, Central Bank of Ireland, 2014

Banks to overhaul consumer credit insurance sales processes, Australian Securities & Investments Commission, August 2017

Commonwealth Bank dumps insurance add-ons and will pay back \$16M to customers, ABC News, March 2018

Case study: CBA discontinues Credit Card Insurance

The controversies surrounding the CCBPI have led some banks to exit the lucrative market altogether. Commonwealth Bank of Australia stopped selling new credit card and personal loan insurance in mid-2018, while ANZ has stopped selling new credit card insurance policies altogether.



The Issues in Australia



CCBPI is sold, not bought.



It is a **complex** product with limited disclosures.



It is **not always appropriate** for customers, so they feel duped.



It does not always indemnify, with average **loss ratios less than 30%**.



It has been subject to **mis-selling**, due to high sales targets and lack of information on the product.



Consumer Advocacy Groups & Royal Commission react



The Consumer Action Law Center calls CCBPI as "junk" insurance, costing Australians more than **\$1 billion over the last 10 years**.

Hayne Royal Commission summons CEO of CBA for the final round of public hearings, where he admitted to "significant failings," including **wrongly selling credit-card insurance** to more than **64,000 unemployed customers**.



Impacts to Commonwealth Bank of Australia & Regulatory Reform



CBA refunds **\$16M** to **140,000** Australians.



CBA **scraps** the lucrative product.



New guidelines introduced by the Australian Banking Association and new code of practice being written by the Insurance Council of Australia, will add compliance costs and increase operational complexities.

Canadian Regulators promote fair sales practice

As awareness of sales mis-practice in financial services increases, numerous Canadian regulatory bodies are taking action and issuing guidance on measures to better protect financial service customers.



FCAC Financial Consumer Agency of Canada

After the media reported sales mispractice in Canada as well as U.S. FIs in the spotlight such as Wells Fargo, the FCAC conducted a review of the Canadian banks and issued a report of its findings in the spring of 2018. The findings from the FCAC report were the foundation of many of the proposed provisions in Bill C-86.



FSCO Financial Services Commission of Ontario

The FSCO released guideline No 03/18 to inform those licensed by the FSCO of its expectations regarding the fair treatment of financial services customers.



CCIR & CISRO Canadian Council of Insurance Regulators & Canadian Insurance Services Regulatory Organizations

The CCIR & CISRO jointly released a guideline on the fair treatment of customers for insurers and their intermediaries.

Key themes identified by regulators to promote the fair treatment of customers



Establish fair treatment of consumers as a key component of corporate governance, culture and business strategy



Consider fair outcomes across the product lifecycle (product design, sales, post sale treatment) including the appropriate disclosures



Establish controls/ governance mechanisms to mitigate sales mispractice, with consideration for higher risk products & distribution channels



Revise performance management programs so that pay and incentives align to customer interests as well as commercial interests

Reimagine the future of creditor insurance

There are opportunities for FIs to reevaluate their products and sales tactics and transition to a more consumer-focused model

Today...



Growing Market

Credit card insurance is a high margin product, which has grown ~10% since 2011 to over a \$1B market in Canada



Eligibility vs. Suitability

Product bundles with poor product knowledge by branch/call center staff are sold to consumers based on eligibility and not based on client needs (or suitability).



Poor Sales Practices

Frontline staff are not properly trained and are incentivised to cross-sell bundles. In addition there is limited oversight on third party distribution channels and sales practices.



Regulatory Reaction

Legislative and regulatory bodies are placing greater emphasis on consumer protection and introducing new reforms (e.g., Bill C-86)

Product / Business focused

Tomorrow



Realignment of the customer value proposition

Evaluate opportunities to drive greater consumer value (e.g., increased loss ratios, reduced premiums etc.)



Redesign of products and sales incentives

Evaluate product bundling and pricing and introduce activity based targets to mitigate mis-selling.



A workforce that is better equipped to sell well

Train frontline sales staff to ensure creditor products are sold by knowledgeable staff who can offer products based on customer needs.



Robust governance and controls on sales practices risk that are proactive, not reactive

Enhance governance, especially 1st line controls, to manage sales practices in all sales channels, including third party sales.

Consumer focused

Why PwC

We have done this before

Our global experience in leading and successfully completing industry projects of similar scope and size — including for many of CAFII member firms. Over the years, we have built a knowledge base of key findings that we will share with CAFII.

Selected Projects	Strategy	Risk, Regulatory, Customer	Product/service enhancement
Top 5 Canadian bank Growth opportunities within their respected business lines (Creditor, Traditional Life, P&C, Travel).	✓		✓
Top 5 Canadian bank Comprehensive market research and insights to yield differentiated Creditor Insurance offering.	✓		✓
Top 5 Canadian bank Improve the distribution performance of third party mortgage broker creditor insurance.	✓		✓
Canadian Federal Credit Union Sales Practices Review including creditor insurance	✓	✓	✓
Top UK retail bank Approach to customer remediation following Supreme Court Case.	✓	✓	✓
Top UK Life Assurance companies Support life insurers respond to the Financial Conduct Authority findings on treatment of longstanding life insurance. customers.	✓	✓	
Top UK retail bank Develop key customer outcomes for reporting to the Conduct Risk Committee and Board.		✓	✓
Top UK retail bank Advice, and project management support to help various FS clients enhance their approach to managing conduct risk.	✓	✓	✓
Multiple Australian retail financial institutions Support on customer fairness, risk, compliance and culture; on creditor insurance reviews.	✓	✓	✓
Central Bank of Ireland Develop the Consumer Protection Risk Assessment Model for the Consumer Protection Division, to assist them in their supervision of consumer risk management within regulated entities, including insurance companies.	✓	✓	✓
Top US bank Review current state of sales practices, PwC reviewed the current state of sales practices and designed the operating model.	✓	✓	✓

We have the right expertise

We will draw upon our global partners who work with regulators and the industry to get you first hand knowledge on CCBPI. We have assembled a team of seasoned advisors in business strategy, along with a team of actuaries and data analysts to deliver pragmatic recommendations.

Advisory

Business Strategy and Research

We have helped some of your CAFII members with growth strategy, particularly in the creditor insurance market.

Risk & Regulatory reform

We have a strong global regulatory practice that has worked with clients on numerous Canadian, U.S., U.K. and Australian regulatory reforms with a specific focus on fair customer treatment.

Global Market Research

We have conducted several global research studies and developed industry benchmarking reports.

Data Analytics

Analytics

We have significant experience with benchmarking, building analytical algorithms and visualisation tools.

Data Visualization

We develop what-if models and scenarios to help our clients visualize through BI tools (e.g., Tableau, Alteryx) in real-time implications (e.g., changes to profitability as a % of increasing claims payouts).

Actuarial

Actuarial Modeling

We are appointed actuaries and peer reviewers for many of the insurance companies in Canada. This gives us unprecedented experience with developing product pricing models and assessing loyalty programs, which are key components for business modeling. We have advanced capabilities for predictive modeling and what-if scenarios to help our client make informed choices.

We develop proformas, DCAT / stress testing to better understand implications of strategic choices.

Your members that we have worked with before:

CUMIS
Assurant
BMO Insurance
RBC Insurance
Desjardins Financial Security

Manulife
Canada Life
TD Insurance
CIBC Insurance
American Express

Our global strength

Advisory

With 37,000 FS professionals worldwide, we bring a team with deep global insurance industry experience.



In fact, PwC was named the *#1 Insurance Consulting Service Provider* by Gartner Competitive Landscape survey in 2017

Analytics

Our Analytics team has extensive experience enhancing the value of data and analytics by integrating business analytics expertise across industries and geographies. We can transform your data into interactive reports and extract relevant insights to suit your business needs.

Actuarial

Our actuarial team is the largest professional consulting actuarial team in Canada. Our global leaders are appointed actuaries for many of the Insurance companies, with extensive experience in Creditor insurance. Our firm is part of a global actuarial network of more than 1,000 consultants in 35 countries.

Our global thought leadership and studies

Our teams have prepared similar market studies and reports in the financial services industry and industry associations both in Canada and globally.



Sound advice - Insights into Canada's Finance Industry

Advocis commissioned and used this report to lobby and inform provincial regulators on the advice channels in anticipation of a review on embedded commissions.



Economic Impact Assessment of Banning Embedded Commissions in the Sale of Mutual Funds

PwC supported IFIC with their submission to CSA provided an Economic Impact on the potential banning of embedded commissions on Mutual Funds.



Putting customers at the heart of your business - Impacts of Bill C-86

Following the 2018 FCAC report Bill C-86 brings changes to the provision of financial products and consumer outcomes. PwC view dovetails this with the proposed Fair Treatment of Customers from CCIR and CISRO.



Perspectives on the Financial Services Royal Commission Final Report

The Royal Commission's report into Misconduct in the Banking, Superannuation and Financial Services Industry will have major impacts and PwC has provided insight and guidance on the required marketplace changes.



Insurance Conduct Risk Series

PwC's UK Insurance Conduct Risk Series provides companies and industry guidance on:

- FCA's review into fair treatment of longstanding life insurance customers
- Predictions & advice for insurers following FCA's Heritage Review
- Developing add-ons to increase transparency & product quality and consumer value in the insurance market to ensure better consumer outcomes.

Reimagine insights through visualization

Our approach to understanding large amounts of data to get meaningful insights is to leverage advanced interactive tools, which allow different stakeholders to slice and dice the information with simple clicks in real-time. We find these tools allow stakeholders to answer the “so-what”, which is often lacking in standard static reporting.

Large amounts of data not only need to be gathered and organized but also needs to be understood.

When working with copious amounts of data that needs to be synthesized and sliced in different ways, we typically provide **interactive** and **user-oriented** reporting. We will work with CAFII, based on the data available, to create appropriate visualizations.

For instance, users will be able to visualize the impacts of one business model over another by seeing the movements to proformas, e.g., if loss-ratios moved $\pm 10\%$, or lapse rates moved by $\pm 5\%$.

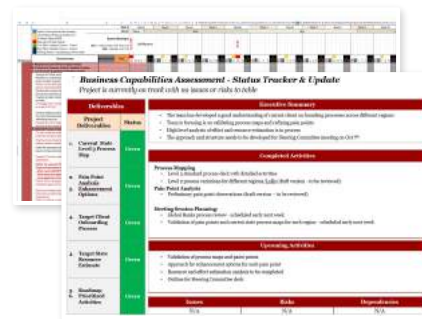
This advanced ‘real-time’ analysis will be more insightful, actionable, and value-added.



Our teams have managed similarly sized important global and multi-stakeholder research projects successfully. We will not start from a blank piece of paper. We will leverage our 12 elements of delivery excellence, and we have integrated several project accelerators throughout our approach on this engagement.



Our mature project management tools and accelerators will get us aligned and organized to deliver through a clear scope, robust plan, periodic status updates, early feedback cycles and stakeholder engagement throughout the 8 week timeline.



Our approach and timeline

Our Approach

By the end of 8 weeks, we will provide to CAFII a report on strategic recommendations and business modeling that CAFII and its members can leverage to guide the actionable path forward for CCBPI. These recommendations will be backed by a thorough global market scan and Canadian industry benchmarking in parts 1 and 2.*



Part 1 Market Research

3-4 weeks

Develop a **comparative global research** report on CCBPI through a market scan of Australia, U.K., U.S., and Ireland in order to understand the concerns of local regulators and consumer groups had with CCBPI and how their experiences could apply to Canada.

To do so, we will review internal PwC materials, premium publications, public documents, academic and government studies; and interview key participants in relevant jurisdictions and CAFII member firms.



Part 2 Industry Benchmarking

2-3 weeks

Work alongside with CAFII and Stikeman Elliott on the key dimensions that should be benchmarked, and collect only those data* required to **benchmark** across CAFII members for comparative analysis.

Work with our Actuarial and Data Analytics teams to develop **interactive data visualization** to present the aggregated and anonymized results to CAFII.

Prepare a 'fact pack' in an easy-to-use graphical and interactive format so your members can clearly understand the key facts about the product, its sales/distribution, value proposition to begin to address concerns expressed by the consumer advocates, regulators and policy makers. We will also provide options for product enhancements for considerations.



Part 3 Strategic Recommendations and Business Modeling

2-3 weeks

Based on findings from previous parts of the engagement, we will provide **strategy recommendations*** on the risks and opportunities for the industry, including possible enhancements that demonstrate the industry's proactive approach to responding to concerns expressed by the consumer advocacy groups, regulators and policy makers.

We will develop "generic" **business models** (e.g., modifications to the product, or sales/distribution) that illustrate how the changes may impact the industry and how some of those changes could be implemented.

Conduct 12 one-hour presentations with the CAFII member institutions to present the findings of this research effort and the strategy recommendations.

*We will work alongside Stikeman Elliott for compliance with Competition Act on collection and use of CAFII member data, recommendations, discussions and actions as a result of this engagement.

Market Research



Part 1

Timeline: 3-4 weeks

In Part 1, the team will hold a kick-off meeting with CAFII project leadership to agree upon the approach, timelines, resources and stakeholders for the engagement. PwC will then leverage our robust knowledge of Insurance regulatory reforms to conduct an assessment of the global market with a focus on CCBPI in Australia, U.K., U.S. and Ireland.

We will conduct interviews with PwC subject matter specialists in our relevant global jurisdictions, Stikeman Elliott experts, key members of CAFII membership and review public documentation to understand the concerns that regulators and consumer groups had with CCBPI in relevant jurisdictions and how their experiences could apply to Canada.

Deliverables

- Comparative International Research

Project Kick Off:

- Host kick-off meeting with CAFII leadership to confirm scope, deliverables, initial document request, and finalize project approach and timeline.
- Identify key CAFII stakeholders (~20-25) to be interviewed and schedule meetings.

Comparative International Market Research Study:

- Perform market research using public documents, academic and government studies and leverage existing PwC analysis and internal network sources to articulate key product risks, regulatory challenges and opportunities in Australia, the U.K., the U.S., and Ireland CCBPI markets.
- Conduct interviews with:
 - PwC subject matter specialists in our relevant global jurisdictions across Australia, the U.K., the U.S., and Ireland to understand what was it about CCBPI that was of concern to regulators and consumer groups in those jurisdictions, and what learnings can be applied to Canada. (~4-6 interviews).
 - Key members of the CAFII membership to understand how the regulatory and consumer concerns identified in other jurisdictions might be applicable to Canada. (~20-25 interviews).
- Use research and interview findings to conduct assessment of CCBPI to identify any potential Canadian regulatory concerns.
- Consolidate findings from international market research into a reader-friendly comparative report that CAFII can utilize both with its members and in informing regulators and other stakeholders.

Sample Deliverables

Comparative International Research



Industry Benchmarking



Part 2

Timeline: 2-3 weeks

In Part 2, the team will aggregate CAFII member data on CCBPI products to conduct a benchmarking study and extract industry level CCBPI statistics. We will use the outputs of this study to create a fact pack, outline the CCPBI value proposition and propose a list of strategic enhancements to the CCPBI value proposition.

Deliverables

- Benchmarking study
- Fact Pack
- Value Proposition
- Strategic Enhancements

Benchmarking Study:

In Part 2, we will anonymize and aggregate data from CAFII Member CCBPI products in order to extract relevant industry level statistics as we:

- Work alongside with Stikeman Elliott (legal firm hired and retained by CAFII) and CAFII to confirm the dimensions and metrics that CAFII wants to benchmark.
- Collect information about these attributes across the CAFII membership in a manner that is compliant with competition laws.
- Use interactive data visualization tools to present the aggregated, anonymized results to CAFII membership.

Fact Pack:

- Utilize the results of the benchmarking study to design a fact pack that explains how CCBPI products work and provide key facts on the products, their key value proposition and their sales and distribution.
- Present the facts in a graphical format so they are easy to understand and can be used to educate relevant stakeholders.

CCPBI Value Proposition:

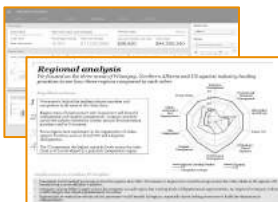
- Develop the CCBPI value proposition for Canadian consumers to provide the key benefits of the product.
- Determine, outline, compare and contrast the key concerns expressed by stakeholders regarding the value proposition and the practical measures that could potentially be taken to address them.

Strategic Enhancements:

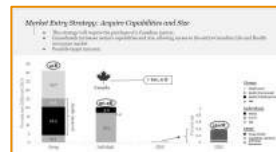
- Propose an extensive list of possible options to strategically enhance the CCBPI value proposition, at the industry-level.

Sample Deliverables

Benchmarking Study



Fact Pack



Value Proposition



Strategic Enhancements



Strategic Recommendations and Business Modeling

Part 3

Timeline: 2-3 weeks

In Part 3, we will develop strategic recommendations for an actionable path forward with respect to CCBPI on an industry level.

We will also develop “generic” models to illustrate how recommended changes could be implemented to enhance the CCBPI product and/or its distribution.

We will work alongside with Stikeman Elliott so all recommendations, discussions and actions are compliant with the Competition Act.

Deliverables

- Final Strategy recommendations
- Business models for strategic recommendations
- 12 one-hour, internal presentations with the CAFII member institutions

Business Strategy Recommendations:

- Leverage outcomes from industry benchmarking and compare against outcomes from market research, to identify commonalities across product features, risks, applicability of criticisms and regulatory direction to crisply articulate the challenges faced by CAFII and its members.
- Conduct working sessions with PwC Canadian banking partners to identify enhancements to offset these challenges and develop enhancements that demonstrate the industry is being proactive and responsive to concerns expressed by regulators, policy-makers and consumer advocacy groups.
- Develop a report of strategic recommendations based on the current and evolving Canadian regulatory and policy-making environment.
- Work alongside with Stikeman Elliott and the core CAFII group to get early feedback and iterate to refine report.
- Update the final report and present to the CAFII members.

Business Modelling:

- Develop “generic” business models (e.g., modifications to CCBPI product or its distribution) that could be adopted for implementation of the strategic recommendations.
- Develop interactive dashboards to facilitate what-if scenarios and financial modelling (e.g., if loss ratios were to increase, what would the impact be on the profitability and customer outcome by demographics etc.) so that the industry can determine levers that could shift the profitability of a product while providing increased consumer value.
- Socialize findings with CAFII.
- Conduct 12-one hour internal presentations with the CAFII member institutions.

Sample Deliverables

Final strategy recommendations including business models



Illustrative what-if scenarios (e.g., Tableau / Alteryx)



Key Outcomes: A sneak peak at your deliverables

Part

1

Market Research



At the end of part 1, we'll provide CAFII with:

- A comparative global research report that shows concerns from regulators and consumer advocacy groups and lessons that can be applied by CAFII members in Canada.

Part

2

Industry Benchmarking



At the end of part 2, we'll provide CAFII with:

- A user friendly 'fact pack' that shows key attributes for the product and its sales / distribution.
- Detailed value proposition of the product, including concerns and practical measures to mitigate them.
- A list of improvement opportunities to CAFII's current strategy and business model to enhance the product.

Part

3

Strategic Recommendations & Business Modeling

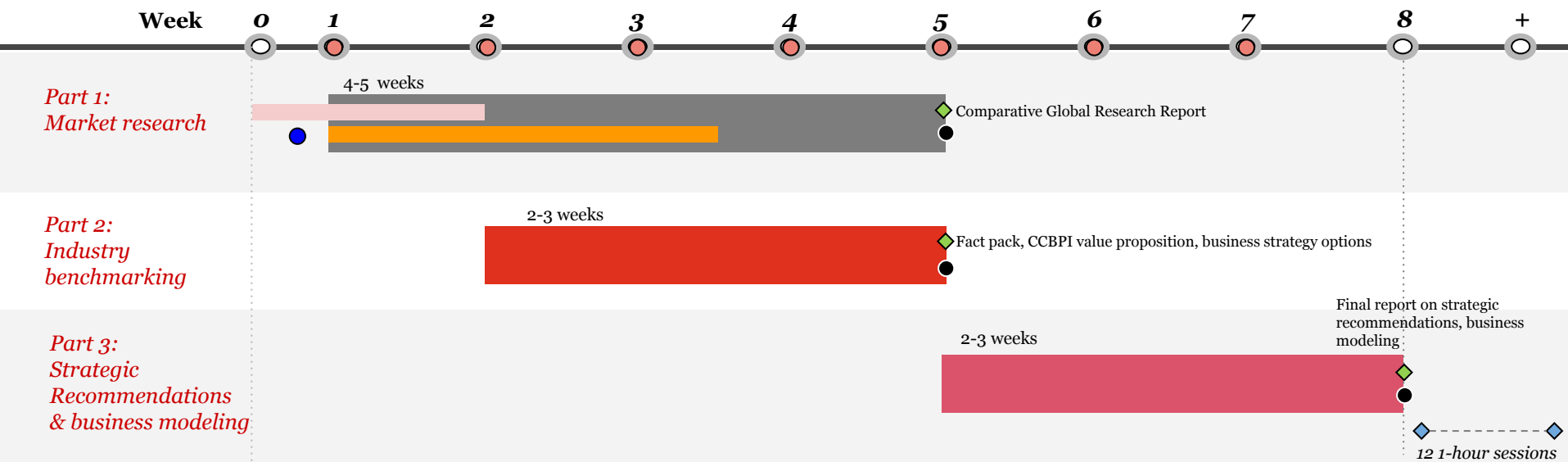


At the end of part 3, we'll provide CAFII with:

- A final report that consolidates all improvement opportunities, and a list of recommendations for CAFII's considerations.
- "Generic" business models that could support the implementation of strategic recommendations (e.g., required modifications to CCBPI product or its distribution).
- 12 one-hour, internal presentations with the CAFII member institutions.

High-level timeline

To accelerate the delivery, we have already started our research and initial discussions with our territory partners. We kick-off early to align on project logistics, set up key stakeholder interviews, weekly touchpoints and executive touchpoints. We will run parallel streams of work to get you the outcomes within the prescribed 8-week timeline.



Legend: ● Kick-off ● Executive touchpoint ● Status Updates ■ PwC interviews ■ CAFII interviews ◆ Key outcomes ◆ 12 1-hour sessions

Our Team

We're ready to get going.

Our team has been assembled specifically around your needs, bringing the right experience and knowledge to execute this engagement.

Oversight for the project will be provided by Keegan Iles and the day to day project lead will be Tarun Agarwal. They will be supported by a team consisting of Insurance and Actuarial industry specialists and analysts that have the analytical and strategic industry experience to support you in executing business research, modeling and providing strategic recommendations.

Industry Subject Matter Specialists



Keegan Iles
Engagement Partner



Matthew Lawrence
Engagement Director



Byren Innes
Insurance Strategy
Specialist



Tarun Agarwal
Engagement Manager

Risk & Regulatory Subject Matter Specialists



Robin Taylor
Canada FI and Regulatory
Specialist, PwC Canada



Matt Browne
UK FI and Regulatory
Specialist, PwC UK



Amanda Cox
US FI and Regulatory
Specialist, PwC US



Trisha Gibbons
Ireland FI and Regulatory
Specialist, PwC Ireland



Sarah Collins
Conduct & Sales Practice
Risk Specialist
(Canada/U.K.)



Caroline McCombe
Australia FI and Regulatory
Specialist, PwC Australia

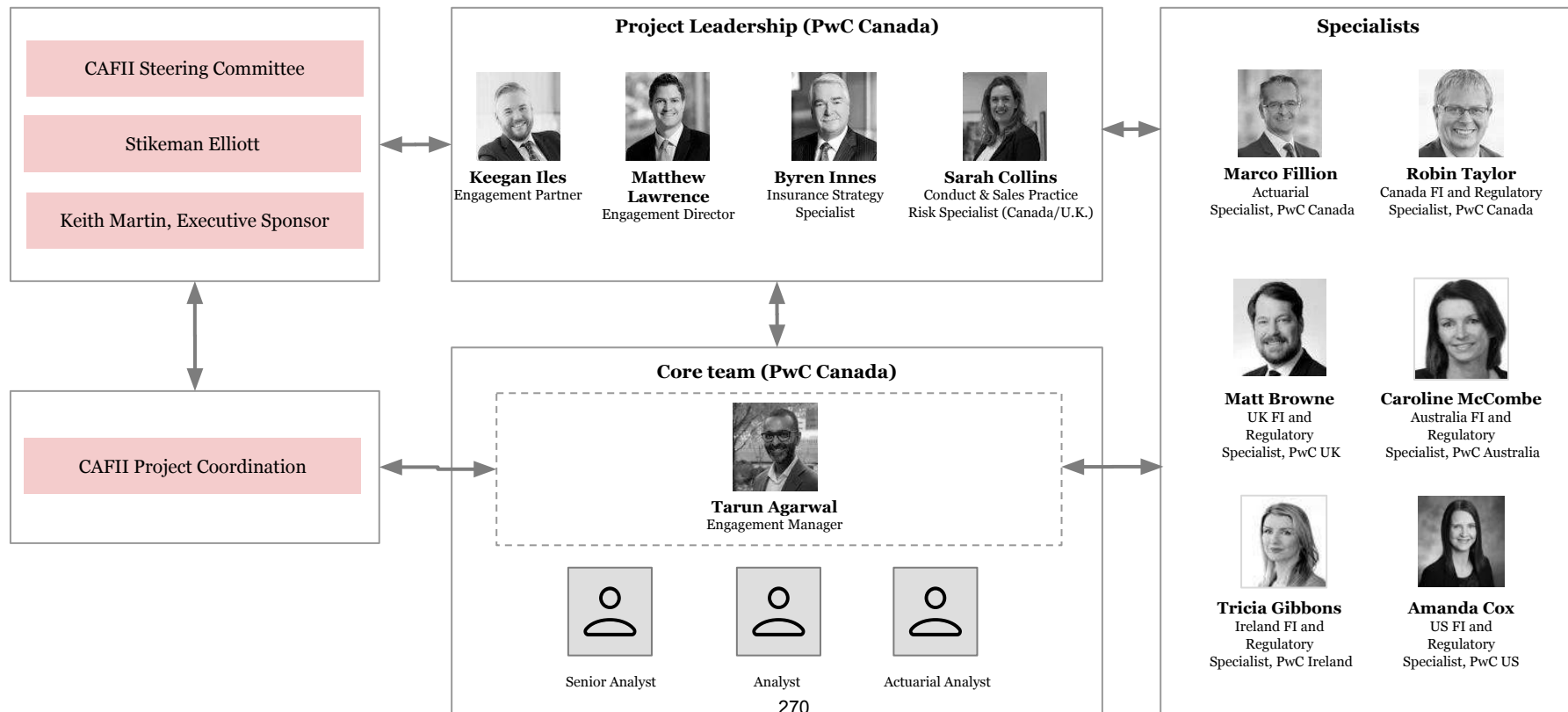
Actuarial Subject Matter Specialist



Marco Fillion
Actuarial Specialist
PwC Canada

How we will work with you

Our team has been assembled specifically around your needs, bringing the right experience and knowledge to execute this engagement.



Fees

We want to deliver value to you through this engagement. We typically find that fixed fee commercial structures align incentives on both sides - clearly articulating value through a set of structured deliverables.

Assumptions

- 8-week timeline, commencing the week of April 8th 2019
- Timeline is subject to scheduling of stakeholder interviews and working sessions at kick-off
- CAFII sponsors will actively participate in status meetings, interviews and working sessions, and will review deliverables in a timely manner in order to meet the proposed timeline
- CAFII will provide PwC with data requested within the first week of the engagement.

Professional Fees	Cost
Market Research	\$175,000
Industry Benchmarking	\$50,000
Recommendations & Model Options	\$100,000
Total Fixed Fee	\$325,000

Payments

Engagement fees will be billed at a fixed cost and invoiced as follows:

- Project fees will be billed at the completion of engagement
- In addition to professional fees, we will bill applicable taxes and out-of-pocket expenses such as transportation, hotel, and per diem costs. These will be capped at 10% of professional fees, if incurred.

Appendix

1. Proposed team's credentials
2. Our global experience

1

Proposed team's
credentials

Simply put, our project team brings an unparalleled level of **experience and specialization**, and we're ready to get going

Our practitioners are passionately dedicated to their fields of specialization, specifically life and health insurance. In addition to our customized approach for this engagement, we've brought together the best of our Insurance, Regulatory and Technology teams who have the skills and experience to support you in this exciting initiative.

About

Keegan Iles
National Insurance Consulting Leader,
Engagement Partner, PwC Canada



Keegan is the national insurance consulting leader. Over the past 15 years, Keegan has worked with insurance **clients in strategy and large-scale transformation**, due diligence and M&A advisory, cost reduction, project governance, change management, IT strategy, planning and implementation, insurance supply chain advisory, process reengineering, and outsourcing. Keegan has published numerous white papers on claims transformation, vendor management, human capital management and is a regular **presenter to insurance industry panels and client events, including CAFII presentations on digital and insurtech trends.**

Relevant Experience

- For a leading bank, Keegan led the improvement of customer experience at origination and servicing through changes to delivery model for creditor insurance through innovative changes into business models and technology build out.
- For a major Canadian insurer Keegan directed a team to review their back office services effectiveness, identify improvement opportunities and prioritize / sequence of those initiatives in an roadmap.
- For a top 5 Canadian Bank, Keegan led the Creditor Insurance product strategy including market scan, competitive assessment and business models that support different sales models.
- For a leading workers compensation fund Keegan led the development of a program management office transformation including associated program artefacts and the establishment of a stage-gate process for their transformation efforts.
- For a leading Canadian public insurer, Keegan provided risk advisory services to their Transformation Committee of the Board of Directors.

Matthew Lawrence
Director, Insurance Strategy and Operations,
Engagement Director, PwC Canada



Matthew Lawrence is a Director in PwC's Financial Services Consulting Group and his main area of focus is Insurance Operations and Strategy. Matthew has over 14 years of experience working with financial institutions across the US and Canada and he has recently led numerous projects spanning corporate strategy, operating model design, channel effectiveness, digital distribution, compensation strategy, process improvement, and operational due diligence.

- For a top 5 Canadian Bank, Matthew led a market entry assessment of a new Creditor Insurance product focused on the Automotive Finance market. Key activities included conducting comprehensive market and consumer research, competitive assessment, third party channel analysis and market sizing to determine the overall feasibility of launching the new product.
- For a top 5 Canadian Bank, Matthew co-led the development of a new Creditor Insurance sales model as lending applications transitioned from advisor-led (branch, call centre and third party) to a full digital operating model.
- For a top 5 Canadian Bank, Matthew led the development of a new mortgage creditor insurance sales and compensation model for loans that were originated through third party mortgage brokers

About

Byren Innes
Strategic Advisor,
Insurance Strategy Specialist, PwC Canada



Byren is a senior contributor to PwC's Insurance and Wealth Management Consulting Practices with over 46 years of experience (28 years in industry) in senior management roles with leading insurance and wealth management organizations across Canada. For over 18 years, he has **led consulting engagements and research projects** with most of the Canadian insurance companies, wealth management and larger distribution firms, as well as firms in the US and Caribbean.

Sarah Collins
Manager, Risk Assurance,
Conduct & Sales Practice Risk Specialist
(Canada/U.K.), PwC Canada



Sarah has over **10 years** of experience in PwC's Financial Services Risk and Regulation Practice. Sarah leads a number of regulatory and sales practices engagements with a **focus on business conduct and customer fairness, spanning asset and wealth management and retail banking**. Sarah is a recognised thought leader in conduct risk and regulatory topics and has authored and co-authored articles on consumer protection and risk culture in financial services. Sarah holds the UK Certificate in Retail Banking Conduct of Business (CertRBCB) from the Institute of Financial Services.

Tarun Agarwal
Manager, Insurance Advisory
Engagement Manager, PwC Canada



Tarun has over **14 years** of experience, 6 of which in Insurance consulting group with experience across Canada, US, UK and the Caribbean. He is currently the Advisory lead for IFRS 17 regulatory reporting, and has conducted numerous insurance industry research reports. He has **led over 10 small and large scale projects successfully**, in various industries, including insurance industry research projects

Relevant Experience

- Recognized specialist in MGA, National Account, Direct, Captive and Bancassurance Distribution channels
- Has held industry association leadership roles in insurance companies, as well as MFDA, IIROC and MGA Distribution
- For over 15 years, has conducted numerous research & industry impact reports based on global regulatory changes in wealth and insurance distribution as well as industry and proprietary company studies and consultancy mandates including product and channel strategies
- Co-authored the Sound Advice report on insurance and wealth distribution
- Co-led the development of a new Creditor Insurance Sales model as lending applications transitioned from advisor-led (branch, call centre and third party) to a full digital operating model.

- Sarah joined the Toronto firm from PwC UK where she led a number of regulatory engagements at a time of acute customer focus, post-global financial crisis. This included design and implementation of conduct risk frameworks and advising clients on UK regulatory requirements focused on conduct of business.
- Sarah also spent time at one of the UK's leading challenger bank's at the height of the UK Financial Conduct Authority's (FCA) focus on fair customer treatment, setting up the bank's conduct framework, and member of the Board's Conduct Committee, presenting on the status of enterprise-customer outcomes.
- Sarah started her career at the FCA as a supervisor in the retail division focused on the FCA's Treating Customers Fairly (TCF) initiative.

Sample industry projects as lead project manager:

- For a bancassurance client of Canada, he conducted industry research on creditor insurance product and distribution channels to help the client grow the market share of their product.
- For a direct insurer, Tarun led the market research of innovations through Insurtech and Fintech in the US, the UK, Australia, Germany and south-east Asia. He developed a comprehensive report, complete with different business models that the client could consider to increase its profitable market share.
- For another insurance client, he led a global market research that included, market scan of four jurisdictions on emerging consumer trends, distribution models, product offerings and the use of social media.
- For a mutual insurance company, Tarun led the Program Management Office for a \$60M Insurance Claims Transformation, which included target state design for managing claims payout.

About

Marco Fillion

National Actuarial Leader,
Actuarial Specialist, PwC Canada



Marco has **30 years of insurance experience** in product development, risk assessment, actuarial valuation, financial reporting, M&A and capital requirements. He is the Chair of the ASB Designated Group on Integration of DCAT and ORSA, is the past Chair of the CIA Committee on Risk Management and Capital Requirement, and sits on PwC's International Insurance Accounting Group. Marco leads the largest professional consulting actuarial team in Canada who are the **auditors or actuarial external peer reviewers for over 70 Canadian insurers**, including and the **Appointed Actuaries for over 25 Canadian insurers**, including those with Creditor insurance portfolios. Marco is the lead industry speaker on regulatory capital changes, and co-authored PwC publications including "Insurance Solvency Regime Developments: Striking the right balance in Canada" and "Low interest rates – Life insurers' great depression".

- Completed a number of projects for large insurers requiring the design, implementation, conversion and enhancement of both product and business projection models for DCAT and ORSA.
- Has in depth experience with creditor insurance and loyalty programs, working with several CAFII members.
- Prior to joining PwC he was also the product manager for the Creditor portfolio (Mortgage and Personal Loans Life and Disability).

Robin Taylor

Partner, Internal Audit, Risk and Regulatory,
Risk Assurance Specialist, PwC Canada



Robin is a Partner in the Canadian Risk Assurance Practice with over **25 years** of FS consulting experience. Robin has broad and deep experience across financial services including banking, insurance and asset and wealth management, specializing in **risk and regulatory management**. He has undertaken a number of regulatory engagements with a **focus on conduct and customer** and has significant experience of working directly with regulators and has a strong understanding of regulatory expectations.

- Led engagements on behalf of regulators in areas of sales practices, conduct, regulatory compliance systems and governance including engagements on behalf of OSFI and OSC.
- Performed engagements for Canadian insurers in areas of risk management, compliance, internal audit and controls including work for several CAFII members.
- Performed engagements for credit card issuers in Canada. Work performed includes assisting with risk management frameworks, overseeing new product launches, and reviews related to governance and internal controls.
- Performed benchmarking study for FSCO on regulatory approaches across **US, UK, Australia and Netherlands** to assist with risk based regulation initiative.

Matt Browne

Director, Regulatory Practice
UK FI and Regulatory Specialist, PwC UK



Matt leads conduct risk and regulation within the Insurance practice. He supports insurers and intermediaries across the life, pensions and general insurance market on a broad range of conduct issues, from the **redesign of compliance functions to development of product governance** procedures and second-line monitoring of advice, financial promotions, and complaints. Matt has **significant experience supporting the FCA, including regulatory assessments and review of retail distribution review (RDR)**. Prior to joining the regulator, Matt was an **insurance economist working for the Association of British Insurers (ABI)**.

- Section 166 reviews: led the delivery of skilled person reviews covering oversight and controls sales and distribution operations, pensions and complex investment advice (including DB pension transfers).
- Long-standing customer reviews: supported two life insurers responses to the FCA's findings following their review of the treatment of long-standing customer, including product governance and oversight, gone-away tracing, pricing and charging models, and management information.
- Remediation and Redress: supporting a large intermediary business with the remediation and redress work involved in pensions transfers mis-selling.
- Quality of advice reviews: deep-dive reviews on the quality of advice and suitability of investments for two national advisory businesses, including client-file testing, evaluation of policies and procedures, and testing of their risk and control environment.

Relevant Experience

About

Caroline McCombe
Partner, Risk Consulting
Australia FI and Regulatory Specialist,
PwC Australia



Caroline is a risk and compliance Partner who combines consulting with financial services industry experience. Caroline has advised clients in relation to regulatory, risk and compliance reviews, including enforceable undertakings for insurers, major Australian banks and wealth managers.

Her areas of expertise have include managing regulatory change programs in **risk governance, conduct risk management and compliance**; leading **regulatory reviews for key Australian regulators including ASIC and APRA**; and designing and delivering a range of product risk reviews for financial institutions to identify, monitor and manage conduct and customer outcomes.

- Caroline has managed the Australian Prudential regulator's assessments in relation to governance, accountability and culture for the country's largest insurer and several Big 4 banks. These roles encompassed reviewing information provided to APRA, anticipating issues, and providing both independent insights and strategic advice on how to respond to the recommendations.
- Caroline has also led the Royal Commission advisory program for Big 4 Bank, including the provision of independent insights.
- Caroline has led a range of risk culture, controls and conduct framework reviews, including as part of regulatory action, for major banks, insurers and wealth managers.

Trisha Gibbons
Director, Risk and Regulation
Ireland FI and Regulatory Specialist,
PwC Ireland



Trisha is a Director in our financial services risk & regulatory practice. Trisha has experience in advising clients in all aspects of **regulatory & risk management and has worked on a number of independent third party governance and risk reviews**. Over **20 years** relevant experience in insurance and banking regulation, 13 of which has been spent with PwC. She has a worked on many engagements involving the Central Bank of Ireland (CBI)

- Led the team in large retail non-life insurance company in the interpretation and implementation of the Consumer Protection Code and other consumer related rules and requirements, and the set up of the Compliance Function
- Led the regulatory team on a large independent third party review and subsequent remediation project for an Irish Reinsurance Company as required by the CBI.
- Regulatory and Governance Lead for Ireland & UK for the Insurance Portfolio Transfer which included responsibility for the design of the revised governance structure, the CBI engagement strategy, production of monthly updates to the CBI, documentation of the relevant governance and regulatory aspects of the Insurance Portfolio Transfer legal documentation.

Amanda Cox
Principal, Insurance Regulatory and
Conduct Risk Specialist
US FI and Regulatory Specialist, PwC US



Amanda is a Principal in the US with over **15 years** of experience providing consumer regulatory advisory services to Fortune 1000 Financial Services companies. Amanda was also a **Bank Examiner at the Federal Reserve Bank of Chicago focusing on consumer compliance for two years**. Her regulatory compliance expertise has been focused on retail banking, credit card issuers and consumer finance. Amanda is also a Certified Regulatory Compliance Manager (CRCM) and holds an MBA from the University of Notre Dame.

- Led numerous fair lending and Unfair, Deceptive, or Abusive Acts and Practices (UDAAP) self assessments, internal audits, and program builds.
- Provided subject matter support to multiple sales practices self assessments and remediation efforts for large, complex financial institutions within the US and Canada covering focus areas such as employee and customer complaints, data analytics, training, culture, third parties, and controls (e.g. policies, procedures, account opening and closing protocols).
- Led the lending compliance portion of a core banking system implementation project, including analysis, design and testing phases covering all consumer loans and mortgage loan products, as well as overdraft lines of credit. Worked with operations, technology, BUs, legal, and compliance to satisfy federal and state regulatory compliance requirements.

Relevant Experience



Our global experience

Your PwC team has experience with comprehensive industry research, conducting benchmarking analysis and providing strategic recommendations

Case Studies - Canada (1 of 3)

Creditor Insurance Strategy

Background

A large Canadian bank insurer that recently experienced leadership change within their international and domestic insurance businesses was looking for growth opportunities within their respected business lines (Creditor, Traditional Life, P&C, Travel).

Solution

- Conducted global market research and competitive analysis to determine the insurance businesses overall positioning within their respective markets.
- Worked with the bank's senior executive team to identify and vet potential opportunities to improve productivity and grow the business.
- Identified tactical growth initiatives and developed the go forward business models for each business line.
- Assessed current operating models to determine new capabilities that would be required to deliver on the strategic growth initiatives.
- Performed opportunity sizing to determine the prioritization of initiatives based on their overall financial impact.
- Aligned growth initiatives with the overall banking strategy to ensure overarching organizational alignment.
- Aligned key stakeholders within Canada and International regions on the overall strategic direction of the insurance businesses.
- Provided management with a prioritized list of tactical growth initiatives to deliver on their overall go forward insurance strategy.

Creditor Insurance Product Development

Background

For one of our clients with leading Automotive Finance market we provided a comprehensive market research and insights into the solution design, and overall validation to yield a blueprint for a differentiated Creditor Insurance offering for participating automotive dealers.

Solution

- Conducted market research and assessed the market opportunity to develop a creditor insurance product for the auto finance dealer / OEM channel.
- Conducted interviews and surveys with dealers, OEM's and consumers (including dealership owners and F&I managers), from a cross-section across the country to obtain actionable insights for use when developing the product solution.
- Performed opportunity sizing to determine the overall feasibility of a new creditor insurance product.
- Provided the client with go forward model and product solution based on market research, interview findings and identified processes and internal systems requirements to implement the new product.
- PwC's recommendations allowed our client to receive funding to implement the new creditor insurance product through direct channels.

Case Studies - Canada (2 of 3)

Mortgage Broker Compensation Strategy

Background

One of Canada's top 5 banks was looking to explore opportunities to improve the distribution performance of third party mortgage broker creditor insurance.

Solution

- Assessed how the bank currently pays mortgage creditor insurance commissions to independent third party mortgage brokers, specifically as it relates to commission amounts, referral payments, policy lapses & chargebacks.
- Identified competing models within the Canadian FI space for firms utilizing third party channels including oversight, supervision and compensation models.
- Conducted interviews with key stakeholders, mortgage brokers and brokerage principles across the country to obtain actionable insights for consideration when redeveloping the compensation structure and sales process.
- Advised on the design of a new third party mortgage creditor insurance compensation strategy and sales model to improve the overall profitability of the channel while promoting quality sales actions.
- Developed a financial model to demonstrate how the proposed changes to compensation and processes may impact overall profitability.

Creditor Distribution Strategy

Background

In Creditor - as retail lending products move to digital origination, embedding creditor will become a required capability for digital cross sell opportunities. However achieving penetration rates previously achieved in assisted channels poses both a challenge and opportunity for the digital channel

For a large bank in Canada, PwC provided the major trends & leading global perspectives in digital insurance distribution & client experience, including business models, and the future state of client journey across multiple channels?

Solution

- Conducted a Global market scan of creditor insurance showing differences within regions due to various levels of regulation and client needs.
- Mapped out the Client Journey: Awareness, Application, Underwriting, Fulfillment, Claims, and Cancellation/Retention for all product types (Mortgages, PLC, Loans, Credit Cards) to understand client pain points and opportunities for improvement.

Case Studies - Canada (3 of 3)

Creditor Insurance Technology Architecture Design

Background

One of our clients was looking for assistance to improve their customers' experience at origination and servicing of Creditor insurance, through changes to delivery model (e.g., technology, processes)

Solution

- Completed a capabilities assessment to determine internal and net new capabilities that would be required to enable the banks future state for their creditor insurance business.
- Vendors were contacted and assessed to provide a view of available off the shelf product options that would provide the net new capabilities identified.
- The team worked closely with Business and IT areas to ensure identified solutions fit based on existing bank systems, in flight projects and architectural options.

Federal Credit Union Sales Practices Review including creditor insurance

Background

One of our clients was looking to gain assurance that sales practices risk was being adequately managed across the organization. In particular, in the context of increasingly regulatory scrutiny from FCAC and with the introduction of Bill C-86.

Solution

- Developed an audit scope and approach with the Internal Audit team on sales practices.
- Designed Board and Executive interview questions on sales practices linked to key audit criteria.
- Led senior management interviews on sales culture
- Reviewed key documentation and policies and procedures on sales culture.
- Issued an Internal Audit report to the Board on sales culture with a series of recommendations to improve the organization's sales culture in line with regulatory expectations.
- Provided value-add advice to the audit and management teams on conduct risk and sales practices leading industry practices
- Creditor insurance - identified a number of risks and issues from key management information (high cancellation rates and flawed third party clawback mechanisms). Issued recommendations to address these issues.

Case Studies - Global (1 of 4)

Retail Bank Payment Protection Insurance (PPI) Customer Complaints Remediation Review (UK)

Background

One of the UK's leading challenger banks was looking for PwC's to provide advice on the approach to customer remediation following the landmark Plevin v.s Paragon Financial Services Limited Supreme Court Case.

Solution

- Completed assessment of all customers making a complaint against the bank under Plevin, for eligibility of payout.
- The team worked closely with the bank's product and marketing and communications teams to manage communications to customers including accepted claims and claims that were rejected.
- Provided project management support in addition to regulatory expertise to support the bank to meet key deadlines for customer remediating bank systems, in flight projects and architectural options.

Review of Fair Treatment of Long-Standing Life Insurance Customers (UK)

Background

PwC supported two life insurers respond to the Financial Conduct Authority (FCA) findings following their review of the treatment of longstanding life insurance customers.

Solution

- PwC supported both organizations to impact assess several key areas discussed as part of the FCA's review, including product governance and oversight, gone-away tracing, pricing and charging models and management information.
- Worked with the business teams and the compliance team to craft a response that would deliver pragmatic business outcomes as well as good customer outcomes.
- Leveraged PwC thought leaders and intimate industry knowledge to bring in insights to the response that the client would not be able to have otherwise been able to provide.

Case Studies - Global (2 of 4)

Retail Bank Customer Outcomes MI Development Including General Insurance Products (UK)

Background

One of our clients was looking to develop key customer outcomes MI for reporting to the Conduct Risk Committee and Board.

Solution

- Completed an assessment of current state, identifying key gaps and areas that needed to be developed further.
- Worked with front line business teams and data teams to identify data sources, including key dependencies on third parties for data access.
- Reviewed third party contracts with legal team for required enhancements on customer outcomes MI.
- Provided expert input into what the key suite of KRIs should be
- Facilitated a check and challenge process between 1st line and 2nd line teams to agree on final KRIs.

Review of Conduct Risk Management Frameworks (Various UK FIs)

Background

A number of our clients had been developing their approach to conduct risk management in line with regulatory expectations. PwC provided specialist advice, and project management support to help various FS clients enhance their approach to managing conduct risk.

Solution

- Conduct risk MI development.
- Product conduct risk reviews (proactive review and customer remediation).
- Board conduct risk appetite development.
- Embedding behavioral economics into product design and approval processes.
- Review of (risk) culture / Enterprise-culture assessments.

Case Studies - Global (3 of 4)

Several Retail Financial Institutions Compliance, Conduct and Customer Outcomes Projects (Australia)

Background

The PwC Financial Services Risk and Regulation Practice supports a number of clients on engagements focused on customer fairness, risk, compliance and culture. Our work includes supporting financial institutions on creditor insurance reviews focused on customer fairness.

Solution

- We have worked with several large FI's in relation to customer, conduct, risk and compliance and governance engagements, including working with Australia's largest retail bank.
- We have advised FI's on product risk assessments in relation to conduct and fair customer outcomes, including creditor insurance.
- We are also currently advising a number of financial institutions in relation to their customer remediation projects.

Joint Project with Central Bank of Ireland (CBI) To Develop Their Consumer Protection Risk Assessment Model (Ireland)

Background

We worked with the Central Bank of Ireland to develop the Consumer Protection Risk Assessment Model for the Consumer Protection Division, to assist them in their supervision of consumer risk management within regulated entities, including insurance companies.

Solution

Development of an assessment tool for the Division, where the detailed framework and supporting manual included the following:

- Detailed Consumer Protection Risk Management Framework including test programs.
- Metrics to measure key performance and risk indicators.
- Key risk standards and benchmarks for assessment purposes by CBI
- Tools to assess culture surrounding consumer protection.
- Assessment & scoring methodology for individual regulated entities.
- Developed and implemented Consumer Protection Risk Assessment tool and supporting framework and manual.
- The CBI gained a greater understanding of the drivers of consumer risk throughout the entire relationship with a customer.

Case Studies - Global (4 of 4)

Insurance Company Governance, Risk Management and Capital Management Review (Ireland)

Background

Following the identification of a range of issues related to processes supporting solvency and capital management requirements, we reviewed the adequacy of the operational risk, governance and risk management policies and procedures.

Solution

- Detailed review of the relevant processes and controls to establish the adequacy of the design of their design and operation.
- Reviewed organisational and operational structures to assess alignment with regulators requirements and good practice. This included consideration of the appropriateness of the risk operating model, the governance of risk management components and activities and the adequacy of skills and resource of the functions.
- Provided targeted recommendations for the improvements in governance and risk management including an implementation plan.
- In a subsequent phase, we implemented the recommended changes in relation to governance, operational risk and risk management.
- Implementation of required changes to enhance compliance, governance and risk management, demonstrable to key stakeholders including the company's group, shareholders and regulators.

Wells Fargo Review of Sales Practices Framework and related Operating Model (U.S.)

Background

Following the identification of a number of systemic issues with its sales practices and interactions with customers, PwC reviewed the current state several sales practices risks.

Solution

- Interviewed over 40 executive and branch team members.
- Identified risks against PwC's sales practices risk categories.
- Proposed changes to the current operating model across the three lines of defense (risk oversight, retail services, and branch responsibilities).
- Identified metrics, data sources, and systems that would need to be updated.
- Recommended enhancements to existing technologies and analytics methods.
- The client is forming a new central analytics team along with other changes to its operating model.

Thank you



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Credit Protection Insurance



February 2019

Study Objectives and Methodology

- The Canadian Association for Financial Institutions in Insurance (CAFII) would like to get a better understanding of Canadian consumers' views of Credit Protection Insurance.
- The specific objectives of this study are to quantitatively test:
 - The general perception of Credit Protection Insurance on a number of factors, including value for money and ability to cover expenses
 - Experience and satisfaction with purchasing Credit Protection Insurance
 - Level of confidence in Credit Protection Insurance in the event of a claim
 - Experience and satisfaction with the claim's process
 - Incidence of making a claim on Credit Protection Insurance
- Survey conducted nationally between **October 3rd and 16th, 2018**, using an online methodology.
- Stratified sample among **1,490* Canadians aged 18 and over, who fit into the following categories :**
 - Who have a mortgage or Home Equity Line of Credit and currently have Credit Protection Insurance: N= 1003
 - Who have a mortgage or Home Equity Line of Credit and do not have Credit Protection Insurance: N = 424
 - Who have made a credit protection insurance claim: N = 286



Key Takeaways

A strong majority of Canadians who own credit protection insurance (CPI) believe that these products are an affordable, convenient and effective way of protecting themselves and their families in case of certain unexpected events

- In addition, most CPI holders do not know what they would do without it should something happen to them and/or their family, further illustrating the importance of these products

CPI holders are highly satisfied with the purchase process overall and are confident in their knowledge of these products (i.e. payout amounts and policy terms)

- High levels of purchase satisfaction and policy knowledge are being driven by sharing of quality information by representatives of financial institutions vs. information outlined in CPI documents

CPI holders' expectations of claim payouts are being met by the industry

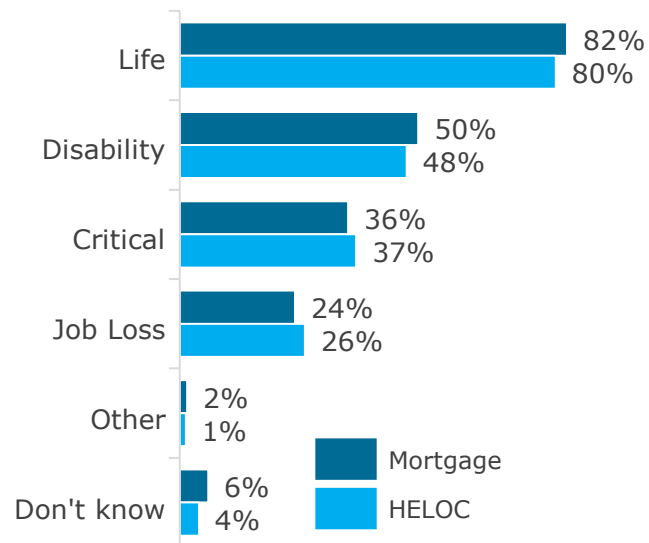
- This indicates that the industry is effective at educating its consumers, open and transparent with consumers at the time of purchase, and consistently delivers on its promises



Canadians purchase a range of CPI products today

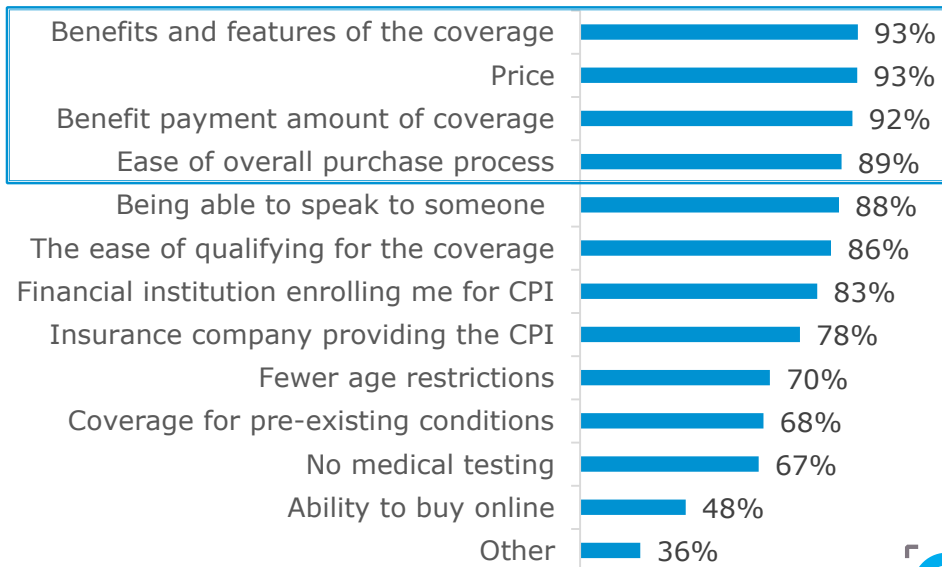
- The most important factors when purchasing CPI are the features and benefits of the coverage, price, coverage amounts, and ease of the purchase process overall

Type of Coverage Purchased



Base: All CPI Holders n=1,003

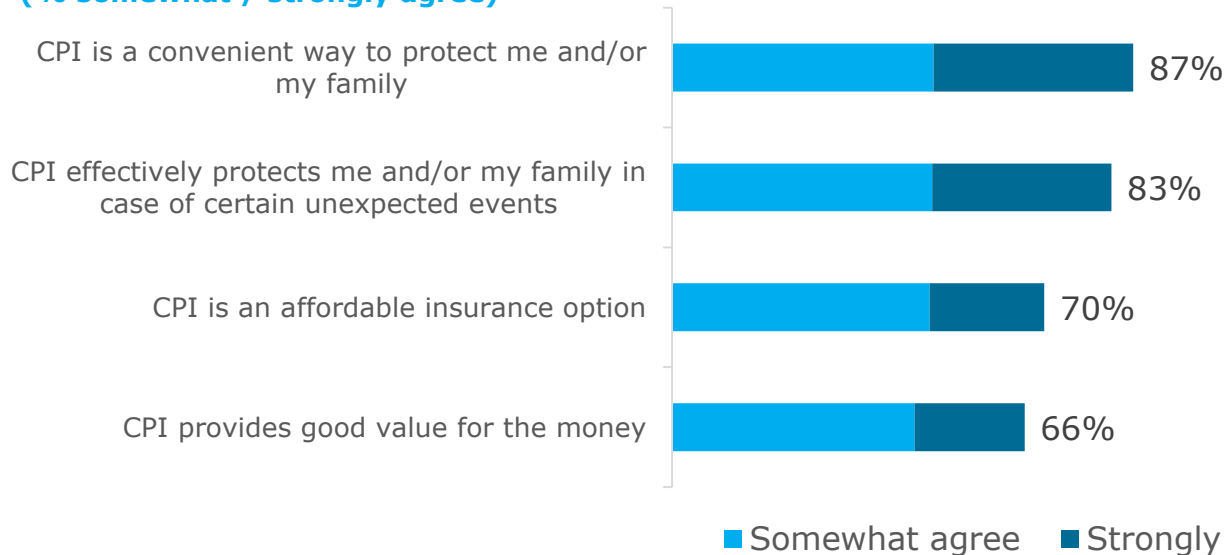
Importance of Factors when Purchasing CPI (% somewhat / very important)



A strong majority of CPI holders have positive impressions of these products

- CPI holders agree that these products are a convenient, effective and affordable way to protect their families in case of certain unexpected events

Agreement with Statements Regarding Credit Protection Insurance among CPI Holders (% somewhat / strongly agree)



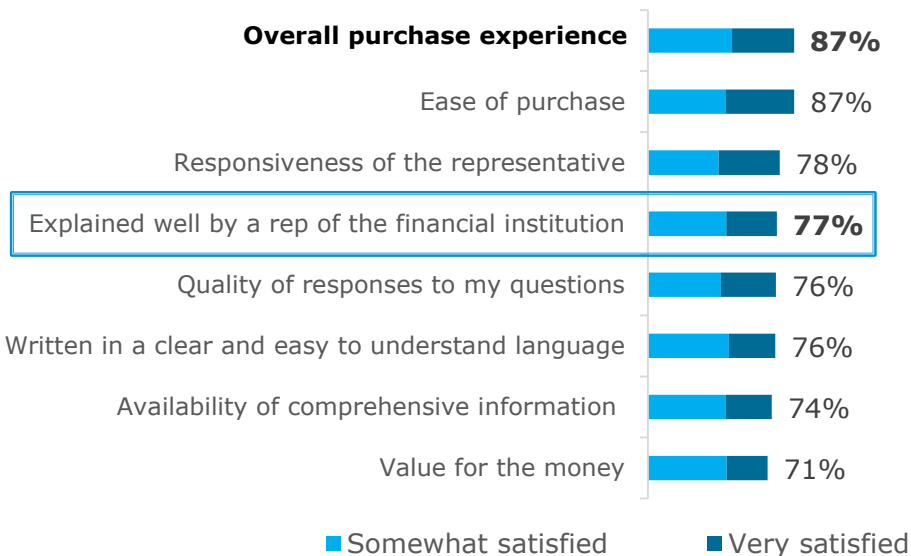
71% do not know what they would do without CPI, should something happen to them and/or their family



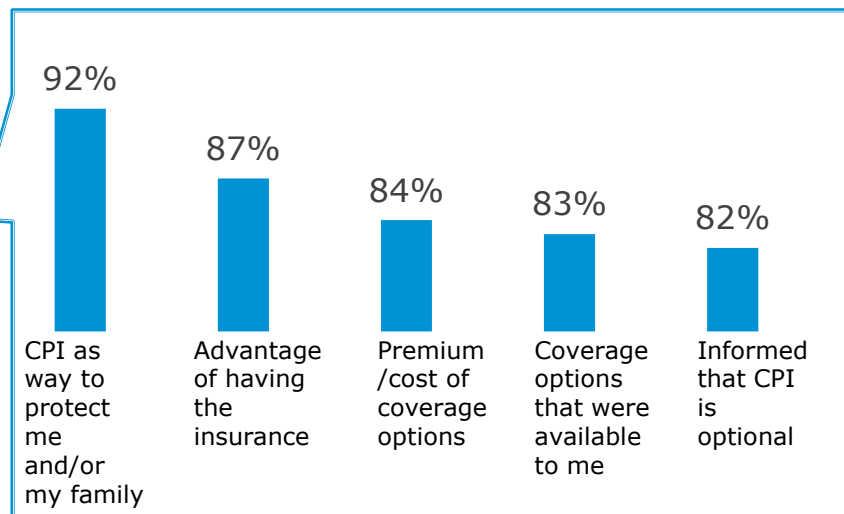
CPI holders are highly satisfied with the purchase experience overall

- CPI holders are satisfied with the information provided by representatives of financial institutions at purchase (e.g., benefits, price, coverage options, etc.).

Satisfaction with Purchase Experience (% somewhat / very satisfied)



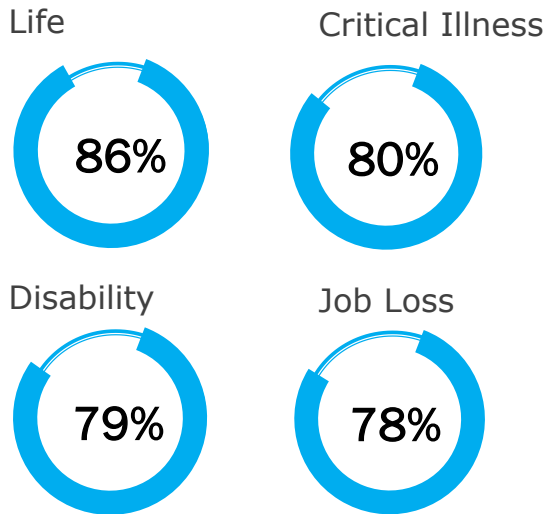
Elements of CPI Discussed by Representative



CPI holders are confident in their knowledge of insurance payout amounts and policy terms

- These high levels of confidence are in contrast to slightly lower levels of agreement that CPI documents are easy to understand

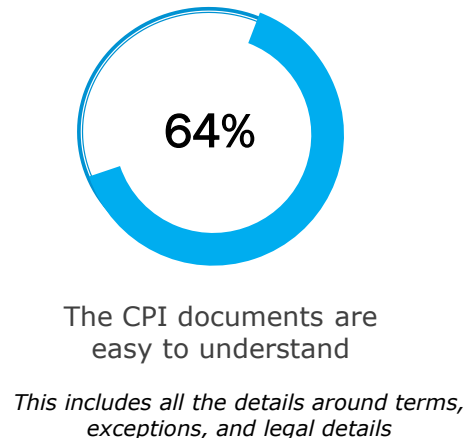
Confidence among CPI Holders in Knowledge of Payment Amount (% somewhat / very confident)



Understanding of Credit Protection Insurance Terms (% understand somewhat / very well)



Comprehension of Documents which Outline CPI (% somewhat / strongly agree)



CPI holders' expectations for claim payout are in-line with actual results of claim submissions

- The high incidence of claim payouts results in high levels of satisfaction with the claims process overall

Confidence in Credit Protection Insurance in event of a claim (% somewhat / very confident)



CPI holders' expectations for claim payout are in-line with actual results of claim submissions

- The high incidence of claim payouts results in high levels of satisfaction with the claims process overall

Results of Claim Submission Among Processed Claims (all products) (% that were paid)



94%
of those whose claims
were paid are satisfied
with the claims process
overall (**80%** for
claimants overall)

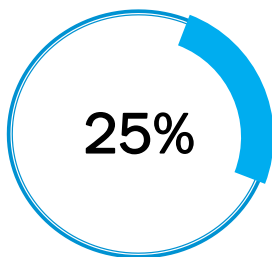
Aggregated self-reported data
provided by CAFII members
validates this finding, with **94%**
of Life claims paid



The few CPI holders who have made a complaint during a claim are generally satisfied with how it was handled

- Complaints most often relate to the timeliness of payout and/or the quality of communication of the provider (e.g., proactiveness, responsiveness, etc.)

% Made A Complaint During Claim process

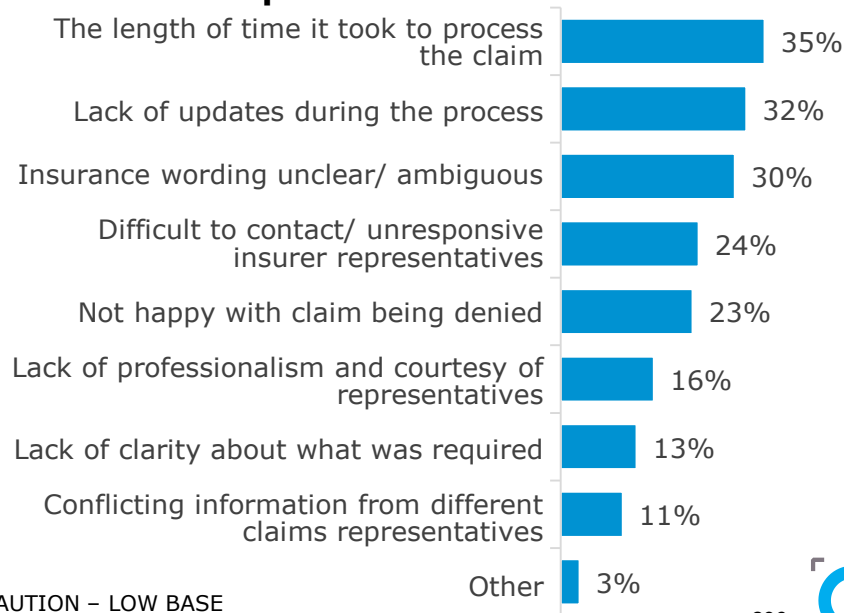


Of the 25% who made a complaint during the claims process, **85%** were satisfied with how the claim was handled



Base: CPI Claim/ Claim Resolved (N=244)

Reason for Complaint*



* CAUTION – LOW BASE

Base: CPI Claim/ Made Complaint (N=53)





Credit Protection Insurance



October 2018

Study Objectives and Methodology

- The Canadian Association for Financial Institutions in Insurance (CAFII) would like to get a better understanding of Canadian consumers' views of Credit Protection Insurance.
- The specific objectives of this study are to quantitatively test:
 - The general perception of Credit Protection Insurance among holders and non-holders on number of factors, including value for money and ability to cover expenses
 - Level of confidence in Credit Protection Insurance in the event of a claim
 - Experience and satisfaction with purchasing Credit Protection Insurance
 - Incidence of making a claim on Credit Protection Insurance
 - Experience and satisfaction with the claim's process
- Survey conducted nationally between **October 3th and 16th, 2018**, using an online methodology.
- Stratified sample among **1,490* Canadians aged 18 and over, who fit into the following categories :**
 - Who have a mortgage or Home Equity Line of Credit and currently have Credit Protection Insurance: N= 1003
 - Who have a mortgage or Home Equity Line of Credit and do not have Credit Protection Insurance: N = 424
 - Who have made a credit protection insurance claim: N = 286



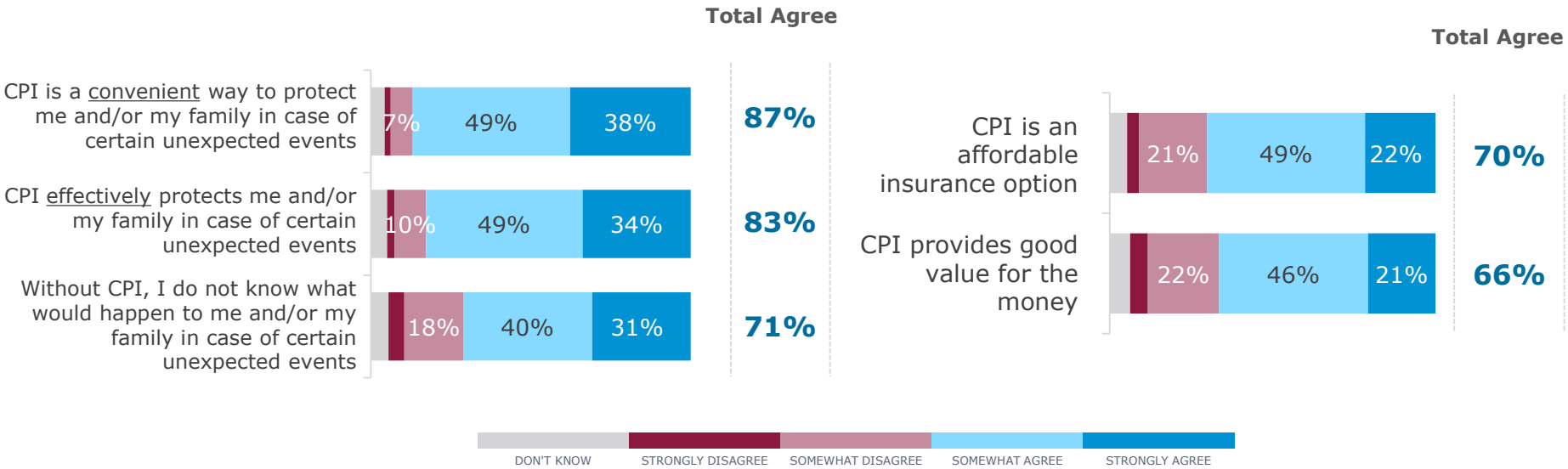


Holders of Credit Protection Insurance Perception of Product



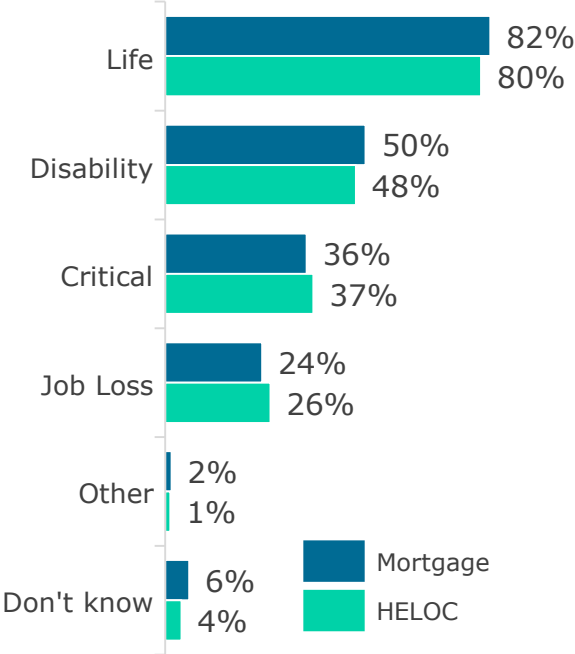
Strong majority feel that CPI is a convenient and effective way to protect them or their family, but fewer feel as strongly about the value

Agreement with Statements Regarding Credit Protection Insurance

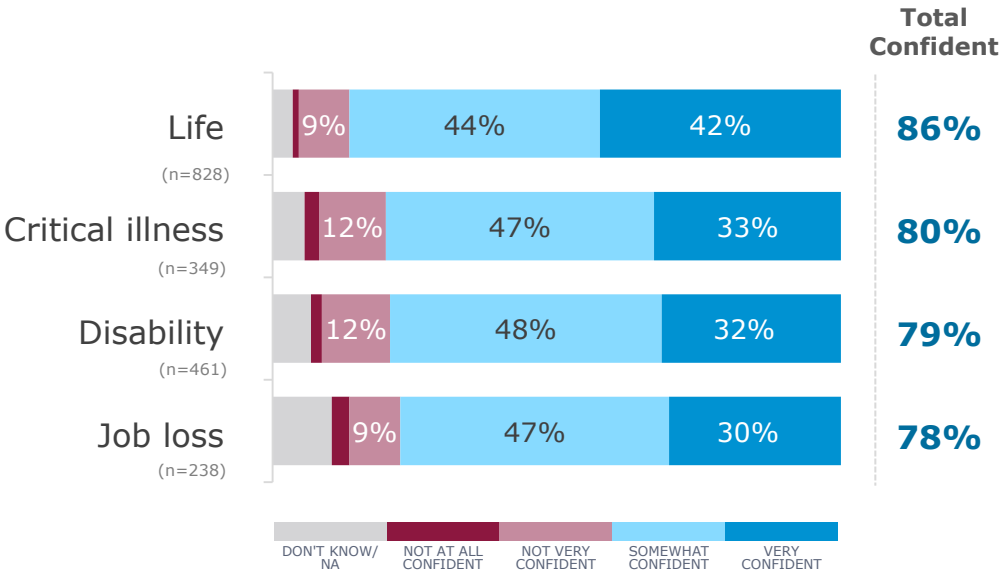


Overall, large majority of holders are confident in the knowledge of what their insurance will pay

Type of Coverage Purchased

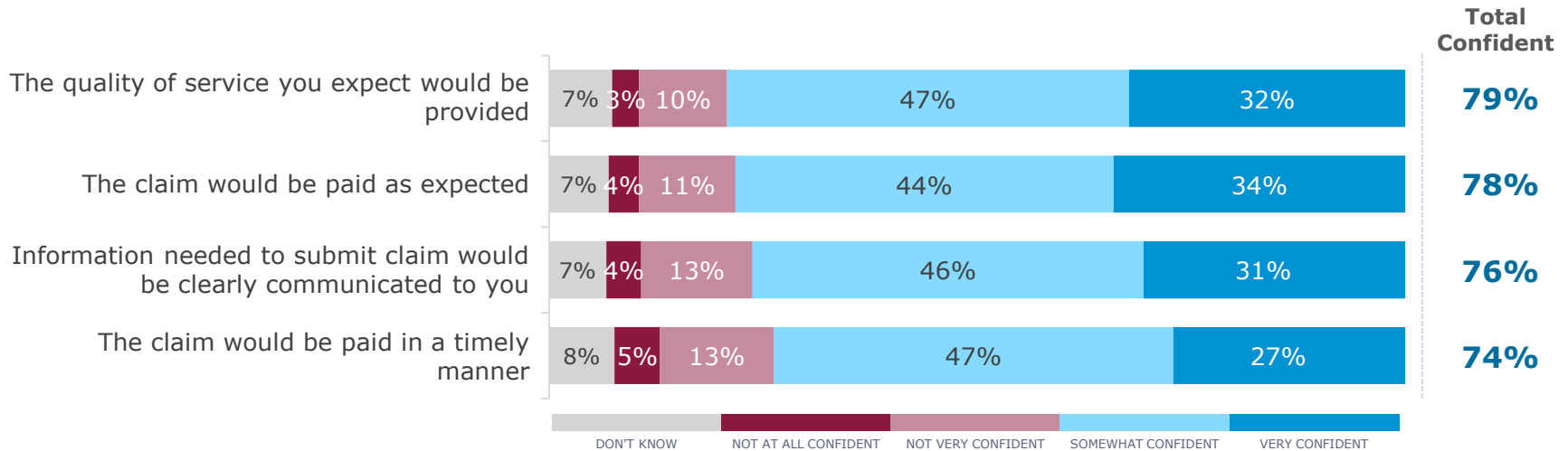


Confidence in Knowledge of Payment Amount



More than three-quarters are at least somewhat confident in their CPI in the event of a claim

Confidence in Credit Protection Insurance

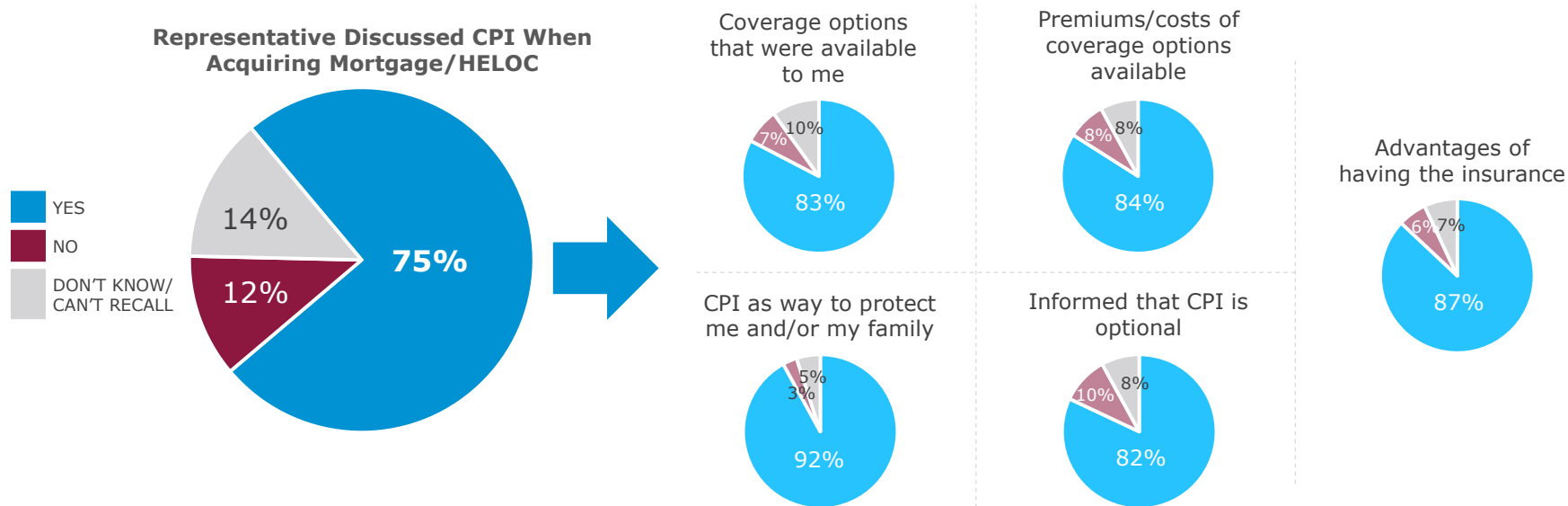




Holders of Credit Protection Insurance Purchase Experience and Satisfaction

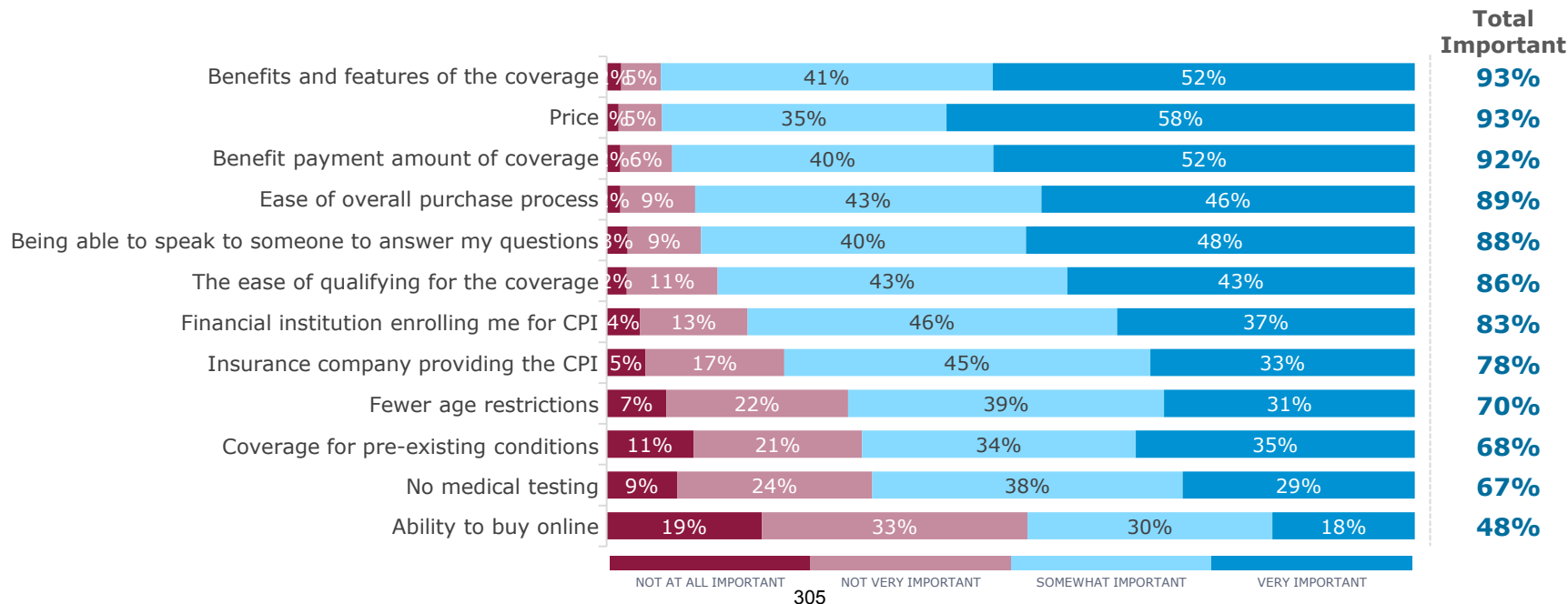


Most were given information about various factors pertaining to CPI by their financial institution representative



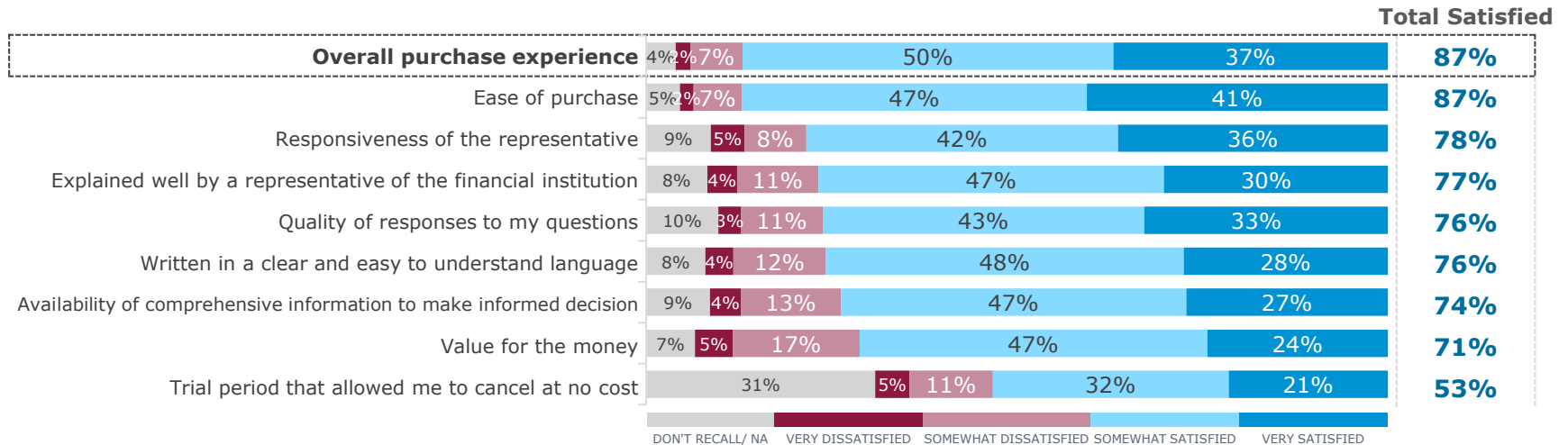
Price, benefits, features and payment amount of coverage are most important considerations for CPI purchase

Importance of Factors when Purchasing Credit Protection Insurance



Satisfaction with overall purchase experience as well as specific elements is high, however, low recall and satisfaction for the trial period

Satisfaction with Purchase Experience



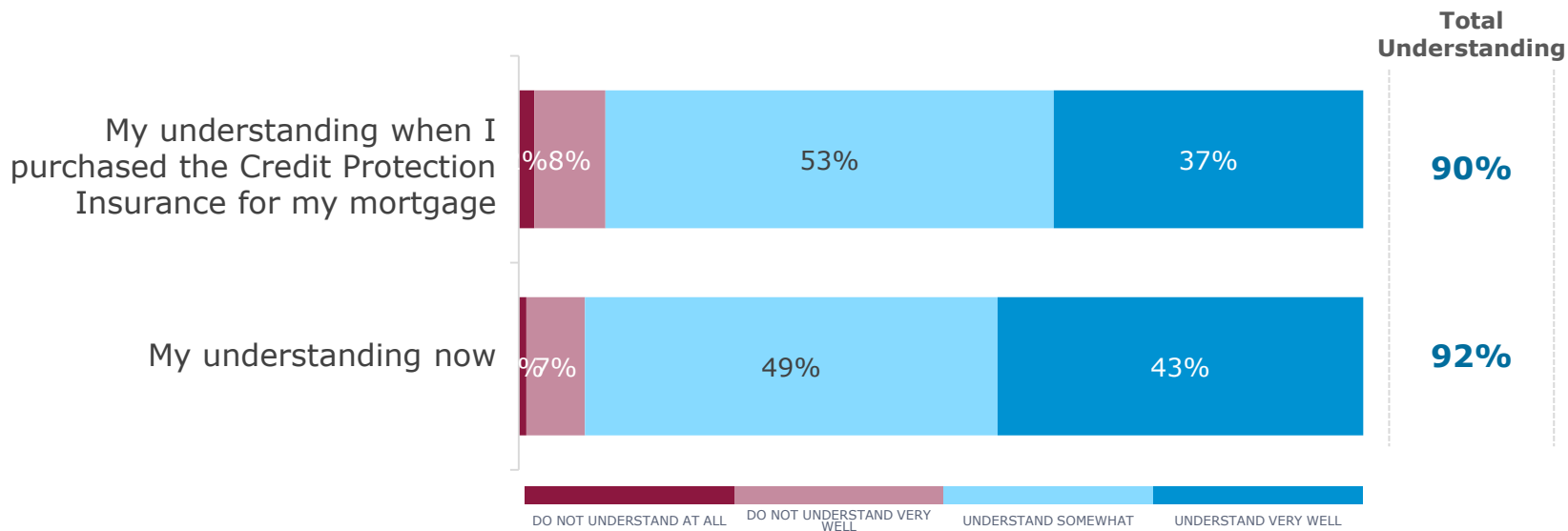


Holders of Credit Protection Insurance Documentation & Information



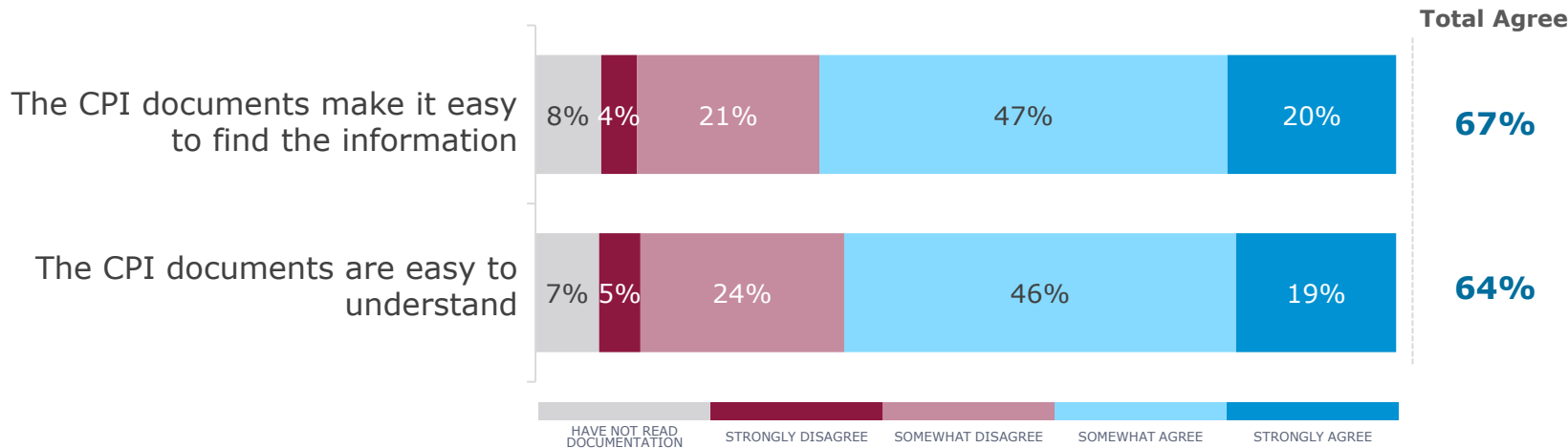
CPI holders understand the terms well enough, with the time passed between purchase and now having little or no impact on level of understanding

Understanding of Credit Protection Insurance Terms



Comprehension of the CPI documentation is moderate

Comprehension of Documentation



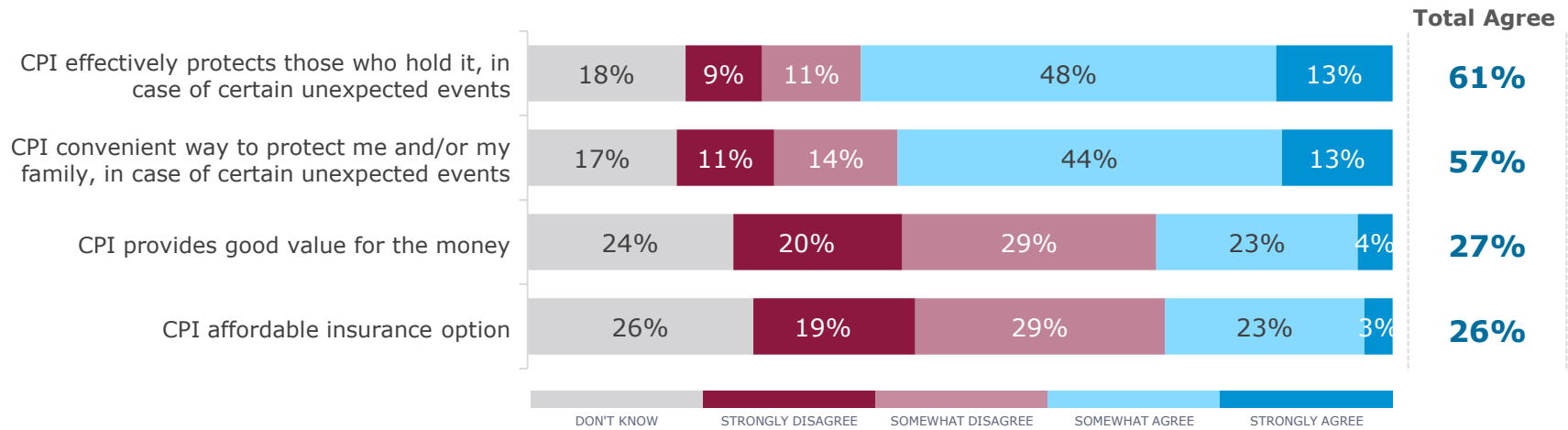


Non-Holders of Credit Protection Insurance

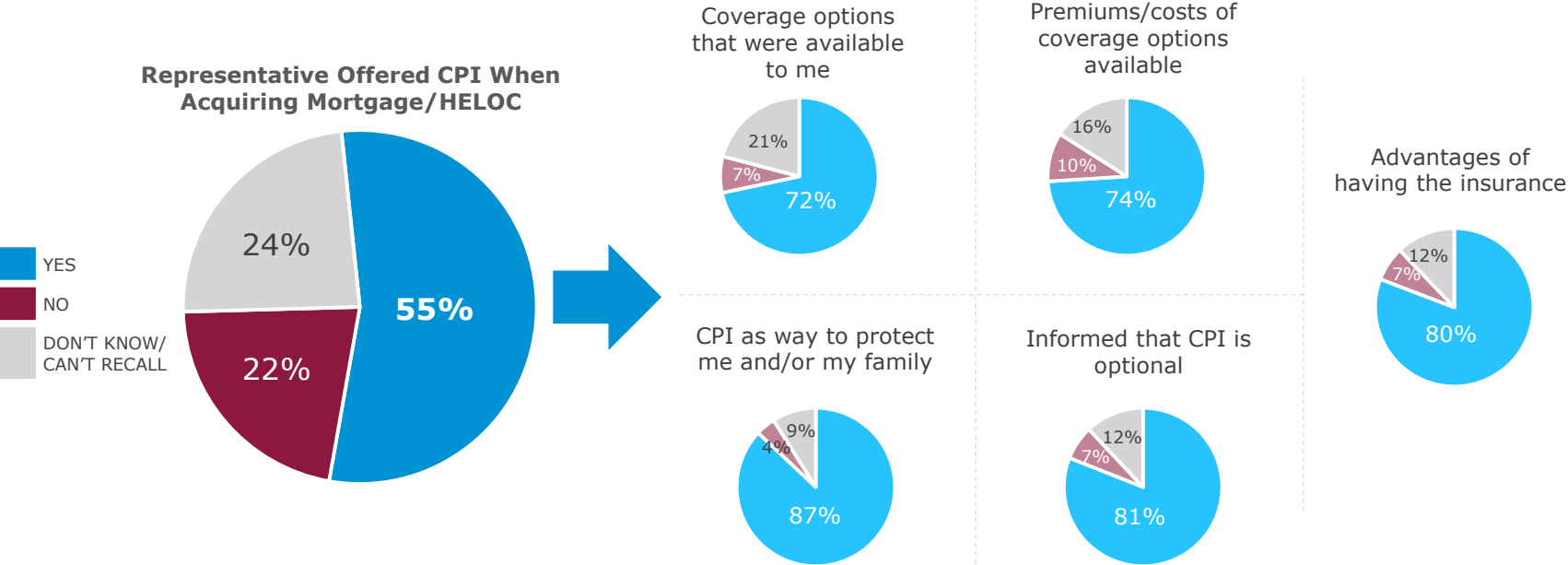


Despite non-CPI holders somewhat agreeing that CPI is effective and convenient, almost half feel it is not affordable or worth it's value for money

Agreement with Statements Regarding Credit Protection Insurance

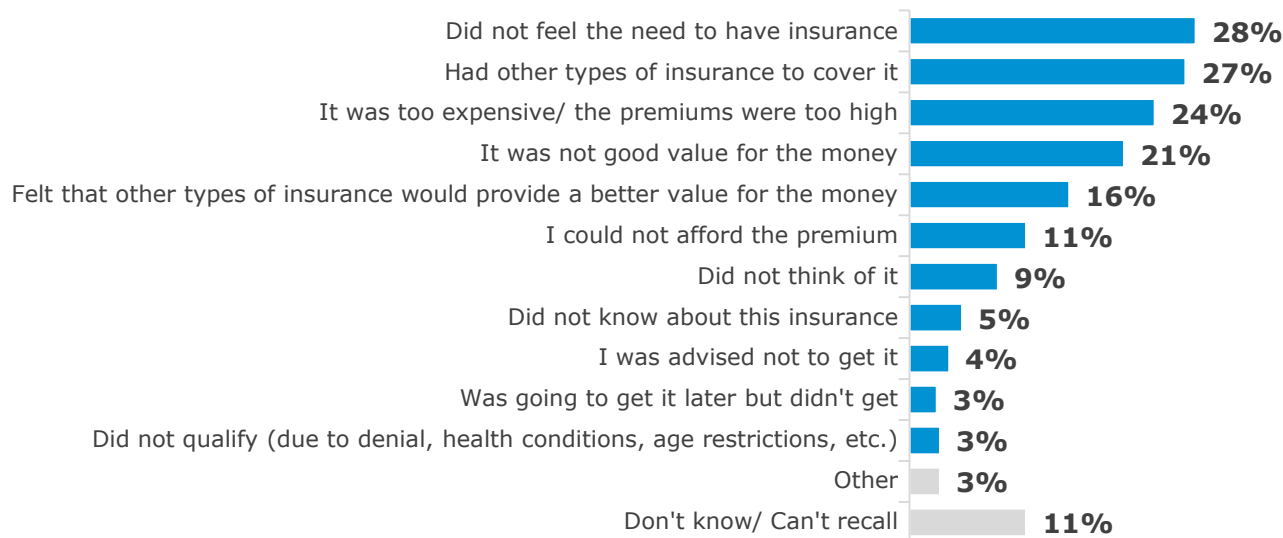


Just over half recall their representative offering them CPI when getting their mortgage or HELOC



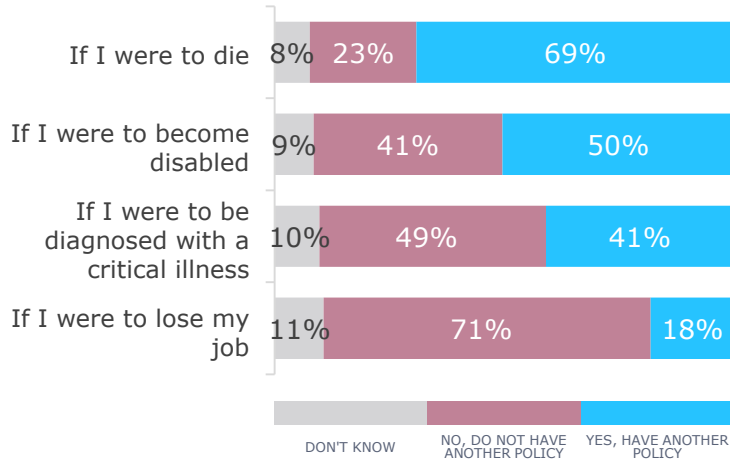
Reasons for not getting CPI are varied – either not having need for it or having another insurance covering their debts

Reasons for Not Buying Credit Protection Insurance

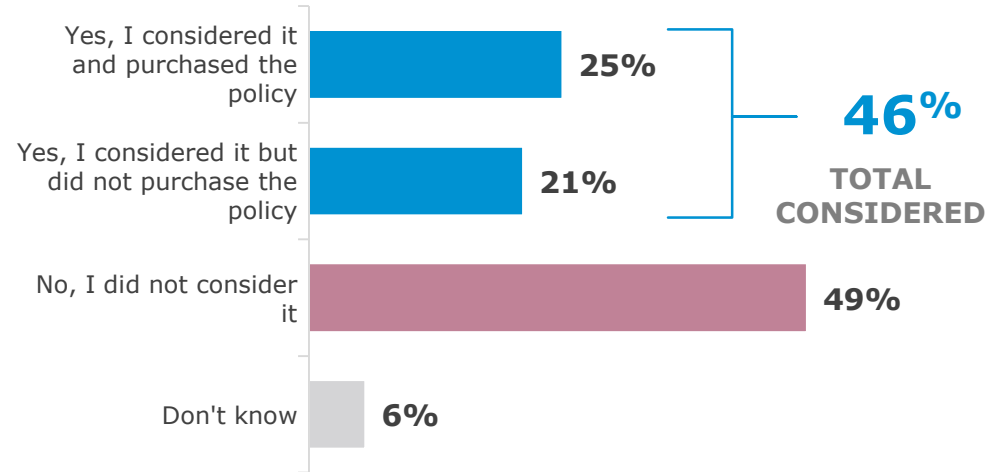


Majority have coverage in case of death or disability, however critical illness and job loss coverage is lacking

Coverage in case of Unexpected Events



Purchasing Term Life instead of Credit Protection Insurance



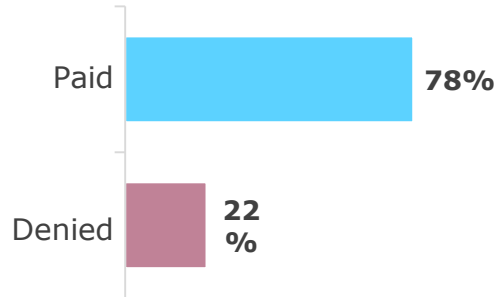


Section 3: Claims – Experience and Satisfaction



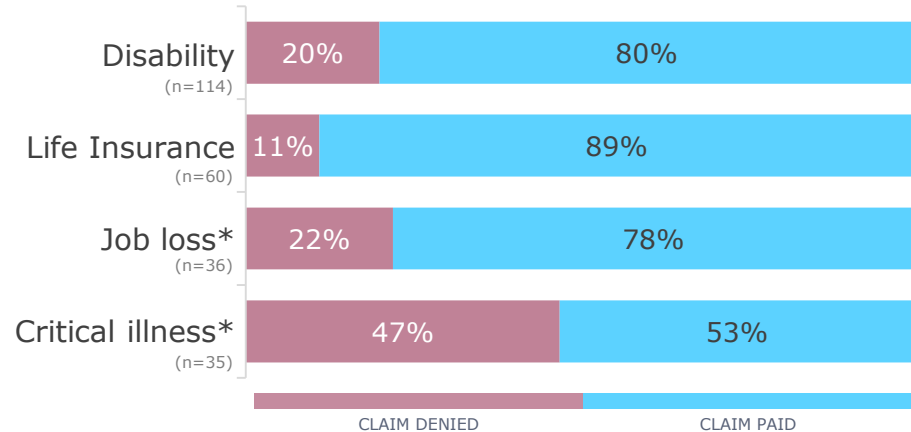
More than three-quarters of processes claims were paid

**Results of claim submission
among Processed Claims**



Claims Still Being Processed: 14%

**Results of claim submission
among Type of Claims Processed**

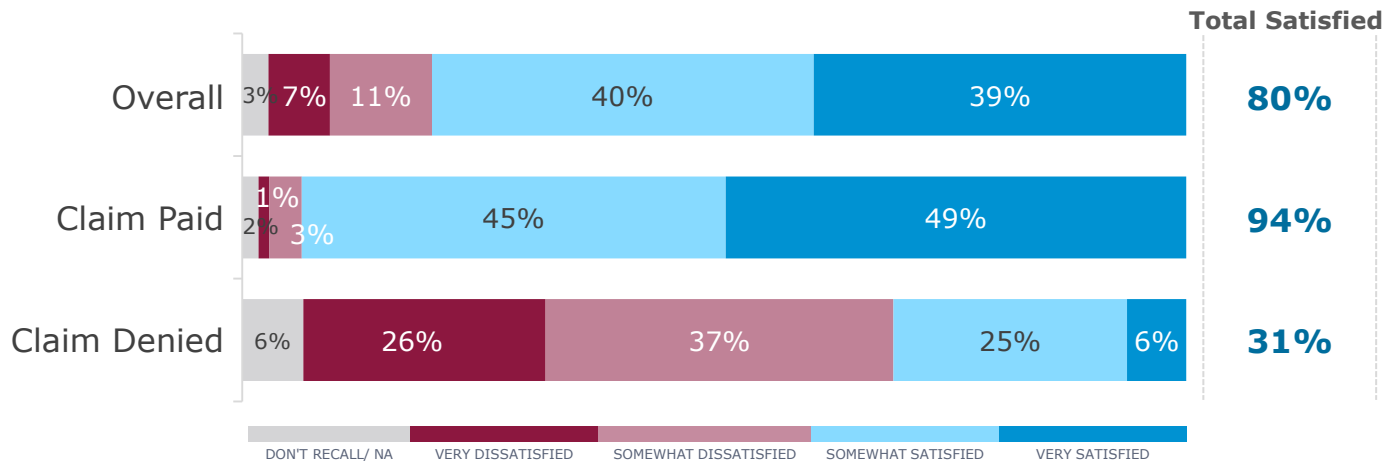


*** CAUTION – LOW BASE**

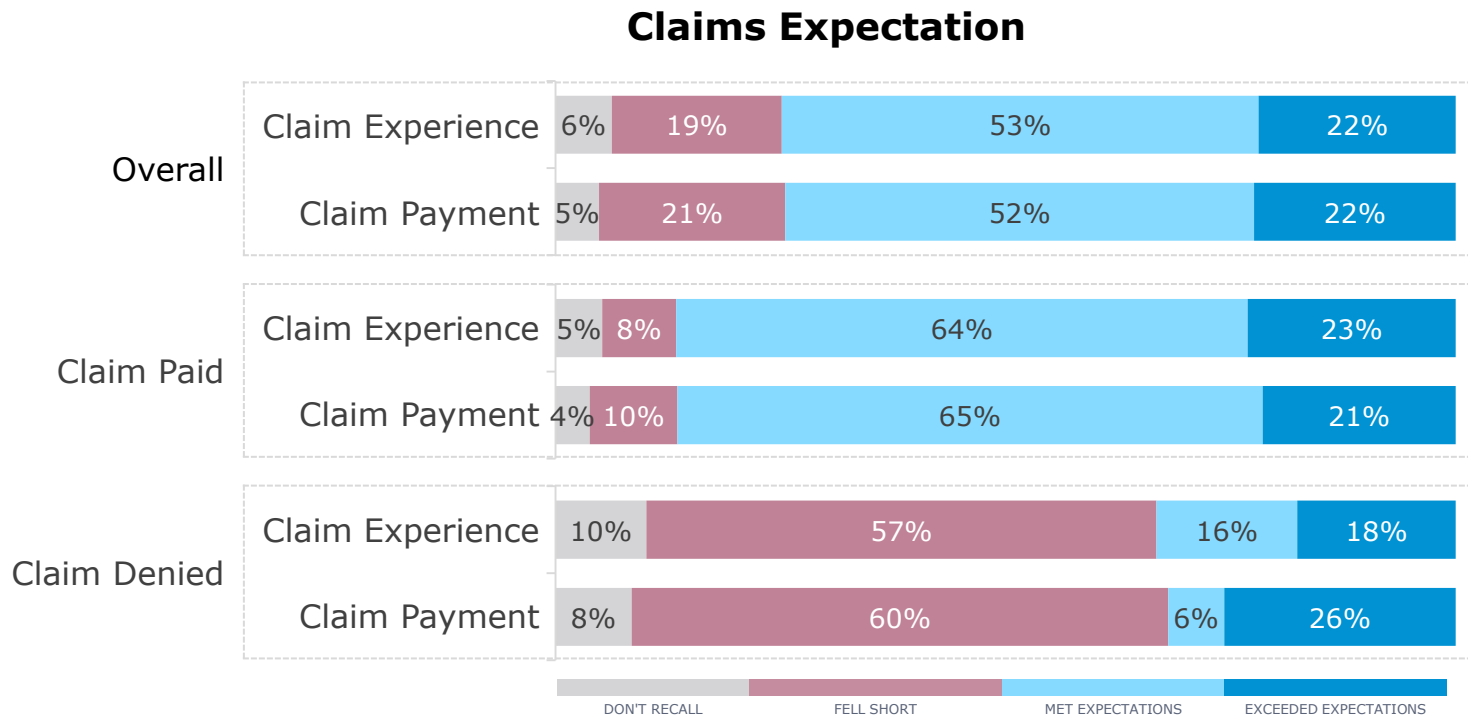


Eight out of ten are satisfied with their entire claim experience, regardless of type of claim

Satisfaction with Claims Experience



Expectations with claim experience and payment were met amongst those whose claims were paid, while fell short for those whose claims were denied



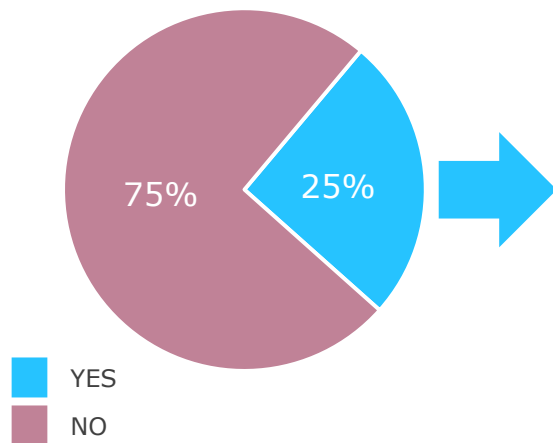


Complaints

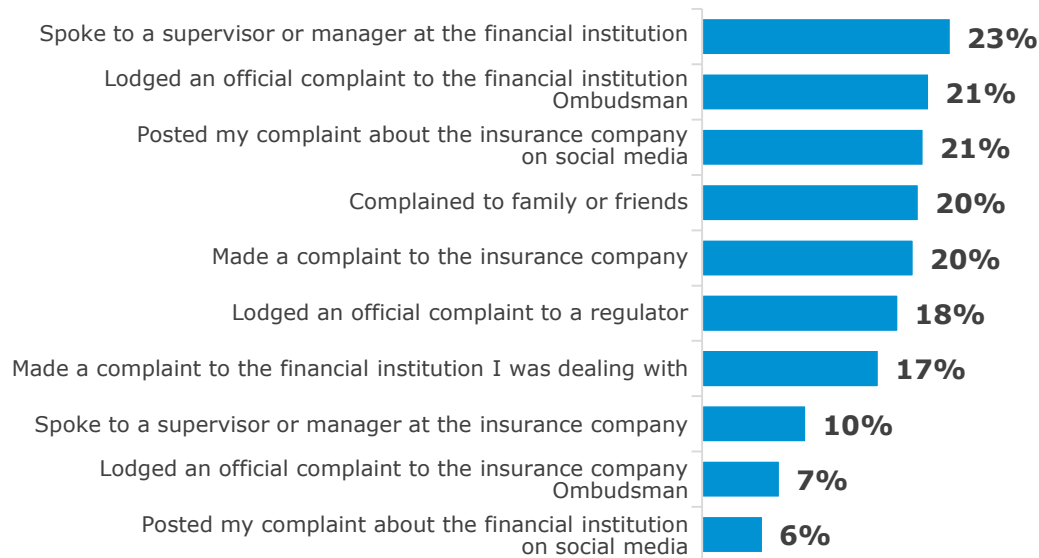
pollara
strategic insights

One-fourth of claimants complained against the claim process, commonly approaching the financial institution rather than the insurance company

Made A Complaint During Claim process

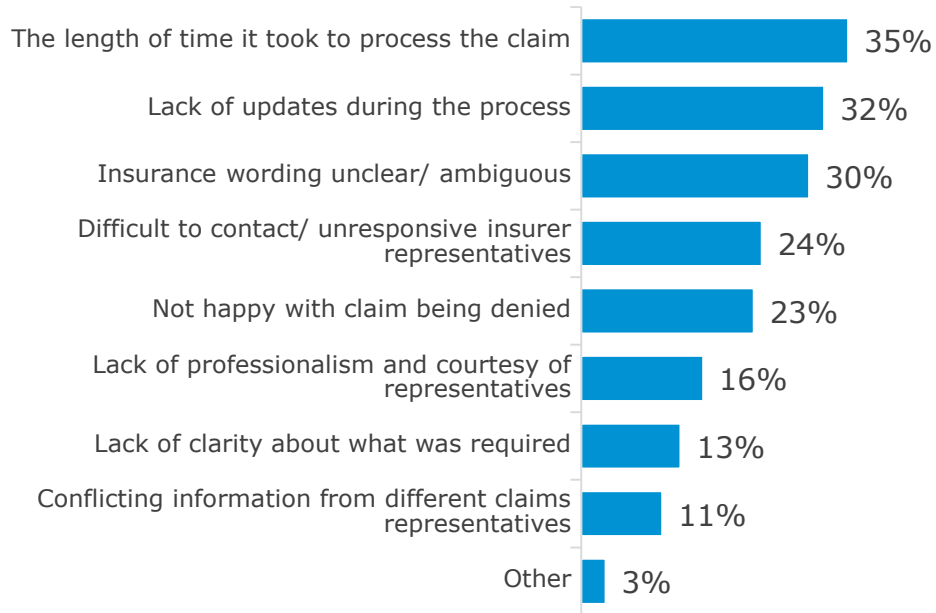


How Complaint was Made

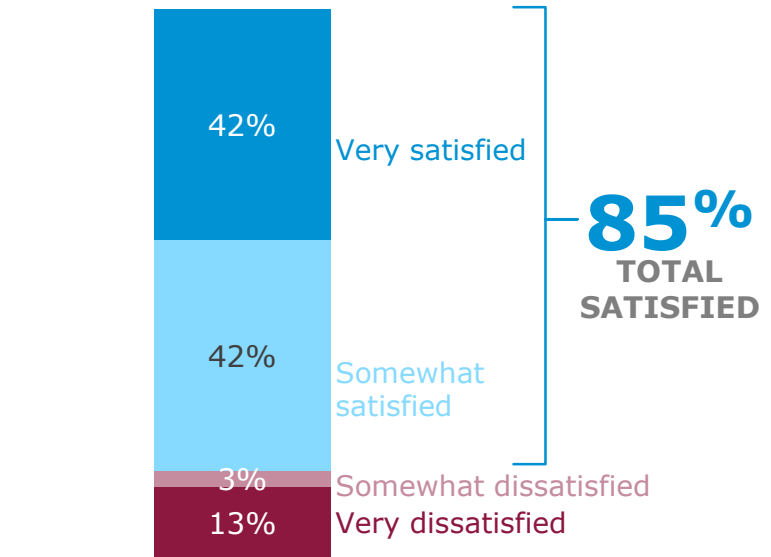


Major reason for complaint was time taken to process and lack of updates; however there is satisfaction with how the complaints were handled

Reason for Complaint



Satisfaction with How Complaint was Handled





Lesli Martin, Vice President

leslimartin@pollara.com

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strategic insights
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VERSION 6, March 21 – FOR DISCUSSION ONLY

**CANADIANS SAY CREDIT PROTECTION INSURANCE IS A CONVENIENT,
EFFECTIVE, AND AFFORDABLE FORM OF FINANCIAL PROTECTION FOR
MORTGAGES AND LOANS**

Consumer expectations for claims payouts are being exceeded by the industry

TORONTO, March XX, 2019 – The experience of Canadians with Credit Protection Insurance (CPI) on their mortgages and Home Equity Lines of Credit (HELOCs) is very positive, with 87% saying it is a convenient way to protect themselves and/or their families against major financial setbacks arising from death, disability, critical illness, or job loss.

Canadians with CPI coverage also report that they are somewhat or highly satisfied with the purchase experience overall (87%), and are confident in their knowledge about CPI products (90% at time of purchase). In addition, CPI holders say their expectations of the claims process are being met by the industry, with 80% reporting satisfaction with their claim experience (94% for those whose claims were paid.).

Those are the key findings of new public opinion research by Pollara Strategic Insights that asked Canadians about their experience with CPI on their mortgage and/or HELOC. This type of insurance, also known as creditor's insurance, is used to pay off or pay down a mortgage or HELOC, or to make debt payments in the event of covered occurrences such as death, disability, critical illness, or job loss.

According to the research, 83% of Canadians with CPI coverage said it is an effective way to protect themselves and their families from unexpected life occurrences. Furthermore, 71% said that without CPI, they do not know how they and/or their family would be able to cope, should an unexpected life occurrence negatively impact them financially – for example, not being able to work and earn a regular income. And 70% said CPI is an affordable insurance option.

With respect to the purchase process experienced by CPI holders, 87% said they were satisfied with the overall purchase process; 77% reported satisfaction with the product explanations provided to them; and 74% said they were satisfied with the information provided to them to make an informed purchase decision.

Canadians with CPI coverage also expressed confidence in the CPI claims process, and that their expectations for claims payouts are being met or exceeded. For example, 89% of survivors/next-of-kin who made a CPI life insurance claim reported that it was paid. (The 89% level of CPI life insurance claims payouts reported by the survivors/next-of-kin of CPI insureds in the survey is close to the level found in aggregated self-reported data from CAFII members, which shows that 94% of CPI life insurance claims were paid in the 2018 fiscal year.)

With respect to the factors which Canadians believe are the most important when purchasing Creditor Protection Insurance:

- 93% said benefits and features of the coverage;
- 93% said price;
- 92% said benefit payment amount of coverage;
- 89% said ease of overall purchase process; and,
- 88% said being able to speak to someone to answer my questions.

Canadians also said they have a reasonable understanding of CPI coverage terms and limitations, and about the amount of coverage. For example, at the time of signing up for their CPI coverage, 90% of insureds said they understood “very well” or understood somewhat their credit protection insurance terms.

The survey also identified some areas which CAFII members and other providers of CPI coverage on mortgages and HELOCs in Canada can look at to improve the consumer’s experience with this insurance.

For example, 25% of CPI claimants said they had made a complaint about the claims process, with the top two complaints being the following:

- 35% complained about the length of time it took to process the claim; and,
- 32% complained about the lack of updates during the process.

However, 85% of claimants who made a complaint said they were satisfied with how their complaint was handled.

Furthermore, some 22% of CPI holder respondents expressed a lack of confidence that a life insurance claim would be paid, without even having made a claim. As this level of confidence is well below the actual claims payout ratio, it is an issue that is concerning to the industry.

“We’re pleased that Canadians feel Credit Protection Insurance is a convenient, effective and affordable type of financial protection for them and their families,” said Keith Martin, Co-Executive Director of the Canadian Association of Financial Institutions in Insurance (CAFII), which commissioned the Pollara research. “However, the survey also shows that there is room for improvement. As an industry, we will continue to look for ways to improve customer satisfaction, and enhance the value to consumers of the Credit Protection Insurance products that our members provide.”

These are the key results from a national online survey of 1,490 adult Canadians who have Credit Protection Insurance on a mortgage and/or home equity line of credit. The survey was conducted from October 3 to 16, 2018.

- 30 -

About CAFII:

The Canadian Association of Financial Institutions in Insurance is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace.

CAFII believes that consumers are best served when they have meaningful choice in the purchase of insurance products and services. CAFII's members include the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Financial Security; National Bank Insurance; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players American Express Bank Canada; Assurant; Canada Life; Canadian Premier Life Insurance Company; CUMIS Services Incorporated; and Manulife (The Manufacturers Life Insurance Company).

About Pollara Strategic Insights:

Founded in 1980, Pollara Strategic Insights is one of Canada's premier full-service research firms – a collaborative team of senior research veterans who are passionate about conducting research through hands-on creativity and customized solutions. Taking full advantage of their comprehensive toolbox of industry-leading quantitative and qualitative methodologies and analytical techniques, Pollara provides research-based strategic advice to a wide array of clients across all sectors on a local, national, and global scale.

Media contact for Cafii:

David Moorcroft, Public Affairs Advisor
Email: david@strategy2communications.com
Tel: 416-727-1858

BOARD MEETING
CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE
Tuesday, November 27, 2018
Location: The Canada Life Assurance Company
15th Floor Boardroom, 330 University Avenue
Toronto, Ontario
MINUTES

Board Present:	Nicole Benson	Canadian Premier Life <i>Chair</i>
	Christian Dufour	Desjardins Financial Security
	David Fear	Canada Life Assurance
	Chris Lobbezoo	RBC Insurance
	Peter McCarthy	BMO Insurance
	Chris Knight	TD Insurance (<i>for part</i>)
	Paul Cosgrove	Assurant
	Kelly Tryon	CUMIS Services Incorporated
	Sandra Rondzik	CIBC Insurance
	Zack Fuerstenberg	ScotiaLife Financial (<i>appointed at 1.3</i>)
Regrets:	Wally Thompson	Manulife Financial
EOC Present:	Martin Boyle	BMO Insurance
	Charles Blaquiere	Canadian Premier Life
	Dominique Julien	CIBC Insurance
	Scott Kirby	TD Insurance
	Bradley Kuiper	ScotiaLife Financial
	John Lewsen	BMO Insurance
	Sue Manson	CIBC Insurance
	Tony Pergola	ScotiaLife Financial
	Diane Quigley	CUMIS Services Incorporated
	Dallas Ewen	Canada Life Assurance
	Sharon Apt	Canada Life Assurance
Also Present:	Keith Martin	CAFII <i>Co-Executive Director</i>
	Brendan Wycks	CAFII <i>Co-Executive Director</i>
	Nicole Cork	Managing Matters Inc. <i>Recording Secretary</i>
	Lesli Martin	Pollara (<i>for part</i>)
	David Moorcroft	S2C (<i>for part</i>)

1: Call to Order, Meeting Confirmation, & Governance Matters

The meeting was called to order at 3:09 p.m. N. Benson acted as Chair; M. Boyle acted as Secretary (following his appointment at 1.4); and N. Cork acted as Recording Secretary.

B. Wycks confirmed that Notice of this meeting had been sent to all Directors in accordance with the Association's By-Law. He also confirmed that there was a quorum of Directors present at the meeting, noting that five eleven (11) Directors were present in-person; and two.

N. Benson 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.

1.1: Approval of Agenda

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that The meeting Agenda be and is approved as presented.

1.2: Appointment of Board Vice-Chair

N. Benson recalled that during the *in-camera session* which concluded the Board meeting on October 2, 2018, Chris Lobbezoo, CAFII Director from RBC Insurance, was nominated to serve as Vice-Chair of the CAFII Board of Directors. It was now required that the Board formalize Mr. Lobbezoo's appointment as Vice-Chair via the approval of a motion which can be captured in the minutes of the Corporation.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that Chris Lobbezoo be and is appointed Vice-Chair of the CAFII Board of Director, effective November 27, 2018 until the next Annual Meeting in June 2019.

N. Benson congratulated Mr. Lobbezoo on his appointment as Board Vice-Chair.

1.3: Appointment of a CAFII Director

N. Benson recalled that in mid-October, CAFII was advised that Bob Grant, the current CAFII Director from ScotiaLife Financial, would be retiring from Scotiabank effective January 1, 2019; and that, as such, he would be resigning from the CAFII Board of Directors, effective with this meeting.

ScotiaLife Financial has therefore nominated Zack Fuerstenberg, currently Vice-President, Creditor Products & Operations at ScotiaLife Financial, be appointed to the CAFII Board of Directors.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that Zack Fuerstenberg be and is appointed as the Director representing ScotiaLife Financial on the CAFII Board of Directors, effective November 27, 2018 until the next Annual Meeting in June 2019.

N. Benson congratulated Mr. Fuerstenberg on his appointment as a CAFII Director.

On behalf of the Board of Directors and everyone else connected with Association, N. Benson expressed thanks and appreciation to Bob Grant for three years of distinguished service as the Director from ScotiaLife Financial, and wished him all the best for a rewarding and fulfilling retirement.

CAFII Board Meeting Minutes, November 27, 2018

1.4: Appointment of CAFII EOC Chair and Board Secretary

N. Benson recalled that during the *in-camera session* which concluded the Board meeting on October 2, 2018, Martin Boyle of BMO Insurance was nominated for appointment as CAFII Executive Operations Committee Chair and Board Secretary.

It became necessary to identify a successor because EOC Chair and Board Secretary Pete Thorn had communicated his intention to step down after a year-and-a-half of exemplary service in that volunteer leadership role, due to new priorities and demands upon his time in his position at TD Insurance.

It was now required that the Board formalize Mr. Boyle's appointment as EOC Chair and Board Secretary via the approval of a motion which can be captured in the minutes of the Corporation.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that Martin Boyle be and is appointed as CAFII Executive Operations Committee Chair and Board Secretary, effective November 27, 2018 until the next Annual Meeting in June 2019.

N. Benson congratulated Mr. Boyle on his appointment as Executive Operations Committee Chair and Board Secretary.

1.5: Appointment of CAFII Cheque Signing Authorities

N. Benson advised that the next item on the agenda arose from the just-completed appointment of a new EOC Chair and Board Secretary. That change necessitates an updating of the CAFII Cheque Signing Authorities in a manner that meets the requirements of the Association's bank.

N. Benson called upon Co-Executive Director Brendan Wycks to read a recommendation to the Board for the approval of a formal Resolution on the appointment of new CAFII Cheque Signing Authorities.

B. Wycks read aloud the memorandum document that outlined the formal Resolution, and asked if there were any questions from the Board about it.

On a motion duly made, seconded and unanimously carried.

IT WAS RESOLVED that Martin Boyle, Tony Pergola, Brendan Wycks, Keith Martin, Jenny Faucher, and Tara Moran be and are appointed as CAFII's Cheque Signing Authorities, under the terms specified in the Board Resolution dated November 26, 2018.

1.6: Proposed Schedule of 2019 CAFII Meetings and Events

B. Wycks provided a brief update on the Proposed Schedule of 2019 CAFII Meetings and Events, for which Board approval was requested. He noted that the proposed schedule had been circulated to EOC members for review in October. The key dates in the schedule were the four Board meeting dates – with the fourth Board meeting of 2019 and the immediately ensuing Holiday Season/Year-End Reception to be held in early December, rather than late November – and the target date of February 19/19 for the Annual Members' Luncheon.

CAFII Board Meeting Minutes, November 27, 2018

On a motion duly made, seconded and unanimously carried.

IT WAS RESOLVED that The Proposed Schedule of 2019 CAFII Meetings and Events be and is approved.

2: Approval/Receipt of Consent Items

N. Benson noted that documents had been posted for each of the six consent agenda items.

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.

And further, **IT WAS RESOLVED** that the minutes of the meeting of the Board of Directors held October 2, 2018 be and are adopted in the form presented, and that a copy of those minutes be signed and placed in the minute book of the Corporation.

3: Financial Matters

3.1: CAFII Financial Statements as at October 31, 2018

Treasurer T. Pergola reported on the highlights of CAFII's financial statements as at October 31/2018, which included:

- a positive variance on the revenue side, due to additional membership revenues received from the two new Initiation Members of the Association, which had not been budgeted for.
- expenses are currently under budget about \$54K; however, this is largely due to timing difference on budgeted expenses which have not yet been incurred, but which are expected to be incurred before year-end.
- currently there is a positive net revenue of \$127K, as opposed to the budgeted deficit of \$86K.
- financial reserves are currently at 32% of annual operating expenses, which is well within the target range of between 25% and 50%; but as more 2018 expenses are incurred, we will be moving closer to the 25% lower limit of that target range

3.2: Draft CAFII 2019 Operating Budget Options

N. Benson advised that discussion of the Proposed 2019 CAFII Operating Budget Option would be deferred to the *in-camera session* at the conclusion of this meeting.

4: Regulatory Matters

4.1: October 25/18 CAFII Stakeholder Meeting With CCIR

N. Benson noted that the first item in the Regulatory section of the agenda relates to CAFII's 2018 Stakeholder Meeting with CCIR, which occurred on October 25, with a sizeable delegation from our Association present in-person and several additional representatives participating via teleconference.

CAFII Board Meeting Minutes, November 27, 2018

B. Wycks reported that this was a worthwhile meeting and that CAFII had the largest delegation of representatives attending, among the 10 or 11 stakeholder groups which met with CCIR on that day. The meeting focused on the CCIR/CISRO's "Guidance: Conduct of Insurance Business and Fair Treatment of Customers," release on September 27/18, which there will be a follow-up meeting about tomorrow with the CCIR/CISRO Fair Treatment of Consumers Working Group. Another key topic was the recent Financial Sector Assessment Program visit from International Monetary Fund officials, who were conducting an audit of some provincial insurance regulators in Canada and which the AMF's Patrick Déry, Chair of CCIR, was engaged in and reported to be a very time-consuming and intense process.

B. Wycks noted that in a follow-up meeting which he and K. Martin had had with CCIR Policy Manager **Tony Toy**, he complimented CAFII as the most organized and well-prepared stakeholder group among those with which CCIR liaises.

4.2: CAFII Dialogue With CCIR/CISRO Re Fair Treatment of Customers Guidance

B. Wycks updated the Board on the status of CAFII's dialogue November 28/18 meeting with the CCIR/CISRO Fair Treatment of Consumers Working Group with respect to its recently issued "Guidance: Conduct of Insurance Business and Fair Treatment of Customers."

K. Martin advised that a two item agenda for tomorrow's meeting on this issue had initially been shared with CAFII, but a new item has now been added to a revised agenda -- credit card balance protection insurance -- which might have been stimulated by the 9 November, 2018 CBC marketplace story on this issue.

On the matter of whether there was a common view among CAFII members of the 9 November, 2018 CBC Marketplace story, K. Martin stated that the shared view among Media Advocacy Committee members within was that the story was one-sided and unbalanced.

4.3: CAFII Dialogue with CCIR Re Travel Health Insurance Data Gathering

N. Benson called upon Sue Manson, Chair of CAFII's Travel Medical Experts Working Group, to update the Board on the status of CAFII's recent dialogue with CCIR's Travel Insurance Working Group (TIWG) with respect to its desire to gather industry data related to travel health insurance on an ongoing basis.

S. Manson reported that the main agenda item at CAFII's recent meeting with CCIR's Travel Insurance Working Group (TIWG) was to review the travel health insurance data request which had recently been made by the TIWG. The Travel Medical Experts Working Group met in advance to consolidate the CAFII feedback that would be provided.

Ms. Manson advised that there is another meeting tentatively scheduled for next week to review the progress that has been made. The CAFII working group is currently preparing for this meeting.

K. Martin noted that Harry James, Chair of CCIR's TIWG, made a comment at the recent meeting about "voided policies" which seemed to suggest that he was suspicious of CAFII's Pollara Travel Medical Insurance Consumer Research claims statistics, which found that 97% of claims were paid in full or in part. Mr. James seemed to be suggesting that some policies were being removed from the category of a denied claim by being classified as "voided."

CAFII Board Meeting Minutes, November 27, 2018

4.4: CAFII Response Submission on AMF's Regulation Respecting Alternative Distribution Methods

N. Benson called upon Keith Martin and Brad Kuiper, Chair of the Market Conduct Committee, to update the Board on the Association's response submission on the AMF's Regulation Respecting Alternative Distribution Methods, which was released on October 10 for a 60-day consultation period.

K. Martin noted that this submission is due by December 10/18. CAFII is currently continuing to receive input on the submission, which will also be shared with our Quebec legal counsel Sylvie Bourdeau of Fasken, after which it will be translated into French prior to being submitted to the AMF. K. Martin reported that the submission is well-advanced and in good shape.

B. Kuiper acknowledged and thanked K. Martin for his efforts on this submission.

4.5: CAFII Response Submission on FSRA's Proposed Fees and Assessments Rules

B. Wycks updated the Board on CAFII's response submissions on FSRA's Proposed Fees and Assessments-related Rules, which were released in early October for a 90 day public consultation.

He noted that a pre-consultation had been held with an Industry Advisory Group – Life and Health Insurance, which CAFII is represented on, in October. Work will begin next week on CAFII's response submissions, which will be finalized and delivered by the January 4/19 deadline.

4.6: 2018 FSCO Life and Health Insurance Market Conduct Symposium

K. Martin provided the Board with a brief report on FSCO's 2018 Market Conduct Symposium for the Life and Health Insurance Industry, which took place on November 16. The major theme at the event was FSCO's Treating Customers Fairly (FTC) Guideline, which was released in late September. On the issue of there being two FTC Guidelines, one from FSCO and one from CCIR, FSCO said that companies could just pick one of the two and use that to guide their activities.

K. Martin also reported that Izabel Scovino from FSCO took him aside to let him know that the Incidental Sales of Insurance Questionnaire would be re-introduced and further consultations would be held on it with the industry.

4.7: 2018 AMF Rendez-Vous Conference

B. Wycks and K. Martin gave a brief report on the AMF's 19 November, 2018 annual Rendez-Vous Conference in Montreal.

K. Martin noted that the keynote speaker was Eric Girard, Quebec's recently appointed Minister of Finance, who stated that Quebec would not be joining the national securities agency despite the Supreme Court ruling that it was a legitimate entity. He said that "I love Canada" and "I am a federalist," and that the reason was entirely about Quebec's interests, and not about taking an anti-Canadian stand. K. Martin also noted that the speech was noteworthy for how pro-business the Finance Minister's comments were.

B. Wycks noted that National Bank Insurance President Peter Thompson was in attendance at the Rendez-Vous, and that he was also intending to come to tonight's CAFII Reception following this Board meeting, but no longer could do so due to inclement weather in Montreal.

However, P. McCarthy and K. Martin are having a lunch with Peter Thompson on November 30/18 in Montreal, to discuss with him the benefits of NBI rejoining CAFII as a member.

4.8: Industry Advisory Group – Life and Health Insurance Dialogue with FSRA Re: 2019-20 Priorities and Budget

B. Wycks updated the Board on a meeting of the Industry Advisory Group – Life and Health Insurance, which is comprised of representatives from both CAFII and CLHIA, with FSRA which took place on November 26/18 on the subject of FSRA's priorities and budget in its 2019-2020 start-up year. B. Wycks noted that during this meeting FSRA walked the group through FSRA's budgetary priorities for its upcoming fiscal year.

4.9: Implementation of Saskatchewan's New Insurance Act and Regulations

B. Wycks advised that Saskatchewan's Financial and Consumer Affairs Authority had communicated, on November 26/18, its intention to delay the implementation date of the province's new Insurance Act and related Regulations by one year, to January 2020.

4.10: New Brunswick Insurance Act Rewrite

B. Wycks reported that David Weir, New Brunswick's Deputy Superintendent of Insurance, had recently communicated to CAFII that he had been assigned to lead a multi-year Insurance Act Rewrite project, which subsume the initiative to introduce an Restricted Insurance Agent licensing regime in that province.

Mr. Weir would be holding a pre-consultation meeting with CAFII about the Insurance Act Rewrite on December 5/18, which would focus on a series of high level environmental scan questions related to the past, present, and future of the insurance industry and the factors impacting upon it.

5: Strategy & Research

N. Benson welcomed two visitors to the Board meeting: Lesli Martin, Vice-President at Pollara Strategic Insights; and David Moorcroft, CAFII's Media Consultant.

5.1: Results of Pollara Credit Protection Insurance Research Project

L. Martin highlighted for the Board the results of the Credit Protection Insurance Research Project which her firm Pollara had recently completed for CAFII with respect to consumers' experiences and satisfaction with credit protection insurance on mortgages and Home Equity Lines of Credit (HELOCs).

A strong majority of consumers who purchased the product felt it provided good value for money, but those who did not purchase the product felt much less convinced of this. People who purchased the product had a high degree of confidence that they would be paid if they made a claim, and nearly 90% of life claims were reported to have been paid.

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K. Martin noted that the percentage of life claims that are paid will also be directly collected from our members, and he added that the analysis of the results was still in progress and these results were preliminary.

5.2: Deployment of Credit Protection Insurance Research Results

David Moorcroft, CAFII's media consultant, advised that while the results for the travel medical insurance consumer research study were more positive than the results for this current study, the credit protection insurance research results were still generally very positive. He indicated that not all the results needed to be released, but that an executive summary of the key results warranted a public release, including a media release.

K. Martin advised that there would be further exploration about this and when that analysis was complete, a follow-up recommendation would be shared with the Board.

5.3: CAFII Research Priorities, 2019

K. Martin noted that it was difficult for the Research & Education Committee to offer suggestions on 2019 research priorities until the 2019 operating budget was finalized, and until decisions were made around potential research on credit card balance protection insurance. The CAFII Research and Education Committee would be meeting on these priorities and there would be follow-up on this with the Board.

5.4: CAFII Video On Travel Medical Insurance Research Results

K. Martin noted that CAFII was moving forward on developing a website video on the research results of the Travel Medical Insurance study.

5.5: Credit Card Balance Protection Insurance; and CAFII "Next Steps"

5.5(i) CBC Marketplace and GO Public Stories

K. Martin noted that the view of media representatives from CAFII was that the CBC Marketplace story on credit card balance protection insurance which aired on November 9/18 could have been much more problematic for the industry. It was so one-sided and anecdotal that it was not credible.

5.5(ii) CAFII-Sponsored Research on Consumer Value Proposition and/or International Comparisons of Balance Protection Insurance

K. Martin noted that there could be value to research that allowed CAFII to understand how Canada compared to other jurisdictions where there have been regulatory actions taken against credit card balance protection insurance, as well as identify areas of potential reform that could allow CAFII and its members to buttress its case in defending the protect. This will be a topic more fully discussed by the Board in the *in-camera* section of this Board meeting.

5.5(iii) CAFII-Developed Guidelines/Standards and/or Training/Certification Program Related To Balance Protection Insurance

K. Martin noted that the Association is doing work around options around developing common training standards or a possible certification program, but actually moving forward on this work would require a budget and dedicating resources to it, as it would be a large project.

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5.5(iv): CAFII Special Purpose GR/PR Campaign In Support Of Balance Protection Insurance

N. Benson advised that Zack Fuerstenberg, Director from ScotiaLife Financial, would be called upon to speak to the Board about his concept and proposal for a CAFII special purpose government relations and public relations campaign in support of credit card balance protection insurance during the *in-camera* session at this meeting.

5.6: CAFII Response to Recent B. Goulard, FCAC, Presentation: Next Steps

K. Martin reported on options available to the Association to follow-up on the Special Purpose CAFII Board meeting held with FCAC Deputy Commissioner Brigitte Goulard on September 14/18. Options included a written submission to the FCAC; a meeting with them where a presentation on some of the issues Ms. Goulard raised could be addressed; and possibly sharing some of the initiatives that the Association is exploring taking on a variety of issues.

5.7: CAFII Initiation Member, Returning Member, and Associate Prospects

B. Wycks and K. Martin provided an update on recent efforts and progress made with respect to CAFII Initiation Member, Returning Member, and Associate prospects. Good progress has been made with National Bank Insurance and with Sun Life Financial; and discussions are also continuing with HSBC.

6: Other Business

6.1: Informal Dialogue Session With FSRA CEO Mark White Following This Board Meeting; and His Presentation and Other Notable VIP Guests At Ensuing CAFII Reception

B. Wycks provided an update on the two separate CAFII events which would follow the conclusion of this Board meeting: a Dialogue Session with FSRA CEO Mark White; followed by the Association's Holiday Season/Year-End Reception at which Mr. White would be the guest speaker.

6.2: Presentation Concept for 2019 CAFII Annual Members' Luncheon

K. Martin shared with the Board a proposal for the 2019 Annual Members' Luncheon: a panel of insurance lawyers discussing emerging legal and regulatory issues in the industry, moderated by Board Chair Nicole Benson. There was general support for Mr. Martin's proposal.

7: Termination and In Camera Session

N. Benson thanked everyone for their participation in this meeting. There being no further business, the meeting was terminated at 4:53p.m.

Date

Board Chair

SPECIAL PURPOSE BOARD MEETING
CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE
Monday, 10 December, 2018
Location: Teleconference only
MINUTES

Board Members Present:

Nicole Benson	Canadian Premier Life <i>Chair</i>
David Fear	Canadian Life Assurance
Zack Fuerstenberg	ScotiaLife Financial
Peter McCarthy	BMO Insurance
Kelly Tryon	CUMIS Services Incorporated
Chris Knight	TD Insurance
Wally Thompson	Manulife
Chris Dufour	Desjardins
Chris Knight	TD Insurance

Representing Board Members:

Sue Manson	CIBC Insurance
Rob Dobbins	Assurant

Also Present:

Martin Boyle	BMO Insurance (EOC Chair)
Tony Pergola	ScotiaLife Financial (Treasurer)
Keith Martin	CAFII <i>Co-Executive Director</i>
Brendan Wycks	CAFII <i>Co-Executive Director</i>

1. Call to Order

N. Benson, Chair, called the meeting to order at 3:04 p.m.

M. Boyle, Board Secretary, confirmed that a Notice of Meeting had been circulated to all Directors, in accordance with the Association's Bylaw; and that a quorum of Directors was present on the phone.

N. Benson therefore declared the meeting properly constituted for the transaction of business.

1.2. Approval of Agenda

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that

The meeting agenda be modified such that Approval of the 2019 CAFII Operating Budget follows the discussion on credit card balance protection insurance; and that the agenda be approved, so modified.

1.3. Discussion on Credit Card Balance Protection Insurance

N. Benson noted that a document "CAFII Credit Card Balance Protection Insurance (CCBPI) Project—Board Briefing Document" had been circulated. The document identified some of the issues on which the Board needed to make decisions.

CAFII Special Purpose Board Meeting Minutes, December 10, 2018

There was thorough Board discussion of the options set out in the Briefing Document, including the need as part of this project to engage a competition lawyer, and the importance of research to provide a common understanding of the issues, risks, and opportunities for the Canadian CCBPI industry.

It was agreed that there would be value to an internationally focused, comparative research project which would identify the major concerns which regulatory authorities and consumer groups had identified in other jurisdictions, specifically Australia, the U.K., the U.S., and Ireland. The research project could then identify which of those were issues in Canada as well, and which were not, and recommend areas for possible product reforms. The research project could also tackle the similarities and differences that existed in Canada versus other jurisdictions, including the regulatory environment and the business culture.

It was emphasized that the purpose of the comparative research project was to develop an evidence-based understanding that could inform next steps, which could include identifying possible reforms (some at an industry level, some at the proprietary level) that could be undertaken; and which could provide a basis for a second phase which would involve a government relations / public relations (GR/PR) effort based on the findings, and building on any reforms undertaken. The research findings could also operate as a catalyst for action, if it was found that the Canadian industry was vulnerable to regulatory and other challenges based on what had occurred in relevant comparator jurisdictions. The experience in other markets may be a cautionary tale for the Canadian market, and may also alert us to the short time span we have to act on a plan to respond. There was agreement that the research needed to demonstrate where the industry's biggest exposures lie, and what the best potential remedies might be.

There was also a thorough discussion about the mechanics of how to undertake the research. It was agreed that a competition lawyer must be involved in the process, and it was also noted that a variety of different firms were capable of undertaking the research. The discussion concluded that instead of issuing two RFPs (one for a competition lawyer, one for a firm to undertake the research), we should ask a law firm to be the "general contractor" and manage the entirety of the project.

In their proposals to CAFII in response to an RFP, qualified law firms would have to identify whether they had the internal resources to conduct the research component, or whether they wished to outsource this to a strategy, consulting, or research firm, and also whether there were outside firms they wished to engage for the strategic recommendations coming out of the research findings. Such an approach would task them with managing this process, at one overall cost. It was also agreed that preference should be given to law firms that are current CAFII Associates (BLG and Torys).

In further Board discussion, it was proposed and unanimously agreed that

- CAFII would issue an RFP to Torys and BLG;
- the RFP would be for the entire Phase I of a CCBPI Special Project, which would include oversight by a competition lawyer of the process; research into the comparison of the Canadian CCBPI situation relative to Australia, the U.K., the U.S., and Ireland; and strategic recommendations coming out of the research findings; and
- the GR/PR effort, should we seek to engage in that next step, would not be part of this RFP and would be a separate Phase II effort that would be decided on after Phase I was completed.

Because there might be different responses to the RFP depending on how large the research and strategic recommendations effort was, it was also agreed that the RFP should invite the bidding firms to present different ranges of costs based on the size of the effort. In other words, the bidding firm could say that a smaller research project could cost one amount, a larger one another amount.

In terms of timelines, it was agreed that an RFP, when approved, could be issued early in 2019, with 30 days for a response. A Special Purpose Board Meeting would then be called to review the proposals and select the winning firm. When a winning firm was selected, it would be asked to complete the project within 60 days. Based on this timeline, Phase I of the Special CCBPI Project would be completed no later than early April, 2019.

There was also a suggestion that other industry players who were involved in the CCBPI space, but were not CAFII members, might need to be engaged in this effort in some way. These players included Canadian Tire Financial, PC Financial, Walmart Bank, Rogers Bank, HBC, Sears, and Chubb. As well, as this project moved forward, CAFII would need to find a way to keep the Canadian Bankers Association and the Canadian Life and Health Insurance Association informed of developments.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that

CAFII move ahead to develop a general contractor-type RFP for Phase I of a Special Project on Credit Card Balance Protection Insurance, for review and approval by the Board prior to issuance to a select group of law firms with expertise in insurance law and competition law.

1.4 Helen Troup, Commonwealth Bank of Australia

Zack Fuerstenberg has spoken with Helen Troup, who gave hours of testimony to the Australian *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* in September 2018, and he feels that she could provide members of CAFII with excellent insights and information. As such, a proposal was tabled to bring Ms. Troup to Canada in January 2019 to speak to the members of the Association, at an expense of roughly \$15K CAD. The motion was unanimously approved.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that

CAFII invite Helen Troup, Commonwealth Bank of Australia, to visit Canada to dialogue with our Association about the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and related developments in Australia which could have implications for Canada at a cost of approximately \$15,000.

1.5 Proposed CAFII 2019 Operating Budget

CAFII Treasurer Tony Pergola reviewed the proposed 2019 CAFII Operating Budget, which had been revised based on feedback at the 27 November, 2018 Board meeting. The major revision made was to add \$44K to the revenue line to reflect the anticipated securing of one additional Initiation Member at the top tier of membership dues.

It was also noted that there are roughly \$100K of expenses in the budget for research and website enhancements that are discretionary, and if the revenue that has been added does not materialize, there is the option to address that revenue shortfall with expense reductions from those line items.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that

The Proposed 2019 CAFII Operating Budget be approved as presented.

7. Termination

N. Benson thanked everyone for their participation at the Board meeting.

There being no further business, the meeting was terminated.

Date

Board Chair

Recording Secretary

Agenda Item 3(d)
March 26/19 EOC Meeting

CAFII Special Purpose Board of Directors Meeting
on the
CAFII Special Project on Credit Card Balance Protection Insurance
1 March, 2019, 4:00 to 5:00 p.m.
Via Teleconference
MINUTES

In Attendance

Directors Present:	Nicole Benson Kelly Tryon Zack Fuerstenberg Sandra Rondzik Chris Knight Wally Thompson Paul Cosgrove	Canadian Premier Life <i>Chair</i> CUMIS Services Incorporated ScotiaLife Financial CIBC Insurance TD Insurance Manulife Assurant
Director Surrogates and EOC Members Present:	Charles MacLean John Lewsen Dallas Ewen Rob Dobbins Monika Spudas	RBC Insurance (Surrogate for C. Lobbezoo) BMO Insurance (Surrogate for P. McCarthy) Canada Life (Surrogate for D. Fear) Assurant Manulife
Also Present:	Keith Martin Brendan Wycks	CAFII <i>Co-Executive Director</i> CAFII <i>Co-Executive Director</i>

1. Choosing a Law Firm for the Special Project on Credit Card Balance Protection Insurance

Keith Martin was asked to provide some context for the Proposed Resolution that Stikeman Elliott be selected as the competition and insurance advisory law firm to oversee CAFII's Special Project on Credit Card Balance Protection Insurance.

Mr. Martin advised that following the presentations by four law firms at the 21 February, 2019 session on the RFP submissions, Torys and Stikeman Elliott had been short-listed.

Stikeman Elliott was viewed as having best understood the Association's intent and as having demonstrated the greatest willingness to take an approach that was consistent with the strategic objectives of the organization, including outsourcing the business consulting component of the effort.

That firm was also viewed as having the strongest presentation in terms of the competition law lens that CAFII was seeking. On the other hand, the subject matter expertise of Stuart Carruthers, the insurance partner lead from Stikeman Elliott, did not come across as strongly as desired, and the process and timelines that Stikeman Elliott was working towards were not sufficiently detailed.

Torys was viewed as having expert subject matter knowledge and excellent regulatory relationships through their lead insurance lawyer, Jill McCutcheon. Brigitte Goulard, part of the Torys team, was also viewed as a definite positive, given her regulatory knowledge as former Deputy Commissioner of the Financial Consumer Agency of Canada (FCAC). However, Torys did not intend to use external business consultants, as they felt they had the required knowledge internally. They were viewed as less impressive than Stikeman Elliott on the component of the presentation on competition law. The CAFII Board, after hearing the four presentations, also decided to proceed with having a business consultancy firm lead the research effort, and there was concern about whether Torys would be able to adjust to that model.

The Board appointed a Working Group consisting of Board Chair Nicole Benson; Board member Zack Fuerstenberg; and CAFII Co-Executive Directors Keith Martin and Brendan Wycks to meet with the two shortlisted firms again, where they could provide responses to the concerns expressed. Keith Martin was asked to provide feedback to them, which he did through phone calls to share the Board's comments; and through written questions to which the law firms were invited to respond.

The follow-up meetings with the two shortlisted law firms occurred on Tuesday, 26 February, 2019. At those follow-up meetings, it was felt that both law firms responded effectively to all of the issues raised. However, there were concerns expressed that while Torys indicated that they would be willing to work with external consultants, they might not be well-suited to doing so. Keith Martin also reached out and gathered feedback from 11 Board members, and CAFII Chair Nicole Benson received direct feedback from several Directors. From those conversations, there emerged a pattern of a number of Board members expressing reservations about the style of Torys and their ability to be collaborative with external consultants. At the same time, no Board member expressed any reservations about the style or competency of Stikeman Elliott. There was also a view that Stikeman Elliott would be better suited than Torys, based on the presentations made, to engage in a collaborative effort that would be focused not on legal arguments, but on new approaches to the business.

As a result, Stikeman Elliott emerged as the more appropriate law firm for CAFII to engage for the Special Project on Credit Card Balance Protection Insurance; and that was reflected in the proposed Resolution.

Moved by Zack Fuerstenberg, seconded by Nicole Benson, That

CAFII appoint Stikeman Elliott as the Competition and Insurance Advisory Law Firm to oversee the Association's Special Project on Credit Card Balance Protection Insurance, at a projected cost of between \$100,000 and 125,000.

Carried Unanimously

2. Agreeing on an Initial Budget and Funding Formula for the Special Project on Credit Card Balance Protection Insurance

In order to provide funding for the Special Project to move forward, the following Resolution was proposed:

Moved by Zack Fuerstenberg, seconded by Nicole Benson, That

- CAFII collect special purpose funds from among the Association's Members, under the Funding Formula set out in a separate document, to pay for the engagement of the selected Competition and Insurance Advisory Law Firm, and to provide funding for the related involvement of a Business Process/Strategic Advisory Consulting Firm in the project, at an initial budget of \$350,000;*
- after quotes are received from Business Process/Strategic Advisory Consulting Firms, the quotes are reviewed, and a decision is made about the engagement of a Business Process/Strategic Advisory Consulting Firm, the Board will determine at a further meeting whether additional funds are needed to complete the project; and*
- the special purpose funds collected from CAFII Members for this project are to be allocated solely to work at the industry/Association level; and any related proprietary work within individual Member companies will be funded separately by the Members involved.*

In Board discussion of this Resolution prior to the calling of a vote on it, it was noted that since the time that the Resolution had been circulated to the Board, there had been some concerns expressed about it. Specifically, there was a concern that \$350,000 in funding was being sought, without knowing precisely what the amount required would be, as bids from business consultancy firms had not yet been received and a winning business consulting firm had not yet been selected.

The suggestion was made that the amount that should initially be collected should be the amount that would allow the project to move forward with the selected law firm, the quote from which had been agreed upon; and that when CAFII knew the associated costs of the business consultant firm, then another Board meeting could be held to deal with any additional funds required.

An amended Resolution was therefore proposed, as follows:

Moved by Zack Fuerstenberg, seconded by Nicole Benson, That

- *CAFII collect special purpose funds from among the Association's Members, under the Funding Formula set out in a separate document, to pay for the engagement of the selected Competition and Insurance Advisory Law Firm, at an initial budget of \$200,000;*
- *after quotes are received from Business Process/Strategic Advisory Consulting Firms, the quotes are reviewed, and a decision is made about the engagement of a Business Process/Strategic Advisory Consulting Firm, the Board will determine at a further meeting whether additional funds are needed to complete the project; and*
- *the special purpose funds collected from CAFII Members for this project are to be allocated solely to work at the industry/Association level; and any related proprietary work within individual Member companies will be funded separately by the Members involved.*

Carried Unanimously

(As part of the meeting materials for this Board meeting, a document was also distributed that provided a detailed explanation of the Funding Formula to be used to collect funds for the Special Project on Credit Card Balance Protection Insurance from individual CAFII members.)

3. Other Business

There being no other business to discuss, the meeting was terminated.

Summary of CAFII Board and EOC Action Items					
	Source	Action Item	Responsible	Deadline	Status March 26, 2019
		Association Strategy and Governance			
1	EOC May 29, 2018	Develop a summary job description for the CAFII EOC Chair role and circulate it to EOC Members.	Brendan, Keith	30-Apr-19	In progress
2	EOC February 27, 2018	Document in writing the process for reviewing, approving, and admitting applicants for CAFII Members and Associate status	Brendan	30-Apr-19	In progress
3	EOC November 20, 2018	Keith to send links to additional information appearing on the CBC Marketplace website related to the story, to EOC and Board Members.	Keith	25-Jan-19	Complete

CAFII Consultations/Submissions Timetable 2019-20

Regulatory Issue	Deliverable	Deadline	Accountable
BC Ministry of Finance 10-Year Review of FIA (Initial Public Consultation Paper released June 2, 2015)	<ul style="list-style-type: none"> Preliminary Recommendations Paper on policy proposals for change CAFII Response to Preliminary Recommendations Paper Proposed Revised Financial Institutions Act released for consultation CAFII submission on proposed revised FIA <i>Meeting with Ministry of Finance officials, if necessary</i> 	<ul style="list-style-type: none"> Released March 19/18 June 19/18 Q2 2019 (expected) Q2 2019 <i>Q2 or Q3 2019</i> 	<ul style="list-style-type: none"> Joint Market Conduct/Licensing Committee; Co-EDs to monitor
Alberta Consultation on Creating a Single Financial Services Regulator	<ul style="list-style-type: none"> Alta Govt. releases Consultation Paper CAFII Submission on Govt. Consultation Paper 	<ul style="list-style-type: none"> Q2 2019(expected) Q2 or Q3 2019 	<ul style="list-style-type: none"> Joint Mkt Conduct/Licensing Committee; Co-EDs to monitor
AMF Sound Commercial Practices Guideline Update	<ul style="list-style-type: none"> 2018 “update” consultation announced by L. Gauthier AMF releases consultation document CAFII submission on updated Sound Commercial Practices Guideline 	<ul style="list-style-type: none"> May 3/18 <u>Q3 2019 (expected)</u> Q3 or Q4 2019 	<ul style="list-style-type: none"> Market Conduct Cttee; Co-EDs to monitor
Quebec Bill 141 and Related Regulations	<ul style="list-style-type: none"> Omnibus Bill 141 tabled and related Bill 150 subsequently tabled CAFII submission to National Assembly Committee on Public Finance National Assembly passes Bill 141 (certain Bill 150 provisions included) AMF releases Regulation Respecting Alternative Distribution Methods CAFII submission on Regulations Supporting Bill 141 AMF Response to Feedback on Regulation Respecting Alternative Distribution Methods 	<ul style="list-style-type: none"> Oct 5 and 23, 2017 January 16, 2018 June 2018 October 10, 2018 December 10, 2018 Q2 2019 (expected) 	<ul style="list-style-type: none"> Joint Mkt Conduct/Licensing Committee; Co-EDs to monitor
CCIR/CISRO Guidance: Conduct of Insurance Business and Fair Treatment of Customers	<ul style="list-style-type: none"> CCIR releases Draft 2 of Guidance for formal industry consultation CAFII submission on Draft 2 of CCIR Guidance document CCIR issues final version of FTC Guidance document Meeting with CCIR/CISRO Working Group re Guidance implementation <i>Meeting with CCIR/CISRO Working Group re Guidance implementation</i> <i>Meeting with CCIR/CISRO Working Group re Guidance implementation</i> 	<ul style="list-style-type: none"> May 3, 2018 June 18, 2018 September 27, 2018 November 28, 2018 <i>March 27, 2019</i> <i>June 2019 (date TBC)</i> 	<ul style="list-style-type: none"> Market Conduct Cttee; Co-EDs to monitor
CCIR Review of Travel Health Insurance	<ul style="list-style-type: none"> CCIR Travel Health Insurance Products Position Paper Released Meeting with TIWG Re Position Paper and industry reforms Follow-up meetings with TIWG re travel insurance data collection Further meeting with TIWG re travel insurance data collection 	<ul style="list-style-type: none"> May 31, 2017 January 29, 2018 Oct. 24 & Dec. 5, 2018 <u>February 26, 2019</u> 	<ul style="list-style-type: none"> EOC; Co-EDs to monitor
SK Bill 177	<ul style="list-style-type: none"> FCAA releases The Insurance Amendment Regulations, 2018 CAFII submission on The Insurance Amendment Regulations, 2018 FCAA delays implementation of new Act and Regulations to Jan 1/20 	<ul style="list-style-type: none"> August 10, 2018 September 14, 2018 November 26, 2018 	<ul style="list-style-type: none"> Market Conduct Cttee; Co-EDs to monitor
FCNB Insurance Act Rewrite and Introduction of RIA Regime	<ul style="list-style-type: none"> FCNB informs CAFII that development of RIA regime is well-advanced FCNB launches industry consultation on RIA licensing regime model Meeting with David Weir, FCNB re Insurance Act Rewrite and Introduction of RIA Regime (embedded within Rewrite initiative) CAFII submissions on FCNB’s Insurance Act Rewrite and RIA Regime 	<ul style="list-style-type: none"> May 14, 2018 Q1 2019 (expected) December 5, 2018 Q2 2019 	<ul style="list-style-type: none"> Licensing Committee; Co-EDs to monitor

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

Regulatory Update – CAFII Executive Operations Committee, March 22, 2019

Prepared By Brendan Wycks, CAFII Co-Executive Director

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Federal/National

Insurance Bureau of Canada (IBC)

IBC Says Regulatory Guidance Should Recognize Broker Independence

When it comes to market conduct in the property and casualty industry, regulations should recognize that brokers are independent, the Insurance Bureau of Canada (IBC) recently asserted in response to the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organizations (CISRO)'s September 27/18 release of their "Guidance: Conduct of Insurance Business and Fair Treatment of Customers."

CCIR/CISRO said in the paper that although brokers and agents are often involved in serving customers, it is ultimately the carrier who is responsible for servicing policies and "ensuring that intermediaries have appropriate policies and procedures in place in respect of the policy servicing activities." CCIR and CISRO also state in the document that a carrier should have a duty to report to a regulator any "intermediary with whom they have transacted that may be unsuitable or not duly authorized, which could result in impairing the fair treatment of customers."

Carriers need to "be satisfied that the involved intermediaries are providing information to customers in such a manner that will assist them in making an informed decision," says the Guidance document, which is based on principles rather than hard-and-fast rules.

Ryan Stein, IBC's executive director of auto policy and innovation, said all principles outlined in the document are reasonable but added brokers are independent.

"They want to be independent and we don't think there should be an expectation on insurers to sort of be responsible for the actions of independent brokers," Stein said. "We think for the part of the business that's carrier-based, carriers are primarily responsible for the fair treatment of insureds. But you need to recognize that the brokers have a significant role and they are legally and structurally independent."

Stein said the Guidance paper is significant because of its national scope, and that regulations should be consistent across the country. Most carriers in Canada are national and "they want to see that the regulators are applying their guidance similarly" to one another, Stein said. "When there are different ones in different provinces, it could create confusion on what is expected."

Provincial/Territorial

British Columbia

Insurance Council of British Columbia

Robert Tanaka Departs Insurance Council of BC After 20 Years

In December 2018, Janet Sinclair, Executive Director of the Insurance Council of BC, announced on the Council's website that Robert Tanaka, Deputy Executive Director, had left the Insurance Council's staff executive team after more than 20 years. Mr. Tanaka joined the Insurance Council of BC in 1998 as an investigator, and subsequently assumed progressively more senior positions under then-Executive Director Gerry Matier. Tanaka was well known for his contributions to insurance regulation across Canada; and Ms. Sinclair commented that his knowledge and guidance would be missed.

In early 2019, Ms. Sinclair announced the following changes to her staff executive team at the Insurance Council: Brett Thibault was appointed to the position of Director, Governance and Stakeholder Engagement; and Kandace Hopkins was appointed to the position of Director, Practice and Quality Assurance. Mr. Thibault, a former Chair of the Insurance Council of BC while he worked in the insurance industry, previously held the role of Director, Licensing; and Ms. Hopkins was Council's Manager, Regulatory Services. Both of these roles were created to better support licensees, Ms. Sinclair indicated.

BMO Insurance Representative Appointed To Insurance Council

In December 2018, the Government of BC announced the appointment of 10 new non-voting members to the Insurance Council of BC for a three-year term, including Donna Thorne, a representative from the bancassurance/financial institutions in insurance sector.

Donna Thorne is the Business Development Director for British Columbia of BMO Insurance Company of Canada. In her current role, she provides training advice and marketing support to individual advisors and management teams as well as managing engagement and relationships in multiple distribution channels. Throughout her career she has worked as Sales Director for Transamerica Life Canada; Western Regional Director, Living Benefits for Manulife Financial; and Regional Marketing Consultant for Canada Life. Active in her community, she has served as Institute Chair and Membership Chair for the Vancouver Advocis Chapter. Ms. Thorne holds the Certified Health Insurance Specialist (CHS) and Elder Planning Counselor (EPC) professional designations.

Alberta

Alberta Insurance Council

Warren Martinson Departs Alberta Insurance Council After 16 Years

After 16 years as Director of Legal and Regulatory Affairs at the Alberta Insurance Council (AIC), Warren Martinson left that post in June 2018 to become General Counsel & Corporate Secretary at the Real Estate Council of Alberta (RECA).

Mr. Martinson served in his initial position at RECA for nine months, and then assumed the position of Director of Corporate Services there in February 2019.

Warren's successor as the AIC's Director of Legal and Regulatory Affairs is Zabeda Yaqoob. Ms. Yaqoob was a practising lawyer in the United Kingdom for over 11 years before relocating her practice to Canada in 2016, where she articulated at Foster LLP in Calgary. In the UK, she practised in a number of different areas and subsequently worked for the Government in immigration, family law, and child protection matters. Her focus areas included forced marriages, adult and child trafficking, immigration processes for asylum seekers, and advising child welfare workers on their duties and responsibilities to children and families from abroad. She provided volunteer support to the Afghani community in the United Kingdom to assist them with immigration and asylum matters. Ms. Yaqoob practised immigration and family law with Foster LLP in Calgary from 2016 until early 2019, when she joined the Alberta Insurance staff executive team.

Ontario

Financial Services Regulatory Authority of Ontario (FSRA)

Independent Financial Brokers Implores FSRA To Implement ISI Licensing In Ontario

In its December 2018 submission on Proposed FSRA Rules 2019-001 Assessments and Fees and 2019-001B Fees and Assessments (Interim), the Independent Financial Brokers of Canada (IFB) implores FSRA to introduce some form of licensing for incidental sellers of insurance in Ontario. An excerpt from the IFB submission reads as follows:

We wish to draw attention to Section 6.1, where FSRA identifies “support for regulatory principles” as part of its vision to be an efficient and effective regulator. As FSRA considers its priorities, and potential issues related to the current licensing structure, IFB is restating its position that anyone providing financial advice and/or product recommendations to consumers should be appropriately licensed and regulated. Consumers who purchase any form of insurance should be able to rely on intermediaries who are duly licensed, and subject to similar regulatory oversight. In Ontario, sellers of incidental insurance products, such as credit card disability insurance, mortgage insurance, automobile financing, etc., are not licensed.

Some Canadian jurisdictions have already implemented a licensing regime applicable to the sale of incidental insurance, and we support Ontario doing so, too. Licensure provides consumers with greater protection and recourse in the event of a complaint. Given the large number of consumers who are exposed to the incidental insurance market, we believe this is a gap in the current system in Ontario.

CADRI Implores FSRA To Be Leader In Harmonization of Insurance Licensing

In its January 4/19 submission on Proposed FSRA Rules 2019-001 Assessments and Fees and 2019-001B Fees and Assessments (Interim), the Canadian Association of Direct Relationship Insurers calls upon the Financial Services Regulatory Authority of Ontario (FSRA) to play a leadership role in advancing the harmonization of insurance licensing across Canada. An excerpt from the CADRI submission reads as follows:

Looking exclusively at the qualification criteria of the current licensing regime, CADRI commends Ontario for the simplicity of its approach with one level of licence. We seek to make this a national standard across the country.

Currently each employee or exclusive agent must obtain the appropriate accreditation for each and every jurisdiction they serve. Each province and territory may well have different criteria for accreditation or licensing. Yet, no matter where licensed insurance agents are situated in Canada, their core function is fairly similar.

This current approach to licensing also means that if an agent’s application or renewal for a licence is out of sync among the jurisdictions, an agent may sit idle, unable to answer calls and serve customer inquiries coming from that part of the country.

In our experience, the varying levels of insurance licences among the jurisdictions add administrative layers without necessarily contributing significantly to enhanced consumer protection. CADRI seeks to encourage consistent rules, regulations, processes and administrative practices across the country.

CADRI has in the past called for the harmonization of licensing rules for these agents. Harmonization would mean that regulators across Canada recognize the interjurisdictional licensing regime as one system. Thus, the rules in one jurisdiction would be the same as the next. Consumers and other financial services providers, including the investment industry, have benefited from national practices for some time.

Given that close to 40 percent of Canadians live in Ontario, CADRI calls on FSRA to recognize its leadership role in umbrella organizations such as the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organization (CISRO) and to ensure that its commitment to modernization and innovation permeate its contributions to these groups.

Québec

AMF

AMF Announces Appointees To New Consumer Advisory Committee

On January 10/19, following a call for candidates issued in July 2018, the AMF announced the appointees to its new Financial Products and Services Consumer Advisory Committee.

“Strengthening our role as a local regulator close to its markets is one of the orientations in our 2017-2020 Strategic Plan,” said Louis Morisset, AMF President and Chief Executive Officer. “The Committee’s work will also bring the AMF closer to consumer issues and concerns and enable the AMF to give them greater consideration when assisting consumers, providing oversight and administering laws. The structured dialogue within the Committee, combined with our ongoing dialogue with the industry, will enhance the perspective required by the AMF to continue to ensure a well-functioning financial sector.”

The mandate of the Committee is to present the views of financial consumers to the AMF. The Committee members are drawn from various sectors and professions and have a particular interest in defending and promoting the rights of consumers.

The Committee members are tasked with helping to identify and analyze AMF policies, rules, guidelines and other publications where they are likely to affect financial consumers; making any recommendations they deem useful regarding those publications; and presenting the AMF with their observations and recommendations regarding any topic of concern to financial consumers.

The Committee was created as part of the measures that came into effect on July 13, 2018 with the *Act mainly to improve the regulation of the financial sector, the protection of deposits of money and the operation of financial institutions* (S.Q. 2018, c. 23).

The members of the Committee are:

- Francis Barragan. Mtre. Barragan is Corporate Strategy Advisor at Éducaloi
- Brigitte Boutin. Ms. Boutin is a retired lawyer and former Deputy Ombudsman, Banking Services, at the Ombudsman for Banking Services and Investments (OBSI)
- Raymonde Crête. Mtre. Crête is associate professor and Director of the Financial Services Law Research Group (GRDSF) at Laval University’s Faculty of Law
- Willie Gagnon. Mr. Gagnon is Director of the Mouvement d’éducation et de défense des actionnaires (MÉDAC)
- Maryse Guénette. Ms. Guénette is Research and Presentation Director at *Option consommateurs*
- Audrey Létourneau. Mtre. Létourneau is a partner at the law firm LLB Avocats, s.e.n.c.r.l.
- Cynthia Lizotte. Ms. Lizotte is a teacher at Collège de l’Assomption
- Laurence Marget. Ms. Marget is Executive Director of the Groupe de recherche en animation et planification économique (GRAPE) and President of the Coalition des associations de consommateurs du Québec (CACQ)

- Patrick Mignault. Mr. Mignault is associate professor and Vice-Dean of Research and Graduate Studies at Sherbrooke University's Faculty of Law

Nova Scotia

Nova Scotia Superintendent of Insurance

Nova Scotia Endorses CCIR/CISRO's Fair Treatment of Customers Guidance

On December 12/18, Nova Scotia Superintendent of Insurance William Ngu issued Bulletin 04 – 2018 to endorse CCIR/CISRO's "Guidance: Conduct of Insurance Business and Fair Treatment of Customers." Bulletin Insurance 04-2018 reads as follows:

A Fair Treatment of Customers Guidance document was published jointly on September 27, 2018 by the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organizations (CISRO). This document is consistent with the International Association of Insurance Supervisors expectations aligning with the Insurance Core Principles, ICP 19. Nova Scotia is an active member of CCIR and CISRO and participated in the development of the guidance.

The Guidance is ensuring a common understanding between Office of the Superintendent of Insurance and its licensees about what it means to treat consumers fairly throughout the life cycle of a financial product. The guidance addresses all insurance activities by marketplace participants which include insurers and intermediaries.

NS Superintendent of Insurance takes its consumer protection mandate seriously, and it believes that treating customers fairly is tantamount to sound business practices. The office expects insurers and intermediaries to adopt the principles and implement policy and procedures in applying the Guidance. We understand that there will be a transitional period for organizations to review the guidance to put additional measures in place. NS is under a memorandum of understanding to participate jointly with CCIR members in collaborative supervision of market conduct. In future, when companies are selected for audit or supervisory review they will be subject to the test of these guidance principles.

New Brunswick

Financial Consumer Services Commission of New Brunswick (FCNB)

FCNB Endorses CCIR/CISRO's Fair Treatment of Customers Guidance

On February 19/19, the Financial Consumer Services Commission of New Brunswick issued its Bulletin Insurance 2019-01 to endorse CCIR/CISRO's "Guidance: Conduct of Insurance Business and Fair Treatment of Customers." Bulletin Insurance 2019-01 reads as follows:

On 27 September 2018, the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organizations (CISRO) jointly published Guidance: Conduct of Insurance Business and Fair Treatment of Customers. The full document can be found on the CCIR website: <https://www.ccir-ccrra.org/Documents/View/3450>.

This Guidance was designed to align with the International Association of Insurance Supervisors (IAIS) Insurance Core Principles 19 (ICP 19). The Pensions and Insurance Division of FCNB actively participated in the design of this Guidance.

The IAIS core principles set requirements for the conduct of the business of insurance that ensures customers are treated fairly. The Guidance establishes that the fair treatment of customers is integral to sound market conduct practices and fundamental to the reputation of every financial institution and consumer confidence in the financial system.

It is the expectation of the Pensions and Insurance Division of FCNB that insurance licensees (Insurers and Intermediaries) will adopt the principles as outlined in the Guidance and ensure that measures are in place to abide by them. These expectations involve the licensee's conduct at all stages of the lifecycle of the product (from design, to sales, to claims process, to the end of the lifetime of the policy).

In 2015, FCNB signed the Memorandum of Understanding and Protocol on Cooperation and the Exchange of Information with other CCIR members. The MOU allows FCNB to collaborate and share information with other regulators when conducting Market Conduct Exams of common licensees. The Guidance principles will be the standard used for all future Market Conduct Exams conducted by the Pensions and Insurance Division of FCNB.

International Basel Committee On Banking Supervision (BCBS)

Canadian Carolyn Rogers Named As Next Secretary General Of Basel Committee

On March 22/19, the Basel Committee on Banking Supervision (BCBS) announced that Carolyn Rogers, former CEO and Superintendent of Insurance at BC's Financial Institutions Commission and currently Assistant Superintendent, Regulation Sector at the Office of the Superintendent of Financial Institutions (OSFI), had been chosen as its next Secretary General.

Ms. Rogers, who will be the first Canadian to take on this role, will begin an initial term of three years with BCBS in August 2019.

BCBS is a global standard-setter for banking regulation and provides a forum for co-operation on banking supervisory matters. It has 45 members comprised of central banks and bank supervisors from 28 jurisdictions. The Secretary General of the BCBS plays a crucial role in directing the work of the Secretariat and supporting the Chair in fulfilling the Committee's mandate to strengthen the regulation, supervision and practices of banks worldwide with the purpose of enhancing financial stability.

At OSFI, Rogers is currently responsible for OSFI's policy-related functions, including capital, accounting, and legislation. "I wish Ms. Rogers every success in accepting this new role. She brings with her extensive regulatory and leadership experience that will make her an asset to the BCBS. While this will be a loss for OSFI, it will be a major gain for the BCBS, the international regulatory community, and for Canada," stated Jeremy Rudin, Superintendent of Financial Institutions, in a March 22 announcement.

Australia

Australia Government Promises Sweeping Reform To Address Industry Misconduct

Australia's government is promising action to restore confidence in the financial industry, following a Royal Commission inquiry, which found widespread misconduct by the industry at the expense of customers.

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry published its final report in early February, which sets out a series of 76 recommendations for reform to address the pervasive exploitation of the industry's customers.

“Saying sorry and promising not to do it again has not prevented recurrence. The time has come to decide what is to be done in response to what has happened,” the report says, in setting out a series of recommendations that aim to bolster consumer protections; increase accountability and governance standards; enhance the effectiveness of regulators; and improve access to remediation for victims of industry misconduct.

Among other things, the report points to compensation schemes that solely reward sales, the lack of best interest standards, and an absence of accountability for misconduct as some of the core issues identified in the review.

“Rewarding misconduct is wrong. Yet incentive, bonus and commission schemes throughout the financial services industry have measured sales and profit, but not compliance with the law and proper standards,” the report says.

It points out that customers have little to no ability to negotiate the terms of transactions with the industry, due to the huge imbalance in market power and knowledge. The report also highlights the prevalence of conflicts of interest. “The interests of client, intermediary and provider of a product or service are not only different, they are opposed,” it says. “An intermediary who seeks to ‘stand in more than one canoe’ cannot.”

Moreover, it says that efforts to manage those conflicts invariably fail. “Experience shows that conflicts between duty and interest can seldom be managed; self-interest will almost always trump duty,” it says, adding that it heard evidence that conflicts are almost always resolved in favour of the industry, and against clients’ interests.

Additionally, when industry firms violate the law, they are not properly held accountable, the report concludes. “Misconduct will be deterred only if entities believe that misconduct will be detected, denounced and justly punished. Misconduct, especially misconduct that yields profit, is not deterred by requiring those who are found to have done wrong to do no more than pay compensation. And wrongdoing is not denounced by issuing a media release,” it says.

In response to the report, Australia’s treasurer, Josh Frydenberg, pledged that the government will take action on all of the report’s recommendations.

“In outlining the government’s response to the Royal Commission, the government’s principal focus is on restoring trust in our financial system and delivering better consumer outcomes, while maintaining the flow of credit and continuing to promote competition,” he said.

The report follows 68 days of public hearings and more than 10,000 public submissions into financial industry conduct.

“My message to the financial sector is that misconduct must end and the interests of consumers must now come first. From today the sector must change, and change forever,” Frydenberg added.

To test whether that happens, the government also pledged to launch an independent inquiry in three years to assess whether industry practices have changed following the Royal Commission and are producing better consumer outcomes.

Research, Thought Leadership, and Innovation Developments

Open Banking A Negative For Canada's Big Six Banks: Moody's Report

The federal government's ongoing exploration of "open banking" is a negative for Canada's Big Six banks, which currently dominate the retail banking business, says a new report from Moody's Investors Service.

Ottawa published a consultation paper on January 11/19 as part of its effort to examine the idea of "open banking" as a way to stoke competition in the highly concentrated Canadian banking business. Open banking allows banking customers to share their financial information with fintech firms and other upstarts to enable them to more easily develop competing products and services.

"The government initiative is credit negative for the largest Canadian banks' retail operations because it has the potential to incrementally weaken the industry's favourable industry structure of a few concentrated players, and therefore the banks' retail franchise strength and associated high profitability," says the Moody's report.

The government promised to explore the idea of open banking in last year's federal budget, and launched an advisory committee to lead a public consultation this past autumn. Comments to the consultation were due by February 11/19. Following the consultation, the committee will provide its recommendations to the government.

The credit-rating agency says that the big Canadian banks have both the financial resources and the fintech expertise to adapt to innovations in consumer banking. "Nonetheless, technological disruption is likely to erode the incumbents' profitability in certain retail lending products, such as credit cards, and/or payments over the long term as smaller, more agile banks achieve competitive advantages," the report states.

EY Canada Announces New Centre Of Excellence For Insurers

Advisory services firm EY Canada is launching a new Centre of Excellence for insurance companies.

The Centre for Insurance and Actuarial Services will be based in both Toronto and Quebec City, a release said. EY's new centre will guide insurers on regulatory changes, as well as on how to keep up with digital transformation.

"The insurance sector is evolving every day – and we're responding by innovating the support we provide," said EY Canada financial services leader Paul Battista. "Insurers face immense pressure to modernize their businesses while, at the same time, manage increasingly complex actuarial and accounting standards. The centre will work with these companies to identify better ways of working, drive a clearer sense of purpose and adopt more effective use of technology."

According to EY's Insurance Outlook for the year 2019, the insurance sector's growth is projected to remain weak in the near-term. To counter this, insurers need to place greater focus on technology and initiatives that could help in optimizing costs and driving wider distribution, the report concluded.

"Margin pressures are straining the growth potential of many insurers in Canada," commented EY Canada insurance leader Janice Deganis. "Digital transformation is no longer optional, but absolutely necessary to optimize costs and reinvest in future-focused areas of the business that generate results."

Deganis revealed that EY Canada has been recruiting bilingual talent from across the country to help staff the Centre. Experts with backgrounds in strategy and business transformation, accounting standards, actuarial science and information will lend their experience to interested insurers.

Regulator and Policy-Maker Visit Plan 2019-2020

Regulator/Policy-Maker	Last Meeting/Contact	Proposed Meeting	Topics/Purpose	Status
British Columbia				
Insurance Council of BC: Janet Sinclair, Executive Director (Started November 1/17)	Liaison meeting on May 3/18 during CLHIA Conference in Calgary	Liaison meeting during 2019 CLHIA Conference in Niagara Falls, May 8-10/19, where J. Sinclair is on the program	CAFI's views on optimal features of an RIA regime in BC	Pending
		2019 CAFII Western Canada Regulators and Policy-Makers Visits Tour: deferral to Fall 2019 proposed to allow CAFII to have new and substantive research-based insights to share	Representation of alternate distribution/non- resident sellers on Council	Pending
FICOM: Frank Chong, Acting Superintendent of Financial Institutions (effective August 1/16)	Oct.25/17 CAFII Stakeholder Dialogue with CCIR in Toronto	2019 CAFII Western Canada Regulators and Policy-Makers Visits Tour: deferral to Fall 2019 proposed to allow CAFII to have new and substantive research-based insights to share	future of FICOM if proposals made in Ministry of Finance's "Preliminary Recommendations Paper" are brought to fruition	Pending
Michael McTavish, Acting Executive Director, Market Conduct (joined FICOM in Spring 2017)	liaison meeting on October 17/17 in Vancouver as part of CAFII tour of BC/Alberta/Manitoba regulators and policy-makers	Liaison meeting during 2019 CLHIA Conference in Niagara Falls, May 8-10/19, where M. McTavish is on the program	See F. Chong above	Pending
Elizabeth Cole, Executive Director, Strategic Projects & Policy (head of 10-Year Review of FIA) (on personal leave until sometime in mid- to late 2018)	April 20/17 and June 23/16 telephone conversations with B. Wycks re updates on expected release date of Policy Paper and other FIA Review timelines	Q2 or Q3 2018 in-person or teleconference meeting with Ministry of Finance officials, if necessary.	Insurance policy changes to be set out in draft revised Financial Institutions Act, expected in Q2 2019.	Pending
	November 10/15 in Vancouver along with Dan Ashton; and separate meeting along with Brian Dillon and Kari Toovey	2019 CAFII Western Canada Regulators and Policy-Makers Visits Tour: deferral to Fall 2019 proposed to allow CAFII to have new and substantive research-based insights to share		Pending

Regulator and Policy-Maker Visit Plan 2019-2020

Regulator/Policy-Maker	Last Meeting/Contact	Proposed Meeting	Topics/Purpose	Status
Alberta				
Alberta Insurance Council: Joanne Abram, CEO	May 4/18 liaison meeting during CLHIA Conference in Calgary	Q2 2019 teleconference meeting to discuss Alberta Government consultation paper on plans to create a single financial services regulator in the province, once it is released	-Alberta Government consultation paper on plans to create a single financial services regulator in the province	Pending
	liaison meeting on October 18/17 in Edmonton as part of CAFII tour of BC/Alberta/Manitoba regulators and policy-makers		-AIC's implementation of approved definition and process for CI to be sold under existing RIA licence	
	June 2/17 CAFII presentation to CISRO in Saskatoon	Liaison meeting during 2019 CLHIA Conference in Niagara Falls, May 8-10/19, where J. Abram is on the program	-Representation for Restricted Licence Holders on Life Insurance Council	Pending
	May 4/17 liaison lunch in London, Ontario	2019 CAFII Western Canada Regulators and Policy-Makers Visits Tour: deferral to Fall 2019 proposed to allow CAFII to have new and substantive research-based insights to share		Pending
Treasury Board and Ministry of Finance: Darren Hedley, Assistant Deputy Minister, Financial Sector Regulation and Policy; and Superintendent of Insurance (effective January 2019, succeeding Nilam Jetha)	-liaison meeting on October 18/17 in Edmonton as part of CAFII tour of BC/Alberta/Manitoba regulators and policy-makers	Q2 2019 teleconference, if necessary, re Alberta Government consultation on creating a single financial services regulator in the province	-Alberta Government plans to create a single financial services regulator in the province	Pending
		2019 CAFII Western Canada Regulators and Policy-Makers Visits Tour: deferral to Fall 2019 proposed to allow CAFII to have new and substantive research-based insights to share		Pending

Regulator and Policy-Maker Visit Plan 2019-2020

Regulator/Policy-Maker	Last Meeting/Contact	Proposed Meeting	Topics/Purpose	Status
Saskatchewan				
Insurance Councils of Saskatchewan: Ron Fullan, Executive Director, (CISRO Chair)	-October 2018 teleconference meeting between B. Wycks and K. Martin, CAFII, and R. Fullan and A. Stadnek, ICS, re licensing requirements amendments being made to address industry's concerns related to what revised Insurance Act and related Regulations seem to be calling for.	2019 CAFII Western Canada Regulators and Policy-Makers Visits Tour: deferral to Fall 2019 proposed to allow CAFII to have new and substantive research-based insights to share	-establishing and implementing a Restricted Insurance Agents Advisory Committee	Pending
April Stadnek, Director of Compliance	-See R. Fullan above	Liaison meeting during 2019 CLHIA Conference in Niagara Falls, May 8-10/19, where A. Stadnek is on the program	-See R. Fullan above	Pending
Janette Seibel, Lawyer, became lead on Bill 177 and Regulations file effective June 1/15	-October 31/18 telephone discussion with B. Wycks re revised wording for "consumer alert/warning" re online sales of insurance, which FCAA has resolved upon for inclusion in new Regulations	2019 CAFII Western Canada Regulators and Policy-Makers Visits Tour: deferral to Fall 2019 proposed to allow CAFII to have new and substantive research-based insights to share	-timing of "in force" date for new Saskatchewan Insurance Act and related Regulations	Pending
Manitoba				
Ministry of Finance: Scott Moore, Deputy Superintendent of Insurance	-CAFII Stakeholder Meeting with CCIR on October 25/18 in Toronto	2019 CAFII Western Canada Regulators and Policy-Makers Visits Tour: deferral to Fall 2019 proposed to allow CAFII to have new and substantive research-based insights to share	-Maintain and build relationship	Pending
Barbara Palace Churchill, Executive Director, Insurance Council of	-May 3/18 liaison meeting during CLHIA Conference in Calgary	Liaison meeting during 2019 CLHIA Conference in Niagara Falls, May 8-10/19,	-CAFII response letter of March 2018 re Single Premium Insurance Policies	Pending

Regulator and Policy-Maker Visit Plan 2019-2020

Regulator/Policy-Maker	Last Meeting/Contact	Proposed Meeting	Topics/Purpose	Status
	-May 4/17 short get acquainted/liaison meeting in London, Ontario	2019 CAFII Western Canada Regulators and Policy-Makers Visits Tour: deferral to Fall 2019 proposed to allow CAFII to have new and substantive research-based insights to share	-Insurance Council's "ISI items for further review and development"	Pending
Ontario				
Financial Services Regulatory Authority of Ontario (FSRA): Mark White, CEO	February 8, 2019 IAG Meeting #3 with FSRA Board of Directors re FSRA's 2019-20 priorities and budget January 28, 2019 IAG – Life and Health Insurance meeting with FSRA Management re FSRA's 2019-20 priorities and budget November 26/18 meeting of IAG—Life and Health Insurance with FSRA CEO re FSRA's 2019-2020 policies and priorities		-FSRA's start-up; transition from FSCO into FSRA; FSRA's rule-making authority; FSRA's plans for regulating the life and health insurance industrv	Confirmed
Glen Padassery, Executive Vice President of Policy	November 27/18 CAFII Reception (where Mark White was guest speaker on a FSRA policy-related topic) February 8/19 and January 28/19 IAG - Life and Health Insurance meetings with FSRA	Liaison meeting during 2019 CLHIA Conference in Niagara Falls, May 8-10/19 where G. Padassery is on the program		Confirmed
				Pending
New Brunswick				
Financial and Consumer Services Commission (Insurance Division): Angela Mazerolle, Superintendent of Insurance	-May 14/18 liaison meeting in Fredericton	Liaison meeting during 2019 CLHIA Conference in Niagara Falls, May 8-10/19, where A. Mazerolle is on the program	FCNB Multi-year Insurance Act Rewrite project under which FCNB plans to introduce an RIA regime in New Brunswick	Pending

Regulator and Policy-Maker Visit Plan 2019-2020

Regulator/Policy-Maker	Last Meeting/Contact	Proposed Meeting	Topics/Purpose	Status
David Weir, Deputy Superintendent of Insurance	December 5/18 preliminary meeting in Toronto on New Brunswick Insurance Act Rewrite multi-year project	June 11/19 FCNB "Consumer Protection Conference", around which a CAFII liaison meeting in Fredericton could be arranged to discuss FCNB's plans to introduce an RIA regime in the province.	See A. Mazerolle above - timing of final recommendations on reforming licensing framework for other- than-life agents and brokers -CAFII feedback on New Brunswick online insurance licensing system	Pending
FEDERAL/NATIONAL				
CCIR: Tony Toy, Policy Manager	November 28/18 CAFII follow-up meeting with CCIR/CISRO Fair Treatment of Consumers Working Group re industry implementation of "Guidance: Conduct of Insurance Business and Fair Treatment of Customers" -November 1/18 CCIR issues update meeting with CAFII (K. Martin and B. Wycks)	CAFII Quarterly "Fair Treatment of Consumers Guidance Implementation Forum" with CCIR and CISRO, March 27, 2019 3:30-5:00pm CCIR Webinar For the Life and Health Insurance Industry on Year 3 Changes to the Annual Statement on Market Conduct: April 3/19	-CCIR Annual Statement on Market Conduct -Framework for Cooperative Market Conduct Supervision	Pending
Louise Gauthier, Chair of CCIR/CISRO Fair Treatment of Consumers Working Group; (member of CCIR Travel Insurance Working Group)	CAFII "Fair Treatment Of Customers Guidance Implementation Forum" with CCIR And CISRO on November 28/18 C30	CAFII quarterly "Fair Treatment of Customers Guidance Implementation Forum" with CCIR/CISRO FTC Working Group, March 27, 2019, 3.30—5.00pm		Pending
Harry James, Chair, CCIR Travel Insurance Working Group (TIWG)	December 5/18 CCIR Travel Insurance Working Group (TIWG) follow-up meeting in Toronto with CAFII Travel Medical Experts Working Group re regulator's travel health insurance data collection	Follow-up meeting being arranged between CCIR Travel Insurance Working Group (TIWG) and CAFII/CLHIA/THIA re CCIR's travel health insurance data requests, likely to occur in February or March 2019	CCIR Travel Health Insurance Products Position Paper and CAFII/industry response to same	Pending

Regulator and Policy-Maker Visit Plan 2019-2020

Regulator/Policy-Maker	Last Meeting/Contact	Proposed Meeting	Topics/Purpose	Status
CISRO: Ron Fullan, Chair (SK)	-November 28/18 CAFII follow-up meeting with CCIR/CISRO Fair Treatment of Consumers Working Group re industry implementation of "Guidance: Conduct of Insurance Business and Fair Treatment of Customers"	Follow-up meeting being arranged between CCIR Travel Insurance Working Group (TIWG) and CAFII/CLHIA/THIA re CCIR's travel health insurance data requests, likely to occur in February or March 2019	-national, online licensing system for insurance and related harmonization issues	Pending
Financial Consumer Agency of Canada (FCAC): Lucie Tedesco, Commissioner	-June 12/18 informal conversation with B. Wycks and K. Martin following L. Tedesco's luncheon address to Economic Club of Canada	Follow-up meeting at FCAC office in Ottawa in Q2 or Q3 2019 for further information-sharing and education around creditors group insurance, if warranted	-FCAC consultation on its Proposed Supervision Framework and Publishing Principles for FCAC Decisions (released September 29/16 with November 14/16 deadline for submissions) of document expected). CAFII decided not to respond to this consultation, as out-of-scope	Pending
Richard Bilodeau, Acting Deputy Commissioner (interim successor to Brigitte Goulard)	none to this point in time	See L. Tedesco above		Pending

CAFII

411 Richmond Street E, Suite 200
Toronto, ON M5A 3S5

Statement of Operations As at Mar 31st 2019

	Current Month	Budget Mar-19	Variance to Monthly Budget	Current YTD	Budget '19 YTD	Variance Budget to YTD	Budget 2019
Revenue							
Membership Dues	\$55,302	\$63,159	(\$7,857)	\$184,266	\$189,476	(\$5,210)	\$757,904
Luncheon Revenue	\$0	\$0	\$0	\$195	\$0	\$195	\$0
Interest Revenue	\$4	\$0	\$4	\$4	\$0	\$4	\$0
TOTAL REVENUE	\$55,306	\$63,159	(\$7,853)	\$184,465	\$189,476	(\$5,011)	\$757,904
Expenses							
Management Fees	\$40,219	\$40,167	(\$53)	\$120,748	\$120,500	(\$248)	\$482,000
CAFII Legal Fees/Corporate Governan	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000
Audit Fees	\$1,217	\$1,217	\$0	\$3,651	\$3,651	\$0	\$14,600
Insurance	\$439	\$458	\$19	\$1,318	\$1,374	\$56	\$5,500
Website Ongoing Maintenance	\$407	\$283	(\$124)	\$449	\$1,249	\$800	\$5,330
Telephone/Fax/Internet	\$803	\$483	(\$320)	\$1,567	\$1,449	(\$118)	\$5,800
Postage/Courier	\$47	\$33	(\$14)	\$109	\$99	(\$10)	\$400
Office Expenses	\$211	\$166	(\$45)	\$455	\$498	\$43	\$2,000
Bank Charges	\$0	\$4	\$4	\$0	\$12	\$12	\$50
Miscellaneous Expenses	\$0	\$42	\$42	\$0	\$126	\$126	\$500
Depreciation Computer/Office Equipm	\$95	\$100	\$5	\$284	\$300	\$16	\$1,200
Board/EOC/AGM							
Annual Members Lunch	\$0	\$0	\$0	\$12,089	\$12,000	(\$89)	\$12,000
Board Hosting (External)	\$0	\$0	\$0	\$0	\$0	\$0	\$30,000
Board/EOC/Meeting Expenses	\$575	\$2,600	\$2,025	\$17,133	\$7,800	(\$9,333)	\$26,000
Industry Events	\$0	\$0	\$0	\$0	\$0	\$0	\$1,300
EOC Annual Appreciation Dinner	\$0	\$0	\$0	\$2,193	\$800	(\$1,393)	\$800
Sub Total Board/EOC/AGM	575	2,600	2,025	31,415	20,600	- 10,815	70,100
Provincial Regulatory Visits	\$1,108	\$0	(\$1,108)	\$2,221	\$0	(\$2,221)	\$12,000
Research/Studies	\$226	\$5,000	\$4,774	\$1,342	\$15,000	\$13,658	\$60,000
Website SEO and Enhancements	\$0	\$3,333	\$3,333	\$0	\$10,000	\$10,000	\$40,000
Regulatory Model(s)	\$0	\$5,000	\$5,000	\$3,389	\$5,000	\$1,611	\$25,000
Federal Financial Reform	\$0	\$0	\$0	\$0	\$0	\$0	\$500
Media Outreach	\$2,260	\$2,917	\$657	\$7,429	\$8,750	\$1,321	\$35,000
Marketing Collateral	\$17	\$1,000	\$983	\$444	\$2,000	\$1,556	\$5,000
Speaker fees & travel	\$0	\$700	\$700	\$0	\$700	\$700	\$2,000
Gifts	\$0	\$150	\$150	\$0	\$150	\$150	\$500
Networking Events	\$0	\$0	\$0	\$0	\$0	\$0	\$500
Sub Total Networking & Events	-	850	850	-	850	850	3,000
TOTAL EXPENSE	47,625	63,653	16,027	174,820	191,458	16,638	768,980
NET INCOME	7,680	- 494	8,174	9,645	- 1,982	11,627	- 11,076

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

CAFI

411 Richmond Street E, Suite 200
Toronto, ON M5A 3S5

Balance Sheet As at Mar 31st 2019

	CAFI Operations			CCBPI Project			Combined		
ASSETS	31-Mar 2019	28-Feb 2019	31-Dec 2018	31-Mar 2019	28-Feb 2019	31-Dec 2018	31-Mar 2019	28-Feb 2019	31-Dec 2018
Current Assets									
Bank Balance	\$310,921	\$264,787	\$193,381	\$0	\$0	\$0	\$310,921	\$264,787	\$193,381
Savings Account	\$4	\$0	\$0	\$63,156	\$0	\$0	\$63,160	\$0	\$0
Accounts Receivable	\$91,674	\$206,632	\$0	\$142,101	\$0	\$0	\$233,775	\$206,632	\$0
Interest Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Prepaid Expenses	879	4,569	2,197	\$0	\$0	\$0	\$879	\$4,569	\$2,197
Computer/Office Equipment	\$8,014	\$8,014	\$8,014	\$0	\$0	\$0	\$8,014	\$8,014	\$8,014
Accumulated Depreciation -Comp/Equip	(\$4,889)	(\$4,795)	(\$4,605)	\$0	\$0	\$0	(\$4,889)	(\$4,795)	(\$4,605)
Intangible Assets-Trademarks	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accumulated Amortization-Trademark	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Current Assets	\$406,602	\$479,207	\$198,986	\$205,257	\$0	\$0	\$611,859	\$479,207	\$198,986
TOTAL ASSETS	\$406,602	\$479,207	\$198,986	\$205,257	\$0	\$0	\$611,859	\$479,207	\$198,986
LIABILITIES									
Current Liabilities									
Accrued Liabilities	\$18,591	\$17,374	\$18,409	\$0	\$0	\$0	\$18,591	\$17,374	\$18,409
Account Payable ^B	\$2,300	\$10,140	\$10,379	\$0	\$0	\$0	\$2,300	\$10,140	\$10,379
Deferred Revenue	\$205,868	\$279,530	\$0	\$205,257	\$0	\$0	\$411,125	\$279,530	\$0
Total Current liabilities	\$226,759	\$307,044	\$28,788	\$205,257	\$0	\$0	\$432,016	\$307,044	\$28,788
TOTAL LIABILITIES	\$226,759	\$307,044	\$28,788	\$205,257	\$0	\$0	\$432,016	\$307,044	\$28,788
UNRESTRICTED NET ASSETS									
Unrestricted Net Assets, beginning of year	\$170,198	\$170,198	\$180,447	\$0	\$0	\$0	\$170,198	\$170,198	\$180,447
Excess of revenue over expenses	\$9,645	\$1,964	(\$10,248)	\$0	\$0	\$0	\$9,645	\$1,964	(\$10,248)
Total Unrestricted Net Assets	\$179,843	\$172,163	\$170,198	\$0	\$0	\$0	\$179,843	\$172,163	\$170,198
Total Unrestricted Net Assets	\$179,843	\$172,163	\$170,198	\$0	\$0	\$0	\$179,843	\$172,163	\$170,198
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$406,602	\$479,207	\$198,986	\$205,257	\$0	\$0	\$611,859	\$479,207	\$198,986
Financial Reserves Targets as per 2018 Budget:									
Minimum 3 months (25%) of Annual Operating Expenses=	\$ 192,245								
Maximum 6 months (50%) of Annual Operating Expenses=	\$ 384,490								
Current Level of Financial Reserves (total unrestricted net assets):	\$179,843								
Current Level of Financials Reserve (%) :	23%								

CAFII

411 Richmond Street E, Suite 200
Toronto, ON M5A 3S5

Membership Fees As At Mar 31st, 2019

	<u>Jan-18</u>		<u>Jul-18</u>	
	<u>To be billed</u>	<u>Received</u>	<u>To be billed</u>	<u>Received</u>
BMO Bank of Montreal	\$ 36,719.00	14-Mar-19	\$ 36,719.00	
CIBC Insurance	\$ 36,719.00	28-Feb-19	\$ 36,719.00	
RBC Insurance	\$ 36,719.00	25-Feb-19	\$ 36,719.00	
ScotiaLife Financial	\$ 36,719.00	11-Feb-19	\$ 36,719.00	
TD Insurance	\$ 36,719.00	11-Feb-19	\$ 36,719.00	
Desjardins Financial Security Life Assurance Company	\$ 36,719.00	8-Apr-19	\$ 36,719.00	
AMEX Bank of Canada				
Assurant Solutions	\$ 18,360.00	12-Feb-19	\$ 18,359.00	
Canadian Premier Life Insurance Company	\$ 18,360.00		\$ 18,359.00	
Cumis Group Ltd/Co-operators Life Insurance Co.	\$ 18,360.00	14-Mar-19	\$ 18,359.00	
National Bank Life Insurance Company	\$ 27,540.00	15-Feb-19	\$ 27,539.00	
Manulife Financial	\$ 22,000.00		\$ 22,000.00	
The Canada Life Assurance Company	\$ 22,000.00	25-Feb-19	\$ 22,000.00	
RSM Canada	\$ 4,800.00	15-Feb-19		
Willis Towers Watson	\$ 4,800.00	4-Apr-19		
KPMG MSLP	\$ 4,800.00	27-Feb-19		
Munich Reinsurance Company Canada Branch (Life)	\$ 4,800.00	15-Feb-19		
Optima Communications	\$ 4,800.00	28-Mar-19		
RGA Life Reinsurance Company of Canada	\$ 4,800.00	25-Feb-19		
DGA Careers Inc.				
AXA Assistance Canada	\$ 4,800.00			
Torys LLP	\$ 4,800.00	13-Feb-19		
PWC	\$ 4,800.00			
Feb Invoices	\$390,134		\$346,930	
July Invoices	\$346,930			
Total Membership Fees	\$737,064			
Total amount to reallocate monthly Jan-Sept	\$ 61,422			
Total amount to reallocate monthly Oct-Dec	\$ 61,422			

2019 CAFII Budget

	2016 Actual	2017 Actuals	2018 Actuals	2019 Budget	2019 YTD (Mar 31 19)	2019 Revised Forecast	Comment/Rationale
Revenue							
Membership Dues	\$435,750	\$475,425	\$695,545	\$757,904	\$184,266	\$737,064	See breakdown in Member Dues Revenue Tab
Luncheon 2019	\$231	\$126	\$0	\$0	\$195	\$195	
Interest	\$231	\$126	\$0	\$0	\$4	\$33	
TOTAL REVENUE	\$ 436,212	\$ 475,677	\$ 695,545	\$ 757,904	\$ 184,465	\$ 737,292	
EXPENSE							
Management Fees	\$279,042	\$442,012	\$460,299.15	\$482,000	\$120,748	\$482,000	Includes MM Fees (3% increase) and two Co-Eds (3% increase)
CAFII Legal Fees/Corporate Governance	\$10,565	\$2,954	\$563	\$1,000	\$0	\$1,000	
Audit Fees	\$13,560	\$14,271	\$14,432	\$14,600	\$3,651	\$14,600	Same as 2018 Budget
Insurance	\$5,238	\$5,238	\$5,258	\$5,500	\$1,318	\$5,500	Same as 2018 Budget
Website Ongoing Maintenance	\$13,060	\$42,575	\$6,461	\$5,330	\$449	\$5,330	Includes CG Technology (\$250 per month), Translation (\$400), Domain (\$30) & CAFII Insurance Domain Name Renewal (\$999 USD)
Telephone/Fax/Internet	\$3,538	\$6,119	\$5,939	\$5,800	\$1,567	\$5,800	Same as 2018 Budget
Postage/Courier	\$180	\$380	\$458	\$400	\$109	\$400	Same as 2018 Budget
Office Expenses	\$5,257	\$1,312	\$2,423	\$2,000	\$455	\$2,000	Same as 2018 Budget
Bank Charges	\$25	\$38	\$23	\$50	\$0	\$50	Same as 2018 Budget
Amortization Expense	\$0	\$0	\$0	\$0	\$0	\$0	
Depreciation Computer/Office Equipment	\$467	\$1,564	\$1,136	\$1,200	\$284	\$1,200	Same as 2018 Budget
Miscellaneous Expense		\$433	\$0	\$500	\$0	\$500	Same as 2018 Budget
Board/EOC/AGM							
Annual Members Luncheon	\$12,044	\$10,247	\$10,503	\$12,000	\$12,089	\$12,089	Increase to \$12,000 to cover costs
Board Hosting (External)	\$19,407	\$7,500	\$19,515	\$30,000	\$0	\$30,000	Four events at \$7,500
Board/EOC Meeting Expenses	\$8,145	\$25,493	\$20,715	\$26,000	\$17,133	\$26,000	Same as 2018 Budget
Industry Events		\$36	\$1,270	\$1,300	\$0	\$1,300	CAFII Purchase of full table of 11 seats at Economic Club of Canada Luncheon
EOC Annual Appreciation Dinner	\$2,079	\$8	\$763	\$800	\$2,193	\$2,193	Same as 2018 Budget
Total Board/EOC/AGM	\$41,675	\$43,284	\$52,766	\$70,100	\$31,415	\$71,582	
Provincial Regulatory Visits	\$10,395	\$11,011	\$11,230	\$12,000	\$2,221	\$12,000	Same as 2018 Budget
Research/Studies	\$1,356	\$17,807	\$77,345	\$60,000	\$1,342	\$5,000	Pollara Proposal on Creditor's insurance research
Website SEO and Enhancements			\$21,702	\$40,000	\$0	\$40,000	Continuing enhancements including videos
Regulatory Model(s)	\$0	\$15,001	\$6,490	\$25,000	\$3,389	\$25,000	includes provision for legal advice re RIA representation on Sask, Alta, Manitoba; possible new RIA regime in BC; new single integrated regulators in Ontario and Alta; and additional provision re Regulations supporting Quebec Bills 141 and 150
Federal Financial Reform	\$0	\$0	\$0	\$500	\$0	\$500	Same as 2018 Budget
Media Outreach	\$27,408	\$44,023	\$38,522	\$35,000	\$7,429	\$35,000	Includes Media Consultant's Monthly Retainer (\$2,260.00 per month)
Marketing Collateral	\$1,781	\$0	\$557	\$5,000	\$444	\$5,000	
Tactical Communications Strategy	\$446	\$379	\$0	\$0	\$0	\$0	
CAFII Reception Events		\$500	\$0	\$0	\$0	\$0	
Media Relations	\$0	\$164	\$0	\$0	\$0	\$0	
Speaker fees & travel		\$0	\$191	\$2,000	\$0	\$2,000	Same as 2018 Budget
Gifts	\$221	\$452	\$0	\$500	\$0	\$500	Same as 2018 Budget
CAFII 25th Anniversary Celebration (Formerly CAFII 20th Anniversary Celebration)		\$26,495	\$0	\$0	\$0	\$0	Deferred to 2022
Networking Events		\$350	\$0	\$500	\$0	\$500	Same as 2018 Budget
TOTAL EXPENSE	\$ 414,214	\$ 675,862	\$ 705,793	\$ 768,980	\$ 174,820	\$ 715,462	
Excess of Revenue over Expenses	\$21,998	(\$200,185)	(\$10,248)	(\$11,076)	\$9,645	\$21,830	
Unrestricted Net Assets (beginning of year)	\$358,991	\$380,758	\$180,447	\$170,198	\$170,198	\$159,122	
Unrestricted Net Assets (end of year)	\$380,989	\$180,573	\$170,198	\$159,122	\$179,843	\$180,952	

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

Actual/Forecasted Financial Reserves	2016 Actual	2017 Actuals	2018 Actuals	2019 Budget
Minimum 3 months (25%) of Annual Operating Expenses =	\$103,554	\$168,965	\$176,448	\$192,245
Maximum 6 months (50%) of Annual Operating Expenses =	\$207,107	\$337,931	\$352,897	\$384,490
Actual/Forecasted Level of Financial Reserves :	\$380,758	\$180,573	\$170,198	\$159,122
Actual/Forecasted Level of Financial Reserves %:	92%	27%	24%	21%

2019 Revised Forecast
\$178,865
\$357,731
\$180,952
25%

Financial Statements of

**CANADIAN ASSOCIATION OF
FINANCIAL INSTITUTIONS IN
INSURANCE**

Year ended December 31, 2018

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 193,381	\$ 192,706
Prepaid expense	<u>2,197</u>	<u>26,577</u>
Total for Current Assets	195,578	219,283
Capital assets (note 4)	3,408	4,544
	<u>\$ 198,986</u>	<u>\$ 223,827</u>

Liabilities and Unrestricted Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 28,788	\$ 43,380
Unrestricted net assets (note 2)	170,198	180,447
	<u>\$ 198,986</u>	<u>\$ 223,827</u>

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 Unrestricted Net Assets

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Membership Dues	\$ 695,545	\$ 475,425
Interest	0	126
	695,545	475,551
Expenses:		
Association operating	518,693	516,897
Research and education committee	77,345	17,807
Market Conduct Committee	11,230	11,011
Networking and events committee	52,957	70,581
Licensing efficiency issues committee	6,490	15,001
Media and advocacy strategy committee	39,078	44,566
	705,793	675,863
Excess of (expenses over revenues)	(10,248)	(200,312)
Unrestricted net assets, beginning of year (note 2)	180,447	380,759
Unrestricted net assets, end of year	\$ 170,199	\$ 180,447

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, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of (expenses over revenue)	\$ (10,248)	\$(200,312)
Amortization of capital assets	1,136	1,564
Change in non-cash operating working capital	9,788	20,865
Cash provided by (used in) operating activities	675	(177,883)
Investing activities:		
Purchase of capital assets	0	(5,680)
Cash (used in) investing activities	0	(5,680)
Increase (decrease) in cash position	675	(183,563)
Cash, beginning of year	192,706	376,269
Cash, end of year	\$ 193,381	\$ 192,706

The accompanying notes are an integral part of these 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, 2018 to December 31, 2018) 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.

1. Significant accounting policies (continued):

(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.

(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. Unrestricted net assets:

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:

2018	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 8,013	\$ 4,605	\$ 3,408

2017	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 8,013	\$ 3,469	\$ 4,544

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 2017.

5. Financial risks and concentration of credit risk (continued):

(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. Research and education committee

Research and education committee focus in 2018:

- Travel Medical Insurance Study – Total cost of study \$34,804.00 paid in 2017 - \$17,500 reallocated from 2017 financials and recognized in early 2018
- Credit Protection Insurance Study – Total cost of study \$57,291 – Recognized in 2018

Agenda Item 4.2
April 16/19 Board Meeting

CAFII Dialogue With CCIR/CISRO Re Fair Treatment of Customers

Summary of CAFII Meeting With CCIR/CISRO Fair Treatment of Consumers (FTC) Working Group
27 March 2019

Attendees From CCIR/CISRO:

Louise Gauthier, Senior Director, Distribution Management Policy
Mylène Sabourin, Director of Distribution Practices and Self-Regulatory Organizations, AMF
Ron Fullan, Executive Director, Insurance Councils of Saskatchewan
April Stadnek, Director of Compliance, Insurance Councils of Saskatchewan
Swati Agarwal, FSCO
Wendy Horrobin, FSCO
Timothy Goff, Registered Insurance Brokers of Ontario (RIBO)
Vivian Lee, RIBO
Tony Toy, CCIR Policy Manager
Joanna Reading, CISRO Policy Manager
Adrienne Warner, CCIR Policy Associate

Attendees From CAFII (In-Person)

Rob Dobbins, Assurant
Charles MacLean, RBC Insurance
Huma Pubani, TD Insurance
Martin Boyle, BMO Insurance
Brendan Wycks, CAFII
Keith Martin, CAFII

On The Phone

John Lewsen, BMO Insurance
Michelle Costello, CUMIS Services Inc.
Anu Bains, CIBC Insurance
Dominique Julien, CIBC Insurance
Louise Nash, CIBC Insurance
Joanna Onia, CIBC Insurance
Pete Thorn, TD Insurance
Fay Coleman, TD Insurance
Karyn Kasperski, RBC Insurance
Michele Jenneau, National Bank Insurance
Dallas Ewen, Canada Life Assurance
Sharon Apt, Canada Life Assurance
Dana Easthope, Canadian Premier Life Insurance/Valeyo

Meeting Summary

Louise Gauthier, Chair of the CCIR/CISRO Fair Treatment of Consumers Working Group, opened the meeting by thanking CAFII for its participation. She noted that it had been one and a half years since the initial consultations began with respect to CCIR/CISRO's intention to issue a Guidance document on the Fair Treatment of Customers; and these quarterly meetings were an opportunity to continue the dialogue on this critical issue in a "safe environment." It was the desire of CCIR and CISRO that the Guidance be embraced by industry and that it lead to specific initiatives.

It was noted that there likely were still areas where the regulators could provide greater clarity around the Guidance, and this would be a continued focus for the Working Group. It was also noted that CCIR and CISRO understood the strong desire of the industry for regulatory harmonization; and, in that respect, it was mentioned that three jurisdictions -- namely British Columbia, Nova Scotia, and New Brunswick -- had now each publicly and formally endorsed the CCIR/CISRO Guidance document. Other provincial/territorial jurisdictions were working on following suit.

Some questions had been submitted by CAFII in advance of the meeting, and Ms. Gauthier and Mr. Fullan both noted that the Working Group had separately also received six Guidance-related questions from industry more generally. Ms. Gauthier said that they would go through the answers to those questions first, as they might answer CAFII's particular questions as well.

One question was about the meaning of Section 6.8 on Advice.

Another was a request for clarity around the meaning of the part of Section 6.6 which states that intermediaries must "disclose the services provided, including whether they offer products from a full range of insurers, from a limited range or from an exclusive insurer."

Another question pertained to Section 5 which states that insurers and intermediaries are expected to "make available their strategies, policies and procedures dealing with the fair treatment of customers," with the question being whether making these strategies available was to occur only upon request.

A related question was around the expectation that insurers and intermediaries must "promptly advise regulatory authorities if they are likely to sustain serious harm due to a major operational incident that could jeopardize the interests or rights of customers and the insurer or the intermediary's reputation," with clarity sought around precisely what "promptly advise" meant and what was a "major operational incident"? It was also noted that this section referenced expectations of insurers, and the view expressed was that this was too narrow and these expectations should also fall on intermediaries.

Based on some of the comments made in response to these questions, it was agreed that many of the questions which CAFII had posed had been addressed.

CAFII then offered to update the FTC Working Group on the progress of its members, and to address that component of the agenda.

Brendan Wycks delivered the following update statement:

CAFII Members initially embraced Fair Treatment of Consumers six years ago, when the AMF first released its FTC-related Sound Commercial Practices Guideline.

Currently, CAFII Members are now using the new CCIR/CISRO Guidance: Conduct of Insurance Business and Fair Treatment of Customers as both a guide and a benchmarking reference tool which informs their ongoing Risk and Control Self-Assessment Activities to identify potential gaps and plan remediation initiatives, as necessary.

Such gaps could be in Members' current practices, or in the ability of Member companies to demonstrate adherence to the Guidance document's principles in an immediate and tangible manner.

CAFII Members are also embracing the new Guidance document as a tool in reviewing and updating their governance and business culture documentation; and as part of their scheduled compliance monitoring and testing activities.

The following is a compilation summary of some of the implementation progress initiatives with respect to the Guidance which CAFII Members have taken since it was released last September, and which are at various stages of development and progress among our Members:

- (a) conduct a high-level review against principles to determine alignment.
(Common feedback received from the review was that the biggest opportunity was the need for a framework to continually demonstrate FTC, as opposed to having to undertake a separate exercise if asked by a regulator to demonstrate FTC. A strong consensus emerged that there is a lot of value in these frameworks to reinforce existing organizational values around FTC.)*
- (b) communicate with the business about the need for an in-depth gap analysis against the Guidance.*
- (c) perform an in-depth (paragraph by paragraph) gap analysis against the Guidance (done by First Line of Defence and Second Line of Defence).*
- (d) assign accountabilities for any gaps and opportunities identified.*
- (e) currently at various stages of (i) developing action plans; (ii) implementing action plans; or (iii) have already completed some action plans.*
- (f) develop and/or update a Fair Treatment of Customers Policy to set expectations for all employees.*
- (g) develop and implement a mandatory, annually recurring Fair Treatment of Customers training module, with successful completion required by all employees.*

The discussion then turned to other areas for continued review of adherence to the Guidance, including training.

Charles MacLean of RBC Insurance noted that product development was another area that had been the subject of focus in his company, where those developing products were coached on keeping FTC principles top-of-mind as they worked on new products.

Louise Gauthier said that this sort of initiative was of interest and asked if our members could share some of these developments with the Working Group in writing. It is, she said, comforting for the regulators to obtain information on these sorts of initiatives.

CAFI representatives agreed that we would see if there were updates that could be provided in writing; and, if there were, they would be sent to Tony Toy.

Another area that was mentioned as a priority for the industry was to identify where there might be gaps between the expectations laid out in the Guidance and actual practices. The importance of continued training on the importance of the principles in the Guidance was also mentioned.

Keith Martin noted that a challenge for the industry is that measuring business culture is very difficult to do, with Rob Dobbins agreeing that this made it difficult to demonstrate progress even if it was occurring.

Louise Gauthier and others from the FTC Working Group agreed with that observation. Ms. Gauthier added that there were some measures that could be proxies for or indicators of adherence to the Guidance, or of potential problems in adhering to the Guidance. She cited reviews of complaints as an example, including the source of the complaint, noting that if a complaint occurs repeatedly and it is determined that the customer is complaining due to a lack of understanding of the product, that is a signal to the company that they have an issue to address, as customers should not continuously be having difficulty understanding a product.

Turnover among staff, staff morale, and customer retention were also cited as possible measures. Ms. Gauthier said that customer satisfaction surveys were another good measure that allowed a company to see if customers were satisfied with the different parts of their exposure to products.

It was added that the International Association of Insurance Supervisors (IAIS) is looking at developing Key Performance Indicators (KPIs) around FTC.

There was discussion about the importance of open communication on these initiatives, and of not just checking boxes but rather making fair treatment of customers a front and centre priority in all company initiatives. It was stated that there had been a shift in societal expectations and companies are being held to ever-higher standards.

Incentives management was cited as a particular priority for the regulators. Incentives-driven conflicts of interest were inconsistent with the fair treatment of customers, and needed to be looked at in detail.

Ms. Gauthier advised that an FTC Working Group sub-committee was looking at these issues, with a focus on four specific areas:

- 1) incentives that are challenging from a public optics perspective, for example a trip to Hawaii as a reward for meeting a sales target.
- 2) behaviour by the seller that is not aligned with the interests of customers, such as volume bonuses, quotas, etc.

- 3) contractual programs that restrict competition. The example was given of sliding commissions where commissions grow per sale if certain volumes with an individual company are met, which means that the seller has an incentive to send more business to one firm, even if the terms might be better for the customer at another firm.
- 4) customer service issues, for example where compensation is paid for the sale of a product, but there is no compensation for proper post-sale servicing of the consumer.

Ron Fullan spoke to these issues and said that as progress was made by the FTC Working Group sub-committee, the industry would be fully consulted, including being given the opportunity to offer written submissions in response to an Issues Paper which the Working Group sub-committee would be issuing. Initially, requests for responses will be made to industry Associations.

CCIR/CISRO representatives added that it would be appreciated if CAFII could share any information on how compensation and incentives management works within our member companies.

Conclusion

It was agreed that the next quarterly meeting between CAFII and the CCIR/CISRO FTC Working Group would be held in late June 2019. The Working Group asked if CAFII would be agreeable to very high level minutes of this meeting being developed and shared with other stakeholders, and the response was generally yes, so long as care was exercised around attribution and revealing details. It was agreed that draft high level minutes would be shared with CAFII prior to circulation, to ensure our comfort prior to dissemination.

CAFII members present at this meeting felt that the discussion was positive and collaborative and that there was a good rapport and dialogue during the session.

Draft Regulation

Insurers Act

(S.Q. 2018, c. 23, s. 3; s. 485 subpar. (1))

Act respecting the distribution of financial products and services

(chapter D-9.2, ss. 202.2, 209, 223 subpars. (5), (8), (12), (13.1) and (15), 440 and 443)

Regulation respecting Alternative Distribution Methods

Notice is hereby given by the *Autorité des marchés financiers* (the “Authority”) that, in accordance with section 217 of the *Act respecting the distribution of financial products and services*, CQLR, c. D-9.2 (the “Distribution Act”), and section 485 of the *Insurers Act*, S.Q. 2018, c. 23, s. 3, the following Draft Regulation (the “Draft Regulation”), the text of which is published hereunder, may be made by the Authority and subsequently submitted to the Québec Minister of Finance for approval, with or without amendment, after 60 days have elapsed since its publication in the Bulletin of the Authority:

- *Regulation respecting alternative distribution methods*

The Draft Regulation is also available under “Public consultations” on the Authority’s website at www.lautorite.qc.ca.

Comments

Comments regarding this Draft Regulation may be made in writing before **December 10, 2018**, and sent to the following:

M^e Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22^e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Fax: 514-864-8381
E-mail: consultation-en-cours@lautorite.qc.ca

Unless otherwise noted, comments will be posted on the Authority’s website, at www.lautorite.qc.ca. Therefore, you should not include personal information directly in comments to be published. It is important that you state on whose behalf you are making the submission.

Purpose of Draft Regulation

Bill 141: *An Act mainly to improve the regulation of the financial sector, the protection of deposits of money and the operation of financial institutions* (“Bill 141”), assented to on June 13, 2018, enacts the *Insurers Act* and amends the *Distribution Act*. It also grants to the Authority new regulatory powers.

Made under subparagraph (1) of section 485 of the *Insurers Act* and sections 202.2, 209, 223 (subparagraphs (8), (12), (13.1) and (15)), 440 and 443 of the *Distribution Act*, this Draft Regulation sets out the obligations primarily applicable to a legal person that offers products and services through an alternative distribution method, namely, distribution without the intermediary of a natural person (“Internet offerings”) or distribution through a distributor (“distribution without a representative”).

To enable all interested stakeholders to present their points of view on the Draft Regulation, the Authority is providing a 60-day comment period.

The Draft Regulation was established by considering, in particular, comments received or heard during the consultations conducted by the Authority on distribution without a representative and Internet offerings as part of government-led consultations held in connection with the review of the Distribution Act and the *Act respecting insurance* and as part of the study of Bill 141. It was developed out of concern for protecting consumers, regardless of how they purchase financial products or services, whether they carry out transactions through an Internet platform or a representative. In fact, a firm (or insurance firm) is bound by the same obligations as a representative when offering a product over the Internet. The purpose of the Draft Regulation is therefore to achieve the consumer protection objective without interfering with the development of new practices that benefit the industry and consumers. It provides some latitude in the steps taken to achieve the stated objectives.

Moreover, the Draft Regulation is intended to be flexible given the fast pace of technological change. Nevertheless, it is precise in that it sets out a regime that is adapted to the reality of Internet offerings and distribution without a representative. The proposed framework for these distribution methods is thus based on the disclosure of information to clients, presented in such a way as to enable them to make informed decisions regarding the product or service offered when they are not necessarily in the presence of a certified representative.

Furthermore, specific requirements are set out for Internet offerings and distribution without a representative. For firms that make offerings over the Internet, requirements related to the platform, i.e., the digital space allowing them to interact with clients, are established to ensure appropriate design, operation and control measures. Requirements regarding the training and supervision of distributors are also provided for insurers that offer products other than through a representative.

I. On-line offering of financial products and services

1. Background

The *Insurers Act* and the Distribution Act contain new provisions that will come into force on June 13, 2019 and will provide clarity regarding Internet offerings. The *Insurers Act* states that an insurer must deal with a client either through a natural person, who is a representative or a distributor within cases permitted under Title VIII of the Distribution Act, or over the Internet. The Distribution Act enables a firm to offer products and services without the intermediary of a natural person. The Authority is proposing that a firm interacting in such a manner do so through a platform, such as a website or mobile application, in compliance with the requirements provided in the Draft Regulation.

2. Prescribed persons

Under section 70 of the Distribution Act, a legal person that offers financial products and services acts as a firm. Accordingly, except for distributors subject to Title VIII of the Distribution Act, any legal person that offers a financial product or service over the Internet, including an insurer, will be required to register as a firm.

Moreover, the Distribution Act will enable any firm to offer a financial product or service over the Internet, so long as the offer is made in a sector in which the firm is registered.

The Authority is therefore proposing that the Draft Regulation cover all firms that, through a platform, offer products or services in the insurance, financial planning or claims adjustment sectors. Consequently, except for certain provisions dealing specifically with insurance product offerings, the requirements set out in Division II of the Draft Regulation would apply to all firms, regardless of the sector.

Furthermore, the obligations under the Draft Regulation would apply, with the necessary modifications, to an independent partnership.

2.1 Comparison shopping websites

The Authority is of the opinion that most comparison shopping sites and other on-line businesses that direct clients to a firm's website to subscribe for or enroll in an insurance contract must be registered as firms and comply with the Draft Regulation, even if their sites are non-transactional. That is the case when such persons receive remuneration based on products sold or financial services rendered or when they make themselves known as a firm. Furthermore, regardless of the platform on which clients have begun the process, the person that sells the insurance product must ensure that the product suits their needs.

In addition, the Authority believes that firms are responsible for ensuring that any persons with which they have referral arrangements comply with the applicable legislation and do not mislead clients as to the scope of their offerings.

3. Intervention of a representative

The Distribution Act will authorize firms to allow clients who wish to do so to subscribe for or enroll in contracts over the Internet without the intervention of a representative. However, the firms will have to take the necessary steps to ensure that their attached representatives, who are authorized to act in the sector required to offer the given product or service, interact in sufficient time with clients who ask to deal with a representative.

The Authority is not recommending that representatives be available at all times. It is of the opinion that firms will have to take steps to mitigate the risk of transactions that may not comply with their legal and regulatory obligations outside the hours when representatives are available. Of course, firms could choose to make representatives available at all times.

4. Applicable regulatory obligations

It is important to state that the obligations set out in Chapter II of the Draft Regulation would apply in addition to the requirements that already apply to firms under the Distribution Act and its regulations.

As stated in section 86.0.1 of the Distribution Act, firms that will offer financial products or services over the Internet will have to comply with the obligations applicable to representatives.

Firms offering insurance products over the Internet will have to, in particular, provide clients with adequate advice as if they were representatives. Therefore, they should, through their platforms, inquire into their clients' situation to assess their needs and, if applicable, ensure that the products they are offering are suitable. In all cases, firms, like representatives, will remain responsible for the reliability of the information needed to comply with this obligation.

The Authority is proposing to require firms offering products or services over the Internet to provide, through their platforms, certain information and documents that representatives are required to give to clients under the Distribution Act and its regulations. For example, an insurance of persons firm that offers products or services over the Internet will have to comply with the requirements regarding the provision to clients of the information collected to assess their needs and to policy replacement.

5. Products offered

The Authority is of the opinion that the requirements it is proposing to include in the Draft Regulation will ensure orderly market development and adequate consumer protection, without limiting the products that can be offered over the Internet. Firms should implement processes for Internet offerings that allow them to meet their legal and regulatory obligations, regardless of the product offered.

In fact, the Distribution Act and the *Insurers Act* do not set out any such limitation regarding the products that are offered. The government has granted the Authority a new power to issue orders under the *Insurers Act* requiring authorized insurers to cease the on-line distribution of the contracts it determines. The Authority could also exercise the remedies provided under the Distribution Act against a firm that contravenes the Draft Regulation.

Firms should ensure that their on-line sales are adapted to the products offered and meet the needs of the consumers who are being targetted. As part of its activities, the Authority will ensure that the measures taken by the firms are consistent with the types of products offered over the Internet.

6. Information to be provided to the Autorité

The Authority is proposing to require any firm that offers a financial product or service over the Internet to inform it thereof. To do so, a firm that is already registered with the Authority could use a form that will be available on the Authority's website, and the legal person that seeks to become a firm could disclose that information on its registration form. Required annual disclosures would be made through the firm's maintenance of registration form.

The required information would enable the Authority to fully understand the market and monitor technological developments and evolving practices, so as to measure the impact on consumers and the industry. It could thus maintain effective regulation that would ensure both adequate consumer protection and industry development.

7. Information to be provided to the client

7.1 Presentation of information

A client transacting over the Internet makes a decision regarding the financial product or service offered based on information that is presented through the platform. Therefore, the Draft Regulation would specify that this information must be presented so as to highlight the key elements the client needs to make an informed decision regarding the product or service offered and not to cause confusion or misunderstanding.

7.2 Information visible at all times

To enable the client to easily identify information, the Authority is proposing that certain information be visible at all times on the platform, particularly the information used to identify the firm, validate its registration with the Authority and file a complaint. Requiring a firm's representative to interact in sufficient time with the client who asks to interact with a representative is a key element of the consumer protection framework; the manner in which to request the intervention of a representative should therefore be visible at all times.

7.3 Information to be provided before inputting personal information

To avoid having clients go through an offering process that does not meet their needs, the Authority is recommending that certain information be presented to them before their personal information is input. This option was chosen rather than having the firm warn clients of the risks of carrying out on-line transactions, since firms are bound by the same obligations as representatives.

The firm should specify for whom its platform is intended. It would be required to describe the scope of its offering as well as its limitations, particularly concerning a representative's intervention at the time an insurance product is subscribed for or offered. For example, a firm could

- allow the client to subscribe for or enroll in a contract through its platform in a completely independent manner;
- offer the client a product or service through its platform, but require the intervention of one of its representatives for the subscription or enrollment in the contract;
- recommend a product or service to the client through its platform and direct him to the platform of another firm for the subscription or enrollment in the contract;

- allow the client to switch at any time between the independent process and the one involving the assistance of a representative.

Regardless of the process used, the Distribution Act requires that the firm take the necessary steps to ensure that its attached representatives interact in sufficient time with clients who ask to deal with a representative.

7.4 Disclosures related to an insurance product offering

The Authority is proposing that the client be made aware of certain things before entering into an insurance contract, when the subscription for or enrollment in the contract is done through the platform. This distinction appears necessary because some firms could allow consumers to continue with a representative an offering process initiated on their platform. The representative would then be responsible for the applicable disclosures.

7.5 Specimen of the policy

In general, representatives have in their possession the policies that they offer and can refer to them to give clients additional clarification. The Authority is thus proposing that a specimen of the policy for each product offered by a firm through its platform be available at all times.

7.6 Validation of consent

To avoid potential errors and ensure that the client's consent is valid, the Authority is recommending that the firm allow the client to review a summary of the information that was used to determine his needs and complete the proposal. The firm should also provide the client with access to a summary of the options and conditions that the client has chosen regarding the product he or she is about to purchase, particularly the date when the coverage becomes effective. This would allow the client to be able to validate this information and correct it, if need be, before finalizing the transaction.

7.7 Post subscription or enrollment

The Authority is proposing that, as soon as the client has taken the final step of consenting to subscribe for or enroll in the contract, the firm confirm that such transaction has been concluded and, if applicable, give the client the temporary insurance.

Under sections 19 and 86.0.1 of the Distribution Act, firms that, at the time a contract is made, cause a client to make an insurance contract should also give the client a notice of rescission. It is important to note that the Insurers Act creates a 10-day right to rescind a contract only if no representative interacted with the client at the time the client subscribed for or enrolled in the contract. Therefore, the right of rescission does not apply when a transaction is concluded with a representative, even if the process was initiated through the platform. No notice of rescission is not provided for in that case.

The Authority is recommending that a firm be required to indicate to the client how to access the policy or insurance certificate. Therefore, such document could be delivered directly via the firm's platform or made available at an address at which the client indicates that he agrees to receive the document.

8. Design, operation and monitoring of platform

The platform used by a firm for its on-line offering must provide adequate consumer protection and the firm must implement measures to mitigate process automation risks.

In such a context, the Authority is proposing to make minimum regulations prescribing requirements with respect to platform design, operation and monitoring. The Draft Regulation would establish minimum

platform requirements and require a firm to adopt a procedure describing the design and operation of its platform and the related monitoring measures.

The firm's platform should achieve the objectives described in the Draft Regulation. In particular, it should require an action from the client each time confirmation or consent is required. This may be the case when clients must confirm the accuracy of prefilled fields or consent to have information about them collected from third parties. The platform should also detect if a discrepancy or irregularity in the information provided by the client could lead to an inappropriate result.

One of the key elements of the proposed framework involves the traceability of transactions. The information that the firm would have to enter in the client file should help trace the complete process followed by the client and include the interactions with a representative, if applicable. The Authority is of the opinion that such information will be essential, in particular to determine a representative's responsibility regarding a given transaction.

More specific guidance on the Authority's expectations and good governance practices with respect to technological tools could be published at a later date.

II. Distribution without a representative

1. Information to be provided to the Authority

The Authority must have a good understanding of the market to fully assume its regulatory oversight and development role. It is therefore proposing that insurers be required to send it, for each product offered via distribution without a representative, an initial disclosure and an annual disclosure containing the prescribed information.

Insurers should notify the Authority of any changes to the information initially provided, including changes to the list of distributors. They will also have to notify the Authority of the reasons for terminating an agreement with a distributor.

2. Information to be provided to the client

The premise of the regime governing distribution without a representative is that adequate, accurate and complete information is given to the client.

The Authority is proposing that information be disclosed through more than one document. The information specific to distribution without a representative would be provided in a fact sheet, the content of which would be prescribed by the Authority. The information on the product offered, which helps the client make an informed decision about the product, would be presented in a summary prepared by the insurer.

The insurer should ensure that the distributor provides the client with the fact sheet and the summary, along with a sample contract in situations where the summary refers to it. The Draft Regulation would set out the conditions under which these documents are provided when the offer is made remotely, such as by telephone.

2.1 Fact sheet

The content of the fact sheet proposed by the Authority focuses on the information relating to the requirements stipulated in the Distribution Act, such as the disclosure of the remuneration received by the distributor, or that reflects sources of recurrent consumer dissatisfaction. A fact sheet was initially created as part of work done with stakeholders involved in offering insurance products through dealers of automobiles and recreational and leisure vehicles. Consumer focus groups were consulted to ensure that the language used and the presentation of the information assist in readability and comprehension for

consumers. The issues raised in the context of this work are, however, likely to be valid for all types of products offered through distributors. The fact sheet set out in the Draft Regulation is therefore based on this work.

2.2 Summary

The Authority is recommending that the summary meet information presentation and minimal content requirements. The information to be provided would be similar to that required in a distribution guide. However, the Draft Regulation would allow the insurer greater flexibility in how to present the information. When necessary, the insurer could refer to the relevant section of the contract to avoid making the text cumbersome. The Authority is also recommending that an example of the calculation for determining the refundable portion of the premium upon rescission be included in the summary when the policy includes such a calculation.

Insurers, like firms that offer insurance via the Internet, should make available at all times a sample policy for each product offered by a distributor. They should also make a product summary available on their sites.

3. Supervision of distributors

Under section 65 of the *Insurers Act*, “an authorized insurer is liable for the acts done by distributors, or natural persons to whom the latter have assigned the task of dealing with clients or participants, toward underwriting an insurance contract or enrolling a participant.”

In this regard, the Authority is proposing that insurers be required to implement adequate measures for supervising, monitoring and training distributors.

4. Prohibitions

The proposed framework would set out specific prohibitions for insurers offering replacement, life, health and job loss insurance through distributors. These prohibitions focus on the remuneration practices of distributors, an area that was highlighted in the course of the above-mentioned work and that undermines the fair treatment of consumers.

5. Distribution without a representative over the Internet

Insurers that offer a product directly over the Internet must comply with the Draft Regulation requirements applicable to this distribution method. Moreover, the Authority notes that the exception under section 425 of the Distribution Act is only valid when an insurer distributes a travel insurance product through its employees.

However, an insurer could allow a distributor to offer its insurance products on-line, that is, on the Internet site of the distributor. The insurer is therefore responsible for monitoring the compliance of the site used by its distributor, in particular by ensuring that the fact sheet and the summary are given to the client at the times prescribed by regulation. In addition, the rules applicable to firms that make offerings without the intermediary of a natural person would not apply to distributors that make offerings over the Internet.

Additional Information

Additional information is available from the following:

Mélissa Perreault

Senior Policy Analyst

Distribution Policies and SROs

Autorité des marchés financiers

Telephone: 418-525-0337, ext. 4825

Toll-free: 1-877-525-0337

E-mail: melissa.perreault@lautorite.qc.ca

Isabelle Déry

Standardization Analyst

Prudential Oversight of Financial Institutions

Autorité des marchés financiers

Telephone: 418-525-0337, ext. 4179

Toll-free: 1-877-525-0337

E-mail: isabelle.dery@lautorite.qc.ca

October 10, 2018

Projet de règlement

Loi sur les assureurs

(L.Q. 2018, c.23, a.3 ; a. 485 par. 1°)

Loi sur la distribution de produits et services financiers

(chapitre D-9.2, a. 202.2, 209 et 223 par. 5°, 8°, 12°, 13.1° et 15°, 440 et 443)

Règlement sur les modes alternatifs de distribution

Avis est donné par l'Autorité des marchés financiers (l'« Autorité ») que, conformément à l'article 217 de la *Loi sur la distribution de produits et services financiers*, RLRQ, c. D-9.2 (la « LDPSF ») et à l'article 485 de la *Loi sur les assureurs*, L.Q. 2018, c.23, a. 3 (la « LA »), le Projet de règlement suivant (le « Projet de règlement »), dont le texte est publié ci-dessous, pourra être pris par l'Autorité et ensuite soumis au ministre des Finances du Québec pour approbation, avec ou sans modification, à l'expiration d'un délai de 60 jours à compter de sa publication au Bulletin de l'Autorité :

- *Règlement sur les modes alternatifs de distribution*

Le Projet de règlement est également accessible sur la page d'accueil du site Internet de l'Autorité au www.lautorite.qc.ca à la section « Consultations publiques ».

Commentaires

Toute personne intéressée ayant des commentaires à formuler au sujet de ce Projet de règlement est priée de les faire parvenir par écrit au plus tard le **10 décembre 2018** en s'adressant à :

M^e Anne-Marie Beaudoin
Secrétaire de l'Autorité
Autorité des marchés financiers
800, square Victoria, 22^e étage
C. P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Télécopieur : (514) 864-8381
Courrier électronique : consultation-en-cours@lautorite.qc.ca

Il est à noter qu'à défaut d'avis contraire à cet effet, tous les commentaires seront affichés sur le site Internet de l'Autorité des marchés financiers, au www.lautorite.qc.ca. Par conséquent, nous invitons les intervenants à ne pas inclure de renseignements personnels directement dans les commentaires à publier. Il importe que les intervenants précisent en quel nom ils présentent leur mémoire.

Objet du Projet de règlement

Le projet de Loi 141 : *Loi visant principalement à améliorer l'encadrement du secteur financier, la protection des dépôts d'argent et le régime de fonctionnement des institutions financières* (le « PL 141 »), sanctionné le 13 juin 2018, édicte la LA et modifie la LDPSF. Il octroie également à l'Autorité de nouveaux pouvoirs réglementaires.

Pris en vertu du paragraphe 1° de l'article 485 de la LA, des articles 202.2, 209, des paragraphes 8°, 12°, 13.1° et 15° de l'article 223 ainsi que des articles 440 et 443 de la LDPSF, ce Projet de règlement établit les obligations principalement applicables à une personne morale qui offre des produits et services par un mode alternatif de distribution, soit la distribution sans l'entremise d'une personne physique (l'« offre par Internet ») ou la distribution par l'entremise d'un distributeur (la « distribution sans représentant »).

Afin de permettre à tous les intervenants intéressés de faire connaître leur point de vue concernant ce Projet de règlement, l'Autorité a prévu une période de consultation de 60 jours.

Le Projet de règlement a été établi en tenant compte, notamment, des commentaires reçus ou entendus dans le cadre des consultations menées par l'Autorité sur la distribution sans représentant et sur l'offre par Internet, dans le cadre des consultations menées par le gouvernement dans le contexte de la révision de la LDPSF et de la *Loi sur les assurances* ainsi que dans le cadre de l'étude du PL 141. Il a été élaboré avec un souci de protéger le consommateur, peu importe le moyen que celui-ci utilise pour se procurer un produit ou un service financier, qu'il transige par l'entremise d'une plateforme sur Internet ou par l'entremise d'un représentant. En effet, le cabinet (ou l'assureur cabinet) est tenu aux mêmes obligations que le représentant lorsqu'il offre un produit par Internet. Le Projet de règlement vise donc à atteindre cet objectif de protection du consommateur sans toutefois nuire à l'évolution de nouvelles pratiques qui sont à l'avantage de l'industrie et des consommateurs. Il permet, dans une certaine mesure, une latitude dans les moyens à prendre dans l'atteinte des objectifs ciblés.

Le Projet de règlement se veut souple, considérant l'évolution rapide des technologies. Il est néanmoins précis, en ce qu'il établit un encadrement adapté à la réalité de l'offre par Internet et de la distribution sans représentant. Ainsi, le cadre proposé pour ces modes de distribution repose sur une divulgation de renseignements au client, présentés de manière à permettre une prise de décision éclairée relativement au produit ou au service offert, alors que le client n'est pas nécessairement en présence d'un représentant certifié.

Des exigences spécifiques à l'offre par Internet et à la distribution sans représentant sont par ailleurs prévues. Pour les cabinets qui offrent par Internet, des exigences relatives à la plateforme - soit l'espace numérique permettant d'interagir avec le client – sont établies afin d'assurer une conception, un fonctionnement et des mesures de contrôle appropriés. Des exigences en matière de formation et de supervision des distributeurs sont par ailleurs prévues pour les assureurs qui offrent des produits via la distribution sans représentant.

I. Offre de produits et de services financiers par Internet

1. Contexte

La LA et la LDPSF contiennent de nouvelles dispositions, qui entreront en vigueur le 13 juin 2019 et qui clarifient l'encadrement de l'offre par Internet. La LA édicte que l'assureur traite avec son client soit par l'intermédiaire d'une personne physique, qui est un représentant ou un distributeur dans les cas permis au titre VIII de la LDPSF, soit par Internet. La LDPSF permet au cabinet d'offrir des produits et services sans l'entremise d'une personne physique. L'Autorité propose qu'un cabinet agissant ainsi le fasse par l'entremise d'une plateforme, tels un site Internet ou une application mobile, qui respecte les exigences prévues au Projet de règlement.

2. Personnes visées

Conformément à l'article 70 de la LDPSF, la personne morale qui offre des produits et services financiers agit comme cabinet. Ainsi, à l'exception du distributeur visé au titre VIII de la LDPSF, toute personne morale qui offrira un produit ou un service financier par Internet, incluant un assureur, devra être inscrite à titre de cabinet.

La LDPSF permettra par ailleurs à tout cabinet d'offrir un produit ou un service financier par Internet, dans la mesure où l'offre s'effectue dans une discipline dans laquelle le cabinet est inscrit.

L'Autorité propose donc que le Projet de règlement vise tous les cabinets qui, par l'entremise d'une plateforme, offrent un produit ou un service en assurance, en planification financière ou en expertise en règlement de sinistres. À l'exception de certaines dispositions portant spécifiquement sur l'offre de produits d'assurance, les exigences prévues à la section II du Projet de règlement seraient donc applicables à tous les cabinets, peu importe la discipline.

Les obligations prévues au Projet de règlement seraient par ailleurs applicables, avec les adaptations nécessaires, à la société autonome.

2.1 Sites de comparaison

L'Autorité est d'avis que la plupart des sites de comparaison et autres entreprises présentes sur Internet, qui dirigent le client vers le site d'un cabinet pour souscrire ou adhérer à un contrat d'assurance, doivent être inscrits à titre de cabinets et se conformer au Projet de règlement, même lorsque leurs sites ne sont pas transactionnels. C'est le cas lorsque ces personnes reçoivent une rémunération en fonction de la vente d'un produit d'assurance ou de la fourniture d'un service financier. C'est aussi le cas lorsqu'elles se présentent comme un cabinet. Par ailleurs, peu importe sur quelle plateforme le client a amorcé sa démarche, celui qui lui vend un produit d'assurance doit s'assurer que ce dernier lui convient.

Au surplus, l'Autorité est d'avis qu'il appartient au cabinet de s'assurer que toute personne avec qui il a une entente d'indication de clients respecte les lois applicables et n'induit pas le client en erreur quant à l'étendue de son offre.

3. Intervention d'un représentant

La LDPSF autorisera un cabinet à permettre à un client qui le désire de souscrire ou d'adhérer à un contrat par Internet sans qu'un représentant intervienne. Le cabinet devra néanmoins prendre les moyens nécessaires à ce que des représentants, rattachés au cabinet et autorisés à agir dans la discipline requise pour offrir le produit ou le service en question, agissent en temps utile auprès des clients qui en expriment le besoin.

L'Autorité ne recommande pas d'exiger la disponibilité des représentants en tout temps. Elle est d'avis que les cabinets devront prendre des mesures d'atténuation des risques de transactions qui ne respecteraient pas leurs obligations légales et réglementaires en dehors des heures de disponibilité des représentants. Le cabinet pourrait bien entendu choisir de rendre des représentants disponibles en tout temps.

4. Obligations réglementaires applicables

Il importe d'abord de préciser que les obligations prévues au chapitre II du Projet de règlement s'appliqueraient en surplus des obligations déjà applicables à un cabinet conformément à la LDPSF et ses règlements.

Tel que mentionné à l'article 86.0.1 de la LDPSF, le cabinet qui offrira un produit ou un service financier par Internet devra respecter des obligations applicables à un représentant.

Le cabinet qui offrira des produits d'assurance par Internet devra notamment conseiller adéquatement le client comme s'il était un représentant. Il devrait donc, par sa plateforme, s'enquérir de la situation de son client afin d'identifier ses besoins et, le cas échéant, s'assurer que le produit qu'il lui offre lui convient. Dans tous les cas, le cabinet, comme un représentant, demeurera responsable de la fiabilité des renseignements nécessaires pour satisfaire cette obligation.

L'Autorité propose d'exiger que le cabinet qui offrira un produit ou un service par Internet fournisse, par l'entremise de sa plateforme, certains renseignements et documents spécifiques qu'un représentant doit fournir conformément à la LDPSF et aux règlements y afférents. Par exemple, les exigences concernant la remise des renseignements recueillis pour l'analyse des besoins et le remplacement de polices devront être suivies par un cabinet en assurance de personnes qui offre par Internet.

5. Produits offerts

L'Autorité est d'avis que les exigences qu'elle propose d'inclure au Projet de règlement permettent d'assurer un développement ordonné du marché et une protection adéquate des consommateurs, sans limiter les produits pouvant être offerts par Internet. En effet, les cabinets devraient mettre en place des processus d'offre par Internet, qui permettent de respecter leurs obligations légales et réglementaires, indépendamment du produit offert.

La LDPSF et la LA ne prévoient d'ailleurs pas une telle limitation quant aux produits offerts. Le gouvernement a octroyé à l'Autorité un nouveau pouvoir d'ordonnance en vertu de la LA pour enjoindre à un assureur autorisé de cesser de distribuer par Internet les contrats qu'elle détermine. L'Autorité pourrait utiliser également les recours prévus en vertu de la LDSPF à l'encontre d'un cabinet qui contreviendrait au Projet de règlement.

Les cabinets devraient s'assurer que la vente par Internet est adaptée aux produits offerts et qu'elle répond aux besoins des consommateurs ciblés. Dans le cadre de ses activités, l'Autorité veillera à ce que les moyens déployés par les cabinets soient conséquents avec les types de produits offerts par Internet.

6. Renseignements à fournir à l'Autorité des marchés financiers

L'Autorité propose d'exiger que tout cabinet qui offre un produit ou un service financier par Internet l'en informe. Pour ce faire, le cabinet déjà titulaire d'une inscription auprès de l'Autorité pourrait utiliser un formulaire qui sera disponible sur le site Internet de l'Autorité et la personne morale qui souhaite devenir un cabinet pourrait divulguer cette information à même sa demande d'inscription à titre de cabinet. Les divulgations annuelles requises seraient effectuées par l'entremise de la demande de maintien d'inscription du cabinet.

Les renseignements exigés permettraient à l'Autorité de bien connaître le marché et de suivre les développements technologiques ainsi que l'évolution des pratiques, de façon à en mesurer l'incidence sur les consommateurs et l'industrie. Elle pourrait ainsi s'assurer du maintien d'une réglementation efficace, permettant à la fois d'assurer une protection adéquate des consommateurs et le développement de l'industrie.

7. Renseignements à fournir au client

7.1 Présentation des renseignements

Lorsque le client transige par Internet, il prend une décision à l'égard du produit ou du service financier offert sur la base des renseignements qui lui sont présentés par l'entremise de la plateforme. Le Projet de règlement préciserait donc que ces renseignements doivent être présentés de façon à mettre en évidence les éléments essentiels à une prise de décision éclairée quant au produit ou au service offert et de façon à ne pas porter à confusion ni à induire en erreur.

7.2 Renseignements visibles en tout temps

Afin de permettre leur repérage aisément par le client, l'Autorité propose que certains renseignements soient visibles en tout temps sur la plateforme, notamment les renseignements relatifs à l'identification du cabinet, à la validation de son inscription auprès de l'Autorité et à la formulation d'une plainte. L'exigence qu'un représentant du cabinet puisse agir en temps utile auprès du client qui en exprime le besoin est un élément clé du cadre de protection des consommateurs; le moyen de solliciter l'intervention d'un représentant devrait donc être visible en tout temps.

7.3 Renseignements à fournir avant la saisie de renseignements personnels

Afin d'éviter au client d'entreprendre un processus d'offre qui ne lui convient pas, l'Autorité recommande que certains renseignements lui soient présentés avant même la saisie de ses renseignements personnels. Cette alternative a été privilégiée à celle voulant que le cabinet mette en garde le client des risques de conclure une transaction par Internet, puisqu'un cabinet est tenu aux mêmes obligations que le représentant.

Le cabinet devrait préciser à qui s'adresse sa plateforme. Il serait tenu de décrire l'étendue de son offre ainsi que les limites de celle-ci, plus particulièrement concernant l'intervention d'un représentant au moment de la souscription ou de l'offre du produit d'assurance. Par exemple, un cabinet pourrait :

- permettre au client de souscrire ou d'adhérer au contrat par l'entremise de sa plateforme, de façon complètement autonome;
- offrir un produit ou un service au client par l'entremise de sa plateforme, mais requérir l'intervention d'un représentant du cabinet pour la souscription ou l'adhésion au contrat;
- recommander un produit ou un service au client par l'entremise de sa plateforme et le diriger sur la plateforme d'un autre cabinet pour la souscription ou l'adhésion au contrat;
- permettre au client d'alterner à tout moment entre le processus autonome et celui avec l'assistance d'un représentant.

Peu importe le processus utilisé, la LDPSF exige que le cabinet prenne les moyens nécessaires à ce que des représentants qui lui sont rattachés agissent en temps utile auprès des clients qui en expriment le besoin.

7.4 Divulgations reliées à l'offre d'un produit d'assurance

L'Autorité propose que certains éléments soient portés à la connaissance du client avant la conclusion d'un contrat d'assurance, lorsque la souscription ou la conclusion du contrat s'effectue par l'entremise de la plateforme. Cette nuance apparaît nécessaire puisque certains cabinets pourraient permettre à un consommateur de poursuivre avec un représentant un processus d'offre débuté par l'entremise de la plateforme. Le représentant serait alors responsable des divulgations applicables.

7.5 Spécimen de la police

Le représentant a généralement en sa possession les spécimens des polices qu'il offre et peut y référer pour donner des précisions additionnelles au client. L'Autorité propose donc que soit disponible en tout temps un spécimen des polices afférentes aux produits offerts par un cabinet par l'entremise de sa plateforme.

7.6 Validation du consentement

Afin d'éviter de potentielles erreurs et de s'assurer de la validité du consentement du client, l'Autorité recommande que le cabinet permette au client de passer en revue un résumé des renseignements qui ont servi à déterminer ses besoins et à compléter la proposition. Il devrait également donner accès au client à un résumé des options et des modalités que le client a choisies relativement au produit qu'il s'apprête à acquérir, notamment le moment où la garantie entrera en vigueur. Ainsi, le client pourrait valider ces renseignements et les corriger, au besoin, avant de finaliser la transaction.

7.7 Post souscription ou adhésion

L'Autorité propose que, dès que le client a franchi l'étape finale de consentir à souscrire ou à adhérer au produit, le cabinet lui confirme qu'une telle transaction a été réalisée et, lorsqu'applicable, lui remette l'assurance provisoire.

Conformément aux articles 19 et 86.0.1 de la LDPSF, le cabinet qui, à l'occasion de la conclusion d'un contrat, amène un client à conclure un contrat d'assurance, devrait également lui remettre un avis de résolution. Il importe de rappeler que la LA crée un droit de résolution de 10 jours uniquement lorsqu'aucun représentant n'agissait auprès du client au moment où il a souscrit ou adhéré au contrat. Ainsi, le droit de résolution n'est pas applicable lorsque la transaction est conclue avec un représentant, même si le processus a débuté par l'entremise de la plateforme. Par ailleurs, aucun avis de résolution n'est prévu dans ce cas.

L'Autorité recommande d'exiger du cabinet qu'il indique au client comment accéder à la police ou à l'attestation d'assurance. Ainsi, ce document pourrait être transmis directement via la plateforme du cabinet ou rendu disponible à une adresse à laquelle le client indique accepter de recevoir le document.

8. Conception, fonctionnement et contrôle de la plateforme

La plateforme utilisée par un cabinet pour offrir par Internet doit assurer une protection adéquate des consommateurs et ce cabinet doit mettre en place des mesures afin de mitiger les risques associés à l'automatisation de processus.

Dans ce contexte, l'Autorité propose de prévoir par règlement des exigences minimales en matière de conception, de fonctionnement et de contrôle de la plateforme. Le Projet de règlement établirait les exigences minimales de la plateforme et exigerait que le cabinet adopte une procédure décrivant la conception, le fonctionnement et les mesures de contrôle de sa plateforme.

La plateforme du cabinet devrait atteindre les objectifs décrits au Projet de règlement. Elle devrait notamment requérir du client une action à chaque fois qu'une confirmation ou un consentement est requis. Cela peut être le cas lorsque le client doit confirmer l'exactitude de champs préremplis ou consentir à ce que des renseignements sur lui soient obtenus auprès d'un tiers. La plateforme devrait également détecter lorsqu'une contradiction ou une irrégularité dans les renseignements fournis par le client peut mener à un résultat inapproprié.

Un élément essentiel du cadre proposé repose sur la traçabilité des transactions. Les renseignements que devrait consigner le cabinet au dossier client devraient permettre de retracer le processus complet suivi par le client et comprendre les interactions avec un représentant, le cas échéant. L'Autorité est d'avis que ces renseignements seront indispensables, notamment pour départager la responsabilité du représentant à l'égard d'une transaction donnée.

Des indications plus précises sur les attentes de l'Autorité et sur les bonnes pratiques en matière de gouvernance des outils technologiques pourraient être publiées ultérieurement.

II. Distribution sans représentant

1. Renseignements à fournir à l'Autorité

L'Autorité doit bien connaître son marché afin d'assumer pleinement son rôle de surveillance et de développement réglementaire. Elle propose donc d'exiger que l'assureur lui transmette, pour chaque produit offert par le mode de la distribution sans représentant, une divulgation initiale et une divulgation annuelle contenant les renseignements prescrits.

L'assureur devrait informer l'Autorité sans délai d'un changement aux renseignements fournis initialement, ce qui inclut les modifications à la liste de distributeurs. Il devra également informer l'Autorité du motif de la fin d'un engagement avec un distributeur.

2. Renseignements à fournir au client

Le régime de la distribution sans représentant repose sur la transmission d'une information adéquate, précise et complète au client.

L'Autorité propose une divulgation de renseignements répartie sur plus d'un document. Les éléments propres au contexte de la distribution sans représentant seraient mis en évidence dans une fiche de renseignements, dont le contenu serait prescrit par l'Autorité, alors que les renseignements sur le produit offert, permettant au client de prendre une décision éclairée quant à ce produit, seraient présentés au client dans un sommaire conçu par l'assureur.

L'assureur devrait s'assurer que le distributeur remette la fiche de renseignements et le sommaire, accompagnés d'un spécimen du contrat lorsque celui-ci y réfère. Le Projet de règlement prévoirait les modalités de remise de ces documents lorsque l'offre s'effectue à distance, par exemple au téléphone.

2.1 Fiche de renseignements

Le contenu de la fiche de renseignements proposé par l'Autorité cible des éléments ayant trait à des obligations prévues à la LDPSF, telle la divulgation de la rémunération reçue par le distributeur, ou qui répondent à des sources d'insatisfactions récurrentes de consommateurs. Une fiche de renseignements a été élaborée initialement dans le cadre de travaux réalisés avec les intervenants impliqués dans l'offre de produits d'assurance par des concessionnaires d'automobiles, de véhicules récréatifs et de véhicules de loisirs. Des groupes témoins (focus groups) auprès de consommateurs ont été consultés afin de s'assurer que le langage utilisé et la façon de présenter les renseignements facilitent la lecture et la compréhension du consommateur. Les enjeux soulevés dans le cadre de ces travaux sont toutefois susceptibles d'être présents pour tous les types de produits offerts par l'entremise de distributeurs. La fiche de renseignements prévue au Projet de règlement est donc inspirée de ces travaux.

2.2 Sommaire

L'Autorité recommande que le sommaire réponde à des exigences en matière de présentation des renseignements et de contenu minimal. Les renseignements à fournir s'apparenteraient à ceux qui étaient exigés dans un guide de distribution. Cependant, le Projet de règlement permettrait une plus grande souplesse à l'assureur dans la façon de présenter l'information. L'assureur pourrait, lorsque nécessaire, référer aux sections pertinentes du contrat afin de ne pas alourdir inutilement le sommaire. L'Autorité recommande également d'exiger qu'un exemple de formule de calcul de la portion de la prime remboursable en cas de résiliation soit donné au sommaire lorsque la police prévoit une telle formule.

L'assureur devrait, tout comme le cabinet qui offre par Internet, rendre disponible en tout temps un spécimen de la police pour chaque produit offert par un distributeur. Il devrait également rendre disponible sur son site Internet le sommaire du produit.

3. Supervision du distributeur

Conformément à l'article 65 de la LA, « l'assureur est responsable des actes visant la souscription d'un contrat d'assurance ou l'adhésion à celui-ci posés par les distributeurs ou les personnes physiques à qui ces derniers confient la tâche de traiter avec des preneurs ou des adhérents. »

À cet effet, l'Autorité propose d'exiger que l'assureur mette en place des mesures adéquates de supervision, de surveillance et de formation du distributeur.

4. Interdictions

L'encadrement proposé prévoirait des interdictions spécifiques aux assureurs qui offrent, par l'entremise de distributeurs, l'assurance de remplacement et l'assurance sur la vie, la santé et la perte d'emploi d'un débiteur. Ces interdictions ciblent des pratiques de rémunération des distributeurs, mises en évidence notamment dans le cadre des travaux mentionnés précédemment et qui nuisent au traitement équitable du consommateur.

5. Distribution sans représentant par Internet

Un assureur qui offre un produit directement par Internet doit respecter les obligations du Projet de règlement relatives à ce mode de distribution. Aussi, l'Autorité rappelle que l'exception prévue à l'article 425 de la LDPSF n'est valable que lorsqu'un assureur distribue un produit d'assurance-voyage par ses employés.

Un assureur pourrait cependant permettre à un distributeur d'offrir ses produits d'assurance en ligne, c'est-à-dire sur le site Internet de ce distributeur. Il appartiendrait alors à l'assureur de veiller à la conformité du site utilisé par son distributeur, notamment en s'assurant que la fiche de renseignement et le sommaire sont remis au client aux moments prévus par règlement. Par ailleurs, les règles applicables aux cabinets qui offrent sans l'entremise d'une personne physique ne seraient pas applicables aux distributeurs qui offrent par Internet.

Renseignements additionnels

Des renseignements additionnels peuvent être obtenus en s'adressant à :

Mélissa Perreault

Analyste expert en réglementation
Direction des pratiques de distribution et des OAR
Autorité des marchés financiers
Téléphone : (418) 525-0337, poste 4825
Numéro sans frais : 1 877 525-0337
Courrier électronique : melissa.perreault@lautorite.qc.ca

Isabelle Déry

Analyste en normalisation
Direction de l'encadrement prudentiel des institutions financières
Autorité des marchés financiers
Téléphone : (418) 525-0337, poste 4179
Numéro sans frais : 1 877 525-0337
Courrier électronique : isabelle.dery@lautorite.qc.ca

Le 10 octobre 2018

REGULATION RESPECTING ALTERNATIVE DISTRIBUTION METHODS

Insurers Act

((2018, chapter 23, section 3); s. 485 subpar. (1))

Act respecting the distribution of financial products and services

(chapter D-9.2, ss. 202.2, 209, 223 subpars. (5), (8), (12), (13.1) and (15), 440 and 443)

CHAPTER I

PURPOSE AND SCOPE

1. This Regulation sets out the obligations applicable primarily to a legal person that, in accordance with the Insurers Act (2018, chapter 23, section 3) and the Act respecting the distribution of financial products and services (chapter D-9.2), offers financial products and services through an alternative distribution method, namely, distribution without the intermediary of a natural person or distribution through a distributor.

CHAPTER II

OFFER OF FINANCIAL PRODUCTS AND SERVICES BY A FIRM WITHOUT THE INTERMEDIARY OF A NATURAL PERSON

DIVISION I

GENERAL PROVISIONS

2. A firm that offers products and services without the intermediary of a natural person must do so through a platform, namely, a digital space used to interact directly with clients who satisfy the requirements under this chapter.

3. The provisions of this chapter apply, with the necessary modifications, to an independent partnership.

DIVISION II

INFORMATION TO BE PROVIDED TO THE AUTORITÉ DES MARCHÉS FINANCIERS

4. Any firm that offers products and services without the intermediary of a natural person must disclose the following information to the Authority without delay:

(1) the name given to the platform, where this name differs from the name of the firm;

(2) the names of the products and the classes to which they are related or the nature of the financial services offered on the platform;

(3) the hyperlink or any other means to access the platform;

(4) the insurers whose products are offered on the firm's platform, if applicable.

(5) the fact that the client must or may, as the case may be, subscribe for or enroll in a contract through the intervention of a representative or solely through the platform;

(6) the fact that the contract will be subscribed for or enrolled in via the platform of one or more other firms, if applicable, as well as the name assigned to the firm or firms;

The firm must notify the Authority of any change to such information within 30 days of such change.

5. The firm must disclose annually to the Authority through its maintenance of registration application, the number of financial plans prepared, claims settled and insurance policies issued, and the amount of premiums written solely via its platform.

DIVISION III

DOCUMENTS AND INFORMATION TO BE PROVIDED TO THE CLIENT

6. The information presented on the platform must be clear, readable, specific and not misleading, so as to highlight the key elements required for informed decision-making regarding the financial product or service offered and not cause confusion or misunderstanding.

7. The firm must provide to the client, with the necessary modifications and depending on the products and services offered, the information and documents that a representative is required to provide to the client pursuant to sections 43, 47 and 48 of the Act respecting the distribution of financial products and services (chapter D-9.2), sections 6, 8, 8.1, 9, 9.1, 10, 12, 16 and 22 of the Regulation respecting the pursuit of activities as a representative (CQLR, c. D-9.2, r. 10) and sections 4.6, 4.8, 4.9, 4.13, 4.16, 4.17, 4.18 and 4.19 of the Regulation respecting information to be provided to consumers (CQLR, c. D-9.2, r. 18).

8. The following information must be visible on the firm's platform at all times:

- (1) the firm's name and contact information;
- (2) each sector in which the firm is registered with the Authority;
- (3) the firm's registration number issued by the Authority and the hyperlink enabling the client to access the registers available on the Authority's website;
- (4) the manner in which to request the intervention of one of the firm's representatives;
- (5) the information on where the client can file a complaint and a hyperlink providing the client with access to a summary of the complaint processing policy provided for in the last paragraph of section 103.1 of the Act respecting the distribution of financial products and services (chapter D-9.2).

9. Before any of the client's personal information is input, the firm must present the client with the following information through its platform:

- (1) the type of clientele for whom the platform is intended;
- (2) the fact that the client must or may, as the case may be, subscribe for or enroll in a contract through the intervention of a representative or solely through the platform;
- (3) the fact that the contract will be subscribed for or enrolled in via the platform of another firm, if applicable.

10. If no representative interacts with the client at the time the client is to subscribe for or enroll in the contract, the firm must, before the contract is entered into, provide the client with the following information through its platform:

- (1) the name and contact information of the insurer offering the selected product;
- (2) the product coverage and options;
- (3) the product exclusions and limitations;
- (4) the specific clauses that may affect the insurance coverage;

- (5) the warnings to consumers about the consequences of misrepresentation or concealment;
- (6) the client's right of rescission or cancellation and the procedures for exercising it, if applicable;
- (7) the rules applicable to the temporary insurance, if applicable;
- (8) the premiums, and other fees and expenses, including applicable taxes;
- (9) an indication that the premium is fixed or likely to vary over time;
- (10) the period in which the information provided by the firm is valid.

11. The firm must make available on its platform at all times a specimen of the policy for each product offered.

12. If no representative interacts with the client at the time the client subscribes for or enrolls in a contract, the firm must, immediately before the client does so, give him the following information through its platform:

- (1) a summary of the information collected from the client;
- (2) a summary of the options and conditions the client has chosen relating to the product he is about to purchase.

13. If no representative interacts with the client at the time the client subscribes for or enrolls in a contract, the firm must, as soon as the client has subscribed for or enrolled in the contract, provide him with the following documents and information:

- (1) confirmation of the subscription for or enrollment in the contract and the temporary insurance, if applicable;
- (2) the notice of rescission provided for in section 19 of the Act respecting the distribution of financial products and services (chapter D-9.2), applicable under section 86.0.1 of that Act and in the form set out Schedule 1, if applicable;
- (3) how to access the insurance policy or certificate.

DIVISION IV

DESIGN, OPERATION AND MONITORING OF PLATFORM

14. The firm must ensure the proper operation and reliability of its platform at all times.

To that end, it must assess, in particular, whether the information presented thereon is accurate and whether the information provided by the client is kept in a manner that ensures its confidentiality and security.

15. The firm must ensure that its platform can:

- (1) require an action from the client each time confirmation or consent is needed;
- (2) detect and, where necessary, automatically suspend or terminate an action initiated on the platform if the product does not meet the client's needs or if a discrepancy or an irregularity in the information provided by the client may lead to an inappropriate result;
- (3) enable the client to correct a mistake at any time prior to subscribing for or enrolling in the contract.

16. The firm must, at all times, be able to suspend or interrupt its offer through its platform when such actions are necessary.

17. The firm must adopt and ensure the implementation of a procedure relating to the design, use and maintenance of its platform.

The procedure must, in particular, describe the operation of the platform and related monitoring. It must also help identify, manage and mitigate internal and external risks related to the platform.

18. The firm must enter in the client record all information collected from the client, in addition to that presented through the platform and, if applicable, by a representative.

DIVISION V

PROHIBITIONS

19. No firm may, through its platform:

- (1) present advertising when a client completes a proposal;
- (2) select in advance a coverage component, additional coverage or all the coverage included in an insurance product offering;
- (3) exclude or limit its liability for the proper operation or reliability of its platform or the accuracy of the information presented thereon.

CHAPTER III

OFFER OF INSURANCE PRODUCTS THROUGH A DISTRIBUTOR

DIVISION I

GENERAL PROVISIONS

20. This chapter applies to an insurer that offers insurance products through a distributor in accordance with Title VIII of the Act respecting the distribution of financial products and services (chapter D-9.2).

DIVISION II

INFORMATION TO BE PROVIDED TO THE AUTHORITY

21. Before offering an insurance product through a distributor, the insurer must, in addition to the information required under section 66 of the Insurers Act (2018, chapter 23, section 3), disclose the following information to the Authority:

- (1) the name and contact information of the third party to which the insurer has entrusted the performance of the obligations of an insurer with respect to the distribution of a product through a distributor, if applicable;
- (2) the hyperlink or any other means to access the website of the distributor that offers an insurance product through the internet, if applicable.
- (3) the contact information of the insurer's assistance service referred to in section 28.

The insurer must notify the Authority without delay of any change to the information disclosed.

The insurer that removes a distributor from its list of distributors must indicate to the Authority the reasons for such removal.

22. The insurer must disclose annually to the Authority the following information for each product offered through a distributor:

- (1) the number of insurance policies and certificates issued and the amount of premiums written;
- (2) the number of claims and the amount of indemnities paid;
- (3) the number of rescissions and cancellations;
- (4) the remuneration paid to all distributors and third parties referred to in subparagraph (1) of the first paragraph of section 21.

DIVISION III

DOCUMENTS AND INFORMATION TO BE PROVIDED TO THE CLIENT

23. Before offering a product through a distributor, the insurer prepares the product summary in accordance with sections 29 and 30. The insurer mandates the distributor to deliver the summary to the client at the time it offers the product to him, together with a specimen of the policy, if the summary refers to it, and a fact sheet in the form set out in Schedule 2.

24. Where the means of communication used to offer the product does not enable the distributor to deliver the summary and the fact sheet at the time the product is offered, the insurer must include in the mandate it entrusts to the distributor the obligation to inform the client of such inability. The insurer must also ensure that the distributor is required to obtain at that time the client's consent to receive those documents no later than when the policy or insurance certificate is delivered and to mention the information contained in those documents to the client.

25. The insurer must be able to provide, at the client's or the Authority's request, all the information and documents presented to the client at the time the insurance product was offered to him, particularly the summary and the fact sheet.

26. When personal information of a medical or lifestyle-related nature is collected from the client, the notice of specific consent provided for in section 93 of the Act respecting the distribution of financial products and services (chapter D-9.2), applicable under section 437 of that Act, must be delivered to the client and be in the form set out in Schedule 3.

27. When the distributor offers the client financing that requires him to subscribe for insurance to secure the repayment of the financing, the notice of free choice provided for in section 443 of the Act respecting the distribution of financial products and services (chapter D-9.2) must be delivered to the client and be in the form set out in Schedule 4.

28. The insurer must have an assistance service to answer questions from the distributor regarding each product offered.

DIVISION IV

SUMMARY

29. The summary may pertain only to the product and must satisfy all the following conditions:

- (1) it must be concise;
- (2) it must explain the product;
- (3) it must be written in language that is clear, readable, specific and not misleading, so as to highlight the essential elements for informed decision-making and not cause confusion or misunderstanding;
- (4) it must present accurate information;

- (5) it must be reproduced on a durable medium to ensure accessibility and integrity;
- (6) it must not contain any advertising or promotional offer;
- (7) it must not be the insurance policy or certificate.

Where necessary, the insurer may refer the client to the relevant sections of the insurance policy to obtain additional information not found in the summary.

30. The summary must present the following information:

- (1) the insurer's name and contact information;
- (2) the number of the licence issued to the insurer by the Authority and the Authority's website address;
- (3) the name and type of product offered;
- (4) the target audience;
- (5) the name and contact information of the distributor that offers the product;
- (6) the product coverage;
- (7) the product exclusions and limitations;
- (8) the specific clauses that may affect the insurance coverage;
- (9) the warnings to consumers about the consequences of misrepresentations and concealment;
- (10) the client's right of cancellation, its duration and the procedures for exercising it;
- (11) the rules applicable to the temporary insurance, if applicable;
- (12) the information that the client must be made aware of in accordance with section 434 of the Act respecting the distribution of financial products and services (chapter D-9.2);
- (13) the premiums and other fees and expenses, including the applicable taxes, or, if an exact amount cannot be indicated, the method enabling clients to determine it;
- (14) an indication that the premium is fixed or likely to vary over time;
- (15) the information on where the client can file a complaint with the insurer and the insurer's website address providing access to a summary of the complaint processing policy provided for in the last paragraph of section 52 of the Insurers Act (2018, chapter 23, section 3).

Where the policy provides for a formula to calculate the portion of the refundable premium in the event of cancellation, the insurer must indicate as such in the summary and include an example of its application.

31. The insurer must, as soon as the client has subscribed for or enrolled in the insurance contract, provide the client with the following documents:

- (1) a summary of the information collected from the client;
- (2) the policy, the insurance certificate or the temporary insurance.

32. The notice of rescission provided for in section 440 of the Act respecting the distribution of financial products and services (chapter D-9.2), which must be delivered to the client by the distributor, must be in the form set out in Schedule 5;

33. The insurer must make the product summary and a specimen of the policy available on its website at all times for each product offered by a distributor.

DIVISION V

SUPERVISION OF DISTRIBUTORS

34. The insurer must monitor and supervise the offering of insurance products by its distributors.

To that end, it must adopt and implement procedures that enable the supervision and training of its distributors and the natural persons to whom they entrust the task of dealing with clients, in order to ensure compliance with the requirements under the Act respecting the distribution of financial products and services (chapter D-9.2) and this Regulation.

35. The training provided by the insurer must cover the following:

- (1) the insurance product, particularly the target audience, the coverage offered, the eligibility criteria and the applicable exclusions and limitations;
- (2) the distributor's legal obligations;
- (3) the insurer's complaint processing policy;
- (4) the practices promoting the fair treatment of clients;
- (5) the filing of a claim.

DIVISION VI

PROHIBITIONS

36. For insurance products referred to in paragraph 5 of section 424 and paragraph 1 of section 426 of the Act respecting the distribution of financial products and services (chapter D-9.2), no insurer may:

- (1) enable the distributor to keep its remuneration within a time period not commensurate with the term of the product, which time period may not, however, be less than 180 days;
- (2) pay to the distributor a bonus or a share in the profits based on contract experience;
- (3) set different commission rates applicable to a distributor for products with similar insurance coverage.

CHAPTER IV

TRANSITIONAL AND FINAL PROVISIONS

37. This Regulation replaces the Regulation respecting distribution without a representative (CQLR, c. D-9.2, r. 8).

38. This Regulation comes into force on 13 June 2019.

SCHEDULE 1
(s. 13)

NOTICE OF RESCISSION OF AN INSURANCE CONTRACT

NOTICE GIVEN BY A FIRM

Sections 19 and 86.0.1 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 the applicable 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 insurer 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

To: _____
(name of insurer)

(address of insurer)

Date: _____(date of sending of notice)

Pursuant to section 20 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)

SCHEDULE 2
(s. 23)**FACT SHEET**

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.

**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, **without penalty**, 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**.

The *Autorité des marchés financiers* can provide you with unbiased, objective information.
Visit www.lautorite.qc.ca or call the Authority at 1-877-525-0337.

Reserved for use by the insurer

This fact sheet cannot be modified

SCHEDULE 3
(s. 26)

NOTICE OF SPECIFIC CONSENT
You are free to grant or refuse this consent.

Sections 92 and 437 of the Act respecting the distribution of financial products and services (chapter D-9.2)

WHAT YOU MUST KNOW
<ul style="list-style-type: none">At this date, we hold certain information relating to you.We require your consent to allow some of our clerks to have access to this information.These clerks will also have access to any update of the information done during the period of validity of the consent.These clerks will use the information available in order to solicit you for the purchase of new financial products and services.
YOU ARE FREE TO SET THE PERIOD OF VALIDITY OF YOUR CONSENT
<ul style="list-style-type: none">If you grant consent for an undetermined period of time, you may at any time terminate it by revoking it. At the end of this form, you will find a model revocation notice that you may use for this purpose or as a basis for preparing your own notice.If you wish to grant consent for a limited period of time, you may do so by determining this period yourself. This form provides, in the “specific consent” section, a place where you may write down the period of validity desired.
THE ACT RESPECTING THE DISTRIBUTION OF FINANCIAL PRODUCTS AND SERVICES GIVES YOU IMPORTANT RIGHTS
Without this specific consent, the distributor may not use this information for a purpose other than the purpose for which it was collected. The distributor cannot compel you to give your consent or refuse to do business with you if you refuse to give it; section 94 of the Act protects you. For further information, contact the Autorité des marchés financiers at 1-877-525-0337 or visit www.lautorite.qc.ca .

The information we hold pertaining to you, as at today’s date, was collected as part of:

(purposes of the file)

Here are the required categories of information that we would like one of our clerks to use and the products and services he may offer you. For a fuller description of each category, you may refer to the back of this sheet.

Please authorize each category of information requested.

Required information category to be accessed ¹	For which products and services ²	Client authorization ³		Initials ⁴
<i>To be completed by the distributor</i>	<i>To be completed by the distributor</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
		<input type="checkbox"/> Yes	<input type="checkbox"/> No	
		<input type="checkbox"/> Yes	<input type="checkbox"/> No	
		<input type="checkbox"/> Yes	<input type="checkbox"/> No	
		<input type="checkbox"/> Yes	<input type="checkbox"/> No	
		<input type="checkbox"/> Yes	<input type="checkbox"/> No	

Instructions for the distributor (<i>duplication not required</i>):
1. The distributor must describe each category on the reverse side of this sheet.
2. The distributor must specify the nature of the products and services it wishes to offer the client. Each information category must be associated with a specific purpose. Where a category serves several purposes the distributor must repeat it for each purpose.
3. The client may give his or her authorization by telephone, provided both parties can identify each other. In such case, this form shall serve as a script for the clerk, who will also read the detailed description of each category to the client. The distributor must fill out this form and send it to the client within 10 days of obtaining the verbal consent.
4. If in electronic form, the initials may be replaced by a confirmation window. However, the notice of consent must be made available to the client by any means allowing the reading or printing thereof.

In accordance with the Act respecting the protection of personal information in the private sector (chapter P-39.1), **you may request to be given access to the information we hold pertaining to you.**

SPECIFIC CONSENT

Having read the above, I, the undersigned, _____(*name of client*)_____ , consent to use of the information held by the distributor for the purposes indicated above.

This consent will be valid until revoked or for the following period:

DD/MM/YY (to be filled out by the client)

I may revoke this consent at any time by sending a notice. I may use the attached model notice for this purpose or as a basis for preparing my own notice.

(signature of client) (date of signature of the consent)

(client identification, address, folio or contract no., etc.)

I HEREBY REVOKE THE SPECIFIC CONSENT GIVEN TO THE DISTRIBUTOR BY THE FOLLOWING NOTICE

To: _____
(name of distributor)

(address of distributor)

On: _____

I, the undersigned, _____(*name of client*)_____ , hereby notify you that I am revoking the specific consent authorizing the use of my personal information for new purposes.

Consent given to you on:

(date of consent)

(name of client) (signature of client)

(client identification, address, folio or contract no., etc.)

SCHEDULE 4

(s. 27)

NOTICE OF FREE CHOICE OF INSURER AND REPRESENTATIVE

Section 443 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

- You are required to purchase insurance coverage described below in order to secure the repayment of a loan.
- However, you are free to purchase this insurance from the insurer and representative of your choice. **You can thus obtain the required insurance in 3 different ways:**

(1) By purchasing the insurance offered to you;

If you choose this option, you benefit from the application of section 20 of the Act which allows you to rescind an insurance contract that you signed at the time of signing another contract, without penalty, within 10 days of its signature. However, you must then purchase another equivalent insurance to the satisfaction of the creditor who may not refuse without reasonable cause.

(2) By purchasing other insurance that is equivalent to the insurance required, to the satisfaction of the creditor who may not refuse without reasonable cause.

(3) By demonstrating that you already have insurance that is equivalent to the insurance required, to the satisfaction of the creditor who may not refuse without reasonable cause.

You may change insurer or representative at any time, provided that you maintain during the term of the loan agreement an insurance equivalent to the insurance required to the satisfaction of the creditor who may not refuse without reasonable cause. You cannot be required to choose or keep an insurance contract with a particular insurer, nor can you be refused credit or have your loan called in for this reason.

To rescind your insurance, you may use the section hereunder entitled “Notice of rescission of an insurance contract.” For further information, contact the Autorité des marchés financiers at 1-877-525-0337 or visit www.lautorite.qc.ca.

DESCRIPTION OF THE REQUIRED COVERAGE

(section completed by the distributor)

To secure the repayment of your loan, we have required that you purchase:

☐ damage insurance: _____

in an amount of: \$ _____

_____ (coverage) _____ (particulars)

☐ insurance of persons of the following type: _____

_____ (life, disability, other)

in an amount of: \$ _____

_____ (coverage) _____ (particulars)

NOTICE OF RESCISSION OF AN INSURANCE CONTRACT

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)

SCHEDULE 5
(s. 32)

NOTICE OF RESCISSION OF AN INSURANCE CONTRACT

NOTICE GIVEN BY A DISTRIBUTOR

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

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)

The distributor must first complete this section.

REGLEMENT SUR LES MODES ALTERNATIFS DE DISTRIBUTION

Loi sur les assureurs

((2018, chapitre 23, article 3) ; a. 485 par. 1°)

Loi sur la distribution de produits et services financiers

(chapitre D-9.2, a. 202.2, 209, 223 par. 5°, 8°, 12°, 13.1° et 15°, 440 et 443)

CHAPITRE I

OBJET ET CHAMP D'APPLICATION

1. Le présent règlement établit les obligations applicables principalement à une personne morale qui, conformément à la Loi sur les assureurs (2018, chapitre 23, article 3) et à la Loi sur la distribution de produits et services financiers (chapitre D-9.2), offre des produits et services financiers par un mode alternatif de distribution, soit la distribution sans l'entremise d'une personne physique ou la distribution par l'entremise d'un distributeur.

CHAPITRE II

OFFRE DE PRODUITS ET SERVICES FINANCIERS PAR UN CABINET SANS L'ENTREMISE D'UNE PERSONNE PHYSIQUE

SECTION I

DISPOSITIONS GÉNÉRALES

2. Un cabinet qui offre des produits et services sans l'entremise d'une personne physique doit le faire à l'aide d'une plateforme, soit un espace numérique permettant d'interagir directement avec le client, qui répond aux exigences prévues par le présent chapitre.

3. Les dispositions du présent chapitre s'appliquent, compte tenu des adaptations nécessaires, à une société autonome.

SECTION II

RENSEIGNEMENTS À FOURNIR À L'AUTORITÉ DES MARCHÉS FINANCIERS

4. Tout cabinet qui offre des produits et services sans l'entremise d'une personne physique doit divulguer sans délai à l'Autorité les renseignements suivants:

- 1° le nom attribué à la plateforme, lorsque celui-ci diffère du nom du cabinet;
- 2° le nom du produit et la catégorie à laquelle celui-ci est associé ou la nature des services financiers offerts sur la plateforme;
- 3° le lien hypertexte ou tout autre mécanisme permettant d'accéder à la plateforme;
- 4° les assureurs dont les produits sont offerts sur la plateforme du cabinet, s'il y a lieu;
- 5° le fait que le client doive ou puisse, le cas échéant, souscrire ou adhérer au contrat en recourant à l'intervention d'un représentant ou uniquement en ayant recours à la plateforme;
- 6° le fait que la souscription ou l'adhésion s'effectuera sur la plateforme d'un ou plusieurs autres cabinets, le cas échéant, ainsi que le nom attribué à ce ou ces cabinets.

Le cabinet doit informer l'Autorité de toute modification à l'un de ces renseignements, dans un délai de 30 jours suivant cette modification.

5. Le cabinet doit divulguer annuellement à l’Autorité, par l’entremise de sa demande de maintien d’inscription, le nombre de planifications financières effectuées, de sinistres réglés et de polices d’assurance émises ainsi que le montant des primes souscrites uniquement par l’entremise de sa plateforme.

SECTION III

DOCUMENTS ET RENSEIGNEMENTS À FOURNIR AU CLIENT

6. Les renseignements présentés sur la plateforme le sont dans une forme claire, lisible, précise et non trompeuse, de manière à mettre en évidence les éléments essentiels à une prise de décision éclairée quant au produit ou au service financier offert et de façon à ne pas porter à confusion ni induire en erreur.

7. Le cabinet doit fournir au client, compte tenu des adaptations nécessaires et selon les produits et services offerts, les renseignements et les documents qu’un représentant doit fournir au client conformément aux articles 43, 47 et 48 de la Loi sur la distribution de produits et services financiers (chapitre D-9.2), aux articles 6, 8, 8.1, 9, 9.1, 10, 12, 16 et 22 du Règlement sur l’exercice des activités des représentants (RLRQ, c. D-9.2, r. 10) et aux articles 4.6, 4.8, 4.9, 4.13, 4.16, 4.17, 4.18, 4.19 du Règlement sur les renseignements à fournir au consommateur (RLRQ, c. D-9.2, r. 18).

8. Doivent être visibles en tout temps sur la plateforme du cabinet, les renseignements suivants:

- 1° le nom et les coordonnées du cabinet;
- 2° chaque discipline dans laquelle le cabinet est inscrit auprès de l’Autorité;
- 3° le numéro d’inscription du cabinet délivré par l’Autorité, ainsi que le lien hypertexte permettant au client d’accéder aux registres se trouvant sur le site Internet de l’Autorité;
- 4° le moyen de solliciter l’intervention d’un représentant du cabinet;
- 5° les coordonnées permettant au client de formuler une plainte et un lien hypertexte lui donnant accès au résumé de la politique portant sur le traitement des plaintes prévu au dernier alinéa de l’article 103.1 de la Loi sur la distribution de produits et services financiers (chapitre D-9.2).

9. Avant la saisie de tout renseignement personnel du client, le cabinet doit lui présenter les renseignements suivants par l’entremise de sa plateforme:

- 1° le type de clientèle auquel la plateforme s'adresse;
- 2° le fait que le client doive ou puisse, le cas échéant, souscrire ou adhérer au contrat en recourant à l’intervention d’un représentant ou uniquement en ayant recours à la plateforme;
- 3° le fait que la souscription ou l’adhésion au contrat s’effectuera sur la plateforme d’un autre cabinet, le cas échéant.

10. Lorsqu’aucun représentant n’agit auprès du client au moment où il est appelé à souscrire ou adhérer au contrat, le cabinet doit, avant la conclusion du contrat, lui présenter les renseignements suivants par l’entremise de sa plateforme:

- 1° le nom et les coordonnées de l’assureur qui offre le produit sélectionné;
- 2° les garanties et options du produit;
- 3° les exclusions et limitations afférentes au produit;

4° les clauses particulières qui peuvent avoir une incidence sur la couverture d'assurance;

5° les avertissements sur les conséquences relatives aux fausses déclarations et réticences;

6° l'existence d'un droit de résolution ou de résiliation en faveur du client et les modalités de son exercice, le cas échéant;

7° les règles applicables à l'assurance provisoire, le cas échéant;

8° les primes et autres frais, incluant les taxes applicables;

9° une mention que la prime est fixe ou susceptible de varier dans le temps;

10° la période pendant laquelle les renseignements fournis par le cabinet sont valides.

11. Le cabinet doit rendre disponible en tout temps sur sa plateforme un spécimen de la police pour chaque produit offert.

12. Lorsqu'aucun représentant n'agit auprès du client au moment où il souscrit ou adhère au contrat, le cabinet doit, juste avant ce moment, lui présenter les renseignements suivants par l'entremise de sa plateforme :

1° un résumé des renseignements recueillis auprès du client;

2° un résumé des options et des modalités que le client a choisies relativement au produit qu'il s'apprête à acquérir.

13. Lorsqu'aucun représentant n'agit auprès du client au moment où il souscrit ou adhère au contrat, le cabinet doit, dès que le client a souscrit ou adhéré au contrat, lui fournir les documents et les renseignements suivants:

1° la confirmation de la souscription ou de l'adhésion au contrat et l'assurance provisoire, le cas échéant;

2° l'avis de résolution prévu à l'article 19 de la Loi sur la distribution de produits et services financiers (chapitre D-9.2) applicable en vertu de l'article 86.0.1 de cette loi et conforme à l'Annexe 1, le cas échéant;

3° la façon d'accéder à la police ou à l'attestation d'assurance.

SECTION IV

CONCEPTION, FONCTIONNEMENT ET CONTRÔLE DE LA PLATEFORME

14. Le cabinet doit veiller en tout temps au bon fonctionnement et à la fiabilité de sa plateforme.

À cette fin, il doit notamment évaluer si les renseignements qui y sont présentés sont exacts et si les renseignements fournis par le client sont conservés de manière à en assurer la confidentialité et la sécurité.

15. Le cabinet doit veiller à ce que sa plateforme soit en mesure de:

1° requérir du client une action à chaque fois qu'une confirmation ou un consentement est requis;

2° détecter et, lorsque nécessaire, suspendre ou mettre fin automatiquement à une action initiée sur la plateforme lorsque le produit ne convient pas aux besoins du client ou lorsqu'une contradiction ou une irrégularité dans les renseignements qu'il fournit peut mener à un résultat inapproprié;

3° permettre au client de corriger une erreur en tout temps avant la souscription ou l'adhésion au contrat.

16. Le cabinet doit pouvoir, en tout temps, suspendre ou interrompre son offre par l'entremise de sa plateforme lorsque ces actions sont requises.

17. Le cabinet doit adopter une procédure relative à la conception, à l'utilisation et à la maintenance de sa plateforme et en assurer la mise en œuvre.

La procédure doit notamment décrire le fonctionnement de la plateforme et les mesures de contrôle qui y sont associées. Elle doit en outre permettre l'identification, la gestion et la mitigation des risques internes et externes liés à la plateforme.

18. Le cabinet doit consigner au dossier client l'ensemble des renseignements recueillis auprès du client, en plus de ceux qui lui ont été présentés par l'entremise de la plateforme et, le cas échéant, d'un représentant.

SECTION V

INTERDICTIONS

19. Le cabinet ne peut, par l'entremise de sa plateforme:

1° présenter de la publicité lorsqu'un client complète une proposition;

2° sélectionner à l'avance une composante d'une garantie, une garantie additionnelle ou un ensemble de garanties incluses dans l'offre d'un produit d'assurance ;

3° exclure ou limiter sa responsabilité relativement au bon fonctionnement ou à la fiabilité de sa plateforme, ainsi qu'à l'exactitude des renseignements qui y sont présentés.

CHAPITRE III

OFFRE DE PRODUITS D'ASSURANCE PAR L'ENTREMISE D'UN DISTRIBUTEUR

SECTION I

DISPOSITIONS GÉNÉRALES

20. Le présent chapitre s'applique à un assureur qui offre des produits d'assurance par l'entremise d'un distributeur conformément au titre VIII de la Loi sur la distribution de produits et services financiers (chapitre D-9.2).

SECTION II

RENSEIGNEMENTS À FOURNIR À L'AUTORITÉ

21. Avant d'offrir un produit d'assurance par l'entremise d'un distributeur, l'assureur doit, outre les renseignements exigés en vertu de l'article 66 de la Loi sur les assureurs (2018, chapitre 23, article 3), divulguer à l'Autorité les renseignements suivants:

1° le nom et les coordonnées du tiers à qui a été confiée l'exécution des obligations d'un assureur ayant trait à la distribution d'un produit par l'entremise d'un distributeur, le cas échéant;

2° le lien hypertexte ou tout autre mécanisme permettant d'accéder au site Internet du distributeur qui offre un produit d'assurance par l'entremise d'Internet, le cas échéant;

- 3° les coordonnées du service d'assistance de l'assureur prévu à l'article 28.

L'assureur doit aviser l'Autorité sans délai d'une modification aux renseignements divulgués.

L'assureur qui retire un distributeur de sa liste de distributeurs doit indiquer à l'Autorité le motif de ce retrait.

22. L'assureur doit divulguer annuellement à l'Autorité les renseignements suivants pour chaque produit offert par l'entremise d'un distributeur:

1° le nombre de polices et d'attestations d'assurance émises et le montant des primes souscrites;

2° le nombre de réclamations et le montant versé en indemnités;

3° le nombre de cas de résolution et de résiliation;

4° la rémunération versée à l'ensemble des distributeurs et des tiers visés au paragraphe 1 du premier alinéa de l'article 21.

SECTION III

DOCUMENTS ET RENSEIGNEMENTS À FOURNIR AU CLIENT

23. Avant d'offrir un produit par l'entremise d'un distributeur, l'assureur prépare le sommaire du produit conformément aux articles 29 et 30. Il confie au distributeur le mandat de le remettre au client au moment de lui offrir le produit avec un spécimen de la police lorsqu'il y réfère et une fiche de renseignements conforme au modèle de l'Annexe 2.

24. Lorsque le moyen de communication utilisé pour offrir le produit ne permet pas la remise du sommaire et de la fiche de renseignements au moment où celui-ci est offert, l'assureur doit prévoir dans le mandat qu'il confie au distributeur, l'obligation d'informer le client de cette impossibilité. L'assureur veille en outre à ce qu'il soit requis du distributeur qu'il obtienne alors son consentement à recevoir ces documents au plus tard lors de la remise de la police ou de l'attestation d'assurance et lui mentionne les renseignements contenus à ces documents.

25. L'assureur doit être en mesure de fournir, à la demande du client ou de l'Autorité, l'ensemble des renseignements et documents présentés au client au moment où celui-ci s'est vu offrir le produit d'assurance, notamment le sommaire et la fiche de renseignements.

26. Lorsque des renseignements personnels de nature médicale ou sur des habitudes de vie sont recueillis du client, l'avis de consentement particulier prévu à l'article 93 de la Loi sur la distribution de produits et services financiers (chapitre D-9.2), applicable en vertu de l'article 437 de cette loi, doit être remis au client et être conforme au formulaire de l'Annexe 3.

27. Lorsque le distributeur offre au client un financement qui exige qu'il souscrive une assurance pour en garantir le remboursement, l'avis de libre choix prévu à l'article 443 de la Loi sur la distribution de produits et services financiers (chapitre D-9.2) doit être remis au client et être conforme au formulaire de l'Annexe 4.

28. L'assureur doit disposer d'un service d'assistance permettant de répondre aux questions du distributeur à l'égard de chaque produit offert.

SECTION IV

SOMMAIRE

29. Le sommaire ne peut porter que sur le produit et doit répondre à l'ensemble des conditions suivantes:

- 1° il est succinct;
- 2° il explique le produit;
- 3° il est rédigé dans une forme claire, lisible, précise et non trompeuse, de manière à mettre en évidence les éléments essentiels à une prise de décision éclairée et de façon à ne pas porter à confusion ni induire en erreur;
- 4° il présente des renseignements exacts;
- 5° il est reproduit sur un support durable, permettant d'en assurer l'accessibilité et l'intégrité;
- 6° il ne contient aucune publicité ni offre promotionnelle;
- 7° il ne constitue pas la police ou l'attestation d'assurance.

Lorsque cela s'avère nécessaire, l'assureur peut référer le client vers les sections pertinentes de la police d'assurance pour obtenir les détails additionnels qui ne paraissent pas au sommaire.

30. Le sommaire doit présenter les renseignements suivants:

- 1° le nom et les coordonnées de l'assureur;
- 2° le numéro de permis délivré à l'assureur par l'Autorité et l'adresse du site Internet de l'Autorité;
- 3° le nom et le type de produit offert;
- 4° le public cible;
- 5° le nom et les coordonnées du distributeur qui offre le produit;
- 6° les garanties du produit;
- 7° les exclusions et limitations afférentes au produit;
- 8° les clauses particulières qui peuvent avoir une incidence sur la couverture d'assurance;
- 9° les avertissements sur les conséquences relatives aux fausses déclarations et réticences;
- 10° l'existence d'un droit de résiliation en faveur du client, de même que sa durée et les modalités de son exercice;
- 11° les règles applicables à l'assurance provisoire, le cas échéant;
- 12° les informations qui doivent être portées à la connaissance du client en application de l'article 434 de la Loi sur la distribution de produits et services financiers (chapitre D-9.2);
- 13° les primes et autres frais, incluant les taxes applicables, ou, lorsqu'un montant exact ne peut être indiqué, la méthode permettant au client de l'établir;
- 14° une mention que la prime est fixe ou susceptible de varier dans le temps;
- 15° les coordonnées permettant au client de formuler une plainte à l'assureur et l'adresse du site Internet de l'assureur lui donnant accès au résumé de la politique portant sur

le traitement des plaintes prévu au dernier alinéa de l'article 52 de la Loi sur les assureurs (2018, chapitre 23, article 3).

Lorsque la police prévoit une formule permettant de calculer la portion de la prime remboursable en cas de résiliation, l'assureur doit en faire mention dans le sommaire et y inclure un exemple de son application.

31. L'assureur doit, dès que le client a souscrit ou a adhéré au contrat d'assurance, lui fournir les documents suivants:

- 1° un résumé des renseignements recueillis auprès du client;
- 2° la police, l'attestation d'assurance ou l'assurance provisoire.

32. L'avis de résolution prévu à l'article 440 de la Loi sur la distribution de produits et services financiers (chapitre D-9.2) qui doit être transmis au client par le distributeur doit être conforme au formulaire prévu à l'Annexe 5.

33. L'assureur doit rendre disponibles en tout temps le sommaire du produit et un spécimen de la police sur son site Internet pour chaque produit offert par un distributeur.

SECTION V

SUPERVISION DU DISTRIBUTEUR

34. L'assureur doit contrôler et superviser l'offre de produits d'assurance par ses distributeurs.

Il doit, à cette fin, adopter et mettre en œuvre des procédures permettant la supervision et la formation de ses distributeurs et des personnes physiques à qui ces derniers confient la tâche de traiter avec des clients, afin de s'assurer du respect des exigences prévues par la Loi sur la distribution de produits et services financiers (chapitre D-9.2) et par le présent règlement.

35. La formation dispensée par l'assureur doit couvrir les sujets suivants :

- 1° le produit d'assurance, notamment le public cible, la garantie offerte, les critères d'admissibilité et les exclusions et limitations applicables;
- 2° les obligations légales du distributeur;
- 3° la politique de traitement des plaintes de l'assureur;
- 4° les pratiques favorisant le traitement équitable du client;
- 5° la présentation d'une réclamation.

SECTION VI

INTERDICTIONS

36. Pour les produits d'assurance visés au paragraphe 5° de l'article 424 et au paragraphe 1° de l'article 426 de la Loi sur la distribution de produits et services financiers (chapitre D-9.2), l'assureur ne peut:

- 1° permettre au distributeur de conserver sa rémunération à l'intérieur d'un délai qui n'est pas proportionnel à la durée du produit, ce délai ne pouvant toutefois être inférieur à 180 jours;
- 2° verser au distributeur un boni ou une participation aux bénéfices basée sur l'expérience du contrat;

3° établir des taux de commission différents applicables à un distributeur pour des produits proposant des garanties d'assurance similaires.

CHAPITRE IV

DISPOSITIONS TRANSITOIRES ET FINALES

37. Le présent règlement remplace le Règlement sur la distribution sans représentant (RLRQ, chapitre D-9.2, r. 8).

38. Le présent règlement entre en vigueur le 13 juin 2019.

ANNEXE 1
(a. 13)

AVIS DE RÉSOLUTION D’UN CONTRAT D’ASSURANCE

AVIS DONNÉ PAR LE CABINET

Articles 19 et 86.0.1 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 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 du délai applicable, 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 de l’assureur 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

À:

(nom de l’assureur)

(adresse de l’assureur)

Date: _____(date d’envoi de cet avis)

En vertu de l’article 20 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)

ANNEXE 2
(a. 23)**FICHE DE RENSEIGNEMENTS**

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.

**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 pénalité**, 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 annulez 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.

L'Autorité des marchés financiers peut vous fournir de l'information **neutre et objective**.

Visitez le www.lautorite.qc.ca ou appelez l'Autorité au 1 877 525-0337.

Espace réservé à l'assureur

Cette fiche ne peut pas être modifiée

ANNEXE 3
(a. 26)

AVIS DE CONSENTEMENT PARTICULIER
Vous êtes libre de donner ce consentement ou non

Articles 92 et 437 de la Loi sur la distribution de produits et services financiers (chapitre D-9.2)

CE QUE VOUS DEVEZ SAVOIR
<ul style="list-style-type: none">• Nous détenons, aujourd’hui, des renseignements à votre sujet.• Nous avons besoin de votre consentement pour permettre à certains de nos préposés d’avoir accès à ces renseignements.• Ces préposés auront aussi accès aux mises à jour des renseignements, faites pendant la durée du consentement.• Ces préposés utiliseront les renseignements disponibles afin de vous solliciter pour de nouveaux produits et services financiers.
VOUS ÊTES LIBRE D’ÉTABLIR LA DURÉE DE VALIDITÉ DE VOTRE CONSENTEMENT
<ul style="list-style-type: none">• Si vous accordez un consentement pour une période indéterminée, vous pourrez en tout temps y mettre fin en le révoquant. À la fin du présent formulaire, vous trouverez un modèle de révocation que vous pourrez utiliser ou dont vous pourrez vous inspirer.• Si vous voulez accorder un consentement pour une période limitée, vous pourrez le faire en fixant vous-même cette période. Le présent formulaire prévoit à la section «consentement particulier» un endroit où vous pourrez inscrire la période désirée.
LA LOI SUR LA DISTRIBUTION DE PRODUITS ET SERVICES FINANCIERS VOUS DONNE DES DROITS IMPORTANTS
Sans cette autorisation spécifique, le distributeur ne pourra utiliser ces renseignements à d’autres fins que celles pour lesquelles ils ont été recueillis. Le distributeur ne peut vous contraindre à donner ce consentement ni refuser de continuer à faire affaires avec vous du seul fait que vous refusez de le lui donner; l’article 94 de la Loi vous protège. Pour de plus amples informations, communiquez avec l’Autorité des marchés financiers au 1-877-525-0337 ou visitez le www.lautorite.qc.ca .

Les renseignements que nous détenons à votre sujet, aujourd’hui, ont été recueillis dans le cadre de:

(objet(s) du dossier)

Voici les catégories de renseignements nécessaires que nous souhaitons que l’un de nos préposés utilise ainsi que les produits et services qu’il pourrait vous offrir. Pour plus de précisions sur le contenu de chacune de ces catégories, vous pouvez vous référer au verso.

Veuillez autoriser les catégories auxquelles vous consentez.

Catégories de renseignements nécessaires à être communiqués ¹	Pour quels produits ou services ²	Autorisation du client ³		Initiales ⁴
À remplir par le distributeur	À remplir par le distributeur	<input type="checkbox"/> oui	<input type="checkbox"/> non	
		<input type="checkbox"/> oui	<input type="checkbox"/> non	
		<input type="checkbox"/> oui	<input type="checkbox"/> non	
		<input type="checkbox"/> oui	<input type="checkbox"/> non	
		<input type="checkbox"/> oui	<input type="checkbox"/> non	
		<input type="checkbox"/> oui	<input type="checkbox"/> non	

Directives au distributeur (<i>reproduction non requise</i>) :
1. Le distributeur doit inscrire au verso le contenu de chacune des catégories.
2. Le distributeur doit préciser la nature des produits et services qu’il souhaite offrir au client. Chaque catégorie de renseignements doit être associée à une fin particulière. Si une catégorie est nécessaire à plusieurs fins, le distributeur doit la répéter pour chacune d’elles
3. L’autorisation du client peut être donnée par téléphone dans la mesure où les interlocuteurs peuvent s’assurer de leur identification respective. Dans ce cas, le présent formulaire servira de script pour le préposé. Le contenu détaillé de chacune des catégories doit être lu au client. Le distributeur doit transmettre au client le formulaire rempli dans les 10 jours suivant le consentement verbal.
4. Dans le cas d’un formulaire électronique, les initiales peuvent être remplacées par une fenêtre de confirmation. L’avis de consentement doit toutefois être mis à la disposition du client grâce à tout moyen en permettant la lecture ou l’impression

Conformément à la Loi sur la protection des renseignements personnels dans le secteur privé (chapitre P-39.1), **vous pouvez demander que l’on vous donne accès aux renseignements que l’on détient sur vous.**

CONSENTEMENT PARTICULIER

Après avoir pris connaissance de ce qui est indiqué ci-dessus, je, soussigné(e):
_____ (*nom du client*) _____ consens à ce que les renseignements détenus par le distributeur soient utilisés aux fins mentionnées plus haut.

Ce consentement sera valide jusqu’à révocation ou pour la période suivante:

JJ/MM/AA (à remplir par le client)

Je peux révoquer en tout temps ce consentement par l’envoi d’un avis. Je peux utiliser le modèle d’avis ci-joint ou m’en inspirer.

(signature du client) (date de la signature du consentement)

(Identification du client, adresse ou no de folio ou no de contrat, etc.)

JE RÉVOQUE LE CONSENTEMENT PARTICULIER DONNÉ AU DISTRIBUTEUR PAR L’AVIS SUIVANT

À: _____
(nom du distributeur)

(adresse du distributeur)

En date du: _____

Par la présente, je, soussigné(e), _____ (*nom du client*) _____ vous avise que j’annule le consentement particulier visant à vous permettre d’utiliser les renseignements qui me concernant à de nouvelles fins.

Consentement que je vous ai donné le:

(date du consentement)

(nom du client) (signature du client)

(Identification du client, adresse ou no de folio ou no de contrat, etc.)

ANNEXE 4
(a. 27)

AVIS DE LIBRE CHOIX DE L'ASSUREUR ET DU REPRÉSENTANT

Article 443 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

- On exige de vous une couverture d'assurance décrite ci-dessous pour garantir le remboursement d'un prêt.
- Toutefois, vous êtes libre de souscrire cette couverture d'assurance auprès de l'assureur et du représentant de votre choix. **Vous pouvez donc vous procurer l'assurance de 3 façons différentes:**

1. en prenant l'assurance que l'on vous offre.

Si vous faites ce choix, vous bénéficiez alors de l'article 20 de la Loi qui vous permet de mettre fin au contrat d'assurance que vous venez de signer à l'occasion d'un autre contrat, sans pénalité, dans les 10 jours de sa signature. Toutefois, vous devrez alors souscrire une autre assurance équivalente qui doit être à la satisfaction du créancier qui ne pourra la refuser sans motifs raisonnables;

2. en prenant une assurance équivalente à celle exigée qui doit être à la satisfaction du créancier qui ne pourra la refuser sans motifs raisonnables;

3. en démontrant que vous possédez déjà une assurance équivalente à celle exigée qui doit être à la satisfaction du créancier qui ne pourra la refuser sans motifs raisonnables.

Vous pourrez changer d'assureur ou de représentant en tout temps, pourvu que vous mainteniez, jusqu'à la fin du contrat de prêt, une assurance équivalente à celle exigée qui doit être à la satisfaction du créancier qui ne pourra la refuser sans motifs raisonnables. On ne peut vous obliger à choisir ou maintenir un contrat d'assurance d'un assureur en particulier, ni refuser votre crédit ou rappeler votre prêt pour cette raison.

Pour annuler l'assurance, vous pouvez utiliser la section ci-dessous intitulée «Avis de résolution d'un contrat d'assurance». Pour de plus amples informations, communiquez avec l'Autorité des marchés financiers au 1-877-525-0337 ou visitez le www.lautorite.qc.ca.

DESCRIPTION DE LA COUVERTURE EXIGÉE

(Section complétée par le distributeur)

Pour garantir le solde de votre prêt, nous avons exigé que vous souscriviez:

☐ une assurance de dommages: _____

de: _____ \$ _____
(couverture) (détails)

☐ une assurance de personnes de type: _____

(vie, invalidité et autres)

de: _____ \$ _____
(couverture) (détails)

AVIS DE RÉSOLUTION D’UN CONTRAT D’ASSURANCE

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)

ANNEXE 5
(a.32)

AVIS DE RÉSOLUTION D’UN CONTRAT D’ASSURANCE

AVIS DONNÉ PAR LE DISTRIBUTEUR

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

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.

*Participants at ACIFA - AMF Meeting in Montreal on the
Final Version of the Regulation on Alternative Distribution Methods
17 April, 2019 (13.30pm-15.30pm)*

800, rue du Square-Victoria
Tour de la Bourse, 4^e étage / 4th Floor
Montréal (Québec)

Participants need to present valid photo ID and sign in
at the 4th Floor Reception

Numéro d'accès sans frais / Teleconference Line: **1 855-878-4577**
Numéro de la conférence / Teleconference Code : **1236056**

From the AMF :

Mesdames Mylène Sabourin et Mélissa Perreault de la Direction des pratiques de distribution et des OAR

From ACIFA / CAFII :

In - Person

<u>Name</u>	<u>Title</u>	<u>Firm</u>
Martin Boyle	CAFII Executive Operations Committee (EOC) Chair Director, Governance & BUCO	BMO Insurance
Isabelle Choquette	Conseillère principale, Conformité	Desjardins
Dana Easthope	Chief Legal Officer, Chief Compliance Officer and Corporate Secretary	Canadian Premier Life
Michèle Jenneau	Directrice principale Conformité, Risques, Assurances corporatives et affaires juridiques / Senior Manager Compliance, Risks, Corporate Insurance and Legal Affairs	Banque Nationale Assurances
Marie Nadeau	Senior Advisor, Compliance, Projects and Documentation	Banque National Assurances
Lynne Chlala	Quebec legal & compliance officer	Canada Life
Josée Bortoluzzi	Vérificatrice principale de la conformité	TD Insurance
Sylvain Larocque	Conseiller juridique principal – Assurances Senior Counsel - Insurance	Manulife
Brendan Wycks	Co-Executive Director	ACIFA / CAFII
Keith Martin	Co-Executive Director	ACIFA / CAFII

By Teleconference

<u>Name</u>	<u>Title</u>	<u>Firm</u>
Rob Dobbins	Senior Director, Compliance	Assurant
Cecillia Xiao	Director, Lead Counsel Canada	Assurant
Nadine Roy	Senior Legal Analyst	Assurant
Brad Kuiper	Senior Compliance Manager	ScotiaLife Financial
Joanna Onia	Director, Strategy & Planning	CIBC Insurance

10 December, 2018

Ms. Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22^e étage
C.P. 246, tour de la Bourse Montréal (Québec) H4Z 1G3
E-mail: consultation-en-cours@lautorite.qc.ca

Re: Regulation respecting Alternative Distribution Methods

Dear Ms. Beaudoin:

On behalf of the Canadian Association of Financial Institutions in Insurance (CAFII), I'm writing with respect to your 10 October, 2018 invitation to industry stakeholders to provide input into the draft Regulation respecting Alternative Distribution Methods issued by the Autorité des marchés financiers (AMF).

CAFII members believe fundamentally in consumer choice in the purchase of insurance protection; and in making multiple options available to consumers in the marketplace. In that connection, we believe that the Regulation is a well-considered and important contribution to supporting and fostering consumer choice. Providing the opportunity for companies to offer insurance through alternate distribution methods will lead to more consumer choice, more competition, and will promote innovation in the marketplace. For those reasons, we applaud the intent of the Regulation and believe it will contribute to a strengthening of the Quebec insurance industry and consumer satisfaction.

We are therefore pleased to offer the following specific points of feedback on the draft Regulation.

- In the 17 October, 2018 webinar on the Regulation, there were several references made to how the ability to offer insurance through alternative platforms such as the Internet would not eliminate the requirement to provide a needs analysis where required. We wish to confirm that this is restricted to the offering of insurance where a firm is involved, and not when the insurance is offered through a distributor. As a point of clarification, CAFII members offer optional creditor protection insurance to protect a debt obligation (e.g. a mortgage or home equity line of credit). However, a needs analysis involves advice; and we would like to emphasize the fact that CAFII members are strictly prohibited from offering advice in conjunction with "Authorized Insurance Products" (the various forms of creditor protection insurance) under the federal Bank Act and the related Insurance Business (Banks and Bank Holding Companies) Regulations.
- We also noted that at the webinar, reference was made to Article 68 of the Insurers Act, which gives the AMF the power to tell firms they must cease offering products, in situations where the AMF deems such a cease and desist order to be appropriate. Since this is a very broad and impactful power, we request additional information on what company behaviours would elicit such a response from the AMF; what objective decision criteria and processes will be put in place related to the application of this power; and what appeals process will be available to a company that finds itself subject to such an order to cease offering products. Also, we understand that

based on Section 465 of the Act, there will be a notification period that provides a firm with the opportunity to correct non-compliance before a cease and desist order takes effect.

- Article 2 of the Regulation states that *“A firm that offers products and services without the intermediary of a natural person must do so through a platform, namely, a digital space used to interact directly with clients who satisfy the requirements under this chapter.”* Some platforms are not transactional in nature; these platforms may not include the capability of fulfilling or completing an actual sale, but have other features such as permitting the initial quoting process to occur online. We believe that the definition of “platform” is intended to apply to websites or platforms that are transactional in nature. We believe that if non-transactional websites or platforms were to be included in scope, it would not provide additional consumer benefit, and would increase complexity unnecessarily.
- We would encourage the AMF to consider including language that ensures that future technologies are not excluded from the Regulation. The language of the Regulation leans toward internet and other “written-oriented” platforms, but emerging audio and virtual reality technologies, combined with artificial intelligence capabilities, are making it increasingly possible to envision sales without a person typing information into a platform. As the AMF is committed to enabling innovation in the marketplace, it would be beneficial to use more technology-inclusive language that could capture and permit technologies as they develop, which would remove the need to revisit and revise the Regulation in future. For example, the expression “digital device” would be more inclusive.
- With respect to Article 4 of the Regulation, we would ask that providing the required information to the AMF “without delay” could produce challenges, and we would request that this language be replaced with “within 60 days of the enforcement of the Regulation, or within 60 days of a change to any of these items.” Regarding Articles 4 and 5 in the Regulation, we note that some of the references appear to target P&C insurance or make reference to activities, such as producing financial plans that our members do not engage in (*Article 5: “The firm must disclose annually to the Authority through its maintenance of registration application, the number of financial plans prepared, claims settled and insurance policies issued, and the amount of premiums written solely via its platform”*). It would be helpful to spell out that only the applicable information relevant to the activities actually conducted by the firm needs to be reported on, for example by adding “where applicable” in those instances where a reporting activity may not be relevant to certain firms. CAFII members offer insurance products such as life, disability, critical illness, job loss, and travel insurance, and are not permitted to offer advice in the sale of Authorized Insurance Products. Many CAFII members do not operate as firms as defined by the applicable laws covering Insurance sales in Quebec.

We would also seek clarity on whether “claims settled” applies to the activities of life and health insurance companies, as we were under the impression this was directed to P&C insurance companies.

- With reference to Articles 4, 5, 21, and 22 in the Regulation, many CAFII members are required to provide detailed reporting information to the CCIR through the AMF-administered Annual Statement on Market Conduct (ASMC). As much of the reporting information required in the Regulation is already delivered by insurers (supported by their distributors) through CCIR’s ASMC, we believe that the reporting requirements set out in these Articles can and should be fulfilled

through the ASMC. We therefore encourage the AMF to achieve these reporting requirements through the already-in-place ASMC, of which the AMF is the technology and data analysis administrator on behalf of CCIR, thereby avoiding duplication of effort and inefficiencies.

In addition, those requirements in these Articles of the Regulation which are not already captured in the existing ASMC would be better captured by adding those reporting requirements into future iterations of the ASMC, thereby avoiding two sets of reporting and the inefficiencies that would create for both the AMF and the companies engaged in the reporting.

- Regarding Articles 22(1) and 22(2) in the Regulation, CAFII members consider this information to be proprietary and sensitive. It is not clear to us what additional benefit will be gained beyond the provision of financial information already provided to the AMF through CCIR's ASMC. Furthermore, the information requested in these sections appears to refer to all policies issued, premiums collected, and claims paid through a distributor, which we feel is outside the scope of a Regulation on Alternative Distribution Methods.
- Article 8 lists information that must be visible on the platform at all times. The list is sufficiently long that it risks creating a cumbersome, clunky, and potentially frustrating online user experience for consumers. We recommend that the AMF require that the information be "easily accessible at all times," and allow firms to determine how best to fulfil that requirement. To insist on information being visible "at all times" means that it would need to appear on every page or screen image, which would be onerous for website applications, and very disruptive to mobile applications on smartphones which have small screens and limited space to display information. In general, we appreciate and support the intent of the AMF with respect to most of these requirements, but would strongly recommend that instead of prescribing the means of fulfilling a requirement, firms be given the opportunity to use their marketplace knowledge to determine how best to fulfil the principle the AMF is advancing.
- Regarding Article 9(1), we are not clear on the intent of this Article and ask that it be clarified. In the case of CAFII members, the majority of insurance products offered are associated with consumers' debt obligations such as mortgages, loans, and credit card balances. As such, the type of clientele the products are intended for is borrowers. We ask that the AMF clarify the type of information it is seeking to have displayed on the platform arising from this Article, and in particular that this is only applicable to firms and not to distributors.
- Turning to the issue of clients always having access to a representative, it is our understanding that Bill 141 provides for this obligation in Clause 71.1: *"However, it must take the necessary steps to ensure that representatives of its own interact, in sufficient time, with clients who express the need to interact with a representative..."* We recognize that this language is in legislation that has been adopted by the National Assembly, but we would request consideration be given to the Regulation including interpretive language that makes the meaning and intent of that clause clearer. Specifically, "of its own" (*"qui sont les siens"*) could mean employees, or it could mean third party, outsourced staff who support the activities of the firm. We believe that if a firm is responsible for representatives and their activities and is engaged in their training, then the broader interpretation should meet the requirements of the clause in question. The flexibility offered by a broader interpretation of "of its own" more realistically reflects the reality of how the modern insurance industry deploys human resources. Therefore, we would encourage the

Regulation's inclusion of a clarification that third-party, outsourced staff who support the activities of a firm can be interpreted to meet the "of its own" requirement.

- Further with respect to the issue of clients always having access to a representative, there is a related requirement that a representative must interact "in sufficient time" (*"en temps utile"*) with a client. If a platform is available 24/7, access to a physical representative via the phone or another mechanism may only happen on the next business day. A statement in the Regulation that 24/7 access to a representative is not expected would be a helpful clarification.
- We would also seek confirmation that depending on the nature of the product being sold, the representative may not have to be a licensed representative. CAFII members sell creditor insurance products which are Authorized Insurance Products under the federal Bank Act and the Insurance Business (Banks and Bank Holding Companies) Regulations, for which offering advice is prohibited. So when a consumer is offered creditor insurance when he or she is taking on a new debt obligation such as a home mortgage, the CAFII member's representative would not be able to provide advice in connection with the optional insurance coverage for their debt obligation. Likewise, CAFII member client service representatives supporting online insurance sales would not be licensed, nor able to offer advice.
- Article 9.2 in the Regulation states that the platform must present to the client "the fact that the client must or may, as the case may be, subscribe for or enroll in a contract through the intervention of a representative or solely through the platform." It is our understanding from the 17 October AMF webinar that the intent of this clause is to inform the client upfront about the business model of the firm he or she is interacting with through the platform, for example to clarify whether the firm offers the opportunity to fulfil the transaction entirely online or, alternatively, whether a representative is required at some point in the transaction. We believe that the intent of this wording in Article 9(2) could be stated in clearer and simpler terms, for example "whether or not the transaction can be completed without a representative."
- We believe that much of the information disclosure required in Article 10 in the Regulation is duplicative of information that would be contained elsewhere on the platform. Article 10 also produces a more onerous requirement than exists in the phone channel. As well, some of this information may be better transmitted to the client via email or other means, as opposed to being placed on the platform. We believe that since a product summary and a "specimen of the policy" must be available on the website, all of the information disclosure requirements in Article 10 would be met through those documents. Since the requirements related to the product summary and the specimen of the policy are spelled out elsewhere in the Regulation, we feel that Article 10 is itself largely duplicative and unnecessary.

If the AMF decides to keep Article 10, a potential issue with sub-clauses 10(2) and 10(3) is that this may be quite a bit of content (depending on the product) to produce on a platform, with the potential to overwhelm the customer. If the article is maintained, we would suggest that the usual industry approach of providing a general statement about terms/conditions which may limit or exclude coverage with the disclosure of significant exclusions/limitations would be sufficient.

We also request clarification as to whether Article 10(8) is requesting that taxes be included in the price or separated out.

- We ask for clarification on what is meant by a “specimen” in Articles 11 and 33 of the Regulation. Creditor protection insurance, which is group insurance, has a Master Policy document that covers all of the members of the group, who then receive an individual Certificate of Insurance. The Master Policy document would not contain the right information for individual clients, and would contain company proprietary information that companies would not want to place on a public platform. We believe that a Certificate of Insurance is the right document to fulfil the requirement of access to a “specimen” for the products offered by CAFII members, and we would request confirmation that the AMF is in agreement with this interpretation.

We also recommend that the phrase “make available on its platform at all times” be changed to “make accessible on its platform at all times” in order to make it clear that this information does not need to appear on every page or screen of a website or mobile application.

- Article 15 seems to set out an obligation of results. We would recommend that the wording be modified to replace "The firm must ensure that its platform can..." by “The firm must take reasonable measures to ensure that its platform can....”
- Regarding Article 18 in the Regulation, we interpret it to mean that the information from completed applications must be stored by the firm for future retrieval. If a customer begins an application but does not complete it, that information will be lost and the client will have to re-enter it. We would appreciate receiving the AMF’s confirmation of CAFII’s view that incomplete applications should not be kept in the client record, and a client record for a new client should not be created until the client completes the purchase of a product.
- While we feel that most of the requirements in Articles 14 to 18 are within CAFII members’ existing capabilities, we will need to ensure that all of the requirements can be fulfilled and we will need sufficient time to test these requirements to ensure that they are functioning properly. For that reason, we request that the AMF provide a transition period of one year beyond the 13 June, 2019 in-force date of the Regulation, for the full implementation of the Regulation.
- We would like some clarification regarding what is meant by "*procedure relating to the design, use and maintenance of its platform*" in Article 17.
- With respect to Article 18, we would like understand if there is a specific retention period requirement. We would note that an insurer already has obligations under Quebec law to retain all customer information, regardless of how it is received, for a period of time.
- It is our interpretation of Regulation Article 19(2) that additional insurance coverages beyond the one initially selected can be presented to the client, so long as none of these are pre-selected. We would appreciate receiving the AMF’s confirmation of that view. In the English version of the Regulation in Article 19(1), we would propose changing “present advertising when a client completes a proposal” to “present advertising when a client completes an application.” There is no concern with this clause in the French version of the Regulation.
- Article 21 states that "*The insurer must notify the Authority without delay of any change in the information provided*", but it is not clear what is meant by "without delay." We would request that this be changed to providing the information within 60 days. Where there are business

reasons to remove a distributor, such as a contract breach, or issues around compensation expectations, we may be unable to disclose this information due to confidentiality agreements. We would propose in those situations to be able to advise the AMF that a distributor was removed because they were “in a situation of non-compliance practices.”

- With respect to Article 22(4), if a third party has a contract with a distributor, the insurer may not have access to information about the compensation paid to the third party. The insurer would have obligations placed on the distributor including on its management of third-party service providers, but specifics around compensation may not be available to the insurer.
- Article 25 states that the insurer must be able to provide all of the information and documents presented to the client at the time of the offer, but it is not clear if this would include the questions and responses from the application, or if this refers only to the product summary and fact sheet.
- We would seek clarification on what is meant by a “durable medium” in Article 29(5). We support the approach taken to the product summary (Article 30), where the AMF provides guidance on expectations but the actual wording is developed by companies who have the ability to use a summary approach, rather than listing the limitations / exclusions etc. For example, with respect to sub-clauses 30(6), 30(7), and 30(8), it is our understanding that a firm could use a high-level statement about there being limitations and exclusions and direct the customer to where they could find this information in more detail. We believe that such an approach is necessary if we are to fulfil on the AMF’s intention of keeping the product summary simple and concise.
- As we have noted elsewhere, target audience typically is borrowers for creditor products sold by CAFII members and as such we are not sure that this section of the Regulation pertains to our members’ activities. We are also unclear on what is intended to be covered under Article 30(8). Any clauses that affects the insured’s coverage should be covered by Article 30(7) on exclusions/limitations.
- When an insurance product is sold through a distributor, Article 33 should be a requirement for the distributor as opposed to the insurer. We would propose to modify the language of Article 33 to read “the insurer or distributor, depending on who the consumer purchases the product from, must make....”
- Articles 34 and 35 of the Regulation contain wording around training that concerned us. The regulation should make clear that training is only expected to be provided to individuals who interact with customers. There may be cases where the transaction is entirely online and the client chooses not to interact with a representative.
- In a similar vein, Article 35 in the Regulation seems to be about distributor representatives communicating directly with clients, which might not occur in many scenarios where alternative distribution methods are used. Separate legislative and regulatory requirements as well as CLHIA Guidelines, already cover the issue of distributor training requirements; and it is not clear why this has been included in this Regulation or how it fits within a Regulation focusing on alternative distribution methods.

- We recommend that Article 36 -- and particularly Article 36(1) -- be reworded to make it easier to understand and implement. For example, in which context would the time period be more than 180 days?
- We would seek to avoid any interpretation that an insurer is prohibited from setting different compensation for similar products between different distributors, for example paying distributor A 25% and distributor B 30% because the latter has a bigger customer base. Article 36(3) also states that no insurer may “set different commission rates applicable to a distributor for products with similar insurance coverage,” but as was noted in the 17 October 2018 AMF webinar, there are some products that are theoretically similar (term life and credit protection life insurance on a mortgage, for example), but which have very different target audiences. Based on industry consultation in the auto sector, we understand that the concern is that a distributor “may offer a product based solely on the potential remuneration they would receive and thus favour the product with the highest remuneration.” Therefore, we recommend modifying the wording of this Article, as follows: “set different commission rates applicable to a distributor for products with similar insurance coverage and similar target customers.” We would also seek confirmation that Article 36(1) does not apply to insurance under revolving accounts, for which there is no term and for which the insurance is renewable monthly.

At a more general level, we are not clear why a Regulation on Alternative Distribution Methods includes reference to compensation practices. There are other examples of requirements within the Regulation that appear to be outside of its natural scope and focus, and we would recommend that the AMF consider whether such clauses fit appropriately within this Regulation. More general, principles-based language requiring adherence to fair treatment of customers guidelines, as set out by the AMF and the CCIR/CISRO would, we believe, more effectively achieve the objectives of the AMF and avoid introducing language and concepts that are outside the scope of this particular Regulation.

- Regarding Schedule 1 on rescission of a contract (which is more commonly referred to as cancellation of a contract in English, as such we would suggest changing the word "rescission" to "cancellation" for clearer language), we ask that the AMF provide confirmation that our view is correct that these rights do not apply in certain circumstances, for example a client cannot purchase travel medical insurance; have it in force during their trip; then, after they return, (assuming it is less than 10 days after they took out the insurance) cancel the insurance and get a refund of the premium.

Schedule 1 also states that “To rescind the contract, you must give the insurer notice, within the applicable time, by registered mail or any other means that allows you to obtain an acknowledgement of receipt.” We recommend removing the reference to registered mail and simply stating “by any appropriate means” so as to avoid prescribing the means to achieve an objective, as opposed to focusing on the outcome and leaving the mechanism to achieve it to the firms operating in the marketplace.

We also would like to receive confirmation of our understanding that while the final version of Schedule 2 form will be unalterable, Schedules 1, 3, 4, and 5 are templates that can be modified by individual firms. We are concerned that if that is not the case, the AMF is prescribing details that may not properly reflect the full rights of a consumer and which will constrain a firm's ability to communicate information in language that they feel is most effective. For example, Schedule 1 says "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." While correct, we believe it would be more beneficial to actually state the period over which the consumer can cancel an insurance contract without penalty, which for many of our members is longer than 10 days. Our members have considerable experience with presenting information and forms to consumers, and just as the AMF has required with the product summary, we feel it would be more effective to indicate what are the principles the AMF is advancing and what are the expectations the AMF is requiring, and leave the specific language to individual firms operating in the marketplace.

- Regarding Schedule 2, we note that some of the pictograms utilized are automobile or traffic-related. Therefore, it would be problematic and potentially confusing to consumers to use such pictograms in life and health insurance-related documents.

In that connection, we would welcome the opportunity for some life and health insurance industry representatives, including from CAFII member companies, to meet with the AMF to review the content and format of the Schedule and offer feedback. In particular, we do have experts in the presentation of forms to clients who might be able to offer suggestions on how to make it a more consumer-friendly document. While we applaud your decision to hold a series of consumer focus groups on the forms, we believe that Schedule 2 is of critical importance and getting it optimally worded and formatted could benefit from additional input from a task-specific regulator/industry working group.

- We would recommend a one-year period for the full enforcement of the Regulation to ensure that our members have the time to ensure that the changes required are fully implemented and tested, and to make the customer experience from these changes as optimal as possible.

In conclusion, thank you again for the opportunity to provide input and feedback on the Regulation Respecting Alternative Distribution Methods. CAFII members appreciate the open and transparent communication relationship our Association has always enjoyed with the AMF, and the demonstrated willingness of your staff executives to engage in dialogue and consultations with the industry. We appreciate the opportunity to offer our considered views on this important and ground-breaking Regulation, and we look forward to continuing to engage in dialogue with you on this and other regulatory matters.

Should you require further information from CAFII or wish to meet with representatives from our Association at any time, please contact Keith Martin, CAFII Co-Executive Director, at keith.martin@cafii.com or 647-460-7725.

Sincerely,

A handwritten signature in black ink, appearing to be 'M Boyle', with a stylized, cursive script.

Martin Boyle
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 travel, life, health, property and casualty, and creditor's group insurance across Canada. In particular, creditor's group 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 that helps ensure Canadian consumers get the insurance products that suit their needs. Our aim is to ensure 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 Financial Security; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players American Express Bank Canada; Assurant; Canada Life Assurance; Canadian Premier Life Insurance Company; CUMIS Services Incorporated; and Manulife (The Manufacturers Life Insurance Company).

10 décembre 2018

M^e Anne-Marie Beaudoin
Secrétaire de l'Autorité
Autorité des marchés financiers
800, place Victoria, 22^e étage
C. P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Courriel : consultation-en-cours@lautorite.qc.ca

Objet : Règlement sur les modes alternatifs de distribution

M^e Beaudoin,

Au nom de l'Association canadienne des institutions financières en assurance (ACIFA), je vous écris au sujet de votre invitation du 10 octobre 2018 aux intervenants de l'industrie à contribuer au projet de Règlement sur les modes alternatifs de distribution publié par l'Autorité des marchés financiers (AMF).

Les membres de l'ACIFA croient fondamentalement au choix du consommateur concernant l'achat d'une protection d'assurance ainsi qu'à l'offre de multiples possibilités aux consommateurs sur le marché. À cet égard, nous estimons que le Règlement est une contribution réfléchie et importante au soutien et à la promotion du choix des consommateurs. Permettre aux entreprises d'offrir de l'assurance par d'autres méthodes de distribution donnera plus de choix aux consommateurs, et favorisera la concurrence et l'innovation sur le marché. Pour ces raisons, nous applaudissons l'intention du Règlement et estimons qu'il contribuera au renforcement de l'industrie de l'assurance au Québec ainsi qu'à la satisfaction des consommateurs.

Nous sommes donc heureux de formuler les commentaires suivants sur le projet de Règlement.

- Dans le webinaire sur le Règlement du 17 octobre 2018, plusieurs personnes ont mentionné que la capacité d'offrir de l'assurance au moyen de plateformes alternatives, comme Internet, n'éliminerait pas l'obligation de fournir une analyse des besoins si nécessaire. Nous souhaitons confirmer que cela se limite à l'offre d'assurance lorsqu'un cabinet est impliqué, et non lorsque l'assurance est offerte par l'entremise d'un distributeur. À titre de précision, les membres de l'ACIFA proposent une assurance-crédit facultative pour protéger une créance (p. ex. une hypothèque ou une marge de crédit hypothécaire). Toutefois, une analyse des besoins comprend des conseils, et nous souhaitons insister sur le fait que les membres de l'ACIFA ont l'interdiction formelle de prodiguer des conseils concernant les « produits d'assurance autorisés » (les diverses formes d'assurance de protection de créance) en vertu de la Loi fédérale sur les banques et des Règlements sur le commerce de l'assurance (banques et sociétés de portefeuille bancaires).
- Nous avons également remarqué qu'au cours du webinaire, il a été fait mention de l'article 68 de la Loi sur les assurances, qui donne à l'AMF le pouvoir d'ordonner aux entreprises de cesser d'offrir des produits, dans les situations où l'AMF juge qu'une telle ordonnance de cesser et de

s'abstenir est appropriée. Ce pouvoir étant très étendu et pouvant avoir une forte influence sur la tenue des affaires, nous demandons des renseignements supplémentaires sur les comportements des entreprises susceptibles de déclencher une telle réaction de l'AMF, sur les critères décisionnels et processus objectifs mis en place concernant l'application de ce pouvoir, et sur les processus d'appel dont l'entreprise concernée par une telle ordonnance de cesser et de s'abstenir pourra se prévaloir. De plus, nous comprenons qu'en vertu de l'article 465 de la Loi, il existera une période de notification qui permettra à un cabinet de corriger la non-conformité avant qu'une ordonnance de cesser et de s'abstenir entre en vigueur.

- L'article 2 du Règlement stipule que « *Un cabinet qui offre des produits et services sans l'entremise d'une personne physique doit le faire à l'aide d'une plateforme, soit un espace numérique permettant d'interagir directement avec le client, qui répond aux exigences prévues par le présent chapitre.* ». Certaines plateformes ne sont pas transactionnelles par nature, elles peuvent ne pas avoir la capacité d'entreprendre ou d'effectuer une vente réelle, mais disposer d'autres caractéristiques, comme permettre d'entreprendre le processus de soumission initiale en ligne. Nous estimons que la définition de « plateforme » s'applique aux sites Web ou aux plateformes de nature transactionnelle. Nous estimons que si les sites Web ou les plateformes non transactionnels étaient inclus dans la portée, cela n'apporterait pas d'avantage supplémentaire aux consommateurs et augmenterait inutilement la complexité.
- Nous encourageons l'AMF à envisager d'utiliser une formulation qui garantit que les technologies futures ne sont pas exclues du Règlement. La formulation du Règlement est orientée vers Internet et d'autres plateformes « orientées sur l'écrit », mais les technologies émergentes audio et de réalité virtuelle, combinées aux capacités d'intelligence artificielle, permettent de plus en plus d'envisager des ventes sans qu'une personne inscrive des informations sur une plateforme. Étant donné que l'AMF s'est engagée à favoriser l'innovation sur le marché, il serait avantageux d'utiliser des formulations plus inclusives sur le plan de la technologie qui pourraient inclure et autoriser les technologies au fur et à mesure qu'elles se développent, ce qui éliminerait la nécessité de revoir et de réviser le Règlement à l'avenir. Par exemple, l'expression « dispositif numérique » serait plus inclusive.
- Selon l'article 4 du Règlement, nous souhaitons indiquer que le fait de fournir des renseignements « sans délai » à l'AMF pourrait représenter un défi et nous souhaitons demander que cette formulation soit remplacée par « dans les 60 jours après la mise en place du Règlement ou dans les 60 jours après la modification de n'importe lequel de ces éléments ». En ce qui concerne les articles 4 et 5 du Règlement, nous remarquons que certaines des références semblent cibler les assurances générales ou faire référence à des activités, comme la production de plans financiers qui ne concernent pas nos membres (*Article 5 : « Le cabinet doit divulguer annuellement à l'Autorité, par l'entremise de sa demande de maintien d'inscription, le nombre de planifications financières effectuées, de sinistres réglés et de polices d'assurance émises ainsi que le montant des primes souscrites uniquement par l'entremise de sa plateforme. »*). Il serait utile de préciser que seuls les renseignements pertinents pour les activités effectivement menées par le cabinet doivent faire l'objet d'un rapport, par exemple en ajoutant « le cas échéant » dans les cas où une déclaration pourrait ne pas être pertinente pour certains cabinets. Les membres de l'ACIFA proposent des produits d'assurance comme l'assurance-vie, l'assurance invalidité, l'assurance-maladie grave, l'assurance perte d'emploi et l'assurance voyage, et ils ne sont pas autorisés à donner des conseils sur la vente de produits d'assurance autorisés. De nombreux membres de l'ACIFA n'exercent pas leurs activités en tant que cabinets au sens des lois applicables régissant

les ventes d'assurance au Québec.

Nous aimerions également savoir si les « sinistres réglés » s'appliquent aux activités des compagnies d'assurance de personnes et d'assurance-vie, car nous avons l'impression que cela s'adressait aux compagnies d'assurances générales.

- En ce qui concerne les articles 4, 5, 21 et 22 du Règlement, de nombreux membres de l'ACIFA sont tenus de fournir des renseignements détaillés sur les rapports au CCRRA par l'entremise de la Déclaration annuelle sur les pratiques commerciales (DAPC) administrée par l'AMF. Étant donné qu'une grande partie des renseignements à déclarer exigés par le Règlement sont déjà fournis par les assureurs (avec l'appui de leurs distributeurs) par l'entremise de la DAPC du CCRRA, nous estimons que les exigences de déclaration énoncées dans ces articles peuvent et doivent être respectées par l'entremise de la DAPC. Par conséquent, nous encourageons l'AMF à respecter ces exigences en matière de déclaration par l'entremise de la DAPC déjà en place, dont l'AMF est l'administrateur de la technologie et de l'analyse des données au nom du CCRRA, évitant ainsi le dédoublement des efforts et les inefficacités.

De surcroît, ces exigences détaillées dans ces articles du Règlement qui n'existent pas déjà dans la DAPC seraient plus efficacement recueillies par un ajout aux exigences de déclaration des DAPC futures, ce qui évitera deux séries de déclarations, ainsi que les inefficacités que cela engendrerait à la fois pour l'AMF et pour les entreprises concernées par les déclarations.

- En ce qui concerne les paragraphes 22(1) et 22(2) du Règlement, les membres de l'ACIFA considèrent que ces renseignements sont confidentiels et de nature délicate. L'avantage supplémentaire qui en serait tiré au-delà de la transmission de renseignements financiers déjà fournis à l'AMF par l'entremise de la DAPC du CCRRA ne nous apparaît pas évident. De plus, les renseignements demandés dans ces articles semblent faire référence à toutes les polices délivrées, aux primes perçues et aux réclamations payées par l'entremise d'un distributeur, ce qui, à notre avis, dépasse la portée d'un Règlement sur les modes alternatifs de distribution.
- L'article 8 énumère les renseignements qui doivent être visibles sur la plateforme en tout temps. La liste est suffisamment longue pour risquer de créer une expérience en ligne laborieuse, lourde et potentiellement frustrante pour les consommateurs. Nous recommandons que l'AMF exige que l'information soit « facilement accessible en tout temps » et permette aux cabinets de déterminer la meilleure façon de répondre à cette exigence. Insister pour que l'information soit visible « en tout temps » signifie qu'elle devrait apparaître sur chaque page ou image à l'écran, ce qui serait lourd pour les applications Web, et très perturbateur pour les applications mobiles sur les téléphones intelligents qui ont de petits écrans et un espace limité pour afficher les renseignements. D'une manière générale, nous sommes satisfaits de l'intention de l'AMF et soutenons la majorité de ces exigences, mais nous recommandons fortement qu'au lieu de déterminer les manières de remplir une exigence, le choix soit laissé aux cabinets d'utiliser leur connaissance du marché pour respecter au mieux les principes énoncés par l'AMF.
- En ce qui concerne le paragraphe 9(1), nous ne sommes pas certains de son objet et nous demandons qu'il soit clarifié. Dans le cas des membres de l'ACIFA, la majorité des produits d'assurance offerts sont associés aux créances des consommateurs, comme les hypothèques, les prêts et les soldes de cartes de crédit. Par conséquent, le type de clientèle visé par les produits est les emprunteurs. Nous demandons à l'AMF de préciser le type d'informations devant être

affichées sur la plateforme en vertu du présent article, et en particulier que cela ne s'applique qu'aux cabinets et non aux distributeurs.

- En ce qui concerne la question des clients qui doivent toujours avoir accès à un représentant, nous estimons comprendre que le projet de loi 141 prévoit cette obligation à l'article 71.1 : « *Il doit néanmoins prendre les moyens nécessaires à ce que des représentants qui sont les siens agissent, en temps utile, auprès des clients qui en expriment le besoin...* » Nous reconnaissons que cette formulation se trouve dans la législation adoptée par l'Assemblée nationale, mais nous souhaiterions que le Règlement éclaircisse le sens et l'intention de cette clause. Plus précisément, « *qui sont les siens* » pourrait signifier des employés, ou des parties tierces, comme des employés externes qui appuient les activités de l'entreprise. Nous estimons que si un cabinet est responsable de ses représentants, de leurs activités et qu'il participe à leur formation, l'interprétation plus large devrait répondre aux exigences de la clause en question. La souplesse offerte par une interprétation plus large de l'expression « *qui sont les siens* » reflète de façon plus réaliste la réalité de la façon dont l'industrie moderne de l'assurance déploie les ressources humaines. Par conséquent, nous encourageons l'inclusion dans le Règlement d'un éclaircissement selon lequel les employés externes qui appuient les activités d'un cabinet peuvent être considérés comme répondant à l'exigence « *qui sont les siens* ».
- En outre, en ce qui concerne le fait que les clients doivent toujours avoir accès à un représentant, il existe une exigence connexe selon laquelle un représentant doit interagir « en temps utile » avec un client. Si une plateforme est disponible 24 heures sur 24, 7 jours sur 7, l'accès à un représentant physique par téléphone ou par un autre mécanisme peut n'avoir lieu que le jour ouvrable suivant. Il serait utile de préciser dans le Règlement que l'accès à un représentant 24 heures sur 24, 7 jours sur 7 n'est pas attendu.
- Nous désirons également obtenir la confirmation que, selon la nature du produit vendu, le représentant n'a pas forcément l'obligation d'être autorisé. Les membres de l'ACIFA vendent des produits d'assurance de créances qui sont des produits d'assurance autorisés en vertu de la Loi fédérale sur les banques et du Règlement sur le commerce de l'assurance (banques et sociétés de portefeuille bancaires), pour lesquels il est interdit de donner des conseils. Par conséquent, lorsqu'un consommateur se voit offrir une assurance de créances lorsqu'il contracte une nouvelle dette, comme une hypothèque résidentielle, le représentant du membre de l'ACIFA ne pourrait pas donner de conseils au sujet de la couverture d'assurance facultative de ses créances. De même, les représentants du service à la clientèle qui appuient les ventes d'assurance en ligne des membres de l'ACIFA ne seraient pas autorisés à offrir des conseils et ne seraient pas en mesure de le faire.
- L'article 9.2 du Règlement stipule que la plateforme doit présenter au client « le fait que le client doive ou puisse, le cas échéant, souscrire ou adhérer au contrat en recourant à l'intervention d'un représentant ou uniquement en ayant recours à la plateforme ». Selon notre compréhension du webinaire de l'AMF du 17 octobre, l'objectif de cette clause est d'informer le client au départ du modèle d'affaires du cabinet auquel il s'adresse au moyen de la plateforme, afin, par exemple, de vérifier si le cabinet lui offre la possibilité d'effectuer la transaction entièrement en ligne ou si l'intervention d'un représentant sera nécessaire à un moment au cours de la transaction. Nous estimons que l'intention de cette formulation au paragraphe 9(2) pourrait être énoncée en termes plus clairs et plus simples, par exemple « si la transaction peut ou non être effectuée sans un représentant ».

- Nous estimons qu'une grande partie de la divulgation de l'information exigée à l'article 10 du Règlement fait double emploi avec les renseignements qui se trouveraient ailleurs sur la plateforme. L'article 10 impose également une exigence plus lourde que celle qui existe pour le canal téléphonique. De plus, certains de ces renseignements pourraient être mieux transmis au client par courriel ou par d'autres moyens, plutôt que d'être affichés sur la plateforme. Nous estimons qu'étant donné qu'un sommaire de produit et un « spécimen de la police » doivent être disponibles sur le site Web, toutes les exigences en matière de divulgation de renseignements de l'article 10 seraient respectées par l'entremise de ces documents. Étant donné que les exigences relatives au sommaire de produit et au spécimen de la police sont énoncées ailleurs dans le Règlement, nous estimons que l'article 10 est en soi largement redondant et inutile.

Si l'AMF décide de conserver l'article 10, un problème potentiel avec les paragraphes 10(2) et 10(3) est qu'il peut s'agir d'un contenu assez important (selon le produit) à ajouter sur une plateforme, avec le risque de submerger le client de renseignements. Si l'article est conservé, nous suggérons que l'approche habituelle de l'industrie, qui consiste à fournir une déclaration générale au sujet des modalités qui peuvent limiter ou exclure la couverture avec la divulgation d'exclusions ou de limites importantes, serait suffisante.

Nous demandons également des éclaircissements pour savoir si le paragraphe 10(8) exige que les taxes soient incluses dans le prix ou inscrites séparément.

- Nous demandons des précisions sur ce qu'on entend par « spécimen » aux articles 11 et 33 du Règlement. L'assurance de protection de créance, une assurance collective, dispose d'un contrat principal qui couvre tous les membres du groupe, lesquels reçoivent ensuite un certificat d'assurance individuel. Le contrat principal ne contiendrait pas les bons renseignements pour chaque client et contiendrait des renseignements confidentiels de l'entreprise que cette dernière ne souhaiterait pas afficher sur une plateforme publique. Nous estimons qu'un certificat d'assurance est le bon document pour satisfaire à l'exigence d'accès à un « spécimen » pour les produits offerts par les membres de l'AFICA, et nous demandons la confirmation de l'accord de l'AMF avec cette interprétation.

Nous recommandons également que l'expression « rendre disponible en tout temps sur sa plateforme » soit remplacée par « rendre accessible en tout temps sur sa plateforme » afin qu'il soit clair que cette information n'a pas besoin d'être affichée sur chaque page ou écran d'un site Web ou d'une application mobile.

- L'article 15 semble énoncer une obligation de résultat. Nous recommandons que la formulation soit modifiée pour remplacer « Le cabinet doit veiller à ce que sa plateforme soit en mesure de ... » par « Le cabinet doit prendre des mesures raisonnables pour que sa plateforme soit en mesure de »
- En ce qui concerne l'article 18 du Règlement, nous l'interprétons comme signifiant que les informations provenant des demandes remplies doivent être stockées par le cabinet pour être récupérées ultérieurement. Si un client commence à effectuer une demande, mais ne la termine pas, ces renseignements seront perdus et le client devra les saisir de nouveau. Nous aimerions recevoir la confirmation de l'AMF de l'exactitude de l'opinion de l'ACIFA selon laquelle les demandes incomplètes ne devraient pas être conservées dans le dossier du client, et un dossier

pour un nouveau client ne devrait pas être créé avant que celui-ci n'ait terminé l'achat d'un produit.

- Bien que nous estimions que la plupart des exigences des articles 14 à 18 sont conformes aux capacités actuelles des membres de l'ACIFA, nous devons nous assurer que toutes les exigences peuvent être satisfaites et nous aurons besoin de suffisamment de temps pour les mettre à l'essai afin de nous assurer de leur bon fonctionnement. Pour cette raison, nous demandons que l'AMF prévoit une période de transition d'un an après la date d'entrée en vigueur du Règlement, le 13 juin 2019, pour la mise en œuvre complète du Règlement.
- Nous souhaitons avoir des précisions sur ce qu'il est entendu par « procédure relative à la conception, à l'utilisation et à la maintenance de sa plateforme » à l'article 17.
- En ce qui concerne l'article 18, nous aimerions savoir s'il existe une exigence particulière concernant la période de conservation. Nous remarquons qu'un assureur a déjà l'obligation, en vertu de la loi québécoise, de conserver tous les renseignements sur ses clients, peu importe la façon dont ils sont reçus, pendant un certain temps.
- Selon notre interprétation du paragraphe 19(2) du Règlement, des couvertures d'assurance supplémentaires à celle sélectionnée initialement peuvent être présentées au client, pourvu qu'aucune d'entre elles ne soit présélectionnée. Nous aimerions que l'AMF nous confirme ce point de vue. Dans la version anglaise du Règlement, au paragraphe 19(1), nous proposons de remplacer « present advertising when a client completes a proposal » par « present advertising when a client completes an application ». Il n'y a pas de problème avec cette disposition dans la version française du Règlement.
- L'article 21 stipule que « *L'assureur doit aviser l'Autorité sans délai d'une modification aux renseignements divulgués* », mais ce qui est entendu par « sans délai » n'est pas clair. Nous demandons que ceci soit modifié afin que les renseignements puissent être fournis dans les 60 jours. Lorsqu'il existe des raisons commerciales de retirer un distributeur, comme dans le cas d'une rupture de contrat, ou des enjeux entourant les attentes en matière d'indemnisation, nous pourrions ne pas être en mesure de divulguer ces renseignements en raison d'ententes de confidentialité. Dans ces situations, nous proposons de pouvoir informer l'AMF qu'un distributeur a été retiré parce qu'il était « en situation de non-conformité ».
- En ce qui concerne le paragraphe 22(4), si un tiers dispose d'un contrat avec un distributeur, l'assureur peut ne pas avoir accès aux renseignements concernant l'indemnisation versée au tiers. L'assureur imposerait des obligations au distributeur, notamment en ce qui concerne la gestion de fournisseurs de services tiers, mais il se peut que l'assureur ne puisse pas obtenir de renseignements précis concernant l'indemnisation.
- L'article 25 indique que l'assureur doit être en mesure de fournir l'ensemble des renseignements et documents présentés au client au moment de l'offre, mais nous aimerions savoir si cela comprend les questions et réponses de la demande ou s'il ne s'agit que du sommaire de produit et de la fiche de renseignements.
- Nous aimerions obtenir des précisions sur ce qu'il est entendu par « support durable » au

paragraphe 29(5). Nous appuyons l'approche du sommaire du produit (article 30), dans lequel l'AMF prodigue des instructions concernant les attentes. Toutefois, les formulations réelles sont créées par les entreprises disposant de la capacité d'adopter une approche sommaire plutôt que d'énumérer les limitations, les exclusions, etc. Par exemple, selon les paragraphes 30(6), 30(7) et 30(8), nous comprenons qu'un cabinet pourrait utiliser une déclaration de haut niveau indiquant qu'il existe des limitations et des exclusions, puis diriger le client vers l'endroit où il pourra trouver ces renseignements de manière plus détaillée. Nous estimons qu'une telle approche est nécessaire si nous voulons respecter l'intention de l'AMF de garder le sommaire du produit simple et concis.

- Comme nous l'avons fait remarquer ailleurs, le public cible des produits de crédit vendus par les membres de l'ACIFA est généralement les emprunteurs, et par conséquent, nous ne sommes pas certains que cet article du Règlement concerne les activités de nos membres. Nous ne savons pas non plus précisément ce qui devrait être couvert par le paragraphe 30(8). Toute clause qui touche la protection de l'assuré devrait être couverte par le paragraphe 30(7) en ce qui concerne les exclusions et limitations.
- Lorsqu'un produit d'assurance est vendu par l'entremise d'un distributeur, l'article 33 devrait être une exigence pour le distributeur plutôt que pour l'assureur. Nous proposons de modifier la formulation de l'article 33 pour qu'il se lise comme suit : « l'assureur ou le distributeur, selon à qui le produit est acheté, doit rendre.... »
- Les articles 34 et 35 du Règlement contiennent une formulation concernant la formation qui nous préoccupe. Le Règlement devrait préciser clairement que la formation n'est obligatoire que pour les personnes qui interagissent avec les clients. Il peut y avoir des situations où la transaction est entièrement réalisée en ligne et où le client choisit de ne pas interagir avec un représentant.
- Dans le même esprit, l'article 35 du Règlement semble porter sur les représentants des distributeurs qui communiquent directement avec les clients, ce qui pourrait ne pas se produire dans de nombreuses situations où d'autres modes de distribution sont utilisés. Des exigences législatives et réglementaires distinctes ainsi que des lignes directrices de l'ACCAP couvrent déjà la question des exigences de formation des distributeurs et nous ne comprenons pas pourquoi cela a été inclus dans le présent Règlement ni comment cela s'inscrit dans un Règlement axé sur des modes alternatifs de distribution.
- Nous recommandons que l'article 36 -- et en particulier le paragraphe 36(1) -- soit reformulé pour qu'il soit plus facile à comprendre et à mettre en œuvre. Par exemple, dans quel contexte la période serait-elle supérieure à 180 jours?
- Nous cherchons à éviter toute interprétation selon laquelle il est interdit à un assureur d'établir une indemnisation différente pour des produits semblables entre différents distributeurs, par exemple en payant au distributeur A 25 % et au distributeur B 30 % parce que ce dernier dispose d'une plus clientèle plus fournie. Le paragraphe 36(3) indique également qu'aucun assureur ne peut « établir des taux de commission différents applicables à un distributeur pour des produits proposant des garanties d'assurance similaires », mais comme précisé lors du webinaire du 17 octobre 2018 de l'AMF, certains produits sont similaires en théorie (assurance-vie et assurance protection de crédit pour une hypothèque par exemple), mais ciblent des publics très différents.

D'après les consultations menées auprès de l'industrie dans le secteur de l'automobile, nous estimons comprendre que la préoccupation tient au fait qu'un distributeur « peut offrir un produit uniquement en fonction de la rémunération potentielle qu'il recevrait et favoriser ainsi le produit le mieux rémunéré ». Par conséquent, nous recommandons de modifier la formulation de l'article en question, comme suit : « établir des taux de commission différents applicables à un distributeur pour des produits proposant des garanties d'assurance et destinés à un public similaire. » Nous demandons également la confirmation que le paragraphe 36(1) ne s'applique pas à l'assurance des crédits renouvelables, pour lesquels il n'existe pas de terme et pour lesquels l'assurance est renouvelable mensuellement.

D'une manière plus générale, nous ne comprenons pas pourquoi un Règlement sur les modes alternatifs de distribution fait référence aux pratiques de rémunération. Il y a d'autres exemples d'exigences dans le Règlement qui semblent être hors de sa portée et de son objectif naturel. Nous recommandons ainsi que l'AMF examine si de telles clauses cadrent bien dans le présent Règlement. Une formulation plus générale et fondée sur des principes exigeant le respect des lignes directrices sur le traitement équitable des clients, tel qu'énoncé par l'AMF, le CCRRA et les OCRA, permettrait, à notre avis, d'atteindre plus efficacement les objectifs de l'AMF et d'éviter d'introduire une formulation et des concepts qui dépassent la portée de ce Règlement en particulier.

- Concernant l'Annexe 1 sur la résolution d'un contrat d'assurance (aussi appelé *recission* en anglais, ce qui est plus couramment appelé *cancellation*, nous suggérons de remplacer le terme *recission* par *cancellation* dans la version anglaise pour une formulation plus claire), nous demandons confirmation à l'AMF de l'exactitude de notre point de vue, à savoir que ces droits ne s'appliquent pas dans certaines situations. Par exemple, un client ne peut pas acheter une assurance médicale de voyage, l'avoir en vigueur durant son voyage, rentrer, puis (si l'assurance a été souscrite il y a moins de 10 jours) annuler l'assurance et demander un remboursement de la prime versée.

L'Annexe 1 stipule également que « Pour mettre fin au contrat, vous devez donner à l'assureur, à l'intérieur du délai applicable, un avis par poste recommandée ou par tout autre moyen vous permettant de recevoir un accusé de réception. ». Nous recommandons de supprimer la référence à la poste recommandée et de simplement énoncer « par tout moyen approprié » afin d'éviter de prescrire les moyens d'atteindre un objectif, plutôt que de se concentrer sur le résultat et de laisser le choix du mécanisme pour l'atteindre aux entreprises qui exercent leurs activités sur le marché.

Nous aimerions également recevoir confirmation de notre compréhension du fait que même si la version finale du formulaire de l'Annexe 2 ne sera pas modifiable, les Annexes 1, 3, 4 et 5 sont des modèles qui peuvent être modifiés par chaque cabinet. Nous craignons que dans le cas contraire, l'AMF prescrive des détails qui ne reflètent peut-être pas les droits complets du consommateur et qui limiteront la capacité d'un cabinet de communiquer l'information selon une formulation qu'elle juge la plus efficace. Par exemple, l'Annexe 1 énonce : « La Loi vous permet de mettre fin à votre assurance, **sans pénalité**, dans les 10 jours suivant l'achat de votre assurance. L'assureur peut toutefois vous accorder un délai plus long. » Bien que ce soit exact, nous estimons qu'il serait plus avantageux de préciser la période pendant laquelle le consommateur peut annuler un contrat d'assurance sans pénalité, période qui, pour bon nombre de nos membres, est supérieure à 10 jours. Nos membres disposent d'une expérience considérable en ce qui a trait à la présentation

des renseignements et des formulaires destinés aux consommateurs. Tout comme l'AMF l'a réclamé pour le sommaire de produit, nous estimons qu'il serait plus efficace que l'AMF indique les principes à respecter et ses attentes, puis de laisser chaque cabinet œuvrant sur le marché décider de la formulation précise.

- En ce qui concerne l'Annexe 2, nous remarquons que certains des pictogrammes utilisés sont liés à l'automobile ou à la circulation. Par conséquent, il serait problématique et potentiellement déroutant pour les consommateurs d'utiliser de tels pictogrammes dans des documents liés à l'assurance-vie et à l'assurance-maladie.

À cet égard, nous serions heureux que des représentants de l'industrie de l'assurance-vie et de l'assurance-maladie, notamment des sociétés membres de l'ACIFA, aient l'occasion de rencontrer l'AMF pour examiner le contenu et le format de l'Annexe et lui faire part de leurs commentaires. En particulier, nous disposons d'experts dans la présentation de formulaires aux clients qui pourraient être en mesure de formuler des suggestions sur la façon d'en faire un document plus convivial. Bien que nous saluions votre décision d'organiser une série de groupes de discussion de consommateurs concernant les formulaires, nous estimons que l'Annexe 2 est d'une importance cruciale et qu'une formulation et une mise en forme optimales pourraient être obtenues au moyen d'une contribution supplémentaire d'un groupe de travail de l'organisme de réglementation et de l'industrie axé sur cette tâche.

- Nous recommandons une période d'un an pour l'application complète du Règlement afin que nos membres aient le temps de s'assurer que les changements requis sont pleinement mis en œuvre et à l'essai, et de rendre l'expérience client de ces changements aussi optimale que possible.

En conclusion, je vous remercie encore une fois de nous avoir donné l'occasion de formuler des commentaires sur le Règlement sur les modes alternatifs de distribution. Les membres de l'ACIFA apprécient la relation de communication ouverte et transparente que notre Association a toujours eue avec l'AMF, ainsi que la volonté manifeste de vos cadres supérieurs d'engager le dialogue et les consultations avec l'industrie. Nous vous remercions de nous donner l'occasion de vous faire part de notre point de vue éclairé sur cet important Règlement révolutionnaire, et nous nous réjouissons à la perspective de poursuivre le dialogue avec vous sur cette question et d'autres questions réglementaires.

Si vous avez besoin de plus amples renseignements de l'ACIFA ou si vous souhaitez rencontrer des représentants de notre Association en tout temps, veuillez communiquer avec Keith Martin, codirecteur général de l'ACIFA, à l'adresse keith.martin@cafii.com ou au 647-460-7725.

Cordialement,



Martin Boyle
Secrétaire et président du Conseil d'administration, Comité des opérations exécutives

À propos de l'ACIFA

L'ACIFA est une association sans but lucratif de l'industrie, vouée au développement d'un marché d'assurance souple et ouvert. Notre association a été fondée en 1997 pour créer une voix pour les institutions financières impliquées dans la vente d'assurance à travers une variété de canaux de distribution. Nos membres offrent des produits d'assurance par l'intermédiaire des centres de contacts clients, agents et courtiers, agents de voyages, courrier direct, succursales d'institutions financières, et internet.

L'ACIFA croit que les consommateurs sont mieux servis lorsqu'ils ont des choix véritables dans l'achat de produits et services d'assurance. Nos membres proposent des assurances de voyages, vie, santé, générale et de gestion immobilières et assurance collective de créancier partout au Canada. En particulier, l'assurance collective de créancier et l'assurance voyage sont les lignes de produits d'objectif principal de l'ACIFA en tant que base commune de nos membres.

L'affiliation diverse des membres de l'ACIFA permet à notre association d'avoir une vue d'ensemble du régime de réglementation régissant le marché de l'assurance. Nous travaillons avec le gouvernement et les organismes de réglementation (principalement provinciaux/territoriaux) à l'élaboration d'un cadre législatif et réglementaire pour le secteur de l'assurance qui permette d'assurer aux consommateurs canadiens qu'ils obtiennent des produits d'assurance répondant à leurs besoins. Notre objectif est de nous assurer que des normes appropriées sont en place pour la distribution et la commercialisation de tous les produits et services d'assurance.

L'ACIFA est actuellement la seule Association canadienne ayant des membres impliqués dans toutes les principales branches d'assurance personnelle. Les membres de l'ACIFA comprennent les branches d'assurance des principales institutions financières du Canada – Assurance CIBC; BMO Assurance; Desjardins Sécurité financière; La Financière Scotiabank; RBC Assurances; et TD Assurance, de même que les principaux acteurs de l'industrie, Assurant, Assurance-vie Canada, Banque American Express, CUMIS Services Incorporated, La Compagnie d'assurance-vie Première du Canada, et Manuvie (La Compagnie d'Assurance-Vie Manufacturers).

Agenda Item 4.4
April 16/19 Board Meeting

From: Brendan Wycks

Sent: April-08-19 2:15 PM

Subject: AMF Acknowledgement Response To CAFII Proposed Strategies and Possible Solutions Re Creditors Demonstrating A Pecuniary Interest In the Life and/or Health Of A Debtor's Spouse

CAFII EOC, Market Conduct Committee, and AMF Spousal Coverage Issue Working Group Members:

FYI, see below the brief acknowledgement response received from Nathalie Sirois of the AMF in response to CAFII's "Proposed Strategies and Possible Solutions Submission To AMF Re Creditors Demonstrating A Pecuniary Interest In the Life and/or Health Of A Debtor's Spouse" sent March 29/19.

Our submission has now been provided to the AMF in both English and French (attached).

Brendan Wycks, BA, MBA, CAE

Co-Executive Director

Canadian Association of Financial Institutions in Insurance

Brendan.wycks@cafii.com

T: 647.218.8243

Alternate T: 647.361.9465

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From: Pelletier Chantal <Chantal.Pelletier@lautorite.qc.ca>

Sent: April-02-19 3:26 PM

Subject: Creditors Demonstrating A Pecuniary Interest in the Life and/or Health of a Debtor's Spouse

Dear Mr. Wycks:

We acknowledge receipt of the documents regarding the above mentioned subject.

We will proceed to the analysis and follow up if necessary.

Yours truly,

Nathalie Sirois, CPA, CGA, MBA, CRMA
Senior Director, Supervision of insurers
and Control of Right to Practise

Chantal Pelletier
Adjointe administrative
Direction principale de la surveillance des assureurs
et du contrôle du droit d'exercice
Autorité des marchés financiers
Téléphone : 418.525.0337, poste 4652
Sans frais : 1.877.525.0337, poste 4652
chantal.pelletier@lautorite.qc.ca
www.lautorite.qc.ca

From: Brendan Wycks

Sent: March-29-19 5:30 PM

To: Sirois Nathalie <nathalie.sirois@lautorite.qc.ca>

Cc: Gauthier Louise <Louise.Gauthier@lautorite.qc.ca>; Berthiaume Isabelle <isabelle.berthiaume@lautorite.qc.ca>; Beaudoin Mario <Mario.Beaudoin@lautorite.qc.ca>; Whittom Nancy-Audrey <Nancy-Audrey.Whittom@lautorite.qc.ca>; Keith Martin <Keith.Martin@cafii.com>; 'Boyle, Martin' <Martin.Boyle@bmo.com>

Subject: CAFII Proposed Strategies and Possible Solutions Submission To AMF Re Creditors Demonstrating A Pecuniary Interest In the Life and/or Health Of A Debtor's Spouse

(French translation to follow, via separate transmittal)

March 29, 2019

Ms. Nathalie Sirois
Senior Director, Supervision of Insurers and Control of Right to Practise
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1

Dear Ms. Sirois:

**Re: CAFII Proposed Strategies and Possible Solutions Submission Re Creditors Demonstrating A Pecuniary Interest In the Life and/or Health Of A Debtor's Spouse
In Order To Offer Him/Her Creditor's Group Insurance Coverage Under Québec's Distribution Without a Representative Regime**

Thank you for your March 6, 2019 email reply to CAFII's letter of March 1, 2019. Our Association appreciates the AMF's willingness to grant our requested deadline extension to March 29, 2019 for delivering the *Proposed Strategies and Possible Solutions* included herein.

Although CAFII Members still believe that all aspects of their offering of group debtor life, health, and employment insurance in Québec are in compliance with the applicable legislation and Regulations, our Association understands the AMF's concerns with respect to the fair treatment of consumers. As such, all affected CAFII Members are currently reviewing their products, as part of both internal continuous improvement processes and collaborative work with the AMF to maintain sound commercial practices.

CAFII's affected Members are therefore grateful for your granting of a deadline extension to May 3, 2019 for their submission of detailed action plans and related data which the AMF has requested. That extension will allow our affected Members to have the benefit of

- the *Proposed Strategies and Possible Solutions* developed at the Association level which are set out below;
- the consultation discussions with which we would now like to have with you and AMF staff executive colleagues on those *Proposed Strategies and Possible Solutions*; and
- an opportunity to consider the outcomes of our consultation discussions in their action plan submissions.

CAFII's Proposed Strategies and Possible Solutions

As an opening comment and key caveat to our *Proposed Strategies and Possible Solutions* set out below, CAFII views it as critically important that the AMF recognize that not all strategies/solutions will work for all affected Members/industry players. Further, the AMF should not try to choose a one-size-fits-all strategy/solution and impose it upon the industry for any given product. Rather, it is essential that the AMF provide flexibility by endorsing a range of acceptable strategies and solutions which will assist the industry in achieving compliance with the expectations arising from your interpretation of Section 76 of the *Regulation Under the Act Respecting Insurance*.

As the AMF is aware, CAFII Members offer a variety of life, disability, critical illness, and job loss creditor's group insurance to consumers, both debtors and their spouses. For purposes of our *Proposed Strategies and Possible Solutions*, we have identified three (3) general categories of creditor's group insurance that are offered to the spouses of insured debtors in Québec.

In the first category, we believe that the creditor's pecuniary interest in the life and/or health of the spouse is already demonstrated and self-evident. In the other two categories, CAFII Members are prepared to consider changes/enhancements to their practices to address the AMF's concern that a creditor must be able to demonstrate that it has a pecuniary interest in the life and/or health of a spouse in order to offer him/her such coverage.

1. For credit card balance protection products which provide insurance coverage for a spouse who **is** an authorized secondary cardholder (i.e. an additional person authorized to use the credit card, but who is not directly responsible to repay the credit card debt) – whether that coverage is automatic or must be separately applied for – CAFII and its Members believe that the creditor’s pecuniary interest in the life and/or health of the spouse is demonstrated and self-evident because (i) the spouse has been issued a credit card and is entitled to make purchases/charges to the card account; and (ii) as a result, the creditor has an appreciable financial interest which is directly linked to the life and/or health of the spouse (as explained in our related January 25/19 CAFII submission to the AMF).

(Based on our discussion with you and AMF colleagues during our February 6/19 meeting on this issue in Montréal, it is CAFII’s understanding that for situations where spousal coverage is provided **at no additional premium**, the AMF is not concerned about a creditor having a demonstrated pecuniary interest in the life and/or health of the spouse. Therefore, we have not contemplated that scenario in this submission.)

2. For credit card balance protection products which cover a spouse who **is not** an authorized secondary cardholder and where such coverage is put in place through the debtor’s application to add coverage for his/her spouse to existing insurance coverage or through the debtor’s application for a product that specifically includes coverage for a spouse, CAFII Members would be prepared to do the following to demonstrate the creditor’s pecuniary interest in the life and/or health of the spouse who is to be covered:

- include an eligibility-related “qualification statement” in the insurance materials to the effect that “You should only apply for this spousal coverage if your spouse is involved in your household or business, such that his/her contribution, monetarily or otherwise, contributes to your ability to make credit card payments.”

This qualification statement would be included in the balance protection insurance application.

3. For loan-related insurance coverage where the spouse of a debtor can apply to be covered, such as for creditor insurance on a mortgage, home equity line of credit, other consumer loan, or on a business loan or line of credit, CAFII Members would be prepared – in addition to obtaining the spouse’s signature on the insurance proposal -- to do the following to demonstrate the creditor’s pecuniary interest in the life and/or health of the spouse who is applying for coverage:

- include an eligibility-related “qualification statement” in the insurance materials to the effect that “You should only apply for this coverage if, as the spouse of the borrower, you contribute to the household or business such that your contribution, monetarily or otherwise, contributes to the ability of the borrower to make repayments on the [loan, line of credit, or other debt obligation].”

This qualification statement would be included in the loan-related insurance application.

Conclusion

Thank you for receiving and considering this CAFII *Proposed Strategies and Possible Solutions* submission. We look forward to having an opportunity to dialogue with you and AMF staff executive colleagues about these proposals at your earliest convenience, bearing in mind the imminent May 3, 2019 deadline for affected CAFII Members to submit the detailed action plans and related data which the AMF has requested.

In closing, we feel it important to reiterate our key caveat that not all of our proposed strategies/solutions will work for all affected Members/industry players; and, as well, our strong belief that the AMF should not try to choose a one-size-fits-all strategy/solution and impose it upon the industry for any given product. It is essential that flexibility and a range of acceptable strategies and solutions be provided to assist the industry in achieving compliance with the AMF's expectations arising from its interpretation of Section 76 of the *Regulation Under the Act Respecting Insurance*.

Sincerely,



Martin Boyle
Board Secretary and Chair, Executive Operations Committee

Brendan Wycks, BA, MBA, CAE

Co-Executive Director
Canadian Association of Financial Institutions in Insurance
Brendan.wycks@cafii.com
T: 647.218.8243
Alternate T: 647.361.9465
www.cafii.com

Making Insurance Simple and Accessible for Canadians
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Agenda Item 4.5
April 16/19 Board Meeting

FSRA Start-Up As Successor Regulator To FSCO In Ontario

Transition Updates

FSRA continues to make progress in preparation to assume regulatory functions currently delivered by the Financial Services Commission of Ontario (FSCO) and the Deposit Insurance Corporation of Ontario (DICO). We are working closely with the Ministry of Finance, FSCO and DICO to ensure a smooth transition of regulatory authorities, as well as to start the transformation required to achieve burden reduction and regulatory effectiveness.

With an ambitious transformation mandate, FSRA will not simply be a continuation of existing Ontario regulators. FSRA's aim is to be an efficient and effective regulator that serves the public interest. We are committed to doing the right things and doing things right.

We remain on track for Spring 2019, with a phased transition starting in April to facilitate a June launch.

Draft 2019-20 Priorities and Budget

Consultations on FSRA's draft 2019-20 Priorities and Budget included meetings with FSRA's seven [Industry Advisory Groups](#), a consumer round-table, and public consultation from January 21 to February 14, 2019.

The learnings from the consultation on the priorities and budget have been incorporated into FSRA's 2019-22 Business Plan, which was submitted to the Ministry of Finance on February 28, 2019. As per the *Agencies and Appointments Directive*, the Business Plan will be posted on the FSRA website when approved.

Rules

The legislative framework in the FSRA Act provides FSRA with specific rule-making authorities under the regulated sector statutes and the FSRA Act, including the authority to make rules governing fees and other charges. By delegating rule-making authority to FSRA, the Legislature empowers FSRA to use its expertise to create and implement principles-based rules, giving FSRA additional flexibility to respond to market and/or product changes.

The rule-making process includes a mandatory consultation period during which stakeholders are encouraged to comment and provide feedback on the proposed new rule or change. Proposed rules will be posted on this page. [Subscribe to our mailing list](#) to be notified of consultations and other FSRA news.

[Rule-making Overview](#)

Proposed Fee Rule

On September 28, 2018 the Ontario Legislature proclaimed FSRA's rule-making authority under the [Financial Services Regulatory Authority of Ontario Act, 2016 \(FSRA Act\)](#).

This is a significant milestone that enables FSRA to make rules, including those governing fees and other charges required for FSRA to operate as an independent, self-funded agency that will operate on a cost recovery basis.

As part of the transition of FSCO's and DICO's regulatory mandate to FSRA, FSRA has developed an initial fee rule to obtain funding from the financial services sectors it regulates. The proposed fee rule is intended to enable FSRA to maintain continuity of FSCO and DICO operations and build enhanced capacity, resources and expertise to efficiently and effectively anticipate and respond to the dynamic pace of change in marketplace, industry and consumer expectations.

The proposed fee rules are based on foundational values and principles established by the FSRA Board: simple, consistent, fair, transparent, future-focused, efficient and effective.

Prior to formal statutory public consultations on the proposed fee rule FSRA established seven [ad hoc, special purpose Fee Rule Industry Advisory Groups](#) to provide regulated sector industry insight and views to the FSRA management and Board of Directors.

April 1, 2019:

[We moved to a new location](#)

Our location:

5160 Yonge Street, 14th Floor
Toronto, Ontario
M2N 6L9
Phone: 416-590-7030

Mailing address:

5160 Yonge Street, 16th Floor
Toronto, Ontario
M2N 6L9

Agenda Item 4.6
April 16/19 Board Meeting

BC Ministry of Finance: Update On 10-Year Review of Financial Institutions Act

From: FIN Deputy Minister FIN:EX <FIN.DeputyMinister@gov.bc.ca>

Sent: April-04-19 1:44 PM

Subject: Financial Services Authority Act (FSAA) Introduction

Dear Stakeholder:

I'm pleased to share with you today that the B.C. government is delivering on its commitment to strengthen oversight of the financial services sector by establishing a new Crown agency, the BC Financial Services Authority.

Today the B.C. government introduced enabling legislation, the *Financial Services Authority Act*, to update the structure of the Financial Institutions Commission (FICOM) to make it an independent Crown agency. The new agency will have responsibility for regulation of mortgage brokers, insurance and trust companies, pensions and credit unions. It will be operationally independent, yet accountable to government, and funded by industry. For more information, [read the news release now](#).

We know the financial services sector is rapidly evolving. The government is making these changes to improve the regulator's stability, address high vacancy rates within the organization and better align the structure of the organization with international standards and best practices.

The new Authority is expected to be fully operational later this year. In the meantime, FICOM will continue to be the regulatory authority for the credit union, insurance and trust sectors.

I would like to thank you for your support as we go through this transition, and we are working hard to ensure it is as seamless as possible for stakeholders and the public.

Should you have any questions about the new legislation please contact the Financial and Corporate Sector Policy Branch at FCSP@gov.bc.ca.

Sincerely,

Lori Wanamaker, FCPA, FCA
Deputy Minister
Ministry of Finance

New Crown agency will better protect people's financial interests

News Release

Victoria

Thursday, April 4, 2019 10:14 AM

New legislation establishing the B.C. Financial Services Authority will more effectively protect people when they use financial services and boost oversight of the sector to support a strong, sustainable economy and make life better for people.

The Financial Services Authority Act establishes a new, independent Crown agency to regulate credit unions, insurance and trust companies, pensions and mortgage brokers.

"People in B.C. work hard to make a living and it's our responsibility to make sure their financial interests are protected, whether that's applying for a mortgage, using a credit union, getting insured or contributing to their pension," said Carole James, Minister of Finance. "The financial services sector is rapidly evolving. This legislation will make sure B.C.'s financial services regulator is modern, effective and efficient for decades to come."

The Act is designed to improve accountability and oversight, and align with international best practices and be consistent with other regulators.

"British Columbians expect a financial regulator to protect their interests," said Stanley Hamilton, chair, Financial Institutions Commission. "This is a significant achievement that demonstrates government's commitment to making the changes needed to ensure we can successfully deliver on our mandate."

The legislation requires the Authority to be managed by a board of directors that will appoint a CEO. The Authority will be accountable to the Minister of Finance. As a Crown agency, the B.C. Financial Services Authority will receive a mandate letter from the B.C. government and must maintain a service plan and other transparent reporting requirements.

Modernizing this key provincial regulator will protect people using financial services into the future. The province has worked with stakeholders over the past year, including as part of a larger legislative consultation and through direct meetings, to ensure a smooth transition for the sector. The new B.C. Financial Services Authority is expected to launch later this year.

Quick Facts:

- In British Columbia, there are:
 - 42 credit unions with more than \$72 billion in assets;
 - 4,000 mortgage brokers;
 - 677 pension plans with approximately \$158 billion in assets; and
 - over 200 insurance and trust companies.
- The Authority will be a self-funded Crown agency focused on sector regulation. It will not raise provincial revenue.
- The B.C. Financial Services Authority replaces the Financial Institutions Commission (FICOM). FICOM will continue as the regulator until the Authority is fully operational.
- FICOM was created in 1989 with a mandate letter from the Minister of Finance.
- Establishing FICOM as a Crown agency was a recommendation from a 2017 independent review of FICOM, as well as previously supported by B.C.'s Auditor General.

Learn More:

Financial Institutions Commission: <https://www.fic.gov.bc.ca/>



Finance

Deputy Minister
Room 109, Legislative Building, Winnipeg, MB, R3C 0V8
T 204-945-5343 F 204-945-1640
www.gov.mb.ca

April 9, 2019

Mr. Brendan Wycks, BA, MBA, CAE
Canadian Association of Financial Institutions in Insurance
Brendan.wycks@cafii.com

Dear Mr. Wycks:

Thank you for your email dated March 21, 2019 requesting clarification on Manitoba Finance's communication expectations of the insurance industry in terms of notifying Manitoba consumers on the reduction in retail sales tax. We have also received your additional questions concerning periodic premium payments, and the actual implementation of the rate reduction, submitted on April 2, 2019.

As you are aware, the annual provincial Budget was publicly announced on March 7, 2019, advising consumers of the reduction in retail sales tax from 8% to 7%, effective July 1, 2019. The transition rules for the retail sales tax rate change have been updated and are readily accessible, along with the 2019 provincial budget notice, on the Manitoba Finance website. As such, the Taxation Division does not require that you communicate the changes to your membership.

In response to your additional questions concerning periodic premium payments, the tax rate applies based on the effective date of the insurance policy. Policies effective before July 1, 2019, are taxable at 8%; those effective after June 30, 2019, are taxable at 7%. This includes multi-year contracts paid by instalments where the tax is collected annually. Contracts with an effective date prior to July 1, 2019, are taxable at the 7% rate on annual instalments collected after that date. Monthly premiums payable prior to July 1, 2019, are taxable at 8%, regardless of the coverage period. Monthly premiums that become payable after June 30, 2019, are taxable at 7%.

Attached is a copy of the *Information Notice 19-02 - Retail Sales Tax - Rate Reduction Transition Rules*. In the event of member inquiries, you may forward this notice or direct them to the Manitoba Finance website: <https://www.gov.mb.ca/finance/taxation/taxes/retail.html>

Thank you for the opportunity to review this matter with you.

Sincerely,



Jim Hrichishen

RATE REDUCTION TRANSITION RULES

The 2019 Budget announced that, effective July 1, 2019, the retail sales tax rate will decrease from 8% to 7%. The following transitional rules will apply to vendors making taxable sales and purchasers required to remit sales tax directly to the Taxation Division on taxable purchases from non-registered vendors:

Taxable Goods

The 7% sales tax rate applies to goods purchased after June 30, 2019, including goods for which the purchaser has made only a deposit on the purchase.

The 8% sales tax rate applies to taxable goods purchased before July 1, 2019, including:

- Goods purchased on credit or by deferred payment arrangements where payment is made after June 30, 2019.
- Goods that are fully paid for prior to July 1, 2019, but delivery is taken on or after that date.

(For mobile, modular and ready to move homes, the same rules apply substituting 4% for 7%, and 4.5% for 8%).

Taxable Services (Other Than Telecommunication Services)

- Services completed prior to July 1, 2019 are taxable at 8%, regardless of the billing and payment date.
- Contracts for services entered into prior to March 7, 2019 are taxable at 8% for services provided up to June 30, 2019. This includes accommodation services booked with a deposit.
- Contracts entered into after March 7, 2019 for services that commence after June 30, 2019 are taxable at 7%.

Prepaid Service Contracts

- Prepaid service arrangements bought and paid for prior to March 7, 2019 are taxable at 8%, regardless of when the service is performed.
- ***After March 7, 2019:***
 - Prepaid service arrangements where a vendor agrees to provide a service for a coverage period, i.e. periodic maintenance agreements – when the service period includes any day prior to July 1, 2019, tax applies at 8%; when the service period is completely after June 30, 2019, tax applies at 7%.

- Prepaid service arrangements - such as spa packages - bought and paid for prior to July 1, 2019 where the prepaid package can be redeemed over a period of time that includes any time prior to July 1, 2019 are taxable at 8%. Prepaid packages that can only be redeemed after June 30, 2019 are taxable at 7%.

*Contracts for Specified Services to Tangible Personal Property
(i.e. Not Based On a Service Coverage Period)*

- Contracts for installation, maintenance or other services to tangible personal property (including mechanical and electrical systems and production equipment) executed prior to March 7, 2019 are taxable at the 8% rate for services provided up to June 30, 2019.
- Contracts executed after March 7, 2019 for services to be provided over a time period that straddles July 1, 2019 must be segregated into the time before and after the transition date, with tax applied at 8% for the pre-July 1, 2019 period and 7% for post-June 30, 2019.
- Contracts to supply and install tangible personal property involve a sale of both goods and services. As above, contracts executed prior to March 7, 2019 are taxable at the 8% rate for installations up to June 30, 2019. Contracts executed after March 7, 2019 must be segregated based on goods installed before and after the transition date, i.e. progress billings for work before July 1, 2019 are taxable at 8%, after June 30, 2019 at 7%. For these contracts, the tax rate applies based on the installation date, even though title to the goods may pass at the completion of the installation project.
- The tax rate on holdback amounts is as follows:
 - For contracts executed after March 7, 2019, the tax rate should be applied based on the rate in effect at the time of the corresponding progress billings. The total holdback amount should be segregated on the invoice into the total amounts before and after the transition date for this purpose, with the appropriate rate applied to each total.
 - The tax rate on holdbacks for contracts executed prior to March 7, 2019 is 8% if completed by June 30, 2019. If not completed by this date, tax will apply on holdbacks as described above for contracts executed after March 7, 2019.
- For contracts executed prior to March 7, 2019, for installations that extend beyond June 30, 2019, the transition rules above apply to the post-June 30, 2019 services on the same basis as the July 1, 2019 rules for other contracts.
- Change orders made after March 7, 2019, tax will apply at 8% to these change orders for all work performed before June 30, 2019, with the same transition rule above for work that straddles July 1, 2019.

Services Provided By Billable Hour

Where services (such as legal and accounting) are provided by billable hour, day or other periodic measure and billed after the services are delivered, tax applies at 8% on all pre-July 1, 2019 time and at 7% for time after June 30, 2019. Billings for periods that straddle July 1, 2019 must be segregated with the appropriate rate applied to each portion.

Utilities

Telecommunication Services -Telephone, Cable TV, Internet Services:

- The tax rate applies on the standard monthly package charge based on the billing date. Bills for service dated prior to July 1, 2019 are taxable at 8%, including billing periods that straddle that date. Bills for the standard monthly service package after June 30, 2019 are taxable at 7%.

- Tax applies on charges for optional or extra-billed services based on the date the service was provided, i.e. charges for long distance calls purchased prior to July 1, 2019 are taxable at 8%, those purchased after June 30, 2019 are taxable at 7%.

Electricity and Natural Gas:

- There is no change for home heating, as the rate of 1.4% remains in place.
- For all other uses (where tax has applied at 8%) - billing periods that include any day prior to July 1, 2019 are taxable at 8%. Billings for periods completely after June 30, 2019 are taxable at 7%. (For eligible mining, manufacturing and oil companies read 1.4% for 7% and 1.6% for 8%).

Leased Goods

Lease periods that end prior to July 1, 2019 are subject to the 8% rate; those that straddle that date or commence completely after June 30, 2019 are taxable at 7%. The applicable rate applies to the full lease period, including those that straddle or occur fully after June 30, 2019.

Insurance

Definite Term Insurance Contracts (Excluding Group Contracts)

The tax rate applies based on the effective date of the contract – contracts effective before July 1, 2019 are taxable at 8%, those effective after June 30, 2019 are taxable at 7%.

This includes multi-year contracts paid by instalments where the tax is collected annually. Contracts with an effective date prior to July 1, 2019 are taxable at the 7% rate on annual instalments collected after that date.

Indefinite Term and Group Contracts

Premiums payable prior to July 1, 2019 are taxable at 8%, regardless of the coverage period. Premiums that become payable after June 30, 2019 are subject to the 7% rate.

Real Property Contracts

Contracts Executed Prior to March 7, 2019

The tax rate for goods and services purchased for incorporation into real property for all contracts executed prior to March 7, 2019, is as follows:

- The 8% rate applies for all contract work relating to the original contract completed by June 30, 2019. The 7% rate will apply after that date.
- Goods and services incorporated into real property include direct materials used to construct real property and related mechanical and electrical systems, as well as the services to install the M&E systems.
- Machinery, equipment, tools and other goods and services purchased by contractors for their own use to perform a real property or M&E installation (i.e. not incorporated into a building project) are taxable at the 8% rate if purchased prior to July 1, 2019. The 7 % rate will apply after that date. This includes equipment rentals, whether re-billed directly to the customer or not.
- **Note:** Goods and services acquired to fulfil change orders made after March 7, 2019 are taxable based on the general transition rules for goods and services described above.

Contractors will be required to pay the 8% rate at source for goods and services acquired prior to July 1, 2019 based on the above rules.

Contracts Executed After March 7, 2019

For contracts executed after March 7, 2019, the tax rate applies on taxable goods and services acquired for incorporation into real property at the rate in effect at the time of purchase, as described in the taxable goods and services sections above - the tax rate for contract inputs is not determined by the contract date. The contractor is the consumer of goods and services acquired to fulfil a real property contract, therefore the tax rate applies based on the timing of those purchases, not on the sale of the real property.

Contractors that acquire goods on a tax-out basis and self-assess as they are used in jobs must pay tax at 8% when the goods are taken from inventory prior to July 1, 2019 for use in a real property contract. Goods taken from inventory after July 1, 2019 are taxable at 7%.

Refunds and Credits

Refunds of the sales tax on returned goods or cancelled sales must be provided at the same rate at which the tax was collected on the original sale.

Further information may be obtained from:

Winnipeg Office

Manitoba Finance
Taxation Division
101 - 401 York Avenue
Winnipeg, Manitoba R3C 0P8
Telephone (204) 945-5603
Manitoba Toll Free 1-800-782-0318
Fax (204) 948-2087
E-mail: MBTax@gov.mb.ca

Westman Regional Office

Manitoba Finance
Taxation Division
314, 340 - 9th Street
Brandon, Manitoba R7A 6C2
Fax (204) 726-6763

ONLINE SERVICES

Our Web site at manitoba.ca/finance/taxation provides tax forms and publications about taxes administered by Taxation Division, and a link to Manitoba's laws and regulations. Forms and publications can also be obtained by contacting the Taxation Division.

Our online service at manitoba.ca/TAXcess provides a simple, secure way to apply for, and to file, pay and view your Taxation Division tax accounts.

From: Weir, David (FCNB) <david.weir@fcnb.ca>

Sent: April-03-19 11:03 AM

To: Brendan Wycks <brendan.wycks@cafii.com>; Keith Martin <Keith.Martin@cafii.com>

Subject: Exemptions from licensing - Request for feedback.

Hello Brendan and Keith,

I hope that you are well. Please find attached a request for feedback.

David Weir

Tel/Tél : 866-933-2222

Fax/Télé : 506-453-7435

Financial and Consumer Services Commission

Commission des services financiers et services aux consommateurs



www.fcnb.ca

Licensing exemptions

As you are aware, the Financial and Consumer Services Commission of New Brunswick has undertaken a review of our *Insurance Act* with the goal of carrying out a complete rewrite. At this time, we are focusing on intermediary licensing and market conduct. In 2015, the Commission issued a Position Paper with proposals for updating the licensing regime for other-than-life agents and brokers. The Paper, entitled *Modernizing the Insurance Licensing Framework*, proposed to eliminate the distinction between agents and broker and proposed the following definition for agent:

“insurance agent” means a person who, for compensation,

(i) solicits insurance on behalf of an insurer, insured or potential insured,

(ii) transmits an application for insurance from an insured or potential insured to an insurer,

(iii) transmits a policy of insurance from an insurer to an insured,

(iv) negotiates or offers to negotiate insurance on behalf of an insurer, insured or potential insured or the continuance or renewal of insurance on behalf of an insurer or insured, or

(v) examines, appraises, reviews or evaluates an insurance policy, plan or program or makes recommendations or gives advice with regard to any of the above.

but does not include an insurer.

Section 351 of the *Insurance Act* provides that:

351 No person shall act or offer or undertake to act or represent himself as an insurance agent, broker, adjuster or damage appraiser in this Province unless he holds a subsisting licence issued under this Act or is otherwise authorized to do so under this Act.

The relevant provisions for the licensing of agents and brokers can be found in s. 352 of the Act. Section 352 also includes several exemptions from the requirement to be licensed. We believe that anyone who is carrying on the activities of an insurance agent should be licensed and that there should be very few exemptions. With the significant changes in the insurance industry and the desire for greater oversight, it is not clear whether these exemptions continue to be necessary. We are seeking your feedback on the rationale for the current exemptions to assist us in determining whether to retain them. We appreciate that some of the provisions do not relate to your area of business.

Collector of Insurance Premiums

352(14) A collector of insurance premiums who does not solicit applications for or the renewal or continuance of insurance contracts, or act or aid in negotiating such contracts or the renewal thereof, may carry on such business without a licence therefor, if the collection fee does not exceed five per cent of any amount collected.

This is a common exemption and we do not have any issues with continuing it. However, we welcome any thoughts that you may have on the matter.

Pension Fund Association or Mutual Insurer Members

352(15) A member of a duly licensed pension fund association, other than a salaried employee who receives commission, or a member of a mutual fire, weather or livestock insurance corporation, carrying on business solely on the premium note plan, may, without a licence, solicit persons to become members of such society, association or corporation.

New Brunswick appears to be the only jurisdiction that has this provision. We appreciate that it is archaic, in that we understand that “pension fund associations” and mutuals operating on a “premium note plan” are things of the past. The provision relates to soliciting “persons to become members”. How does this engage carrying on the business of insurance? If these individuals are promoting and giving advice on an insurance product, why should they be exempt from licensing?

Fraternal Societies

352(16) An officer or a salaried employee of the head office of a duly licensed fraternal society, who does not receive commission, may, without a licence, solicit insurance contracts on behalf of the society.

352(17) Any member not an officer or salaried employee described in subsection (16) may without a licence solicit insurance contracts on behalf of the society unless such member devotes or intends to devote more than one-half of his time to soliciting such contracts or has in the preceding calendar year solicited and procured life insurance contracts on behalf of the society in an amount in excess of twenty thousand dollars.

Ontario, PEI and the Territories have these provisions. However, if these individuals are promoting and giving advice on an insurance product, why should they be exempt from licensing? Manitoba's provision is different and only references members soliciting persons to become members:

378(6) A member of a duly licensed fraternal society, other than a member whose major occupation is, in the opinion of the superintendent, the solicitation of life insurance contracts, may, without a licence, solicit persons to become members of the society.

Officers or Salaried Employees of a Licensed Insurer

352(18) Unless the Superintendent otherwise directs, an officer or salaried employee of a licensed insurer who does not receive commissions, or an attorney or salaried employee of a reciprocal or inter-insurance exchange at which no commission is paid except to such attorney, may, without a licence, act for such insurer or exchange in the negotiation of any contracts of insurance or in the negotiation of the continuance or renewal of any contracts that the insurer or exchange may lawfully undertake, but officers or employees whose applications for licences as insurance agents, insurance brokers or salesmen have been refused or whose licenses have been revoked or suspended may not so act without the written approval of the Superintendent, and in the case of insurers authorized to undertake life insurance, only the officers and salaried employees of the head office who do not receive commissions may so act without a licence.

We would like to better understand the purpose of this provision. Again, if these individuals are promoting and giving advice on an insurance product, why should they be exempt from licensing? We do not consider the question of whether they are "customer facing" to be determinative. If a person is giving advice directly to a consumer, or indirectly by advising an agent on an appropriate product for a consumer, we believe that they should be licensed. We have had some individuals claim that employee's working in a call centre dealing with clients would fall within this exemption.

Manitoba has similar provisions, but includes "who does not receive commissions or his salary in lieu of commissions". The relevant Manitoba provisions are as follows:

378(7) Unless the superintendent otherwise directs, but subject to subsections (8) and (9), an officer or salaried employee of a licensed insurer who does not receive commissions or his salary in lieu of commissions, or an attorney or salaried employee of a reciprocal or inter-insurance exchange at which no commission is paid except to the attorney may, without a licence, act for the insurer or exchange in the negotiation of any contracts of insurance or in the negotiation of the continuance or renewal of any contracts that the insurer or exchange may lawfully undertake.

378(8) Officers or employees whose applications for licences as agents have been refused or whose licences have been suspended or cancelled, may not act as provided in subsection (7) without the written approval of the superintendent.

378(9) In the case of insurers authorized to undertake life insurance only the officers and salaried employees of the head office who do not receive commissions or salaries in lieu of commissions, may act as provided in subsection (7) without a licence.

Ontario's exemption is much narrower:

An officer or salaried employee of the head office of an insurer who solicits contracts of life insurance and accident and sickness insurance on behalf of the insurer and who does not receive any commission. (paragraph 9(1)4 *Agents Regulation*)

Office Staff

352(19) An employee of a licensed agent or broker who normally performs office duties and does not receive commissions may, without a licence but only as incidental to his normal office duties, take applications for insurance and the renewal thereof.

As discussed in our Position Paper, we don't see the need for licensing employees who do clerical work. However, we believe that any employee carrying on any of the activities under the definition of "insurance agent" should be licensed. Therefore, we question the need for this provision.

**Opportunities for CAFII Insurance Regulator and Policy-Maker Liaison Meetings
In Connection With 2019 CLHIA Compliance and Consumer Complaints Annual Conference
May 8-10/19, Niagara Falls, Ontario**

Insurance Regulator/Policy-Maker	Date/Time On Conference Program	Priority
Angela Mazerolle, Superintendent of Insurance, FCNB, New Brunswick	Wednesday, May 8, 11:00 a.m. to 12 Noon, Panel on “Regulatory Perspectives from Across Canada”	High
Michael McTavish, Acting Executive Director, Market Conduct, BC FICOM	Wednesday, May 8, 11:00 a.m. to 12 Noon, Panel on “Regulatory Perspectives from Across Canada”	Medium
Glen Padassery, Executive Vice-President of Policy, Financial Services Regulatory Authority of Ontario (FSRA)	Wednesday, May 8, 11:00 a.m. to 12 Noon, Panel on “Regulatory Perspectives from Across Canada”; and Wednesday, May 8, 4:30 to 5:00 p.m. “FSRA” plenary presentation	High
Julien Reid, Director, AMF, Quebec	Wednesday, May 8, 11:00 a.m. to 12 Noon, Panel on “Regulatory Perspectives from Across Canada”; and Thursday, May 9, 9:45 to 10:30 a.m. “Quebec Update”	Medium
Joanne Abram, CEO, Alberta Insurance Council	Friday, May 10, 9:15 to 10:15 a.m. “Provincial Insurance Councils Panel”	High
April Stadnek, Director of Strategic Initiatives, Insurance Councils of Saskatchewan (Ron Fullan, Executive Director, ICS, will also be in attendance at the Conference, but not presenting)	Friday, May 10, 9:15 to 10:15 a.m. “Provincial Insurance Councils Panel”	Medium
Barbara Palace Churchill, Executive Director, Insurance Council of Manitoba	Friday, May 10, 9:15 to 10:15 a.m. “Provincial Insurance Councils Panel”	Medium
Janet Sinclair, Executive Director, Insurance Council of British Columbia	Friday, May 10, 9:15 to 10:15 a.m. “Provincial Insurance Councils Panel”	High
Brian Mills, CEO and Superintendent of Financial Services, FSCO, Ontario; and Vice-Chair of CCIR	Wednesday, May 8, 10:15 to 10:45 a.m., “Update from the Canadian Council of Insurance Regulators”	Low
Carrie Hagerman, Relationships and Guidance Manager, Compliance, FINTRAC	Thursday, May 9, 11:15 a.m. to 12:15 p.m. Workshop on “Anti-Money Laundering and Anti-Terrorist Financing”	Low
Elsbeth Bowler, Managing Director, Insurance Supervision Sector, Office of the Superintendent of Financial Institutions (OSFI)	Thursday, May 9, 9:15 to 9:45 a.m. “Update from the Office of the Superintendent of Financial Institutions”	Low

Summary & Investment

Scope of Work	Investment
1) Video Production Creation of three white board videos.	\$18,000
2) Website Enhancements: Consumer Examples Development & Deployment of 10 examples on product & FAQ pages.	\$7,000
3) Improve Search Results: Product Optimization Optimization of the products on your website currently trending positively in search.	\$4,000
4) Actionable Insights: Reporting Bi-Annual Reporting (2 Total)	\$3,000
<input type="checkbox"/> 5) Organization Voice: LinkedIn Optimization & Content Distribution <ul style="list-style-type: none"> • Optimization of your Profile • Graphic Design, Content, Analytics & Measurement for posting of Consumer Examples, Video & any relevant research Identified by Cafii. 1 post per month for 12 months. 	\$7,500
Subtotal	\$32,000
HST 13%	\$4,160
Total	\$36,160