

CAFII Board of Directors Virtual Meeting Agenda

Date: Tuesday, December 7, 2021

Chair: C. Lobbezoo

Location: [Virtual MSTeams Meeting](#)

Time: 2:00 to 4:00 p.m. EDT

Dial-in: 437-703-4263

Phone Conference ID: 965 295 258#

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

2. Consent Items	2:03 p.m.			
a. Draft Board Meeting Minutes, October 5/21		C. Lobbezoo		✓
b. Summary of Board and EOC Action Items				✓
c. Regulatory Update				✓
d. Consultations/Submissions Timetable				✓
e. Regulator and Policy-Maker Visit Plan				✓
f. Board-Approved CAFII 2022 Schedule of Meetings and Events				✓

3. Strategy-Setting and Governance Matters	2:05 p.m.	Presenter	Action	Document
a. Summary of Options In Response To Proposal From Z. Fuerstenberg That CAFII Investigate Development and Launch of an Education/Master Class/Certification Program for Member Company Employees on "CPI Legislative and Regulatory Principles and Environment"		K. Martin	Update/ Discussion	✓

4. Financial Management Matters	2:17 p.m.	Presenter	Action	Document
a. CAFII Financial Statements as at October 31/21	2:17 p.m.	T. Pergola	Update/ Approval	✓
b. Forecast for CAFII 2021 Fiscal Year as at October 31/21	2:21 p.m.	T. Pergola	Update	✓
c. Renewal of Association Management Services Contract with Managing Matters	2:25 p.m.	K. Martin/B. Wycks	Update/ Discussion/ Approval	✓
d. Proposed CAFII 2022 Operating Budget (may be assigned to In Camera Session, following initial discussion, if desired by Board)	2:31 p.m.	T. Pergola	Update/ Discussion/ Approval	✓

5. Strategy Implementation and Regulatory Matters	2:45 p.m.	Presenter	Action	Document
a. CAFII-Commissioned Research/Thought Leadership Paper by Deloitte Canada on "Best Practices In The Digitization Of Credit Protection Insurance"	2:45 p.m.	A. Stuska/ K. Martin	Update	✓
b. Imminent/Pending CAFII Regulatory Submissions As At November 19/21	2:50 p.m.	R. Dobbins	Update	✓
c. CAFII's Next Steps on AMF Credit Card-Embedded Insurance Benefits Issue	2:53 p.m.			
i. Outcomes of November 10/21 CAFII Meeting with Mario Beaudoin and Charlene Boucher, AMF, Re Plan For Modifying Fact Sheet and Notice of Rescission To Suit Credit Card-Embedded Insurance Benefits; and CAFII's Next Steps	2:53 p.m.	K. Martin/ B. Wycks	Update/ Discussion	✓
ii. CAFII Working Group on Industry Alignment Around Compliance with AMF's Expectations Re RADM's Applicability to Credit Card-Embedded Insurance Benefits	3:05 p.m.	K. Kasperski/ K. Martin	Update	Briefing Note Only
d. AMF Consultation on "Draft Regulation Respecting Complaint Processing and Dispute Resolution in the Financial Sector" (Submission Deadline: December 8/21)	3:09 p.m.	K. Martin/ B. Wycks	Update	✓
e. AMF Consultation on Revised "Sound Commercial Practices Guideline" (Submission Deadline: December 17/21)	3:14 p.m.	K. Martin/ B. Wycks	Update	Briefing Note Only
f. AMF Consultation on "Incentive Management Guideline" (Submission Deadline: January 28/22)	3:17 p.m.	K. Martin/ B. Wycks	Update	Briefing Note Only

g.	FCAC Consultation on "Proposed Guideline on Complaint Handling Procedures for Banks and Authorized Foreign Banks" (Submission Deadline: December 11/21) 3:20 p.m.	K. Martin	Update	Briefing Note Only
h.	FCAC Consultation on "Proposed Guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks" (Submission Deadline: January 6/22); and CAFII Working Group On Industry Alignment Re Interpretation of FCAC's Appropriateness Guideline's Application to Authorized Insurance Products/CPI; and Potential Approaches to Compliance 3:23 p.m.	M. Boyle/K. Martin	Update	✓
i.	FCNB Consultation on "Proposed Rule INS-001: Insurance Intermediaries Licensing and Obligations" (Submission Deadline: February 7/22) 3:33 p.m.	B. Wycks/K. Martin	Update	Briefing Note Only
j.	OSFI Consultation on "Draft Guideline B-13: Technology and Cyber Risk Management" (Submission Deadline: February 9/22) 3:36 p.m.	B. Wycks/K. Martin	Update	Briefing Note Only
k.	Insights Gained From CAFII/CLHIA/THIA Weekly Meetings Re Impact of COVID-19 on Travel and the Travel Insurance Industry 3:38 p.m.	B. Wycks	Update	Briefing Note Only

6.	Read Only Items	3:40 p.m.		Read Only	Document
a.	October 25/21 CAFII Submission To AMF on "Concrete Examples of Regulatory Burden Reduction Opportunities"				✓ (2)
b.	October 29/21 CAFII Submission to FSRA on "FY2022-23 Statement of Priorities and Budget"				✓
c.	CISRO Survey of Industry Stakeholder Associations on "Understanding the Consumer Awareness Strategies Currently Undertaken By Industry" (Response Deadline: November 30/21)				✓
d.	November 18/21 CAFII Submission to FSRA on "Proposed Innovation Framework"				✓
e.	CAFII-Relevant Insights Arising From CCIR's Appointment of Robert Bradley as its New Chair				✓
f.	Insights Gained from November 9/21 CAFII Virtual Annual Members and Associates Luncheon				✓
g.	November 29/21 CAFII Webinar with Marlena Labieniec, Director of FSRA Innovation Office, on FSRA's Innovation Framework				✓
h.	Deferral of CAFII Webinar on Life Insurers' Healthy Lifestyle Incentivization Programs to January 2022				✓
i.	Document Associated With AMF Consultation on Revised "Sound Commercial Practices Guideline"				✓
j.	Document Associated With AMF Consultation on "Incentive Management Guideline"				✓
k.	Document Associated With FCAC Consultation on "Proposed Guideline on Complaint Handling Procedures for Banks and Authorized Foreign Banks"				✓
l.	Document Associated With FCNB Consultation on "Proposed Rule INS-001: Insurance Intermediaries Licensing and Obligations"				✓
m.	Documents Associated With OSFI Consultation on "Draft Guideline B-13: Technology and Cyber Risk Management"				✓ (2)

7.	In Camera Session	3:40 p.m.	Presenter	Action	Document
a.	Proposed CAFII 2022 Operating Budget (if In Camera discussion of this matter desired by Board) (See also agenda item 4(d))		C. Lobbezoo/ T. Pergola	Discussion	✓
b.	Members' Contributions to CAFII's Advancement Through Contribution of Volunteer Resources to Committee Chair, Committee Vice-Chair, and Committee Member Roles		R. Dobbins	Discussion	✓
c.	Other Business		C. Lobbezoo	Discussion	

Next Board Meeting: Tuesday, April 12/22, 2:00 to 4:00 p.m. EST (Virtual MTeams Meeting)

Briefing Note

CAFII Board Meeting 7 December, 2021—Agenda Item 1(a) Declaration of Meeting Properly Called and Constituted

Purpose of this Agenda Item

Start of meeting.

Background Information

The meeting is called to order.

Recommendation / Direction Sought -- *Update*

Update only.

Attachments Included with this Agenda Item

No attachments.

Briefing Note

CAFII Board Meeting 7 December, 2021—Agenda Item 1(b) Approval of Agenda

Purpose of this Agenda Item – Approval

Approval of the Agenda.

Background Information

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

Recommendation / Direction Sought – Approval

Approval.

Attachments Included with this Agenda Item

1 attachment.

Briefing Note

CAFII Board Meeting 7 December, 2021—Agenda Item 2(a-f) Consent Items

Purpose of this Agenda Item – Information Only

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

Background Information

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

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

Recommendation / Direction Sought – Information Only

No action required.

Attachments Included with this Agenda Item

Six (6) attachments.

BOARD VIRTUAL MEETING
CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

Tuesday, October 5, 2021

2:00 to 4:00 p.m. EDT

Minutes

Board Members

Present:

Chris Lobbezoo	RBC Insurance
Peter Thompson	National Bank Insurance
Nicole Benson	Valeyo
Paul Cosgrove	Assurant
Janice Farrell-Jones	TD Insurance
Zack Fuerstenberg	ScotiaLife Financial
Louie Georgakis	The Canada Life Assurance Company
Peter McCarthy	BMO Insurance
Ian Oncea	CIBC Insurance <i>(for part)</i>
Wally Thompson	Manulife Financial
Kelly Tryon	CUMIS/The Co-operators
Rob Robinson	Canadian Premier Life Insurance Company
Adam Vespi	Canadian Tire Financial Services

Regrets:

Sophie Ouellet	Sun Life
Chantal Gagné	Desjardins

Also Present:

Brendan Wycks, *Co-Executive Director*
Keith Martin, *Co-Executive Director*
Rob Dobbins, *Board Secretary and EOC Chair*
Karyn Kasperski, *Vice-Board Secretary and Vice-EOC Chair*
Jake Becker, *Association Coordinator*

Item 1: Call to Order, Welcome and Confirmation of Meeting

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

Item 1 (a): Declaration of Meeting Properly Called and Constituted

Rob Dobbins, Board Secretary, confirmed that notice of the meeting had been sent to all Directors in accordance with the Association's By-Law; and that a quorum of Directors was present.

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

Item 1 (b): Approval of Agenda

Board Chair Chris Lobbezoo proposed adding a new item **1(e) News About A Director's Imminent Departure From The CAFII Board.**

On a motion duly made, seconded and unanimously carried **IT WAS RESOLVED** that the meeting Agenda be and is approved as amended.

Item 1 (c): Appointment of a New CAFII Director

Mr. Lobbezoo advised that in late July, CAFII had been informed by CIBC Insurance that its current CAFII Director Mica Sweet had been appointed to a new position within the bank; and that Ian Oncea had been appointed her successor as Vice-President, Insurance, CIBC; and President & CEO, CIBC Life Insurance Company. CIBC Insurance also informed CAFII of its nomination of Ian Oncea for appointment to the CAFII Board, succeeding Mica Sweet as the Director from CIBC Insurance.

On a motion duly made, seconded and unanimously carried **IT WAS RESOLVED** that Ian Oncea, Vice-President, Insurance, CIBC; and President & CEO, CIBC Life Insurance Company, be appointed as CIBC's Director on the CAFII Board.

Item 1 (d): Welcome to and Self-Introduction by New CAFII Director Ian Oncea, CIBC Insurance

Having been invited into this meeting immediately following his appointment by the Board as the new Director from CIBC Insurance, Ian Oncea was welcomed to the meeting; and he introduced himself to his fellow CAFII Board members.

Item 1 (e): News About A Director's Imminent Departure From The CAFII Board

Mr. Lobbezoo noted that in late July, CAFII Director from TD Insurance Janice Farrell-Jones had informed the Association that after several years in the role of Senior Vice-President, Life and Health at TD Insurance, she had received a promotion into a new leadership role within TD Canada Trust, which has her leading the Environmental, Social and Governance (or ESG) mandate for the enterprise, meaning the entire corporate bank.

With this move by Janice Farrell-Jones, TD will be appointing a new leader for its Life & Health Insurance business in the near future, although that successor at TD Life & Health has not yet been named. Mr. Lobbezoo thanked Ms. Farrell-Jones for her contributions to the CAFII Board and to the advancement of the Association over the past three years; and Ms. Farrell-Jones made some comments of thanks, appreciation, and best wishes to her fellow Board members.

Item 2: Approval/Receipt of Consent Items

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

- a. Draft Board Meeting Minutes, June 8/21
- b. Draft Special Purpose Board Meeting Minutes, June 29/21
- c. Summary of Board and EOC Action Items
- d. Regulatory Update
- e. Consultations/Submissions Timetable
- f. Regulator and Policy-Maker Visit Plan
- g. Board-Approved CAFII 2021 Schedule of Meetings and Events

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

Item 3: Governance Matters

Item 3 (a): Decision To Confirm That December 7/21 CAFII Board Meeting Will Be A Virtual-Only Meeting, And Cancel Plans To Hold An In-Person Holiday Season Reception

Mr. Lobbezoo noted that CAFII had, in consultation with Board members, recently made the decision that the 7 December, 2021 CAFII Board meeting would be a virtual-only meeting, and had cancelled plans to hold an in-person Holiday Season Reception immediately following that Board meeting.

Item 3 (b): Negotiations Around Possible Renewal of CAFII's Association Management Service Contract With Managing Matters

Keith Martin reported on the status of CAFII's negotiations with Managing Matters around the possible renewal of the current Association Management Services contract with that company, which expires at the end of this year.

Mr. Martin noted that Managing Matters' CEO Jenny Faucher had indicated that there were tremendous retention and employment challenges emanating out of the pandemic, and that there were major labour pressures on Managing Matters, leading to significant increases in the proposed 2022 contractual terms. Mr. Martin and Mr. Wycks had asked Managing Matters to review this again, since all of CAFII's members were facing the same realities and would expect suppliers to manage them just as CAFII members are.

A new proposal would therefore be submitted based on a three-year renewal, and it would be reviewed by the EOC and presented, with a recommendation, to the Board at its December 7, 2021 meeting. If terms that are acceptable can be negotiated, Mr. Martin stated that CAFII is generally very pleased with the performance of Managing Matters and is aiming for a three-year renewal term.

[Action Item: Negotiate terms for a three-year contract renewal with Managing Matters, to present to the Board at the December 7, 2021 Board meeting; K. Martin, B. Wycks, October-November 2021.]

Item 3 (c): Proposed CAFII 2022 Schedule of Meetings and Events

Mr. Wycks provided an overview of the proposed 2022 schedule of meetings and events. Mr. Wycks presented two options, one in which in-person events would begin again in January 2022, and another in which in-person events would only start again in May 2022. The Board preferred Option B, which was to tentatively start in-person events again only in May 2022.

On a motion duly made, seconded and unanimously carried **IT WAS RESOLVED** that the Proposed 2022 CAFII Schedule of Meetings and Events be approved, and based on a return to in-person events starting in May 2022.

Item 4: Financial Management Matters

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

CAFII Treasurer Tony Pergola presented the CAFII financial statements as at August 31, 2021, noting that the September 2021 financials were not available for this meeting due to the fact that the September month-end had occurred just five days ago. Year-to-date revenues were at \$637K, and expenses were at \$476K, leading to a surplus of \$161K which is a favourable variance to budget of \$53K. This favourable variance was due to a combination of higher revenues due to two new Members (Valeyo and Canadian Tire Bank) and several new Associates, and reduced expenses. The balance sheet was stable and healthy; there was a cash balance of \$750K; and the level of financial reserves as a percentage of annual operating expenses was 65%, which is above the range that CAFII targets of 25 to 50%.

Item 4 (b): Forecast For CAFII 2021 Fiscal Year As At August 31/21

CAFII Treasurer Tony Pergola stated that as at August 31/21, the forecast for CAFII's 2021 fiscal year was revenue of \$956K, and expenses of \$791K, leading to a projected surplus of \$164K.

Mr. Martin noted that CAFII's legal fees are projected to be higher due to a Board-approved request for some additional work from Norton Rose, and will likely go from \$50K to \$65K.

Item 4 (c): Critical Path For Development of 2022 CAFII Operating Budget

Brendan Wycks shared with the Board the key milestones in the critical path for the development of the Association's 2022 CAFII Operating Budget.

Item 4 (d): Updating CAFII's Cheque Signing Authorities

Brendan Wycks updated the Board on changes in the people authorized to sign CAFII cheques, both within CAFII and within its Association Management Company Managing Matters, leading to a requirement for the following changes to its cheque signing authorities:

- add Karyn Kasperski, RBC Insurance;
- delete Tara Moran, CAFII's former Accountant/Controller at Managing Matters (MM); and
- add Maria Saqib, CAFII's new Accountant/Controller at Managing Matters.

On a motion duly made, seconded, and unanimously carried **IT WAS RESOLVED** that the proposed revised CAFII cheque signing authorities be approved.

Item 5: Strategic and Regulatory Matters

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

i) CAFII Follow-up Thank You Letter To AMF To Confirm Fact Sheet and Notice of Rescission Concession Outcome of September 10/21 Meeting

K. Martin reported that a detailed summary of the 10 September, 2021 CAFII Get Acquainted and Dialogue Meeting with Eric Jacob, the AMF's new Superintendent, Client Services and Distribution Oversight, had been distributed to Board and EOC members. The meeting was very successful, with the AMF providing a concession around members not needing to provide consumers with a copy of the Fact Sheet or the Notice of Rescission by the 17 December, 2021 deadline for implementation of the AMF's expectations related to the Regulation respecting Alternative Distribution Methods (RADM)'s applicability to credit card-embedded insurance benefits.

CAFII has subsequently sent a follow-up thank you letter to the AMF, in which it thanked the Superintendent for the meeting and outlined in writing CAFII's understanding of the expectations of the AMF with respect to the 17 December, 2021 deadline. The AMF had indicated that a pan-industry Working Group would be established and tasked with developing modified versions of the Fact Sheet and the Notice of Rescission.

The Board had a broad discussion of the approach that CAFII should take going forward with the AMF on this file, which included item 5(a)(ii) on the possible engagement of the Canadian Bankers Association in this file.

ii) Possibility Of Re-Attempting To Secure CBA's Engagement In This Issue, Especially Re AMF-Led Pan-Industry Working Group On Modifying Fact Sheet and Notice of Rescission

The Board discussed the importance of CAFII not making commitments around documents that FI members' credit card departments need to distribute for embedded insurance benefits in Quebec without credit card expert involvement; and that the CBA might be an ideal body to engage in such an effort. There was also discussion around not giving the AMF the impression that the CBA was involved in an effort to challenge the applicability of the Regulation respecting Alternative Distribution Methods (RADM) to credit card-embedded insurance benefits.

While the Board supported continuing to review these matters including the appropriate membership in an AMF-led pan-industry Working Group on how to modify the Fact Sheet and Notice of Rescission, at this time the Board supported continuing with the existing strategy which is focused on complying with the Regulation.

On a motion duly made, seconded and unanimously carried **IT WAS RESOLVED** that CAFII would continue with the existing strategy with the AMF around credit card-embedded insurance benefits; and not re-attempt to secure the CBA's direct engagement in this file at this time.

iii) CAFII Working Group On Industry Alignment Around Compliance With AMF's Expectations Re RADM's Applicability To Credit Card-Embedded Insurance Benefits

Karyn Kasperski, Chair of this Working Group, provided an update on its progress made around industry compliance with the AMF's expectations on the RADM's applicability to credit card-embedded insurance benefits, noting that the members of the Working Group felt that its work was very impactful and was helping members determine how best to implement compliance with the RADM.

Item 5 (b): Preparation For October 14/21 Industry Issues Dialogue With AMF Staff Executives

Brendan Wycks provided an update on CAFII's preparations for a 14 October, 2021 Industry Issues Dialogue with AMF staff executives, in which CAFII would be giving two short mini-presentations.

Item 5 (c): Desire To Have Canadian Tire Bank Participate In CAFII's Quarterly CPI Benchmarking Study With RSM Canada

Keith Martin reported that distributors contributing to the CAFII Quarterly CPI Benchmarking Study With RSM Canada have access to the full report, as do CAFII insurer members. However, new member Canadian Tire Bank is a monoline credit card CPI distributor, and this raises the issue of how best to provide this new Member with the report. It was suggested that a member that contributes to the study in a very limited fashion should only have access to that data from other members. It was further observed that the principle of "the data you put in is equivalent to the aggregated, anonymized data you get out" was a good adage under which to govern Member participation in the CAFII Quarterly CPI Benchmarking Study With RSM Canada.

Item 5 (d): Implications For CAFII Of Just-Released Regulations In Support of Federal Financial Consumer Protection Framework Aspects Of Bill C-86

EOC Chair Rob Dobbins provided the Board with an overview of possible implications for the bancassurance sector of the new federal Regulations that had just been released in August in support of the federal consumer protection framework around Bill C-86.

Item 5 (e): CAFII Working Group on Industry Alignment Re Interpretation Of FCAC's Appropriateness Guideline's Application To Authorized Insurance Products/CPI; and Potential Approaches To Compliance

Martin Boyle, Chair of this Working Group, provided Board members with an update on its work related to CAFII's being in a well-prepared position to respond to FCAC's draft Appropriateness Guideline once released, noting that much progress had been made. The Working Group is identifying the elements of a submission to the FCAC on this issue, which could occur within a very short consultation window, Mr. Boyle advised.

Item 5 (f): CAFII-Commissioned Research/Thought Leadership Paper By Deloitte Canada On "Best Practices In The Digitization Of Credit Protection Insurance"

Keith Martin provided the Board with an update on the process for Deloitte Canada's development of a CAFII-commissioned thought leadership paper on best practices in digitization for credit protection insurance. Mr. Martin indicated that Deloitte had understood well the objectives of the project and had developed a good process that included regular touchpoints with CAFII internal stakeholders.

Item 5 (g): Insights Gained From September 21/21 Meeting Of Saskatchewan Restricted Insurance Agent Advisory Committee

Brendan Wycks provided an update on the 21 September, 2021 second meeting of the Saskatchewan RIA Advisory Committee, reporting that Moira Gill was serving as Committee Chair; Charles MacLean was elected Vice-Chair in this meeting; and the meeting covered many matters including new audit powers that had been granted to the Insurance Councils of Saskatchewan under the province's new Insurance Act. Mr. Wycks noted that Insurance Councils of Saskatchewan Executive Director Ron Fullan announced that he would be formally retiring on 31 July, 2022.

Item 5 (h): Insights Gained From CAFII/CLHIA/THIA Weekly Meetings Re Impact Of COVID-19 On Travel and Travel Insurance Industry

Brendan Wycks provided an overview of the weekly CAFII, CLHIA, and THIA virtual meetings on the impact of COVID-19 on travel and the travel insurance industry, noting that Global Affairs Canada had recently indicated that a new travel advisory website landing page for the public would be launched in the near future.

Item 7: Meeting Termination

On a motion duly made, seconded and unanimously carried **IT WAS RESOLVED** that the meeting be terminated at 3:40 p.m.

Summary of CAFII Board and EOC Action Items					
	Source	Action Item	Responsible	Deadline	Status October 22, 2021
		Association Strategy and Governance			
1	EOC and Board: October 2019	Launch CAFII EOC Working Group to Explore a New Lower Dues Category of CAFII Membership, via a first meeting and a draft Terms of Reference for this Working Group.	B. Wycks/K. Martin	31-Dec-21	In progress/ See #2
2	BOD: June 9, 2020	Revisit the launch of the CAFII Working Group On A Proposed Lower Dues Category Of CAFII Membership once the economic environment stabilizes, via a first meeting and a draft Terms of Reference for this Working Group.	K. Martin	31-Dec-21	In progress
3	EOC May 29, 2018	Develop a summary job description for the CAFII EOC Chair role and circulate it to EOC Members.	B. Wycks/K. Martin	31-Dec-21	In progress
4	EOC February 27, 2018	Document in writing the process for reviewing, approving, and admitting applicants for CAFII Members and Associate status	B. Wycks	31-Dec-21	In progress
5	BOD June 8, 2021	Negotiate terms for a three-year contract renewal with Managing Matters, to present to the Board at the December 2021 Board meeting.	K. Martin/B. Wycks	23-Nov-21	Completed
6	EOC September 14, 2021	Seek EOC input on the possible options around CAFII developing a certification program at the October 26, 2021 EOC Meeting.	K. Martin/B. Wycks	26-Oct-21	Completed
7	EOC October 26, 2021	Add an additional option -- around CAFII developing standards that member companies should adhere to around internal education of their employees -- to the Summary of Options document prior to its being brought forward to the CAFII Board at its December 7, 2021 meeting	K. Martin/B. Wycks	30-Nov-21	Completed
		Regulatory Initiatives			
8	EOC March 30, 2021	Organize a virtual meeting for CAFII with David Weir, FCNB around the in-development Rule and its provisions addressing the creation of a Restricted Insurance Agent licensing regime in New Brunswick	B. Wycks	15-Dec-21	In Progress
9	EOC October 26, 2021	Organize a meeting of the Market Conduct and Licensing Committee to review the CCLR document on adoption of the FTC guidance	K. Martin/B. Wycks	Jan/Feb 2022	In Progress
10	EOC October 26, 2021	Organize an informal, friendly follow-up chat meeting with Eric Jacob of the AMF to discuss how to improve the CAFII Industry Issues Dialogue with AMF staff executives for future years	K. Martin/B. Wycks	Nov/Dec 2021	In Progress

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Regulatory Update – CAFII Executive Operations Committee, November 22, 2021

Prepared By Brendan Wycks, CAFII Co-Executive Director

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Federal/National

Financial Consumer Agency of Canada (FCAC)

FCAC Releases Proposed Guideline On Appropriate Products And Services For Consultation

On November 22/21, the FCAC released its proposed Guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks for public consultation. The submission deadline is Thursday, January 6/22.

In a transmittal message accompanying the proposed Guideline, the FCAC said that it was inviting comments on the document in support of the implementation of the new Financial Consumer Protection Framework (FCPF) in the *Bank Act*. The FCPF introduces new or enhanced consumer protection measures that will further empower and protect consumers in their dealings with banks and authorized foreign banks, the FCAC asserts.

The transmittal indicates that the Guideline sets out clear principles and expectations that Banks should use when establishing and implementing their policies and procedures to ensure they offer or sell products and services that are appropriate for their consumers, having regard to their circumstances, including their financial needs.

The FCAC believes that its consultation on the proposed Guideline will give all interested parties an opportunity to express their views and enable FCAC to benefit from a wide range of perspectives. It asserts that this new consultation is the second in a series of consultations on guidelines that FCAC has developed to help Banks comply with their obligations in the *Bank Act* and the new *Financial Consumer Protection Framework Regulations*, which will come into force on June 30, 2022. It notes that a related consultation on a proposed Guideline on Complaint Handling Procedures is in progress until December 11, 2021. And that another consultation on the obligations of Banks to implement a whistleblowing program for their employees is being planned.

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

FAIR Canada Lauds AMF's Draft Regulation Respecting Complaint Processing

In an e-newsletter released on November 22/21, FAIR Canada applauds the AMF's Draft Regulation Respecting Complaint Processing and Dispute Resolution in the Financial Sector.

FAIR Canada says the Regulation is designed to address numerous consumer concerns, such as access barriers, confusion, and timeliness, with respect to how complaints are managed by Quebec's provincially regulated financial institutions.

FAIR Canada asserts that, among other things the new Regulation would require financial institutions operating in Quebec to

- set up a complaint process that is simple to follow and free to use;
- assist customers who wish to file a complaint;

- deliver a final response within 60 days; and
- stop using misleading terms such as “ombudsman” to refer to staff members who work on complaints

The investor rights advocacy group opines that, if enacted, the Draft Quebec Regulation would be a significant step forward and help investors who have a complaint against a financial institution in Quebec. FAIR Canada will be urging the other provinces and territories to adopt similar regulations.

“All investors in Canada deserve the same level of protections and rights when they have a complaint,” the group asserts.

Canadian Life and Health Insurance Association

CLHIA Says Life Insurers Paid Out \$100 Billion To Support Canadians Through Pandemic

In a September 14/21 news release, CLHIA says that Canadians received over \$97 billion in benefits from life and health insurance products in 2020, a period that included the first nine months of the COVID-19 pandemic economic slowdown. Insurers helped Canadians respond to the disruption and tragedy of the pandemic by:

- paying out over \$12 billion in prescription drug claims
- paying out \$950 million in travel insurance claims – largely for trip cancellations;
- paying out \$420 million in psychology-related claims to support mental health – up nearly a quarter from 2019; and
- paying out \$154 million in life insurance claims from deaths related to COVID-19.

Insurance benefits remained remarkably resilient, CLHIA said. Because of actions taken by insurers, employers and other plan sponsors, over 26 million Canadians benefited from access to health benefits at the end of 2020 – the same as before the pandemic.

“Millions of Canadians rely on life and health insurance products during times of crisis; for all of us 2020 was one of those times,” Stephen Frank, President and CEO of the Canadian Life Health and Insurance Association said. “Insurers can be proud of the proactive steps they took through premium reductions and deferrals to help employers through the pandemic, and to protect the workplace drug and health benefits their employees count on.”

Additionally, insurers provided \$46 billion in annuity payments, \$37 billion in supplementary health benefits, and \$14 billion in life insurance benefits. Life and health insurers also remained well capitalized through the crisis, with regulatory capital levels well above government targets.

“The pandemic has tested and demonstrated the resilience of life and health insurance industry and the importance of our products to the well-being of so many,” Frank said.

Office of the Superintendent of Financial Institutions (OSFI)

Fasken Publishes Analysis Of OSFI Draft Guideline B-13: Technology and Cyber Risk Management

By Koker Christensen, Alex Cameron, and Christopher Ferguson, Fasken, November 22, 2021

<https://www.fasken.com/en/knowledge/2021/11/setting-new-standards-for-cyber-resilience>

On November 9, 2021, the Office of the Superintendent of Financial Institutions Canada (OSFI) published [Draft Guideline B-13: Technology and Cyber Risk Management](#) (“Draft Guideline”), which outlines OSFI’s expectations for federally regulated financial institutions (FRFIs) regarding technology and cyber risk management. The Draft Guideline would apply to all FRFIs, including banks and insurance companies, with the stated objective of helping FRFIs develop “greater resilience to technology and cyber risks”. Effective November 9, 2021, OSFI is also conducting a [three-month public consultation](#) on the Draft Guideline to engage stakeholders in its development and is inviting public comments until February 9, 2022.

Meaning of Technology Risk and Cyber Risk

The Draft Guideline uses materially similar definitions for “technology risks” and “cyber risks”:

- A technology risk is the “risk arising from the inadequacy, disruption, failure, loss or malicious use of information technology systems, infrastructure, people or processes that enable and support business needs and can result in financial loss”.
- A cyber risk is the “risk of financial loss, operational disruption or reputational damage from the unauthorized access, malicious and non-malicious use, failure, disclosure, disruption, modification or destruction of an institution’s information technology systems and/or the data contained therein”.

Although these definitions both capture risks to information technology systems and the potential for financial loss, a key distinguishing feature is that cyber risks also include risks to the data hosted in information technology systems as distinct from the technology itself, whereas technology risks also include risks to other infrastructure, people, and processes. Further, cyber risks encompass a broader range of potential harms, including operational disruption and reputational damage.

Summary of OSFI’s Expectations for Technology and Cyber Risk Management

The Draft Guideline is organized into five domains: Governance and Risk Management, Technology Operations, Cyber Security, Third-Party Provider Technology and Cyber Risk, and Technology Resilience. Each domain sets out OSFI’s expectations, the key components of sound technology and cyber risk management, the desired risk management outcome, and guiding principles, which are summarized in the table below. FRFIs will be evaluated on these expectations commensurate with their size, the nature, scope, complexity of their operations, and their risk profiles:

<p>Domain 1</p> <p>Governance and Risk Management</p>	<p>Expectations: Sets OSFI's expectations on formal accountability, leadership, organizational structure and framework used to support risk management and oversight of technology and cyber security.</p> <p>Desired Outcome: Technology and cyber risks are governed through clear accountabilities and structures, and comprehensive strategies and frameworks.</p> <p>Principles (1 to 3):</p> <ol style="list-style-type: none"> 1. Accountability and Organization Structure: Senior Management should assign responsibility for managing technology and cyber risks to senior officers, and also ensure an appropriate organizational structure and adequate resourcing are in place for managing technology and cyber risks across the FRFI. 2. Technology and Cyber Strategy: The FRFI should define, document, approve and implement a strategic technology and cyber plan(s) that aligns to the FRFI's business strategy while setting goals and objectives that are measurable and evolve with changes in the FRFI's technology and cyber environment. 3. Technology and Cyber Risk Management Framework: The FRFI should establish a technology and cyber risk management framework (RMF). The framework should set out a risk appetite for technology and cyber risks, and define what processes and requirements the FRFI utilizes to identify, assess, manage, monitor and report on technology and cyber risks.
<p>Domain 2</p> <p>Technology Operations</p>	<p>Expectations: Sets OSFI's expectations on management and oversight of risks related to the design, implementation and management of technology assets and services.</p> <p>Desired Outcome: A technology environment that is stable, scalable and resilient. The environment is kept current and supported by robust and sustainable technology operating processes.</p>

	<p>Principles (4 to 11):</p> <ol style="list-style-type: none"> Technology Architecture: The FRFI should implement a technology architecture framework, with supporting processes to ensure solutions are built in line with business, technology and security requirements. Technology Asset Management: The FRFI should maintain an updated inventory of all technology assets supporting business processes or functions. The FRFI's asset management process should address classification of assets to facilitate risk identification and assessment, record configurations to ensure asset integrity, provide for the safe disposal of assets at the end of their life cycle, and monitor and manage technology currency. Technology Project Management: Effective processes are in place to govern and manage technology projects, from initiation to closure, to ensure that project outcomes are aligned with business objectives and are achieved within the FRFI's risk appetite. System Development Life Cycle: The FRFI should implement a System Development Life Cycle (SDLC) framework for the secure development, acquisition and maintenance of technology systems that perform as expected in support of business objectives. Change and Release Management: The FRFI should establish and implement a technology change and release management process and supporting documentation to ensure changes to technology assets are documented, assessed, tested, approved, implemented and verified in a controlled manner that ensures minimal disruption to the production environment. Patch Management: The FRFI should implement patch management processes to ensure controlled and timely application of patches across its technology environment to address vulnerabilities and flaws. Incident and Problem Management: The FRFI should effectively detect, log, manage, resolve, monitor and report on technology incidents and minimize their impacts. Technology Service Measurement and Monitoring: The FRFI should develop service and capacity standards, and processes to monitor operational management of technology, ensuring business needs are met.
Domain 3	Expectations: Sets OSFI's expectations on management and oversight of cyber risk.

Cyber Security	<p>Desired Outcome: A secure technology posture that maintains the confidentiality, integrity and availability of the FRFI's technology assets.</p> <p>Principles (12 to 15):</p> <ol style="list-style-type: none"> Identify: The FRFI should maintain a range of practices, capabilities, processes and tools to identify and assess cyber security for weaknesses that could be exploited by external and insider threat actors. Defend: The FRFI should design, implement and maintain multi-layer, preventive cyber security controls and measures to safeguard its technology assets. Detect: The FRFI designs, implements and maintains continuous security detection capabilities to enable monitoring, alerting, and enable forensic cyber security incident investigations. Respond, Recover and Learn: The FRFI should triage, respond to, contain, recover and learn from cyber security incidents impacting its technology assets, including incidents originating at third-party providers.
<p>Domain 4</p> <p>Third-Party Provider Technology and Cyber Risk</p>	<p>Expectations: Expands on OSFI's existing guidance for outsourcing and third-party risk, and sets expectations for FRFIs that engage with third-party providers to obtain technology and cyber services that give rise to cyber and/or technology risk.</p> <p>Desired Outcome: Reliable and secure technology and cyber operations from third-party providers.</p> <p>Principles (16):</p> <ol style="list-style-type: none"> General: The FRFI should ensure that effective controls and processes are implemented to identify, assess, manage, monitor, report and mitigate technology and cyber risks throughout the TPP's life cycle, from due diligence to termination/exit.
Domain 5	<p>Expectations: Sets OSFI's expectations on the capabilities to deliver technology services through operational disruption.</p>

Technology Resilience	<p>Desired Outcome: Technology services are delivered, as expected, through disruption.</p> <p>Principles (17):</p> <ol style="list-style-type: none"> 1. Disaster Recovery: The FRFI should establish and maintain an Enterprise Disaster Recovery Framework (EDRF) to support its ability to deliver technology services through disruption and operate within its risk tolerance.
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The Draft Guideline acknowledges that technology and cyber security best practices are fluid and dynamic, and encourages FRFIs to also consult other OSFI guidance, tools and supervisory communications, along with other applicable guidance from relevant authorities, particularly the following:

- [OSFI Guideline E-21: Operational Risk Management](#) (summarized in our previous bulletin, "[OSFI Releases Final Operational Risk Management Guideline](#)");
- [OSFI Guideline B-10: Outsourcing](#) (note that OSFI is undertaking a review of Guideline B-10);
- [OSFI Cyber Security Self-Assessment Tool](#) (summarized in our previous bulletin, "[Updated OSFI Advisory: Technology and Cyber Security Incident Reporting](#)");
- [OSFI Technology and Cyber Security Incident Reporting Advisory](#) (summarized in our previous bulletin, "[Updated OSFI Advisory: Technology and Cyber Security Incident Reporting](#)");
- Alerts, advisories and other communications issued by the [Canadian Centre for Cyber Security](#); and,
- Recognized frameworks and standards for technology operations and information security.

Public Consultation

OSFI's [three-month public consultation](#) is intended to reflect continued stakeholder engagement and transparency on the Draft Guideline, and to assist OSFI in striking a balance between its prudential objectives and facilitating the ability of financial institutions to compete. Public comments are particularly welcomed by OSFI on:

- the clarity of OSFI's expectations as set out in the Draft Guideline;

- the application of these expectations, commensurate with the institution's size, nature, scope, and complexity of operations;
- the balance between principles and prescriptiveness in OSFI's expectations; and
- other suggestions that contribute to OSFI's mandate to protect depositors and policyholders, and maintain public confidence in the Canadian financial system, while also allowing institutions to compete and take reasonable risks.

Comments can be submitted to tech.cyber@osfi-bsif.gc.ca by February 9, 2022. OSFI is also planning an information session for financial institutions within the coming weeks to provide an overview of the Draft Guideline and an opportunity for questions.

Takeaways for FRFIs and Third-Party Providers

The publication of the Draft Guideline is pursuant to OSFI's [Near-Term Plan of Prudential Policy](#) published on May 6, 2021 ("Near-Term Plan"), which expressly committed OSFI to developing OSFI's expectations on technology and cyber risk management in Q4 of 2021. As indicated in the Near-Term Plan and Draft Guideline, OSFI's next objective is to update [Guideline B-10: Outsourcing of Business Activities, Functions and Processes](#) in Q1 of 2022, and to expand its scope of third-party risk management beyond outsourcing. Accordingly, FRFIs and their third-party providers can expect additional significant regulatory developments and should begin to strategically prepare for the potential impact on their operations.

FRFIs should review their technology and cyber risk management frameworks and third party service agreements to prepare for OSFI's new focus on these issues. Although the Draft Guideline is subject to further development after the public consultation, FRFIs should expect that its key themes will generally be maintained, and that its final expectations will go beyond making additional investments in information technology and security. While these are of course critical to any technology and cyber risk management framework, FRFIs may also need to revisit their practices with respect to governance, risk accountability, asset management, and relationships with third-party providers. For their part, third-party providers that provide information technology and other services to FRFIs may also need to revisit their Canadian financial industry templates and related practices to account for these new regulatory developments.

Manitoba

Insurance Council of Manitoba (ICM)

Barbara Palace Churchill Steps Down As Executive Director Of Insurance Council Of Manitoba

On November 18/21, Barbara Palace Churchill sent CAFII Co-Executive Directors Brendan Wycks and Keith Martin the following message to advise of some personal and ICM news:

I've been reaching out to ICM stakeholders with a bit of news – I will be leaving ICM as of December 31st. I will be relocating to southern Ontario in early January to be closer to my family who live out there and to help with my elderly mom's care. I will be working in Chatham, Ontario as the CEO of the United Way of Chatham-Kent as of January 10th, so I look forward to the new and exciting challenges there. I will miss the important work that ICM does, but I am completely confident in our team's continued strength going forward.

I've enjoyed the open and candid communications we've had over the years I've been at ICM, and I know that ICM will continue to appreciate CAFII's input as an industry stakeholder. Our Council will be announcing the changes shortly, but I wanted to reach out myself to let you know.

The Insurance Council of Manitoba's announcement of Ms. Palace Churchill's departure has been published in the Fall/Winter issue of its Update newsletter, found here:

https://www.icm.mb.ca/files/Bulletin/Council%20Reports/ICM_Report_Fall_Winter_2021_for_distribution.pdf

Québec

Autorité des marchés financiers (AMF)

AMF Releases Report On Responsible Use Of Artificial Intelligence In Finance

On November 22/21, the AMF released a report on the responsible use of artificial intelligence in finance. In a news release announcing that report, the AMF states that the digital transformation, which has accelerated since the start of the pandemic, is unfolding in all sectors of our society and our economy. The AMF asserts that the more personalized offers of financial products and services that artificial intelligence systems allow are for the mutual benefit of consumers and financial institutions, but they also generate ethical, legal, and reputational risks for the latter.

The AMF therefore engaged Marc-Antoine Dilhac, associate professor of ethics and political philosophy at the University of Montreal, and central contributor to the work that led to the launch, in 2018, of the *Montreal Declaration for the Responsible Development of AI*.

As part of their preparation of the AMF's report titled "Artificial intelligence in finance: recommendations for responsible use," Professor Dilhac and his team of researchers considered not only the conclusions of work by experts in the field, but also the concerns expressed by consumers of financial products and services at workshops held earlier this year. The participation of citizens in this project adds to the depth of reflection, and clearly distinguishes this approach from other work carried out to date on the responsible use of artificial intelligence in finance.

The report contains 10 recommendations to promote the development and deployment of artificial intelligence in finance in a responsible manner: three of them are formulated for the attention of the AMF, while the other seven are directed at industry. The 10 recommendations are supported by an inventory of use cases and a detailed discussion of the risks and challenges of responsible deployment of AI in finance. The recommendations are also based on an interpretation of the principles of the *Montreal Declaration for the Responsible Development of AI* in the specific context of financial sector activities.

"I encourage participants in the financial industry to immediately consider the recommendations presented in this report in the context of the development of their artificial intelligence systems," said Louis Morisset, the AMF's Chairman and CEO. "We are committed to doing the same with regard to the recommendations made therein and with regard to the digital transformation that is also taking place within the Authority. Let us make sure we develop artificial intelligence responsibly, so that everyone can benefit from it."

The AMF's Report on the Responsible Use of Artificial Intelligence in Finance, available only in French, can be found here:

https://lautorite.qc.ca/fileadmin/lautorite/grand_public/publications/professionnels/rapport-intelligence-artificielle-finance-fr.pdf.

International

Basel Committee on Banking Supervision

Basel Committee Proposes Guidance On Climate Risks

On November 17/21, Investment Executive reported that global banking regulators are proposing new guidance for supervising climate-related risks.

The Basel Committee on Banking Supervision launched a consultation that proposed a set of principles for applying the existing global rules to risks that arise due to the effects of global warming.

"Climate change may result in physical and transition risks that could affect the safety and soundness of individual banking institutions and have broader financial stability implications for the banking system," the group said in its consultation paper.

The Basel Committee's work to date has concluded that, while the existing supervisory principles are broad enough and flexible enough to allow regulators to address climate-related risks, both supervisors and banks could use additional guidance on supervisory expectations for dealing with these risks.

The proposed guidance aims to "promote a principles-based approach to improving risk management and supervisory practices related to climate-related financial risks."

It also seeks to establish a common set of expectations for larger global banks.

"Specifically, with regard to scenario analysis, including stress testing, the principles are formulated with a view towards application to large, internationally active banks," it said.

According to the paper, all banks are potentially exposed to climate-related risks, which could have wide-ranging impacts on a variety of sectors and countries.

"Banks should take into account the unique characteristics of such risks, including but not limited to potential transmission channels, the complexity of the impact on the economy and financial sector, uncertainty related to climate change and potential interactions between physical and transition risks," it said.

Additionally, while some of the risks stemming from climate change are already evident, others may emerge over time and are likely to worsen.

"The high degree of uncertainty around the timing of these risks suggests that banks should take a prudent and dynamic approach to developing their risk management capacities. Different time horizons should be considered in the process of risk identification and assessment as well as in scenario analysis," it said.

It suggested that banks should continually develop their expertise on climate-related financial risks.

The deadline for providing feedback on the proposed guidance is Feb. 16, 2022.

UK Financial Conduct Authority (FCA) and Prudential Regulatory Authority (PRA)

UK Regulators Step Up Climate Fight

On October 28/21, Investment Executive reported that alongside the UK's other major financial sector regulators, the Financial Conduct Authority (FCA) published a report that sets out its efforts to address the risks posed by climate change.

Among a range of other actions, the FCA plans in December to publish final rules setting disclosure requirements for issuers, asset managers, insurers and pension managers that follow the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

In addition to its forthcoming disclosure rules, the FCA said that it also plans to consult on product labeling, firms' plans for a transition to "net zero", and to issue its own TCFD-compliant report in 2022.

“To successfully transition to a net-zero economy requires not only that firms adapt and innovate, but that we regulators do too. That is why we are leading the effort to ensure there are consistent, trusted standards for disclosure investors can rely on,” said Nikhil Rathi, CEO of the FCA, in a release.

At the same time, a report from the U.K.’s Prudential Regulation Authority (PRA) finds that firms have made “tangible progress” at adopting climate-related risk management practices (which were mandated in July 2020), but that “there is still much further to go.”

“As we move into 2022, the PRA will actively supervise to ensure firms meet expectations, with firms needing to demonstrate a good understanding and management of climate-related financial risks on an ongoing basis,” the PRA said.

The prudential regulator will also be considering whether to revise banks’ capital requirements to ensure that they are adequately reserved against material climate-related financial risks. “We will provide an update on our approach in 2022 following a call for further research and a conference on climate change and capital requirements,” the PRA said.

Earlier this month, the Canadian Securities Administrators (CSA) published its own proposals for mandating TCFD disclosures by issuers. Those proposals are out for public comment.

CAFII Consultations/Submissions Timetable 2021-22

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"> Revised Financial Institutions Act (FIA) tabled in the legislature <i>CAFII Follow-up Meeting (Virtual) with Ministry officials Re CPI Sales Practices and Related Fair Treatment of Consumers Considerations</i> CAFII submissions on draft Regulations in support of Revised FIA 	<ul style="list-style-type: none"> October 21/19 Q3 or Q4 2021 Q3 through Q4 2021 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Committee; Co-EDs to monitor
AMF Consultation On Strategic Priority Objective 2.3: Burden Reduction	<ul style="list-style-type: none"> AMF sends letter to Keith Martin, inviting CAFII to respond to its consultation on Strategic Priority Objective 2.3: Burden Reduction CAFII submission on AMF Strategic Priority Objective 2.3: Burden Reduction 	<ul style="list-style-type: none"> June 18/21 October 25/21 	<ul style="list-style-type: none">
AMF Sound Commercial Practices Guideline Update	<ul style="list-style-type: none"> AMF releases consultation document for 60 day period CAFII submission on updated Sound Commercial Practices Guideline 	<ul style="list-style-type: none"> Q4 2021 (expected) Q4 2021 or Q1 2022 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Cttee; Co-EDs to monitor
Quebec Bill 141 and Related Regulations (including Regulation Respecting Alternative Distribution Methods, RADM)	<ul style="list-style-type: none"> CAFII sends AMF “creative solutions” submission on degree to which industry can meet AMF’s requirements on RADM’s applicability to credit card-embedded insurance AMF responds to CAFII’s “creative solutions” submission CAFII implements 3 Board directives in response to AMF’s March 30/21 response AMF launches consultation of Draft Regulation Respecting Complaint Processing CAFII submission on Draft Regulation Respecting Complaint Processing 	<ul style="list-style-type: none"> July 7/20 March 30/21 Q2 2021 September 9/21 November 8/21 	<ul style="list-style-type: none"> 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"> CAFII sends letter to CCIR/CISRO FTC Working Group asking it to obtain information on incentives and compensation models used by member distributors directly and privately, to avoid Competition Act violations <i>CCIR/CISRO FTC Working Group accepts proposal in CAFII’s July 2/20 letter</i> <i>CAFII meets virtually with CCIR/CISRO FTC Working Group to provide preliminary feedback on its Draft “Incentives Management Guidance”</i> CAFII submission on CCIR/CISRO Draft “Incentives Management Guidance” 	<ul style="list-style-type: none"> July 2/20 August 31/20 July 21/21 September 17/21 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Cttee; Co-EDs to monitor
FCNB Insurance Act Rewrite and Introduction of RIA Regime	<ul style="list-style-type: none"> <i>CAFII submission on FCNB’s RIA Regime licensing regime model</i> <i>FCNB launches informal stakeholder consultation on applicability of A&S insurance provisions of various provincial Insurance Acts to New Brunswick</i> <i>CAFII responds to FCNB consultation on A&S Insurance Act provisions</i> CAFII/CLHIA send joint response to FCNB’s further Insurance Act Rewrite questions (received November 6/20) FCNB announces tabling of <i>An Act to Amend The Insurance Act</i> in NB legislature; and that implementation Rule will follow in late 2021 (with 60 day public consultation) CAFII responds to David Weir follow-up questions re legislative constraints which prevent bank branch employees from being individually licensed to sell travel insurance 	<ul style="list-style-type: none"> January 31, 2020 July 2020 October 22/20 December 22/20 March 17/21 May 19/21 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Cttee; Co-EDs to monitor
Financial Services Regulatory Authority of Ontario (FSRA) Regulatory Consultations	<ul style="list-style-type: none"> CAFII responds to FSRA consultation on Unfair and Deceptive Practices (UDAP) Rule CAFII meets with FSRA and CLHIA virtually re follow-up questions arising from UDAP Rule submissions CAFII responds to two follow-up UDAP Rule-related questions posed by FSRA FSRA releases Revised UDAP Rule, for further consultation CAFII responds to FSRA’s further consultation with submission on Revised UDAP Rule Keith Martin provides qualitative interview input to Environics in response to FSRA consultation on Stakeholder Advisory Committee structure, possible renewal/revision <u>CAFII responds to FSRA consultation on “Enforcement Proceedings and Investigations”</u> <u>CAFII responds to FSRA consultation on Proposed 2022-23 Statement of Priorities</u> 	<ul style="list-style-type: none"> March 18/21 March 24/21 May 4/21 July 14/21 August 11/21 July 2021 Sept 24/21 <u>October 29/21</u> 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Cttee; Co-EDs to monitor

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

Agenda Item 2(f)
November 23/21 EOC Meeting

CAFII Insurance Regulator and Policy-Maker Meetings/Interactions
From October 23/21 To November 19/21

<u>Date</u>	<u>Event/Occasion/Issue</u>	<u>Who</u>
October 25, 2021	CAFII webinar on Provincial Insurance Policy and Regulatory Developments and Emerging Issues As Canada Progresses Out of COVID-19	Keith Martin moderated this well-attended CAFII webinar featuring three Western Canada insurance regulators, each of whom also plays a policy-influencing role in their province and is a current sitting member of CCIR: Mark Brisson, Alberta Superintendent of Insurance; Jan Seibel, Saskatchewan Deputy Superintendent of Insurance; and Chris Carter, BCFS Vice-President of Financial Institutions. Subsequently, K. Martin had one-on-one conversation with J. Seibel re merits of CAFII's posting a recording of webinar to its website and to secure her approval.
October 26, 2021	CAFII follow-up virtual meeting with CCIR/CISRO Fair Treatment of Customers Working Group (FTCWG) on CAFII's submission on CCIR/CISRO's "Draft Incentive Management Guidance"	This clarifications-focused meeting, requested by CCIR Policy Manager Tony Toy, was attended by more than 30 CAFII member representatives and approximately 12 provincial regulators who sit on the CCIR/CISRO FTCWG or its sub-group on the "Draft Incentive Management Guidance"
October 29, 2021	CAFII informal virtual meeting with Glen Padassery, FSRA's Executive Vice-President, Policy and Chief Consumer Officer; and Marlena Labieniec, Director of FSRA's Innovation Office	This meeting, requested by Glen Padassery of the Financial Services Regulatory Authority of Ontario (FSRA), provided an opportunity for Keith Martin and Brendan Wycks to learn about FSRA's proposed "Innovation Framework," just released for consultation. Led to CAFII's arranging a webinar which will give FSRA (Marlena Labieniec) an opportunity to profile the Innovation Framework for an industry and regulator audience.

November 1, 2021	Cordial email acknowledgement from Mark White, CEO, FSRA, re CAFII's submission on FSRA's FY2022-23 Statement of Priorities and Budget	Brendan Wycks received this email from Mark White, CEO of the Financial Services Regulatory Authority of Ontario (FSRA): "Brendan, many thanks for the submission. The team is already working through the comments. Your constructive support for FSRA is much appreciated."
November 5, 2021	CAFII follow-up virtual meeting with Marlena Labieniec, Director of FSRA's Innovation Office, to agree on details of a CAFII webinar on FSRA's "Innovation Framework"	Keith Martin and Brendan Wycks successfully negotiated the details of a CAFII webinar on FSRA's Innovation Framework – to be held on November 29/21 – in this meeting.
November 10, 2021	CAFII virtual meeting with Mario Beaudoin and Charlene Boucher, AMF, re agreeing on a plan/way forward for modifying the Fact Sheet and Notice of Rescission to "fit" credit card-embedded insurance benefits (and not be inaccurate and misleading to card holders)	Despite static and obstacles being raised by Mario Beaudoin for the first 45 minutes of this 75 minutes meeting (originally booked for 60 minutes), Keith Martin and Brendan Wycks held firm and persevered, and ultimately were able to come away with an agreement with Mario Beaudoin and Charlene Boucher on a way forward on this issue of critical importance to CAFII and the industry.
November 19, 2021	Cordial email acknowledgement from Mark White, CEO, FSRA, re CAFII's submission on FSRA's Draft "Innovation Framework"	Brendan Wycks received this email from Mark White, CEO of the Financial Services Regulatory Authority of Ontario (FSRA): "Brendan, thanks for the support and the constructive feedback, which we will consider carefully. I also appreciate that you are hosting an event with Marlena to further knowledge about innovation and a discussion about what FSRA and other regulators can do to support innovation while protecting the overall public interest."

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

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

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

Board Meetings:

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

2022 Annual Members and Associates Luncheon:

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

2021 Board meetings Hosted by:

None, due to COVID-19 pandemic situation

2020 Board meetings Hosted by:

None, due to COVID-19 pandemic situation

2019 Board meetings Hosted by:

CUMIS (National Club), Manulife Financial, National Bank Insurance, TD Insurance

2018 Board Meetings Hosted by:

CAFI; ScotiaLife Financial; BMO Insurance; The Canada Life Assurance

2017 Board Meetings Hosted by:

TD Insurance; CAFI; Desjardins; CIBC Insurance

2016 Board Meetings Hosted by:

CUMIS Group; Assurant Solutions; RBC Insurance; BMO Insurance

Recent Years' Annual Members and Associates Luncheons**2021 Annual Members and Associates Virtual Luncheon Webinar**

Date: Tuesday, November 9, 2021 from 1:00 p.m. – 2:30 p.m. EDT

Topic: "The Changing Regulatory Environment – Challenges, Risks and Opportunities"

Panelists: Jill McCutcheon, Partner, Torys LLP; Stuart Carruthers, Partner, Stikeman Elliott LLP; Marc Duquette, Partner, Norton Rose Fulbright Corporation. Panel Moderator: Keith Martin, CAFI,

Venue: Virtual-Only Webinar

2020 Annual Members and Associates Virtual Luncheon Webinar

Date: Wednesday, October 21, 2020 from 12 Noon to 1:00 p.m. EDT

Topic: "Setting the Bar Higher: How the Financial Consumer Protection Framework Sets a New Standard for Fairness and Transparency"

Speaker: Frank Lofranco, Deputy Commissioner, Supervision and Enforcement, Financial Consumer Agency of Canada (Remarks actually delivered by Teresa Frick, Director, FCAC who was subbed in for Frank Lofranco at the last minute)

Venue: Virtual-Only Webinar

2019 Annual Members and Associates Luncheon

Date: Tuesday, February 19, 2019 from 11:45 a.m. to 2:15 p.m.

Topic: "The Changing Regulatory Environment – Challenges, Risks and Opportunities"

Panelists: Stuart Carruthers, Partner, Stikeman Elliott LLP; Koker Christensen, Partner, Fasken; Jill McCutcheon, Partner, Torys LLP. Panel Moderator: Nicole Benson, CEO, Canadian Premier Life/Valeyo

Venue: Arcadian Loft, 401 Bay St., Simpson Tower, 8th Floor, Toronto, ON

2018 Annual Members and Associates Luncheon

Topic: "Leading For Success in A Volatile World"

Speaker: Richard Nesbitt, CEO, the Global Risk Institute

Venue: Arcadian Loft, 401 Bay St., Simpson Tower, 8th Floor, Toronto, ON

Briefing Note

**CAFII Board Meeting 7 December, 2021—Agenda Item 3(a)
Strategy-Setting and Governance Matters-- Summary of Options In Response To Proposal From Z.
Fuerstenberg That CAFII Investigate Development and Launch of an Education/Master
Class/Certification Program for Member Company Employees on “CPI Legislative and Regulatory
Principles and Environment”**

Purpose of this Agenda Item – Update/Discussion

To provide the opportunity to discuss a proposal from a Board member that CAFII develop an educational program for its members.

Background Information

At the October 26/21 EOC meeting, there was a discussion of how to proceed with a proposal from a Board member to develop an education or certification program for member company employees on CPI legislative and regulatory principles and the related environment.

While EOC members felt that there was merit in the idea, and that it should be revisited, it was felt at this time that CAFII management and volunteers were operating at capacity. This was particularly the case due to the heightened volume of regulatory consultation activity of late. Several CAFII EOC members said that volunteers supporting various CAFII Committees and Working Groups were quite busy, and there was no further volunteer capacity at this time.

The EOC recommends to the Board that this initiative be deferred at this time, and revisited the next time the CAFII 3-5 Year Strategic Plan is reviewed.

Recommendation / Direction Sought – Update/Discussion

The Board will be asked to comment on the EOC recommendation to defer this initiative at this time.

Attachments Included with this Agenda Item

One attachment.

*Agenda Item 3(a)
December 7/21 Board Meeting*

**Continuum of Options for Development and Launch of a
CAFII Education/Certification Program for Member Company Representatives
on Credit Protection Insurance Legislative and Regulatory Principles and
Environment**

*Executive Operations Committee Recommendation to the CAFII Board, based on discussion
and consensus reached at October 26/21 EOC meeting:*

That CAFII should adopt Option 5 set out below at this time.

Option 1—Annotated Self-Study Materials

Details—CAFII has many resources on its website which could be organized into an annotated series of self-study modules/courses, to which CAFII member companies would be able to give their new and/or other employees access.

Implementation—would require an IT investment, along with staff and/or consultant time to organize materials into integrated subject matter modules.

Option 2—Dedicated Webinar Modules/Courses

Details—CAFII would commission industry experts to produce one-hour webinars on key topics (e.g., Jill McCutcheon on the regulatory regime in Canada; Marc Duquette on the unique characteristics of the Quebec regulatory regime), to which CAFII member companies would be able to give their new and/or other employees access.

Implementation— this would require the considerable expense of having the webinars developed by industry experts, who would need to be paid for their time, under CAFII management oversight.

Option 3—Certification Program

Details—CAFII would develop -- with the assistance of an e-learning professional services firm -- a certification program composed of a series of online modules/courses. CAFII members would pay for their new and/or other employees to access this certification program. There would be tests of information/knowledge retention of the course material; and upon passing the full set of modules/courses in the program, a CAFII-branded certification/accreditation would be granted to the successful student.

Implementation—this would be a considerable financial investment and other resources undertaking for CAFII, requiring the ongoing partnership assistance of a professional e-learning firm such as Oliver's. There would be implications for CAFII management to oversee this effort; and for CAFII volunteers, as a significant ramp-up of a new Working Group would be needed to steer this effort.

Option 4—Establish CAFII Course Curriculum Standards for All Members

Details—CAFII would outline and establish the standards for courses for credit protection insurance programs. It would identify the competencies expected of the participants, the learning outcomes to develop those competencies, and the information and topics that need to be addressed and which content would be assessed and tested.

Implementation— this would require working with CAFII members to develop the standards and then implementing a process by which each CAFII member would sign on to the expectations.

Option 5—Delay at this time

This option would entail holding off on any further work on this initiative at this time, based on other immediate and pressing priorities in CAFII's core focus area of regulatory relationship-building, communications and advocacy; an already ambitious Strategic Plan; and the challenge of acting on this initiative while a significant set of other priorities are competing for the Association's limited resources.

Briefing Note

CAFII Board Meeting 7 December, 2021—Agenda Item 4(a) Financial Management Matters--CAFII Financial Statements as at October 31/21

Purpose of this Agenda Item – Update/Approval

To update the Board on the Association's financial position as at 31 October, 2021; and to request Board approval of the financial statements.

Background Information

Treasurer Tony Pergola will provide an update on the CAFII Financial Statements as at 31 October, 2021.

Recommendation / Direction Sought – Update/Approval

This is an update and approval item.

Attachments Included with this Agenda Item

One attachment.

CAFII

411 Richmond Street E, Suite 200
Toronto, ON M5A 3S5

Statement of Operations As at October 31st 2021

	Current Month	Budget Oct-21	Variance to Monthly Budget	Current YTD	Budget '21 YTD	Variance Budget to YTD	Budget 2021
Revenue							
Membership Dues	79,664	\$76,540	\$3,124	\$796,641	\$765,396	\$31,245	\$918,475
Interest Revenue	20	\$25	(\$5)	197	\$250	(\$53)	\$300
TOTAL REVENUE	79,684	\$76,565	\$3,120	\$796,838	\$765,646	\$31,192	\$918,775
Expenses							
Management Fees	39,815	\$40,648	\$834	406,913	\$406,483	(\$429)	\$487,780
CAFII Legal Fees/Corporate Governan	-	\$4,167	\$4,167	64,759	\$41,667	(\$23,093)	\$50,000
Audit Fees	1,187	\$1,395	\$209	10,851	\$13,953	\$3,102	\$16,743
Insurance	519	\$504	(\$15)	4,839	\$5,042	\$203	\$6,050
Website Ongoing Maintenance	272	\$596	\$324	5,617	\$5,964	\$347	\$7,156
Telephone/Fax/Internet	104	\$477	\$374	5,169	\$4,775	(\$394)	\$5,730
Postage/Courier	-	\$13	\$13	-	\$125	\$125	\$150
Office Expenses	151	\$417	\$266	2,446	\$4,167	\$1,721	\$5,000
Bank Charges	25	\$39	\$14	612	\$392	(\$220)	\$470
Miscellaneous Expenses	-	\$42	\$42	-	\$417	\$417	\$500
Depreciation Computer/Office Equipm	95	\$95	\$0	947	\$947	\$0	\$1,136
Provincial Regulatory Visits	-	\$0	\$0	-	\$0	\$0	\$0
Research/Studies	-	\$0	\$0	29,230	\$45,000	\$15,770	\$60,000
Website SEO and Enhancements	4,250	\$3,496	(\$754)	40,077	\$34,958	(\$5,119)	\$41,950
Regulatory Model(s)	-	\$0	\$0	-	\$0	\$0	\$0
Federal Financial Reform	-	\$0	\$0	-	\$0	\$0	\$0
CAFII Benchmarking Study/RSM Canada	16,950	\$0	(\$16,950)	50,850	\$50,850	\$0	\$67,800
FCAC Presentation	-	\$0	\$0	-	\$0	\$0	\$0
Media Outreach	615	\$500	(\$115)	7,439	\$5,000	(\$2,439)	\$6,000
Media Consultant Retainer	2,303	\$2,260	(\$43)	25,272	\$22,600	(\$2,672)	\$27,120
Marketing Collateral	-	\$417	\$417	622	\$4,167	\$3,544	\$5,000
Contingency Fund	-	\$12,500	\$12,500	-	\$25,000	\$25,000	\$50,000
CAFII Reception Events	-	\$0	\$0	1,417	\$0	(\$1,417)	\$0
TOTAL EXPENSE	66,284	67,565	1,281	657,059	671,504	14,445	838,585
NET INCOME	13,400	8,999	4,401	139,779	94,141	45,638	80,190

Explanatory Notes:

- 1 - Amortization of office equipment based on 4 year straight line depreciation
- 2 - Management fees includes Managing 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 October 31st 2021

	CAFI Operations			CCBPI Project			Combined		
	31-Oct 2021	30-Sep 2021	31-Dec 2020	31-Oct 2021	30-Sep 2021	31-Dec 2020	31-Oct 2021	30-Sep 2021	31-Dec 2020
ASSETS									
Current Assets									
Bank Balance	\$692,712	\$710,171	\$308,624	\$0	\$0	\$0	\$692,712	\$710,171	\$308,624
Savings Account	\$102,475	\$102,435	\$102,278	\$12,151	\$12,151	\$12,151	\$114,626	\$114,586	\$114,429
Accounts Receivable	\$0	\$13,494	\$0	\$0	\$0	\$0	\$0	\$13,494	\$0
Prepaid Expenses	\$7,041	\$1,640	\$14,037	\$0	\$0	\$0	\$7,041	\$1,640	\$14,037
Computer/Office Equipment	\$8,014	\$8,014	\$8,014	\$0	\$0	\$0	\$8,014	\$8,014	\$8,014
Accumulated Depreciation -Comp/Equip	(\$7,824)	(\$7,730)	(\$6,878)	\$0	\$0	\$0	(\$7,824)	(\$7,730)	(\$6,878)
Total Current Assets	\$802,417	\$828,024	\$426,075	\$12,151	\$12,151	\$12,151	\$814,568	\$840,175	\$438,226
TOTAL ASSETS	\$802,417	\$828,024	\$426,075	\$12,151	\$12,151	\$12,151	\$814,568	\$840,175	\$438,226
LIABILITIES									
Current Liabilities									
Accrued Liabilities	\$11,865	\$10,679	\$32,852	\$0	\$0	\$0	\$11,865	\$10,679	\$32,852
Credit Card	\$372	\$496	\$352	\$0	\$0	\$0	\$372	\$496	\$352
Account Payable	\$107,213	\$2,618	\$9,012	\$0	\$0	\$0	\$107,213	\$2,618	\$9,012
Deferred Revenue	\$159,329	\$238,993	\$0	\$12,151	\$12,151	\$12,151	\$171,480	\$251,144	\$12,151
Total Current liabilities	\$278,779	\$252,785	\$42,216	\$12,151	\$12,151	\$12,151	\$290,930	\$264,937	\$54,367
TOTAL LIABILITIES	\$278,779	\$252,785	\$42,216	\$12,151	\$12,151	\$12,151	\$290,930	\$264,937	\$54,367
UNRESTRICTED NET ASSETS									
Unrestricted Net Assets, beginning of year	\$383,859	\$383,859	\$230,223	\$0	\$0	\$0	\$383,859	\$383,859	\$230,223
Excess of revenue over expenses	\$139,779	\$191,379	\$153,636	\$0	\$0	\$0	\$139,779	\$191,379	\$153,636
Total Unrestricted Net Assets	\$523,638	\$575,238	\$383,859	\$0	\$0	\$0	\$523,638	\$575,238	\$383,859
Total Unrestricted Net Assets	\$523,638	\$545,191	\$383,859	\$0	\$0	\$0	\$523,638	\$575,238	\$383,859
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$802,417	\$876,327	\$426,075	\$12,151	\$12,151	\$12,151	\$814,568	\$840,175	\$438,226

Financial Reserves Targets as per 2019 Budget:

Minimum 3 months (25%) of Annual Operating Expenses=

\$ 209,646

Maximum 6 months (50%) of Annual Operating Expenses=

\$ 419,293

Current Level of Financial Reserves (total unrestricted net assets):

\$523,638

Current Level of Financials Reserve (%):

62%

CAFII

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Membership Fees

		<u>Feb-21</u>		<u>Jul-21</u>	
		<u>To be billed</u>	<u>Received</u>	<u>To be billed</u>	<u>Received</u>
BMO Bank of Montreal	2021 Upper Tier Member	\$ 38,555	18-Mar-21	\$ 38,555	16-Aug-21
CIBC Insurance	2021 Upper Tier Member	\$ 38,555	24-Feb-21	\$ 38,555	27-Jul-21
RBC Insurance	2021 Upper Tier Member	\$ 38,555	2-Mar-21	\$ 38,555	30-Jul-21
ScotiaLife Financial	2021 Upper Tier Member	\$ 38,555	18-Feb-21	\$ 38,555	12-Jul-21
TD Insurance	2021 Upper Tier Member	\$ 38,555	12-Feb-21	\$ 38,555	29-Jul-21
Desjardins Financial Security Life Assurance Company	2021 Upper Tier Member	\$ 38,555	29-Mar-21	\$ 38,555	5-Aug-21
National Bank Life Insurance Company	2021 Upper Tier Member	\$ 38,555	12-Feb-21	\$ 38,555	21-Jul-21
Manulife Financial	2021 Upper Tier Member	\$ 38,555	3-Mar-21	\$ 38,555	12-Jul-21
The Canada Life Assurance Company	2021 Upper Tier Member	\$ 38,555	24-Feb-21	\$ 38,555	28-Jul-21
Assurant Solutions	2021 Lower Tier Member	\$ 19,278	3-Mar-21	\$ 19,277	8-Jul-21
Canadian Premier Life Insurance Company	2021 Lower Tier Member	\$ 19,278	25-Feb-21	\$ 19,277	16-Jul-21
Cumis Group Ltd/Co-operators Life Insurance Co.	2021 Lower Tier Member	\$ 19,278	26-Feb-21	\$ 19,277	8-Jul-21
Valeyo	2021 Lower Tier Member	\$ 19,278	16-Apr-21	\$ 19,277	16-Jul-21
Sun Life Financial	2020 Initiation Members (Upper Tier)	\$ 23,133	12-Mar-21	\$ 23,133	29-Jul-21
Canadian Tire Bank	2021 Initiation Members (Lower Tier)	\$ -	N/A	\$ 13,494	25-Oct-21
Norton Rose Fulbright Canada	Associate	\$ -	N/A	\$ 4,800	19-Sep-21
RSM Canada	Associate	\$ 4,800	29-Mar-21		
Willis Towers Watson	Associate	\$ 4,800	25-Feb-21		
KPMG MSLP	Associate	\$ 4,800	25-Feb-21		
Optima Communications	Associate	\$ 4,800	10-Mar-21		
RGA Life Reinsurance Company of Canada	Associate	\$ 4,800	24-Feb-21		
Torys LLP	Associate	\$ 4,800	11-Feb-21		
Dog and Pony Studios	Associate	\$ 4,800	11-Feb-21		
Stikeman Elliott LLP	Associate	\$ 4,800	29-Mar-21		
RSA	Associate	\$ 4,800	12-May-21		
Feb Invoices		\$490,440		\$465,530	
July Invoices		\$465,530			
Total Membership Fees		\$955,970			
Total amount to reallocate monthly Jan-Sept		\$79,664			
Total amount to reallocate monthly Oct-Dec		\$79,664			

Briefing Note

CAFII Board Meeting 7 December, 2021—Agenda Item 4(b)

Financial Management Matters—Forecast for CAFII 2021 Fiscal Year as at October 31/21

Purpose of this Agenda Item – Update

To update the Board on the Association's forecast for the 2021 fiscal year as at October 31/21..

Background Information

Treasurer Tony Pergola will provide an update on the CAFII 2021 fiscal year forecast as at 31 October, 2021.

Recommendation / Direction Sought – Update

This is an update only item.

Attachments Included with this Agenda Item

One attachment.

2021 CAFII Budget

	Reference Only								Comment/Rationale
	2018 Actuals	2019 Actuals	2020 Actuals	CAFII 2021 Operating Budget Pre Tax	CAFII 2021 Operating Budget HST	CAFII 2021 Operating Budget	2021 YTD October 2021	2021 Forecast	
Revenue									
Membership Dues	\$695,545	\$734,664	\$884,721	\$918,475	\$0	\$918,475	\$716,977	\$955,969	See breakdown in Member Dues Revenue Tab (includes one new Member at Lower Tier Dues as CPL and Valeyo intend to become two separate CAFII Members)
Annual Members' Luncheon "Additional Seats" Revenue	\$0	\$195	\$0	\$0	\$0	\$0	\$0	\$0	
Interest	\$0	\$982	\$399	\$300	\$0	\$300	\$197	\$236.17	Interest from the Savings Account
TOTAL REVENUE	\$ 695,545	\$ 735,841	\$ 885,120	\$ 918,775	\$ -	\$ 918,775	\$ 717,174	\$ 956,205	
EXPENSE									
Management Fees	\$460,299	\$465,134	\$476,844	\$474,468	\$13,312	\$487,780	\$406,913	\$487,780	Includes MM Fees (2.0% contractual increase) and two Co-Eds (2.5% increase each)
Legal and consulting costs associated with regulatory submissions and initiatives	\$563	\$0	\$28,975	\$44,248	\$5,752.21	\$50,000	\$64,759	\$75,000	For streamlining/simplicity, this line now includes expenses previously captured under Regulatory Model(s) (Row 39), where \$15,000 was budgeted in 2020. 2021 Budget amounts are based on 2020 actuals (recognizing that while in 2020, zero expenses will be incurred under Regulatory Models, that is largely due to the COVID-19 pandemic) and the expectation that CAFII will likely need to tackle heightened regulatory communications/submissions and advocacy/relationship-building work in 2021 as regulators clear their abeyance "backlog" caused by COVID-19.
Audit Fees	\$14,432	\$14,799	\$16,743	\$14,817	\$1,926	\$16,743	\$9,665	\$14,238	Same as 2020 Bill received from KPMG
Insurance	\$5,258	\$5,338	\$5,385	\$5,354	\$696	\$6,050	\$4,839	\$5,878	Increase by 10% over 2020 Budget, as per advice from insurance broker Marsh, as a buffer for 2021 renewal in June 2021.
Website Ongoing Maintenance	\$6,461	\$10,022	\$5,765	\$6,333	\$823	\$7,156	\$5,617	\$7,156	Includes CG Technology (\$233 per month (3% increase)), Constant Contact (\$62.83 per month (3% increase)), Soda PDF Premium (\$56.47), Zoom (\$237.60 per month), Survey Monkey (\$307.36), Virtual Platform (\$500)
Telephone/Fax/Internet	\$5,939	\$6,494	\$5,808	\$5,071	\$659	\$5,730	\$5,169	\$5,730	Includes Office Line (\$56.50 per month), Conference Line (\$47.46 per month) & Co-Eds phone and internet lines
Postage/Courier	\$458	\$159	\$53	\$133	\$17	\$150	\$0	\$50	Monthly Cheque Run and Ad Hoc Mailing
Office Expenses	\$2,423	\$2,025	\$2,158	\$4,425	\$575	\$5,000	\$2,446	\$5,000	Increased from 2020 Budget to cover possible replacement computer hardware and peripherals expenses in 2021 for the Co-Executive Directors
Bank Charges	\$23	\$112	\$236	\$470	\$0	\$470	\$612	\$687	Annual Credit Card Fee (\$190) plus a possible new digital/electronic Accounts Payable process in 2021 (\$280.00)
Depreciation Computer/Office Equipment	\$1,136	\$1,136	\$1,136	\$1,136	\$0	\$1,136	\$947	\$1,136	Same as 2020 Forecast
Miscellaneous Expense	\$0	\$0	\$0	\$500	\$0	\$500	\$0	\$500	Same as 2020 Forecast
Provincial Regulatory Visits and Relationship-Building	\$11,230	\$16,833	\$983	\$0	\$0	\$0	\$0	\$0	Not budgeted for in Recommended Option. However, expenses for possible occurrence in 2021 provided for in Contingency Expense line item at bottom.
Federal Regulatory Visits and Relationship-Building	\$0	\$442	\$540	\$0	\$0	\$0	\$0	\$0	Not budgeted for in Recommended Option. However, expenses for possible occurrence in 2021 provided for in Contingency Expense line item at bottom.
Research/Studies	\$77,345	\$5,368	\$28,646	\$53,097	\$6,903	\$60,000	\$29,230	\$29,230	Same as 2020 Budget
Website SEO and Enhancements	\$21,702	\$40,914	\$31,144	\$37,124	\$4,826	\$41,950	\$40,077	\$41,950	Same as 2020 Budget
Regulatory Model(s)	\$6,490	\$7,555	\$0	\$0	\$0	\$0	\$0	\$0	Combined with Legal Fees; and this line item will be removed/dispensed with, beginning with the 2021 CAFII budget
CAFII Benchmarking Study/RSM Canada	\$0	\$0	\$68,365	\$60,000	\$7,800	\$67,800	\$33,900	\$67,800	Continuation of CAFII CPI Benchmarking Study with RSM Canada, estimated at \$60K plus HST.
FCAC Presentation	\$0	\$0	\$20,905	\$0	\$0	\$0	\$0	\$0	
Media Outreach	\$6,883	\$5,683	\$350	\$5,310	\$690	\$6,000	\$7,439	\$7,539	Expenses related to CAFII Media Releases including Wire Service charges (new split into separate Media Outreach and Media Consultant Retainer (David Moorcroft's S2C retainer) expenses)
Media Consultant Retainer	\$31,639	\$27,120	\$27,685	\$24,000	\$3,120	\$27,120	\$25,272	\$27,120	Monthly retainer fees for David Moorcroft, S2C (new split into separate Media Outreach and Media Consultant Retainer (David Moorcroft's S2C retainer) expenses)
Marketing Collateral	\$557	\$1,629	\$845	\$4,425	\$575	\$5,000	\$622	\$2,500	Same as 2020 Budget
Tactical Communications Strategy	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	This line item is being removed/dispensed with, beginning with the 2021 CAFII budget
Contingency For Possible Resumption Of In-Person Meetings/Events, Etc. in 2021	\$0	\$0	\$0	\$50,000	\$0	\$50,000	\$1,417	\$5,000	Includes Annual Members' Luncheon (\$12,000); Board Hosting External (\$7,500); Board/EOC Meeting Expenses (\$13,500); Industry Events (\$1,000); EOC Annual Appreciation Dinner (\$3,000); Provincial Regulatory Visits and Relationship-Building (\$9,000); Federal Regulatory Visits and Relationship-Building (\$4,000)
TOTAL EXPENSE	\$ 705,793	\$ 675,816	\$ 731,485	\$ 790,909	\$ 47,675	\$ 838,585	\$ 638,922	\$ 784,294	
Excess of Revenue over Expenses	(\$10,248)	\$60,025	\$153,636			\$80,190	\$78,252	\$171,911	
Unrestricted Net Assets (beginning of year)	\$180,447	\$170,198	\$230,223			\$383,859	\$383,859	\$383,859	
Unrestricted Net Assets (end of year)	\$170,198	\$230,223	\$383,859			\$464,049	\$462,110	\$555,770	

Explanatory Notes:

- (1) Assumes Two Co-Executive Directors, one @ 5 days per week; one @ 4.5 days per week; plus Managing Matters Admin support
- (2) Amortization of office equipment based on 4 year straight line depreciation
- (3) \$45,000 Legal Expense for Marc Dequette/Norton Rose Fulbright to complete legal opinion re: AMF Spousal Coverage Issue. Alternative for paying for legal opinion is to use the remaining funds from the CCPBI Special Project Fund

Actual/Forecasted Financial Reserves	2018 Actuals	2019 Actuals	2019 Actuals	2021 Operating Budget	2021 Forecast
Minimum 3 months (25%) of Annual Operating Expenses =	\$176,448	\$168,954	\$182,871	\$209,646	\$196,073
Maximum 6 months (50%) of Annual Operating Expenses =	\$352,897	\$337,908	\$365,742	\$419,293	\$392,147
Actual/Forecasted Level of Financial Reserves:	\$170,198	\$230,223	\$383,859	\$464,049	\$555,770
Actual/Forecasted Level of Financial Reserves %:	24%	34%	52%	55%	71%

2019 Operational Budget - Member Dues Breakdown

2018 Member Dues Breakdown

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

2019 (Base) Member Dues Breakdown

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

2019 Operational Budget - Member Dues Breakdown - Revised

2019 Member Dues Breakdown

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

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

2020 Member Dues Breakdown

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

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

2020 Member Dues Breakdown

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

2020 Upper Tier Member

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

2020 Lower Tier Member

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

2020 Initiation Members (Upper Tier)

Sun Life Financial

2020 Associate

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

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

Did not renew in 2020

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

2021 Operational Budget - Member Dues Breakdown - No Dues Increase

2021 Member Dues Breakdown

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

2021 Upper Tier Member

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

2021 Lower Tier Member

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

2021 Initiation Members (Upper Tier)

Sun Life Financial 2 Year

2021 Associate

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

2021 Forecast

2021 Member Dues Breakdown

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

2021 Upper Tier Member

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

2021 Lower Tier Member

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

2021 Initiation Members (Upper Tier)

Sun Life Financial 2 Year

2021 Associate

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

Initiation Members (Lower Tier)

Canadian Tire Bank CTB is joining CAFil in early June, we will prorate CTB's 2021 Initiation Member Dues to 7/12 of the full year amount

Briefing Note

CAFII Board Meeting 7 December, 2021—Agenda Item 4(c)

Governance Matters—Recommendation on Renewal of CAFII's Association Management Services Contract with Managing Matters

Purpose of this Agenda Item – Update/Discussion/Approval

To update the Board on negotiations with CAFII's Association Management Company Managing Matters around a contract renewal, and to request that the Board approve the Term Sheet submitted by Managing Matters, and approve the EOC's recommendation to the Board that CAFII sign a three-year contract renewal with Managing Matters.

Background Information

CAFII receives administrative, accounting, event management, and IT services from Association Management Company Managing Matters. We initially signed a one-year contract with them for calendar year 2018, then signed a three-year extension, which expires at the end of December 2021.

CAFII is very satisfied with the performance of Managing Matters and feels that they are an excellent business partner for CAFII. CAFII has negotiated terms of a possible renewal with Managing Matters; we explored different options with the preferred approach being a three-year extension.

Managing Matters asserted that the labour market had markedly changed due to COVID-19, leading to substantially increased labour costs, in its Term Sheet proposal to CAFII. CAFII asked Managing Matters to reduce its labour cost increase. Based on feedback from CAFII, Managing Matters subsequently provided a revised Term Sheet in which the cost increases in the first year, and in three-year average, increases are more moderate than was proposed in the initial Term Sheet proposed.

This new Term Sheet meets CAFII management's expectations, and CAFII management has recommended to the EOC that it approve the Term Sheet, and also recommend to the Board that a three-year renewal on the terms set out in the Term Sheet be signed with Managing Matters. The EOC strongly endorsed this recommendation, and is recommending to the Board that CAFII's contract with Managing Matters be renewed for three years.

One change to the current contract is that CAFII also negotiated the costs of additional event planning time in order to be able to deliver six webinars in each year of the contract, in addition to the usual slate of in-person events that CAFII holds annually. This is based on Board feedback, including from its February 2021 review of the Association's 3-5 Year Strategic Plan, that webinars are a value-add to CAFII's initiatives and should continue going forward.

Recommendation / Direction Sought – Update/Discussion/Approval

Board approval of the Managing Matters-proposed three-year Term Sheet, and approval of CAFII's signing of a three-year contract renewal with Managing Matters based on the Term Sheet.

Attachments Included with this Agenda Item

One attachment.

Toronto

411 Richmond Street East, Suite 200
Toronto, ON
M5A 3S5

managingmatters

event + association + creative

416.944.3183

managingmatters.com

1.844.944.3183

Chicago

201 West Lake Street, Suite 2
Chicago, IL
60606

Overview:

We continue to be extremely proud to work with CAFII and especially with the privilege of supporting, Brendan and Keith directly. Working with 2 professional and extremely proactive EDs makes our partnership a thriving one and we look forward to continuing this partnership into the future.

Partnership Value Points:

- ✓ **Our benchstrength:** We continue to ensure that benchstrength is embedded into the CAFII/ MM team and that we are able to access additional resources at any time. This is a top priority as we endeavor to have back up team members for all roles.
- ✓ **Escalation point of service and support:** We continue to ensure that we have multiple avenues for escalation in our organization. These include the President, Talent Business Partner (from a talent & performance perspective) and our Head of Client Services and Business Delivery (satisfaction with performance and delivery methodology).
- ✓ **Specializations:** We continue to focus on the development and growth of our specialization areas. Over the past year we have significantly developed our Project Management division as well as Marketing and Communications division. This allows our client partners to tap into specific areas of expertise and talent, depending on their requirements.
- ✓ **Client-centric & Quality Talent:** MM has shifted to a client centric model of business, focusing on the meaning of our client missions, engaging the talent we recruit directly with the client in their particular specialization and fitting the skills and interests to the client mission above the client tasking. We firmly believe that this targeted talent approach will result in increased quality of talent for CAFII.
- ✓ **Managing Volatility:** Through the pandemic it has become apparent and essential that we progressively and proactively manage our recruitment and retention activities. Our Talent Business Partner was hired specifically with this in mind to assist in managing our key assets: our people.

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Role	Percentage of Time (FTE-Full Time Employee)	Base Year (2% increase) January 2021- December 2021	Year 1 (5% increase) January 2022 - December 2022)	Year 2 (3% increase)	Year 3 (2% increase)	Important Notes
Executive Administrator	40%	\$3,920	\$4,116	\$4,239	\$4,324	Membership and Administrative
IT	10%	\$980	\$1,029	\$1,060	\$1,081	
Accountant	14%	\$1,372	\$1,441	\$1,484	\$1,513	Includes accounting for events
Event Manager	20%	\$2,261	\$2,374	\$2,446	\$2,495	3 receptions & Executive Luncheon
Total FTE (Full Time Employees)	84%					
MM Staffing (monthly)		\$8,533	\$8,960	\$9,229	\$9,413	
Administrative Charge	5%	N/A	N/A	N/A	N/A	
Overhead	5%	N/A	N/A	N/A	N/A	
Archive storage						*No charge
Computer Maint. and Support						*No charge
Total Monthly (CAD)		\$8,533	\$8,960	\$9,229	\$9,413	

Total Annual	\$102,397	\$107,517	\$110,742	\$112,957
HST	\$13,312	\$13,977	\$14,396	\$14,684
Total Annual (plus HST)	\$115,709	\$121,494	\$125,139	\$127,642

Additional webinar management (per event)	20 hrs @ \$85	\$1,700
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25th Anniversary Event management	TBD based on scope and requirements as planning evolves
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Appendix A

Points of interest from our business/ industry:

- ✓ **Talent (salaries).** Accounting roles are fiercely competitive and salaries are increasing significantly, even for entry level roles. Senior accounting roles are also dramatically increasing. Salaries for all other mid-to-entry level roles have also dramatically increased, especially in the GTA. The accounting industry in Canada, and specifically Toronto has seen a 3% increase in salaries. What we are experiencing at MM is an alignment to the industry standard – with more jobs than there are talent to fill the jobs, we are now competing in the same pool for applicants as all other forms of businesses, and we no longer have the luxury of lower wage ranges to serve the not-for-profit industry.
- ✓ **Recruiting new talent.** What used to be a simple exercise with 1-3 touch points before hire is now a lengthy process with 10-12 touchpoints that have become much more complex and time consuming. Negotiations are taking longer and candidates are demanding more, as above.
- ✓ **Professional Development.** We are investing more than ever in our PD budget to keep and retain our talent as well as deliver in an environment that now accelerates at 10 times the pace it was at just a year ago in technological advancement, client expectations for delivery and employee expectations for growth and development to meet the changing needs of their work.
- ✓ **Remote work costs.** Technology adoption and implementation.

Briefing Note

**CAFII Board Meeting 7 December, 2021—Agenda Item 4(d)
Financial Management Matters— Proposed CAFII 2022 Operating Budget *(may be assigned to In
Camera Session, following initial discussion, if desired by Board)***

Purpose of this Agenda Item – Update/Discussion/Approval

To update the Board on the Association's proposed 2022 operating budget, and ask the Board to approve it.

Background Information

Treasurer Tony Pergola will present an EOC-recommended CAFII 2022 operating budget. A critical development is that the Board has previously approved assuming that there will be no in-person events until May, 2022. That means that the first Board meeting in April 2022 will be virtual only, with no in-person reception following it. In addition, we are proceeding on the basis that we will need to fund six virtual webinars in 2022. Finally, we will need an additional budgetary allocation for a CAFII 25th Anniversary in-person celebration which is slated to take place immediately following the June 7, 2022 Board meeting. As well, the operating budget allocates increases for travel costs, in response to reported significant increases in hotel and hospitality costs.

The budget presents three Scenarios/options, which differ from each other only with respect to the compensation increase provision (2%, 3%, and 4%) for management (two Co-Executive Directors). The annual performance review process for the Co-Executive Directors occurs after the budget is presented to the Board for approval; and, as a result, it was felt that it was more transparent and appropriate to provide a range of possible management compensation percentage increases for the Board's consideration, with the final percentage increase to be recommended by the EOC Chair/Board Secretary to the Board Chair, to whom the Board will be asked to delegate authority for ultimate approval.

Recommendation / Direction Sought – Update/Discussion/Approval

This is an update, discussion, and approval item.

Attachments Included with this Agenda Item

One attachment.

2022 CAFII Budget

	2019 Actuals	2020 Actuals	CAFII 2021 Operating Budget	2021 YTD Aug 2021	2021 Forecast	Scenario 1 Total Budget 2022 (2% Salary Increase)	Scenario 2 Total Budget 2022 (3% Salary Increase)	Scenario 3 Total Budget 2022 (4% Salary Increase)	Comment/Rationale
Revenue									
Membership Dues	\$734,664	\$884,721	\$918,475	\$637,313	\$955,969	\$996,452	\$996,452	\$996,452	See breakdown in Member Dues Revenue Tab. Reflects recommendation of no 2022 Member Dues increase (status quo); movement of SunLife into full Upper Tier Regular Member dues status, and Canadian Tire Bank being an Initiation Member for a full dues year (2021 was a pro-rated dues year for CTB as it was admitted in June; and 2022 will be the second year of its two-year, discounted dues Initiation Member status)
Annual Members' Luncheon "Additional Seats" Revenue	\$195	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Interest	\$982	\$399	\$300	\$157	\$236	\$250	\$250	\$250	Interest from the Savings Account
TOTAL REVENUE	\$ 735,841	\$ 885,120	\$ 918,775	\$ 637,470	\$ 956,205	\$ 996,702	\$ 996,702	\$ 996,702	
EXPENSE									
Management Fees	\$465,134	\$476,844	\$487,780	\$327,284	\$487,780	\$503,258	\$506,888	\$510,518	Includes Managing Matter Fees (5.0% contractual increase over 2021) and incremental amount for six webinars @ \$1,700 each ("net new") and salary and benefits for two Co-Executive Directors (three Scenarios with proposed increases of 2%, 3%, and 4% respectively in salary and benefits each, over 2021, factored in). See Explanatory Note (1) below. Difference between each of Scenarios 1 and 2, and 2 and 3 is a \$3,630 incremental spend; and difference between Scenario 1 and 3 is twice that, or \$7,260. For streamlining/simplicity, this line now includes expenses previously captured under the former line item Regulatory Model(s).
Legal and consulting costs associated with regulatory submissions and initiatives	\$0	\$28,975	\$50,000	\$0	\$75,000	\$90,400	\$90,400	\$90,400	
Audit Fees	\$14,799	\$16,743	\$16,743	\$8,478	\$14,238	\$14,950	\$14,950	\$14,950	5% increase on 2021 Forecast
Insurance	\$5,338	\$5,385	\$6,050	\$3,801	\$5,878	\$6,466	\$6,466	\$6,466	10% increase on 2021 Forecast, as per advice from insurance broker Marsh, as a buffer for 2022 renewal in June 2022
Member Communication and Technology Tools	\$10,022	\$5,765	\$7,156	\$4,752	\$7,156	\$7,513	\$7,513	\$7,513	5% average/overall increase on 2021 Forecast - Includes CG Technology website hosting and support (\$233 per month (3% increase)), Constant Contact (\$62.83 per month (3% increase)), Soda PDF Premium (\$56.47), Zoom (\$237.60 per month), Survey Monkey (\$307.36), Virtual Platform (\$500)
Telephone/Fax/Internet	\$6,494	\$5,808	\$5,730	\$4,288	\$5,730	\$6,016	\$6,016	\$6,016	5% Increase on 2021 Forecast - Includes office phone line with multiple extensions (\$56.50 per month), teleconference service (\$47.46 per month), & Co-Executive Directors' phone and internet access
Postage/Courier	\$159	\$53	\$150	\$0	\$150	\$158	\$158	\$158	5% Increase on 2021 Forecast - mainly for monthly cheque runs and ad hoc mailings
Office Expenses	\$2,025	\$2,158	\$5,000	\$2,220	\$5,000	\$5,250	\$5,250	\$5,250	5% Increase on 2021 Forecast
Bank Charges	\$112	\$236	\$470	\$562	\$687	\$721	\$721	\$721	5% Increase on 2021 Forecast - Annual Credit Card Fee (\$190) plus monthly EFT charges (approx. \$25 per month)
Budget for Co-Executive Directors' New Office Equipment						\$9,040	\$9,040	\$9,040	Brendan will likely need a new laptop (current: 2016), multi-function printer/scanner (current: 2016), and 19" monitor (current: 2012); and Keith will likely need a new laptop (current: 2017). All existing computer/office equipment will be fully depreciated at end of 2021.
Depreciation Computer/Office Equipment	\$1,136	\$1,136	\$1,136	\$757	\$1,136	\$0	\$0	\$0	Completed in 2021. Co Executive Directors' Office Equipment reached full depreciation in 2021. See Explanatory Note (2) below.
Miscellaneous Expense	\$0	\$0	\$500	\$0	\$500	\$524	\$524	\$524	5% Increase on 2021 Forecast
Board/EOC/AGM									
Annual Members and Associates Luncheon	\$12,052	\$0	\$0	\$0	\$0	\$15,065	\$15,065	\$15,065	25% increase on 2019 in-person event (anticipating high cost inflation for such events: food and beverage; venue rental, and AV equipment rental)
Board Hosting (External)	\$14,001	\$0	\$0	\$0	\$0	\$22,500	\$22,500	\$22,500	Based on "CAFII Board Hosting Reimbursement Policy" of \$7,500 per Meeting/Reception (3 such reimbursements anticipated in 2022)
Board/EOC Meeting Expenses	\$35,419	\$4,676	\$0	\$0	\$0	\$29,055	\$29,055	\$29,055	Based on estimates arising from 2019 actuals, but factoring in resumption of in person meetings/travel only in May 2022
Industry Conferences and Events	\$0	\$0	\$0	\$0	\$0	\$3,390	\$3,390	\$3,390	Contingency for possible attendance at LIMRA Canada Conference, etc.
EOC Annual Appreciation Dinner	\$2,193	\$4,244	\$0	\$0	\$0	\$5,305	\$5,305	\$5,305	25% increase on 2020 actuals for this in-person event, based on both increased size of EOC membership and anticipated high cost inflation for such food and beverage events
Speaker fees & travel	\$1,189	\$0	\$0	\$0	\$0	\$3,390	\$3,390	\$3,390	Contingency for possible expense reimbursement of a speaker at a CAFII event
Gifts	\$200	\$0	\$0	\$0	\$0	\$1,200	\$1,200	\$1,200	Estimate for thank you/recognition gifts for departing CAFII Board and EOC members
Networking Events	\$0	\$0	\$0	\$0	\$0	\$1,130	\$1,130	\$1,130	Contingency for Co-Executive Directors' opportunistic attendance at industry networking events
CAFII Reception Events	\$0	\$0	\$0	\$0	\$0	\$3,955	\$3,955	\$3,955	Contingency for event-related expenses associated with CAFII Receptions which are not covered under "CAFII Board Hosting Reimbursement Policy"
CAFII 25th Anniversary Celebration	\$0	\$0	\$0	\$0	\$0	\$39,550	\$39,550	\$39,550	32% increase on 2017 Actuals (CAFII 20th Anniversary Celebration at Ripley's Aquarium) for 25th Anniversary Celebration in-person event planned on June 7/22, to be hosted by BMO Insurance at First Canadian Place; factoring in anticipated high cost inflation for such food and beverage events
Total Board/EOC/AGM	\$65,053	\$8,920	\$0	\$0	\$0	\$124,540	\$124,540	\$124,540	
Provincial Regulatory Visits and Relationship-Building	\$16,833	\$983	\$0	\$0	\$0	\$20,340	\$20,340	\$20,340	21% increase on 2019 actuals (incremental \$3,507), based on planned major return to in-person provincial regulatory visits, post-pandemic
Federal Regulatory Visits and Relationship-Building	\$442	\$540	\$0	\$0	\$0	\$5,650	\$5,650	\$5,650	Provision for return to in-person relationship-building meetings with FCAC, post-pandemic
Research/Studies	\$5,368	\$28,646	\$60,000	\$29,230	\$60,000	\$67,800	\$67,800	\$67,800	Same as 2021 Budget (status quo)
Website SEO and Enhancements	\$40,914	\$31,144	\$41,950	\$31,577	\$41,950	\$45,200	\$45,200	\$45,200	Increase of \$3,250 on 2021 Budget
CAFII Benchmarking Study/RSM Canada	\$0	\$68,365	\$67,800	\$33,900	\$67,800	\$67,800	\$67,800	\$67,800	Same as 2021 Budget (status quo) for continuation of CAFII CPI Benchmarking Study with RSM Canada, estimated at \$60K plus HST.
Media Outreach	\$5,683	\$350	\$6,000	\$6,572	\$6,672	\$7,345	\$7,345	\$7,345	22% increase on 2021 budget for anticipated higher wire service and related media release expenses
Media Consultant Retainer and Related Expenses	\$27,120	\$27,685	\$27,120	\$20,679	\$27,120	\$30,510	\$30,510	\$30,510	Monthly retainer fee for David Moorcroft, S2C (increase of 12.5% on monthly retainer fee over 2021, first such increase since CAFII's engagement of D. Moorcroft at the beginning of 2016)
Marketing Collateral	\$1,629	\$845	\$5,000	\$622	\$622	\$1,695	\$1,695	\$1,695	Provision for design and printing of CAFII marketing materials, such as research results leave-behinds
TOTAL EXPENSE	\$ 675,816	\$ 731,485	\$ 788,585	\$ 474,722	\$ 807,419	\$ 1,015,177	\$ 1,018,807	\$ 1,022,437	
Excess of Revenue over Expenses	\$60,025	\$153,636	\$130,190	\$162,749	\$148,786	(\$18,476)	(\$22,105)	(\$25,735)	
Unrestricted Net Assets (beginning of year)	\$170,198	\$230,223	\$383,859	\$383,859	\$383,859	\$532,645	\$532,645	\$532,645	
Unrestricted Net Assets (end of year)	\$230,223	\$383,859	\$514,049	\$546,608	\$532,645	\$514,169	\$510,539	\$506,909	

Explanatory Notes:

- (1) Assumes two Co-Executive Directors, one @ 5 days per week (Keith); one @ 4.5 days per week (Brendan); plus Managing Matters administrative, accounting, events, and IT support
(2) Amortization of office equipment based on 4 year straight line depreciation

Actual/Forecasted Financial Reserves	2019 Actuals	2020 Actuals	2021 Operating Budget
Minimum 3 months (25%) of Annual Operating Expenses =	\$168,954	\$182,871	\$209,646
Maximum 6 months (50%) of Annual Operating Expenses =	\$337,908	\$365,742	\$419,293
Actual/Forecasted Level of Financial Reserves:	\$230,223	\$383,859	\$464,049
Actual/Forecasted Level of Financial Reserves %:	34%	52%	65%

2021 Forecast	2022 Budget (Scenario 1)	2022 Budget (Scenario 2)	2022 Budget (Scenario 3)
\$201,855	\$253,794	\$254,702	\$255,609
\$403,709	\$507,589	\$509,404	\$511,219
\$532,645	\$514,169	\$510,539	\$506,909
66%	51%	50%	50%

2021 Operational Budget - Member Dues Breakdown
- No Dues Increase

2021 Member Dues Breakdown

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

2021 Upper Tier Member

BMO Bank of Montreal
CIBC Insurance
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2021 Lower Tier Member

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

2021 Initiation Members (Upper Tier)

Sun Life Financial 2 Year

2021 Associate

RSM Canada
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KPMG MSLP
Optima Communications
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Torys LLP

2021 Actual

2021 Member Dues Breakdown

Upper Tier Member	77,110	9	693,989.10
Lower Tier Member	38,555	4	154,219.80
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2021 Initiation Members (Upper Tier)

Sun Life Financial 2 Year

2021 Associate

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Torys LLP
Dog and Pony Studios
Stikeman Elliott LLP
RSA
Norton Rose Fulbright Canada

Initiation Members (Lower Tier)

Canadian Tire Bank 1st Year

2022 Operational Budget - Member Dues Breakdown
- No Dues Increase

2022 Member Dues Breakdown

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

2022 Upper Tier Member

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

2022 Lower Tier Member

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2022 Initiation Members (Upper Tier)

2022 Associate

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Torys LLP
Dog and Pony Studios
Stikeman Elliott LLP
RSA
Norton Rose Fulbright Canada

Initiation Members (Lower Tier)

Canadian Tire Bank 2nd Year

77110 771099

Briefing Note

CAFII Board Meeting 7 December, 2021—Agenda Item 5(a) Strategy Implementation and Regulatory Matters—CAFII-Commissioned Research/Thought Leadership Paper by Deloitte Canada on “Best Practices in The Digitization of Credit Protection Insurance”

Purpose of this Agenda Item – Update

This is an update on the progress with Deloitte Canada on the development of thought leadership paper on best practices around digitization of credit protection insurance.

Background Information

CAFII has commissioned Deloitte Canada to produce a thought leadership paper on best practices around digitization of CPI.

Deloitte has set out a process that includes:

- Regular touchpoints (every two weeks) with the “core team” of Research & Education Chair Andrea Stuska; R&E Vice-Chair Michelle Costello; and CAFII management team of Keith Martin and Brendan Wycks;
- Regular touchpoints (every two weeks) with the Research & Education Committee;
- There will be a survey of all 15 CAFII members around their views on digitization of CPI;
- There will be in-person interviews with 6 to 8 CAFII member representatives who are leaders in their organizations around digitization.

The EOC and the Board will be provided updates on the progress on this initiative. The final paper and presentation of findings to the Board are scheduled to be delivered in January 2022.

Recommendation / Direction Sought – Update

This is an update only.

Attachments Included with this Agenda Item

One attachment.



18 NOVEMBER 2021

The Canadian Association of Financial Institutions in Insurance

Digitization of CPI – Core Working Group Session

50

cafii
The Canadian Association of
Financial Institutions in Insurance

Deloitte.












Project Status Update Week 8

November 18th, 2021

Key Activities Completed
<ul style="list-style-type: none"> Completed and sent out CAFII Member surveys for completion Scheduled interviews with CAFII Members Started analyzing the CAFII Member survey insights Begun the interview process with CAFII Members with multiple interviews being completed
Focus for the Next Two Weeks
<ul style="list-style-type: none"> Finalize the interview process with CAFII Members Collate and analyze the survey and interview findings Continue report draft
Key Items for Discussion
<ol style="list-style-type: none"> Introduction of Simon Knops Update on progress of interviews and surveys Scheduling of R&E Committee session Initial findings from survey Project next steps

Project Status Update Week 8

November 18th, 2021

Key Activities and Milestones	Target Completion Date	Status		Comments
Kickoff Meeting	September 23 rd	Completed		
Defining Success with CAFII R&E Committee	October 21 st	Completed		
CAFII Member Survey	12 November 2021	In Progress		• Only 3 surveys missing – CIBC, Valeyo and Manulife
CAFII Member Interviews	19 November 2021	In Progress		• To be completed by Nov 23 rd
Complete Initial Research	19 November 2021	In Progress		• Interviews to be completed by Nov 23 rd • Research & report framework under development
Draft Insights for Review	12 December 2021	Not Started		• Begun analyzing survey responses
Presentation 1: CAFII Board of Directors	Week of 10-14 Jan 2022	Not Started		
Align on Marketing Plan	Early January 2022	Not Started		
Finalise & Publish Paper	End of January 2022	Not Started		
Presentation 2: Regulators	Early February 2022	Not Started		
Presentation 3: CAFII Stakeholders	Early February 2022	Not Started		

CAFII Member Survey & Interview Update

Below is an update on the progress of the CAFII Members who have been or are still to be surveyed by Deloitte

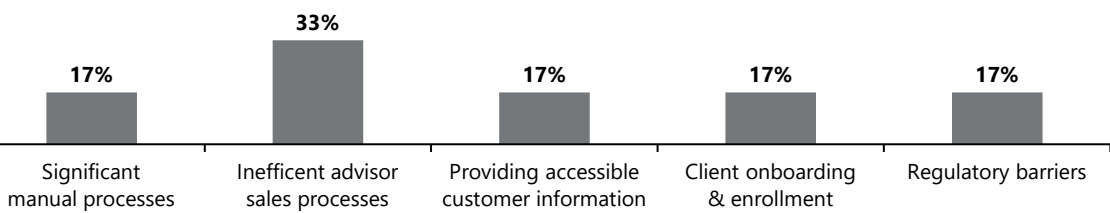
Company	Member contact	Survey completed	Interview completed	Date for interview (if not completed)
Assurant	Nicole LeClair	Y	Y	
BMO Insurance	David D'Amico	Y	Y	
Canada Life	Louie Goergakis, Jason Campigotto	Y	Y	
CUMIS/The Co-operators	Diane Quigley	No response	No response	No response
National Bank Insurance	Martin Houde-Bergeron	Y	Y	
Sun Life	Opted out	Opted Out	Opted out	Opted out
Valeyo	Marco DeiCont	N	No interview	No interview
Canadian Premier Life	Rob Robinson	Y	N	November 18 th 2pm
RBC Insurance	Fernando Heleno	Y	N	November 18 th 11am
Manulife	Clinton Wong	N	N	November 23 rd
TD Insurance	Andrea Stuska, Shirley Malloy	Y	Y	
Desjardins	Isabelle Choquette	No response	No response	No response
CIBC	Ben Gray, Geoffrey Smith	N	Y	
ScotiaLife Financial	Stephanie Macri	Y	N	November 23 rd
Canadian Tire Financial Services	Farhad Eslah	Y	Y	

Sample CAFII Member Survey Insights

Over the past two weeks, we have gathered insights through the CAFII Member surveys, and a small sample of insights are available below:

Distributor Survey Insights (6 respondents)

Number one ranked key friction point across distributors



Most selected key success factors required for digitization of CPI to be successful

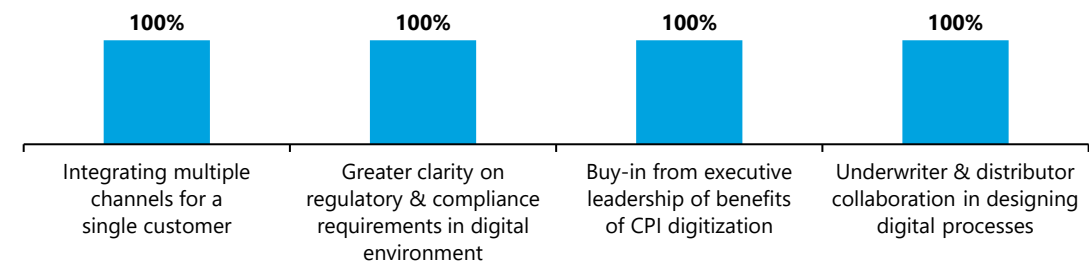


% of new CPI applications to be originated and completed fully online by 2025



Underwriter Survey Insights (3 respondents)

Most selected key success factors required for digitization of CPI to be successful



Number one ranked priority area for future investment digital investment



% of new CPI applications to be originated and completed fully online by 2025



Key Next Steps

Working with the CAFII Core Working Group, R&E Committee and Members, Deloitte will work to accomplish the objectives of the engagement and will continue to do so through the actions listed below.

1

Deloitte to complete interview process with CAFII Members by **Tuesday 23 November**

2

Schedule R&E Draft Insight review session with R&E Committee

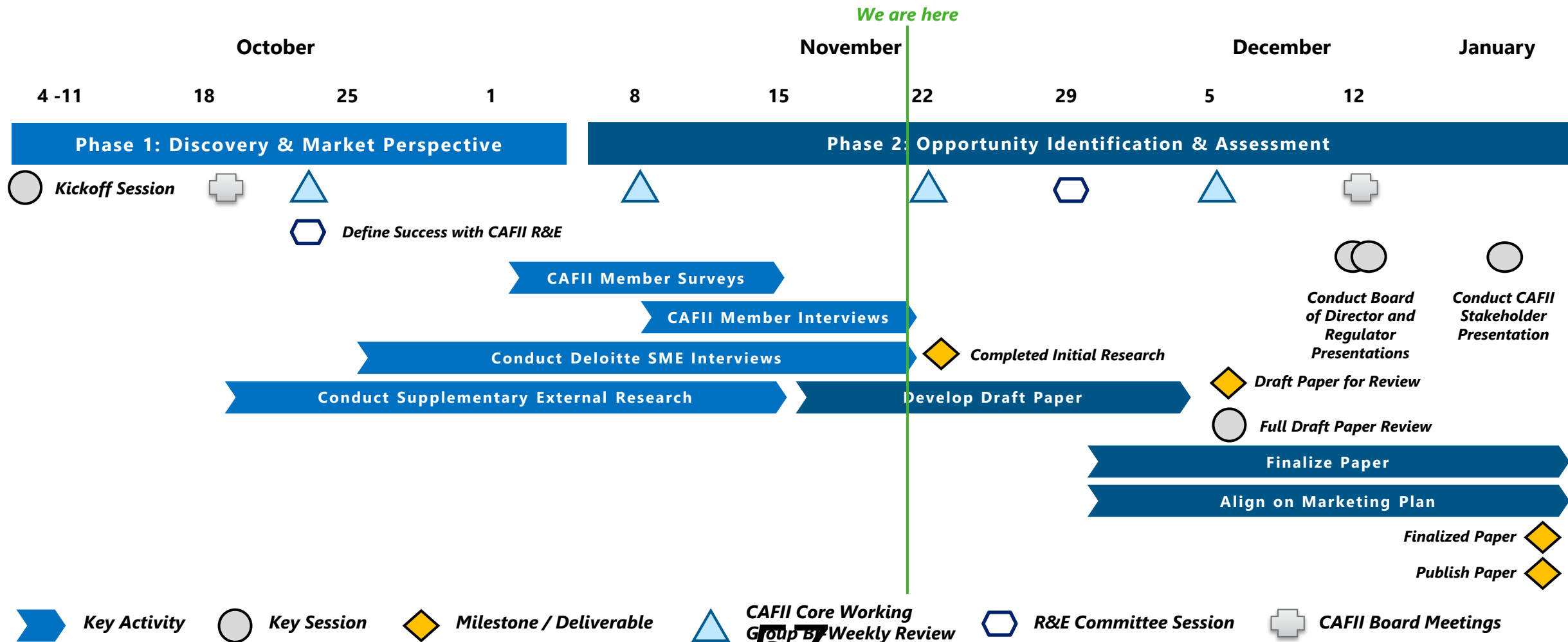
3

Consolidation of survey and interview outputs for review

Appendix

High-Level Timeline

Over the course of eight weeks, we will work together to gather perspectives across the association and within the Deloitte network to publish “The Digitization of CPI in Canada” paper and deliver a series of presentations



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Briefing Note

**CAFII Board Meeting 7 December, 2021—Agenda Item 5(b)
Strategy Implementation and Regulatory Matters—Imminent/Pending CAFII Regulatory Submissions
As At November 19/21**

Purpose of this Agenda Item – Update

This is an update on the multiple regulatory submissions that CAFII is managing at this time.

Background Information

CAFII has never seen the volume of concurrent regulatory submissions and activity that is currently being managed. This has put a strain on the member volunteers who are providing input for and review of CAFII's submissions to regulators. CAFII EOC Chair Rob Dobbins will provide an overview of this situation and how CAFII is managing it to alleviate stresses.

Recommendation / Direction Sought – Update

This is an update only.

Attachments Included with this Agenda Item

One attachment.

Agenda Item 5(b)
December 7/21 Board Meeting

Imminent/Pending CAFII Regulatory Submissions As At November 19, 2021

<u>Regulatory Authority</u>	<u>Topic</u>	<u>Deadline</u>	<u>Comments</u>
CISRO	Survey of Industry Associations on "Understanding the Consumer Awareness Strategies Currently Undertaken By Industry"	November 30, 2021	
AMF	Draft Regulation on Complaints Handling and Dispute Resolution in the Financial Sector	December 8, 2021	
FCAC	Proposed Guideline On Complaint Handling Procedures For Banks and Authorized Foreign Banks	December 11, 2021	https://www.canada.ca/en/financial-consumer-agency/corporate/transparency/consultations/complaint-handling-procedures.html
AMF	Revised/Updated Sound Commercial Practices Guideline	December 17, 2021	
FCAC	Appropriate Products and Services Guideline	January 6, 2022	To be released on Monday, November 22/21 for a 45 calendar days consultation period
AMF	Incentive Management Guideline	January 28, 2022	
FCNB	"Proposed Rule INS-001: Insurance Intermediaries Licensing and Obligations"	February 7, 2022	Among various matters, outlines specifics of FCNB's plan to introduce a Restricted Insurance Agent (RIA) licensing regime in New Brunswick, which will be the first in Atlantic Canada.
OSFI	Draft Guideline B-13: Technology and Cyber Risk Management	February 9, 2022	Insights will be gained from a November 30/21 OSFI Information Session webinar as to whether this OSFI consultation is CAFII-relevant and warrants a submission.

Briefing Note

**CAFII Board Meeting 7 December, 2021—Agenda Item 5(c)i
Strategy Implementation and Regulatory Matters--Outcomes of November 10/21 CAFII Meeting with
Mario Beaudoin and Charlène Boucher, AMF, Re Plan For Modifying Fact Sheet and Notice of
Rescission To Suit Credit Card-Embedded Insurance Benefits; and CAFII's Next Steps**

Purpose of this Agenda Item – Update / Discussion

This is an update and discussion item.

Background Information

CAFII Co-Executive Directors Keith Martin and Brendan Wycks met virtually on 10 November, 2021 with Mario Beaudoin and Charlène Boucher of the AMF around modifying the Fact Sheet and the Notice of Rescission with respect to credit card-embedded insurance benefits. This will be an opportunity to update the Board on the meeting and to discuss next steps.

Recommendation / Direction Sought – Update / Discussion

This is an update and discussion item.

Attachments Included with this Agenda Item

Two (2) attachments.

**Agenda Item 5(c)(i)
December 7/21 Board Meeting**

Summary Notes of a Meeting on 10 November, 2021 between CAFII (Keith Martin, Brendan Wycks) and the AMF (Mario Beaudoin, Charlène Boucher)

CAFII's Co-Executive Directors met virtually with AMF staff executives Mario Beaudoin and Charlène Boucher on 10 November, 2021 to discuss the next steps around the creation of a pan-industry Working Group to modify the Regulation respecting Alternative Distribution Methods (RADM)-prescribed *Fact Sheet* and *Notice of Rescission* -- in order to make the content of those two documents accurate and useable for distribution to customers with respect to credit card-embedded insurance benefits.

The meeting was scheduled for 60 minutes, but had an actual duration of 75 minutes. For the first 45 minutes or so, Mr. Beaudoin spent much of the time lamenting all the various challenges which he and the AMF would face in modifying the Fact Sheet and Notice of Rescission to make their use possible with respect to credit card-embedded insurance benefits. He noted that those two documents were prescribed in legislation, and that it would be impossible to amend the governing Act in the short run.

Mr. Beaudoin acknowledged, however, that the RADM, in contrast, was a Regulation developed by the AMF and that it could therefore be changed by the AMF, but that doing so would not be a simple process. The desired Fact Sheet and Notice of Rescission changes would require internal approval at the highest levels of the AMF, he stressed, and they would also ultimately need to be approved by the Minister of Finance. Mr. Wycks noted that the Minister of Finance, Eric Girard, was a practical person with a lot of business experience, as was the Deputy Minister of Finance, Eric Stevenson, but Mr. Beaudoin did not comment on that observation.

Mr. Beaudoin also spoke about not wanting multiple versions of the Fact Sheet in existence for different types of travel insurance. CAFII emphasized that the modified version would be intended to cover all types of credit card-embedded insurance benefits, i.e. be applicable not just to embedded travel insurance but also to other embedded coverages such as extended warranties.

In response to CAFII's re-emphasized concern that the current wording of the Fact Sheet was inaccurate and misleading to consumers because it states that they can cancel the insurance benefits embedded in a credit card -- when, in fact, if they do not want the embedded insurance benefits, they must cancel the entire credit card itself -- Mr. Beaudoin said that this was viewed by some of his colleagues at the AMF as suggesting that the embedded insurance benefits were a form of "tied selling."

CAFII explained that that view was misguided and rooted in misunderstanding, as credit card-embedded insurance benefits were not an "offer of insurance," but rather were one of several features built-into credit cards to enhance their value proposition in an extremely competitive marketplace.

In addition, CAFII noted, insurance was not at the top of consumers' wish list of credit card features that consumers focus on in deciding which credit card to apply for and secure. Rather, they decide to apply for a particular credit card based on factors such as credit limit, annual fee, and rewards features. Furthermore, any insurance benefits embedded in a credit card are paid for by the credit card issuer; and the cardholder does not pay premiums for them.

Mr. Beaudoin did not dispute any of these points, but he continued to lament the challenges which changing the Fact Sheet would present to him internally at the AMF and, subsequently, at the Ministry of Finance.

Mr. Beaudoin also said that there are other types of “embedded insurance benefits” beyond those associated with credit cards; and that his AMF team would have to take into account and navigate how any changes to the regulatory approach with respect to credit card-embedded insurance benefits might affect those other types of embedded insurance coverages.

He cited the recent COVID-19-driven travel insurance that comes embedded in an airline ticket (such as those embedded in Air Canada and Westjet flight tickets) and “car dealership-embedded insurance products” as two examples of other types of embedded insurance benefits. With respect to the embedded travel insurance offered by airlines as part of the flight ticket price, Mr. Beaudoin noted that initially, when such coverage began to be offered in 2020 during the pandemic, one of the policies featured a disclaimer which stated “not available to residents of Quebec.” Both Mr. Beaudoin and Ms. Boucher did not hide their annoyance about that, acknowledging that they had been blindsided by that Quebec resident exclusion and then had to work with the insurer involved to get the situation rectified.

Mr. Beaudoin advised that he had also been in touch with another industry Association on the matters being discussed; and CAFII told him that we also were in regular contact with THIA on these matters, and were aware that he and Charlène would be meeting with Richard Ollier of THIA the following day.

Mr. Beaudoin said on several occasions during the meeting that he was meeting with various Association representatives separately to begin with, because he wanted to make progress and avoid getting bogged down in large meetings with too many people in attendance.

A repeated theme from the AMF was that the seemingly straightforward opportunity and possibility to change the RADM with respect to the Fact Sheet and the Notice of Rescission for credit card-embedded insurance benefits was, in practice, quite a complex and difficult undertaking. Reading between the lines, it appeared that this initiative would present discomfort and internal challenges to Mr. Beaudoin, because it would indicate and underscore that the drafting and related development of the RADM, of which he was a leading AMF manager, did not contemplate the separate requirements needed for credit card-embedded insurance benefits as a unique product set.

It became apparent to CAFII that one of Mr. Beaudoin’s primary concerns in pursuing any approach to modify the Fact Sheet and Notice of Rescission would be to “save face” to the maximum degree possible.

CAFII stuck to its guns around the importance of following through on the need to change the Fact Sheet and Notice of Rescission for credit card-embedded insurance benefits, and the AMF representatives suddenly pivoted. Ms. Boucher—who had been largely silent up to that point in the meeting—said that it was the law that customers had to receive a Fact Sheet and Notice of Rescission at point of sale—and she therefore asked: was CAFII members’ desire (i.e. endgame) to not have to distribute those documents to the holders of credit cards with embedded insurance benefits?

In response, CAFII emphasized that for non-embedded types of insurance, our members were already complying with the RADM’s requirement to provide the Fact Sheet and Notice of Rescission to customers. And for credit card-embedded insurance benefits, they were working towards the AMF-stipulated deadlines to be compliant, including development of Product Summaries and Action Plans for 17 December, 2021. The only desire/ask for change on CAFII’s part was for the Fact Sheet and Notice of Rescission to be modified so that they would be accurate and not misleading for the holders of credit cards with embedded insurance benefits.

Ms. Boucher then requested/suggested that CAFII could perhaps recommend to the AMF the modest wording revisions to the Fact Sheet and Notice of Rescission that would make them accurate for the holders of credit cards with embedded insurance benefits, i.e. amendments that would correct or provide clarifying context around any misleading language – so long as our proposed changes bear in mind the Insurers Act and the Distribution Act and don't violate them in any way.

The meeting concluded with this Next Steps request being made by Mr. Beaudoin and Ms. Boucher: that CAFII consult with its members and then get back to them, potentially with proposed Fact Sheet and Notice of Rescission revisions, by mid-December 2021.

(Another issue that was raised in the meeting was in relation to the recent CAFII submission to the AMF on burden reduction opportunities. Mr. Beaudoin shared that he was aware of some of the concerns we had raised in our letter addressed to his AMF colleague Julien Reid, some of which he felt were rooted in communication issues. He said that when the AMF was consulting on the draft RADM back in 2019, it had met in French with the Quebec arm of the CLHIA; and that perhaps some of the progress on that file had not been clearly communicated to CAFII and its members. Mr. Beaudoin therefore proposed, as a corrective measure, to have meetings on Distribution Without Representation (DWR) regime developments/issues perhaps twice a year with CAFII and its members, an offer which we welcomed on behalf of our Association.)

(CAFII also let Mr. Beaudoin know that we would imminently be setting up a meeting with Eric Jacob, the AMF's Superintendent, Client Services and Distribution Oversight, to informally discuss the October 14, 2021 CAFII/AMF Industry Issues Dialogue, and how such sessions could be improved for the future.)

Next Steps In CAFII's Process

1. The highlights of the meeting were verbally shared with EOC Chair Rob Dobbins and Vice Chair Karyn Kasperski on 12 November, 2021. They were concerned that it seemed that the AMF was not intending to convene a pan-industry Working Group with the AMF, and felt that it was imperative to carefully review the Fact Sheet and Notice of Rescission with such a group and make all necessary revisions to it for credit card-embedded insurance benefits.

Organize a meeting with Chris Lobbezoo (Board Chair), Peter Thompson (Board Vice Chair), Rob Dobbins (EOC Chair) and Karyn Kasperski (EOC Vice Chair and AMF Working Group Chair) to discuss the Recommended Next Steps below, including whether to adopt or revise them. **(Completed on November 24/21.)**

Recommended Next Steps

2. Distribute the Summary Note to CAFII Board, EOC, and AMF Working Group members.
3. Repurpose the existing *CAFII Working Group On Industry Alignment Around Compliance With AMF's Expectations Re RADM's Applicability To Credit Card-Embedded Insurance Benefits*, which is nearing the end of its mandate, to carry on with a brief further mandate as a *Special CAFII Working Group to Propose Modifications to the Fact Sheet and Notice of Recission*. We will ask members with credit card businesses to consider nominating credit card experts to serve on the *Special CAFII Working Group to Propose Modifications to the Fact Sheet and Notice of Recission*, in order to ensure the involvement of credit card expertise.

Following the Special CAFII Working Group to Propose Modifications to the Fact Sheet and Notice of Recission's completion of its work, CAFII will convene a Pan-Industry Working Group with the Travel Health Insurance Association (THIA) and possibly with the Canadian Life and Health Insurance Association (CLHIA) as well. The Pan-Industry Working Group should be made up of select members (3 to 5) from each Association who can represent their Association's membership.

Each Association can leverage current mechanisms in place, e.g. CAFII's EOC and *Working Group On Industry Alignment Around Compliance With AMF's Expectations Re RADM's Applicability To Credit Card-Embedded Insurance Benefits*, to inform what they bring to the table of the Pan-Industry Working Group. This should help with getting consensus quicker for what the Pan-Industry Working Group presents to the AMF in terms of a modified Fact Sheet and Notice of Rescission. This will also appease Mario Beaudoin in terms of his concern about getting bogged down in large group meetings.

Appendix A

Members of the CAFII Working Group On Industry Alignment Around Compliance With AMF's Expectations Re RADM's Applicability To Credit Card-Embedded Insurance Benefits

<u>Member</u>	<u>Organization</u>
Karyn Kasperski (Chair)	RBC Insurance
Benita Chan	RBC Insurance
Yael Lipman	RBC
Susan Johnston	RBC
Penelope Cordogiannis	RBC
Trish Facciolo	RBC
Silvana Capobianco	BMO Insurance
Greg Caers	BMO Insurance
Mandy Rutten	CIBC Insurance
Anu Bains	CIBC Insurance
Marie Nadeau	National Bank Insurance
Michelle Butler	Scotiabank
Sherri Kuzio	Scotiabank
Trevor Gillis	Tangerine Bank
Pete Thorn	TD Insurance
Marie Skrelji	TD Insurance
Tracey Torkopoulos	Assurant
Jennifer Russell	Assurant
Nadine Roy	Assurant
Monika Spudas	Manulife
Isabelle Choquette	Desjardins

Briefing Note

**CAFII Board Meeting 7 December, 2021--Agenda Item 5(c)(ii)
Strategy Implementation and Regulatory Matters—CAFII Working Group on Industry Alignment
Around Compliance with AMF's Expectations Re RADM's Applicability to Credit Card-Embedded
Insurance Benefits**

Purpose of this Agenda Item – Update

This is an update only item.

Background Information

This will be an update on the activities and progress of the CAFII Working Group on Industry Alignment Around Compliance with AMF's Expectations Re RADM's Applicability to Credit Card-Embedded Insurance Benefits, including the intention now to pivot the Working Group's efforts to reviewing how to modify the Fact Sheet and the Notice of Rescission to make it accurate and not misleading.

Recommendation / Direction Sought – Update

This is an update only item.

Attachments Included with this Agenda Item

No attachments.

Briefing Note

**CAFII Board Meeting 7 December, 2021—Agenda Item 5(d)
Strategy Implementation and Regulatory Matters—AMF Consultation on “Draft Regulation Respecting
Complaint Processing and Dispute Resolution in the Financial Sector” (Submission Deadline:
December 8/21)**

Purpose of this Agenda Item – Update

This is an update only item.

Background Information

There are numerous CAFII consultation responses that are being worked on.

This consultation is around an AMF regulation on complaints processing and dispute resolution, and is notable for how prescriptive the proposed regulation is.

Recommendation / Direction Sought – Update

This is an update only item.

Attachments Included with this Agenda Item

One attachment.

8 December, 2021

Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la cité, tour Cominar
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Québec (Québec) G1V 5C1
Fax: 418-525-9512
E-mail: consultation-en-cours@lautorite.qc.ca

c.c. Mr. Éric Jacob, Superintendent, Client Services and Distribution Oversight
Mr. Patrick Déry, Superintendent, Solvency
Ms. Louise Gauthier, Senior Director, Distribution Policies
Mr. Mario Beaudoin, Director, Alternative Insurance Distribution Practices

Re: CAFII Feedback On AMF's Draft Regulation respecting Complaints Handling and Dispute Resolution in the Financial Sector

Dear Mr. Lebel:

CAFII thanks the AMF for the opportunity to provide feedback comments on the Autorité's Draft Regulation respecting Complaints Handling and Dispute Resolution in the Financial Sector. Our Association strongly supports a fair, convenient, and transparent complaints handling and dispute resolution process, one which ensures that customers have readily accessible and responsive avenues available to them to address and resolve concerns, complaints, and disputes.

Opening Comments

We note that

The Draft Regulation is intended to harmonize and strengthen the fair processing of complaints in Québec's financial sector. It includes requirements drawn from national and international FTC (fair treatment of customers) principles and was drafted taking into account input from various AMF advisory committees and the comments of multiple financial sector stakeholders.

We also note that the purpose of the Regulation is summarized as follows:

The Draft Regulation establishes a common set of rules and practices to be followed by financial institutions, financial intermediaries and credit assessment agents in processing complaints and resolving disputes. These rules and practices also cover the keeping of complaint records and the sending of such records to the AMF for examination. The Draft Regulation would also prohibit certain practices.

The Draft Regulation identifies the elements to be included in a financial intermediary's complaint processing and dispute resolution policy.

Finally, it sets out the monetary administrative penalties that may be imposed on financial institutions or credit assessment agents by the AMF in the event of non-compliance with the Regulation's provisions applicable to their practices.

CAFII strongly supports the above-noted statements on the Draft Regulation's purpose and intent.

That said, we have concerns about the Draft Regulation which arise from its level of prescriptiveness – thus straying from principles-based regulation – in a number of instances.

CAFII member companies are financial institutions and insurers which have long had robust and comprehensive complaints and dispute resolution processes in place. From that perspective, our Association believes that regulators should communicate their expectations through broad principles, and leave to individual regulated entities the mechanics and details of how the consumer outcomes associated with those principles will be achieved. Such a principles-based approach is, in our view, more efficient and effective than a prescriptive approach because it avoids a situation in which a regulator is dictating to businesses how to manage the details of their operations.

General Comments and Observations

CAFII strongly believes that the insurance and financial services ecosystem in Québec, and indeed throughout Canada, is best served by a regulatory system that is harmonized to the maximum degree possible across provincial/territorial and federal jurisdictions. With this Regulation, as drafted, Québec will be introducing a novel and unique set of rules that is, in many respects, distinctly different from those utilized in other provinces, territories, and the federally regulated financial sector. In particular, the AMF's Draft Regulation is inconsistent with new complaints handling principles and expectations recently introduced in federal Bill C-86 and the associated Financial Consumer Protection Framework (FCPF)-related Regulations issued by the Financial Consumer Agency of Canada (FCAC).

Our Association's members are national institutions with policies and procedures designed to be followed throughout all of Canada. The practical implications of the AMF's introduction of a Regulation on Complaints Handling that includes distinctly different and unharmonized elements is that financial institutions which choose to operate in Québec will have to dedicate considerable financial and other resources to dealing with Québec's unique provisions, resources which otherwise could have been devoted to meeting the insurance needs and wants of Québec consumers. The end result is a more costly and inefficient system, and one which we do not believe will deliver offsetting, salutary benefits in terms of enhanced consumer protection.

One other general, thematic point – elaborated upon in the specific feedback below – which want to highlight is that the Draft Regulation seems to be very oriented towards and supportive of paper-based complaints processes. It would therefore be beneficial to adjust the wording throughout the document to remove that bias and orientation; and instead to reflect the fact that complaints are often made, and often resolved, verbally or electronically; and, similarly, to clarify that digital means of communication are fully acceptable in complaints handling and dispute resolution processes.

Feedback on Specific Clauses and Provisions

- We are very concerned about the requirement in Clause 11 that regulated entities provide a “complaint drafting assistance service” for any person expressing a need for it. We support the concept that complaints processes must be simple and accessible, and that institutions need to ensure the fair treatment of customers. However, to ask a company to assist a customer in drafting a complaint – a complaint that is about and will be directed to that company itself -- produces, in our view, a clear conflict-of-interest. In practice, such a drafting assistance service would be extremely difficult to structure, resource, and implement. In our view, such a drafting assistance service for vulnerable or otherwise disadvantaged consumers would be much more appropriately offered by the AMF itself. That approach would avoid the conflict-of-interest challenge, and would be more efficient than having regulated entities each have to develop such an assistance service themselves.
- We strongly disagree with the requirement set out in Clause 14 that a regulated entity must continue to manage a complaint through its existing processes even when a “complainant files an application or motion pertaining to elements of the complaint with a court or adjudicative body.” In our view, doing that would be entirely inconsistent with appropriate legal and good governance expectations. We believe that once a complainant decides to take his/her complaint or dispute to a court or adjudicative body, he/she has opted out of the company’s internal complaint handling process; and therefore, the internal complaint process must be terminated and the file closed.
- With respect to clauses 27, 28, and 29 on monetary penalties, we note that the AMF is giving itself the latitude to impose penalties for even very minor and trivial administrative errors. In our view, that would constitute regulatory over-reach and be inconsistent with the AMF’s expressed commitments to principles-based regulation and burden reduction.
- The definition of “complaint” **set out in clause 3 as “... any dissatisfaction or reproach in respect of a service or product offered by a financial institution or financial intermediary”** is very broad and sweeping; and thereby could capture very minor issues that a customer does not intend to bring forward as a “complaint.” In some instances, a customer verbally mentions, typically on the phone or in-person, a minor point of dissatisfaction – which the customer him/herself characterizes as a “quibble” and which he/she just wants the company to be aware of – and the customer expressly states that he/she is not filing an official complaint about the issue, nor does he/she expect to receive any follow-up or response about it.

- We recommend that clause 4 should reference existing AMF and CCIR/CISRO regulatory expectations around the fair treatment of customers, including those outlined in the AMF's Sound Commercial Practices Guideline; and, to the extent practicable, clause 4's wording should align with those expectations.
- The Draft Regulation indicates that the term "ombudsperson" should not be used for an internal function where the person with that title is an employee of the institution. However, in clause 5, the Draft Regulation sets out expectations that "complaints officers" in companies "...are able, in carrying out their respective functions, to act with independence and avoid any situation in which they would be in a conflict of interest." If the draft Regulation views an internal company staff member with the title "ombudsperson" as not being capable of being objective, then it is difficult to understand how a "complaints officer" would not be viewed as having the same challenges, since he or she would also be a company employee.
- In Section 7, it may not always be reasonable to expect the staff person responsible for processing complaints to have "detailed knowledge of the products and services offered by the financial intermediary," because there may be cases – particularly in large financial institutions/intermediaries – where there is a centralized complaints team and its complaints handling specialists rely on expertise from various areas of the business to be able to deal with complaints that arise related to particular areas of the business.
- We recommend that the language in clause 10 should be modified in order to clarify whether or not the following interpretation is correct: the analysis referred to in clause 10 is not expected to be published or publicly released; rather, the mandated analysis is intended to be an internal effort by financial institutions and intermediaries, the goal of which is to determine if there are any systemic issues that are the root causes of complaints.
- In Chapter II, which applies to financial intermediaries, we note that such companies can vary significantly in size and sophistication. The "one size fits all" prescriptive regulatory expectations set out in this Chapter may be quite challenging for smaller financial intermediary companies to comply with.
- With respect to clause 12, some complaints are quite simple to resolve while others that become escalated (Level 3 complaints) can be very complicated. A 60-day resolution deadline could be quite challenging to meet with respect to more complicated, escalated complaints. It is also not clear to CAFII whether the 60-day deadline includes the time required for the heretofore-called "internal ombudsperson" process to be utilized (which will now be an escalation that is managed by an internal "complaints officer").
- We believe that use of the word 'enlightened' in "to allow the complainant the opportunity to seek advice for the purpose of making an enlightened decision" is an improper use of that word in English; and the intent would be better captured by using the word 'informed' instead.

- With respect to clause 15, there are some complaints where multiple issues are raised, including a variety of complaints that may not be related or even all directed at the same company. If a company receiving a complaint has to resolve it in coordination with another company, such as a business partner (an example being an insurance distributor receiving a complaint that also involves its insurance underwriter), it is reasonable to expect that the company receiving the complaint would advise the complainant that he/she needs to file the complaint with the other company him/herself, and to provide the other company's contact information. It should be specified, however, that if the complainant is filing a multiple issues complaint which includes concerns about another company – which concerns the company receiving the complaint cannot address and resolve because they are not connected to them – then the receiving company should not be expected to provide any information about the 'not applicable' aspect(s) of the complaint in response to the complainant.
- In clause 16, we recommend avoiding the use of "any" in subsection (3); and instead the Regulation should specify a pertinent threshold, because not every communication with the customer needs to be captured.
- In clause 16, instead of using the term "precise form" which does not carry sufficient meaning in English, we recommend the use of "clear, accurate, and not misleading" instead.
- Clause 18 is an example of a very prescriptive provision that goes into great detail about how a company must manage the complaints it receives, as opposed to remaining principles-based and setting out the regulator's customer protection-focused expectations/outcomes. We are assuming that "its federation" refers to the two Quebec Chambres which the AMF oversees; and we recommend that that lack of clarity be addressed in the next version of the Regulation. We are also assuming that "complaints register" is intended to mean a compendium or log of all individual complaints managed by the company receiving the complaint; and we recommend that that lack of clarity also be addressed in the next version of the Regulation.
- It is our view that a Level 1 complaint that is immediately remedied by the company to the complainant's satisfaction should not be subject to clause 19. We believe that specifying this exemption would bring the Quebec/AMF Regulation into harmony with the definition of a Level 1 complaint set out in CCIR's Annual Statement on Market Conduct.
- With respect to clause 20, we recommend that when the Regulation references another document or Regulation, the relevant clauses/provisions should be included and directly spelled out, rather than forcing the reader/user to locate and reference the separate document. The meaning of the term "written form" is not clear, and we recommend that the next version of the Regulation provide clarity that it is not intended to mean exclusively "paper-based," but rather also includes digital and electronic means of communication. Overall, this clause is another example of a very prescriptive approach which abandons principles-based regulation.

- In clause 21, subsection 5, we recommend that the Draft Regulation be amended to spell out that an electronic signature—or simply a signature block in an email message—is sufficient; and that “signature” does not mean exclusively a paper-based, wet signature. We also recommend that for complaints referred to the AMF (or a federation, which we assume is a Quebec Chambre), the Regulation should specify a deadline for its response to the complainant.
- As drafted, the Regulation is unclear as to the AMF’s expectations about how detailed a “summary of the complaint received” needs to be. As well, we recommend that for the English version of the Regulation, instead of using the term “offer,” which in English can imply a financial settlement, the term “resolution” should be used, because some complaints may be satisfactorily resolved without any financial settlement. We also recommend saying “...has accepted the offer to resolve the complaint, **if applicable.**”
- In clause 23, we recommend spelling out what the AMF’s expectations are with respect to the term “among other elements.” It would also be beneficial for the Regulation to recognize explicitly that not all complaints are made in writing, as some are delivered verbally only; and the process of responding to such verbal-only complaints often also entails verbal-only communication.
- Clause 24 is too narrow in its framing, as it does not reflect the fact that complaints may be made verbally, for example through a call centre representative.

In conclusion, CAFII again thanks the AMF for the opportunity to offer our comments on the Draft Regulation respecting Complaint Processing and Dispute Resolution in the Financial Sector. Should you require further information from CAFII or wish to meet with representatives from our Association on this submission or any other matter at any time, please contact Keith Martin, CAFII Co-Executive Director, at keith.martin@cafii.com or 647-460-7725.

Sincerely,

Rob Dobbins
Board Secretary and Chair, Executive Operations Committee

About CAFII

CAFII is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. Our Association was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels. Our members provide insurance through client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the internet.

CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services. Our members offer credit protection, travel, life, health, and property and casualty insurance across Canada. In particular, credit protection insurance and travel insurance are the product lines of primary focus for CAFII as our members' common ground.

CAFII's diverse membership enables our Association to take a broad view of the regulatory regime governing the insurance marketplace. We work with government and regulators (primarily provincial/territorial) to develop a legislative and regulatory framework for the insurance sector which helps ensure that Canadian consumers have access to insurance products that suit their needs. Our aim is to ensure that appropriate standards are in place for the distribution and marketing of all insurance products and services.

CAFII's members include the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Insurance; National Bank Insurance; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players Assurant; Canada Life Assurance; Canadian Premier Life Insurance Company; Canadian Tire Bank; CUMIS Services Incorporated; Manulife (The Manufacturers Life Insurance Company); Sun Life; and Valeyo.

Briefing Note

**CAFII Board Meeting 7 December, 2021—Agenda Item 5(e)
Strategy Implementation and Regulatory Matters— AMF Consultation on Revised “Sound Commercial
Practices Guideline” (Submission Deadline: December 17/21)**

Purpose of this Agenda Item – Update

This is an update only item.

Background Information

There are numerous CAFII consultation responses that are being worked on.

This consultation is around an AMF revised guideline on Sound Commercial Practices. In the 9 November, 2021 Annual Members and Associates Virtual Luncheon, Norton Rose senior partner Marc Duquette said that the revised guideline took components of the Sound Commercial Practices Guideline (in force since 2013) and introduced additional measures and powers that will give the AMF more leverage and ability to push industry to align with its expectations.

Recommendation / Direction Sought – Update / Discussion

This is an update only item.

Attachments Included with this Agenda Item

No attachments.

Briefing Note

**CAFII Board Meeting 7 December, 2021—Agenda Item 5(f)
Strategy Implementation and Regulatory Matters— AMF Consultation on “Incentive Management
Guideline” (Submission Deadline: January 28/22)**

Purpose of this Agenda Item – Update

This is an update only item.

Background Information

There are numerous CAFII consultation responses that are being worked on.

This consultation is around an AMF guideline on incentive management.

Recommendation / Direction Sought – Update / Discussion

This is an update only item.

Attachments Included with this Agenda Item

No attachments.

Briefing Note

**CAFII Board Meeting 7 December, 2021—Agenda Item 5(g)
Strategy Implementation and Regulatory Matters— FCAC Consultation on “Proposed Guideline on
Complaint Handling Procedures for Banks and Authorized Foreign Banks” (Submission Deadline:
December 11/21)**

Purpose of this Agenda Item – Update

This is an update only item.

Background Information

There are numerous CAFII consultation responses that are being worked on.

This consultation is around a proposed FCAC guideline on complaint handling procedures for banks.

Recommendation / Direction Sought – Update / Discussion

This is an update only item.

Attachments Included with this Agenda Item

No attachments.

Briefing Note

**CAFII Board Meeting 7 December, 2021—Agenda Item 5(h)
Strategy Implementation and Regulatory Matters— FCAC Consultation on “Proposed Guideline on
Appropriate Products and Services for Banks and Authorized Foreign Banks” (Submission Deadline:
January 6/22); and CAFII Working Group On Industry Alignment Re Interpretation of FCAC’s
Appropriateness Guideline’s Application to Authorized Insurance Products/CPI; and Potential
Approaches to Compliance**

Purpose of this Agenda Item – Update

This is an update only item.

Background Information

There are numerous CAFII consultation responses that are being worked on.

This consultation is around a proposed FCAC “appropriateness guideline.” CAFII’s Working Group on the FCAC Appropriateness Guideline has been meeting since May 2021 and has developed possible arguments to use in the Association’s response to the FCAC on this draft Guideline. The Working Group will be dedicating its next several meetings to the development of a detailed response to the FCAC consultation document.

The original response period for this consultation was to be 30 days, which was based on when the consultation began and would have resulted in a response deadline close to the holiday season. The FCAC has extended the response period by 15 days, which in practice is not very helpful as it moves the deadline from late December 2021 to January 6, 2022.

Recommendation / Direction Sought – Update / Discussion

This is an update only item.

Attachments Included with this Agenda Item

One attachment.

Consultation on a proposed Guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks

From: Financial Consumer Agency of Canada

Current status: Open

This consultation is open. All submissions must be received by **January 6, 2022**.

The Financial Consumer Agency of Canada (FCAC) invites comments on a proposed Guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks (Guideline) in support of the implementation of the new Financial Consumer Protection Framework (FCPF) in the Bank Act. The FCPF introduces new or enhanced consumer protection measures that will further empower and protect consumers in their dealings with banks and authorized foreign banks (Banks).

The Guideline sets out clear principles and expectations that Banks should use when establishing and implementing their policies and procedures to ensure they offer or sell products and services that are appropriate for their consumers, having regard to their circumstances, including their financial needs.

The consultation will give all interested parties an opportunity to express their views and enable FCAC to benefit from a wide range of perspectives.

This is the second in a series of consultations on guidelines that FCAC has developed to help Banks comply with their obligations in the Bank Act and the new Financial Consumer Protection Framework Regulations, which will come into force on June 30, 2022.

A consultation on a proposed Guideline on Complaint Handling Procedures is in progress until December 11, 2021. Another consultation on the obligations of Banks to implement a whistleblowing program for their employees is being planned.

How to participate

FCAC invites all interested parties to submit their comments by email to FCAC.Consultation.ACFC@fcac-acfc.gc.ca or by using the following form.

FCAC will also accept written comments by mail or fax at:

Financial Consumer Agency of Canada
Supervision and Enforcement Branch
427 Laurier Avenue West, 6th floor
Ottawa, ON K1R 1B9
Fax: 613-941-1436

FCAC may wish to quote from or summarize your submission in its public documents and post all or part of it on its web pages on Canada.ca. We may revise submissions to remove sensitive information. If you would prefer that FCAC withhold all or part of your comments from its public documents, please indicate this clearly in your submission.

All comments received by FCAC will be subject to the [Access to Information Act](#) and the [Privacy Act](#) and may be disclosed in accordance with the law.

Who is this consultation for

The consultation is primarily intended for the financial industry and stakeholders with an interest in consumer protection. Interested members of the public are also invited to participate.

Background

In 2017 and 2018, 2 FCAC reports highlighted key areas where the legislation and regulations could better protect financial consumers and further strengthen regulatory oversight. The first was an assessment of best practices in provincial, territorial and international consumer protection regimes in the [Report on Best Practices in Financial Consumer Protection](#). The second was a review of bank sales practices in the [Domestic Bank Retail Sales Practices Review](#).

To address issues raised in these reports, the federal government introduced legislative amendments in 2018 to the [Bank Act](#) to create what is referred to as the FCPF. The FCPF includes new provisions requiring Banks to establish and implement policies and procedures to ensure that the products or services they offer or sell are appropriate for consumers. The recently published [Financial Consumer Protection Framework Regulations](#) add detail and specificity to certain legislative obligations.

Proposed Guideline

FCAC is seeking comments and feedback on the following document:

Proposed Guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks

The proposed Guideline sets out FCAC's expectations with respect to Banks' implementation of, and compliance with, the appropriate product or service provisions in the [Bank Act](#) and the [Financial Consumer Protection Framework Regulations](#), which will come into force June 30, 2022.

The new legislative obligations require Banks to establish and implement policies and procedures to ensure that the products or services in Canada that it offers or sells to a natural person, other than for business purposes, are appropriate for the person having regard to their circumstances, including their financial needs. In addition, Banks need to ensure that the remuneration they offer to their officers, employees or third parties, does not interfere with their ability to comply with the policies and procedures on appropriate products or services.

FCAC expects Banks will consider the following elements when establishing and implementing their policies and procedures on appropriate products or services:

- know your consumer
- know your product
- assess appropriateness
- inform consumers
- align remuneration

FCAC expects Banks to review and revise their policies and procedures to ensure compliance with the applicable consumer provisions under the [Bank Act](#) and applicable regulations. In addition, Banks should be guided by the principles and expectations detailed in the Guideline when establishing their appropriate product or service policies and procedures.

Next steps

FCAC will consider all comments received and may modify the proposed Guideline, where appropriate. FCAC plans to publish an anonymized summary of comments on Canada.ca once the final version of the Guideline is released.

Related links

- [Part XII.2 of the Bank Act](#) (not yet in force)
- [Financial Consumer Protection Framework Regulations](#) (not yet in force)
- [Report on Best Practices in Financial Consumer Protection](#)
- [Domestic Bank Retail Sales Practices Review](#)

Consultation on a proposed Guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks

From: Financial Consumer Agency of Canada

Current status: Open

This consultation is open. All submissions must be received by **January 6, 2022**.

The Financial Consumer Agency of Canada (FCAC) invites comments on a proposed Guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks (Guideline) in support of the implementation of the new Financial Consumer Protection Framework (FCPF) in the Bank Act. The FCPF introduces new or enhanced consumer protection measures that will further empower and protect consumers in their dealings with banks and authorized foreign banks (Banks).

The Guideline sets out clear principles and expectations that Banks should use when establishing and implementing their policies and procedures to ensure they offer or sell products and services that are appropriate for their consumers, having regard to their circumstances, including their financial needs.

The consultation will give all interested parties an opportunity to express their views and enable FCAC to benefit from a wide range of perspectives.

This is the second in a series of consultations on guidelines that FCAC has developed to help Banks comply with their obligations in the Bank Act and the new Financial Consumer Protection Framework Regulations, which will come into force on June 30, 2022.

A consultation on a proposed Guideline on Complaint Handling Procedures is in progress until December 11, 2021. Another consultation on the obligations of Banks to implement a whistleblowing program for their employees is being planned.

How to participate

FCAC invites all interested parties to submit their comments by email to FCAC.Consultation.ACFC@fcac-acfc.gc.ca or by using the following form.

FCAC will also accept written comments by mail or fax at:

Financial Consumer Agency of Canada
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Ottawa, ON K1R 1B9
Fax: 613-941-1436

FCAC may wish to quote from or summarize your submission in its public documents and post all or part of it on its web pages on Canada.ca. We may revise submissions to remove sensitive information. If you would prefer that FCAC withhold all or part of your comments from its public documents, please indicate this clearly in your submission.

All comments received by FCAC will be subject to the [Access to Information Act](#) and the [Privacy Act](#) and may be disclosed in accordance with the law.

Who is this consultation for

The consultation is primarily intended for the financial industry and stakeholders with an interest in consumer protection. Interested members of the public are also invited to participate.

Background

In 2017 and 2018, 2 FCAC reports highlighted key areas where the legislation and regulations could better protect financial consumers and further strengthen regulatory oversight. The first was an assessment of best practices in provincial, territorial and international consumer protection regimes in the [Report on Best Practices in Financial Consumer Protection](#). The second was a review of bank sales practices in the [Domestic Bank Retail Sales Practices Review](#).

To address issues raised in these reports, the federal government introduced legislative amendments in 2018 to the [Bank Act](#) to create what is referred to as the FCPF. The FCPF includes new provisions requiring Banks to establish and implement policies and procedures to ensure that the products or services they offer or sell are appropriate for consumers. The recently published [Financial Consumer Protection Framework Regulations](#) add detail and specificity to certain legislative obligations.

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The proposed Guideline sets out FCAC's expectations with respect to Banks' implementation of, and compliance with, the appropriate product or service provisions in the [Bank Act](#) and the [Financial Consumer Protection Framework Regulations](#), which will come into force June 30, 2022.

The new legislative obligations require Banks to establish and implement policies and procedures to ensure that the products or services in Canada that it offers or sells to a natural person, other than for business purposes, are appropriate for the person having regard to their circumstances, including their financial needs. In addition, Banks need to ensure that the remuneration they offer to their officers, employees or third parties, does not interfere with their ability to comply with the policies and procedures on appropriate products or services.

FCAC expects Banks will consider the following elements when establishing and implementing their policies and procedures on appropriate products or services:

- know your consumer
- know your product
- assess appropriateness
- inform consumers
- align remuneration

FCAC expects Banks to review and revise their policies and procedures to ensure compliance with the applicable consumer provisions under the [Bank Act](#) and applicable regulations. In addition, Banks should be guided by the principles and expectations detailed in the Guideline when establishing their appropriate product or service policies and procedures.

Next steps

FCAC will consider all comments received and may modify the proposed Guideline, where appropriate. FCAC plans to publish an anonymized summary of comments on Canada.ca once the final version of the Guideline is released.

Related links

- [Part XII.2 of the Bank Act](#) (not yet in force)
- [Financial Consumer Protection Framework Regulations](#) (not yet in force)
- [Report on Best Practices in Financial Consumer Protection](#)
- [Domestic Bank Retail Sales Practices Review](#)

Proposed Guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks

From: [Financial Consumer Agency of Canada](#)

On this page

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 - [iii. Assess appropriateness](#)
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- [VI. Informing consumers](#)
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I. Introduction

1. The Financial Consumer Agency of Canada (FCAC) has developed this draft Guideline – Appropriate Products and Services for Banks and Authorized Foreign Banks (Guideline) to set out the Agency’s expectations with respect to Banks’ implementation of the appropriate product or service provisions in the *Bank Act* and the *Financial Consumer Protection Framework Regulations*.

2. Part XII.2 of the *Bank Act* sets out the requirements regarding products and services offered or sold by banks, including federal credit unions, and authorized foreign banks (Banks). A Bank must establish and implement policies and procedures to ensure that the products or services it offers or sells to a natural person are appropriate for that person, having regard to their circumstances, including their financial needs (Policies and Procedures).

3. A Bank is responsible for ensuring it meets the requirements established in the *Bank Act*, including ensuring the compliance of any parties subject to the requirements in s. 627.15 of the *Bank Act* (Third Parties).

4. FCAC recognizes that Banks may tailor their Policies and Procedures in accordance with the nature, size and complexity of their business, distribution channels, and products and services. Each Bank may adapt its existing processes to comply with its obligations under s. 627.06 and s. 627.07.

5. FCAC encourages other federally regulated financial entities, such as trust and loan companies and insurance companies, to review this Guideline to develop and improve their appropriate product or service Policies and Procedures.

6. This Guideline should be read in conjunction with legislation and regulations.

II. Key principles

7. A Bank's senior management and the committee of the board of directors responsible for the Bank's compliance with consumer provisions should oversee the establishment and implementation of the Policies and Procedures.

8. Policies and Procedures should be comprehensive and result in a Bank offering or selling products or services that are appropriate for consumers, having regard to their circumstances, including their financial needs.

9. A Bank should keep records that demonstrate that it has established and implemented Policies and Procedures that meet the requirements of the *Bank Act*.

Effectiveness

10. A Bank's Policies and Procedures should effectively address and implement the following:

i. Know your consumer

A Bank should collect and assess Know Your Consumer (KYC) information to understand consumers' circumstances, including their financial needs, before it offers or sells products or services to them.

ii. Know your product

A Bank should understand the features, charges, risks and benefits of the products or services that they offer or sell.

iii. Assess appropriateness

A Bank should assess the appropriateness of the product or service before they offer or sell it.

iv. Inform consumers

A Bank should inform consumers when it has assessed a product or service as not appropriate for them, or when the Bank is unable to conduct the assessment.

v. Align remuneration

A Bank should include controls relating to its remuneration, incentive and benefit practices to align with the intent and application of the Policies and Procedures.

III. Know your consumer

11. A Bank's Policies and Procedures should ensure that the Bank collects and records the KYC information it needs to understand consumers' circumstances so that it can assess the appropriateness of the products or services being offered or sold. The nature of the KYC information that a Bank may need to collect and verify can vary depending on consumers' circumstances, including their financial needs, and on the products or services that it offers or sells.

12. A Bank's Policies and Procedures should cover the collection and updating of information.

13. A Bank's Policies and Procedures should cover the verification of information, including how to proceed if that information is unreliable, including inaccurate, outdated, or incomplete information, or if the information has any other issue that calls its use into question.

14. A Bank's Policies and Procedures should cover circumstances when consumers refuse or are unable to provide KYC information.

IV. Know your product

15. In developing, designing, approving and offering a product or service, a Bank should ensure its Policies and Procedures cover an internal assessment, review and approval process that applies throughout the product life cycle and accounts for:

- an assessment of the features, risks, charges and benefits to consumers associated with the product or service
- considerations regarding distribution channels

- consumer-facing materials, such as disclosure documents or marketing materials

16. The internal assessment, review and approval process should apply to:

- all products and services developed by the Bank, regardless of whether the product or service is sold directly by the Bank or through a Third Party
- any Third Party products or services offered or sold by or through the Bank
- any material changes to existing products or services

17. A Bank's Policies and Procedures should require initial and ongoing training to ensure that an officer, employee or any person involved in the offer or sale of a Bank product or service has the necessary skills, knowledge and expertise to discharge their responsibilities related to the appropriateness of the product or service. This training should:

- cover the Bank's obligations regarding the offer or sale of appropriate products or services
- cover the products or services that the officer, employee or person is offering or selling, including the relevant features, charges, risks and benefits of the bank's products or services and how to explain these to consumers

18. A Bank's Policies and Procedures should cover:

- providing the training program
- monitoring officers', employees' or other persons' completion of the training program
- regular reviews and updates of the training

V. Assessing appropriateness

19. A Bank's Policies and Procedures should ensure that the bank conducts an appropriateness assessment when it offers or sells products or services to consumers. For greater certainty, a Bank's Policies and Procedures should ensure that it conducts an appropriateness assessment even when these products or services have been requested by consumers.

20. A Bank's Policies and Procedures should ensure that the Bank can demonstrate that assessments are being conducted and the outcome of these.

21. A Bank's Policies and Procedures should address how to proceed if consumers wish to purchase products or services that the bank has assessed as not appropriate for them, or if it cannot conduct the assessment.

VI. Informing consumers

22. A Bank's Policies and Procedures should ensure that the bank informs consumers when it has assessed products or services as not appropriate for them or if it cannot conduct the assessment so that consumers can make informed decisions. Policies and procedures should ensure that this information:

- is provided in a manner, and using language, that is clear, simple and not misleading
- is presented in a manner that accounts for factors such as the distribution channel, the nature of the products or services and other relevant factors

VII. Aligning remuneration

23. A Bank's Policies and Procedures should ensure that:

- an employee's, officer's or any person's remuneration is determined in a manner that does not interfere with their obligation to comply with the Bank's Policies and Procedures to offer or sell products or services that are appropriate
- the metrics used to determine remuneration align with the Bank's obligation to offer or sell products and services that are appropriate
- remuneration and benefits account for monetary and non-monetary components, such as salaries, variable pay, commissions, bonuses, pension benefits and awards

24. A Bank's remuneration, incentives and benefits should be reviewed regularly to ensure they do not interfere or conflict with its obligations regarding appropriate products or services.

Briefing Note

**CAFII Board Meeting 7 December, 2021—Agenda Item 5(i)
Strategy Implementation and Regulatory Matters— FCNB Consultation on “Proposed Rule INS-001:
Insurance Intermediaries Licensing and Obligations” (Submission Deadline: February 7/22)**

Purpose of this Agenda Item – Update

This is an update only item.

Background Information

There are numerous CAFII consultation responses that are being worked on.

This consultation is largely around a proposed FCNB (New Brunswick) Restricted Insurance Agent (RIA) licensing regime, along the lines of what already is in place in Manitoba, Saskatchewan, and Alberta. At the 9 November, 2021 CAFII Annual Members and Associates Virtual Luncheon, Torys partner Jill McCutcheon said that the just-released New Brunswick Proposed Rule INS-001 was notable for all the ways in which it differed from the existing RIA regimes in place in three Western Canada provinces. Those differences are despite numerous entreaties from industry to harmonize the New Brunswick regime to the maximum extent possible with existing regimes; and that this was a further example of how regulators, when given powers, will use them in ways that they prefer, even if it causes market inefficiencies.

Recommendation / Direction Sought – Update / Discussion

This is an update only item.

Attachments Included with this Agenda Item

No attachments.

Briefing Note

**CAFII Board Meeting 7 December, 2021—Agenda Item 5(j)
Strategy Implementation and Regulatory Matters— OSFI Consultation on “Draft Guideline B-13:
Technology and Cyber Risk Management” (Submission Deadline: February 9/22)**

Purpose of this Agenda Item – Update

This is an update only item.

Background Information

There are numerous CAFII consultation responses that are being worked on.

This consultation is around an OSFI consultation on technology and cyber risk management. CAFII will first assess whether this consultation fits within the mandate of CAFII; that determination will be based largely upon an Information Session webinar on Draft Guidelines B-13 which OSFI is holding on the afternoon of 30 November, 2021. If it is determined that this Draft Guideline does fit within CAFII’s scope and purview, our Association will develop a submission response.

Recommendation / Direction Sought – Update / Discussion

This is an update only item.

Attachments Included with this Agenda Item

No attachments.

Briefing Note

**CAFII Board Meeting 7 December, 2021—Agenda Item 5(k)
Strategy Implementation and Regulatory Matters— Insights Gained From CAFII/CLHIA/THIA Weekly
Meetings Re Impact of COVID-19 on Travel and the Travel Insurance Industry**

Purpose of this Agenda Item – Update

This is an update only item.

Background Information

CAFII, CLHIA, and THIA hold weekly meetings to review developments around COVID-19's impact upon travel and the travel insurance industry.

Recommendation / Direction Sought – Update / Discussion

This is an update only item.

Attachments Included with this Agenda Item

No attachments.

Briefing Note

CAFII Board Meeting 7 December, 2021—Agenda Item 6(a)

Read Only Items-- October 25/21 CAFII Submission To AMF on “Concrete Examples of Regulatory Burden Reduction Opportunities”

Purpose of this Agenda Item – *Read Only*

This is a read only item.

Background Information

Attached in the meeting materials is the submission CAFII made to the AMF on 25 October, 2021 on examples of regulatory burden reduction opportunities.

At the 10 November, 2021 meeting on the Fact Sheet and Notice of Rescission with the AMF, Mario Beaudoin said that he had reviewed this CAFII submission, and that he felt that some of the issues raised might be communications issues where the AMF had shared with the CLHIA some of its intentions, and this had not filtered down to CAFII and its members. In response, Mr. Beaudoin said that he would like to propose regular meetings, perhaps twice a year, with CAFII to share developments around distribution without a representative at the AMF; and CAFII said it would welcome such regular meetings to share information.

Recommendation / Direction Sought – *Read Only*

This is a read only item.

Attachments Included with this Agenda Item

Two (2) attachments: CAFII’s French submission, as delivered to the AMF; and the English original draft upon which the French translation was based.

Le 25 octobre 2021

Monsieur Julien Reid

Directeur principal de l'encadrement des institutions financières, de la résolution, et de l'assurance-dépôt

julien.reid@lautorite.gc.ca

Autorité des marchés financiers

Place de la Cité, tour Cominar

2640, boulevard Laurier, bureau 400

Québec (Québec) G1V 5C1

Monsieur,

Nous vous remercions d'avoir invité l'ACIFA à formuler des recommandations, accompagnées d'exemples concrets, sur les secteurs dans lesquels l'Autorité des marchés financiers (AMF) pourrait optimiser la charge réglementaire sans compromettre la protection des consommateurs ou l'efficacité de la réglementation.

L'ACIFA recommande ce qui suit :

Une approche réglementaire fondée sur des principes visant à améliorer la protection des consommateurs

Lorsqu'un organisme de réglementation émet des règlements et des attentes réglementaires connexes, une approche fondée sur des principes peut permettre d'atteindre le résultat souhaité en matière de protection des consommateurs sans qu'il soit nécessaire d'imposer des exigences prescriptives qui entraînent un travail inutile et souvent chronophage pour les assujettis.

Un exemple concret d'une exigence prescriptive est l'exigence actuelle de l'AMF en matière d'enregistrement des distributeurs de produits sous le nouveau régime des modes alternatifs de distribution. L'AMF demande que chaque succursale d'une institution financière (IF) soit enregistrée en tant que distributeur dans son système de services en ligne.

Cependant, le distributeur est en fait la société mère, par exemple la banque ou la coopérative de crédit.

Dans la pratique, des milliers de succursales font partie des réseaux des IF membres de l'ACIFA. Elles subissent constamment des changements (ouverture de nouvelles succursales, fermetures et fusions de succursales), de sorte que la mise à jour de la liste des succursales dans le système de services en ligne représente une charge administrative importante. Compte tenu du fait que la société mère est responsable de toutes ses succursales et que l'AMF peut prendre des mesures d'enquête ou d'application à l'encontre de la société mère indépendamment de l'enregistrement d'une succursale particulière de son réseau, il est difficile de saisir comment l'exigence d'enregistrement des succursales sert la protection des consommateurs ou l'efficacité de la réglementation.

La demande de l'ACIFA en vue d'optimiser la charge est la suivante : Que seules les informations relatives à la société mère du distributeur soient enregistrées par entité juridique; et que l'obligation d'enregistrer toutes les succursales individuelles soit supprimée.

Transparence dans les demandes d'information et les avis d'intervention

Certaines sociétés membres de l'ACIFA ont rapporté avoir reçu une communication dans laquelle l'AMF indique que leur société a commis des actes ou des omissions qui ne sont pas conformes à la législation ou à un règlement, et qu'une intervention de l'AMF pourrait en résulter.

Cependant, dans de tels cas, l'AMF a refusé de fournir des informations spécifiques et concrètes qui permettraient à la société de commencer à enquêter elle-même sur la situation et de prendre des mesures pour remédier au problème.

Il s'agit d'une charge, car le manque d'informations empêche la société d'enquêter de manière appropriée et de rectifier le problème, en particulier s'il y a un impact sur le consommateur, ce qui entraîne souvent une dépense inutile de ressources pour essayer de déterminer quel acte ou omission non conforme présumé fait l'objet de la notification.

La demande de l'ACIFA en vue d'optimiser la charge est la suivante : Chaque fois que l'AMF communique à une entité assujettie qu'elle fait l'objet d'une enquête, une divulgation complète des détails soit incluse dans le communiqué. Cela permettrait à la société concernée de mener sa propre enquête interne et de comprendre tous les détails de la situation, en vue d'une éventuelle enquête et/ou sanction réglementaire.

Communication cohérente et claire sur l'application d'un règlement

La demande de l'ACIFA d'optimiser la charge découlant du *Règlement sur les modes alternatifs de distribution* et de la détermination de l'AMF qu'il s'applique aux prestations d'assurance intégrées à une carte de crédit porte sur la communication claire et cohérente de l'application d'un règlement.

L'AMF a connaissance du fait que l'ACIFA et ses membres ne considèrent pas que les prestations d'assurance intégrées dans une carte de crédit constituent effectivement une offre d'assurance, puisque le client ne paie pas de prime et que l'assurance est intégrée dans une carte de crédit, ce que le client a effectivement demandé et obtenu.

En guise de contexte supplémentaire, il est clair que les prestations d'assurance intégrées à la carte de crédit, un ensemble de produits unique, n'ont pas été envisagées dans le cadre de la conception du RMAD. Lorsque l'AMF a décidé après coup que le RMAD devait toujours s'appliquer à ces prestations d'assurance, le secteur s'est vu obligé de forcer la conformité d'un ensemble de produits uniques, ce qui a constitué un effort long, difficile et fastidieux pour les membres de l'ACIFA ainsi que pour d'autres acteurs du secteur.

Explication des implications de la charge réglementaire :

- L'élaboration d'une solution de conformité pour un système de distribution qui implique de multiples canaux et une multitude de systèmes existants des institutions financières - qui ont eux-mêmes des limitations et des défis divers - demande beaucoup de temps et d'expertise. S'attaquer à ces solutions de conformité peut détourner des ressources d'autres initiatives informatiques visant à améliorer l'expérience client;
- Les banques et les coopératives de crédit ont d'importants portefeuilles de cartes de crédit et l'extension par l'AMF du champ d'application du RMAD aux cartes de crédit a un impact sur tous les types de cartes de crédit (cartes de consommateurs, de petites entreprises et professionnelles). Il est concevable que certaines banques doivent élaborer 30 sommaires de produits ou plus (et ce, en français et en anglais);
- La nécessité pour les banques et les coopératives de crédit d'inclure les sommaires de produits comme articles de base dans les trousseaux d'exécution, pour lesquels certaines IF ont déjà atteint les limites de capacité quant au nombre d'encarts, ajoute au coût et à la complexité; et
- Le Québec est la seule juridiction au Canada qui exige qu'une fiche d'information et un sommaire du produit soient préparés et fournis aux clients de l'assurance, les deux faisant double emploi avec l'information fournie dans le certificat d'assurance.

De plus, les représentants du service à la clientèle des membres de l'ACIFA qui participent effectivement au processus de qualification, d'approbation et d'inscription des demandeurs de cartes de crédit craignent que l'application du RMAD aux prestations d'assurance intégrées aux cartes de crédit ne produise une expérience très négative pour les clients.

En particulier, alors que l'obligation de fournir un sommaire du produit au moment de la vente est tout à fait sensée pour l'adhésion à une assurance de protection du crédit, le client d'une carte de crédit achète une carte de crédit et, en tant que tel, il est principalement intéressé par des éléments tels que les frais annuels, le cas échéant, le taux d'intérêt sur les soldes impayés et les avantages liés à l'utilisation de la carte. Les prestations d'assurance intégrées sont loin d'être une priorité pour les demandeurs de cartes de crédit.

En pratique, l'application du RMAD aux prestations d'assurance intégrées à la carte de crédit rend les observations suivantes pertinentes :

- Les processus d'inscription et de transfert des cartes exigent actuellement des banques qu'elles fournissent une multitude d'informations (par exemple, le coût de l'emprunt, la confidentialité, les conditions générales);
- L'obligation d'ajouter à ces divulgations un sommaire du produit pour l'assurance intégrée ne servira qu'à semer la confusion chez les clients et le personnel de première ligne. Ce qui ne constitue pas une bonne expérience pour le client, car cela complique encore plus les processus d'inscription et de transfert des cartes; et

- Les clients recherchent normalement une carte de crédit avant de choisir celle qu'ils vont demander et à laquelle ils vont finalement s'inscrire; il serait donc plus efficace de simplement mettre les sommaires des produits à disposition sur les pages de renvoi des cartes de crédit respectives dans le site Web d'une IF, afin que les clients puissent y accéder et les lire lorsqu'ils recherchent une carte de crédit appropriée.

Cela dit, l'ACIFA apprécie que l'AMF ait récemment accordé aux membres de l'ACIFA et à l'ensemble du secteur une concession, en vertu de laquelle les assureurs et les distributeurs concernés n'auront pas à distribuer la fiche d'information et l'avis de résiliation aux clients des cartes de crédit avant la date limite du 17 décembre 2021 pour afficher les sommaires de produits et soumettre les plans d'action à l'AMF.

Bien que nous acceptions que l'AMF ait rejeté notre point de vue sur cette question et que les membres de l'ACIFA travaillent donc à la mise en œuvre des attentes de l'AMF, nous aimerions souligner certaines leçons tirées de la situation décrite ci-dessus, car nous pensons qu'elles peuvent au moins être appliquées pour un déploiement plus fluide et plus efficace des futurs règlements, en particulier dans le cas des règlements pour lesquels l'AMF a délibérément et volontairement choisi d'adopter une approche plus prescriptive.

Voici quelques recommandations orientées vers l'optimisation des charges et l'amélioration des communications pour l'avenir :

- 1) Fournir des exigences et des attentes réglementaires claires et concises chaque fois que des changements d'interprétation sont apportés au champ d'application d'un règlement, plutôt que de compter sur le secteur pour trouver une solution (par exemple, la nouvelle exigence de sommaires de produits pour les prestations d'assurance intégrées) :
 - Établir dès le départ des attentes complètes concernant l'impact du changement sur l'ensemble du cycle de vie du produit, y compris des conseils sur les plans d'action, etc.; et
 - Transmettre des lignes directrices, par exemple les meilleures pratiques pour les sommaires de produits, en même temps que les exigences d'un changement sont communiquées, et non après que le secteur a déjà entamé la mise en œuvre.
- 2) Consulter toutes les associations sectorielles concernées afin d'assurer que les principales questions et préoccupations sont abordées avant de décider d'une modification d'un règlement ou d'un changement d'interprétation de celui-ci, y compris les modifications liées à la portée, à l'application et à la date limite de mise en œuvre de la modification.
- 3) Établir et communiquer au secteur les exigences d'un règlement de manière claire et concise, afin de réduire les éventuelles différences d'interprétation et de garantir que le secteur a une compréhension commune et peut mettre en œuvre une approche cohérente.

Lignes directrices sur les attentes concernant les éléments d'un règlement

Les membres de l'ACIFA sont désormais tenus de produire des sommaires de produits pour les prestations d'assurance intégrées à la carte de crédit. Une carte de crédit peut comporter plusieurs types de prestations d'assurance, et la manière de structurer les sommaires des produits correspondants n'est pas claire pour les membres. Les sommaires de produits remplacent les guides de distribution jugés trop longs et complexes, mais les membres ont reçu des commentaires de l'AMF selon lesquels trop peu d'exclusions étaient incluses dans les versions qu'ils ont partagées avec l'AMF en vue d'obtenir des commentaires. De ce fait, les sommaires de produits sont plus longs que ce que les membres de l'ACIFA avaient initialement prévu.

Nous reconnaissons le défi pour l'AMF de trouver un équilibre entre des lignes directrices raisonnablement détaillées et l'objectif de ne pas être trop prescriptif. Cependant, il est très chronophage pour les membres de l'ACIFA de partager avec l'AMF des projets de sommaires de produits que l'AMF juge ensuite inadéquats, sans fournir de commentaires sur les raisons de cette inadéquation.

Certains membres de l'ACIFA en sont maintenant à leur troisième ou quatrième version d'un sommaire de produit, essayant de satisfaire l'AMF sans obtenir de directives claires sur la façon de le faire. Dans ces circonstances, il serait préférable que l'AMF soit directe et précise quant à ses attentes. Si l'AMF souhaite uniquement fournir des lignes directrices de haut niveau, elle ne devrait pas rejeter les résultats qui sont conformes à ces lignes directrices de haut niveau.

Réinterprétation rétroactive des règlements

Tout au long de l'année 2019, les membres de l'ACIFA ont consacré beaucoup de temps et d'énergie à répondre à la réinterprétation rétroactive par l'AMF d'un règlement en vigueur depuis plus de 20 ans, réinterprétation qui indiquait de manière soudaine et inattendue que seul le titulaire principal de la carte de crédit, et non systématiquement le conjoint du titulaire principal, serait admissible à l'adhésion à l'assurance protection du crédit (APC) associée à la carte de crédit.

Notre Association a eu des discussions approfondies avec l'AMF au sujet de cette nouvelle interprétation, mais en vain; le résultat final est que la couverture APC des cartes de crédit n'est plus offerte aux conjoints au Québec, et que le portefeuille d'affaires existant est éliminé sur cinq ans.

L'ACIFA est d'avis que la réinterprétation du règlement par l'AMF a été préjudiciable aux consommateurs québécois, dont plusieurs ont perdu la couverture économique de l'APC collectif qu'ils avaient en place depuis de nombreuses années. En particulier pour les polices en vigueur, les ressources sont maintenant utilisées par le secteur pour obtenir un résultat négatif pour les consommateurs. Ce changement ne semble pas avoir pour origine la protection des consommateurs.

L'interprétation et la position de l'AMF sur l'APC des cartes de crédit pour les conjoints est une question propre au Québec, pourtant les cartes de crédit sont structurées, conçues et gérées à l'échelle nationale par les IF au Canada.

Cette réinterprétation rétroactive de l'AMF, qui oblige le secteur à revenir sur des approches vieilles de plusieurs décennies, et les attentes réglementaires désormais différentes au Québec par rapport à toutes les autres juridictions du pays, augmentent le coût des affaires au Québec pour les membres de l'ACIFA et les autres acteurs du secteur.

La demande de l'ACIFA en vue d'optimiser la charge est la suivante : Que, à l'avenir, l'AMF s'abstienne d'imposer de telles réinterprétations rétroactives de lois et/ou de règlements établis de longue date, sans au moins s'engager dans un processus de consultation significatif sur la question avec le secteur.

Approche pour les différends ou les désaccords avec le secteur

Le temps et les efforts que l'ACIFA a consacrés à communiquer à l'AMF nos préoccupations concernant la position de l'Autorité sur l'applicabilité du RMAD aux prestations d'assurance intégrées à la carte de crédit ont été considérables et coûteux.

Comme moyen d'optimiser la charge, l'ACIFA recommande que l'AMF envisage de revoir la façon dont elle gère les désaccords fondamentaux avec les participants du secteur. Bien que nous reconnaissons et respectons le fait que l'AMF a pleinement le droit et les pouvoirs d'imposer, en fin de compte, un résultat, nous avons le sentiment que le dialogue précédant ce résultat possible ne se déroule souvent pas aussi rapidement que possible, et qu'il ne permet pas non plus une escalade rapide vers les cadres supérieurs pour s'engager dans le dossier.

Simplification de certaines procédures

L'ACIFA recommande également à l'AMF de considérer pleinement et sérieusement les possibilités suivantes d'optimisation des charges :

- Réexaminer et simplifier le processus de soumission des rapports concernant les plaintes des consommateurs. Actuellement, deux systèmes s'appliquent : l'un pour les assureurs (déclaration annuelle du CCRRA sur les pratiques commerciales) et l'autre pour les entreprises (dépôt semestriel auprès de l'AMF);
- Permettre aux représentants individuels de « déléguer » le renouvellement de leur certificat de licence à leur cabinet ou à leur compagnie d'assurance. Actuellement, les avis de renouvellement sont envoyés directement aux représentants individuels, ce qui ne facilite pas le traitement efficace et effectif des renouvellements de certificats de licence;
- Mettre en place des examens en ligne;
- Numériser les demandes qui nécessitent actuellement des formulaires papier, notamment en facilitant l'accès à ClickSÉCUR pour les personnes vivant hors du Québec. (Il s'agit principalement d'une question de certificat de licence interprovinciale, causée par le fait que le système de certification du Québec vit sur la base de données fiscales du gouvernement provincial; et, jusqu'à maintenant, l'AMF n'a pas été en mesure d'aborder cet enjeu); et
- Permettre l'utilisation de signatures numériques au lieu de l'exigence actuelle de la signature manuscrite pour les demandes/renouvellements de certificat de licence.

Harmonisation avec les autres juridictions canadiennes

Nous reconnaissons et apprécions les caractéristiques uniques du Québec, et le fait qu'il n'y aura jamais d'harmonisation complète entre les juridictions provinciales et territoriales au Canada. Nous apprécions également le rôle de leader que l'AMF occupe au sein du CRRRA et des OCRA, notamment en ce qui concerne le traitement équitable des clients et l'harmonisation dans la mesure du possible.

Cependant, on pourrait citer de multiples exemples d'incohérences entre le Québec et le reste du Canada qui ne semblent pas refléter de véritables améliorations de la protection des consommateurs. Dans le cadre d'une initiative d'allègement des charges, l'ACIFA demande à l'AMF de considérer ce que font les régulateurs des autres juridictions au Canada et de tenter de s'harmoniser avec eux.

Un exemple actuel est que le secteur est engagé dans une consultation de l'AMF sur un projet de règlement sur le traitement des plaintes et le règlement des différends qui, tel qu'il est actuellement formulé, placera le secteur dans une situation où il devra avoir des modèles et des processus différents pour le Québec qui sont distincts de ceux employés dans le reste du Canada.

Observations finales

L'ACIFA et ses membres respectent et saluent le rôle crucial de l'AMF dans la protection des consommateurs québécois, tout en favorisant l'innovation et l'efficacité dans les secteurs des services financiers et de l'assurance au Québec. Nos membres s'engagent à traiter équitablement les clients et à se conformer pleinement à la législation et à la réglementation du Québec.

À cet égard, l'ACIFA apprécie l'approche de l'AMF envers le secteur en ce qui concerne l'optimisation des charges, et nous vous remercions de nous avoir invités à formuler nos recommandations.

Nous restons déterminés à soutenir l'AMF dans l'accomplissement de sa mission et de son mandat, d'une importance capitale, et nous nous réjouissons de poursuivre notre engagement en tant que parties prenantes clés contribuant au succès continu de l'Autorité. En particulier, nous nous réjouissons de la poursuite d'un dialogue ouvert, constructif et transparent afin que le secteur puisse mettre en œuvre et réaliser les attentes de l'AMF en matière de protection des consommateurs tout en réduisant au minimum la charge réglementaire inutile et les inefficacités, et en évitant les situations aux conséquences involontaires qui donnent lieu à des expériences négatives pour les clients.

Si vous souhaitez obtenir de plus amples informations de l'ACIFA ou rencontrer des représentants de notre Association au sujet de cette soumission de recommandations d'allègement des charges ou de toute autre question, veuillez contacter Keith Martin, codirecteur exécutif de l'ACIFA, à l'adresse keith.martin@cafii.com ou au numéro 647-460-7725.

Veuillez agréer, Monsieur, l'expression de mes sentiments les meilleurs.



Rob Dobbins

Secrétaire du Conseil d'administration et président du Comité exécutif des opérations

c.c. M. Patrick Déry, surintendant de l'encadrement de la solvabilité

À propos de l'ACIFA

L'Association canadienne des institutions financières en assurance (ACIFA) est une association industrielle sans but lucratif vouée au développement d'un marché de l'assurance ouvert et flexible. L'ACIFA a été créé en 1997 pour donner une voix aux institutions financières impliquées dans la vente d'assurance par le biais de diverses méthodes de distribution. L'ACIFA estime que les consommateurs sont mieux servis lorsqu'ils ont facilement accès à une assurance, à un choix judicieux d'options de couverture et à des prix compétitifs.

L'ACIFA croit aussi que les consommateurs sont mieux servis lorsqu'ils ont un choix significatif dans l'achat de produits et services d'assurance. Nos membres offrent l'assurance voyage, vie, santé, dommages et l'assurance protection de crédit. En particulier, l'assurance crédit et l'assurance voyage sont les lignes de produits prioritaires de l'ACIFA.

La diversité des membres de l'ACIFA permet à notre association d'avoir une vision large du régime réglementaire régissant le marché de l'assurance. L'ACIFA travaille avec le gouvernement et les organismes de réglementation (principalement provinciaux) pour élaborer un cadre législatif et réglementaire pour le secteur de l'assurance qui aide à garantir que les consommateurs canadiens obtiennent les produits d'assurance qui répondent à leurs besoins. Notre objectif est de garantir que des normes appropriées sont en place pour la distribution et la commercialisation de tous les produits et services d'assurance.

Les membres de l'ACIFA comprennent les branches d'assurance des principales institutions financières du Canada – Assurance CIBC; BMO Assurance; Desjardins Assurances; La Financière ScotiaLife; RBC Assurances; Canadian Tire Bank; TD, Compagnie d'assurance-vie ; Banque Nationale Assurances, de même que les principaux acteurs de l'industrie, Assurant Canada, La Compagnie d'Assurance du Canada sur la Vie, CUMIS Services Incorporated, La Compagnie d'assurance-vie Première du Canada, Sun Life, Manuvie (La Compagnie d'Assurance-Vie Manufacturers), et Valeyo.

25 October, 2021

M. Julien Reid

Directeur principal de l'encadrement des institutions financières, de la résolution, et de l'assurance-dépôt

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c.c. Mr. Patrick Déry, Superintendent, Solvency

Dear Mr. Reid:

Thank you for inviting CAFII to provide recommendations, with concrete examples, of areas where the Autorité des marchés financiers (AMF) could achieve regulatory burden reduction without compromising consumer protection or regulatory effectiveness.

CAFII recommends the following:

Principles-Based Regulatory Approach Focused On Enhancing Consumer Protection

When a regulator is issuing Regulations and related regulatory expectations, a principles-based approach can achieve the desired consumer protection outcome without the need for prescriptive requirements that result in unnecessary, often time-consuming work for regulated entities.

A concrete example of a prescriptive requirement is the AMF's current registration requirements related to distributors of products under the new Alternative Distribution Methods regime. The AMF has mandated that each individual financial institution (FI) branch must be registered as a distributor in its E-Services system.

However, the distributor is actually the parent company, for example the particular bank or credit union.

In practice, there are thousands of branches that are part of CAFII member FIs' networks. They are constantly undergoing changes (opening of new branches; closures; and branch mergers), such that keeping the list of branches up-to-date on the E-Services system creates a significant administrative burden. Given that the parent company is responsible for all its branches, and the AMF can take investigative or enforcement action against the parent company irrespective of the registration of any particular branch in its network, it is difficult to understand how consumer protection or regulatory effectiveness is being served by the branch registration requirement.

CAFII's burden reduction request is that only the parent company information of the distributor should be required to be registered per legal entity; and the requirement to register all individual branches should be removed.

Transparency in Information Requests and Intervention Notices

Some CAFII member companies have reported incidents of receiving a communication in which the AMF indicates that their company has made acts or omissions which are non-compliant with legislation or a Regulation; and that a resulting intervention by the AMF may be forthcoming.

However, in such instances, the AMF has declined to provide any specific and concrete information that would allow the company to begin to investigate the situation itself and take measures to remedy the issue.

This is a burden because the lack of information renders the company unable to properly investigate and rectify the matter, especially if there is a consumer impact, and also often results in unnecessary expenditure of resources trying to determine what alleged non-compliant act or omission is the focus of the notice.

CAFII's burden reduction request is that whenever the AMF is communicating to a regulated entity that it is under investigation, full disclosure of the specifics should be included in the communiqué. This will allow the affected company to conduct its own internal investigation and understand all the details of the situation, in preparation for any regulatory investigation and/or sanction.

Consistent and Clear Communication on Application of A Regulation

CAFII's burden reduction request arising from the *Regulation respecting Alternative Distribution Methods (RADM)* and the AMF's determination that it applies to credit card-embedded insurance benefits relates to providing clear and consistent communication on the application of a Regulation.

The AMF is aware that CAFII and its members do not believe that credit card-embedded insurance benefits actually constitute an offer of insurance, since the customer does not pay any premiums and the insurance is embedded in a credit card, which is what the customer has actually applied for and obtained.

By way of further background context, it is clear that credit card-embedded insurance benefits, a unique product set, were not contemplated as part of the RADM's design. When the AMF made its decision after-the-fact that the RADM still must apply to these insurance benefits, the industry was tasked with having to force-fit a unique product set into compliance, which has been a time-consuming, challenging, and burdensome effort for CAFII members and other industry players.

To elaborate upon the regulatory burden implications:

- Developing a compliance solution for a distribution system which involves multiple channels and a host of FI legacy systems -- which themselves have various limitations and challenges - takes a great deal of time and expertise to achieve. Tackling such compliance solutions can siphon resources away from other IT initiatives aimed at enhancing the customer experience;
- Banks and credit unions have large credit card portfolios and the AMF's extension of the RADM's scope to include credit cards has an impact upon all types of credit cards (consumer, small business, and corporate cards). It's conceivable that some banks will have to develop 30 or more Product Summaries (and in both French and English);
- Adding to the cost and complexity is the need for banks and credit unions to include the Product Summaries as stock items in fulfillment packages, for which some FIs have already reached capacity limits on the number of inserts; and

- Quebec is the only jurisdiction in Canada that requires a Fact Sheet and Product Summary to be prepared and provided to insurance customers, both of which will ultimately be duplicative of information provided in the Certificate of Insurance.

In addition, CAFII Member client service representatives who are actually involved in the process of qualifying, approving, and enrolling credit card applicants are concerned that the RADM's application to credit card-embedded insurance benefits will produce a very negative customer experience.

In particular, while the requirement to provide a Product Summary at time of sale is completely sensible for a credit protection insurance enrollment, a credit card customer is shopping for a credit card, and as such is primarily interested in elements such as the annual fee, if any; the interest rate on unpaid balances; and reward benefits for using the card. Embedded insurance benefits are by no means top-of-mind for credit card applicants.

In practical reality, the application of the RADM to credit card-embedded insurance benefits makes the following observations pertinent:

- The card enrollment and transfer processes currently require banks to provide a myriad of disclosures (e.g. cost of borrowing, privacy, general terms and conditions);
- The requirement to add a Product Summary for embedded insurance to these disclosures will serve only to confuse customers and front-line staff. This is not a good customer experience, as it further complicates the card enrollment and transfer processes; and
- Customers normally shop around for a credit card before choosing which one to apply for and ultimately enrol in; therefore, it would be more effective to simply make the Product Summaries available on the respective credit card landing pages of an FI's website, so that customers can access and read them while shopping around for a suitable credit card.

All that said, CAFII appreciates that the AMF has recently granted CAFII members and the wider industry a concession, under which affected insurers and distributors will not have to distribute the Fact Sheet and the Notice of Rescission to credit card customers by the 17 December, 2021 deadline to post Product Summaries and submit Action Plans to the AMF.

While we accept that the AMF has rejected our views on this matter and CAFII members are therefore working on implementing the AMF's expectations, we would like to highlight certain learnings from the situation highlighted above, as we believe that, at a minimum, they can be applied for a smoother and more effective roll-out of future Regulations, especially in the case of Regulations for which the AMF has deliberately and purposefully chosen to take a more prescriptive approach.

Some burden reduction-oriented and communication enhancement recommendations for the future are as follows:

- 1) Provide clear and concise regulatory requirements and expectations whenever interpretive changes to a Regulation's scope/application are being made, rather than rely on the industry for a solution (e.g. the new requirement of Product Summaries for embedded insurance benefits):

- Establish full expectations up-front for the entire product lifecycle impact of the change, including guidance on action plans, etc.; and
 - Share guidance material such as best practices for Product Summaries at the same time as the requirements for a change are being communicated, and not after industry implementation has already commenced.
- 2) Consult with all relevant industry Associations to ensure that key questions and concerns are addressed before deciding upon a change to a Regulation or a change in interpretation thereof, including changes related to scope/application, and a deadline for implementing the change.
 - 3) Establish and communicate the requirements under a Regulation clearly and concisely to the industry, to minimize any possible differences of interpretation and ensure that the industry has a common understanding and can implement a consistent approach.

Guidance on Expectations Around Elements of a Regulation

CAFII Members are now obligated to produce Product Summaries for credit card-embedded insurance benefits. There can be multiple such insurance benefits embedded in a credit card, and how to structure the related Product Summaries is not clear to our Members. The Product Summaries replace Distribution Guides that were deemed to be too long and complex, but our members have received feedback from the AMF that not enough exclusions were included in the drafts they shared with the AMF for feedback, leading the Product Summaries to be longer than CAFII Members had originally envisioned.

We recognize the challenge for the AMF in balancing reasonably detailed guidance with the objective to not be overly prescriptive, but it is very time-consuming for CAFII Members to be sharing draft Product Summaries with the AMF which the AMF then subsequently indicates are not adequate, without providing any feedback as to why they are inadequate.

Some CAFII members are now in their third or fourth draft of a Product Summary, trying to satisfy the AMF without getting clear direction on how to do so. It would be better in these circumstances for the AMF to be direct and specific about what it is expecting. If the AMF only wishes to provide high level guidance, it should not then reject outputs that conform to that high level guidance.

Retroactive Re-Interpretation of Regulations

Throughout 2019, CAFII Members expended significant time and energy in responding to the AMF's retroactive re-interpretation of a Regulation that had been in-force for 20-plus years, a re-interpretation which suddenly and unexpectedly indicated that only the primary credit cardholder, and not routinely the primary cardholder's spouse, would be eligible to be enrolled in credit protection insurance (CPI) associated with the credit card.

Our Association had extensive discussions with the AMF about this new interpretation but to no avail; and the ultimate outcome is that credit card CPI coverage is no longer being offered to spouses in Quebec, and the existing book of business is being “run off” over five years. It is CAFII’s view that the AMF’s re-interpretation of the Regulation was detrimental to Quebec consumers, many of whom lost economical group CPI coverage which they had in place for many years. Particularly for the in-force policies, resources are now being utilized by the industry to effect a negative outcome for consumers. This change did not seem to be rooted in consumer protection.

The AMF’s interpretation and position on credit card CPI for spouses is a Quebec-only issue, but yet credit cards are structured, designed, and managed nationally by FIs in Canada.

This retroactive re-interpretation by the AMF, and the resulting requirement for the industry to reverse decades-old approaches, and the now different regulatory expectations in Quebec versus all other jurisdictions in the country, makes the cost of doing business in Quebec higher for our CAFII Members and other industry players.

CAFII’s burden reduction request on this matter is that, in future, the AMF refrain from imposing such retroactive re-interpretations of long-standing legislation and/or Regulations upon the industry, without at least engaging in a meaningful consultation process on the issue with the industry.

Approach to Disputes or Disagreements with Industry

The time and effort which CAFII has spent on communicating to the AMF our concerns about the Autorité’s position on the RADM’s applicability to credit card-embedded insurance benefits has been extensive and costly.

As a means of burden reduction, CAFII recommends that the AMF consider reviewing how it manages fundamental disagreements with industry participants. While we recognize and respect that the AMF is fully within its rights and powers to, at the end of the day, impose an outcome, we feel that the dialogue prior to that possible outcome often does not proceed as expeditiously as possible, and it also does not allow for expeditious escalation to senior staff executives to engage in the file.

Simplify Certain Procedures

CAFII also recommends that the AMF give full and serious consideration to the following burden reduction opportunities:

- review and simplify the reporting process with respect to consumer complaints. Currently, two systems apply: one for insurers (CCIR Annual Statement on Market Conduct) and another for firms (bi-annual filing to the AMF);
- allow individual representatives to “delegate” the renewal of their license to their firm or their insurance company sponsor. Currently, renewal notices are sent directly to individual representatives, which does not facilitate the efficient and effective handling of license renewals;
- implement online licensing examinations;

- digitize requests that currently still require paper forms, including facilitating access to ClickSÉCUR for people living outside of Quebec. (This is mainly an interprovincial licensing issue, caused by the fact that Quebec's licensing system lives on the provincial government tax database; and, up to this point in time, the AMF has been unable to address this issue.); and
- allow the use of digital signatures in lieu of the current wet signature requirement for licence applications/renewals.

Harmonize With Other Canadian Jurisdictions

We recognize and appreciate the unique characteristics of Quebec, and that there will never be complete harmonization across provincial and territorial jurisdictions in Canada. We also appreciate the leadership role that the AMF has played in both CCIR and CISRO, especially around Fair Treatment of Customers and on harmonization where and to the degree possible.

However, there are multiple examples that could be cited of Quebec inconsistencies with the rest of Canada that do not appear to reflect genuine consumer protection enhancements. As a burden reduction initiative, CAFII therefore requests that the AMF consider what regulators in other jurisdictions in Canada are doing and attempt to harmonize with them.

One current example is that the industry is now engaged in an AMF consultation on a proposed Regulation on Complaint Handling and Dispute Resolution which, as currently formulated, will place the industry in a situation of having to have different models and processes for Quebec which are distinct from those employed in the rest of Canada.

Concluding Comments

CAFII and its Members respect and applaud the critically important role that the AMF plays in providing consumer protection to Quebecers, while promoting innovation and efficiency in Quebec's financial services and insurance industries. Our Members are committed to Fair Treatment of Customers and are dedicated to being fully compliant with Quebec legislation and Regulations.

In that connection, CAFII appreciates the AMF's outreach to the industry around burden reduction, and we thank you for the invitation to provide our recommendations.

We remain committed to supporting the AMF in its critically important mission and mandate; and we look forward to continuing our involvement as key stakeholder contributors to the Autorité's ongoing success. In particular, we look forward to continued open, constructive, and transparent dialogue so that the industry can implement and achieve the AMF's consumer protection expectations while minimizing unnecessary regulatory burden and inefficiencies, and avoiding unintended consequence situations that give rise to negative customer experiences.

Should you require further information from CAFII or wish to meet with representatives from our Association on this burden reduction recommendations submission or any other matter at any time, please contact Keith Martin, CAFII Co-Executive Director, at keith.martin@cafii.com or 647-460-7725.

Sincerely,

Rob Dobbins
Board Secretary and Chair, Executive Operations Committee

About CAFII

CAFII is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. Our Association was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels. Our members provide insurance through client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the internet.

CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services. Our members offer credit protection, travel, life, health, and property and casualty insurance across Canada. In particular, credit protection insurance and travel insurance are the product lines of primary focus for CAFII as our members' common ground.

CAFII's diverse membership enables our Association to take a broad view of the regulatory regime governing the insurance marketplace. We work with government and regulators (primarily provincial/territorial) to develop a legislative and regulatory framework for the insurance sector which helps ensure that Canadian consumers have access to insurance products that suit their needs. Our aim is to ensure that appropriate standards are in place for the distribution and marketing of all insurance products and services.

CAFII's members include the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Insurance; National Bank Insurance; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players Assurant; Canada Life Assurance; Canadian Premier Life Insurance Company; Canadian Tire Bank; CUMIS Services Incorporated; Manulife (The Manufacturers Life Insurance Company); Sun Life; and Valeyo.

Briefing Note

CAFII Board Meeting 7 December, 2021—Agenda Item 6(b)

Read Only Items-- October 29/21 CAFII Submission to FSRA on “FY2022-23 Statement of Priorities and Budget”

Purpose of this Agenda Item – *Read Only*

This is a read only item.

Background Information

Attached in the meeting materials is the submission CAFII made to FSRA on October 29, 2021 on its fiscal year 2022-23 statement of priorities and budget.

Among the many points made in the submission was CAFII’s concerns around a sizeable increase in the budget, and in the imposition of costs upon the life and health insurance sector of the industry, at a time of significant financial pressures upon the industry.

In a meeting on 24 November, 2021 with Glen Padassery, Executive Vice President, Policy & Chief Consumer Office at FSRA, on a separate matter, he said that FSRA senior executives had spoken about the CAFII submission and were positive and very favourably impressed by it.

In late November, FSRA reached out to CAFII about its submission and requested a meeting between CAFII’s Co-Executive Directors and FSRA’s Erica Hiemstra, Head, Market Conduct, Insurance Conduct, to discuss the submission and FSRA’s response to some of the comments made in it, which has now been scheduled for 6 December, 2021.

Recommendation / Direction Sought – *Read Only*

This is a read only item.

Attachments Included with this Agenda Item

One attachment.

29 October, 2021

Mr. Mark White, CEO; and
Financial Services Regulatory Authority of Ontario
25 Sheppard Avenue West, Suite 100
Toronto, Ontario
M2N 6S6
mark.white@fsrao.ca; and
<https://www.fsrao.ca/engagement-and-consultations/consultation-proposed-2022-2023-statement-priorities>

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

Dear Mr. White:

The Canadian Association of Financial Institutions in Insurance (CAFII) thanks the Financial Services Regulatory Authority (FSRA) of Ontario for the opportunity to provide comments on FSRA's *Proposed FY2022-2023 Statement of Priorities*.

In this submission, we have restricted our comments to those sections of the consultation document which are germane to CAFII members, i.e. to the sections on Environmental Scan, Cross-Sectoral Priorities, the Life and Health Insurance Sector-Specific Priority, and FSRA's Proposed FY2022-23 Budget.

Environmental Scan

CAFII agrees with FSRA's environmental scan observations and, in particular, your views on the implications of COVID-19. We believe that these are times of significant uncertainty for consumers, businesses, and regulators alike. Our members, and the entire life and health insurance sector, are operating in a time of unprecedented change, including environmental, social, and technological change. In today's environment, insurance can be more important than ever for consumers, by offering them risk protection, peace of mind, and a measure of predictability amid the challenges and doubts that characterize the times.

We also agree with FSRA's recognition that the pace of technological change is rapid and accelerating, and concur with the statement that

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

In connection with that pandemic-accelerated reality, CAFII recently commissioned a Pollara Strategic Insights survey on Canadians' credit protection insurance (CPI) digitalization preferences, and an executive summary of its results is posted on the Research section (under News & Research) of our website. We were pleased to learn that Canadians feel well-served by our members' digital CPI offerings. We also noted with interest that while consumers are generally comfortable communicating and transacting digitally with their insurance providers, a sizeable majority is looking forward to being able to interact in-person with branch representatives again, post-pandemic, in addition to having digital options at their disposal.

With respect to consumer issues, we took note of the Proposed Statement of Priorities' assertion that "FSRA will also continue to monitor the overall value-for-money insurance consumers receive from their products and whether the products consumers are being sold are suitable." (Page 7)

In that connection, CAFII must emphasize that with respect to CPI -- which operates under powers granted by the federal *Bank Act* and the related *Insurance Business (Banks and Bank Holding Companies) Regulations*, in addition to being provincially/territorially regulated -- advice cannot be offered in connection with these optional Authorized Insurance Products; and, therefore, they are not offered by licensed individuals at financial institutions (FIs). That being the case, CAFII member customer service representatives are not permitted to assess "suitability" for customers interested in the protection offered by Authorized Insurance Products/CPI; instead, they assess customers' "eligibility" to be enrolled for coverage under these group insurance products. Also, because the consumer is purchasing/enrolling in optional insurance related to a single and specific borrowing need such as a mortgage, line of credit, or credit card -- and that scenario falls within the scope of activity permitted to occur through a non-advisory sales channel -- consumers must be provided with sufficient information, which meets provincial/territorial regulations and industry commitments and guidelines, to enable them to make an informed decision.

We support the emphasis that FSRA has placed on monitoring cyber-technology risk and climate change risk. With respect to the latter, while climate change risk assessments have traditionally been focused solely on the P&C insurance sector, there is increasing recognition of the impact that climate change can and will have upon mortality, morbidity, and consequently life and health insurance. For those reasons, CAFII is actively monitoring these issues. We recently held a CAFII webinar on "Climate Science, Our Changing Planet, and Implications for Life Insurance" with co-presenter experts from RGA Reinsurance; and their presentation deck is available on the Research section (under News & Research) of our website.

Cross-Sectoral Priorities Related To "Regulatory Efficiency and Effectiveness"

CAFII agrees with and supports the three cross-sectoral priorities which FSRA has articulated under the heading of "Regulatory Efficiency and Effectiveness."

With respect to the "Strengthen consumer focus" cross-sectoral priority; CAFII members, as major FI distributors and underwriters of CPI and travel insurance, make considerable investments in systems, processes, oversight, monitoring, employee training, and controls to support highly professional sales practices which are focused on appropriate products and fair treatment of customers.

We also support this priority's emphasis on the importance of robust complaints handling systems; and the imperative for businesses to be committed to ongoing assessment of shifting consumer expectations. CAFII members are also committed to supporting consumers' financial education and strengthening their financial literacy.

With respect to the “Enable innovation” cross-sectoral priority, we strongly support FSRA’s ongoing efforts in this area. The shifting needs of consumers and industry’s efforts to meet them are challenging the regulatory system to keep pace. The deliverables and outcomes specified by FSRA under this cross-sectoral priority are appropriate in our view. In that connection, we continue to advocate for the benefits of “regulatory sandboxes” which can provide a safe, monitored space within which to test innovative products and services while ensuring consumer protection.

In that connection, CAFII is pleased to have had, on October 29, a preparatory dialogue meeting with Glen Padassery, FSRA’s EVP, Policy and Consumer Office, and Marlena Labieniec, Director of FSRA’s Innovation Office; and we will now be collaborating with them on a follow-up virtual event which will provide an opportunity for CAFII members to learn about FSRA’s Innovation Framework and how to tap into it.

With respect to the “Modernize systems and processes” cross-sectoral priority, we encourage FSRA to continue to invest in its core technology and processes to make them as efficient as possible. We believe that technology will continue to have a profound impact upon financial services regulators, just as it is having upon industry. It is critical to FSRA’s effectiveness that it keep up with the pace of innovation through investments in technology. We recommend, however, that the deliverable related to improving data interfaces and analytics will be most effectively achieved if it is informed by meaningful consultation with industry on this matter. Each regulated business has its own definitions around data and its own approaches to technology, and understanding those nuances before building interfaces will reduce FSRA’s risk of obtaining data that is difficult to aggregate, analyze, and interpret.

That said, CAFII fully supports FSRA’s fundamental principle of taking an evidence-based approach to regulation.

As a concluding comment related to “Regulatory Efficiency and Effectiveness,” CAFII has in the past extended kudos to FSRA for adopting CCIR/CISRO’s *Guidance: Conduct of Insurance Business and Fair Treatment of Customers* as the document which outlines FSRA’s expectations of industry with respect to FTC, without the need for separate FSRA guidance in this area. CAFII believes that such kudos to FSRA are still deserved, as the Authority continues to “walk the talk.” In taking the approach noted above with respect to FTC guidance, FSRA set a leadership example of supporting national co-ordination and harmonization. In that connection, we note the many references to FTC in the *Proposed FY2022-2023 Statement of Priorities*; and we encourage continued FSRA emphasis on the fact that such references are consistent with the CCIR/CISRO Guidance, which makes it crystal clear that FSRA’s harmonization approach continues unabated.

Life and Health Insurance Priority

CAFII agrees with and supports FSRA’s life and health insurance sector-specific priority of “Enhance market conduct oversight to protect consumers.”

In that connection, we emphasize again that CAFII members, as major FI distributors and underwriters of CPI and travel insurance, make considerable investments in systems, processes, oversight, monitoring, employee training, and controls to support highly professional sales practices which are focused on appropriate products and fair treatment of customers.

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

Proposed FY2022-23 Budget, Financial Outlook, and Sector Fee Assessments

With respect to FSRA's proposed 2022-2023 Budget, CAFII notes that it calls for a significant overall increase in FSRA's fee revenue, well above the rate of inflation, even the comparatively high inflation rate in these supply chain-challenged pandemic times. We also note that some regulated sectors, including Life and Health, are facing particularly steep fee increases in 2022-2023. Finally, we note the following funding priority set out in the proposed budget: "Build new team to address critical regulation gap to protect consumer in Life and Health Conduct sector."

The COVID 19-dominated 2021 year has been a second successive challenging year for the life and health insurance sector, and the sector has continued to make considerable efforts to respond to shifting and heightened consumer needs and regulatory expectations in these difficult times. Heading into 2022, as the industry collectively looks to operationalize a "new normal" with society and the economy emerging from the pandemic, the industry continues to face considerable financial challenges.

In that connection, CAFII asks that FSRA consider the following feedback points and observations with respect to its proposed 2022-23 budget:

- has the life and health insurance sector been fully and effectively consulted, such that there is a high degree of acceptance within the sector that a 'critical regulation gap' exists within it, one that needs to be urgently addressed?;
- if the FSRA-determined critical regulation gap in the life and health insurance sector exists almost exclusively within the MGA and/or licensed insurance advisor channels, is it possible to levy the steep fee increase predominantly upon that/those sub-channel(s) and not equally upon all regulated entities in the entire life and health insurance sector?; and
- given the magnitude of the fee increase which the budget proposes to impose upon the life and health insurance sector in 2022, combined with the pandemic-recovery financial challenges being faced by nearly all regulated entities in the sector, is it possible to spread the desired fee increase over two FSRA fiscal years: 2022-23 and 2023-24?

We encourage FSRA to keep those factors fully in mind when making a final decision about the proposed fee increase to fund increased conduct supervision in the life and health insurance sector.

In closing, we thank FSRA for its continued commitment to open and transparent communication and consultation. We look forward to making further representations of our Association's views on the Authority's *Proposed FY2022-2023 Statement of Priorities* through the Life and Health Insurance Sectoral Advisory Committee's meetings, including with the FSRA Board on 23 November, 2021.

Sincerely,



Rob Dobbins
Board Secretary and Chair, Executive Operations Committee

About CAFII

CAFII is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. Our Association was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels. Our members provide insurance through client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the internet.

CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services. Our members offer credit protection, travel, life, health, and property and casualty insurance across Canada. In particular, credit protection insurance and travel insurance are the product lines of primary focus for CAFII as our members' common ground.

CAFII's diverse membership enables our Association to take a broad view of the regulatory regime governing the insurance marketplace. We work with government and regulators (primarily provincial/territorial) to develop a legislative and regulatory framework for the insurance sector which helps ensure that Canadian consumers have access to insurance products that suit their needs. Our aim is to ensure that appropriate standards are in place for the distribution and marketing of all insurance products and services.

CAFII's members include the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Insurance; National Bank Insurance; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players Assurant; Canada Life Assurance; Canadian Premier Life Insurance Company; Canadian Tire Bank; CUMIS Services Incorporated; Manulife (The Manufacturers Life Insurance Company); Sun Life; and Valeyo.

Briefing Note

CAFII Board Meeting 7 December, 2021—Agenda Item 6(c)

Read Only Items-- CISRO Survey of Industry Stakeholder Associations on “Understanding the Consumer Awareness Strategies Currently Undertaken By Industry” (Response Deadline: November 30/21)

Purpose of this Agenda Item – Read Only

This is a read only item.

Background Information

Attached in the meeting materials is a copy of a CISRO survey around the consumer awareness strategies currently undertaken by industry, which has a 30 November, 2021 response deadline.

CAFII will make the point that it does not connect directly with consumers, and that its financial literacy efforts with consumers are primarily achieved through its consumer-facing content on its website.

Recommendation / Direction Sought – Read Only

This is a read only item.

Attachments Included with this Agenda Item

One attachment.



CISRO: Industry Survey on Consumer Awareness Needs and Initiatives

Introduction

CISRO members are committed to collaborating on initiatives that support a consistent approach to consumer protection through the regulation of insurance intermediaries. A key element of consumer protection is ensuring consumers' awareness of their rights and responsibilities.

CISRO established the Consumer Awareness Working Group (CAWG) to examine initiatives related to consumer awareness/education. CAWG's efforts directly support CISRO's Strategic Plan 2019-2022, which includes a plan of action to "consider ways to assist consumers in becoming better informed about the products they are purchasing and those from whom they are purchasing the products".

The preliminary objectives of CAWG are to gather data on consumer awareness needs and initiatives, compile a catalogue on these needs and initiatives and make recommendations on what CISRO could do to address any needs identified. As part of this information gathering process, CAWG would like to get an understanding of the consumer awareness strategies and initiatives currently undertaken by industry. Stakeholders are therefore being asked to complete a short survey, which will help to determine consumer awareness needs and areas where CISRO could provide value to consumers.



CISRO: Industry Survey on Consumer Awareness Needs and Initiatives

Instructions

Thank you for participating in this review.

You are required to answer a maximum of 9 questions.

Kindly provide your responses by November 30, 2021.

If you have any questions, please contact the CISRO Secretariat at cisro-ocra@fsrao.ca.

Please provide feedback on the following questions by selecting from the answer choices or using the comment box provided.

Please include as much detail as possible and any other information that might be relevant.



CISRO: Industry Survey on Consumer Awareness Needs and Initiatives

Questions

* 1. Organization/Association

* 2. Does your organization actually have a consumer awareness strategy?

☐

Yes, a formal one

☐

No

☐

Yes but rather informal

☐

Don't know

☐

No but we plan to

CISRO: Industry Survey on Consumer Awareness Needs and Initiatives

3. What materials are used to engage consumers? (select all that apply)

- | | |
|--------------------------------------|---------------------------------------|
| <input type="checkbox"/> E-bulletins | <input type="checkbox"/> Ebooks |
| <input type="checkbox"/> Pamphlets | <input type="checkbox"/> Webinars |
| <input type="checkbox"/> Videos | <input type="checkbox"/> Infographics |
| <input type="checkbox"/> Blogs | <input type="checkbox"/> Other |
| <input type="checkbox"/> Podcasts | |

Other (please specify)

4. What mediums, including digital mediums, does your organization use for its consumer awareness strategy/initiative? (select all that apply)

- | | |
|--|---|
| <input type="checkbox"/> Your organization's static website | <input type="checkbox"/> Instagram |
| <input type="checkbox"/> Your organization's responsive website (i.e. website that adapts to any device e.g. smartphone, tablet) | <input type="checkbox"/> LinkedIn |
| <input type="checkbox"/> Email Listserve Newsletter | <input type="checkbox"/> Seminars |
| <input type="checkbox"/> Facebook | <input type="checkbox"/> Traditional Media Editorial (Op-Eds, pitching content, etc.) |
| <input type="checkbox"/> Twitter | <input type="checkbox"/> Fairs / Exhibitions |
| <input type="checkbox"/> YouTube | <input type="checkbox"/> Community Outreach Events |
| <input type="checkbox"/> TikTok | <input type="checkbox"/> Other |

Community Outreach Events or Other (please specify)

5. Does your organization have any partnership strategies (e.g. partnering with other entities that are equally or more consumer facing in order to reach more consumers)?

☐

Yes

☐

No

If yes, provide examples

6. Which of the following demographics does your organization's strategy target? (select all that apply)

☐

Women

☐

Seniors

☐

Millennials

☐

Gen Z

☐

Vulnerable Consumers

☐

Aboriginals

☐

Low Income

☐

Specific Ethnic and Cultural Groups or Origins

☐

Persons with Disabilities

☐

Other

Other (please specify)

7. What are the topics covered by your organization's strategy? (provide details below)

8. Did your organization make any changes to its strategies or outreach programs to consumers due to COVID-19?

☐

Yes

☐

No

If yes, provide details

9. Would your organization be willing to present the strategy(ies) to the CISRO Consumer Awareness Working Group?

☐

Yes

☐

No

Briefing Note

CAFII Board Meeting 7 December, 2021—Agenda Item 6(d)

Read Only Items-- November 18/21 CAFII Submission to FSRA on “Proposed Innovation Framework”

Purpose of this Agenda Item – *Read Only*

This is a read only item.

Background Information

Attached in the meeting materials is the response CAFII made to FSRA on November 18, 2021 on its “Proposed Innovation Framework.”

Glen Padassery, FSRA’s Executive Vice President, Policy & Chief Consumer Officer, reached out to CAFII asking if it would be possible to share the work of the Innovation Office, and its newly developed Innovation Framework, with CAFII members. In response, CAFII offered to showcase the work of the innovation office through a webinar, an offer which FSRA was very pleased to accept. That webinar was held on 29 November, 2021 and featured Marlena Labieniec, Director of Innovation, FSRA.

On 23 November, 2021, a meeting of FSRA’s Sectoral Advisory Committee (SAC) for Life and Health Insurance was held with FSRA’s Board of Directors (with management attending, in part, as observers). Keith Martin represents CAFII on the SAC for Life and Health Insurance. At that meeting, Mr. Martin reiterated a point made in CAFII’s written submission on the Innovation Framework, which was that the Innovation Office should not be held to a standard where every industry-proposed innovation examined by the Office would be expected to be adopted by consumers or the marketplace. Innovation is inherently risky and some initiatives might not succeed, but that did not mean that the process was not working. Mr. Martin’s comments on behalf of CAFII were well-received by the FSRA Board.

Recommendation / Direction Sought – *Read Only*

This is a read only item.

Attachments Included with this Agenda Item

One attachment.

18 November, 2021

Mr. Mark White, CEO
Financial Services Regulatory Authority of Ontario
25 Sheppard Avenue West, Suite 100
Toronto, Ontario
M2N 6S6
mark.white@fsrao.ca; and
<https://www.fsrao.ca/engagement-and-consultations/fsra-releases-its-innovation-framework-public-consultation>

RE: CAFII Feedback on FSRA Consultation Document “All Together Now: FSRA, the Innovation Office, and an Innovation Framework for a More Innovative Ontario Financial Services Sector”

Dear Mr. White:

The Canadian Association of Financial Institutions in Insurance (CAFII) thanks the Financial Services Regulatory Authority (FSRA) of Ontario for the opportunity to provide comments on the Authority’s consultation document “All Together Now: FSRA, the Innovation Office, and an Innovation Framework for a More Innovative Ontario Financial Services Sector.”

Our Association is largely supportive of the Innovation Framework outlined in the consultation document, but we have some advice and recommendations to offer which we believe will help strengthen the framework. Therefore, we have divided our submission into two sections: *Innovation Framework Concepts, Assertions, and Proposals Which CAFII Supports*; and *CAFII Observations, Advice and Recommendations Related To Strengthening Innovation Framework*.

Innovation Framework Concepts, Assertions, and Proposals Which CAFII Supports

- FSRA’s primary role as a regulator is to protect consumers.
- FSRA’s vision for a vibrant Ontario financial services sector (page 4).
- the Innovation Office’s three key tenets/priorities of minimizing friction and reducing regulatory uncertainty and barriers; pursuing responsible innovation by driving greater choice and value for consumers while protecting their interests; and embracing a continuous learning and improvement theme.
- FSRA's innovation strategy and process will open dialogue between innovators and FSRA, providing certainty for innovators and helping to identify their regulatory responsibilities towards a clearer path for approval. This greater clarity will in turn reduce the costs of regulatory compliance and help remedy compliance concerns for innovators (page 8).

- the role and approach outlined for the Innovation Office in managing the Innovation Framework, including the “orchestrator model” (page 11). We concur that for the Innovation Framework to be successful, executives and their departments throughout FSRA must be committed to it; and that FSRA as a whole is responsible for owning and driving the innovation process.
- FSRA’s intention not to direct the substance of innovation, but rather to act as a facilitator for new products and services developed by the private sector.
- FSRA’s intention to “challenge established structures and closed mindsets that stifle innovation.”
- the Innovation Office’s embracing of a “Test and Learn Environment” (TLE) as central to the Innovation Framework, as it will allow for constant learning and adjustment.
- a rigid structure and approach are inconsistent with innovation; and the flexible approach FSRA is adopting will significantly increase the probability of successful outcomes.
- the flexibility which the Innovation Office is building in by allowing regulated entities to choose to pursue an innovation opportunity through the Innovation Office first, or through their existing contacts in their sector’s FSRA Core Regulatory Team first, or to avail of a mix of both avenues in tandem. Providing both options of these dual “outside-in” and “inside-out” approaches will open things up to the best thinking from FSRA and the industry around any particular innovation opportunity.
- FSRA’s intention to tailor its approach to each Innovation Framework participant’s unique characteristics and needs, recognizing that there is no “one size fits all” in the diverse financial services industry.
- existing regulatory tools can be leveraged in advancing the Innovation Framework; and while some new regulatory tools will be needed, the most important tool in promoting innovation is mindset.
- FSRA’s inclusion of a highly illustrative and informative Use Case example in the Innovation Framework consultation document. While the particular Use Case is rooted in the automobile insurance sub-sector of property & casualty insurance, its innovation characteristics are also readily applicable to the life and health insurance sector.
- FSRA’s indication (page 24) that it is interested in supporting and fostering all types of innovation opportunities, from ‘quick wins’ that can be addressed concretely in the short- or medium-term to more structural, long-term opportunities that require more detailed analysis but could unlock significant consumer and industry value if addressed.

CAFII Observations, Advice and Recommendations Related To Strengthening Innovation Framework

- handled properly, innovation and consumer protection are not inherently in conflict; rather, innovation can deliver the direct benefit of enhanced competition and increasing options and choices for consumers. Innovation can actually play a role in enhancing consumer protection by strengthening regulatory monitoring and controls, e.g. “regtech.”
- FSRA should consider ways in which the Innovation Office could encourage the BIPOC community and female entrepreneurs to participate in the Authority’s innovation efforts, in order to support and foster diversity, equity, and inclusion in the financial services sector.
- the Innovation Office should constantly scan and monitor the domestic and global business environments for innovations and trends that are emerging inside and outside of financial services; and FSRA should seek out and embrace those innovations that consumers are rapidly adopting, especially if they are readily transferable to financial services and/or to Ontario, as applicable.
- for the Innovation Office to foster innovation optimally such that Ontario can become *best in class* with respect to financial services innovation, it will be necessary for FSRA to allow maximum flexibility and permit embryonic, early-stage tech innovations – from both incumbents and new entrants -- to be tested, supported, and implemented in the province; and not to sit back and wait to see what other jurisdictions do first. The “Test and Learn Environment” (TLE) environment will support that objective, but how the TLE pipeline is structured and managed, and how accessible it is will be key for financial services innovation to flourish in Ontario. Several post-secondary institutions in the province – such as the Rotman School of Management, University of Toronto; University of Waterloo; and Ryerson University – have technology incubator labs which foster and support innovation and start-ups. FSRA should review the work of such labs at Ontario universities, and seek to leverage what works there and would be transferable to a financial services regulator.
- the Innovation Framework’s intention to foster new financial services entrants and facilitate their efforts to drive innovation and enhanced competition is laudable, provided that a path towards a common set of regulatory expectations for all market players – including new entrants as they develop and grow – is designed into the process. It’s important that FSRA’s efforts to foster innovation among new market entrants don’t result in hindering innovation among incumbents. Incumbents are not innately lacking in or behind new entrants in terms of innovation ideas or skills, but rather incumbents are often held back by existing regulations as compared to their more lightly regulated fintech/insurtech counterparts.
- to support innovation in a constant and “by design” manner, FSRA should maintain an ongoing commitment to review periodically its regulatory requirements across all regulated sectors, with a view to assessing whether they are achieving their desired outcomes. Central to FSRA’s role in the innovation process should be the avoidance of stifling innovation due to a complex regulatory environment. FSRA should also not waver from its commitment to principles-based, rather than prescriptive, regulation.

- with respect to the outlined five-step process for assessing risk, FSRA should avoid directing industry innovators as to what risks they should take on.
- with respect to the TLE fee structure, it is difficult to offer informed feedback without more detail and specificity. The concept of cost-recovery from new entrants is sensible, so long as the fees are not so prohibitive as to deter new entrants from engaging in the opportunity.
- in a future iteration of its Innovation Framework, FSRA should make the point that innovation is by its nature inherently risky; and, as a result, success for the Innovation Office does not mean that every innovation which it fosters and facilitates must yield an enduring outcome. It's important to acknowledge that not every innovation will ultimately be adopted by the marketplace or consumers.

Concluding Comments

In closing, we thank FSRA for its continued commitment to open and transparent communication and consultation with the industry, particularly around such a novel initiative as the Innovation Framework.

As part of our commitment to supporting FSRA on this initiative, on November 29, 2021, CAFII will be hosting a webinar featuring Marlena Labieniec, Director of FSRA's Innovation Office, in conversation about the Innovation Framework. CAFII member representatives, colleagues from allied industry Associations, and insurance regulators and policy-makers from across Canada will be invited to attend this education and dialogue webinar.

Should you require further information from CAFII or wish to meet with representatives from our Association on this or any other matter at any time, please contact Keith Martin, CAFII Co-Executive Director, at keith.martin@cafii.com or 647-460-7725.

CAFII and its members remain committed to supporting FSRA in its critically important regulatory work; and we look forward to continuing our involvement as a key stakeholder contributor to your efforts.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rob Dobbins', followed by a long horizontal line.

Rob Dobbins
Board Secretary and Chair, Executive Operations Committee

About CAFII

CAFII is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. Our Association was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels. Our members provide insurance through client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the internet.

CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services. Our members offer credit protection, travel, life, health, and property and casualty insurance across Canada. In particular, credit protection insurance and travel insurance are the product lines of primary focus for CAFII as our members' common ground.

CAFII's diverse membership enables our Association to take a broad view of the regulatory regime governing the insurance marketplace. We work with government and regulators (primarily provincial/territorial) to develop a legislative and regulatory framework for the insurance sector which helps ensure that Canadian consumers have access to insurance products that suit their needs. Our aim is to ensure that appropriate standards are in place for the distribution and marketing of all insurance products and services.

CAFII's members include the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Insurance; National Bank Insurance; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players Assurant; Canada Life Assurance; Canadian Premier Life Insurance Company; Canadian Tire Bank; CUMIS Services Incorporated; Manulife (The Manufacturers Life Insurance Company); Sun Life; and Valeyo.

Briefing Note

CAFII Board Meeting 7 December, 2021—Agenda Item 6(e)

Read Only Items—CAFII-Relevant Insights Arising From CCIR's Appointment of Robert Bradley as its New Chair

Purpose of this Agenda Item – Read Only

This is a read only item.

Background Information

CAFII's former EOC Chair/Board Secretary and current EOC member Martin Boyle (BMO Insurance) was formerly employed as CCIR's Policy Manager; and, as a result, he knows the new CCIR Chair Robert Bradley from PEI quite well. He has written an insightful note on his views of Mr. Bradley's likely priorities and approach, which is attached to the meeting materials for this agenda item.

Recommendation / Direction Sought – Read Only

This is a read only item.

Attachments Included with this Agenda Item

One attachment.

Agenda Item 6(e)
December 7/21 Board Meeting

CAFII-Relevant Insights Arising From CCIR's Appointment of Robert Bradley as Its New Chair

From: Keith Martin <Keith.Martin@cafii.com>
Sent: October 12, 2021 9:25 AM
To: Boyle, Martin <Martin.Boyle@bmo.com>; Brendan Wycks <brendan.wycks@cafii.com>
Cc: Harri-Morar, Tejal <Tejal.HarriMorar@bmo.com>
Subject: RE: News Release: CCIR Appoints Robert Bradley, PEI Superintendent of Insurance, As New Chair

Hi Martin,
This is a very insightful and helpful note.

Brendan and I would like, if you are comfortable with our so doing, to use it in two ways:

- We would like to include this in the Agenda, perhaps as a read-only item but perhaps if time permits as an update so you can speak to this, in the upcoming October EOC meeting, and include your note in the materials associated with that Agenda item;
- I would like to include it in the October Regulatory Update that I am producing this month.

Let us know if you are comfortable with our sharing your expert knowledge in this way.

Regards,

Keith Martin
Co-Executive Director / Co-Directeur général
Canadian Association of Financial Institutions in Insurance

From: Boyle, Martin <Martin.Boyle@bmo.com>
Sent: October 8, 2021 9:30 AM
To: Brendan Wycks <brendan.wycks@cafii.com>; Keith Martin <Keith.Martin@cafii.com>
Cc: Harri-Morar, Tejal <Tejal.HarriMorar@bmo.com>
Subject: RE: News Release: CCIR Appoints Robert Bradley, PEI Superintendent of Insurance, As New Chair

Morning Brendan and Keith,

For what its worth, I thought I would provide my thoughts on the potential implications for the change in CCIR Chair and what it might mean for the organization. The bullets below include my opinion based on the working relationship I had with Robert Bradley during my time with the CCIR.

- The transition should be quick and smooth. Robert has extensive experience on the CCIR executive committee. He is very familiar with how the group operates, its processes and requirements. He also has a longstanding relationship with the Secretariat and would understand how it operates as well (there are quirky limitations as a result of being housed within the OPS). As a result, there likely wouldn't be a "teething" process and Robert would be able to continue to move the organization forward without delay.
- His experience in the executive committee would mean he's also very familiar with the priorities and plans of the organization. I would not expect there to be any changes in these areas, even in terms of resourcing or timelines. The work committed to by the organization would also likely move forward without any sort of delay.
- Robert is from a small province that does not have significant resources to devote to the CCIR. Its largely been just his personal contributions to the CCIR from PEI. I would expect that this means the CCIR may become a little more collaborative (if that's the right word). When the Chair is from a province with a large staff, we see a significant resource commitment from that province as well. Under Patrick, the AMF was very involved in moving the work of the CCIR forward. While I would expect the AMF to remain a main contributor within the CCIR, I could see some degree of drop off in their resource commitments. This would mean other members would need to pick up the slack, but its unlikely those resources could come from PEI.
- Patrick led the CCIR through a time of considerable change. He guided the regulators through the process of addressing the issues identified by the IMF, introduced the MOU and the new collaborative supervision, introduced the FTC framework and the Annual Statement. I would expect that Robert will be there to stay the course rather than steer the organization in a new direction (this works well with the limited resources he would be able to commit from PEI as well).
- I see Robert as a person who prioritizes stakeholder feedback and engagement. This was the case in terms of how he dealt with his counterparts from other provinces and as well as with industry. I think its possible that we may see a return to a more open and collaborative CCIR where industry is more involved or has more opportunity to be involved (I found a few recent developments to come up short in this area).

Martin Boyle

Head, Governance & BUCO

BMO Insurance | 11th Flr, BMO Life Bldg, 60 Yonge St | Toronto, ON M5E 1H5

martin.boyle@bmo.com

Briefing Note

CAFII Board Meeting 7 December, 2021—Agenda Item 6(f)

Read Only Items— Insights Gained from November 9/21 CAFII Virtual Annual Members and Associates Luncheon

Purpose of this Agenda Item – Read Only

This is a read only item.

Background Information

CAFII held its Annual Members and Associates Luncheon virtually on 9 November, 2021 with three senior lawyers: Jill McCutcheon, Partner, Torys; Stuart Carruthers, Partner, Stikeman Elliott; and Marc Duquette, Senior Partner, Norton Rose. The 90-minute panel discussion generated a significant number of CAFII member-relevant insights. A summary note has been produced capturing some of the major observations of the panelists.

Recommendation / Direction Sought – Read Only

This is a read only item.

Attachments Included with this Agenda Item

One attachment.

Agenda Item 6(f)
December 7/21 Board Meeting

CAFII's 2021 Annual Members and Associates Virtual Luncheon was held on 9 November, 2021 with a panel of three leading Canadian insurance lawyers: Jill McCutcheon, Torys; Stuart Carruthers, Stikeman Elliott; and Marc Duquette, Norton Rose Fulbright. While their comments were "off the record," they have agreed to the Association's request for permission to release to CAFII Member and Associates representatives only the high-level insights summary, without any specific attributions, that is set out below.

The Regulatory Environment is Getting more Onerous, and This will Likely Continue Going Forward

While Fair Treatment of Customers' (FTC) guidelines are meant to be principles-based, regulators are increasingly looking to add teeth to their expectations and are moving down the road of more prescriptive measures.

The CCIR/CISRO's release of a critical "observations" document around compliance with the FTC expectations set out in the 2018 CCIR/CISRO "Guidance: Conduct of Insurance Business and Fair Treatment of Customers" is an example of how regulators will expect more than just broad indications of compliance.

The AMF is becoming increasingly prescriptive, and it's now engaged in multiple initiatives (complaints handling and dispute resolution regulation; sound commercial practices guideline update/modernization) that will give it additional powers. The FCAC is increasing its enforcement powers, and is quite willing to impose significant fine. BCFSa and FSRA both now have rule-making powers. FCNB (New Brunswick) is also enhancing its regulatory powers.

Enforcement and sanctions/penalties activity is on the upswing, which is creating a quandary for even first-time offenders about whether to self-report discovered violations.

Recently, FTC expectations and related regulatory expectations documents have been released by CCIR/CISRO: Observations Report; FSRA: FTC expectations; CISRO: Draft Principles of Conduct for Intermediaries; FSRA: Unfair and Deceptive Acts or Practices (UDAP) Rule; AMF: Sound Commercial Practices Guideline update; and draft Complaints Handling and Dispute Resolution Regulation; and, in addition, a draft FCAC Appropriateness Guideline is expected imminently.

It was noted that while FSRA has excellent staff executives at the top level, it appears to be under-resourced at the general staff level, resulting in delays for routine matters such as issuing licenses.

Regulators are Increasingly Moving Away from Harmonization in Practice

While, in principle, regulators are all committed to harmonization, in practice CCIR and CISRO, as national coordinating bodies, have only moral suasion at their disposal with respect to encouraging harmonization.

With rule-making authority being granted to an increasing number of provincial regulators, what instead is happening is that provinces can't resist the temptation to be unique and move ahead with their own preferred, slightly differing approaches. In particular, rule-making powers in Quebec, Ontario, and BC are proving to be at odds with harmonization.

The AMF is taking its own unique approaches with little or no regard for inter-provincial harmonization. The FCNB has just released a consultation document around its proposed updated licensing regime (including the launch of Restricted Insurance Agent (RIA) licensing) in which it has numerous unique features that are different from those in the three Western Canada provinces with existing RIA licensing regimes.

Quebec will Continue to be A Challenging Regulatory Environment

The AMF appears to be doubling-down on its enforcement-focused regulatory approach. The AMF often acts as a “tester” of new regulatory tools for regulators across the country; and other jurisdictions will introduce them too if they prove to be effective in Quebec.

Other Quebec initiatives such as Bill 96, the province’s update to its French language charter, will also add to the complexity and cost of doing business in Quebec. The AMF is adding to its oversight, investigation, and compliance budgets and as it garners more resources, it will use them. The revised/updated Sound Commercial Practices Guideline enhances the focus on business culture, accountability, and supervision of intermediaries, and captures the handling of conflicts of interest, product design, suitability, and monitoring.

Insurers and distributors will now need to devote even more time, energy, and financial resources to AMF/Quebec compliance, to show that they are addressing the enhanced standards. An example of this is the AMF’s new complaints regime expectation that insurers must provide drafting assistance for consumers who wish to make a complaint and require such assistance.

FCAC Is An Increasingly Active Regulator

While the Regulations released in August 2021 in support of federal Bill C-86 stipulate that credit protection insurance (CPI) will no longer be treated as an “optional product,” it is still a product that is “offered”; and, as such, Section 627.06/07 of Bill C-86 (“appropriateness guideline”) likely still applies to CPI and travel insurance, both being Authorized Insurance Products that fall under federal oversight. That seems to imply the requirement for some type of needs analysis.

The FCAC is increasingly engaging in reviews of regulated entities, and not necessarily as the result of consumer complaints. And those entities’ self-reporting of discovered violations no longer ensures leniency. With the FCAC Commissioner’s recently strengthened powers, violations – regardless of the source and circumstances -- are increasingly resulting in “naming and shaming” and the levying of fines.

Prohibition Against Offering ‘Advice’ In Connection With Credit Protection Insurance

While CAFII has long argued that the intersection between the federal Bank Act and the Insurance Business (Banks and Bank Holding Companies (IBBRs), on the one hand, and provincial licensing requirements, on the other hand, prohibits the offering of advice, including a needs analysis, with respect to CPI, that argument does not have a solid grounding in law, but it does have a firm footing in practicality. Regardless of the legal niceties, non-licensed branch or call centre staff are in no position to provide customers with a needs analysis, nor is advice something that should be required for consumers to enrol in CPI or purchase travel insurance coverage.

Briefing Note

CAFII Board Meeting 7 December, 2021—Agenda Item 6(g)

Read Only Items— November 29/21 CAFII Webinar with Marlena Labieniec, Director of FSRA Innovation Office, on FSRA's Innovation Framework

Purpose of this Agenda Item – Read Only

This is a read only item.

Background Information

CAFII held a webinar with Marlena Labieniec, Director of FSRA's Innovation Office, on FSRA's Innovation Framework, on 29 November, 2021.

This webinar resulted from Glen Padassery, FSRA's Executive Vice President, Policy & Chief Consumer Officer, reaching out to CAFII and asking if it would be possible to share the work of the Innovation Office, and its newly developed Innovation Framework, with CAFII members. In response, CAFII offered to showcase the work of the innovation office through a webinar, an offer which FSRA was very pleased to accept. The session attracted strong interest and registrants from the following regulatory authorities from across Canada:

--Quebec's Autorite des marches financiers, or the AMF;
--the Ministry of Finance, Government of Quebec;
--the Alberta Auto Insurance Rate Board;
--Alberta Treasury Board and Finance, Government of Alberta;
--the Alberta Insurance Council;
--the Financial Services Regulatory Authority of Ontario, or FSRA;
--Financial and Consumers Services Commission of New Brunswick, or the FCNB;
--Insurance Councils of Saskatchewan;
--the Financial and Consumer Affairs Authority or FCAA, Government of Saskatchewan;
--the Insurance Council of British Columbia;
--the British Columbia Financial Services Authority (BCFSA);
--the Financial Consumer Agency of Canada, or the FCAC; and
--the Office of the Superintendent of Financial Institutions, or OSFI.

Recommendation / Direction Sought – Read Only

This is a read only item.

Attachments Included with this Agenda Item

1 attachment.

**Agenda Item 6(g)
December 7/21 Board Meeting**

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Reminder: You are receiving this email because you have expressed an interest in the Canadian Association of Financial Institutions in Insurance.



**Making Insurance Simple and Accessible for Canadians
Rendre l'assurance simple et accessible pour les Canadiens**

Dear Brendan,

We are pleased to invite you to attend our November 2021 CAFII Webinar on

***Navigating FSRA's New Process for Financial Services Innovation In Ontario: A
Fireside Chat With Marlena Labieniec, Director of Innovation, Financial Services
Regulatory Authority of Ontario (FSRA)***

Date Change: Monday, November 29th, 2021
from 1:00 pm to 2:00 pm ET
via Zoom Webinar



Marlena Labieniec,
Director of Innovation, FSRA
(For capsule biography, [click here](#))

This CAFII Fireside Chat Webinar, moderated by CAFII Co-Executive Director Keith Martin, will feature

- *Introductory remarks by Glen Padassery, FSRA's Executive Vice-President, Policy and Chief Consumer Officer, about FSRA's vision for its role and approach in fostering innovation in Ontario's financial services sector; and*
- ***A Fireside Chat with Marlena Labieniec, FSRA's Director of Innovation, about the Authority's proposed Innovation Process, including***
 - *the Innovation Office as FSRA's "Innovation Orchestrator";*
 - *facilitating both 'inside-out' and 'outside-in' points of entry;*
 - *FSRA's five-step Innovation Process;*
 - *the role of an Intake Form in standardizing starting point input to FSRA*
 - *the importance of "Innovator Readiness";*
 - *FSRA's five-step Risk Assessment Process in working with Innovators on proposed Innovations;*
 - *the importance of strong, testable mitigation plans for any significant risks identified;*
 - *the role of regulatory sandbox-like Test and Learn Environments (TLEs) in resolving uncertainty through experimentation and in ameliorating or clarifying identified risks sufficiently, for Innovations which initially generate a low or medium level of FSRA confidence;*
 - *how TLEs will work;*

- the TLE fee structure;
- the “go” or “no go” decision;
- some hypothetical Use Cases/examples; and
- FSRA’s balancing of incumbents and new market entrants in fostering innovation.

This webinar will provide the greatest value to audience members who have read/perused FSRA’s consultation document “All Together Now: FSRA, the Innovation Office, and an Innovation Framework for a More Innovative Ontario Financial Services Sector.”

*Industry representatives are encouraged to submit clarification questions for Marlena Labieniec – including those related to hypothetical innovation scenarios – **in advance**, by sending them to CAFII Co-Executive Directors Keith Martin (keith.martin@cafii.com) and Brendan Wycks (brendan.wycks@cafii.com); or alternatively to forward them during the webinar itself via Zoom’s Q&A functionality.*

[Register Here](#)

For further information or assistance, please email events@cafii.com or call 416-494-9224 ext. 3.

We look forward to welcoming you to our upcoming CAFII 2021 webinar.

Sincerely,

Brendan Wycks, BA, MBA, CAE
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 Canadian Association of Financial
 Institutions in Insurance
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Briefing Note

CAFII Board Meeting 7 December, 2021—Agenda Item 6(h)

Read Only Items— Deferral of CAFII Webinar on Life Insurers' Healthy Lifestyle Incentivization Programs to January 2022

Purpose of this Agenda Item – *Read Only*

This is a read only item.

Background Information

CAFII originally intended to hold a webinar on life insurers' healthy lifestyle incentivization programs in late November, 2021, but deferred this webinar when the opportunity to hold a webinar with FSRA's Innovation Office presented itself. The healthy lifestyle incentivization programs webinar will now be held in January 2022 with panelists representing Manulife, Canada Life, and Sun Life.

Recommendation / Direction Sought – *Read Only*

This is a read only item.

Attachments Included with this Agenda Item

One attachment.

Agenda Item 6(h)
December 7/21 Board Meeting

From: Brendan Wycks <brendan.wycks@cafii.com>
Sent: Monday, November 1, 2021 1:28 PM
To: Carmelina Manno <Carmelina.Manno@manulife.ca>; Monika Spudas
<Monika.Spudas@manulife.ca>; 'Anaar Jessa' <Anaar.Jessa@sunlife.com>; 'Apt, Sharon'
<Sharon.Apt@gwI.ca>
Cc: Keith Martin <Keith.Martin@cafii.com>; CAFII Events <events@cafii.com>; Jake Becker
<jake.becker@cafii.com>
Subject: Reorganizing/Rescheduling CAFII's Imminent Webinar Plans

Hello Carmelina and Monika (Manulife), Anaar (Sun Life), and Sharon (Canada Life):

The purpose of this message is to bring you into the loop, in follow-up to Keith's note below to Glen Padassery, FSRA's Executive Vice-President, Policy and Consumer Office, and Marlena Labieniec, Director of FSRA's Innovation Office, which is also directly related to the following brief excerpt from CAFII's October 29/21 submission to FSRA on its Fiscal Year 2022-23 Statement of Priorities and Budget

- *in that connection, CAFII is pleased to have had, on October 29, a preparatory dialogue meeting with Glen Padassery, FSRA's EVP, Policy and Consumer Office, and Marlena Labieniec, Director of FSRA's Innovation Office; and we will now be collaborating with them on a follow-up virtual event which will provide an opportunity for CAFII members to learn about FSRA's Innovation Framework and how to tap into it --*

Keith and I had a discussion this morning in which he recommended, and I agreed, that CAFII's best course of action would be to seize the day re the opportunity to have a CAFII webinar with FSRA presenters on its recently released "Innovation Framework" – which includes a regulatory sandbox mechanism – and to make a switch, such that we will stage that FSRA-based webinar later this month on November 29 or 30; and defer our plans to stage a CAFII webinar on life insurers' health/wellness incentivization programs and move it into January 2022.

Therefore, Carmelina/Monika, Anaar, and Sharon, we would like to propose the following January 2022 dates as possible dates for rescheduling the planned CAFII webinar on life insurers' health/wellness incentivization programs:

- Thursday, January 20, 2022;
- Monday, January 24, 2022;
- Tuesday, January 25, 2022;
- Wednesday, January 26, 2022;
- Thursday, January 27, 2022; and
- Monday, January 31, 2022.

Please consider those proposed January dates, consult with your respective health/wellness incentivization program presenters on their availability for a 75 minutes webinar with a 12 Noon or 1:00 p.m. Eastern start time on those dates, and get back to Meighan Pears (c.c.'d here as CAFII Events), Keith, and me by November 30.

Thanks very much for your understanding, flexibility, and co-operation.

Best regards,

Brendan Wycks, BA, MBA, CAE

Co-Executive Director
Canadian Association of Financial Institutions in Insurance
brendan.wycks@cafii.com

From: Keith Martin <Keith.Martin@cafii.com>

Sent: November-01-21 12:51 PM

To: Marlana Labieniec <Marlena.Labieniec@fsrao.ca>; Glen Padassery <Glen.Padassery@fsrao.ca>

Cc: Brendan Wycks <brendan.wycks@cafii.com>; CAFII Events <events@cafii.com>; Jake Becker <jake.becker@cafii.com>

Subject: Follow up from CAFII

Hi Marlana, Glen,

It was great to talk to you both last Friday. Brendan and I think we could hold a very productive webinar with you on FSRA's new Innovation Framework. I think it would get good interest if we invited interested stakeholders like other regulators.

As a first step, we would like to propose one-hour on 29 November or preferably 30 November. Please let us know if you are available on one of those dates.

I think we would need to get a "save the date" invite out quickly, so I would also propose a 30-minute session this week to settle on some of the details. Please advise as to your availability, and I will book a meeting.

Looking forward to following up on this,

--Keith

Keith Martin

Co-Executive Director / Co-Directeur général
Canadian Association of Financial Institutions in Insurance
L'association canadienne des institutions financières en assurance
keith.martin@cafii.com

Briefing Note

CAFII Board Meeting 7 December, 2021—Agenda Item 6(i)

Read Only Items— Document(s) Associated With AMF Consultation on Revised “Sound Commercial Practices Guideline”

Purpose of this Agenda Item – *Read Only*

This is a read only item.

Background Information

CAFII is preparing a response to the AMF on its revised “Sound Commercial Practices Guideline.”

The consultation document to which we will be responding is attached as the meeting material for this agenda item.

Recommendation / Direction Sought – *Read Only*

This is a read only item.

Attachments Included with this Agenda Item

One attachment.



SOUND COMMERCIAL PRACTICES GUIDELINE

Initial publication: June 2013
Updated: October 2021

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1 Commercial practices and the fair treatment of clients

Financial institutions have a legal obligation to adhere to sound commercial practices.¹

The commercial practices, or conduct of business, of financial institutions² reflect their behaviour in their relationships with clients,³ from before a contract is entered into until all the institution's obligations under the contract are fulfilled. Commercial practices incorporate all stages of the life cycle of a product, from product design to after-sale service.

Sound commercial practices help ensure, in particular, that an offer of products⁴ is fair, effective and transparent. Conversely, unsound commercial practices expose clients to risks or situations that could negatively impact them. Adhering to sound commercial practices entails treating clients fairly.

The fair treatment of clients (FTC) is based on core principles and guidance published by various international bodies.⁵ It encompasses concepts such as ethical behaviour, acting in good faith and the prohibition of abusive practices. FTC manifests itself at every stage of a product's life cycle and involves, among other things:

- Developing, marketing and offering products in a way that pays due regard to the interests and needs of clients
- Providing clients with accurate, clear and sufficient information, before, when and after a product is offered, allowing them to make an informed decision
- Minimizing the risk of sales that are not suited to the clients' needs and circumstances
- Examining client claims and complaints in a fair and timely manner
- Protecting the privacy of client information

¹ *Insurers Act*, CQLR, c. A-32.1, sections 50 and 51

Act respecting financial services cooperatives, CQLR, c. C-67.3, sections 66.1 and 66.2

Trust Companies and Savings Companies Act, CQLR, c. S-29-02, sections 34 and 35

Deposit Institutions and Deposit Protection Act, CQLR, c. I-13.2.2, sections 28.11 and 28.12

² The generic terms "financial institution" and "institution" refer to all the entities that are subject to the legal obligation to adhere to sound commercial practices. Consequently, these terms do not refer to a federation of mutual insurance associations.

³ Although the enabling statutes (supra note 1) refer specifically to the notion of "clientele," the terms "client" and "clients" are also used in this guideline. These broad notions cover both current and potential clients of the financial institution and may also include, for example, a person with an interest in the product sold, such as the beneficiary of an insurance policy, where appropriate for the context.

⁴ The generic expression "offer of products" used in this guideline refers both to the product and the service that is offered, sold or provided.

⁵ Organisation for Economic Co-operation and Development, International Financial Consumer Protection Organisation (FinCoNet), Financial Stability Board, International Association of Insurance Supervisors, Basel Committee on Banking Supervision, International Organization of Securities Commissions.

2 Business culture

Business culture is one of the main vectors of staff behaviour within an institution. It refers to the common values (e.g., ethics and integrity) and standards that characterize a business and influence the mindset, behaviour and actions of its entire staff. It informs decision-making for both strategic decisions and decisions made by client-facing staff.

An FTC-centric business culture creates an environment that fosters client confidence and long-term client relationships. Conversely, a deficient business culture can cause serious harm to clients and damage the reputation of the business to the point of compromising its solvency.

An FTC-centric business culture:

- Places clients' interests at the centre of decisions and the conduct of business
- Recognizes and manages risks that could compromise FTC
- Ensures that results demonstrate, through indicators, that staff are acting ethically and with integrity in their dealings with clients
- Communicates FTC outcomes across all levels of the organization

3 Stakeholder accountability

In providing products, the financial institution, upon first contact with the client, makes a commitment to them and holds it throughout the life cycle of the product, whether or not its distribution channel is independent. With this in mind, the institution adopts commercial practices ensuring FTC at all stages of the relationship with the client. The institution consequently monitors the product offering process to ensure compliance.

The fact that ultimate responsibility lies with the institution does not relieve intermediaries⁶ of their own obligations to clients.

⁶ Intermediaries are the individuals and firms authorized to offer financial products and services pursuant to the *Act respecting the distribution of financial products and services*, CQLR, c. D-9.2.

4 Financial institutions' relationships with intermediaries

In managing their relationships with intermediaries, financial institutions are expected to:

- Implement due diligence controls providing, from intermediary selection on, assurance that intermediaries are authorized to act, where appropriate, and have the appropriate knowledge and ability to conduct business
- Enter into written agreements that clearly set out intermediaries' responsibilities in order to ensure FTC, and reporting and controls for obtaining reasonable assurance that they are fulfilling them. These agreements must not hinder the financial institutions and intermediaries in fulfilling their obligations to clients
- Ensure that intermediaries are providing clients with timely information necessary for enlightened decision-making
- Ensure that intermediaries have appropriate controls in place to detect unsuitable sales and practices and take the necessary corrective action
- Implement measures necessary to ensure that clients receive an appropriate level of service after they enter into a contract
- Obtain relevant information from intermediaries in order to review, if necessary, their product designs, target client group definitions or distribution strategies
- Obtain relevant information from intermediaries about the complaints they received so as to develop a complete picture of the client experience
- Identify any issues to be addressed and discuss remedial actions or any other matters related to client relationships

5 Financial institutions' relationships with service providers

When functions related to commercial practices are outsourced,⁷ the service provider performs such functions in compliance with the laws, regulations and guidelines applicable to the institution's activities.

In managing their relationships with service providers, institutions are expected to:

- Deal only with service providers that have high ethical and professional standards
- Develop outsourcing agreements that do not compromise the quality of services or adversely affect their ability to fulfill FTC-related obligations
- Reassess their existing arrangements with service providers, upon renewal or as required, to ensure that they continue to contribute to the achievement of FTC outcomes

⁷ The expectations expressed in this guideline provide additional details regarding commercial practices while complementing those contained in the *Outsourcing Risk Management Guideline*, December 2010.

6 Expected outcomes for clients

6.1 Governance

The AMF expects financial institutions' decision-making bodies to make a firm commitment to, and exercise strong leadership in, making FTC a core component of their business culture.

Since the risks resulting from inappropriate practices with clients are harder to quantify and monitor using standard compliance tools, it is important to establish an FTC-centric business culture.

Senior management and the board of directors are responsible for ensuring, on an ongoing basis, that the institution's commercial practices and culture are strengthened and reflected in its risk management approach and risk appetite.

Roles and responsibilities of the board of directors⁸

- Ensure that committees are established to monitor changes in the business culture and the risks of inappropriate practices that could adversely affect FTC
- Ensure that monetary and non-monetary incentives granted by the financial institution to staff, intermediaries or any other person acting on behalf of the institution who is involved in offering its products take FTC into account
- Ensure that the institution's code of ethics preserves and strengthens the business culture and enables ongoing adherence to high standards of ethics and integrity from recruitment onward
- Review the institution's FTC performance on set objectives and strategies and, if necessary, ensure that the required remedial action is taken

⁸ *Insurers Act*, CQLR, c. A-32.1, section 94
Trust Companies and Savings Companies Act, CQLR, c. S-29.02, section 75
Deposit Institutions and Deposit Protection Act, CQLR, c. I-13.2.2, section 28.38
Act respecting financial services cooperatives, CQLR, c-C-67.3, sections 66.1 and 99

Roles and responsibilities of senior management

- Ensure the development of objectives, strategies, policies and procedures that are consistent with the institution's values and enable the achievement of the expected FTC outcomes
- Implement controls to:
 - Identify and address any departure from the institution's objectives, strategies, policies and procedures
 - Ensure that staff conduct is consistent with the institution's FTC-related values and commercial practices
 - Identify and react promptly to any risks or situations likely to adversely affect FTC
 - Generate information for the board of directors that supports the monitoring and measurement⁹ of the institution's performance and a process for its continuing improvement in FTC
- Ensure that staff members who offer products receive ongoing training on the policies, procedures and processes established in this regard
- Ensure that the institution's integrated risk management takes into account risks and commercial practices that could adversely affect FTC
- Ensure the establishment of a robust and transparent policy and set of processes for determining the consequences of staff non-compliance with the applicable obligations

⁹ In addition to the client satisfaction rate or the number of complaints received, the indicators used by institutions should make it possible to measure the achievement of FTC outcomes over the entire life cycle of products and throughout their contractual relationship with clients. It should be possible to use the collected information to illustrate trends (Who is buying the product? Is it the target client group? What are the reasons given by clients for not renewing contracts or cancelling them: limited benefits of this type of product, poor understanding of how it works or the coverage provided?).

6.2 Handling conflicts of interest

The AMF expects any real or potential conflicts of interest to be avoided or managed in a manner that ensures FTC.

Major sources of conflicts of interest include monetary and non-monetary incentives that arise from:

- Established compensation and performance management programs
- Financial institutions' relationships with intermediaries or any other person acting on their behalf who is involved in offering their products

A conflict of interest situation could result in an inappropriate sale or have an impact on the quality of services provided. It could also affect the advice given to clients.

The institution should therefore ensure that every situation is assessed to prevent a conflict of interest or ensure that it is managed in a way that ensures FTC.

Expectations to achieve this outcome

- Take all reasonable steps to identify and avoid or manage real or potential conflicts of interest
- Put clients' interests first
- Avoid any real or potential conflict of interest that cannot be managed in a way that ensures FTC. The financial institution is able to demonstrate that it has put controls in place to ensure that the conflict of interest can be managed in a way that ensures FTC
- Disclose in writing to the client concerned any real or potential conflict of interest that might reasonably have an impact, given the circumstances, on the offer of products or the client's decisions. This disclosure is made in a timely manner, i.e., made before or at the time the product is offered, and it is not sufficient in and of itself for the conflict of interest to be considered to have been properly managed
- When relying, among other things, on disclosure of a conflict of interest, ensure that such disclosure does not place an unreasonable burden on the client:
 - It allows the client to assess the nature and scope of the conflict of interest, its potential impact on the services provided, the potential risk it could pose for him or her and the way it is managed
 - It is disclosed in a timely manner, i.e., before or when the product is offered or promptly after the conflict of interest has been identified
- Notify the client of any significant change that occurs regarding previously disclosed conflicts of interest

- Document each conflict of interest situation that arises and how the institution managed it. The information collected should provide a basis for assessing the extent of the harm that may be caused to the client by a such a conflict of interest¹⁰

¹⁰ For example, if the harm to the client is insignificant, the financial institution could record the information in a more general manner, such as by category or type, rather than recording each case and the way it was handled.

6.3 Product design

The AMF expects the needs and interests of the various target client groups to be taken into account when designing new insurance products or significantly altering existing products.

Not taking the needs and interests of the various target client groups into account when designing new products or making significant adaptations to existing products increases the likelihood of unsuitable offers or negative impacts for clients, particularly with complex and risky products.

Expectations to achieve this outcome

- Product development relies on the use of adequate information enabling the identification of client needs
 - When developing a new product, including selecting a product originating from a third party, the main features of the product¹¹ and the disclosure documents provided to clients are thoroughly assessed by individuals from the institution who have the skills to perform such an assessment¹²
 - The process for approving a new product enables the institution to:
 - Define the target client group that the product is likely to be appropriate for
 - Offer a product that delivers the benefits reasonably expected by the target client group
 - Identify, monitor or reduce any risks that the product might present for target clients
 - Take into account applicable statutory and regulatory amendments, technological developments or changes in market conditions
 - Defining the target client group involves identifying the common needs, interests, characteristics¹³ and objectives of the members of the group.
- The level of detail of the criteria used by the institution to identify a target client group is based on the type of product (e.g., nature, features, risk profile) and enables the institution to determine which clients belong to the group:
- For commonly used, low-risk products, the target client group may be less precisely defined because the product more often than not suits the needs and interests of a wide range of clients

¹¹ For example, for deposit products, the assessment of the product's features could take into account criteria such as accessibility, yield and security.

¹² For example, compliance, integrated risk management, finance, sales, taxation, actuarial services, legal affairs.

¹³ For example, preferences, financial capacity, known types of behaviour.

- For more complex, higher-risk products, the target client group definition is more precise and includes criteria for identifying clients for whom the product may not be suitable
- Product monitoring:¹⁴
 - Ensures, by relying on sufficient, relevant, clear information, that the product's main features always meet clients' needs¹⁵
 - Enables remedial action to be taken, if necessary, to:
 - Tailor the product to clients' changing needs¹⁶
 - Ensure that clients understand the product and its main features
 - Revisit the definition of the target client group when the control shows that the product is not or is no longer suited to the target group's needs, interests, objectives and characteristics

¹⁴ Also applies to products no longer offered but still held by clients (e.g., investments in certain segregated funds). Product monitoring helps ensure that clients receive ongoing information supporting informed decision-making.

¹⁵ For example, regular information from employees and intermediaries offering the product; information from the quality control department, the claims examination department, the complaint processing department, the analysis of competing products and client satisfaction assessment methods. Moreover, some insurance industry indicators such as a high claim denial rate or a low claim rate may indicate that the product is not suited to the needs and interests of the target client group.

¹⁶ For example, ensure that the exclusions in the insurance contract are still relevant and drafted in a way that is clear to clients. Consider economic conditions (e.g., take into account clients' level of indebtedness).

6.4 Product marketing

The AMF expects distribution methods to take into account the needs and interests of the target client groups and to be tailored to the products.

The financial institutions act as guarantors of the distribution methods they use for their products and are ultimately responsible for overseeing all aspects of the distribution process.

Expectations to achieve this outcome

- The distribution methods for a product are chosen using appropriate information to assess the target client group's needs and taking into account the level of complexity of the product and its potential impact on clients' financial situation
- Staff, intermediaries or any person acting on behalf of the institution who is involved in offering its products receive relevant information and appropriate training on the products. They have an adequate grasp of the product's features and the target client group
- The indicators used and controls applied with respect to distribution methods make it possible to:
 - Assess the performance of the various distribution methods in terms of expected FTC outcomes and to take any necessary remedial action
 - Ensure that the distribution methods used for a product meet the target client group's needs at all times and would not adversely affect clients' interests

6.5 Product advertising

The AMF expects product advertising materials to be accurate, clear and not misleading.

Before using advertising material, financial institutions should take the necessary steps to ensure that it is accurate, clear and not misleading.

Expectations to achieve this outcome

- Prior to being disseminated, product advertising materials are reviewed by a unit that is independent from the one that prepared or designed them
- Advertising materials:
 - Are easy to understand
 - Clearly identify the institution in accordance with the law
 - Adequately convey the benefits that the target client group may reasonably expect from the product
 - Highlight information or key elements that could affect a client's decision
- Advertising materials are presented in a format that is easy to read and understand
- The statistics used are relevant to the product. The sources of the statistics used are indicated, if applicable
- Testimonials used are authentic, and, if paid for, mention is made of that fact
- If the institution notes that advertising material is inaccurate, unclear or misleading, it withdraws it immediately and promptly notifies everyone it is able to identify who relies on the information contained in the material

6.6 Disclosure to clients before or when a product is offered

The AMF expects client to have information, before or when a product is offered, that allows them to be properly informed with a view to making an enlightened decision.

Such disclosure should enable clients to understand the product and its main features and help them determine whether the product meets their needs.

The level of detail of disclosure will vary depending on the nature and complexity of the product or other specific requirements that could apply to the product

Expectations to achieve this outcome

- Disclosure to clients:
 - Is up-to-date and available on paper or any other durable medium
 - Is drafted in clear and plain language and in a manner that is not misleading¹⁷
 - Is presented in a format that facilitates reading and comprehension
 - Focuses on information quality, not quantity
 - Clearly identifies the name of the institution, in accordance with the law, and provides its contact details
 - Gives prominence to and explains the main features of the product¹⁸ that are important for finalizing or performing the contract, including the consequences for the client of not complying with the terms of the contract
 - Sets out the client's rights and obligations, including any right of cancellation or rescission
 - Discloses conflicts of interest, if any¹⁹
 - Gives the contact details for the claims examination and settlement department²⁰
 - Gives the contact details for the complaint processing and dispute resolution department and the steps for accessing the summary of the complaint processing and dispute resolution policy

¹⁷ When technical, complex or hard-to-understand language cannot be avoided, make tools or other support available to clients to help them to clearly understand the information, or give them the institution's contact information for obtaining further information or assistance.

¹⁸ Examples: For insurance products, the type of contract, the coverages offered, eligibility requirements, perils covered, restrictions, limitations, deductible, premium. For credit products, the interest rate, fees and charges, total cost, term, repayment terms, type of security required, etc.

¹⁹ In order to further highlight information regarding conflicts of interest, Institutions should consider using a separate and succinct conflict disclosure document.

²⁰ Applicable only to the insurance sector.

6.7 Offering a product to a client²¹

The AMF expects the client's needs and situation to be taken into account when a product is offered.

The institution's policies, procedures and controls should ensure that the product offered is suitable for the client.²²

Expectations to achieve this outcome

- The client's needs and situation are taken into account using information relevant to the type of product involved
- When assessing the client's situation, factors such as the person's goals, current financial position, ability to repay, risk tolerance, investment horizon, other personal commitments and the financial products already held are taken into account
- The information provided to the client takes into account the client's knowledge and personal experience and assists the client in making enlightened decisions

²¹ The offering of products and services through intermediaries is governed by the *Act respecting the distribution of financial products and services*, CQLR, c. D-9.2, and its regulations.

²² For example, the policies, procedures, controls and information systems relating to the granting of credit should enable the identification, control and mitigation of major risks to clients, including those related to mis-sold credit products, and to prevent, insofar as possible, repayment problems and what they logically lead to, i.e., debt overload.

6.8 Disclosure to clients after a product is purchased

The AMF expects clients to have information allowing them to be properly informed, in a timely manner, with a view to making enlightened decisions about the products they hold.

A lack of communication with clients increases the risk of harm being caused to them.

Expectations to achieve this outcome

Information is communicated to clients to:²³

- Remind them, in a timely manner, of the options that can be exercised by them
- Inform them, when applicable, of the impact of changes to the features of their contract and the performance of their contract, rights and obligations, and to obtain their consent, when necessary
- Provide for the timely disclosure to clients of:
 - Any relevant information depending on product type, including any changes to the contract terms
 - Renewal or automatic renewal of the product
 - Expiry of a promotional period
 - Likelihood that they will be required to incur fees
 - Replacement of the product or early termination of the contract
 - A portfolio transfer
 - Any significant change in already provided information regarding the disclosure of conflicts of interest
 - Amendments to applicable legislation or changes in market conditions that could affect the product's main features
 - Any organizational or operational change by the institution that could have an impact on the client and the products held by and services offered to the client²⁴

Annual or periodic communications remind clients, as necessary, of the importance of reviewing their needs based on changes in their personal situation to ensure that the product is still appropriate for them. The institution therefore takes the necessary steps to ensure that clients receive ongoing and adequate service.

²³ As with information provided to clients before or when a product is purchased, information provided to clients after a product is purchased is drafted in clear and plain language and presented in a format that is easy to read and understand.

²⁴ For example, if the financial institution operates physical sites such as branches or automated teller machines and it decides to close or convert them, it discloses its intentions to clients sufficiently in advance and makes them aware of available alternatives.

When clients wish to replace a product or switch products, cancel a contract or change institutions, the procedures in place facilitate such transactions.

PROJET

6.9 Claims examination and settlement²⁵

The AMF expects claims to be examined diligently and settled fairly following a process that is simple and accessible for clients.

Claims examination and settlement are key steps in an insurer's relationship with its clients.

Expectations to achieve this outcome

- Clients are informed when filing a claim of the main steps in the claims examination process and of the formalities and expected timeframes, which may be extended in exceptional cases²⁶
- Clients are updated on their claim's status in a timely and appropriate manner
- Additional requests for information from the institution related to the examination of claims are commensurate with the perils covered and do not hinder or delay the examination process
- When the claims examination process cannot be completed within the expected timeframe, clients are told why additional time is required and when the process will be completed
- Claim-determinative factors (e.g., depreciation, negligence) and, when applicable, the reasons why the claim was wholly or partially denied are carefully and clearly explained to clients. Everything is confirmed in writing to the client, who is offered the opportunity to request a review of the decision
- The decision review takes into account the legitimate interests of the client. It is a simple process without any red tape
- Clients are informed that they may contact the complaint processing department if they are dissatisfied with the way their claim has been handled
- Insurance contract provisions are interpreted in a consistent manner
- The claims examination and settlement process is free of conflicts of interest
- Staff responsible for claims examination and settlement:
 - Are familiar and comply with the institution's claims examination and settlement process. They are able to provide appropriate information to clients and properly assist them in making a claim and throughout the examination process
 - Possess the necessary competencies depending on the type of product

²⁵ Applies only to the insurance sector.

²⁶ Where applicable, a damage insurer's procedure creates a favourable environment for a claims adjuster to meet the obligations set out in the *Act respecting the distribution of financial products and services*, CQLR, c. D-9.2.

6.10 Complaint processing and dispute resolution

The AMF expects complaints to be processed fairly and diligently following a process that is simple and accessible for clients.

The various laws administered by the AMF²⁷ require financial institutions to keep a complaints register and adopt a policy for processing complaints and resolving disputes that complies with the established obligations.²⁸

Expectations to achieve this outcome

- A summary of the policy, describing the main steps in the complaint process, the formalities to be completed and the processing timeframes, is made available to clients on the website and disseminated by any other appropriate means to reach them
- Clients are not faced with constraints or administrative barriers²⁹ when they want to file a complaint
- The institution designates a complaints officer who, in particular:
 - Has the authority and competence to perform the function
 - Ensures that the policy is implemented and complied with
 - Develops an overall picture of the complaints received (e.g., number, reasons, causes) in order to identify common causes and address the issues they raise for clients
 - Acts as official respondent with clients and, where applicable, with the AMF on complaint records sent to the AMF
- The complaint process is free of any conflicts of interest
- The complaints register is used to compile relevant information about complaints, complaints reporting and actions taken to resolve complaints
- Complaints are classified in the register in a detailed manner so that the reasons and causes are clearly identifiable
- Staff responsible for processing complaints:
 - Are independent in the performance of their duties

²⁷ *Insurers Act*, CQLR, c.- A-32.1, sections 50, 52 to 58

Act respecting financial services cooperatives, CQLR, c.- C-67.3, sections 66.1, 131.1 to 131.7

Trust Companies and Savings Companies Act, CQLR, c. S-29.02, sections 34, 36 to 42

Deposit Institutions and Deposit Protection Act, CQLR, c.I-13.2.2, sections 2811, 28.13 to 28.19

²⁸ Draft Regulation respecting complaint processing and dispute resolution in the financial sector in public consultation until November 8, 2021.

²⁹ For example, clients should not have to submit their complaints more than once, regardless of how many complaint processing levels there are within the institution.

- Are familiar and comply with the institution's complaint process. They are able to disclose appropriate information to clients and properly assist them in filing a complaint and throughout the process
- Possess the necessary competencies to process the complaints assigned to them

PROJET

6.11 Protection of personal information

The AMF expects the privacy policy and procedures to ensure compliance with the *Act respecting the protection of personal information in the private sector*³⁰ and reflect best practices in this area.

Theft, loss or inappropriate use of personal information obtained from clients represents a risk to clients and a threat to the reputation of the institution.

The protection of personal information is a key issue for an institution. The sustainability of its operations depends, among other things, on its clients' trust in this respect. They expect their information to remain confidential and to be handled accordingly.

Expectations to achieve this outcome

- The board of directors and senior management are informed of the challenges pertaining to the protection of clients' personal information
- The policies and procedures concerning the protection and use of personal and financial information establish safeguards against the misuse of information, improper access to information or the unauthorized disclosure of personal information contained in files
- The institution ensures that service providers with access to personal information on the institution's clients have appropriate policies and procedures in place to ensure compliance with the *Act respecting the protection of personal information in the private sector*
- The institution assesses the potential effects of new or emerging risks that could threaten the confidentiality of the personal information it holds and takes appropriate action to mitigate them
- The institution identifies the actions that may need to be taken to respond to failures to comply with its obligations relating to the protection of personal information, including reporting any information security incident to the regulators and any persons affected, including clients

³⁰ *Act respecting the protection of personal information in the private sector*, CQLR, c. P-39.1

- Before entering into a contract, and in accordance with the initial information collection goal, the institution informs clients that their personal information will be used only for the purposes for which it was collected, with the explicit, informed consent of the client, as required under the *Act respecting the protection of personal information in the private sector*

Briefing Note

CAFII Board Meeting 7 December, 2021—Agenda Item 6(j)

Read Only Items— Document(s) Associated With AMF Consultation on “Incentive Management Guideline”

Purpose of this Agenda Item – Read Only

This is a read only item.

Background Information

CAFII is preparing a response to the AMF on its consultation on an “Incentive Management Guideline.”

The consultation document to which we will be responding is attached as the meeting material for this agenda item.

Recommendation / Direction Sought – Read Only

This is a read only item.

Attachments Included with this Agenda Item

One attachment.



**AUTORITÉ
DES MARCHÉS
FINANCIERS**

INCENTIVE MANAGEMENT GUIDELINE

November 2021

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Introduction

The *Sound Commercial Practices Guideline* presents the outcomes expected from financial institutions in regard to their obligation to adhere to sound commercial practices and treat clients fairly.¹

Among the expectations set out in the Guideline,² the AMF indicates that it expects any real or potential conflicts of interest to be avoided or managed in a manner that ensures the fair treatment of clients (FTC). The incentives awarded to a financial institution's staff, intermediaries or any other person acting on its behalf who is involved in offering its products and services are a major source of conflicts of interest.

This *Incentive Management Guideline* complements the *Sound Commercial Practices Guideline*. Accordingly, it adds to the expectations set out in the *Sound Commercial Practices Guideline* by presenting the AMF's expectations for financial institutions with respect to the way they manage incentive arrangements.

Financial institutions must avoid designing incentive arrangements that fail to ensure FTC. They must also implement risk management procedures and controls in order to fulfill their obligations in this respect.

¹ *Insurers Act*, CQLR, c. A-32.1, sections 50 and 51;

Act respecting financial services cooperatives, CQLR, c. C-67.3, sections 66.1 and 66.2;

Trust Companies and Savings Companies Act, CQLR, c. S-29-02, sections 34 and 35; and

Deposit Institutions and Deposit Protection Act, CQLR, c. I-13.2.2, sections 28.11 and 28.12.

The generic term "financial institution" refers to all the entities that are subject to the legal obligation to adhere to sound commercial practices. Consequently, this term does not refer to a federation of mutual insurance associations.

Although the enabling statutes refer specifically to "clientele", this guideline uses the terms "client" and "clients" for consistency with the *Sound Commercial Practices Guideline*.

² Specifically, see section 6.2 of the draft updated *Sound Commercial Practices Guideline* currently in public consultation that was published in the AMF Bulletin dated October 21, 2021.

Concepts

Incentives

The incentives awarded to a financial institution's staff, intermediaries³ or any other person acting on its behalf who is involved in offering its products and services fall into two main categories:

- Monetary incentives, including:
 - commissions paid based on services expected and provided (e.g., initial sales, renewal, trailers)
 - Bonuses and salaries paid on achievement of performance targets and criteria (e.g., volume of sales, retention, growth, FTC)
- Non-monetary incentives, including:
 - rewards or privileges (e.g., travel, goods and hospitality, entertainment, gifts, club or organization memberships, contest entry, client referrals, and access to services, conferences, seminars, conventions and other events) awarded on achievement of performance targets and criteria

Performance targets and criteria

Targets and criteria for measuring performance may be quantitative or qualitative:

- Quantitative performance targets and criteria reflect contribution to the financial institution's financial performance (e.g., sales volumes, profitability, productivity)
- Qualitative performance targets and criteria reflect FTC (e.g., based on results of sales quality controls, compliance with financial institution policies, disciplinary actions, complaints, client satisfaction)

Incentive arrangement

"Incentive arrangement" means the incentive itself, including any features related to payment or deduction of the incentive, and the performance targets and criteria associated with it.

³ Intermediaries are persons authorized to offer financial products and services pursuant to the *Act respecting the distribution of financial products and services*, CQLR, c. D-9.2.

1. Governance

The AMF expects financial institutions' decision-making bodies to place FTC at the centre of decisions concerning the way incentive arrangements are managed.

Incentive arrangements reflect the values and objectives financial institutions want to achieve and are therefore key elements in establishing a business culture. Among other things, they demonstrate the importance that the financial institution assigns to FTC.

Policies, procedures and controls relating to incentive arrangements should therefore be closely monitored by the board of directors and senior management.

Among other things, the AMF expects the board of directors to:⁴

- Ensure that the committees responsible for monitoring changes in the business culture and identifying risks of practices that could adversely affect FTC are also responsible for ensuring that clients' interests are taken into account in managing incentive arrangements
- Ensure that changes are quickly made to incentive arrangements when FTC cannot be ensured
- Ensure that appropriate measures are taken with respect to the clients concerned when a practice that adversely affects FTC is identified

Among other things, the AMF expects senior management to:

- Develop and periodically review policies, procedures and controls related to incentive arrangements to ensure their continued effectiveness in managing risks of practices that could adversely affect FTC
- Review incentive arrangements periodically and at least once a year with the involvement of the risk management, compliance and human resources functions
- Assess the impact on the clients concerned when a practice that adversely affects FTC is identified and, when required, take appropriate measures

⁴ *Insurers Act, CQLR, c. A-32.1, section 94*
Trust Companies and Savings Companies Act, CQLR, c. S-29.02, section 75
Deposit Institutions and Deposit Protection Act, CQLR, c. I-13.2.2, section 28.38
Act respecting financial services cooperatives, CQLR, c. C-67.3, sections 66.1 and 99

2. Managing incentive arrangements

The AMF expects incentive arrangements to be managed in a manner that ensures FTC.

Incentive arrangements arise primarily from the compensation and performance management programs implemented by financial institutions and the agreements entered into by them with intermediaries and other persons acting on their behalf who are involved in offering their products and services.

Incentive arrangements may vary depending on the nature of the financial institution's activities, the products or services offered, the distribution methods used, and the roles and responsibilities of the persons involved in offering products and services.

Financial institutions should manage incentive arrangements in a manner that prevents practices that could adversely affect FTC.

Financial institutions should also ensure that the incentive arrangements put in place by intermediaries or any other person acting on its behalf who is involved in offering its products and services are managed in a manner that satisfies their FTC-related obligations.

Expectations to achieve this outcome

- Establish an incentive mechanism design and review process that includes the following criteria:
 - Quantitative and qualitative performance targets and criteria are clearly defined and measurable and are balanced in a manner that ensures FTC
 - Any incentive awarded is consistent with the level of service expected and provided throughout the product's life cycle⁵
 - Incentive arrangements related to similar products⁶ are comparable
 - Where incentives for the same product differ across distribution methods or intermediaries, they do not justify a difference in the cost of the product for clients
 - Incentive arrangements for the financial institution's managers⁷ take into account their supervisory role and ability to influence staff, intermediaries or any other person acting on behalf of the institution who is involved in offering

⁵ As indicated in the *Sound Commercial Practices Guideline*, the "life cycle of a product" means from product design to after-sale service.

⁶ Products with features that can meet a client's needs and that involve the same level of service that is expected and provided. See example 2 in Appendix B.

⁷ Excluding members of the board and senior management, key persons in supervisory functions, and major risk-taking staff, for whom expectations regarding the applicable remuneration practices are set out in the *Governance Guideline*.

its products and services to prevent pressures from being exerted that could adversely affect FTC

- Ensure that staff, intermediaries or any other person acting on behalf of the financial institution who is involved in offering its products and services is informed in a timely manner of the incentive arrangements that apply to them
- Collect and use information and key indicators⁸ to be able to identify:
 - Individuals, sales teams, lines of business and products most at risk of practices that could adversely affect FTC
 - Trends, unusual sales spikes and practices that could adversely affect FTC
- Implement, periodically review and, when required, improve controls while taking into account the identification and assessment of risks of practices that could adversely affect FTC and the assessment of results of controls
- Take appropriate measures to correct practices that could adversely affect FTC, including:
 - Ensuring feedback when controls detect an inappropriate practice in interactions with clients
 - Implementing appropriate measures, particularly at the human resources level, to demonstrate that practices that could adversely affect FTC are unacceptable
 - Making the necessary corrections to incentive arrangements
 - Establishing chargeback mechanisms so that incentives can be clawed back, if necessary, after they have been awarded

⁸ Appendix A: Examples of information/key indicators

3. Identification and assessment of risks of practices that could adversely affect FTC

The AMF expects financial institutions to identify and regularly assess the risks of practices that could adversely affect FTC arising from incentive arrangements.

The risks of practices that could adversely affect FTC may arise, in particular, from the design of incentive arrangements, characteristics specific to financial institutions' business models⁹ and the inefficiency of the information systems and controls in place.

Appendix B in this Guideline provides a non-exhaustive list of examples of incentive arrangement features that increase the risks of practices that could adversely affect FTC.

Expectations to achieve this outcome

- Review the incentive arrangements regularly in order to assess the various arrangement features
- Give particular focus to incentive arrangements based primarily on quantitative performance targets and criteria
- Among other things, consider:
 - The combination of different types of incentive arrangements for the same sale
 - Sales campaigns focused on particular products
 - Incentive arrangements implemented by intermediaries or any other person acting on the financial institution's behalf
- Assess the likelihood of practices that could adversely affect FTC occurring while taking into account existing controls and their potential impact on clients

⁹ For example, if the financial institution designs and sells its own products, if it controls the firm that distributes its products or if its products are distributed by independent firms, if it outsources some of its activities to a service provider, etc.

4. Quality monitoring

The AMF expects financial institutions to have controls in place to identify any inappropriate sales or practices with clients that may result from the implementation of incentive arrangements.

Financial institutions should apply continuous controls and post-controls to, in particular:

- Detect inappropriate sales and practices with clients in order to take the required corrective actions
- Determine residual risks of practices that could adversely affect FTC
- Ensure that the incentive arrangements as designed enable the achievement of the expected FTC outcomes

The greater the risk that the incentive arrangements will result in practices that could adversely affect FTC, the greater the expectation that the financial institution will ensure the effectiveness of its controls.

Expectations to achieve this outcome

- Make sure that staff conduct sales quality monitoring¹⁰ have the required competencies and experience and have the requisite independence to carry out their functions
- Make sure that sales quality monitoring takes into account:
 - The identification and assessment of risks that practices that could adversely affect FTC will result from incentive arrangements
 - The analysis of the information and key indicators collected
- Use various types of controls to assess staff interactions with clients¹¹
- Analyze the results of sales quality controls on a regular basis to ensure that they:
 - Focus on risks of practices that could adversely affect FTC
 - Enable the assessment of FTC outcomes
 - Identify concerns or issues requiring corrective action by the financial institution to ensure FTC

¹⁰ By, among other things, analyzing sales records.

¹¹ For example, observing or listening to interactions with clients when products and services are being offered, mystery shopping, client surveys.

Appendix A

Examples of information/key indicators

This list of examples is not exhaustive. The examples come from various sources, including work carried out by the AMF in the context of its oversight and supervisory activities.

To determine which individuals or sales teams are most at risk of practices that could adversely affect FTC, identify those:

1. For which monetary incentives are a substantial component of total remuneration
2. For which products with higher commission rates represent a higher-than-normal percentage of sales
3. Who sell products to clients who do not fall within the defined target client groups for the products
4. With frequent chargebacks owing, for example, to products being cancelled shortly after they are sold
5. Who are the subject of repeated complaints from clients
6. With high lapse rates on new business or unusually high lapse rates compared to industry averages
7. With high penetration rates for cross-selling
8. With an unusually high number of product replacement transactions
9. Whose sales or practices are the subject of reports or measures by quality monitoring staff
10. For which there is little variety in the products sold

To determine which sectors and products are most at risk of practices that could adversely affect FTC, identify those:

11. With higher sales incentives
12. With sales incentives that are higher than for other similar products
13. For which sales campaigns are carried out or for which there is a sales spike
14. With higher than normal lapse rates
15. With fairly low renewal rates
16. With unusually high claim denial rates (total or partial)
17. Whose sales increase during specific periods, such as the bonus calculation period

Appendix B

Examples of incentive arrangements features that increase the risks of practices that could adversely affect FTC

This list of examples is not exhaustive. The examples are taken from various sources, including work carried out by the AMF in the context of its oversight and supervisory activities.

Incentives

1. Higher bonus rates with higher sales volumes
2. Different incentives for similar products (risk of the more lucrative product being sold rather than the product that is best suited to the client's needs and situation)
3. Additional incentives based on extra product options or features
4. Salaries increased or decreased, benefits awarded or withdrawn or any penalty imposed (e.g., dismissal) depending on whether primarily quantitative performance targets and criteria are met or not
5. Bonus paid on each sale above a set threshold. Individuals could seek to complete as many sales as possible before the end of the bonus calculation period
6. Commissions paid for ongoing services¹² that are inconsistent with the level of service expected
7. Significant difference between initial sales commissions and commissions paid for ongoing services, which could lead individuals to propose a replacement transaction with no clear benefit for the client in order to maximize their remuneration
8. For the same product, commissions that are different for sales of new insurance contracts than for renewals of existing contracts
9. Incentives awarded for a given product that differ from one distribution method to the next (e.g., through a distributor or through a representative)
10. Incentives awarded for sales of a specific product for a limited period of time

Performance targets and criteria

11. Quantitative performance targets and criteria that are factor heavily in awarding incentives
12. Weight given to performance criteria and targets reflecting FTC not sufficient to have a real impact on the awarding (or clawback) of incentives established based on performance targets and criteria contributing to the financial institution's financial performance
13. Performance targets or criteria that are ineffective for measuring or ensuring the achievement of the expected FTC outcomes
14. Use of group targets and criteria to measure performance without sufficient weight being assigned to individual performance with respect to FTC

¹² E.g., renewal commissions, trailing commissions.

-
15. Manager incentive arrangements that focus on quantitative performance targets and criteria
 16. Incentive arrangements for debt collection staff that focus on the amount they collect (quantitative performance targets and criteria that increase the risk of staff engaging in inappropriate debt collection practices)
 17. Performance measurement criteria that include cross-selling objectives

Other features

18. Monetary incentives representing a significant portion of a person's remuneration package
19. Renewal commissions are vested for life and paid to inactive, replaced or retired intermediaries (may result in clients being "orphaned" and in a new intermediary attempting to sell another product to them in order to earn remuneration)
20. Agreements with intermediaries (e.g., distribution, financial assistance, access to IT platforms/software, call center) that allow financial institutions to influence the decisions, transactions and practices of intermediaries and thereby restrict intermediaries' access to markets

For example:

- Imposition of a minimum volume or a deadline for attaining a minimum volume
- Inclusion of a bonus or a share of the profits based on contract experience

Such arrangements could have an effect on the advice provided by intermediaries or incentivize them to place a majority of new policies with a specific insurer.

The making of certain agreements (e.g., distribution, financial support, other long-term benefits) may also be contingent on the making of other agreements.

21. Incentive arrangements that could entail penalties or fees for clients, such as withdrawal fees
22. Chargeback mechanism that may influence practices. A person may, for example, induce a client to keep an unsuitable product in order to avoid chargeback
23. Incentives awarded on a discretionary basis
24. Incentive arrangements under which, for example, the sales commission may increase based on the interest rate negotiated with the client, the amount invested or borrowed, the amount of insurance coverage

Briefing Note

CAFII Board Meeting 7 December, 2021—Agenda Item 6(k)

Read Only Items— Document(s) Associated With FCAC Consultation on “Proposed Guideline on Complaint Handling Procedures for Banks and Authorized Foreign Banks”

Purpose of this Agenda Item – Read Only

This is a read only item.

Background Information

CAFII is preparing a response to the FCAC on its consultation on a “Proposed Guideline on Complaint Handling Procedures for Banks and Authorized Foreign Banks.”

Draft 1 of CAFII’s response submission to this consultation is attached as the meeting material for this agenda item.

Recommendation / Direction Sought – Read Only

This is a read only item.

Attachments Included with this Agenda Item

One attachment.

Agenda Item 6(k)
December 7/21 Board Meeting

Consultation on FCAC's proposed Guideline on Complaint-Handling Procedures for Banks and Authorized Foreign Banks

From: Financial Consumer Agency of Canada

Current status: Open

This consultation is open. All submissions must be received by **December 11, 2021**.

The Financial Consumer Agency of Canada (FCAC) invites comments on a proposed *Guideline on Complaint-Handling Procedures for Banks and Authorized Foreign Banks* (Guideline) in support of the implementation of the new Financial Consumer Protection Framework (FCPF) in the Bank Act. The FCPF introduces new or enhanced consumer protection measures that will further empower and protect consumers in their dealings with banks and authorized foreign banks (banks).

The Guideline sets out clear principles and expectations that banks should use when developing their policies and procedures to ensure they deal with consumer complaints promptly, consistently, and in a manner that is easy for consumers to navigate and understand.

The consultation will give all interested parties an opportunity to express their views and enable FCAC to benefit from a wide range of perspectives.

This is the first in a series of consultations on guidelines that FCAC has developed to help banks comply with their obligations in the Bank Act and the new Financial Consumer Protection Framework Regulations, which will come into force on June 30, 2022. Consultations on proposed guidelines on whistleblowing and appropriate products and services are also planned.

How to participate

FCAC invites all interested parties to submit their comments by email to FCAC.Consultation.ACFC@fcac-acfc.gc.ca.

FCAC will also accept written comments by mail or fax at:

Financial Consumer Agency of Canada
Supervision and Promotion Branch
427 Laurier Avenue West, 6th floor
Ottawa, ON K1R 1B9

Fax: 613-941-1436

FCAC may wish to quote from or summarize your submission in its public documents and post all or part of it on Canada.ca. We may revise submissions to remove sensitive or identifying information. If you would prefer that FCAC withhold all or part of your comments from its public documents, please indicate this clearly in your submission.

All comments received by FCAC will be subject to the [Access to Information Act](#) and [Privacy Act](#), and may be disclosed in accordance with the law.

Who is this consultation for

The consultation is primarily intended for the financial industry and stakeholders with an interest in consumer protection. Interested members of the public are also invited to participate.

Background

In 2017 and 2018, 2 FCAC reports highlighted key areas where legislation and regulations could better protect financial consumers and strengthen regulatory oversight of banks. The first was an assessment of best practices in provincial, territorial and international consumer protection regimes in the [Report on Best Practices in Financial Consumer Protection](#). The second was a review of bank sales practices in the [Domestic Bank Retail Sales Practices Review](#).

To address the issues raised in these reports, the federal government introduced legislative amendments to the *Bank Act* in 2018 to create what is referred to as the FCPF. The FCPF contains new or enhanced requirements for complaint-handling procedures in the banking sector. The recently published *Financial Consumer Protection Framework Regulations* add detail and specificity to certain legislative obligations, including some complaint-handling provisions.

In 2019, FCAC conducted its [Industry Review: Bank Complaint-Handling Procedures](#) to assess the effectiveness, accessibility and timeliness of complaint-handling in the Canadian banking system. Findings from that report, which was published in 2020, were used to develop the proposed Guideline.

Proposed guideline

FCAC is seeking comments and feedback on the following document:

[Proposed Guideline on Complaint-Handling Procedures for Banks and Authorized Foreign Banks](#)

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

The new legislative and regulatory requirements incorporate key elements of the existing financial consumer protection rules and introduce new or enhanced measures for complaint handling. They require banks to:

- establish complaint-handling policies and procedures that satisfy the Commissioner of FCAC
- deal with each complaint within 56 days following the day it is received

- designate an officer or employee in Canada to implement complaint-handling policies and procedures
- designate officer(s) or employee(s) in Canada to receive and deal with complaints
- refrain from using misleading terms with respect to complaint-handling procedures, including any term that suggests that the procedures, officers or employees are independent of the bank (e.g., “ombudsman”)
- create records of all complaints and retain them for 7 years
- report quarterly to FCAC regarding complaints that their designated employees or officers receive during the quarter

FCAC expects banks to review and revise their policies and procedures to ensure compliance with the applicable consumer provisions under the *Bank Act* and applicable regulations. In addition, banks should be guided by the principles and expectations detailed in the Guideline when establishing their complaint-handling policies and procedures.

Next steps

FCAC will consider all comments received and may modify the proposed Guideline, where appropriate. FCAC plans to publish an anonymized summary of comments on Canada.ca once the final version of the Guideline is released.

Related information

- [Part XII.2 of the *Bank Act*](#) (not yet in force)
- [Financial Consumer Protection Framework Regulations](#) (not yet in force)
- [Report on Best Practices in Financial Consumer Protection](#)
- [Domestic Bank Retail Sales Practices Review](#)
- [Industry Review: Bank Complaint-Handling Procedures](#)

Proposed Guideline on Complaint-Handling Procedures for Banks and Authorized Foreign Banks

From: [Financial Consumer Agency of Canada](#)

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- [VI. Administrative processes and controls](#)

I. Introduction

1. The Financial Consumer Agency of Canada (FCAC) has developed this Guideline – Complaint-Handling Procedures: Banks and Authorized Foreign Banks (Guideline) to set its expectations with respect to banks' implementation of the complaint-handling provisions in the *Bank Act* and the *Financial Consumer Protection Framework Regulations*.

2. Part XII.2 of the *Bank Act* establishes the provisions that apply to banks (including federal credit unions) and authorized foreign banks ("banks") for dealing with complaints.

3. FCAC encourages other federally regulated financial entities, such as trust and loan companies and insurance companies, to review this Guideline to develop and improve their policies and procedures.

4. A bank is responsible for ensuring it meets the requirements established in the *Bank Act* and that its complaint-handling policies and procedures are satisfactory to the Commissioner. [Footnote1](#)

5. A bank, and any parties subject to the requirements in s.627.15 of the *Bank Act* ("third parties"), must ensure that consumers have access to the bank's complaint-handling policies and procedures.

6. FCAC recognizes that banks may tailor their complaint-handling policies and procedures to align with the nature, size and complexity of their business, distribution channels, and products and services.

7. This Guideline is not a substitute for legislation or regulations.

II. Key principles

8. A bank's Senior management and the committee of the board responsible for the bank's compliance with consumer provisions should oversee the establishment and implementation of complaint-handling policies and procedures. In establishing those policies and procedures, a bank should be guided by the following principles:

i. Effectiveness

A bank's complaint-handling policies and procedures should be comprehensive and implemented to deal with consumer complaints in a consistent manner.

ii. Timeliness

A bank's complaint-handling policies and procedures should ensure the bank deals with complaints promptly and without unnecessary delays.

iii. Accessibility

A bank's complaint-handling policies and procedures should be easy for consumers to find, navigate and understand.

III. Effective complaint-handling policies and procedures

9. A bank seeking to incorporate, or to continue to operate as a bank, must provide a copy of its complaint-handling policies and procedures to FCAC within the timelines specified during the application process.

10. When a bank amends its complaint-handling policies and procedures, it should file a consolidated version of the amended complaint-handling policies and procedures with FCAC as soon as the amendments are approved internally.

Designating employees

11. A bank must designate 1 officer or employee ("employee") in Canada to be responsible for implementing its complaint-handling policies and procedures.

12. A bank must also designate 1 or more employees in Canada to receive and deal with complaints ^{Footnote2} ("designated employees"). It may designate any employee whom it deems appropriate.

13. The employee whom a bank designates to be responsible for implementing its complaint-handling policies and procedures and the designated employee who holds the most senior position for dealing with complaints (the "senior designated employee") can be the same person. ^{Footnote3} The title of the senior designated employee should reflect that this position deals with complaints on a regular basis.

14. All designated employees should have the experience, competencies and authority required to deal with complaints, and their titles should reflect the fact that they routinely receive and deal with complaints.

15. To be effective, a bank's complaint-handling policies and procedures should:

- establish clear roles, responsibilities and accountabilities for all employees involved in complaint-handling
- ensure designated employees have the experience, resources and authorities required to conduct the complaints process, including resolution

- provide for the monitoring of complaints, including those received by or in relation to third parties
- include mechanisms for soliciting regular feedback from consumers at all levels of the bank's complaint-handling process
- include a process for monitoring and testing policies and procedures and updating them as required
- ensure all complaints are dealt with in a consistent, fair and objective manner and provide redress as appropriate
- ensure that all employees who deal with complaints follow the same policies and procedures
- include analysis of complaint data to identify opportunities to better serve consumers and to strengthen compliance with market conduct obligations ^{Footnote4}

Training

16. A bank's complaint-handling policies and procedures should include:

- initial and ongoing formal training on complaint-handling for all employees who deal with complaints
- a system for monitoring the status of employee training
- mechanisms to measure and test the effectiveness of training
- timelines and processes for reviewing training on a regular basis to ensure accuracy and for updating training in a timely fashion, as required, particularly in the event of:
 - a change in external complaints body
 - changes to legal requirements
 - changes to internal complaint-handling policies and procedures

17. A bank's training for designated employees should reflect their specific roles and responsibilities.

18. A bank should allocate sufficient financial, technological and operational resources to implement an effective complaint-handling training program.

Systemic issues

19. A bank's complaint-handling policies and procedures should include mechanisms for identifying and remedying any recurring or systemic problems by:

- addressing the underlying reason behind the complaint and taking corrective action, where appropriate
- tracking and analyzing the causes of individual complaints to identify the root causes that are common to various types of complaints
- considering whether such root causes may also affect other processes, products or services
- considering whether other consumers may have potentially suffered detriment from such root causes

Redress and reimbursement policies

20. A bank's complaint-handling policies and procedures should include a comprehensive redress policy that supports redress and reimbursement.

21. Complaint-handling policies and procedures should ensure that a bank can provide its consumers with redress and/or reimbursement for financial and non-financial complaints in a manner that is in keeping with, and based on, the circumstances of the complaints.

22. Where a recurring or systemic issue has been identified, complaint-handling policies and procedures should ensure that the bank provides redress and/or reimbursement to all affected consumers.

IV. Timely complaint-handling policies and procedures

23. A bank's complaint-handling policies and procedures should document the following potential outcomes when dealing with a complaint:

- a bank can deal with a complaint by resolving it to the satisfaction of the person who made it ("resolve")
- a bank can deal with a complaint by closing it if the bank is unable to resolve the complaint to the satisfaction of the person who made it ("close")

24. A bank's complaint-handling policies and procedures should include clear steps that ensure complaints are resolved or closed within the prescribed period.

25. A bank should review complaints in a manner that accounts for their nature and circumstances. It should do so as quickly as is appropriate, and with particular attention to the length of time a consumer spends at each step in the complaint-handling process.

Period for dealing with complaints

26. A bank should identify in its complaint-handling policies and procedures the timeframe for referring unresolved complaints to designated employees in a timely manner.

27. In order to be considered timely, the timeframe for referral should not exceed 14 calendar days from the date on which the complaint was first received.

28. Any employee may deal with complaints if they are the first point of contact between the bank and the consumer, regardless of the channel through which the complaint is received (for example, in branch, online or over the phone).

29. If an employee who is not designated to deal with complaints cannot resolve a complaint within the timeframe for referral identified in the bank's complaint-handling policies and procedures, they should refer the complaint to a designated employee.

30. If an employee who is not designated to deal with complaints requires input or assistance from a designated employee to do so, the complaint should be considered to have been referred to a designated employee. Therefore, the bank must report it to FCAC. [Footnote5](#)

31. Once a complaint has been received by or referred to a designated employee, it should continue to be dealt with by a designated employee. However, this does not preclude the possibility of continued interactions between the consumer, the designated employee, and an employee that is not designated.

V. Accessible complaint-handling policies and procedures

32. A bank's complaint-handling policies and procedures for consumers should describe:

- how the consumer can complain to the bank through different channels
- the bank's process and the action(s) that will follow
- the consumer's right to submit a complaint to the external complaints body if:
 - the bank has exhausted the prescribed time period for dealing with the complaint or
 - the consumer is not satisfied with the resolution offered by the most senior designated officer or employee at the bank
- how to contact the external complaints body
- how to contact FCAC

33. A bank's complaint-handling policies and procedures should ensure that all employees who deal with complaints are able to help consumers navigate the bank's complaint-handling process, including referring their complaint to the external complaints body.

Providing information to consumers

34. A bank should be able to demonstrate that it has taken appropriate steps to give consumers the information and documentation—such as contracts, agreements and records of correspondence—that they need to meet the requirements set out in the bank's complaint-handling policies and procedures.

35. A bank's complaint-handling policies and procedures should ensure that employees know and understand the bank's disclosure obligations to consumers under the *Bank Act*. [Footnote6](#)

36. The information that a bank provides on its website(s) annually (or in writing when responding to a request) should include:

- the number of complaints that its senior designated employee dealt with, including the number of complaints resolved or closed
- the average length of time the bank took to deal with those complaints, from first interactions with the consumer to the date the complaint was resolved or closed
- the products or services to which the complaints related
- a description of the nature of the complaints, beyond the related product or service information contained in the classification
- the number of resolved complaints

37. The information a bank provides to consumers about its complaint-handling policies and procedures must be accurate and use language that is clear, simple and not misleading.

Acknowledging complaints

38. A bank should acknowledge the consumer's complaint without delay, in writing, ^{Footnote 7} regardless of the channel through which it was received (for example, in branch, online or over the phone).

39. A bank can acknowledge the complaint electronically if the complaint was sent that way or if the consumer has consented to receive electronic documents.

40. A bank should document and track complaints to a final decision and provide consumers with comprehensive and up-to-date information in a timely manner upon request.

Dealing with complaints when the consumer has not provided their name

41. When a bank receives a complaint from a consumer who has not provided their name (for example, a complaint submitted through social media using a nondescript handle), the bank should respond and provide the consumer with the opportunity to access the bank's complaint-handling policies and procedures. If that consumer then decides to provide their identity, the bank should deal with the complaint according to the complaint-handling policies and procedures.

42. When a bank provides its complaint-handling policies and procedures to a consumer who has not provided their name, and the consumer still does not reveal their identity, the bank is not expected to refer the complaint to a designated employee. The bank should still create a record of the complaint with the information it has available.

Substantive written response

43. When a bank closes or resolves a complaint, the bank should provide a substantive written response to the consumer without delay.

44. The substantive written response should provide all the information a consumer needs to take the complaint to a bank's external complaints body, if they so choose, including:

- the date on which the bank received the complaint
- the fact that the prescribed time period has been reached and that the bank was unable to resolve the complaint within that period, if applicable
- the bank's final decision and offer, if any, in response to the complaint, as well as any relevant information about how the final decision was reached
- the method used to calculate redress (monetary and non-monetary), if offered
- the consumer's right to escalate the complaint to the external complaints body and how to contact the body

VI. Administrative processes and controls

45. A bank must report to FCAC every complaint a designated employee receives directly or has referred to them. This includes cases where the designated employee represents the first interaction between the bank and the consumer—whether or not the consumer has provided their name.

46. A bank must maintain a record of all the complaints it receives, including any in which the consumer is not named and any received by, or in relation to, a third-party.

47. A bank must report complaints to FCAC in accordance with FCAC's [Mandatory reporting guide for federally regulated financial institutions](#).

Footnote 1

Bank Act, 627.43(1)(a), Procedures for dealing with complaints.

[Return to footnote1Referrer](#)

Footnote 2

Bank Act, 627.43(1)(c), Procedures for dealing with complaints.

[Return to footnote2Referrer](#)

Footnote 3

Bank Act, 627.47(a), Annual information.

[Return to footnote3Referrer](#)

Footnote 4

Market conduct obligations include legislative provisions, codes of conduct and public commitments.

[Return to footnote4Referrer](#)

Footnote 5

Bank Act, 627.46, Report to the Commissioner.

[Return to footnote5Referrer](#)

Footnote 6

Bank Act, 627.43(4), Information regarding complaint procedure.

[Return to footnote6Referrer](#)

Footnote 7

Bank Act, 627.43(4)(a), Information regarding complaint procedure.

Briefing Note

CAFII Board Meeting 7 December, 2021—Agenda Item 6(I)

Read Only Items— Documents Associated With FCNB Consultation on “Proposed Rule INS-001: Insurance Intermediaries Licensing and Obligations”

Purpose of this Agenda Item – *Read Only*

This is a read only item.

Background Information

CAFII is preparing a response to the FCNB (New Brunswick) on its consultation on a “Proposed Rule INS-001: Insurance Intermediaries Licensing and Obligations,” which is largely focused on FCNB’s planned framework for introducing a Restricted Insurance Agent (RIA) licensing regime in New Brunswick, which would be the first outside of Western Canada, akin to existing RIA regimes in Alberta, Saskatchewan, and Manitoba.

The consultation document to which we will be responding is attached as the meeting material for this agenda item.

Recommendation / Direction Sought – *Read Only*

This is a read only item.

Attachments Included with this Agenda Item

One attachment.



REQUEST FOR COMMENTS

Notice and Request for Comment – Publication of proposed Financial and Consumer Services Commission Rule INS-001 *Insurance Intermediaries Licensing and Obligations* (the “**Proposed Rule**”) as set out in **Annex A**.

Introduction

On 13 October 2021, the Financial and Consumer Services Commission (“**Commission**”) approved publication in order to obtain comments on the Proposed Rule.

The Commission previously published the following consultation papers outlining proposals for updating the insurance intermediary licensing framework:

- [Modernizing the New Brunswick Insurance Licensing Framework](#) - November 2015;
- [Licensing of Insurance Adjusters and Damage Appraisers in New Brunswick](#) - May 2019;
- [Incidental Selling of Insurance, Restricted Insurance Licensing](#) Regime - December 2019.

We received numerous comment letters from the consultations. The majority of the feedback was supportive of the recommendations in the papers. The feedback was considered in making amendments to the *Insurance Act* and informed the development of the Proposed Rule. A list of respondents is included in **Annex B**.

Substance and Purpose of Proposed Rules and Proposed Amendments

Over the years, the insurance industry has undergone significant changes. The Proposed Rule will update the regulatory framework to reflect the changes to the *Insurance Act* (the “**Act**”) and will replace five existing regulations, some of which are very dated:

- *Adjusters Regulation (2009)*,
- *Agents and Brokers Regulation (1995)*,
- *Licence and Examination Fees for Agents and Brokers Regulation (1983)*,
- *Licence Revival Fee Regulation (1984)*,
- *Life Insurance Agent Licensing Regulation (2003)*.

The Proposed Rule establishes the classes of licences that may be issued and the licensing qualifications and educational requirements for licensees. The Proposed Rule also enhances market conduct rules for insurance intermediaries.

The Commission will be publishing a proposed fee rule which will establish the regulatory fees for licensing applications and other related fees.

The effective date of the Proposed Rule would coincide with the implementation of related amendments to the *Insurance Act*.

Contents of Annexes

<u>Annex A:</u>	Proposed Rule INS – 01 <i>Insurance Intermediaries Licensing and Obligations</i>
<u>Annex B:</u>	List of Respondents

How to Obtain a Copy and Provide your Comments

The text of the Proposed Rule is included with this notice.

A paper copy of the proposed materials may be obtained by writing, telephoning or emailing the Commission. Comments are to be provided, in writing, by no later than 7 February 2022 to:

Corporate Secretary
Financial and Consumer Services Commission
85 Charlotte Street, Suite 300
Saint John, N.B. E2L 2J2
Telephone: 506-658-3060
Toll Free: 866-933-2222 (within NB only)
Fax: 506-658-3059
E-mail: secretary@fcnb.ca

We cannot keep submissions confidential. Any submission received during the comment period may be disclosed in accordance with provincial legislation. A summary of the written comments received during the comment period may be published. 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.

Questions

If you have any questions, please refer them to:

David Weir
Senior Technical Advisor
Tel: 1-866-933-2222
Email: david.weir@fcnb.ca

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Senior Legal Counsel
Tel: 506-453-6591
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ANNEX A

FINANCIAL AND CONSUMER SERVICES COMMISSION RULE INS-001 *INSURANCE INTERMEDIARIES LICENSING AND OBLIGATIONS*

PART 1 – DEFINITIONS AND INTERPRETATION

Definitions

1. (1) In this Rule

“accident and sickness insurance” means insurance:

- (a) against loss resulting from bodily injury to or the death of a person caused by an accident;
- (b) under which an insurer undertakes to pay a certain sum or sums of insurance money in the event of bodily injury to or the death of a person caused by an accident;
- (c) against loss resulting from the sickness or disability of a person, excluding loss resulting from an accident or death;
- (d) under which an insurer undertakes to pay a certain sum or sums of insurance money in the event of the sickness or disability of a person not caused by an accident; or
- (e) under which an insurer undertakes to pay insurance money with respect to the health care, including dental care and preventative care, of a person; (*assurance accident et maladie*)

“Act” means the *Insurance Act* (New Brunswick); (*Loi*)

“adjusting firm” means a partnership, corporation, or sole proprietorship that is conducting insurance activity as an adjuster; (*cabinet d’expertise en sinistres*)

“agency” means a corporation, partnership or sole proprietor that is conducting insurance activity as an agent, and for greater certainty includes a brokerage; (*agence*)

“collector of insurance premiums” means a person who only collects insurance premiums and does not solicit, negotiate, sell or arrange insurance contracts or the renewal of insurance contracts; (*encaisseur de primes d’assurance*)

“general insurance” means all classes of insurance but does not include accident and sickness insurance, life insurance and travel insurance; (*assurances I.A.R.D.*)

“insurance intermediary” means an adjuster, an adjusting firm, an agency, an agent, a managing general agent, a restricted insurance representative and a special insurance broker; (*intermédiaire d’assurance*)

“level 1 assistant adjuster” means an individual who is authorized to act as an adjuster under the supervision of a level 2 adjuster or level 3 senior adjuster who meet the requirements for supervision; (*expert en sinistres adjoint de niveau 1*)

“level 2 adjuster” means an individual who is authorized to act as an adjuster; (*expert en sinistres de niveau 2*)

“level 3 senior adjuster” means an individual who is authorized to act as an adjuster and to manage an adjusting firm; (*expert en sinistres principal de niveau 3*)

“level 1 general insurance agent” means an individual who is authorized to act as a general insurance agent for all personal lines of insurance; (*agent d’assurances I.A.R.D. de niveau 1*)

“level 2 general insurance agent” means an individual who is authorized to act as a general insurance agent for all personal and commercial lines of insurance; (*agent d’assurances I.A.R.D. de niveau 2*)

“level 3 general insurance agent” means an individual who is authorized to act as a general insurance agent for all personal and commercial lines of insurance and is authorized to manage an insurance agency; (*agent d’assurances I.A.R.D. de niveau 3*)

“licensed firm” means an adjusting firm, agency or managing general agent; (*cabinet autorisé*)

“life insurance agent” means an individual who is authorized to solicit, negotiate, sell or arrange life insurance and accident and sickness insurance; (*agent d’assurance-vie*)

“managing general agent” means a corporation, partnership or sole proprietorship that carries out specific activities on behalf of an insurer, and includes an associate general agent, that:

- (a) in connection with life insurance and accident and sickness insurance, conducts any of the following activities:

- (i) soliciting or accepting applications for insurance from life insurance or accident and sickness insurance agencies or agents;
 - (ii) entering into written agency agreements with life insurance or accident and sickness insurance agencies or agents authorizing the agency or agent to do business on behalf of the insurer; or
 - (iii) supervising and monitoring the activities of a life insurance or accident and sickness insurance agency and agents with whom it has entered into written agency agreements on behalf of an insurer;
- (b) in connection with general insurance and travel insurance, conducts any of the following activities:
 - (i) soliciting, negotiating or accepting applications from an agency or agent;
 - (ii) quoting and binding insurance for applications from an agency or agent;
 - (iii) effecting and countersigning contracts of insurance;
 - (iv) collecting and accepting premiums from an agency or agent;
 - (v) underwriting insurance contracts;
 - (vi) processing claims on behalf of an insurer;
 - (vii) supervising and monitoring the activities of agencies and agents with whom it has entered into written agency agreements on behalf of an insurer; (*agent de gestion générale*)

“restricted insurance representative” means a corporation, partnership or sole proprietorship who is authorized to solicit, negotiate, sell or arrange the class or type of insurance specified on the restricted insurance representative licence; (*représentant d’assurance restreinte*)

“special insurance broker” means a person who is authorized under the Act to negotiate, continue or renew contracts of insurance with unlicensed insurers; (*courtier spécial d’assurance*)

“supervision” means reasonable and prudent oversight of all insurance activities carried on by the individual being supervised; (*supervision*)

“third party administrator” means a person that, for compensation, carries out activities to administer a contract of insurance on behalf of an insurer, other than solely clerical activities, but does not include a person that is licensed as an agency or a managing general agent; (*tiers administrateur*)

“travel insurance” means any of the following:

- (a) in respect of a trip by a person away from the place where the person ordinarily resides, without any individual assessment of risk, insurance for any of the following:
 - (i) loss of, or damage to, personal property that occurs while on a trip;
 - (ii) loss that is caused by the delayed arrival of personal baggage while on the trip;
 - (iii) loss that is incurred from the rental of a motor vehicle while on the trip;

- (b) in respect of a trip by a person away from the place where the person ordinarily resides, insurance for any of the following:
 - (i) against expenses incurred while on the trip that result from an illness or disability of the person that occurs on the trip;
 - (ii) against expenses incurred while on the trip that result from bodily injury to, or the death of, the person caused by an accident while on the trip;
 - (iii) whereby the insurer undertakes to pay one or more sums of money in the event of an illness or the disability of the person that occurs on the trip, or of bodily injury to, or the death of, the person that is caused by an accident on the trip;
 - (iv) against expenses incurred by the person for dental care necessitated by an accident while on the trip;
 - (v) in the event that the person dies while on the trip, against expenses incurred for the return of that person's remains to the place where the person was ordinarily resident before death, or travel expenses for a person to go and pick up that person's remains;
- (c) insurance against loss that results from the cancellation or interruption of the trip; (*assurance voyage*)

“travel insurance agent” means an individual who is authorized to solicit, negotiate, sell or arrange travel insurance; (*agent d’assurance voyage*)

“trust money” means all monies or other consideration received or receivable by any licence holder in the course of carrying on insurance business:

- (a) from the public on behalf of insurers; or
- (b) from insurers on behalf of the public. (*fonds en fiducie*)

- (2) Unless the context requires otherwise, words and expressions used in the *Insurance Act*, whether or not defined in that *Act*, have the same meaning for the purposes of this Rule.

Licences

- 2. The Superintendent may issue the following classes of licence authorizing an individual to act in New Brunswick as:
 - (a) an adjuster with the following levels of authority:
 - (i) Level 1 assistant adjuster;
 - (ii) Level 2 adjuster;
 - (iii) Level 3 senior adjuster;
 - (b) a general insurance agent with the following levels of authority:
 - (i) Level 1 general insurance agent;
 - (ii) Level 2 general insurance agent;

- (iii) Level 3 general insurance agent;
- (c) a life insurance agent;
- (d) an accident and sickness insurance agent;
- (e) a restricted insurance representative;
- (f) a travel insurance agent;
- (g) a special insurance broker.

Exemptions for individuals

3. A collector of insurance premiums who does not solicit, negotiate, sell or arrange insurance contracts or the renewal of insurance contracts may carry on such activity without a licence, if the collection fee does not exceed five per cent of any amount collected.
4. (1) Unless the Superintendent directs otherwise, the requirement to be licensed does not apply to an individual acting for an insurer or reciprocal or inter-insurance 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, if the individual:
 - (a) is an officer or salaried employee of a licensed insurer, who does not receive commissions; or
 - (b) is acting as an attorney or salaried employee of a reciprocal or inter-insurance exchange at which no commission is paid except to the attorney.
- (2) In the case of an insurer authorized to undertake life insurance or accident and sickness insurance, the requirement to be licensed does not apply to an officer or salaried employee only if that officer or salaried employee works at the head office of the insurer, and does not receive commissions.
- (3) An officer or employee who has been refused a license, or whose licence has been suspended, revoked or cancelled, shall not act as provided in subsection (1) without written authorization from the Superintendent.
5. (1) The Superintendent may prohibit an individual from relying on an exemption if the Superintendent is of the opinion, on reasonable grounds, that an individual relying on an exemption from licensing under the Act or this Rule:
 - (a) violated or failed to comply with a written undertaking to the Superintendent;
 - (b) committed a fraudulent act or practice;
 - (c) demonstrated incompetency or untrustworthiness; or
 - (d) is otherwise unsuitable.

- (2) The Superintendent shall provide the individual with an opportunity to be heard prior to a decision to prohibit the individual from relying on an exemption from licensing.

Application for a licence

6. (1) The Superintendent may issue a licence to an individual if the Superintendent is satisfied that the applicant meets the requirements of the *Act* and the following licensing requirements:
 - (a) is 19 years of age or older;
 - (b) provides a satisfactory criminal record check from an accepted provider;
 - (c) identifies the applicant's sponsoring insurer, as required;
 - (d) identifies the licensed firm the applicant will represent, as required;
 - (e) identifies the applicant's supervisor, as required;
 - (f) provides details on trust accounts, as required;
 - (g) provides evidence that the applicant maintains or is covered by errors and omissions insurance, as required;
 - (h) provides employment details;
 - (i) has successfully completed the licensing qualifications and educational requirements for the respective licence as required or an educational program or course established by the Superintendent;
 - (j) submits a completed licensing application;
 - (k) is suitable to hold a licence and that the proposed licence is not for any reason objectionable.
- (2) The Superintendent may require additional information or documentation to assess the licensing requirements, including the applicant's qualifications and suitability to hold the licence and to ensure that the proposed licence is not for any reason objectionable.
- (3) The Superintendent may waive some or all of the requirements for a licence, if an applicant satisfies the Superintendent that the applicant has:
 - (a) equivalent licensing qualifications and educational requirements based on education, training and experience;
 - (b) been issued a substantially similar licence in another jurisdiction; or
 - (c) engaged in equivalent or comparable work in the insurance industry.
- (4) The licensing application shall be completed in a form provided by the Superintendent.
- (5) An adjuster, agent or special insurance broker who changes their adjusting firm or agency shall file a new application and pay the appropriate application fee.
- (6) The Superintendent may designate conditions for the writing and the re-writing of licensing qualification exams.

Renewal of licence

7. (1) The Superintendent may renew a licence for an individual if the Superintendent is satisfied that the applicant continues to:
 - (a) meet the licensing requirements and educational qualifications for the licence;
 - (b) be suitable to hold a licence and that the proposed licence renewal is not for any reason objectionable.
- (2) The Superintendent may require additional information or documentation to assess the applicant's qualifications and suitability and to ensure that the proposed licence renewal is not for any reason objectionable.
- (3) The Superintendent will not accept an application to renew a licence submitted 30 days after the expiration of the licence.

Certification

8. (1) The applicant shall certify that all information provided in an application is true, accurate and complete.
- (2) The Superintendent may require an applicant to verify, by affidavit or otherwise, the authenticity, accuracy or completeness of any information or material submitted as part of the application process.

Requirement to be licensed in home jurisdiction

9. (1) To obtain a licence in New Brunswick, an individual who resides in another jurisdiction shall be licensed in the jurisdiction in which they reside.
- (2) The Superintendent may, in exceptional circumstances or where the home jurisdiction does not have an equivalent licence, waive the requirement for the individual to hold a licence in the jurisdiction in which the individual resides.
- (3) An applicant or licensee shall provide proof of being licensed in the other jurisdiction.

Sponsorship by an Insurer

10. (1) An insurer who sponsors a person for a licence shall establish and document reasonable and demonstrable screening procedures to assess the suitability of the person to hold a licence.
- (2) An insurer shall follow such procedures in sponsoring an application for a licence.

Termination of Sponsorship

11. (1) An insurer who terminates sponsorship of a licensed person shall provide written notice and reasons for such termination to the Superintendent within 15 days of termination of sponsorship.
- (2) The notice of termination of sponsorship shall be in a form provided by the Superintendent.

Expiration of licence

12. (1) The following licences shall expire and no longer be valid on the date specified on the licence:
 - (a) a life insurance agent licence;
 - (b) an accident and sickness insurance agent licence;
 - (c) a general insurance agent licence;
 - (d) a travel insurance agent licence; and
 - (e) a special insurance broker's licence.
- (2) For the initial licence and first renewal of the classes of licences listed in subsection (1), the licence shall expire and no longer be valid on the expiration date listed on the licence, which date shall not be more than one year from the date the licence was issued or renewed.
- (3) For the second renewal and every subsequent renewal, the licence shall expire and no longer be valid on a date that shall not exceed two years after the date the licence was renewed.
- (4) The Superintendent may issue a licence for a lesser duration than set out in this section.
13. (1) An adjuster licence expires and is no longer valid on the date specified in the licence.
- (2) A person who has held an adjuster licence for two consecutive years, may apply on their next renewal for a licence with a two-year term.
- (3) The Superintendent may issue a licence for a lesser duration than set out in this section.
14. A restricted insurance representative licence, an adjusting firm licence, an agency licence and a managing general agent licence expire and is no longer valid on the date specified in the licence.
15. A licence issued to a non-resident is subject to any restrictions and terms and conditions imposed on a substantially similar licence by the jurisdiction where the licence holder resides.
16. The Superintendent may extend the duration of a licence under exceptional circumstances.

PART 2 – GENERAL INSURANCE AGENTS

Licensing qualifications and educational requirements – general insurance agents

17. (1) An applicant for a level 1 general insurance agent licence shall have successfully completed one of the following educational requirements:
- (a) the Fundamentals of Insurance Examination offered by the Insurance Brokers Association of Canada achieving a mark of at least seventy-five per cent (75%);
 - (b) course CAIB I of the Canadian Accredited Insurance Brokers Program offered by the Insurance Brokers Association of Canada;
 - (c) course C11 – Principles and Practice of Insurance and course C130 – Essential Skills for the Insurance Broker and Agent, offered by the Insurance Institute of Canada;
 - (d) courses C81 and C82 – General Insurance Essentials Parts 1 and 2 offered by the Insurance Institute of Canada;
 - (e) the ILS Level 1 General and Adjuster Insurance Licensing Program offered by ILS Learning Corporation.
- (2) The educational requirements shall have been completed by the applicant within 24 months prior to submitting the licensing application, unless the applicant held a level 1 general insurance agent licence, or equivalent licence, within the 5 years prior to submitting the licensing application.
18. (1) An applicant for a level 2 general insurance agent licence shall meet the following licensing qualifications and educational requirements:
- (a) the educational requirements for a level 1 general insurance agent licence in section 17;
 - (b) successful completion of one of the following educational requirements:
 - (i) course CAIB II and course CAIB III of the Canadian Accredited Insurance Broker Program offered by the Insurance Brokers Association of Canada; or
 - (ii) course C130 – Essential Skills for the Insurance Broker and Agent and course C131 - Advanced Skills for the Insurance Broker and Agent offered by the Insurance Institute of Canada.
- (2) An applicant without an existing level 1 general insurance agent licence shall have completed all the educational requirements within 24 months prior to submitting the licensing application, unless the applicant held a licence equivalent to a level 2 general insurance agent, or higher level licence in another jurisdiction within the 5 years prior to submitting the licensing application.
19. An applicant for a level 3 general insurance agent licence shall meet the following licensing qualifications and educational requirements:
- (a) the educational requirements for a level 1 general insurance agent licence in section 17;
 - (b) the licensing qualifications and educational requirements for a level 2 general insurance agent licence in section 18;
 - (c) successfully completed one of the following educational requirements:

- (i) course CAIB IV of the Canadian Accredited Insurance Broker Program offered by the Insurance Brokers Association of Canada; or
- (ii) course C132 - Practical Issues to Broker Management offered by the Insurance Institute of Canada;
- (d) have a minimum of four years of experience as a general insurance agent within the six years prior to submitting the licensing application, including a minimum of two years of experience as a level 2 general insurance agent or at an equivalent level in another jurisdiction.

Supervision – level 1 and level 2 general insurance agents

- 20. (1) A level 1 general insurance agent shall be under supervision for 12 months from the date the level 1 licence is issued.
- (2) During the period of supervision, a level 1 general insurance agent shall be supervised by an individual who is licensed as one of the following:
 - (a) a level 3 general insurance agent; or
 - (b) a level 1 or level 2 general insurance agent who has been licensed for at least 24 months.
- 21. (1) A level 2 general insurance agent shall be under supervision for 12 months from the date the level 2 licence is issued.
- (2) A level 2 general insurance agent shall be supervised by an individual who is licensed in one of the following:
 - (a) a level 3 general insurance agent, or
 - (b) a level 2 general insurance agent who has held this licence for at least 24 months.
- 22. The Superintendent may waive the requirement for supervision or reduce the duration of supervision where the level 1 or level 2 agent has been licensed in another jurisdiction within the previous 24 months.
- 23. The supervisor of a level 1 or a level 2 general insurance agent has the following responsibilities:
 - (a) provide appropriate instruction consistent with the type of activity conducted by the person being supervised;
 - (b) provide reasonable and prudent supervision of the insurance activities of the person being supervised;
 - (c) review and approve all insurance business of the person being supervised; and
 - (d) documenting the review and approval through countersignatures or notations in paper or electronic systems.
- 24. (1) An individual who is required to be under supervision shall not conduct any insurance activities without a supervisor.
- (2) The supervisor shall be acceptable for the position.

- (3) An individual who is required to be under supervision shall report a change in supervisor to the Superintendent within 10 days of the change in supervisor.
 - (4) The Superintendent may remove a supervisor who is not fulfilling the supervisor's responsibilities or is otherwise not acceptable to act as a supervisor.
 - (5) The Superintendent shall not remove a supervisor without giving the individual an opportunity to be heard.
25. A supervisor shall only supervise a reasonable number of level 1 or level 2 general insurance agents having regard to the circumstances, including:
- (a) the training and experience of the level 1 or level 2 general insurance agent being supervised;
 - (b) the training and experience of the supervisor; and
 - (c) the nature and complexity of the activity conducted.

Reinstatement – general insurance agents

26. (1) A person who has not held a level 1, level 2 or level 3 general insurance agent licence for five consecutive years or more shall requalify for a level 1 or level 2 general insurance agent licence, as applicable.
- (2) A level 1 or level 2 general insurance agent licence issued under subsection (1), shall be under supervision in accordance with subsection 20(2) and 21(2).

PART 3 - LIFE INSURANCE AGENTS AND ACCIDENT AND SICKNESS INSURANCE AGENTS

Licensing qualifications and educational requirements

27. (1) An applicant for a life insurance agent licence shall have successfully completed both of the following educational requirements:
- (a) the Life Licence Qualification Program course approved by the Superintendent; and
 - (b) an examination approved by the Superintendent for the approved Life Licence Qualification Program.
- (2) The examination for the approved Life Licence Qualification Program shall have been completed within 12 months prior to submitting the licensing application, unless the applicant held a life insurance agent licence, or equivalent licence, within the 24 months prior to submitting the licensing application.
- (3) A person who has not held a life insurance agent licence for 24 consecutive months or more shall satisfy the educational requirements.
28. (1) An applicant for an accident and sickness insurance agent licence shall have successfully completed both of the following educational requirements:

- (a) the accident and sickness component of the Life Licence Qualification Course approved by the Superintendent; and
 - (b) an examination approved by the Superintendent for the accident and sickness component of the approved Life Licence Qualification Program.
- (2) The examination for the approved accident and sickness component of the Life Licence Qualification Course shall have been completed within 12 months prior to submitting the licensing application, unless the applicant held an accident and sickness insurance agent licence, or equivalent licence, within the 24 months prior to submitting the licensing application.
- (3) A person who has not held an accident and sickness insurance agent licence for 24 consecutive months or more shall satisfy the educational requirements.

Life insurance agent's duty to disclose

- 29. (1) A life insurance agent shall disclose in writing, to a prospective insured at the time of application, renewal or replacement of a policy of life insurance, the names of all the insurers that the agent represents.
- (2) A life insurance agent shall disclose in writing to every prospective purchaser prior to the purchase of a financial product or service, the names of all the providers of financial products or services that the agent represents.

PART 4 – TRAVEL INSURANCE AGENTS

- 30. (1) An applicant for a travel insurance agent licence shall have successfully completed an education program for a travel insurance agent approved by the Superintendent.
- (2) An applicant for a travel insurance agent licence who holds a life insurance agent licence, or an accident and sickness insurance agent licence is not required to complete an approved education program.

PART 5 – RESTRICTED INSURANCE REPRESENTATIVES

Definitions

- 31. In this Part

“cargo insurance” means insurance within the class of property insurance that provides coverage only against damage to or the loss of goods in transit; (*assurance des marchandises*)

“creditor's critical illness insurance” means group insurance or creditor's group insurance as defined in section 186 of the *Act*, that is within the class of accident and sickness insurance and will pay all or part of the amount of a debt of a debtor to the creditor named under the policy, in the event of a diagnosis of a covered illness or medical condition with respect to:

- (a) where the debtor is a natural person, the debtor or the spouse of the debtor;
- (b) a natural person who is a guarantor of all or part of the debt;
- (c) where the debtor is a body corporate, any director or officer of the body corporate; or

- (d) where the debtor is an entity other than a natural person or a body corporate, any natural person who is essential to the ability of the debtor to meet the debtor's financial obligations; (*assurance crédit en cas de maladie grave*)

"creditor's disability insurance" means group insurance or creditor's group insurance as defined in section 186 of the *Act*, that is within the class of accident and sickness insurance and will pay all or part of the amount of a debt of a debtor to the creditor named under the policy, in the event of bodily injury to, or an illness or disability of any of the following:

- (a) where the debtor is a natural person, the debtor or the spouse of the debtor;
- (b) a natural person who is a guarantor of all or part of the debt;
- (c) where the debtor is a body corporate, any director or officer of the body corporate;
- (d) where the debtor is an entity other than a natural person or a body corporate, any natural person who is essential to the ability of the debtor to meet the debtor's financial obligations; (*assurance crédit en cas d'invalidité*)

"creditor's life insurance" means group insurance or creditor's group insurance as defined in section 132 of the *Act*, that is within the class of life insurance and that will pay all or part of the amount of the debt of a debtor to the creditor insured under the policy or, where a debt is in respect of a small business, a farm or fishery, all or part of the amount of the credit limit of a line of credit owing to the creditor, in the event of the death of any of the following:

- (a) where the debtor is a natural person, the debtor or the spouse of the debtor;
- (b) a natural person who is a guarantor of all or part of the debt;
- (c) where the debtor is a body corporate, any director or officer of the body corporate;
- (d) where the debtor is an entity other than a natural person or a body corporate, any natural person who is essential to the ability of the debtor to meet the debtor's financial obligation; (*assurance-vie de crédit*)

"creditor's loss of employment insurance" means insurance within the class of credit protection insurance that will pay, without any individual assessment of risk, all or part of the amount of a debt of a debtor to the creditor named under the policy in the event of either of the following:

- (a) the debtor, if the debtor is a natural person, becomes involuntarily unemployed;
- (b) a natural person who is a guarantor of all or part of the debt becomes involuntarily unemployed; (*assurance crédit en cas de perte d'emploi*)

"creditor's vehicle inventory insurance" means insurance within the class of credit protection insurance that provides coverage against direct and accidental loss or damage to vehicles that are held in stock for display and sale purposes by a debtor of a creditor, if some or all of those vehicles have been financed by the creditor; (*assurance crédit pour stocks de véhicules*)

"deposit-taking institution" means any of the following institutions:

- (a) a bank under the *Bank Act* (Canada);
- (b) a credit union incorporated or continued under the *Credit Unions Act* or a similar Act of the Parliament of Canada or an Act of the legislature of another province or a territory of Canada; or

- (c) a loan company or trust company incorporated by or pursuant to the *Loan and Trust Companies Act*, or a similar Act of the Parliament of Canada or Act of the legislature of another province or a territory of Canada; (*établissement qui reçoit des dépôts*)

“employee of a restricted insurance representative” means an employee or other person acting on behalf of the restricted insurance representative in the business of insurance; (*employé d’un représentant d’assurance restreinte*)

“export credit insurance” means insurance within the class of surety insurance that provides coverage to an exporter of goods or services against a loss incurred by the exporter due to non-payment for exported goods or services; (*assurance crédit à l’exportation*)

“funeral expense insurance” means insurance that is within the class of life insurance and under which the insurer undertakes to pay a maximum of \$20,000 to the insured for funeral services; (*assurance des frais funéraires*)

“funeral provider” means a person or a corporation licensed under the *Embalmers, Funeral Directors and Funeral Providers Act* who owns, controls or has a beneficial interest in or manages a funeral home or holds themselves out as a provider of funeral services; (*fournisseur de services funèbres*)

“guaranteed asset protection insurance” means insurance within the class of property insurance or automobile insurance that provides coverage to a motor vehicle, recreational vehicle, watercraft, farm implement or equipment owner or lessee, in the event of the unrecovered theft of the motor vehicle, recreational vehicle, watercraft, farm implement or equipment or its total loss, for some or all of the amount owed on the purchase financing for the motor vehicle, recreational vehicle, watercraft, farm implement or equipment or on the lease agreement, after credit for money received in respect of the theft or loss from any other insurance under which the owner or lessee has coverage for the value of the motor vehicle, recreational vehicle, watercraft, farm implement or equipment; (*assurance de protection garantie de l’actif*)

“line of credit” means a commitment on the part of a deposit-taking institution or sales finance company to lend one or more amounts to a debtor without a predetermined repayment schedule; (*marge de crédit*)

“mortgage associate” means a mortgage associate, as defined in the *Mortgage Brokers Act*, that is licensed in accordance with that Act; (*associé en hypothèques*)

“mortgage broker” means a mortgage broker, as defined in the *Mortgage Brokers Act*, that is licensed in accordance with that Act; (*courtier en hypothèques*)

“mortgage brokerage” means a mortgage brokerage, as defined in the *Mortgage Brokers Act*, that is licensed in accordance with that Act; (*maison de courtage d’hypothèques*)

"mortgage insurance" means insurance against loss caused by default on the part of a borrower under a loan secured by a mortgage or charge on, or other security interest in, real property; (*assurance prêt hypothécaire*)

"rented vehicle" means a vehicle that is rented for a period of 90 days or less; (*véhicule loué*)

"rented vehicle accidental injury or death insurance" means insurance within the class of automobile insurance that provides coverage to a vehicle renter and other occupants of the rented vehicle for bodily injury or death and reimbursement for medical expenses resulting from a vehicular accident involving the rented vehicle that occurs during the rental period; (*assurance en cas de lésion accidentelle ou de décès associés à un véhicule loué*)

"rented vehicle contents insurance" means insurance within the class of property insurance that provides coverage to a vehicle renter and other occupants of the rented vehicle against damage to or the loss of personal property in the rented vehicle during the rental period; (*assurance sur le contenu d'un véhicule loué*)

"rented vehicle liability insurance" means insurance within the class of automobile insurance that provides coverage to a vehicle renter and other authorized drivers of the rented vehicle for liability arising from its operation; (*assurance responsabilité pour véhicule loué*)

"replacement cost insurance" means insurance within the class of property insurance or automobile insurance that provides coverage for some or all of the cost of purchasing or leasing a replacement motor vehicle, replacement recreational vehicle, replacement watercraft, replacement farm implement or replacement equipment; (*assurance valeur à neuf*)

"sales finance company" means a corporation that provides consumer loans, or provides or arranges for credit but does not include:

- (a) a deposit-taking institution;
- (b) an entity licensed to transact insurance under the *Insurance Act*, or an entity incorporated, continued or licensed under a similar Act of Parliament or an Act of any province or territory of Canada;
- (c) an entity that is incorporated, continued or licensed under an Act of Parliament or of any province or territory of Canada and is primarily engaged in dealing in securities, including portfolio management and investment counselling; (*société de financement de ventes à crédit*)

"small business" means

- (a) a business that is a small business corporation as defined in subsection 248(1) of the *Income Tax Act* (Canada); or

- (b) an unincorporated business that would, if incorporated, be a small business corporation as defined in subsection 248(1) of the *Income Tax Act* (Canada). (*petite entreprise*)

Restricted insurance representative

- 32. The Superintendent may issue a restricted insurance representative licence to any of the following applicants:
 - (a) an automobile dealership, a watercraft dealership, a recreational vehicle dealership, a farm implement dealership or a construction equipment dealership;
 - (b) a customs brokerage;
 - (c) a deposit-taking institution;
 - (d) a freight forwarding business;
 - (e) a funeral provider;
 - (f) a mortgage brokerage;
 - (g) a sales finance company;
 - (h) a transportation company that provides transportation service for goods;
 - (i) a vehicle rental business;
 - (j) a person engaged on behalf of one of (a) to (i) to solicit, negotiate, sell or arrange insurance.
- 33. (1) The Superintendent may issue a restricted insurance representative licence for any of the following classes or types of insurance:
 - (a) cargo insurance;
 - (b) creditor's critical illness insurance
 - (c) creditor's disability insurance;
 - (d) creditor's life insurance;
 - (e) creditor's loss-of-employment insurance;
 - (f) creditor's vehicle inventory insurance;
 - (g) export credit insurance;
 - (h) funeral expense insurance;
 - (i) guaranteed asset protection insurance;
 - (j) mortgage insurance;
 - (k) rented vehicle accidental injury or death insurance;
 - (l) rented vehicle contents insurance;
 - (m) rented vehicle liability insurance;
 - (n) replacement cost insurance;
 - (o) travel insurance.
- (2) A restricted insurance representative licence for travel insurance will only be issued to a deposit-taking institution.
- 34. Where a restricted insurance representative is a mortgage brokerage, only a mortgage broker or a mortgage associate licensed under the *Mortgage Brokers Act* is authorized to solicit, negotiate, sell or arrange the insurance specified on the licence.

Licensing criteria – restricted insurance representative

35. (1) The Superintendent may issue a restricted insurance representative licence if the Superintendent is satisfied that the applicant meets the requirements of the *Act* and the following licensing requirements:
- (a) provides the applicant's legal name and any business name that the applicant is using;
 - (b) provides particulars of the business activity conducted by the applicant;
 - (c) identifies the applicant's sponsoring insurer;
 - (d) provides the address of the head office and any branches soliciting, negotiating, selling or arranging insurance in the Province;
 - (e) provides the name of and information regarding the designated representative;
 - (f) provides evidence that the applicant maintains or is covered by errors and omissions insurance as required by this Rule;
 - (g) provides information respecting any trust account as required by this Rule;
 - (h) provides the number of employees who will be authorized to transact on behalf of the applicant and the types of insurance they will be transacting;
 - (i) identifies the classes or types of insurance that the applicant wishes to transact under its licence;
 - (j) submits a completed licensing application;
 - (k) completes a director, officer, partner disclosure form, if requested;
 - (l) the applicant is suitable to hold a licence and that the proposed licence is not for any reason objectionable.
- (2) The Superintendent may require additional information or documentation to assess the applicant's qualifications and suitability to hold a licence and to ensure that the proposed licence is not for any reason objectionable.

Obligations for restricted insurance representatives

36. A restricted insurance representative shall comply with the following:
- (a) have a business name registered with the New Brunswick Corporate Registry, where applicable;
 - (b) have a designated representative; and
 - (c) maintain errors and omissions insurance as required by this Rule.
37. On request by the Superintendent, a restricted insurance representative shall provide a list of individuals who have engaged or are engaging in the business of insurance on behalf of the licence holder.

Suitability

38. A restricted insurance representative shall take reasonable steps to ensure that an employee of a restricted insurance representative is:

- (a) suitable and trained for the type of insurance activity being conducted;
- (b) conducting only insurance activities that are within the scope of the individual's training and experience.

39. A restricted insurance representative shall take reasonable steps to ensure that it:

- (a) is not engaging an employee of a restricted insurance representative who has had an insurance licence refused, revoked or suspended, unless the Superintendent gives prior written approval;
- (b) does not make representations that the restricted insurance representative is authorized to sell insurance products other than those permitted under the restricted insurance representative licence;
- (c) is not conducting insurance activities that are outside the scope of the licence;
- (d) does not permit an employee of a restricted insurance representative to do any of (b) or (c).

Separate application

40. (1) An application for the following classes or types of insurance shall use a form separate from the application or transaction for the related product or service:

- (a) creditor's critical illness insurance;
- (b) creditor's disability insurance;
- (c) creditor's life insurance;
- (d) creditor's loss of employment insurance;
- (e) funeral expense insurance;
- (f) guaranteed asset protection insurance; and
- (g) replacement cost insurance.

(2) The application for insurance in subsection (1) can cover multiple classes or types of insurance.

Prohibition against tied selling

41. (1) A restricted insurance representative, or an employee of a restricted insurance representative shall not:

- (a) make the provision of goods or services conditional on the purchase of insurance from the restricted insurance representative or from an insurer specified by the restricted insurance representative;
- (b) advise a person who wishes to purchase insurance for a good or service, that the person may only purchase insurance through the restricted insurance representative or from an insurer specified by the restricted insurance representative.

(2) A restricted insurance representative, or employee of a restricted insurance representative may, when making a loan to, or arranging a loan for, a person, inform the borrower that the borrower is required to obtain insurance coverage to protect the lender against default of the

borrower; however, the restricted insurance representatives shall not advise the person that they may only purchase insurance through the restricted insurance representative or from an insurer specified by the restricted insurance representative.

Disclosure obligations of restricted insurance representative

42. At the time a person applies for insurance, a restricted insurance representative shall:
- (a) ensure that the person is informed in writing of all of the following:
 - (i) that the person is contracting with the insurer and not with the restricted insurance representative;
 - (ii) that the person should contact the insurer for further information or clarification;
 - (iii) the name of the insurer providing the insurance and how the insurer may be contacted; and
 - (iv) the cost of the insurance;
 - (b) provide the person with all of the following:
 - (i) a written summary of the terms, including limitations, exclusions and restrictions, of the insurance offered;
 - (ii) a written summary of the circumstances under which the insurance commences or terminates and the procedures to follow in making a claim;
 - (c) notify the person applying for insurance that, on approval of the application:
 - (i) the application, policy and documentation describing the insurance will be sent to that person; or
 - (ii) in the case of a contract of group insurance, the application and a certificate will be sent to that person.
43. If a person is applying for creditor's disability insurance, creditor's life insurance, creditor's critical illness insurance or creditor's loss of employment insurance, the summary of terms referenced in subparagraph 42(b)(i) shall include, in a prominent manner:
- (a) the limitations, exclusions and restrictions of the insurance offered;
 - (b) information on the coverage and pre-existing conditions that may disqualify an applicant from coverage; and
 - (c) the consequences of any misrepresentation in the application for insurance.
44. (1) If a restricted insurance representative, or an employee of a restricted insurance representative, receives, or will receive any direct or indirect compensation, inducement or benefit from the insurer that exceeds 30% of the price paid by the consumer for an insurance product, the restricted insurance representative shall, at the time the applicant applies for insurance, inform the applicant in writing of the amount of compensation, inducement or benefit or the basis for calculating the amount of the compensation, inducement or benefit.

- (2) For clarity, subsection (1) does not include a salary paid to an employee of the restricted insurance representative.
45. A restricted insurance representative, or an employee of a restricted insurance representative, shall advise potential clients that he or she is not a licensed insurance agent and that the potential client may wish to seek advice from a licensed insurance agent.
46. A restricted insurance representative, or an employee of a restricted insurance representative, shall, at the time a person applies for insurance, provide that person with a statement that sets out the right to rescind the insurance contract and to obtain a full refund of the premium for the following classes or types of insurance:
- (a) creditor's critical illness insurance;
 - (b) creditor's disability insurance;
 - (c) creditor's life insurance;
 - (d) creditor's loss of employment insurance;
 - (e) funeral expense insurance;
 - (f) guaranteed asset protection insurance; and
 - (g) replacement cost insurance.
47. A restricted insurance representative, an employee of a restricted insurance representative, shall provide an applicant, at the time the person applies for insurance, with a statement that the duration of the insurance is less than the term of the amortization period of any related loan, or that the amount of the insurance is less than the indebtedness, if that is the case, for the following classes or types of insurance:
- (a) creditor's critical illness insurance;
 - (b) creditor's disability insurance;
 - (c) creditor's life insurance;
 - (d) creditor's loss of employment insurance; and
 - (e) guaranteed asset protection insurance.
48. A restricted insurance representative, or an employee of a restricted insurance representative, shall inform the applicant, at the time the person applies for insurance, that the insurance may provide a duplication, or a partial duplication, of coverage that may be available through the standard automobile insurance policy for the following classes or types of insurance:
- (a) guaranteed asset protection insurance; and
 - (b) replacement cost insurance.
49. A restricted insurance representative, or an employee of a restricted insurance representative, shall inform the applicant, at the time the person applies for insurance, that the insurance may provide a duplication or partial duplication of coverage already provided by the vehicle renter's automobile insurance policy or by another source of coverage for the following classes or types of insurance:
- (a) rented vehicle accidental injury or death insurance;

- (b) rented vehicle contents insurance; and
- (c) rented vehicle liability insurance.

50. A restricted insurance representative, or an employee of a restricted insurance representative, shall provide the insured, within 20 days of the insurance coverage coming into force, with all of the following:

- (a) the application;
- (b) the policy or, in the case of group insurance, the certificate;
- (c) written documentation that evidences the insurance.

Oversight obligations of insurer

51. An insurer shall ensure that a restricted insurance representative acting on its behalf has:

- (a) reasonable and demonstrable procedures respecting the disclosure requirements under this Rule;
- (b) a process in place to verify that the procedures are being followed; and
- (c) the knowledge and skills to carry on the type of insurance activity being conducted.

Right to rescind

52. (1) A purchaser may rescind the contract of insurance on or before the expiry of 20 days after the date the purchaser received the documents referred to in section 50 of this Rule, or any longer period specified in the policy or certificate for all of these insurance products:

- (a) creditor's critical illness insurance;
- (b) creditor's disability insurance;
- (c) creditor's life insurance;
- (d) creditor's loss of employment insurance;
- (e) funeral expense insurance;
- (f) guaranteed asset protection; or
- (g) replacement cost insurance.

(2) A person who rescinds a contract of insurance in accordance with subsection (1) is entitled to receive a refund from the insurer of the whole premium that has been paid.

PART 6 – EXEMPT INCIDENTAL SALES

53. In this Part

“portable electronic device” means any self-contained, easily carried, battery-operated electronic equipment for personal use for communicating, viewing, listening, recording, playing video games, computing or global positioning, including a cellular or satellite telephone, paging device, personal global positioning system unit, portable computer, audio listening or audio recording device, video viewing or video recording device, digital camera, portable video game system,

telephone answering machine, docking or charging station for any portable electronic device, and other similar device; (*appareil électronique portatif*)

“portable electronics insurance” means insurance within the class of property insurance that provides coverage against damage to or the loss of a portable electronic device; (*assurance sur les appareils électroniques portatifs*)

“portable electronics vendor” means a business that sells or leases portable electronic devices or provides the devices in connection with a transaction between the business and a consumer; (*fournisseur d’appareils électroniques portatifs*)

Exemption from licensing requirement for portable electronics vendors

54. (1) The requirement to be licensed does not apply to the sale of portable electronics insurance incidental to the sale of a portable electronic device by a portable electronics vendor, or a person acting on their behalf, if the portable electronics vendor provides the purchaser with the following at the time of sale:
- (a) a written summary of the terms, including limitations, exclusions and restrictions of the portable electronics insurance displayed in a prominent manner;
 - (b) a written summary of the circumstances under which the product commences or terminates and the procedures to follow in making a claim;
 - (c) written notice of the person’s right to rescind the insurance contract and obtain a full refund of the premium.
- (2) A portable electronics vendor, or a person acting on their behalf, shall not make the sale of a portable electronics device conditional on the purchase of portable electronics insurance from the vendor or any insurer or other person specified by the vendor.
55. (1) The Superintendent may prohibit a person from selling portable electronics insurance if the Superintendent is of the opinion, on reasonable grounds, that the person:
- (a) violated or failed to comply with the *Act* or this Rule;
 - (b) violated or failed to comply with a written undertaking to the Superintendent;
 - (c) committed a fraudulent act or practice;
 - (d) demonstrated incompetency or untrustworthiness in conducting insurance activities; or
 - (e) is otherwise unsuitable.
- (2) The Superintendent shall provide the person with an opportunity to be heard prior to a decision to prohibit the person from selling portable electronic insurance.

Right to rescind – portable electronics insurance

56. (1) A purchaser may rescind a contract of portable electronics insurance on or before the expiry of 20 days after the purchase of the contract or any longer period specified in the contract.

- (2) A person who rescinds a contract of insurance in accordance with subsection (1) is entitled to receive a refund of the whole premium that has been paid related to the contract of insurance.

PART 7 – ADJUSTERS

57. A person who adjudicates a claim related to accident and sickness insurance or life insurance is not acting as an adjuster for the purposes of the *Act* or this Rule.
58. (1) An adjuster licence is not required for a person who adjusts claims under the following contracts of insurance:
- (a) aircraft insurance;
 - (b) guaranteed asset protection insurance;
 - (c) legal expense insurance;
 - (d) marine insurance; or
 - (e) travel insurance.
- (2) An insurance company or an adjusting firm that uses the services of a person that is exempt from the requirement to be licensed under subsection (1) shall ensure that the person has the appropriate qualifications and competency to deal with any insurance claim that the person is involved in on behalf of the insurance company or adjusting firm, and shall oversee the activities of the person with respect to any insurance claim.

Licensing qualifications and educational requirements – adjusters

59. (1) An applicant for a level 1 assistant adjuster licence shall have successfully completed one of the following educational requirements offered by the Insurance Institute of Canada:
- (a) course C-11 Principles and Practice of Insurance;
 - (b) courses C81 and C82 – General Insurance Essentials Parts 1 and 2; or
 - (c) course C110 Essentials of Loss Adjusting or course C17 Claims 1.
- (2) The educational requirements shall have been completed by the applicant within 24 months prior to submitting the licensing application, unless the applicant held a level 1 assistant adjuster licence, or equivalent licence, within the 5 years prior to submitting the licensing application.
60. An applicant for a level 2 adjuster licence shall have successfully completed the following licensing qualifications and educational requirements:
- (a) 24 months of experience acting as a level 1 assistant adjuster or equivalent adjusting experience; and
 - (b) all of the following educational requirements offered by the Insurance Institute of Canada:
 - (i) course C11 Principles and Practice of Insurance or courses C81 and C82 – General Insurance Essentials Parts 1 and 2;
 - (ii) course C110 Essentials of Loss Adjusting or course C17 Claims 1;

- (iii) course C111 Advanced Loss Adjusting or course C46 Claims 2; and
- (c) any two of the following educational requirements offered by the Insurance Institute of Canada:
 - (i) course C12 Insurance on Property;
 - (ii) course C13 Insurance Against Liability - Part 1;
 - (iii) course C14 Automobile Insurance - Part 1; or
 - (iv) course C32 Bodily Injury Claims.

61. (1) An applicant for a level 3 senior adjuster licence shall have successfully completed the following licensing qualifications and educational requirements:

- (a) 48 months of experience as an adjuster, including 24 months experience acting as a level 2 adjuster or equivalent adjusting experience; and
- (b) all of the following educational requirements offered by the Insurance Institute of Canada:
 - (i) course C11 Principles and Practice of Insurance or courses C81 and C82 – General Insurance Essentials Parts 1 and 2;
 - (ii) course C12 Insurance on Property;
 - (iii) course C13 Insurance Against Liability - Part 1;
 - (iv) course C14 Automobile Insurance - Part 1;
 - (v) course C32 Bodily Injury Claims;
 - (vi) course C110 Essentials of Loss Adjusting or C17 Claims 1;
 - (vii) course C111 Advanced Loss Adjusting or C46 Claims 2; and
 - (viii) course C112 Practical Issues in Claims Management.

62. (1) An adjuster who is issued a level 1 assistant adjuster licence under subsection 6(3) will be required to meet the minimum experience requirements in paragraph 60(a) and successfully complete the following educational requirements to obtain a level 2 adjuster licence:

- (a) course C110 Essentials of Loss Adjusting or course C17 Claims 1;
- (b) course C111 Advanced Loss Adjusting or course C46 Claims 2; and
- (c) any two of the following:
 - (i) course C12 Insurance on Property;
 - (ii) course C13 Insurance Against Liability - Part 1;
 - (iii) course C14 Automobile Insurance - Part 1; or
 - (iv) course C32 Bodily Injury Claims.

(2) An adjuster who is issued a level 2 adjuster licence under subsection 6(3) will be required to meet the minimum experience requirements in paragraph 61(1)(a) and successfully complete the following educational requirements to obtain a level 3 senior adjuster licence:

- (a) course C112 Practical Issues in Claims Management; and
- (b) any two of the following:
 - (i) course C12 Insurance on Property;
 - (ii) course C13 Insurance Against Liability - Part 1;

- (iii) course C14 Automobile Insurance - Part 1; or
- (iv) course C32 Bodily Injury Claims.

63. (1) A level 2 adjuster may only adjust claims for which he or she has appropriate training and experience.
- (2) A level 1 and level 2 adjuster cannot act as a manager of an adjusting firm or a designated representative.

Supervision – adjusters

64. (1) A level 1 assistant adjuster shall be supervised by a level 3 senior adjuster, or a level 2 adjuster who has held this licence for at least 12 months.
- (2) The supervisor is responsible for:
- (a) the oversight of the general conduct of the person being supervised;
 - (b) reviewing and approving all claim reports and settlement offers of the person being supervised;
 - (c) documenting the review and approval through countersignatures or notations in paper or electronic systems;
 - (d) providing the Superintendent, when requested, with information with respect to the person being supervised.
65. (1) An individual who is required to be under supervision shall not conduct any insurance activities without a supervisor.
- (2) The supervisor shall not be objectionable to the Superintendent.
- (3) A level 1 adjuster shall report a change in supervisor to the Superintendent within 10 days of the change in supervisor.
- (4) The Superintendent may remove a supervisor who is not fulfilling the supervisor's responsibilities or is otherwise objectionable.
- (5) The Superintendent shall not remove a supervisor without giving the individual an opportunity to be heard.
66. A supervisor shall only supervise a reasonable number of level 1 assistant adjusters having regard to the circumstances, including:
- (a) the training and experience of the level 1 assistant adjusters being supervised;
 - (b) the training and experience of the supervisor; and
 - (c) the nature and complexity of the claims being adjusted.

Reinstatement - adjusters

67. A person who has not held an adjuster licence for five years or more may only apply for a level 1 assistant adjuster licence and shall satisfy the licensing qualifications and educational requirements set out in the *Act* and this Rule.

PART 8 – ADJUSTING FIRMS, AGENCIES OR MANAGING GENERAL AGENTS

68. (1) The Superintendent may issue an adjusting firm, agency or managing general agent licence to a corporation, a partnership or a sole proprietorship if the Superintendent is satisfied the applicant meets the requirements of the *Act* and the following licensing requirements:
- (a) provides the applicant's legal name and any business name the applicant is using;
 - (b) provides particulars of any other business activity conducted by the applicant;
 - (c) identifies the applicant's sponsoring insurer, as required;
 - (d) provides the classes or types of insurance that the applicant wishes to transact under its licence;
 - (e) provides the address of the head office and any branches soliciting, negotiating, selling or arranging insurance in the Province;
 - (f) provides the name of and information regarding the designated representative;
 - (g) provides evidence that the applicant maintains or is covered by errors and omissions insurance as required by this Rule;
 - (h) provides information respecting any trust account as required by this Rule;
 - (i) submits a completed licensing application;
 - (j) completes a director, officer, partner disclosure form, if requested;
 - (k) any additional information or documentation required by the Superintendent to assess the applicant's qualifications and suitability to hold a licence and that the proposed licence is not for any reason objectionable.
- (2) The Superintendent may, at any time, require additional information or documentation of an adjusting firm, agency or managing general agent or any director, officer or partner.
69. (1) The Superintendent may issue an agency licence or a managing general agent licence to a corporation, a partnership or a sole proprietorship for any of the following classes or types of insurance:
- (a) accident and sickness insurance;
 - (b) general insurance;
 - (c) life insurance; or
 - (d) travel insurance.
- (2) An agency or a managing general agent authorized to carry on life insurance business may also carry on accident and sickness insurance business in New Brunswick.
70. (1) An adjusting firm, an agency and a managing general agent shall:
- (a) have a legal name or business name registered with the New Brunswick Corporate Registry, where applicable;
 - (b) have a designated representative; and

- (c) maintain errors and omissions insurance as required by this Rule.
- (2) In addition to the requirements in subsection (1), an agency and a managing general agent shall have an agency contract with at least one insurance company that is licensed to carry on business in New Brunswick.

Revocation or suspension of a licence

- 71. (1) If an adjusting firm licence or agency licence lapses or is revoked or suspended, the licence of any adjuster or agent acting on its behalf is automatically suspended.
- (2) If a managing general agent licence lapses or is revoked or suspended, the licence of any agent with the managing general agent listed on the licence is automatically suspended.

PART 9 – THIRD PARTY ADMINISTRATORS

- 72. A third party administrator is exempt from the requirement to be licensed under section 351.01 of the *Act*.

PART 10 – DESIGNATED REPRESENTATIVES

Requirements for a designated representative

- 73. A designated representative of a licensed firm or a restricted insurance representative shall be:
 - (a) in the case of a corporation, a director, officer or management employee of the licensed firm or restricted insurance representative;
 - (b) in the case of a partnership, a partner or a management employee designated by the partnership; or
 - (c) in the case of a sole proprietorship, the sole proprietor or a management employee designated by the sole proprietor.
- 74. A designated representative shall satisfy the following qualifications:
 - (a) in the case of a general insurance agency, the person shall hold a level 3 general insurance agent licence;
 - (b) in the case of a managing general agent, the person shall hold one of the following:
 - (i) a level 3 general insurance agent licence;
 - (ii) a life insurance agent licence and have been licensed as a life insurance agent for two years;
 - (iii) an accident and sickness insurance agent licence and have been licensed as an accident and sickness insurance agent for two years;
 - (c) in the case of a life insurance agency, the person shall hold a life insurance agent licence and have been licensed as a life insurance agent for two years;
 - (d) in the case of an accident and sickness insurance agency, the person shall have been licensed for at least two year as either:
 - (i) an accident and sickness insurance agent licence; or
 - (ii) a life insurance agent licence;

- (e) in the case of an adjusting firm, the person shall hold a level 3 senior adjuster licence.
75. (1) A licensed firm or a restricted insurance representative shall satisfy the Superintendent that the individual nominated as the designated representative is suitable.
- (2) On request by the Superintendent, an individual nominated as the designated representative shall provide the Superintendent with any information or documentation required by the Superintendent to assess the nominated individual's suitability to be the designated representative.

Removal of a designated representative

76. (1) The Superintendent may remove an individual from being a designated representative if the individual:
- (a) no longer meets the requirements to be the designated representative;
 - (b) is not fulfilling the designated representative's responsibilities;
 - (c) is otherwise unsuitable.
- (2) The Superintendent shall not remove a designated representative without giving the individual an opportunity to be heard.

Responsibilities of a designated representative

77. (1) The designated representative of a licensed firm is the primary contact for the licensed firm for regulatory purposes.
- (2) The designated representative of a licensed firm is responsible for the oversight of all employees.
- (3) The designated representative of a licensed firm is responsible to ensure that:
- (a) staff are adequately trained and appropriately licensed;
 - (b) the adjusting firm, agency or managing general agent and staff comply with the *Act*, regulations and rules;
 - (c) licence holders operate in accordance with any terms, conditions and restrictions on their licence;
 - (d) trust money is handled properly;
 - (e) all books, records and accounts are properly maintained;
 - (f) errors and omissions insurance is properly maintained; and
 - (g) the adjusting firm, agency or managing general agent and staff comply with any instructions or guidelines from the Superintendent.
78. (1) The designated representative of a restricted insurance representative is the primary contact for the restricted insurance representative for regulatory purposes and is responsible for supervising all insurance activities of the licence holder and all individuals engaged in the business of insurance on behalf of the restricted insurance representative.

- (2) The designated representative of a restricted insurance representative is responsible to ensure that:
- (a) the restricted insurance representative is properly licensed;
 - (b) the restricted insurance representative and individuals engaged in the business of insurance on behalf of the restricted insurance representative comply with the *Act*, regulations and rules;
 - (c) the restricted insurance representative operates in accordance with any terms, conditions and restrictions on their licence;
 - (d) the restricted insurance representative has reasonable and demonstrable policies and procedures to ensure that any employee of the restricted insurance representative is knowledgeable, competent and suitable, taking into account the class or type of insurance, and that these individuals comply with the restricted insurance representative's policies and procedures;
 - (e) trust money related to insurance business is handled properly;
 - (f) all books, records and accounts related to insurance business are properly maintained;
 - (g) errors and omissions insurance is properly maintained; and
 - (h) the restricted insurance representatives and any individuals engaged in the business of insurance on behalf of the restricted insurance representative comply with any instructions or guidelines from the Superintendent.

79. Any notices or documents required to be served on a licensed firm or a restricted insurance representative under the *Act*, regulations or rules may be served on the designated representative.

Change of designated representative

80. (1) If the designated representative of a licensed firm or a restricted insurance representative ceases to be the designated representative, the licensed firm or restricted insurance representative shall:
- (a) notify the Superintendent in writing and provide reasons for the change within 10 days; and
 - (b) provide, within 20 days, the name of a new candidate who meets the requirements to be the designated representative and provide any additional information required by the Superintendent to determine the candidate's suitability to be the designated representative.
- (2) The licence of a licensed firm or a restricted insurance representative that does not submit a new candidate within 20 days is automatically suspended.
- (3) The Superintendent may approve a designated representative who does not meet the requirements of the *Act* and regulations or rules, on a temporary basis, for up to 60 days.
- (4) In exceptional circumstances, the Superintendent may extend a temporarily designated representative beyond 60 days.

PART 11 – MARKET CONDUCT

Use of personal information

81. (1) An insurance intermediary and those acting on its behalf shall only collect and use personal information that is necessary to carry out an insurance transaction, appropriate for the fulfillment of the service or product provided or a related purpose and shall only keep the personal information as long as necessary or required by law.
- (2) An insurance intermediary shall take all necessary and appropriate measures as required by applicable privacy legislation to protect the personal information.
- (3) An insurance intermediary shall notify the Superintendent, without delay, of unauthorized or otherwise non-compliant access, collection, use or disclosure of personal information collected by the insurance intermediary and the steps the insurance intermediary is taking to address the issue.
- (4) On the request of the Superintendent, an insurance intermediary shall disclose information requested by the Superintendent, including personal information collected by the insurance intermediary.

Market conduct

82. No person may represent or hold themselves out to the public as being or offering the services of an adjusting firm, adjuster, agency, agent, managing general agent, restricted insurance representative or special insurance broker or as being engaged in the insurance business, by means of advertisements, cards, circulars, email, letterheads, signs, websites or other means unless the person holds a valid licence or is relying on an exemption under the *Act*.
83. A licence holder shall only carry on business in the name that is on its licence.
84. Every licensed firm shall ensure that its business or legal name are shown in a conspicuous manner on all of its advertising, correspondence and contracts relating to the activities authorized by the licence.

Conflicts of interest

85. (1) An insurance intermediary shall disclose in writing to a prospective insured or claimant, any conflict of interest or potential conflict of interest of the licensee that is associated with a potential transaction or recommendation which could impact the prospective insured or claimant.
- (2) The disclosure in subsection (1) should be made at the earliest opportunity, and in all instances shall be made prior to entering into a transaction or prior to a recommendation.

Market conduct specific to agents

86. An accident and sickness insurance agent, a general insurance agent, and a life insurance agent shall not:

- (a) make a false or misleading statement or representation in the solicitation or negotiation of an insurance contract;
- (b) make or deliver an incomplete comparison of any policy or contract of insurance with that of the same or any other insurer in the solicitation or negotiation of insurance;
- (c) hold himself, herself or itself out, directly or indirectly, by representation or omission, in a way that is misleading in respect of the insurers on whose behalf the agent acts.

Market conduct specific to life insurance agents

87. A life insurance agent shall not:

- (a) offer an inducement or use coercion or undue influence in order to control, direct or secure insurance business;
- (b) for the purpose of encouraging the insured under an existing contract of life insurance to enter into another contract of life insurance, directly or indirectly induce or attempt to induce the insured to:
 - (i) rescind the existing contract or allow the existing contract to lapse, contrary to the insured's interests;
 - (ii) surrender the existing contract for cash, paid up or extended insurance, or other valuable consideration, contrary to the insured's interests; or
 - (iii) borrow a substantial amount against the existing contract, whether in a single loan or over a period of time, contrary to the insured's interests;
- (c) coerce, or attempt, directly or indirectly, to coerce a prospective buyer of life insurance through the influence of a professional or a business relationship or otherwise to give a preference with respect to the policy of life insurance that would not otherwise be given on the effecting of a life insurance contract.

Replacement of a life insurance contract

88. (1) For the purposes of this section:

"replacement of a contract of life insurance" means a transaction whereby life insurance is purchased in a single contract or in several related contracts by a person from an insurer and as a consequence of the transaction one or more contracts of the insurance are:

- (a) rescinded, lapsed or surrendered;
- (b) changed to paid-up insurance or continued as extended term insurance or under automatic premium loan;
- (c) changed in any manner so as to result in a reduction in benefits;
- (d) changed so that cash values in excess of 50 per cent of the tabular cash value of the insurance contract are released;
- (e) subjected to borrowing of any policy loan values whether in a single loan or under a schedule of borrowing over a period of time whereby an amount in excess of 50 per cent of the tabular cash value is borrowed on one or more contracts of life insurance;
- (f) but does not include a transaction where:
 - (i) a new contract of life insurance is made with an insurer with whom the person has an existing contract of life insurance in furtherance of a contractual conversion privilege exercised by the person;

- (ii) a contract is replaced by an annuity; or
 - (iii) a contract is replaced by group insurance. (*remplacement d'un contrat d'assurance-vie*)
- (2) As part of an application for a contract of life insurance, a life insurance agent shall obtain a statement signed by the applicant indicating whether or not replacement of a contract of life insurance is intended.
- (3) If replacement of a contract of life insurance is intended, before accepting an application for a replacement contract of insurance, the life insurance agent shall:
 - (a) obtain from the applicant a list of all life insurance contracts to be replaced;
 - (b) complete and sign a life insurance replacement declaration in a form approved by the Superintendent;
 - (c) complete and sign a written explanation of the advantages and disadvantages of replacing the contract of insurance;
 - (d) review the completed life insurance replacement declaration and the written explanation with the applicant and provide a copy of each form to the applicant;
 - (e) obtain the applicant's signature on a copy of the completed life insurance replacement declaration, attesting to the receipt of the completed declaration from the agent; and
 - (f) obtain the applicant's signature on a copy of the written explanation, attesting to the receipt of the written explanation from the agent.

Market conduct specific to adjusters

89. With respect to the adjustment of claims, no adjuster may
- (a) possess an interest, other than professional, in the settlement of a claim;
 - (b) fail to disclose to the insurer any information known with respect to policy violations and cases of fraud, misrepresentation, concealment, falsification of facts and records or any other information material to a claim;
 - (c) fail, when acting for more than one insurer in the same matter, to immediately notify each insurer of the interests of all insurers for whom the person is acting or has been requested to act in the same matter;
 - (d) seek or make a profit or seek or acquire an interest in any matter entrusted to the adjuster's care, other than the adjuster's fees or salary;
 - (e) represent falsely to an insurer that the adjuster has been instructed by another insurer to act in the settlement of a claim;
 - (f) act or hold out as acting for an insurer without authorization of that insurer;
 - (g) give legal advice or discourage a claimant from seeking legal advice;
 - (h) knowingly deal directly, including interview or settle a claim, with a claimant represented by a barrister or solicitor without the consent of that barrister or solicitor;
 - (i) mislead an interested party as to the identity or the interest of the insurer;
 - (j) mislead an interested party as to the adjuster's role in adjusting a claim;
 - (k) fail to take reasonable steps to keep an insured informed of the status of a claim and respond to the insured's communications in a timely manner;

- (l) fail to fully inform a claimant in a timely manner of material information regarding policy coverage, limitation periods, claim denials and the claimant's rights and obligations in the claims process, as required in the circumstances;
- (m) accept any financial inducement or gift in exchange for recommending the services of a third party;
- (n) fail to deal with all formal and informal complaints or disputes in good faith and in a timely and forthright manner, including, when necessary, referring the complainant to other more appropriate people, processes, or organizations;
- (o) attempt to influence a claim through coercion, false or misleading statements or other improper means;
- (p) make or assist anyone to make a false insurance claim or a false declaration to an insurer;
- (q) counsel a claimant to misrepresent any aspect of a claim report or proof of loss to misrepresent information or knowingly transmit information which the person has reason to believe is not true; or
- (r) ask an insured or a claimant to sign statements, proofs of loss or other documents which are incomplete, unless those sections of the form are noted as 'to be advised' or 'information to follow' prior to the insured or the claimant signing the document.

PART 12 – DUTY TO REPORT

- 90. An adjuster, agent or special insurance broker shall report any change to the licence holder's name or contact information to the Superintendent within 10 days of any change to the licence holder's name or contact information.
- 91. An adjuster, agent, special insurance broker or applicant for an adjuster, agent or special insurance broker licence shall report to the Superintendent within 10 days of any of the following:
 - (a) any criminal charge or conviction for an offence under any jurisdiction involving theft, fraud, forgery, breach of trust, misrepresentation, perjury, furnishing of false information, conspiracy to commit any of these offences, carrying on any regulated business or career while not licensed or crimes of violence or moral turpitude;
 - (b) any investigation commenced, disciplinary action taken, or decision rendered by a regulatory or professional body;
 - (c) any filing in bankruptcy or filing of a consumer proposal;
 - (d) any change in other employment or business activity;
 - (e) any change in adjusting firm or agency;
 - (f) any civil actions commenced, or decision rendered in relation to financial activities, fraud or breach of trust;
 - (g) any errors and omissions claim against the licensee or applicant.
- 92. A designated representative of an adjusting firm, agency, managing general agent or restricted insurance representative shall notify the Superintendent in a form provided by the Superintendent within 10 days of:
 - (a) a change in name of the licensed firm or restricted insurance representative;
 - (b) a change of ownership of the licensed firm or restricted insurance representative;

- (c) a change in address of the main office or any branch office;
- (d) the departure of any licensed individual, including where an individual is terminated, retires or leaves for any other reason;
- (e) any misconduct by any individual related to the business of the licensed firm or the insurance business of a restricted insurance representative;
- (f) any investigation commenced, disciplinary action taken, or decision rendered by a regulatory or professional body;
- (g) any errors and omissions claim against the licensed firm or any licensed individual acting on behalf of a licensed firm;
- (h) any errors and omissions claim related to the insurance business of a restricted insurance representative or any employee of the restricted insurance representative;
- (i) any civil actions commenced, or decision rendered in relation to financial activities, fraud or breach of trust; or
- (j) any criminal charges or conviction against the licensed firm or restricted insurance representative or against a director, officer or partner of the licensed firm or restricted insurance representative involving theft, fraud, forgery, breach of trust, misrepresentation, perjury, furnishing of false information, carrying on any regulated business or career while not licensed or crimes of violence or moral turpitude.

93. A designated representative of a managing general agency that has reasonable grounds to believe that an agent is not suitable to carry on business, shall, within 15 days from the date on which the designated representative becomes so aware, notify the insurer or insurers on whose behalf the agent acts that it believes that an agent is not suitable.

PART 13 – ERRORS AND OMISSIONS INSURANCE

94. (1) An insurance intermediary shall maintain or be covered by errors and omissions insurance, in a reasonable amount and no less than \$1,000,000 in respect of any one occurrence and an overall policy aggregate of at least \$2,000,000.
- (2) In determining the amount of insurance required, consideration shall be given to, among other considerations, the number of individuals carrying on insurance business on behalf of the insurance intermediary, the type of licence, and the nature and volume of the insurance business being carried on by the insurance intermediary.
- (3) Subsection (1) does not apply to:
- (a) an adjuster or agent who is a direct employee of an insurer and works exclusively for that insurer;
 - (b) a restricted insurance representative that is a member institution of the Canada Deposit Insurance Corporation or is a credit union incorporated or continued pursuant to the *Credit Unions Act* or an Act of the legislature of another province or a territory of Canada.
- (4) The errors and omissions required under this Part shall be issued by a licensed insurer, shall not be restricted to particular insurer's products and at a minimum shall include all of the following:
- (a) extended reporting for a period of 24 months;

- (b) extended coverage for fraudulent acts and dishonest acts;
 - (c) coverage for the insurance activities of the licensee and persons acting on their behalf;
 - (d) coverage for:
 - (i) financial planning services provided by the insured, if applicable,
 - (ii) the insured's supervisory activities, if applicable, and
 - (iii) any unlicensed individual acting on behalf of the insured for whose acts the insured is responsible.
95. An insurance intermediary shall provide proof of the required errors and omissions insurance on request by the Superintendent.
96. An insurer who issues an errors and omissions insurance policy shall provide the Superintendent with 30 days prior written notice before canceling, terminating or refusing to renew the policy or removing an insured from a group policy.
97. An insurance intermediary shall notify the Superintendent immediately of the cancellation or lapse in their errors and omissions insurance.
98. An insurance intermediary's licence is automatically suspended on cancellation, termination, lapse or refusal to renew the errors and omissions insurance coverage unless other coverage has been arranged.

PART 14 – TRUST ACCOUNTS

99. A licence holder that receives trust money shall, within two days, remit the trust money to the beneficial owner of the funds or deposit the money into a trust account.
100. (1) A trust account shall be held with one of the following:
- (a) a bank authorized to accept deposits pursuant to the *Bank Act* (Canada);
 - (b) a credit union incorporated or continued pursuant to the *Credit Unions Act*;
 - (c) a corporation authorized to accept deposits pursuant to the *Loan and Trust Companies Act*; or
 - (d) a retail association as defined under the *Cooperative Credit Associations Act* (Canada).
- (2) The account shall be designated as a trust account and shall be kept separate from all other accounts held in the name of the licence holder.
- (3) The Superintendent may permit a licence holder who is resident in another jurisdiction to use a trust account held at a branch of a bank, a credit union or a trust or loan company in that jurisdiction, subject to any terms and conditions the Superintendent may impose.
101. An agent, agency, restricted insurance representative, special insurance broker, or managing general agent is not required to have a trust account if all of the following are satisfied:
- (a) all trust money or other consideration received from the public is deposited directly into the insurance company's account within two days of receipt;

- (b) the agent, agency, restricted insurance representative, special insurance broker, or managing general agent is not able to access the trust money after it has been deposited into the insurance company's account;
 - (c) the agent, agency, restricted insurance representative, special insurance broker, or managing general agent does not receive trust money from insurers on behalf of the public.
- 102. An adjuster is not required to have a trust account if the adjuster is a salaried employee of an insurer.
- 103. A licence holder shall only withdraw money from a trust account for the following reasons:
 - (a) direct payment to an insurer on behalf of an insured;
 - (b) payment of a refund to an insured on behalf of an insurer;
 - (c) payment of a claim to a claimant on behalf of an insurer;
 - (d) payment of commission owed to the licence holder as authorized by the insurer;
 - (e) money paid into the trust account by mistake;
 - (f) disbursements paid in the course of adjusting an insurance claim; and
 - (g) any other withdrawals authorized by the Superintendent.
- 104. (1) An agent, agency, managing general agent or restricted insurance representative that receives money or other consideration, directly or indirectly, from an insured as premium for an insurance contract shall pay the premium over to the insurer within 15 days of receiving a written demand from the insurer, less commission and any other deductions authorized in writing by the insurer.
- (2) Subsection (1) does not apply to life insurance contracts.
- 105. An agent, agency, managing general agent or restricted insurance representative who receives any money or premium credit from an insurer which represents return premium due to an insured, shall pay the return premium and any unearned commission or other refund to which the insured is entitled, to the insured within 90 days of receipt or within 15 days after written demand from the insured, whichever is earliest.
- 106. An adjuster who receives money from an insurer on behalf of an insured, claimant or other person in the course of adjusting an insurance claim shall pay the money to the insured, claimant or other person within 15 days of receiving the money.
- 107. Failure to pay the amounts received as trust money in accordance with the *Act* and Rule shall be evidence that the licence holder applied the amounts to the licence holder's own use or to a use contrary to his or her trust.
- 108. The holder of a trust account shall:
 - (a) keep current such books, records and accounts in connection with the business as may be necessary to show and readily distinguish:
 - (i) all money received from or on behalf of and all money paid to or on behalf of each insurer and insured; and
 - (ii) all money received and paid on the business's behalf.

- (b) complete a monthly bank reconciliation, within 30 days of month end, which reconciles the bank statement balance to the holder's account balance;
 - (c) keep any other information or documents required by the Superintendent.
109. In addition to the requirements set out in section 108 of this Rule, an adjuster or adjusting firm that is required to maintain a trust account shall:
- (a) maintain a record of every amount of money received or disbursed in the course of adjusting an insurance claim; and
 - (b) maintain a record of the main particulars concerning each claim in a register of claims.
110. (1) A holder of a trust account is entitled to any interest earned on trust money held in trust for an insurer unless otherwise agreed with the insurer.
- (2) If funds are held in trust for a beneficiary other than an insurer, the beneficiary is entitled to any interest earned on those funds.
- (3) The interest shall be paid to the beneficiary other than an insurer in accordance with section 104.
111. (1) The Superintendent, or his or her designate, may perform an examination and assessment on any trust account required to be maintained under this Part or any other accounts related to the business of insurance.
- (2) The Superintendent may require any licence holder required to maintain a trust account under this Part to have an independent examination and assessment performed on the trust account or any other accounts related to the business of insurance and to provide the report of the examination and assessment to the Superintendent.

PART 15 – ABANDONMENT

112. If an application is submitted to the Superintendent and the applicant conducts no activity for 60 days after submitting the application, the Superintendent may consider the application to be abandoned.

PART 16 – TRANSITIONAL PROVISIONS

113. In this Part

“prior licensing regulations” means the *Adjusters Regulation – Insurance Act* (Regulation 2009-52), the *Agents and Brokers Regulation – Insurance Act* (Regulation 95-5) and the *Life Insurance Agent Licensing Regulation – Insurance Act* (Regulation 2003-36), as they read immediately before coming into force of this Rule; (*anciens règlements*)

“non-resident broker” means an agent under the *Insurance Act*. (*courtier non résident*)

General insurance agents

114. On the coming into force of this Rule:

- (a) A holder of an agent's licence class I, a broker's licence class I or a broker's licence class II for at least 12 months under the prior licensing regulations shall be deemed to hold a level 1 general insurance agent licence;
- (b) A holder of an agent's licence class I, a broker's licence class I or a broker's licence class II for less than 12 months under the prior licensing regulations, shall be under supervision until the licence holder has held a licence for 12 consecutive months;
- (c) A holder of an agent's licence class II under the prior licensing regulations shall be deemed to continue to hold that licence for 24 months following the commencement of this Rule or until such time as the licence holder obtains a new general insurance agent licence, whichever occurs first;
- (d) A holder of a broker's licence class III under the prior licensing regulations shall be deemed to hold a level 2 general insurance agent licence;
- (e) A holder of a broker's licence class III for less than 12 months under the prior licensing regulations, shall be under supervision for a period of 12 consecutive months less the period the holder held a broker's licence class III prior to the commencement of this Rule;
- (f) In calculating the experience of a holder of a broker's licence class III for the purposes of paragraph (e), any experience as broker class II shall be included;
- (g) A holder of a broker's licence class IV under the prior licensing regulations shall be deemed to hold a level 3 general insurance agent licence.

115. (1) A holder of a non-resident broker licence issued under s. 352 of the *Act* shall be deemed to hold a non-resident broker licence following the commencement of this Rule for 24 months or such time as the licence holder meets the requirements of Part 2 of this Rule and obtains a general insurance agent licence, whichever occurs first.

(2) A non-resident broker licence expires on the same date that the holder's previous non-resident broker licence would have expired, unless extended by the Superintendent.

(3) A holder of a non-resident broker licence for a period of less than 12 months prior to the commencement of this Rule who obtains a level 1 or level 2 general insurance agent licence, shall be under supervision for a period of 12 consecutive months less the period the holder held a non-resident broker licence prior to the commencement of this Rule.

Adjusters

116. (1) On the coming into force of this Rule:

- (a) A holder of a level 1 probationary adjuster licence under the prior licensing regulation shall be deemed to hold a level 1 assistant adjuster licence;
- (b) A holder of a level 2 assistant adjuster licence under the prior licensing regulation shall be deemed to hold a level 1 assistant adjuster licence;
- (c) A holder of all specializations of Level 3 adjuster licences under the prior licensing regulation shall be deemed to hold a level 2 adjuster licence;
- (d) A holder of a level 4 adjuster licence under the prior licensing regulation shall be deemed to hold a level 3 senior adjuster licence.

- (2) (a) An individual who received a level 1 assistant adjuster licence under paragraph (1)(a) who has not completed the educational requirements shall complete one of the following educational requirements no later than 12 months after the coming into force of this Rule:
 - (i) course C11 Principles and Practice of Insurance;
 - (ii) courses C81 and C82 – General Insurance Essentials Parts 1 and 2; or
 - (iii) course C110 Essentials of Loss Adjusting (or course C17 Claims 1);
- (b) The Superintendent may extend the time period for completion of the educational requirements in paragraph (2)(a) for an additional period of up to 12 months.
- (3) An adjuster who is issued a level 2 adjuster licence under subsection (1) will be required to successfully complete educational requirements to obtain a level 3 senior adjuster licence set out in subsection 62(2).

Life insurance agents, accident and sickness insurance agents and travel insurance agents

- 117. On the coming into force of this Rule, a holder of a life agent licence or a life and accident and sickness agent licence under the prior licensing regulation shall be deemed to hold a life insurance agent licence.
- 118. On the coming into force of this Rule, a holder of an accident and sickness agent licence shall be deemed to hold an accident and sickness insurance agent licence.
- 119. On the coming into force of this Rule, a holder of a travel insurance agent licence shall be deemed to hold a travel insurance agent licence.
- 120. On the coming into force of this Rule, a holder of any classes of an agent or broker licence for general insurance before 1 July 2003 may be issued a travel insurance agent licence, provided that the licence holder contacts the Superintendent to request the issuance of a travel insurance agent licence.

General

- 121. Nothing in the transitional provisions prevents the Superintendent from suspending, revoking or refusing to issue or renew a licence as authorized by the *Act*.
- 122. There is no refund of licensing fees resulting from the transition of a licence.

ANNEX/ANNEXE B

List of respondents to Consultation Papers

Liste des personnes et organismes ayant répondu à notre consultation

The Commission issued three different consultation papers on different aspects of intermediary licensing. Below is a list of stakeholders who submitted responses.

La Commission a publié trois documents de consultation différents sur différents aspects des licences d'intermédiaires. Vous trouverez ci-dessous une liste des intervenants ayant répondu à notre consultation.

Modernizing the New Brunswick Insurance Licensing Framework - November 2015

Modernisation du cadre de délivrance des licences d'assurance du Nouveau-Brunswick - novembre 2015

1. B.A., Agent/agente
2. Canadian Association of Financial Institutions in Insurance/Association canadienne des institutions financières en assurance
3. Canadian Life and Health Insurance Association/Association canadienne des compagnies d'assurances de personnes
4. Co-operators Group/Groupe Co-operators
5. Huestis Insurance/Groupe d'assurance Huestis
6. Independent Financial Brokers/Courtiers indépendants en sécurité financière du Canada
7. Insurance Brokers Association of New Brunswick/Association des courtiers d'assurances du Nouveau-Brunswick
8. Insurance Bureau of Canada/Bureau d'assurance du Canada

Licensing of Insurance Adjusters and Damage Appraisers in New Brunswick - May 2019

La délivrance de licences aux experts en sinistres et aux estimateurs de dommages au Nouveau-Brunswick - mai 2019

1. Allstate Insurance Company/Assurance Allstate
2. Aviva Canada
3. Canadian Association of Direct Relationship Insurers/Association canadienne des assureurs directs
4. Canadian Association of Financial Institutions in Insurance/Association canadienne des institutions financières en assurance
5. Canadian Independent Adjusters' Association/Association canadienne des experts indépendants
6. Consumer Advocate for Insurance/Défenseur du consommateur en matière d'assurances
7. Co-operator's Group/Groupe Co-operators

8. Insurance Bureau of Canada/Bureau d'assurance du Canada
9. Insurance Institute of Canada/Institut d'assurance du Canada
10. Intact Insurance Atlantic Claims/Service de réclamation d'Intact, région atlantique
11. Travelers Canada

Incidental Selling of Insurance, Restricted Insurance Licensing Regime - December 2019

Vente d'assurance accessoire -- régime de délivrance de licences d'assurance à portée restreinte - décembre 2019

1. Asurion Insurance Company/Compagnie d'assurance Asurion
2. Atlantic Recreation Vehicle Dealers Association
3. AWN Insurance/Assurance AWN
4. Aviva Canada
5. Canadian Association of Direct Relationship Insurers/Association canadienne des assureurs directs
6. Canadian Association of Financial Institutions in Insurance/Association canadienne des institutions financières en assurance
7. Canadian Life and Health Insurance Association/Association canadienne des compagnies d'assurances de personnes
8. Consumer Advocate for Insurance/Défenseur du consommateur en matière d'assurances
9. Co-operators Group/Groupe Co-operators
10. Financial Advisors Association of Canada (Advocis)
11. G.W., non-resident broker/courtier d'assurance (non résident)
12. Independent Financial Brokers/Courtiers indépendants en sécurité financière du Canada
13. Industrial Alliance Pacific General Insurance Corporation/Compagnie d'assurances générale Industrielle Alliance Pacifique
14. Insurance Brokers Association of New Brunswick/Association des courtiers d'assurances du Nouveau-Brunswick
15. Insurance Bureau of Canada/Bureau d'assurance du Canada
16. Mortgage Professionals Canada/Professionnels hypothécaires du Canada
17. New Brunswick Automobile Dealers' Association/Association des concessionnaires d'automobiles du Nouveau-Brunswick
18. New Brunswick Credit Unions/Credit Unions du Nouveau-Brunswick
19. Travel Health Insurance Association of Canada/ Association canadienne de l'assurance voyage
20. UNI

Briefing Note

CAFII Board Meeting 7 December, 2021—Agenda Item 6(m)

Read Only Items— Documents Associated With OSFI Consultation on “Draft Guideline B-13: Technology and Cyber Risk Management”

Purpose of this Agenda Item – *Read Only*

This is a read only item.

Background Information

CAFII is preparing a response to an OSFI Consultation on “Draft Guideline B-13: Technology and Cyber Risk Management.”

The consultation documents to which we will be responding are attached as the meeting materials for this agenda item. CAFII is still assessing whether this consultation is “in scope” for our Association, and will make a determination based on an OSFI Information Session webinar on Draft Guideline B-13 that is being held on the afternoon of 30 November, 2021.

Recommendation / Direction Sought – *Read Only*

This is a read only item.

Attachments Included with this Agenda Item

One attachment.

*Agenda Item 6(m)(1)
December 7/21 Board Meeting*

OSFI launches consultation on a draft Technology and Cyber Risk Management Guideline

Accompanying Documents

- [Draft Guideline](#)

Document properties

- **Type of Publication:** Letter
- **Date:** November 9, 2021

Today, the Office of the Superintendent of Financial Institutions (OSFI) is launching a three-month public consultation on Draft Guideline B-13: Technology and Cyber Risk Management.

The proposed Guideline sets out OSFI's expectations for sound technology and cyber risk management across five domains. Each domain is guided by a desired outcome and related technology-neutral principles that collectively contribute to operational resilience. The proposed Guideline responds to [feedback](#) received as a result of OSFI's fall 2020 discussion paper on technology and related risks (see Annex).

Existing OSFI guidance, including Guidelines E-21 ([Operational Risk Management](#)) and B-10 ([Outsourcing of Business Activities, Functions and Processes](#)), as well as the recently updated [Technology and Cyber Security Incident Reporting Advisory](#) and [Cyber Security Self-Assessment](#) tool, will complement the proposed Guideline. In May 2021, through its [Near-Term Plan of Prudential Policy](#), OSFI shared its plan to review existing guidance on outsourcing and operational risk management.

Developing guidance for technology and cyber risks requires continued stakeholder engagement and transparency, so that OSFI can strike the right balance between its prudential objectives and allowing financial institutions to compete. OSFI welcomes public comments on Draft Guideline B-13, and is particularly interested in feedback on: [Footnote1](#)

- The clarity of OSFI's expectations, as set out in the Draft Guideline;
- The application of these expectations, commensurate with the institution's size, nature, scope, and complexity of operations;
- The balance between principles and prescriptiveness in OSFI's expectations; and,
- Other suggestions that contribute to OSFI's mandate to protect depositors and policyholders, and maintain public confidence in the Canadian financial system, while also allowing institutions to compete and take reasonable risks.

An information session for financial institutions is planned within the next few weeks to provide an overview of OSFI's Draft Guideline B-13 and an opportunity to raise questions.

Please submit comments to Tech.Cyber@osfi-bsif.gc.ca by February 9, 2022.

Annex - Responding to OSFI's 2020 Technology and Related Risks discussion paper feedback

In developing Draft Guideline B-13, OSFI considered the range of [feedback](#) received from stakeholders in response to the fall 2020 discussion paper, [Developing financial sector resilience in a digital world](#). Below is a brief summary of key issues from the discussion paper consultation and how OSFI responded to each.

Respondent Feedback	OSFI Response
Operational Risk and Resilience	
<ul style="list-style-type: none"> Technology risks are effectively managed within a broader non-financial risk and operational risk management context, integrated in a firm's enterprise risk management program. 	<ul style="list-style-type: none"> Paragraph 1.3.1 seeks alignment of the federally regulated financial institution's (FRFI's) technology and cyber risk management framework with its broader enterprise risk framework. FRFIs should refer to OSFI's Corporate Governance Guideline (section III: Risk Governance) for additional guidance.
<ul style="list-style-type: none"> Operational resilience is an outcome of effective operational risk management (ORM), and technology is a key enabler of operations. 	<ul style="list-style-type: none"> Draft Guideline B-13 aims to develop FRFIs' resilience to technology and cyber risks. Domain 5 (Technology Resilience) highlights the importance of disaster recovery and draws linkages to other resilience capabilities throughout the Guideline (e.g., within Technology Operations and Cyber Security). OSFI is reviewing additional feedback received from its July 2021 Letter on Operational Risk and Resilience. OSFI may consider future amendments to Draft Guideline B-13 to better

	<p>integrate operational resilience expectations across the suite of its regulatory guidance.</p> <ul style="list-style-type: none"> OSFI welcomes FRFIs' views on the balance between resilience capabilities and preventive controls in the Draft Guideline.
Technology and Cyber Security	
<ul style="list-style-type: none"> A principles-based, technology-neutral approach in which definitions, concepts, and expectations align with accepted global standards and existing guidance is most appropriate for technology risk management. 	<ul style="list-style-type: none"> Some respondents indicated that more prescription can be helpful in implementing effective risk management and controls, particularly in relation to cyber security. However, OSFI acknowledges that some FRFIs (e.g., larger, more complex institutions) may already exceed a number of the more detailed expectations or find them unnecessarily prescriptive. To balance the current level of prescription in Draft Guideline B-13, a 'layered' approach was taken to presenting expectations. All FRFIs—regardless of size, complexity and maturity of risk management—should aim at achieving the five outcomes and associated principles in the Guideline. OSFI believes this affords flexibility while still providing sufficiently clear guidance to institutions that may benefit from it.
<ul style="list-style-type: none"> Most respondents offered a range of suggestions to improve existing guidance, while some felt that OSFI's current guidance and tools (e.g., self-assessment tool, incident 	<ul style="list-style-type: none"> While OSFI's recently updated Cyber Self-Assessment tool and Incident Reporting Advisory are critical, OSFI does not view them as sufficient or complete in responding to existing and emerging risks. Draft Guideline B-13 aims to address this gap with broad

reporting advisory) are sufficient to address emerging risks.	coverage of both cyber and other technology risks. The Cyber Self-Assessment is a supplemental tool and is not regulatory guidance.
<ul style="list-style-type: none">In general, emerging risks can be managed effectively within a broader technology risk management framework. Quantum readiness requires collective action by government, industry, and academia. OSFI should continue to engage in such efforts.	<ul style="list-style-type: none">OSFI acknowledges this view. However, it is important that risk frameworks explicitly account for risks arising from emerging or less proven technologies (paragraph 1.3.2). In line with a technology-neutral approach, OSFI is not advancing expectations specific to quantum computing.
Third Party Risk	
<ul style="list-style-type: none">Most respondents did not believe that separate guidance for technology-related third-party arrangements was warranted, and that technology-related third party arrangements should be considered as part of OSFI's planned review of Guideline B-10.	<ul style="list-style-type: none">OSFI considered that limited guidance, supplementary to Guideline B-10, on technology and cyber risks arising from third party provider arrangements (Domain 4), is appropriate and necessary in view of the current risk environment. OSFI remains open to stakeholder feedback on how best to position these expectations, including in the context of OSFI's review of Guideline B-10.
<ul style="list-style-type: none">Most respondents indicated that separate guidance on cloud risk management was not warranted, and that any cloud-related provisions could be incorporated into Guideline B-10.	
Data	
<ul style="list-style-type: none">OSFI should not create additional data risk guidance, as existing law and standards provide sufficient coverage for FRFIs. Some respondents recommended that	<ul style="list-style-type: none">OSFI continues to consider data-related risks relative to existing standards and initiatives underway. OSFI views some aspects of data (e.g., protection and loss prevention) as

<p>OSFI consider the Basel Risk Data Aggregation and Risk Reporting (RDARR) principles as a basis for any additional expectations that could apply to all FRFIs, beyond systemically important banks.</p>	<p>being inextricably linked to sound technology and cyber risk management and therefore merit inclusion in this guidance.</p>
<ul style="list-style-type: none"> Data risk intersects many other risk areas (e.g., cyber security, models), and respondents highlighted key aspects of data risk itself (i.e., quality, security, privacy). 	

Footnotes

Footnote 1

OSFI's responses to the fall 2020 consultation (see Annex) expand on the approach taken to Draft Guideline B-13.

[Return to footnote1](#)

Modified Date:

2021-11-09



Guideline

Subject: Technology and Cyber Risk Management

Category: Sound Business Practices and Prudential Limits

No: B-13

Date: November 2021

A. Purpose and Scope

This Guideline establishes OSFI's expectations related to technology and cyber risk management and applies to all federally regulated financial institutions (FRFIs). These expectations aim to support FRFIs in developing greater resilience to technology and cyber risks.

FRFIs should implement the expectations in this Guideline commensurate with its size; the nature, scope and complexity of its operations; and risk profile. OSFI's expectations are technology-neutral, anticipating the need for FRFIs to compete effectively and take full advantage of digital innovation while maintaining a sound technology posture.

A.1 Definitions

"Technology risk" refers to the risk arising from the inadequacy, disruption, failure, loss or malicious use of information technology systems, infrastructure, people or processes that enable and support business needs and can result in financial loss.

"Cyber risk" or "cyber security risk" is the risk of financial loss, operational disruption or reputational damage from the unauthorized access, malicious and non-malicious use, failure, disclosure, disruption, modification or destruction of an institution's information technology systems and/or the data contained therein.

A "technology asset" is something tangible (e.g., hardware, infrastructure) or intangible (e.g., software, data, information) that needs protection and supports the provision of technology services.

For the purpose of this Guideline, "technology" refers to "information technology" (IT). The term "cyber" also refers to "information security." FRFIs may maintain their own definitions or employ definitions published by recognized standard-setting bodies.



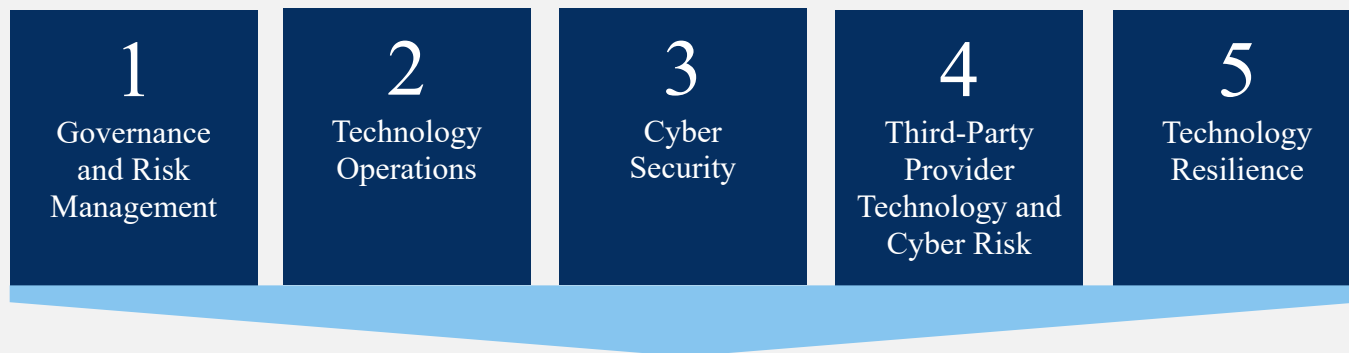


A.2 Structure

A.2.1 This Guideline is organized into five domains. Each sets out key components of sound technology and cyber risk management.

1. ***Governance and Risk Management*** – Sets OSFI’s expectations for the formal accountability, leadership, organizational structure and framework used to support risk management and oversight of technology and cyber security.
2. ***Technology Operations*** – Sets OSFI’s expectations for management and oversight of risks related to the design, implementation and management of technology assets and services.
3. ***Cyber Security*** – Sets OSFI’s expectations for management and oversight of cyber risk.
4. ***Third-Party Provider Technology and Cyber Risk*** – Expanding on OSFI’s existing guidance for outsourcing and third-party risk, sets expectations for FRFIs that engage with third-party providers to obtain technology and cyber services and/or other services that give rise to cyber and/or technology risk.
5. ***Technology Resilience*** – Sets OSFI’s expectations for capabilities to deliver technology services through operational disruption.

Domains for the sound management of technology and cyber risk



Greater resilience to technology and cyber risks





A.3 Outcomes

A.3.1 The five domains in this Guideline each express a desired outcome for FRFIs to achieve through managing risk. In turn, these outcomes contribute to developing FRFIs' resilience to technology and cyber risks.

1

Technology and cyber risks are governed through clear accountabilities and structures, and comprehensive strategies and frameworks.

2

A technology environment that is stable, scalable and resilient. The environment is kept current and supported by robust and sustainable technology operating processes.

3

A secure technology posture that maintains the confidentiality, integrity and availability of the FRFI's technology assets.

4

Reliable and secure technology and cyber operations from third-party providers.

5

Technology services are delivered, as expected, through disruption.

A.4 Related Guidance and Information

A.4.1 Technology and cyber security best practices are dynamic. Technology and cyber risks also intersect with other risk areas. As such, FRFIs are advised to read this Guideline in conjunction with other OSFI guidance, tools and supervisory communications, as well as guidance issued by other authorities applicable to the FRFI's operating environment; in particular:

- OSFI Guideline E-21 (Operational Risk Management);
- OSFI Guideline B-10 (Outsourcing);
- OSFI Cyber Security Self-Assessment Tool;
- OSFI Technology and Cyber Security Incident Reporting Advisory;
- Alerts, advisories and other communications issued by the Canadian Centre for Cyber Security; and,
- Recognized frameworks and standards for technology operations and information security.



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1. Technology and Cyber Governance and Risk Management

Outcome: Technology and cyber risks are governed through clear accountabilities and structures, and comprehensive strategies and frameworks.

1.1 Accountability and Organizational Structure

Principle 1: Senior Management should assign responsibility for managing technology and cyber risks to senior officers. It should also ensure an appropriate organizational structure and adequate resourcing are in place for managing technology and cyber risks across the FRFI.

1.1.1 Senior Management accountability is established. Senior Management is accountable for directing the FRFI's technology and cyber security operations and should assign clear responsibility for technology and cyber risk governance to senior officers. Such roles may comprise: Head of Information Technology; Chief Technology Officer (CTO); Chief Information Officer (CIO); Head of Cyber Security or Chief Information Security Officer (CISO). These roles should have appropriate stature and visibility throughout the institution.

1.1.2 Appropriate structure, resources and training are provided. OSFI expects the FRFI to:

- Establish an organizational structure for managing technology and cyber risks across the institution, with clear roles and responsibilities, adequate people and financial resources, and appropriate subject-matter expertise and training;
- Include among its Senior Management ranks persons with sufficient understanding of technology and cyber risks; and,
- Promote a culture of risk awareness in relation to technology and cyber risks throughout the institution.

Please refer to OSFI's *Corporate Governance Guideline* for OSFI's expectations of FRFI Boards of Directors in regard to business strategy, risk appetite and operational, business, risk and crisis management policies.

1.2 Technology and Cyber Strategy

Principle 2: The FRFI should define, document, approve and implement a strategic technology and cyber plan(s). The plan(s) should align to the FRFI's business strategy and set goals and objectives that are measurable and evolve with changes in the FRFI's technology and cyber environment.

1.2.1 Strategy is proactive, comprehensive and measurable. The FRFI's strategic technology and cyber plan(s) should, at a minimum:

- Anticipate and evolve with potential changes in the FRFI's internal and external technology and cyber environment;
- Reference planned changes in the FRFI's technology environment;
- Clearly outline the drivers, opportunities, vulnerabilities, threats and measures to report on progress against strategic objectives;
- Include risk indicators that are defined, measured, monitored and reported on;
- Be accompanied by tools and processes that support enterprise-wide strategy implementation; and,
- Articulate the manner in which technology and cyber security operations will support the overall business strategy.

1.3 Technology and Cyber Risk Management Framework

Principle 3: The FRFI should establish a technology and cyber risk management framework (RMF). The framework should set out a risk appetite for technology and cyber risks, and define what processes and requirements the FRFI utilizes to identify, assess, manage, monitor and report on technology and cyber risks.

1.3.1 RMF is well-aligned and continuously improved. The FRFI should establish a framework for managing technology and cyber risks, aligned with its enterprise risk management framework. OSFI expects the FRFI to regularly review and refresh its technology and cyber RMF to make continuous improvements based on implementation, monitoring and other lessons learned (e.g., past incidents).

1.3.2 RMF captures key elements. At a minimum, the technology and cyber RMF should establish and govern the following elements of risk management:

- Accountability for technology and cyber risk management, including for relevant Oversight Functions;
- Technology and cyber risk appetite and measurement (e.g., limits, thresholds and tolerance levels);
- A technology and cyber risk taxonomy;
- Control domains for technology and cyber security;
- Policies, standards and processes governing all domains of technology and cyber risk, which are approved, regularly reviewed and consistently implemented enterprise-wide;
- Processes for identifying, assessing, managing, monitoring and reporting on technology and cyber risks, including processes for managing exceptions;
- Management of unique risks posed by emerging threats and adoption of less proven technologies; and,
- Reporting to Senior Management on technology and cyber risk appetite measures, exposures and trends to inform the FRFI's current and emerging risk profile.

Please refer to OSFI's *Corporate Governance Guideline* for OSFI's expectations in relation to FRFI Oversight Functions, which include Risk Management, Compliance, and Internal Audit.

2. Technology Operations

Outcome: A technology environment that is stable, scalable and resilient. The environment is kept current and supported by robust and sustainable technology operating processes.

2.1 Technology Architecture

Principle 4: The FRFI should implement a technology architecture framework, with supporting processes to ensure solutions are built in line with business, technology and security requirements.

2.1.1 *Architecture framework ensures technology supports business needs.* The FRFI should establish a framework of principles necessary to govern, manage, evolve and consistently implement IT architecture across the institution in support of the enterprise's strategic technology, security and business goals and requirements.

2.1.2 *Architecture is comprehensive.* The scope of architecture principles should be comprehensive, considering such assets as: infrastructure; applications; emerging or less proven technologies; and relevant data. Systems and associated infrastructure should be designed and implemented to achieve availability, scalability, security (Secure-by-Design) and resilience (Resilience-by-Design). Resilience-by-Design requires consideration of the end-to-end flow of the business services or functions that they support, and associated internal and external dependencies. Architecture principles and controls should be embedded in the design phase of the System Development Life Cycle, prior to implementation.

2.2 Technology Asset Management

Principle 5: The FRFI should maintain an updated inventory of all technology assets supporting business processes or functions. The FRFI's asset management process should address classification of assets to facilitate risk identification and assessment, record configurations to ensure asset integrity, provide for the safe disposal of assets at the end of their life cycle, and monitor and manage technology currency.

2.2.1 *Technology assets are managed according to established requirements based on their criticality.* The FRFI should establish standards and procedures to manage technology assets according to their criticality and classification.

2.2.2 *Asset inventory identifies and classifies technology assets.* The FRFI should maintain a current and comprehensive asset management system, or inventory, that catalogues technology assets throughout their life cycle. The FRFI should implement processes to categorize technology assets based on criticality to the business and assign a security classification based on its sensitivity. This categorization should also identify critical technology assets that are

considered of high value to the FRFI, could attract threat actors and cyber attacks and therefore require enhanced cyber protections. The asset inventory should be sufficiently detailed to enable the prompt identification of an asset, its location, classification and ownership. Interdependencies between assets should be documented to enable proper change and configuration management processes and to assist in response to security and operational incidents, including cyber attacks.

2.2.3 *Inventory captures all technology assets that support the business.* A comprehensive inventory, and related processes, should capture both corporate assets and non-corporate assets that interface with the FRFI's technology infrastructure in supporting business services or functions. Such categories include:

- Assets owned, leased by, or otherwise entrusted to the FRFI;
- Assets owned by FRFI employees that are used in the course of business (e.g., assets authorized under "bring your own device" policies);
- Assets owned by third parties that are used to provide services to the FRFI; and,
- Assets owned by non-employees, including contractors and consultants that are used to provide services to the FRFI.

2.2.4 *Inventory records and manages technology asset configurations.* The technology inventory should also include a system for recording and managing asset configurations to enhance visibility and mitigate the risk of technology outages and unauthorized activity. The system should record asset configuration attributes, including baseline configurations, and any subsequent, authorized changes. Processes should be in place to identify, assess and remediate discrepancies from the approved baseline configuration and report on breaches.

2.2.5 *Safe disposal of technology assets is provided for.* The FRFI should define standards and implement processes to ensure the secure disposal or destruction of assets at the end of their life cycle.

2.2.6 *Technology currency is continuously assessed and managed.* The FRFI should continuously monitor the currency of software and hardware assets used in the technology environment in support of business processes. It should proactively implement plans to mitigate and manage risks stemming from unpatched, outdated or unsupported assets, and replace or upgrade assets before maintenance ceases.

2.3 Technology Project Management

Principle 6: Effective processes are in place to govern and manage technology projects, from initiation to closure, to ensure that project outcomes are aligned with business objectives and are achieved within the FRFI's risk appetite.

2.3.1 *Technology projects are governed by an enterprise-wide framework.* Technology projects are often distinguished by their scale and required investment, and their importance in fulfilling the FRFI's broader strategy. As a result, they should be governed by an enterprise-wide project management framework that provides for consistent approaches and achievement of

project outcomes in support of the FRFI's technology strategy. Project performance and associated risks should be measured, monitored and periodically reported on an individual and portfolio basis. Project risk appetite and measures are informed by the FRFI's technology and cyber RMF.

2.4 System Development Life Cycle

Principle 7: The FRFI should implement a System Development Life Cycle (SDLC) framework for the secure development, acquisition and maintenance of technology systems that perform as expected in support of business objectives.

2.4.1 SDLC framework guides system and software development. The SDLC framework should outline control activities and processes in each phase of the life cycle to achieve security, functionality and ensure that systems and software perform as expected in order to support business objectives. The SDLC phases generally comprise:

- Planning and defining requirements;
- Design, coding and implementation;
- Testing and acceptance; and,
- Deployment, maintenance and decommissioning.

2.4.2 Security requirements are embedded throughout the SDLC. In addition to the general technology processes and controls, the FRFI should establish control gates to ensure that security requirements and expectations are embedded in each phase of the SDLC. Sound security requirements and controls include, but are not limited to:

- Peer code reviews;
- Security scanning of code;
- Privileged access management and key management;
- Protection of data integrity and confidentiality;
- Removal of unnecessary services and programs;
- Authentication and authorization; and,
- Security logging and monitoring.

2.4.3 Integration of development, security and technology operations. By integrating application security controls and requirements into software development and technology operations, new software and services can be delivered rapidly without compromising application security. When these practices¹ are employed, the FRFI should ensure they are aligned with the SDLC framework and applicable technology and cyber policies and standards.

2.4.4 Acquired systems and software are assessed for risk. For software and systems that are acquired, the FRFI should ensure that security risk assessments are conducted and that systems implementation is subject to the same control requirements as required by the FRFI's SDLC framework to obtain assurance on quality, performance and security controls.

¹ These practices are commonly referred to as DevSecOps.

2.4.5 Coding standards provide for secure and stable code. The FRFI should define and implement coding standards, which at a minimum should cover controls and practices surrounding:

- Secure coding;
- Use of third-party and open-source code, coding repositories and tools;
- Testing requirements;
- Timely remediation of bugs and vulnerabilities prior to production deployment; and
- Continuous education for internal developers, if applicable.

2.5 Change and Release Management

Principle 8: The FRFI should establish and implement a technology change and release management process and supporting documentation to ensure changes to technology assets are documented, assessed, tested, approved, implemented and verified in a controlled manner that ensures minimal disruption to the production environment.

2.5.1 Changes to technology assets are conducted in a controlled manner. The FRFI should ensure that changes to technology assets in the production environment are documented, assessed, tested, approved, implemented and verified in a controlled manner. The change and release management standard should outline the key controls required for all phases of the change management process. The standard should also define emergency change and control requirements to ensure that such changes are implemented in a controlled manner with adequate safeguards.

2.5.2 Segregation of duties controls against unauthorized changes. Segregation of duties is a key control used in protecting assets from unauthorized changes and should be exercised in the change management process to ensure that the same person cannot develop, execute and move code or releases between production and non-production technology environments.

2.5.3 Changes to technology assets are traceable. Controls should be implemented to ensure traceability and integrity of the change record as well as the asset being changed (e.g., code, releases) in each phase of the change management process.

2.6 Patch Management

Principle 9: The FRFI should implement patch management processes to ensure controlled and timely application of patches across its technology environment to address vulnerabilities and flaws.

2.6.1 Patches are applied in a timely and controlled manner. The patch management process should define clear roles and responsibilities for all stakeholders involved. Patching should

follow existing FRFI change management processes, including emergency change processes. All patches should be tested before deployment to the production environment.

2.7 Incident and Problem Management

Principle 10: THE FRFI should effectively detect, log, manage, resolve, monitor and report on technology incidents and minimize their impacts.

2.7.1 Incidents are managed to minimize impact on affected systems. The FRFI should define standards and implement processes for incident and problem management. Standards should have the overall objective of timely identification and escalation of incidents, restoration and/or recovery of an affected system, and investigation and resolution of incident root causes, and provide an appropriate governance structure. The FRFI's incident management standards should complement its Enterprise Disaster Recovery Framework and contribute to its technology resilience (see Domain 5).

2.7.2 Incident management process is clear, responsive and risk-based. OSFI expects the FRFI to implement processes and procedures for managing technology incidents; elements may include:

- Defining and documenting roles and responsibilities of relevant internal and external parties to support effective incident response;
- Establishing early warning indicators and triggers of system disruption (i.e., detection) that are informed by ongoing threat assessment and risk surveillance activities;
- Identifying and classifying incidents according to priority, based on their impacts on technology services;
- Developing and implementing incident response procedures that mitigate the impacts of incidents, including internal and external communication actions that contain escalation and notification triggers and processes;
- Performing periodic testing and exercises using plausible scenarios in order to identify and remedy gaps in incident response actions and capabilities (e.g., deficiencies in internal and external resources, available skill sets, third-party services and support required); and,
- Establishing and periodically testing incident management processes (e.g., crisis communications) with third-party providers.

2.7.3 Problems are investigated, resolved and learned from. The FRFI should develop problem management processes that provide for the detection, categorization, investigation and resolution of suspected cause(s) of incidents. Processes should include post-incident reviews, root cause and impact diagnostics, and support identification of trends or patterns in incidents. Problem management activities and findings should inform related control processes, including change and release management, and be used to continuously improve incident management processes and procedures.

2.8 Technology Service Measurement and Monitoring

Principle 11: The FRFI should develop service and capacity standards, and processes to monitor operational management of technology, ensuring business needs are met.

2.8.1 Technology service performance is measured, monitored and regularly reviewed for improvement. The FRFI should establish technology service management standards with defined performance indicators and service targets that can be used to measure and monitor the delivery of technology services. Processes should also provide for prompt remediation where targets are not being met. Services governed by these standards may include:

- Service desk;
- Incident and problem resolution;
- Service maintenance;
- Change management; and,
- Operations and network management.

2.8.2 Technology infrastructure performance and capacity are sufficient. The FRFI should define performance and capacity requirements with thresholds on infrastructure utilization. These requirements should be continuously monitored against defined thresholds to ensure technology performance and capacity support current and future business needs.

3. Cyber Security

Outcome: A secure technology posture that maintains the confidentiality, integrity and availability of the FRFI's technology assets.

3.0 Confidentiality, integrity and availability of technology assets is maintained. The FRFI should proactively identify, defend, detect, respond and recover from external and insider cyber security threats, events and incidents to maintain the confidentiality, integrity and availability of its technology assets.

3.1 Identify

Principle 12: The FRFI should maintain a range of practices, capabilities, processes and tools to identify and assess cyber security for weaknesses that could be exploited by external and insider threat actors.

3.1.1 Security risks are identified. The FRFI should identify current or emerging cyber threats proactively using threat assessments to evaluate threats and assess security risk. This should include cyber security risk in new business initiatives, technology projects and change management processes. The FRFI should assess and understand both the inherent and residual

security risks, after compensating controls are applied, to its critical technology assets. This includes implementing information and cyber security threat assessments, processes and tools to cover controls at different layers of defence.

3.1.2 *Intelligence-led threat assessment and testing is conducted.* The FRFI should adopt a risk-based approach to threat assessment and testing. The FRFI should set defined triggers, and minimum frequencies, for intelligence-led threat assessments to test cyber security processes and controls. In addition, the FRFI should use a cyber threat intelligence-led approach and regularly perform tests and exercises to identify vulnerabilities or control gaps in its cyber security programs (e.g., penetration testing and red teaming). The FRFI should also clearly define the scope and potential impacts of such testing and apply effective risk mitigation controls throughout the assessment to manage any associated potential inherent risks.

3.1.3 *Vulnerabilities are identified, assessed and ranked.* The FRFI should establish processes to conduct regular vulnerability assessments of its technology assets, including but not limited to network devices, systems and applications. Processes should articulate the frequency with which vulnerability scans and assessments are conducted. The FRFI should assess and rank relevant cyber vulnerabilities and threats according to the severity of the threat and risk exposure to technology assets using a standard risk measurement methodology. In doing so, the FRFI should consider the potential cumulative impact of vulnerabilities, irrespective of risk level, that could present a high-risk exposure when combined.

3.1.4 *Data are identified, classified and protected.* The FRFI should ensure that adequate controls are in place to identify, classify and protect structured and unstructured data, authorized and unauthorized data sources and environments, based on their confidentiality classification. The FRFI should implement processes to perform periodic discovery scans to identify changes and deviations from established standards and controls to protect data from unauthorized access.

3.1.5 *Continuous situational awareness and information sharing are maintained.* The FRFI should maintain continuous situational awareness of the external cyber threat landscape and its threat environment as it applies to its technology assets. This could include participating in industry threat intelligence and information sharing forums and subscribing to timely and reputable threat information sources which furnish information on areas such as: emerging threats, attack techniques, vulnerabilities and indicators of compromise. Cyber threat intelligence sharing should include relevant domestic and international authorities. The FRFI should ensure timely exchange of threat intelligence to facilitate prevention of cyber attacks, thereby contributing to its own cyber resilience and that of the broader financial sector.

3.1.6 *Threat modelling and hunting are conducted.* The FRFI should maintain cyber threat models to identify cyber security threats directly facing its technology assets and services. Threats should be assessed regularly to enhance the cyber security program, capabilities and controls required to mitigate current and emerging threats. The FRFI should use manual techniques to proactively identify and isolate threats which may not be detected by automated tools (e.g., threat hunting).

3.1.7 *Cyber awareness is promoted and tested.* The FRFI should enable and encourage its employees, customers and third parties to report suspicious cyber activity, recognizing the role that each can play in preventing cyber attacks. The FRFI should create awareness of cyber attack vectors and techniques directly targeting employees, customers and relevant third parties. In addition, the FRFI should regularly test its employees to assess their awareness of cyber threats and the effectiveness of their reporting processes and tools.

3.1.8 *Cyber risk profile is monitored and reported on.* The FRFI should maintain a current and comprehensive cyber security risk profile to facilitate oversight and timely decision-making. The profile should draw on existing internal and external risk identification and assessment sources, processes, tools and capabilities. The FRFI should also ensure that processes and tools exist to measure, monitor and aggregate residual risks. Additionally, the FRFI should report on the cyber security risk profile using relevant dimensions (e.g., business unit, function and geographic region).

3.2 Defend

Principle 13: The FRFI should design, implement and maintain multi-layer, preventive cyber security controls and measures to safeguard its technology assets.

3.2.1 *Secure-by-Design practices are adopted.* The FRFI should adopt Secure-by-Design practices in all aspects of technology and data management, innovation and operations to safeguard its technology assets. Security defence controls should aim to be preventive and the FRFI should regularly review security use cases with a view to greater reliance on preventive versus detective controls. The FRFI should also define and implement a risk-based and timely process to ensure detection controls are changed into prevention controls. The FRFI should apply security defence controls to all technology assets. Standard security controls should be applied end-to-end, starting at the design stage, to applications, micro-services, and application programming interfaces (APIs) developed by the FRFI.

3.2.2 *Strong and secure cryptographic technologies are employed.* The FRFI should implement and maintain strong cryptographic technologies to protect the authenticity, confidentiality and integrity of its technology assets. This includes controls for the protection of encryption keys from unauthorised access, usage and disclosure throughout the cryptographic key management life cycle. The FRFI should regularly assess its cryptography standard and technologies to ensure they remain effective against current and emerging threats.

3.2.3 *Enhanced controls and functionality are applied to protect critical technology assets.* The FRFI should employ enhanced controls and functionality to rapidly contain cyber security threats and to defend its critical technology assets and remain resilient against cyber attacks. The FRFI should also identify cyber security controls required to secure its critical technology assets that were identified per paragraph 2.2.2 of this Guideline. Application controls should be designed to contain and limit the impact of a cyber attack. Enhanced security standards, configuration baselines and security hardening requirements should be implemented, monitored

and reviewed to ensure ongoing confidentiality, integrity and availability of critical technology assets throughout their life cycle.

3.2.4 *Cyber security controls are layered.* The FRFI should implement and maintain multiple layers of cyber security controls and defend against cyber security threats at every stage of the attack life cycle (e.g., from reconnaissance and initial access to executing on objectives). The FRFI should also ensure resilience against current and emerging cyber threats by maintaining defence controls and tools, and ensuring continuous operational effectiveness of controls by minimizing false positives.

3.2.5 *Data protection and loss prevention security controls are implemented.* Starting with clear information classification of its data, the FRFI should design and implement controls for the protection of its data throughout its life cycle. Specifically, the FRFI should:

- Define and implement risk-based data protection controls for data residing in all FRFI environments (e.g., development, testing, production, backup) and data hosted by its third parties, including Cloud Service Providers (CSPs);
- Protect backup data from cyber attacks (e.g., ransomware);
- Implement multi-layered controls for the encryption of data at rest, data in transit and data in use; and,
- Implement risk-based data loss prevention capabilities and controls, informed by use cases for high-risk data loss channels.

3.2.6 *Security vulnerabilities are remediated.* To ensure security vulnerabilities are well managed, The FRFI should:

- Maintain capabilities to ensure timely risk-based patching of vulnerabilities in vendor software and internal applications that consider the severity of the threat and vulnerability of the exposed systems;
- Set minimum risk-based timelines to apply patches from the time a vulnerability is identified and assessed. Patches should be applied at the earliest opportunity, commensurate with the risks. For example, a vulnerability that is classified by the FRFI as being critical (i.e., poses the highest risk) should be remediated within 48 hours. Similar timelines should be established for less critical vulnerabilities;
- Implement additional compensating controls as needed to sufficiently mitigate risks or when there is no viable patch available (e.g., “zero-day” attacks); and,
- Regularly monitor and report on patching status and vulnerability remediation against defined timelines, including any backlog and exceptions.

3.2.7 *Identity and Access Management controls are implemented.* The FRFI should implement risk-based identity and access controls, including Multi-Factor Authentication (MFA)² and privileged access management. At a minimum, consideration should be given to:

- Enforcing the principles of least privilege, need to know and segregation of duties;
- Regular recertification of access and permissions and prompt removal of access;

² MFA uses independent authentication factors which generally include something that the user: a) **knows**, such as a password or a PIN; b) **has** (possesses), such as a cryptographic identification device or token; and, c) **is**, such as biometrics or behaviour.

- Maintaining strong and complex passwords, commensurate with risk, to authenticate employee, customer and third-party access to technology assets;
- Implementing MFA across all external-facing channels and privileged accounts (e.g., customers, employees and third parties);
- Managing privileged account credentials using a secure vault;
- Logging and monitoring account activity as part of continuous security monitoring processes;
- Ensuring system and service accounts are securely authenticated, managed and monitored to detect unauthorized usage; and,
- Performing appropriate background checks on persons granted access to FRFI systems or data, commensurate with the criticality and confidentiality of the technology assets.

3.2.8 *Security configuration baselines are enforced; deviations are remediated.* The FRFI should implement approved, risk-based security configuration baselines for technology assets and security defence tools, including those provided by third parties. Where possible, security configuration baselines for different defence layers should disable settings and access by default. Additionally, the FRFI should:

- Enforce, and restrict changes to, approved secure operating system images, patterns and baselines to limit deviations and reduce the risk of misconfiguration;
- Detect and remediate configuration deviations in a timely manner following established processes;
- Monitor security configuration deviations and report on any approved exceptions;
- Prioritize any deviations or exceptions on a risk basis if timely remediation is not possible; and,
- Report, and obtain approval for, any deviations or exceptions to inform the FRFI's cyber risk profile.

3.2.9 *Application scanning and testing capabilities are employed.* Static and/or dynamic scanning and testing capabilities should be used to ensure new, and/or changes to existing, systems and applications are assessed for vulnerabilities prior to release into the production environment. Security controls should also be implemented to maintain security when development and operations practices are combined through a continuous and automated development pipeline (see paragraph 2.4.3).

3.2.10 *Additional security controls are applied for external-facing services.* For external-facing application services and network infrastructure, the FRFI should implement additional layers of security controls to protect these services from cyber attacks such as volumetric, low/slow network and application business logic attacks. For cyber security services delivering and protecting critical online services, the FRFI should regularly test controls, runbooks and playbooks.

3.2.11 *Cyber security defence controls maintained for hosts, endpoints and mobile devices.* The FRFI should maintain multiple layers of cyber security defence controls for hosts, endpoints and mobile devices. In particular, the FRFI should:

- Leverage a combination of allow/deny lists including file hash/signature and indicators of compromise, in addition to advanced behaviour-based protection capabilities that are continuously updated; and,
- Apply defence controls and mitigation capabilities for virus, malware, data loss and intrusion detection and prevention to all relevant technology assets.

3.2.12 *Networks are protected.* The FRFI should protect all of its networks, including external-facing services, from threats by minimizing its attack surface. The FRFI should define authorized logical network zones and apply controls to segregate and limit, or block access and traffic to and from network zones. OSFI expects the FRFI to maintain intrusion prevention, monitoring and alerting tools on its network perimeter.

3.2.13 *Physical access controls and processes are applied.* The FRFI should define and implement physical access management controls and processes to protect network infrastructure and other technology assets from unauthorized access and environmental hazards. Physical areas may include office premises, data centres, network equipment rooms, data backup/storage sites, servers and workstations. Some sound practices include:

- Implementing user provisioning processes to provide access to authorized persons, periodically recertifying access and promptly revoking access when not required;
- Protecting network equipment and other technology assets from environmental threats and hazards; and,
- Disabling network access points and hardware ports when not in use, to prevent unauthorized access.

3.3 Detect

Principle 14: The FRFI designs, implements and maintains continuous security detection capabilities to enable monitoring, alerting, and enable forensic cyber security incident investigations.

3.3.1 *Continuous, centralized security logging to support investigations.* The FRFI should ensure continuous security logging for all technology assets and different layers of defence tools. Central tools for aggregating, correlating and managing security event logs by risk should enable timely log access during a cyber event investigation. For any significant cyber threat or incident, the FRFI's forensic investigation should not be limited or delayed by disaggregated, inaccessible or missing critical security event logs. For technology assets and services, the FRFI should implement minimum security log retention periods and maintain cyber security event logs to facilitate a thorough and unimpeded forensic investigation of cyber security events.

3.3.2 *Malicious and unauthorized activity is detected.* The FRFI should maintain security information and event management capabilities to ensure continuous detection and alerting of malicious and unauthorized user and system activity. Advanced behaviour-based detection and prevention should be used to detect user and entity behaviour anomalies, and emerging external and internal threats that may be difficult to detect using predefined security rules or policies. The

latest threat intelligence and indicators of compromise should be used to continuously enhance FRFI monitoring tools. For high-risk use cases, the FRFI should inspect encrypted data in motion to enhance its continuous monitoring and detection capabilities.

3.3.3 *Cyber security alerts are triaged.* The FRFI should define roles and responsibilities to allow for the triage of high-risk cyber security alerts to rapidly contain and mitigate significant cyber threat events before they result in a material security incident or an operational disruption.

3.4 Respond, Recover and Learn

Principle 15: The FRFI should triage, respond to, contain, recover and learn from cyber security incidents impacting its technology assets, including incidents originating at third-party providers.

3.4.1 *Incident response capabilities are integrated and aligned.* The Technology Operations domain sets out the foundational expectations for the FRFI's incident and problem management capability. OSFI expects the FRFI to ensure the alignment and integration between its technology, cyber security, and crisis management and communication protocols. This should include capabilities to enable comprehensive and timely escalation and stakeholder coordination (internal and external) in response to a major cyber security event or incident.

3.4.2 *Cyber incident taxonomy is defined.* The FRFI should clearly define and implement a cyber incident taxonomy. This taxonomy should include specific cyber and information security incident classification, such as severity, category, type and root cause. It should be designed to support the FRFI in responding to, managing and reporting on cyber security incidents.

3.4.3 *Cyber security incident management process and tools are maintained.* OSFI expects the FRFI to maintain a cyber security incident management process and playbooks to enable timely and effective management of cyber security incidents. Such playbooks should involve internal and external FRFI roles when material activities are outsourced or involve third-party providers, including vendors, suppliers, managed services providers or CSPs.

3.4.4 *Timely response, containment and recovery capabilities are established.* The FRFI should establish a cyber incident response team with tools and capabilities available on a continuous basis to rapidly respond, contain and recover from cyber security events and incidents that could materially impact the FRFI's technology assets, customers and other stakeholders. Where such security services are outsourced to a third party, the FRFI should clearly define timely notification and escalation thresholds to management.

3.4.5 *Forensic investigations and root cause analysis are conducted, as necessary.* The FRFI should conduct an expert forensic investigation for incidents where there is potential for material exposure to its technology assets. For high-severity incidents, the FRFI should conduct a detailed post-incident assessment of direct and indirect impacts (financial and non-financial), including a root cause analysis to identify remediation actions, address the root cause and respond to lessons

learned. The root cause analysis should assess threats, weaknesses and vulnerabilities in its people, processes, technology and data.

3.4.6 Testing and simulation to continuously improve response. Further to expectations in section 2.7 of the Technology Operations domain, the FRFI should conduct periodic exercises and testing of its incident management process, playbooks, and other response tools (e.g., coordination and communication) to maintain and validate their effectiveness.

4. Third-Party Provider Technology and Cyber Risk

Outcome: Reliable and secure technology and cyber operations from third-party providers.

This domain should be read in conjunction with principles articulated in Guideline B-10, which advances OSFI's general expectations for the sound management of outsourcing and third-party risks, including that FRFIs retain ultimate accountability for outsourced activities.³ Accordingly, in addition to expectations articulated in Guideline B-10, the FRFI should consider additional controls to manage technology and cyber risks at all third-party providers (TPPs) including, but not limited to, CSPs and managed service providers.

4.1 General

Principle 16: The FRFI should ensure that effective controls and processes are implemented to identify, assess, manage, monitor, report and mitigate technology and cyber risks throughout the TPP's life cycle, from due diligence to termination/exit.

4.1.1 Clear responsibilities in TPP arrangements. While the FRFI retains ultimate accountability for outsourced activities, the FRFI should clarify its responsibilities, and those of TPPs, in managing technology and cyber risks. As such, a formal agreement between the TPP and the FRFI should be defined, accepted by all parties and implemented at the time of onboarding to limit ambiguity regarding responsibilities for technology and cyber controls.

4.1.2 TPPs to comply with the FRFI's standards. The FRFI should establish mechanisms to ensure that TPPs comply with its technology and cyber standards as developed in accordance with the Technology Operations and Cyber Security domains of this Guideline. For example:

- TPPs' privileged access should be managed and closely monitored. When connecting to the FRFI, controls should be defined and implemented to prevent and detect unauthorized access and activities through any mechanism. The FRFI's access to its information assets located at TPPs must also be managed, monitored and reviewed according to FRFI standards.

³ OSFI Guideline B-10 is in the process of being updated and its scope will be expanded to capture other third-party provider arrangements beyond outsourcing.

- FRFI standards for data classification, protection and secure destruction of FRFI information should apply to TPPs that store, use, modify or transmit FRFI information.
- TPPs should be subject to FRFI change and configuration management standards as applicable to FRFI information and information systems.
- Centralized logging and monitoring processes should be implemented to detect anomalies and proactively implement controls across all TPP assets including cloud, with the capability to conduct consolidated analysis and reporting on security posture across platforms.

4.2 Cloud Computing

4.2.1 *Cloud-specific requirements are established.* The FRFI should develop cloud-specific requirements to ensure that cloud adoption occurs in a structured and measured way that optimizes interoperability while operating within the FRFI's stated risk appetite. These requirements should augment existing FRFI controls and standards, including but not limited to areas such as:

- Identity and Access Management;
- API management;
- Containers and orchestration;
- Data protection;
- Management of vulnerabilities; and
- Cryptographic key management.

These requirements should be accompanied by robust cloud governance to provide proper oversight and monitoring of compliance with risk management practices at the FRFI. Cloud-specific requirements should guide decision-making and help ensure alignment of solutions to the FRFI's broader technology strategy.

4.2.2 *Cloud portability is considered at design and implementation stage.* In addition to planning appropriate exit strategies, the FRFI should also consider portability (i.e., the FRFI has the ability to move applications and data from one CSP to another) as part of the design and implementation process in cloud adoption.

5. Technology Resilience

Outcome: Technology services are delivered, as expected, through disruption.

This domain focuses on the FRFI's disaster recovery capabilities, which support the FRFI's ability to deliver technology services through operational disruption. This domain is complemented by related expectations set out in Domains 2-4 that contribute to technology resilience, including Technology Architecture, Incident and Problem Management and Cyber Security.

5.1 Disaster Recovery

Principle 17: The FRFI should establish and maintain an Enterprise Disaster Recovery Framework (EDRF) to support its ability to deliver technology services through disruption and operate within its risk tolerance.

5.1.1 Disaster recovery framework established. OSFI expects the FRFI to develop, implement and maintain an EDRF that sets out the FRFI's approach to recovering technological services during a disruption. The FRFI should align the EDRF with its business continuity management program. At a minimum, the EDRF should establish:

- Accountability and responsibility for the availability and recovery of technology services, including recovery actions;
- A process for identifying and analyzing technology services and key dependencies required to operate within the FRFI's risk tolerance;
- Procedures and capabilities to recover technology services to an acceptable level, within an acceptable timeframe, during disruption; and,
- A strategy, policy and processes for system and data backup that address, among other things: data retention periods; back-up processes and frequency; data storage and destruction processes; and periodic testing.

5.1.2 Key dependencies are managed. OSFI expects the FRFI to manage key dependencies required to support the EDRF, including:

- Information security requirements for data security and storage (e.g., encryption); and,
- Location of technology asset centres, backup sites, service provider locations and proximity to primary data centres, and other critical technology asset locations.

Principle 18: The FRFI should perform scenario testing on disaster recovery capabilities to confirm its technology services operate as expected through disruption.

5.1.3 Disaster recovery scenarios are tested. To promote learning, continuous improvement and technology resilience, OSFI expects the FRFI to validate and report on its disaster recovery strategies and plans regularly against severe but plausible scenarios. These scenarios should be forward-looking and incorporate, where appropriate:

- New and emerging risks or threats;
- Material changes to business objectives or technologies; and,
- Previous incident history and known technology complexities or weaknesses.

The FRFI's disaster recovery scenarios should test:

- The FRFI's backup and recovery capabilities and processes in order to validate resiliency strategies, plans and actions, and confirm the organization's ability to meet pre-defined requirements, including through live execution and/or simulation by walk-through; and,

-
- Critical third-party technologies and integration points with upstream and downstream dependencies, including both on- and off-premises technology.

Briefing Note

CAFII Board Meeting 7 December, 2021—Agenda Item 7(a)

In Camera Session—Proposed CAFII 2022 Operating Budget (*if In Camera discussion of this matter desired by Board*)

Purpose of this Agenda Item – Discussion

This is an *in camera* session discussion item.

Background Information

If the Board so desires, this is an opportunity to discuss elements of the proposed CAFII 2022 operating budget *in camera*.

If the Board does decide to discuss the proposed 2022 operating budget in its *in camera* session, the Board will need to reconvene on this matter in “open session” -- either on December 7/21 or on a later date -- so that its decision on the budget captured in the minutes of a Board meeting.

Recommendation / Direction Sought – Discussion

This is an *in camera* session discussion item.

Attachments Included with this Agenda Item

One attachment: See agenda item 4(d)

Briefing Note

CAFII Board Meeting 7 December, 2021—Agenda Item 7(b)

In Camera Session—Members' Contributions to CAFII's Advancement Through Contribution of Volunteer Resources to Committee Chair, Committee Vice-Chair, and Committee Member Roles

Purpose of this Agenda Item – Discussion

This is an *in camera* session discussion item.

Background Information

CAFII has been encouraging volunteers from CAFII member companies to join the Association's Committees and Working Groups in leadership capacities; and this will be an opportunity to provide an update on this ongoing initiative, including on one major remaining gap—CAFII is still seeking a Chair and a Vice-Chair for the Media Advocacy Committee.

Recommendation / Direction Sought – Discussion

This is an *in camera* session discussion item.

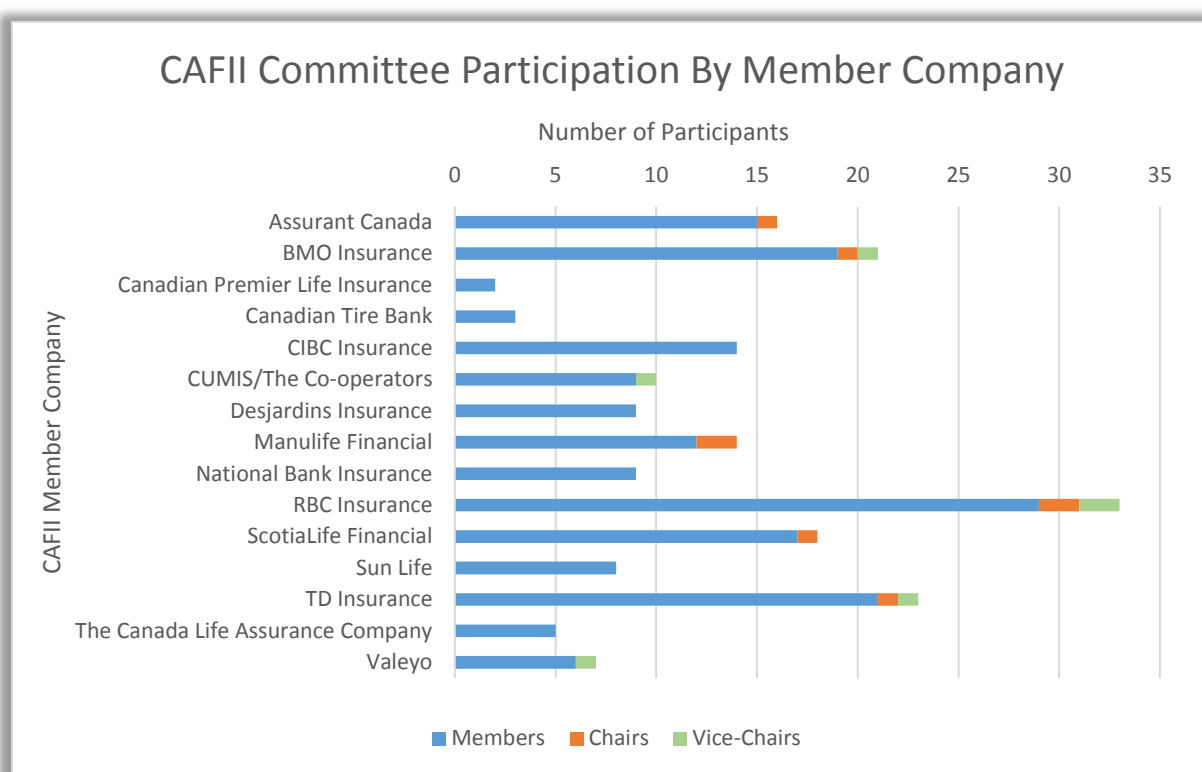
Attachments Included with this Agenda Item

One attachment.

Agenda Item 7(b)

December 7/21 Board Meeting

CAFII Member Company Committee & Working Group Involvement As At November 19/21



Notes: Acting Chairs and Vice-Chairs of Committees & Working Groups were also counted as Members of that same Committee or Working Group. See below the raw data count of each Member company's Committee/Working Group participation.

Company	Members	Chairs	Vice-Chairs	Total
Assurant Canada	15	1	0	16
BMO Insurance	19	1	1	21
Canadian Premier Life Insurance	2	0	0	2
Canadian Tire Bank	3	0	0	3
CIBC Insurance	14	0	0	14
CUMIS/The Co-operators	9	0	1	10
Desjardins Insurance	9	0	0	9
Manulife Financial	12	2	0	14
National Bank Insurance	9	0	0	9
RBC Insurance	29	2	2	33
ScotiaLife Financial	17	1	0	18
Sun Life	8	0	0	8
TD Insurance	21	1	1	23
The Canada Life Assurance Company	5	0	0	5
Valeyo	6	0	1	7