

## CAFII Board of Directors Meeting

**Date:** Tuesday, June 5, 2018  
**Location:** Scotia Plaza, 63 rd Floor  
40 King St. West,  
Toronto, ON  
**Chair:** P. McCarthy

**Time:** 3:15 – 5:30 p.m.  
**Dial-in:** 416-477-0921; 514-447-8925 or 1-888-543-2449  
Participant: 1500# | Host: 1501#  
**Zoom URL:** <https://zoom.us/j/832109690>

### Agenda

Item	Presenter	Document	Action
1. Call to Order, Meeting Confirmation, & Governance Matters <i>3:15 p.m.</i>	P. McCarthy		
1.1. CAFII Competition Guidelines		✓	Approval
1.2. Approval of Agenda		✓	Approval
1.3. Election of 2018-19 CAFII Officers			
1.4. CAFII EOC Chair Succession	C. Knight/P.Thorn	✓	Discussion
2. Consent Items <i>3:25 p.m.</i>	P. McCarthy		
2.1. Draft Board Meeting Minutes, April 17,2018		✓	Approval
2.2. Summary of Board & EOC Action Items		✓	Receipt
2.3. Regulatory Update		✓	Receipt
2.4. Regulator and Policy-Maker Visit Plan		✓	Receipt
2.5. CAFII Media Release Re Appointment of Nicole Benson As CAFII Board Chair		✓ (2)	Receipt
3. Financial <i>3:25 p.m.</i>			
3.1. Financial Statements as at April 30, 2018	T. Pergola	✓	Approval
4. Regulatory <i>3:30 p.m.</i>			
4.1 Consultations/Submissions Timetable	B. Wycks	✓	Update
i. BC FIA Review Preliminary Recommendations Paper	R. Beckford/B. Wycks	✓ (2)	Update
ii. Quebec Bills 141 and 150	R. Beckford/K. Martin		Update
iii. CCIR/CISRO Guidance: Conduct of Insurance Business and FTC	R. Beckford/B. Wycks	✓ (2)	Update
4.2 Possible Follow-up To FCAC “Domestic Bank Retail Sales Practices Review”	K. Martin/B. Wycks		Update
4.3 Possible Legal Research Project Stemming From Australian Royal Commission	P. McCarthy/K. Martin	✓	Discussion
4.4 Quebec Bill 134	K. Martin	✓	Update
4.5 Regulator and Policy-Maker Liaison Meetings During 2018 CLHIA Conference	B. Wycks/K. Martin	✓	Update
4.6 Regulator and Policy-Maker Liaison Meetings in Atlantic Canada, May 2018	B. Wycks/K. Martin	✓	Update
4.7 Proposed CAFII Meeting with FCNB Re Proposed RIA Regime in New Brunswick	B. Wycks/K. Martin		Update
4.8 CAFII Liaison Meeting with CCIR and CISRO Policy Managers, May 18/18	B. Wycks/K. Martin	✓	Update
5. Strategy <i>4:15 p.m.</i>			
5.1 2018 Pollara Travel Health Insurance Research:			
i. Recommendation from EOC on Public Release of Pollara Research Results	P. Thorn/K. Martin	✓	Discussion
ii. Executive Summary of Pollara Travel Health Insurance Research Results	K. Martin	✓	Discussion
iii. Draft Press Release on Pollara Travel Health Insurance Results	K. Martin	✓	Discussion
iv. Objectives, Benefits, and Risks of Public Release of Pollara Research Results	K. Martin	✓	Discussion
v. Critical Path for Pollara Research Results Release	K. Martin	✓	Update
5.2 Status of OneMain Solutions Canada Application for CAFII Initiation Membership	B. Wycks	✓	Update
5.3 Other CAFII Initiation Member, Returning Member, and Associate Prospects	B. Wycks/K. Martin		Update
6. Committees Reports Addressing CAFII Priorities <i>4:50 p.m.</i>			
6.1 Market Conduct	R. Beckford		Update
6.2 Media Advocacy	C. Blaquiere		Update
i. Story Board for “About CAFII” Website Video	K. Martin	✓	Discussion

6.3 Licensing Efficiency Issues i. CAFII/CLHIA Joint Submission Re Saskatchewan RIA Advisory Committee 6.4 Research & Education 6.5 Travel Medical Experts		M. Gill		Update
		D. Quigley	✓	Update
		S. Manson		Update
				Update
7. Other Business	5:05 p.m.	B. Wycks		Updates
7.1 June 5/18 CAFII Reception, Including Expected Regulator and Policy-Maker Guests				
7.2 Next CAFII Board Meeting: October 2/18 In Montreal, Including Liaison Lunch and Industry Issues Dialogue with AMF Staff Executives				
8. In-Camera Session	5:10 p.m.	P. McCarthy		Discussion

---

<b>Document Owner:</b>	CAFII Executive Operations Committee
<b>Practice Applies to:</b>	CAFII Members
<b>Process Responsibility:</b>	CAFII Secretary
<b>Final Accountability:</b>	CAFII Board of Directors

---

## DEFINITION:

**"Competition Act"** means the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

## COMPETITION LAW POLICY

### 1. Competition Law Policy Statement

It is the Corporation's policy that it, and all of its members, fully comply with the Competition Act in respect of any activity undertaken for or on behalf of the Corporation. Responsibility for such compliance rests with the Board and with each member.

### 2. Guidelines for Competition Act Compliance

At each Annual and Special Meeting of members of the Corporation, members shall be furnished with the Corporation's Guidelines for Competition Act Compliance ("Competition Law Policy") and a summary of the policy shall be read into the record at the beginning of the meeting as a reminder of members' undertakings with respect to Competition Act compliance. At meetings of the Board of Directors of the Corporation and of its Executive Operations Committee, this policy shall be referenced and acknowledged at the beginning of each meeting.

### 3. Consequences for Failure to Comply with Policy and Guidelines

Failure by a member to comply with this policy or the Guidelines is grounds for removal of that member from the register of the Corporation in accordance with section 9.06.

### 4. Annual Review of Guidelines

The Guidelines shall be reviewed annually by the Corporation and shall be amended from time to time, as necessary or considered desirable by the Board of Directors.

Any changes to the Competition Law Policy may not be ratified by electronic means.

If you have any questions, comments or suggestions regarding this document, contact the Executive Director, Brendan Wycks at [Brendan.wycks@cafii.com](mailto:Brendan.wycks@cafii.com).

# CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

## GUIDELINES FOR *COMPETITION ACT* COMPLIANCE

Trade association meetings present a risk of interactions among competitors that in and of themselves may contravene, or may lead to a contravention of, Canada's competition laws. Depending on the circumstances, an inference may be drawn by the Competition Bureau of an improper agreement among competitors resulting from such interactions. In addition to rules of general application to all industries, there are also specific provisions in the *Competition Act* (the "**Act**") dealing with agreements or arrangements between federal financial institutions.<sup>1</sup>

Consequently, the Canadian Association of Financial Institutions in Insurance ("**CAFII**"), and its members, should be cognizant of the importance of compliance with the Act and committed to such compliance. In fulfilling the mandate of CAFII, and working towards the achievement of its objectives, members of CAFII are expected to adhere to the guidelines that follow and CAFII's competition law policy to promote and respect the spirit and the letter of the law.

### 1. Prohibited Activities<sup>2</sup>

#### (a) **Anti-Competitive Agreements or Understandings**

Neither CAFII nor any committee or activity of CAFII shall be used for the purpose of bringing about or attempting to bring about any agreement, written or oral, formal or informal, express or implied, among competitors regarding:

- (i) the amount or kind of prices, premiums, service charges, interest rates, or other terms or conditions of any products or services to be offered for sale by insurance companies;
- (ii) the amount or kinds of products or services to be offered to customers or classes of customers;
- (iii) the customers or classes of customers to whom any insurance company product or service may be sold or withheld; or
- (iv) the territories in which an insurance company product or service may be sold.

#### (b) **Sharing Information Posing Anti-Competitive Risk**

No CAFII activity, including any activity undertaken by a CAFII committee or group, shall involve discussion, exchange, collection or dissemination among competitors, for any purpose or in any fashion, information on those matters identified in subparagraphs (i) to (iv) in paragraph (a) above.

---

<sup>1</sup> For the purposes of the relevant provisions of the Act, "federal financial institution" means a bank or authorized foreign bank within the meaning of section 2 of the *Bank Act*, a company to which the *Trust and Loan Companies Act* applies or a company or society to which the *Insurance Companies Act* applies.

<sup>2</sup> The activities captured by these guidelines include any activities undertaken for or on behalf of CAFII, including but not limited to, CAFII meetings, formal or informal CAFII-sponsored events, and advocacy and lobbying initiatives.

Where projects involve the collection of individual firm statistical data, such collection shall involve only aggregate data from past transactions and shall include effective steps to protect against disclosure of individual product-pricing or interest-payment information.

**(c) Exchange of Cost Information – Anti-Competitive Purposes**

No CAFII activity shall include any discussion of costs or any exchange of cost information for the purpose or with the probable effect of:

- (i) increasing, maintaining, or stabilizing prices, premiums, service charges, interest rates, or other terms or conditions of insurance company products or services;
- (ii) reducing competition with respect to the range or quality of products or services offered by insurance companies; or
- (iii) promoting agreement among insurance companies with respect to their selection of products or services for purchase, their choice of suppliers, or the prices they will pay for such products or services, including commissions for the services of commissioned agents.

**(d) Published Papers**

Papers published by or on behalf of CAFII or presented in connection with CAFII programs should not discuss or refer to the amount or kind of prices, premiums, service charges, interest rates, or other financial terms or conditions of insurance products or services offered for sale by insurance companies. Additionally, reference to costs in such papers should not be accompanied by any suggestion, express or implied, that prices, premiums, interest rates, service charges or other terms or conditions of insurance company products or services should be raised, adjusted, or maintained in order to reflect such costs. To ensure compliance, authors of conference papers shall be informed of CAFII's Guidelines for Competition Act Compliance and CAFII's competition law policy and the need to comply with these rules in the preparation and presentation of their papers.

**(e) No Attempt at Product Standardization**

Neither CAFII nor any CAFII committee or group shall make any effort to bring about the standardization of any insurance product or service for the purpose or with the effect of preventing the development or sale of any product or service not conforming to a specified standard.

**(f) Independent Dealings with Suppliers**

No CAFII activity or communication shall include any agreement, or any discussion which might be construed as an agreement, to collectively refrain from purchasing any products or services from any supplier.

**(g) No Exclusion from CAFII Activities**

No person shall be arbitrarily or unreasonably excluded from participation in any CAFII committee or activity where such exclusion may impair such person's ability, or the ability of his or her employer, to compete effectively in the insurance industry or as a supplier to the insurance industry.

## 2. Permissible Activities

The Act expressly permits certain activities among competitors and, as a result, within trade associations. These permitted activities include:

- the exchange of statistics;
- the defining of service or product standards;
- the exchange of credit information;
- the definition of industry terminology;
- co-operation in research and development; and
- agreements on environmental protection measures.

However, the usefulness of these exemptions is **very limited**. These activities become illegal if the result is that competition is unduly decreased, or if entry into an industry or expansion of a business within that industry is unduly restricted. For example, although “the exchange of statistics” is permitted, that does not mean that any and all forms and kinds of statistics and numbers, such as price lists or market-share data, may be exchanged among trade association members. Likewise, the defining of service or product standards may become criminal conduct if there is an agreement that CAFII members will restrict the range of services or products they offer to certain specified customers, or they agree to standards in terms of quality, range or quantity of products or services they offer with the aim of eliminating low price competitors.

## 3. Efforts to Influence Governmental Action

In general, one has a right to meet and to make joint presentations with respect to governmental activities of common interest. However, this right should not be used jointly by competitors for an anti-competitive purpose such as, for example, the lobbying for a legislative or regulatory change having the objective of impeding entry of new competitors, increasing insurance premiums, or restricting insurance services to certain classes of customers or geographic regions. Caution should be exercised where a particular lobbying initiative pertains to subject-matter that has competitive overtones or may be perceived as a concerted effort to lessen or prevent competition. In such cases, legal advice should be sought before proceeding with the initiative.

## Reverse Chronology of

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

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

Terms (June to June, except where noted)	Board Chair	Board Vice-Chair	EOC Chair	Treasurer
2017-18	Peter McCarthy, BMO Insurance	Vacant	Pete Thorn, TD Insurance	Tony Pergola, ScotiaLife Financial
2016-17	Peter McCarthy, BMO Insurance	Joane Bourdeau, National Bank Insurance <i>(until April 2017, at which time National Bank Insurance left CAFII membership)</i>	Pete Thorn, TD Insurance <i>(May 2017 onwards)</i> Eleanore Fang, TD Insurance <i>(until April 2017)</i>	Raja Rajaram, CIBC Insurance <i>(until April 2017)</i> Tony Pergola, ScotiaLife Financial <i>(April 2017 onwards)</i>
2015-2016	Peter McCarthy, BMO Insurance	Joane Bourdeau, National Bank Insurance <i>(Oct 6, 2015 onwards)</i> Isaac Sananes, Canadian Premier <i>(Jun 9-18, 2015)</i>	Greg Grant, CIBC Insurance	Raja Rajaram, CIBC Insurance
2014-2015	Rino D’Onofrio, RBC Insurance <i>(Sep 19, 2014)</i>	Isaac Sananes, Canadian Premier <i>(Sep 19, 2014)</i>	Greg Grant, CIBC Insurance	Raja Rajaram, CIBC Insurance
2013-2014	Mark Cummings, ScotiaLife Financial	Rino D’Onofrio, RBC Insurance	Jennifer Hines, RBC Insurance	Raja Rajaram, CIBC Insurance
2012-2013	Mark Cummings, ScotiaLife Financial <i>(Dec 2012 onwards)</i> Cathy Honor, RBC Insurance <i>(until Dec 2012)</i>	Keith Demmings, Assurant Solutions <i>(until Dec 2012)</i>	Jennifer Hines, RBC Insurance <i>(Dec 2012 onwards)</i> John Lewsen, BMO Insurance <i>(until Oct 2012)</i>	Matt Fabian, BMO Insurance <i>(until Dec 2013)</i>
2011-2012	Cathy Honor, RBC Insurance <i>(Dec 2011 onwards)</i> David Minor, TD Insurance <i>(until Dec 2011)</i>	Keith Demmings, Assurant Solutions	John Lewsen, BMO Insurance	Matt Fabian, BMO Insurance

Terms (June to June, except where noted)	Board Chair	Board Vice-Chair	EOC Chair	Treasurer
2010-2011	David Minor, TD Insurance	Keith Demmings, Assurant Solutions	John Lewsen, BMO Insurance	Matt Fabian, BMO Insurance
2009-2010	David Minor, TD Insurance	Keith Demmings, Assurant Solutions	Lawrie McGill, CIBC Insurance	Matt Fabian, BMO Insurance
2007-2009	Rick Lancaster, CIBC Insurance	Steve Phillips, Assurant Solutions	Moira Gill, TD Insurance	Matt Fabian, BMO Insurance ( <i>Dec 2009 onwards</i> ) Monica Smith, BMO Insurance ( <i>Oct to Dec 2009</i> ) Victor Pywowarczuk, BMO Insurance ( <i>until Oct 2009</i> )
2005-2007	Neil Skelding, RBC Insurance ( <i>Oct 2005 onwards</i> )	Steve Phillips, Assurant Solutions	Lawrie McGill, CIBC Insurance	Victor Pywowarczuk, BMO Insurance
2004-2005	Cathy Honor, RBC Insurance ( <i>until Oct 2005</i> )	Steve Phillips, Assurant Solutions	Lawrie McGill, CIBC Insurance	Victor Pywowarczuk, BMO Insurance
2002-2004	Oscar Zimmerman, ScotiaLife Financial	Isaac Sananes, Canadian Premier		Ambrish Jaiswal, CIBC Insurance
2001-2002	Oscar Zimmerman, ScotiaLife Financial	Isaac Sananes, Canadian Premier		
2000	Russell Dunbar, TD Insurance	Isaac Sananes, Canadian Premier ( <i>Mar 2000 onwards</i> ) Bernard Dorval, Canada Trust ( <i>until Mar 2000</i> )		
1998	Russell Dunbar, TD Insurance	Bernard Dorval, Canada Trust		



**CAFIL Board of Directors Meeting**  
**Tuesday, April 17, 2018**  
**Lena Restaurante | Sala Dos (Private Boardroom, 2<sup>nd</sup> Floor)**  
**176 Yonge St. Toronto, ON M5C2L7**  
**3:00 – 5:00 p.m.**

*MINUTES*

<b>Board Present:</b>	Nicole Benson	valeyo
	David Fear	Canada Life Assurance <i>(for part)</i>
	Bob Grant	ScotiaLife Financial
	Chris Knight	TD Insurance <i>(teleconference, for part)</i>
	Chris Lobbezoo	RBC Insurance
	Peter McCarthy	BMO Insurance <i>Chair</i>
	Sandra Rondzik	CIBC Insurance
	Wally Thompson	Manulife
	Kelly Tryon	CUMIS Services Incorporated
	André Langlois	Desjardins Financial Security
	Robert Zanussi	Assurant <i>(t)</i>
<b>Regrets:</b>	Nick Bilodeau	AMEX Bank of Canada
<b>EOC Present:</b>	Anuraj Bains	CIBC Insurance <i>(teleconference)</i>
	Rose Beckford	ScotiaLife Financial
	Charles Blaquiere	valeyo
	Moiria Gill	TD Insurance
	Dominique Julien	CIBC Insurance <i>(teleconference)</i>
	Scott Kirby	TD Insurance
	Bradley Kuiper	ScotiaLife Financial
	John Lewsen	BMO Insurance
	Sue Manson	CIBC Insurance
	Monika Spudas	Manulife Financial
	Peter Thorn	TD Insurance <i>Secretary and EOC Chair</i>
<b>Also Present:</b>	Keith Martin	CAFIL <i>Co-Executive Director</i>
	Brendan Wycks	CAFIL <i>Co-Executive Director</i>
	Natalie Hill	Managing Matters Inc. <i>Recording Secretary</i>
	Criag Worden	Pollara Strategic Insights <i>(for part)</i>
	Lesli Martin	Pollara Strategic Insights <i>(for part)</i>

**1. Call to Order; Welcome; and Confirmation of Meeting**

The meeting was called to order at 3:04p.m. P. McCarthy acted as Chair; P. Thorn acted as Secretary; and N. Hill acted as Recording Secretary.

P. McCarthy extended particular welcome to those individuals who were attending a CAFIL Board meeting in-person for the first time or who had recently taken on new leadership positions within CAFIL:

- Andre Langlois, who was attending his first Board meeting in-person since his appointment late last year as CAFII Director from Desjardins Financial Security;
- the three representatives from Manulife Financial:
  - Wally Thompson, nominated for appointment as the CAFII Director from Manulife; along with
  - Nina Desai and Monika Spudas who were now members of Executive Operations Committee from Manulife;
- several other new EOC members who had joined that committee since the Board's last meeting. They were:
  - Anuraj Bains from CIBC Insurance;
  - Dominique Julien from CIBC Insurance;
  - Brad Kuiper from ScotiaLife Financial; and
  - Scott Kirby from TD Insurance.

P. McCarthy also welcomed:

- Craig Worden, President, and Lesli Martin, Vice-President, Public Affairs, with Pollara Strategic Insights, who were present to provide a research highlights presentation; and
- Natalie Hill, new CAFII Administrative Co-ordinator at Managing Matters, serving as Recording Secretary for this meeting.

P. McCarthy noted that the Consent Agenda approach was a tool used to streamline meeting procedures by grouping routine, non-controversial items together, which were then approved or simply received for the record via a single motion and vote. No discussion or debate is permitted on any item that is part of an approved Consent section of the agenda. Therefore, during the upcoming Approval of Agenda, Board members would be asked if they are comfortable with the Consent section. If a Director wishes to discuss any of the five items which have been placed in the Consent section, it will be moved into the regular section of the agenda and discussed at the appropriate time.

Secretary P. Thorn confirmed that notice of the meeting had been sent to all Directors in accordance with the Association's By-Laws.

P. Thorn confirmed that there was a quorum of Directors present at the meeting, noting that six (6) Directors were present in-person; and two (2) Directors were on the phone; with one additional Director expected to dial in at 4:00 p.m.

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

### **1.1. Approval of Agenda**

P. McCarthy called for, with respect to the agenda, a mover and seconder for a motion to amend the agenda as follows, so that the Board may deal with both the admission of Canada Life Assurance as an Initiation Member and the appointment of its first CAFII Director at this meeting:

- move forward current agenda item 5.1 Initiation Member Application: Canada Life Assurance to the Governance and Special Matters section and make it agenda item 1.2;
- re-number and amend current agenda item 1.2 Appointment of a CAFII Director so that it becomes item 1.3 Appointment of CAFII Directors; and
- re-number all subsequent agenda items accordingly.

On a motion duly made, seconded and unanimously carried.

**IT WAS RESOLVED that:**

The Meeting Agenda be and is approved as amended.

P. McCarthy asked if the Directors have any additions or changes to propose to the agenda.

On a motion duly made, seconded and unanimously carried.

**IT WAS RESOLVED that:**

The amended agenda be and is approved as presented.

**1.2. Initiation Member Application: Canada Life Assurance**

With respect to the new agenda item 1.2, B. Wycks and K. Martin provided an update on the status of an Initiation Member Application which had been received from Canada Life Assurance; and, in particular, a report on a CAFII Member Applicant Review Committee meeting with Canada Life executives.

B. Wycks noted the recommendation from the Member Applicant Review Committee is that the Board admit Canada Life Assurance to Initiation Membership in the Association. K. Martin mentioned that Canada Life Assurance is enthusiastic about becoming a member of the Association.

It was noted that there was recent negative media coverage in Quebec that named three insurers, including Canada Life, as being fined by the AMF for certain activities. The Canada Life Assurance gave a thorough explanation about what caused this and felt that the rules were being applied in a very technical manner, and that they had a case for defending against the AMF's allegations, but in the end decided to settle and move on.

On a motion duly made, seconded and unanimously carried,

**IT WAS RESOLVED that:**

The CAFII Board of Directors admits Canada Life Assurance as an Initiation Member (a sub-class of Regular Member) of the Canadian Association of Financial Institutions in Insurance, effective April 17, 2018, for a two year period encompassing the Association's 2018 and 2019 membership years, following which Canada Life Assurance's status will transition to that of full Regular Member for the Association's 2020 membership year.

P. McCarthy then invited into the meeting room David Fear, Senior Vice-President, Creditor Insurance at Canada Life Assurance and Canada Life Assurance's nominee for appointment as its first Director on the CAFII Board.

**1.3. Appointment of Two CAFII Directors**

P. McCarthy recalled that based on a report from a CAFII Member Applicant Review Committee and via unanimous support for a Written Resolution, the Board of Directors had recently admitted Manulife Financial as an Initiation Member of the Association. After a two year trial period, it is the hope and expectation that Initiation Members will become full, Regular Members of the Association.

In accordance with Article 4.2 of the CAFII Bylaw, the fixed number of Directors shall be equal to the number of members of the Association. As an Initiation Member, Manulife Financial has recommended that Wally Thompson, its Vice-President of Sales and Marketing, Consumer Markets, be appointed as its representative on the CAFII Board of Directors until the Association's next Annual Meeting in June 2018.

On a motion duly made, seconded and unanimously carried,

**IT WAS RESOLVED that:**

Wally Thompson is appointed the Director representing Manulife Financial on the CAFII Board of Directors, effective April 17, 2018 until the next Annual Meeting on June 5, 2018.

P. McCarthy congratulated and welcomed W. Thompson to the CAFII Board of Directors.

P. McCarthy further recalled that, in anticipation of the possibility that it would be admitted as a CAFII Initiation Member on an expedited basis at this meeting, Canada Life Assurance had nominated David Fear, Senior Vice-President, Creditor Insurance, for appointment as its representative on the CAFII Board of Directors until the Association's next Annual Meeting in June 2018.

On a motion duly made, seconded and unanimously carried,

**IT WAS RESOLVED that:**

David Fear is appointed the Director representing Canada Life Assurance on the CAFII Board of Directors, effective April 17, 2018 until the next Annual Meeting on June 5, 2018.

P. McCarthy congratulated and welcomed David Fear to the CAFII Board of Directors.

**1.4. CAFII Board and EOC Chair Succession**

P. McCarthy highlighted the need for the Board to identify a successor Chair and appoint a candidate at the next meeting of the Board on June 5, immediately following the Annual Meeting of Members at which a Director for each Member of the Association is appointed or re-appointed.

Mr. McCarthy indicated that it had been a privilege for him to serve as Chair of the CAFII Board of Directors for the past three years, but when the Board transitions from its 2017-18 governance year to its 2018-19 year on June 5, good governance practice dictates that it is time for a Director from another Regular Member of the Association to succeed him.

It was noted that a document related to this particular item had been included in the meeting materials. It sets out a Candidate Profile for the Board Chair, including the duties and responsibilities of the position which are specified in the Association's By-laws; and the desired skills, attributes, experience, and related qualifications of a Board Chair. Also included is the Reverse Chronology of CAFII Board Chair, Vice-Chair, EOC Chair, and Treasurer appointees over the years, as relevant background information.

It was also noted that the EOC and Board Chair should ideally not be from the same member organization. Further discussion of this matter was deferred until the *in camera* session of the Board meeting.

**1.5. 2018 Pollara Travel Insurance Research: High Level Results**

P. McCarthy called upon S. Manson, Chair of CAFII's Travel Medical Experts Working Group, and L. Martin from Pollara Strategic Insights to present to the Board the high level results from recently refreshed CAFII-commissioned research, carried out by Pollara -- related to Canadians' experiences and satisfaction with travel health insurance.

S. Manson mentioned that the field work was conducted in February and March with top line results now tabulated. CAFII Committees will be digging into the results to pull out the most relevant findings and determine next steps, working with Pollara's Lesli Martin and Craig Worden, who were involved in the 2015 study as well.

L. Martin noted that the research was commissioned to see if the perspectives of Canadians on travel and health insurance had changed since the study was last conducted in 2015. This year, the sample size was increased to 1200 from 1000, allowing for a more in-depth analysis.

A few key observations were that of Canadians who had purchased travel medical insurance within the past 12 months, 64% had access to it through work; buyers of private insurance are two to three times more confident in their coverage; and the more confident they are, the more likely they are to buy the coverage; those who made a claim felt more confident and were more likely to know what is in their policy; high satisfaction levels are virtually identical by channel (phone, online etc.); and in general, consumers feel positively about the industry and the products it is offering.

A counterintuitive finding was that consumers who complained, perhaps because their complaints were resolved, had more positive results than consumers who had not complained. Overall, the more exposed the consumer is to the industry, the more positive they feel.

Even after increasing the sample size by 33%, the result stayed consistent with the 2015 results, validating that the original results were credible. The study results contain many positive messages that could be a good story to go to the media with. The results could also be shared with regulators, possibly through a webinar with the CCIR; could be summarized on the CAFII website; and could be turned into physical collateral that could be "leave behinds" with regulators, policy-makers, and influencers.

## **2. Approval/Receipt of Consent Items**

On a motion duly made, seconded and unanimously carried,

It was **RESOLVED** that the Consent Agenda items be and are approved or received for the record, as indicated in the Action column in the Consent section of the agenda.

And further, it was **RESOLVED** that the minutes of the meeting of the Board of Directors held November 28, 2017; and the minutes of the meeting of the Board of Directors held February 7, 2018 be and are adopted in the form presented, and that a copy of those minutes be signed and placed in the minute book of the Corporation.

## **3. Financial Matters**

### **3.1. Approval of Financial Statements as at March 31, 2018**

On behalf of Treasurer T. Pergola, B. Wycks highlighted that the current year-to-date and budgeted year to date numbers are tracking very closely. Expenses are lower by \$7,000. The revenue figures reflect the acquisition of Manulife as an Associate (initially) but not its new status as an Initiation Member; when that adjustment is made, it will result in an incremental boost in revenue in the financial forecast.

It was noted that as revenues from new Members is included in the financials, the Association's financial stability will improve and the financial concerns highlighted late in 2017 will be alleviated.

On a motion duly made, seconded and unanimously carried,

**IT WAS RESOLVED that:**

The Financial Statements be and are approved as presented.

**3.2. Draft 2017 Audited Financial Statements**

P. McCarthy mentioned that the Audited Financial Statements must be approved by the Board prior to being presented to the membership at our 2018 Annual Meeting on June 5.

B.Wycks presented the 2017 audited financial statements mentioning that at the end of the year the unrestricted net assets had a decline of \$2,000. KMPG had asked for a portion of the Pollara expense to be moved forward from fiscal 2017 into fiscal 2018.

On a motion duly made, seconded and unanimously carried,

**IT WAS RESOLVED that:**

The Draft 2017 CAFII Audited Financial Statements be and are approved as presented.

**4. Regulatory Matters**

**4.1. Regulatory Consultations/Submissions Timetable**

**4.1(i). BC Financial Institutions Act Review: Preliminary Recommendations Paper**

B.Wycks highlighted that CAFII was preparing a submission to the B.C. Ministry of Finance with respect to its recently released Preliminary Recommendations Paper, which set out some policy proposals for change arising from its 10-Year Review of the Financial Institutions Act. There was one particular recommendation in the Preliminary Recommendations Paper, which K. Martin pointed out to the Board, which was of serious concern and to which CAFII intended to communicate a forceful response.

R. Beckford noted that there are some parts of the Preliminary Recommendations Paper to which CAFII will not be directly responding as an Association, but which CAFII members may want to have other departments within their organizations examine.

**4.1(ii). Quebec Bills 141 and 150**

K. Martin reported that CAFII's submission to the Committee on Public Finance of the National Assembly of Quebec included a concern that the language in Section 71.1, referring to the requirement for a Natural Person to be involved in the selling of insurance, including online, could be interpreted as being contrary to our understanding of the intention of the Bill. It was reported that an amendment to this clause clarified the requirements, and was viewed as addressing our concerns adequately.

K. Martin noted that Quebec Ministry of Finance Associate Deputy Minister P. Boivin had addressed the National Assembly's Committee on Public Finance about what would replace the Distribution Guide, another area CAFII had requested clarification on; and his comments, some of which K. Martin read out to the Board from a document tabled on this matter as part of the Board package, made clear that there would still be a requirement for documentation, but it would be much simpler and easier for consumers to understand than the Distribution Guide

Sue Manson noted some concerns that had been identified around the more recently tabled and tangentially related Quebec Bill 134; and requested that CAFII look into this matter.

***ACTION: Explore further the concerns around Quebec Bill 134 [Keith and Brendan: May 25/18]***

#### **4.1(iii). FSCO Draft 2018 Statement of Priorities**

R. Beckford reported that CAFII will be making a submission on FSCO's 2018 Statement of Priorities, with CAFII pointing out key concerns and making recommendations, with the deadline for submissions being 8 May, 2018.

#### **4.1(iv). FSCO Treating Consumers Fairly (TCF) Guideline**

R. Beckford reported that treating consumers fairly (TCF) is a priority for all regulators. FSCO's TCF Guideline will be the subject of a CAFII submission, which is due by 8 May, 2018. Among the key issues CAFII will be addressing is the need for balance between consumer rights and consumer responsibilities, and the importance of harmonized regulations on this subject.

J. Lewsen advised that part of the reason that FSCO is embarking on this initiative with ambitious timelines is to have its TCF Guideline finalized and promulgated prior to the International Monetary Fund's re-assessment visit to Canada, on behalf of the International Association of Insurance Supervisors, which is expected to occur sometime in 2018.

#### **4.1(v). CCIR Fair Treatment of Customers Guidance**

It was reported that FSCO is trying to finalize its guidelines before CCIR does, and that CAFII is monitoring the CCIR effort carefully.

#### **4.2. FCAC "Domestic Bank Retail Sales Practices Review"**

P. Thorn and K. Martin provided an update on the FCAC's published report on its **"Domestic Bank Retail Sales Practices Review"**. CAFII had recently had a useful meeting with the CBA, where it was noted that the FCAC report was very general and did not identify any specific evidence of systemic mis-selling. The CBA strategy, to which CAFII agreed to carefully adhere, was to avoid making statements to the media in the expectation that the story would fizzle out quickly.

#### **4.3. Outcomes of Saskatchewan Exemptions to PST on Insurance Premiums Issue**

K. Martin provided an update on CAFII's submission and advocacy with the Government of Saskatchewan on which insurance products were newly exempt from PST, and on the refunding of premiums previously collected on those products. The Ministry of Finance initially appeared not to exempt creditors group insurance from PST. CAFII protested this in a letter sent to the Ministry, and a draft Information Bulletin subsequently did exempt creditor life insurance, but not other products like creditor job loss insurance; and if products were bundled together, the products had to be broken out for a refund to be issued, and the refund would only apply to the life component. If the products could not be broken out, no refund would be applied at all. This would be a complex and costly process for some CAFII members, and the reasons why it was not good policy were shared by K. Martin in a series of phone calls with Ministry of Finance officials. Subsequently, the Ministry of Finance modified its position, and the final Information Bulletin gave a blanket PST exemption to all creditors group insurance products.

B. Wycks advised these developments in Saskatchewan constituted a major win for CAFII and its members. It resulted from timely communication from K. Martin with officials in the Saskatchewan Ministry of Finance, which caused the Ministry to change its position.

#### **4.4. CAFII Letter to Manitoba on Single Premium Insurance Policies**

K. Martin noted that CAFII had submitted a the letter to Manitoba's Financial Institutions Regulation Branch with respect to Single Premium Insurance Policies, noting that these policies are accompanied by full consumer disclosure.

#### **4.5. March 16/18 CAFII Meeting with FSRA Board of Directors**

B. Wycks and K. Martin provided an update on CAFII's early March meeting with the three initial members of Financial Services Regulatory Authority of Ontario's founding Board of Directors, and related developments subsequent to that meeting. It was noted that coming out of the meeting, FSRA Chair Bryan Davies had indicated that he, and possibly incoming FSRA President and CEO Mark White, would like to address CAFII, and in the interim, both would be in attendance at the CAFII Reception immediately following this Board meeting.

#### **4.6. CAFII Regulator and Policy-Maker Meetings During 2018 CLHIA Conference**

B. Wycks provided an update on plans for a number of CAFII liaison meetings with regulators and policy-makers in Calgary, in connection with the 2018 CLHIA Compliance and Consumer Complaints Conference taking place there in early May.

#### **4.7 CAFII Atlantic Canada Regulators and Policy-Makers Visits Tour, May 13-17/18**

B. Wycks provided an update on the itinerary for and participants in a CAFII Atlantic Canada Insurance Regulators and Policy-Makers Visits Tour from May 13 to 17.

### **5. Strategy and Membership**

#### **5.1. Initiation Member and Associate Status Applications: OneMain Solutions Canada**

B. Wycks provided an update on the Initiation Member Application and the Associate Status Application which had been received from OneMain Solutions Canada.

It was highlighted that OneMain Solutions is the successor to Citi Financial Canada which sold off its branch retail distribution network in 2017 and those branches had recently been rebranded by their new owner as Fairstone Financial. OneMain Solutions Canada currently has two creditor insurance companies operating in Canada, which are American Life and Health Insurance Company and Triton Insurance Company. There was a desire to ensure that CAFII understood the business model of OneMain Solutions Canada, and it was agreed that a through due diligence was required prior to their becoming CAFII Initiation Members.

***ACTION: Arrange a CAFII Member Applicant Review Committee meeting with representatives of OneMain Solutions Canada to review their CAFII Initiation Member application [Brendan, Keith: May 15/18].***

#### **5.3. Other CAFII Initiation Member, Returning Member, and Associate Prospects**

B. Wycks and K. Martin provided an update on other CAFII Initiation Member, Returning Member, and Associate prospects. It was noted that CAFII is currently trying to get National Bank Insurance back as a member. The contact that had previously been on the CAFII Board, Joane Bourdeau, has recently left National Bank Insurance, but she has positioned CAFII well by putting us in contact with another person at NBI, Michele Jenneau.

K. Martin mentioned that as CAFII puts out news releases on new members joining CAFII, he is sending them to National Bank Insurance; these news releases are often picked up by trade and industry press who, because of the topic, list the Association's members, with NBI being notable by its absence.

CAFII has also had meetings with Laurentian Bank about the prospect of its joining CAFII, but this seemed to be a less immediate prospect.



CAFII has also had good contact with Sara Gelgor at HSBC and we are following up on the efforts to have her company join CAFII as an Initiation Member.

***ACTION: Follow up with Sarah Gelgor to advance the possibility of HSBC joining CAFII {Brendan, Keith: May 15/18}***

## **6. Committee Reports Addressing CAFII Priorities**

### **6.1. Market Conduct Committee**

P. McCarthy noted that many of the updates from the Market Conduct Committee had already been discussed during the Regulatory Updates earlier in the agenda.

### **6.2. Media Advocacy Committee**

C. Blaquiere, Chair of the Media Advocacy Committee, provided an update on his committee's recent initiatives and progress. He noted that the Media and Awareness Training Session held on March 28/18 was highly informative and successful.

K. Martin reiterated that we are moving forward on our media strategy, consistent with the controlled and cautious approach which the Board has approved.

#### **6.2(i). March 28/18 CAFII Media Awareness & Training Session**

K. Martin provided a brief report on the Media Awareness & Training Session which was held on March 28/18, to review CAFII's approach to the media including the development of key messages.

#### **6.2(ii). CAFII Website Enhancement Investments in 2018**

K. Martin provided a brief update on 2018 CAFII investments to enhance the Association's website.

### **6.3(i). CAFII/CLHIA Joint Submission Re Saskatchewan RIA Advisory Committee**

M. Gill provided an update on her committee's recent initiatives, particularly with respect to work underway on a CAFII/CLHIA joint submission on a Saskatchewan Restricted Insurance Agent Advisory Committee.

### **6.4. Research and Education Committee**

K. Martin provided an update on the Research and Education committee's recent initiatives. It was noted that a document titled "CAFII Research Options 2018" had been included in the Board meeting materials package, which reviewed the options for CAFII research in 2018. The R&E Committee has deliberated on the document and recommended that we complete a consumer survey in the Fall of 2018 on creditors group insurance. This would be a research project similar to the consumer survey just completed on travel insurance. It was also recommended that CAFII solicit a quote from Pollara first, before deciding if it wants to go to an RFP for the consumer survey on creditors insurance.

### **6.5. Travel Medical Experts Working Group**

S. Manson, Chair of the CAFII Travel Medical Experts Working Group, provided an update on her committee's recent initiatives beyond the recently refreshed Pollara travel health insurance research. It was reported that there had recently been significant media coverage of challenges in repatriating Ontario residents to Ontario hospitals. CLHIA is taking the lead on this initiative, and is working with the Ontario Ministry of Health. CAFII actively involved.

## **7. Other Business**

### **7.1. CAFII Transition to Managing Matters**

K. Martin provided an update on the transition to Managing Matters. He stated that the new model was working well, including better bench strength and backup of employees than with our previous supplier, and a better focus on specialized services at Managing Matters, e.g. events are managed by a team focused just on that activity. The transition is now complete and the new supplier is fully on boarded.

### **7.2. Expected Regulator and Policy-Maker Attendance at April 17 CAFII Reception**

B.Wycks provided an update on expected attendees at the CAFII Reception which would immediately follow the Board meeting.

### **7.3. Next CAFII Board Meeting and Reception: June 5/18 at ScotiaLife Financial**

B.Wycks noted that the next CAFII Board of Directors meeting would be held on Tuesday, June 5, 2018, from 3:00 to 5:30 p.m., at Scotia Plaza, hosted by ScotiaLife Financial.

## **8. Termination and *In Camera* Session**

There being no further business to discuss, the meeting was terminated at 4:58p.m., following which CAFII Directors alone met for an *in camera* session.

Summary of CAFII Board and EOC Action Items					
	Source	Action Item	Responsible	Deadline	Status 5-28-2018
		<b>Alberta Critical Illness Insurance Issue</b>			
1	EOC February 21, 2017	Contact J. McCutcheon to ask her to review the definition of Creditors' Critical Illness Insurance approved by the Alberta LIC to ensure there are no issues with it from an industry-wide perspective.	Brendan	28-Feb-17	Deferred
		<b>Quebec Ministry of Finance &amp; AMF Regulatory Issues</b>			
2	Board April 17, 2018	Explore further CAFII members' concerns around Quebec Bill 134.	Keith & Brendan	15-May-18	In progress
		<b>Finance Canada Regulatory Issues</b>			
3	Board Nov 29, 2016	Monitor Canadian Bankers Association's plans and actions for seeking redress with Finance Canada re deficiencies in Bill C29, Budget Implementation Act's Consumer Framework related to creditor insurance and standalone insurance products.	Brendan	Ongoing	In progress
		<b>Association Strategy and Governance</b>			
4	EOC September 19, 2017	Approach Directors to see if they would consider becoming the new CAFII Chair to succeed Peter McCarthy; or becoming the Vice-Chair	All EOC	23-Oct-17	In progress
5	EOC June 20, 2017	Review "Candidate Profile: CAFII Board Chair" and "Reverse Chronology CAFII Board Chair, Board Vice-Chair, EOC Chair, and Treasurer Appointees" and discuss with own CAFII Board member the possibility of his/her being a nominee for the CAFII Board Chair or Vice-Chair roles, for a 1 or 2 year appointment.	All EOC	5-Sep-17	In progress
6	EOC January 16, 2018	Go back to Fasken regarding the opportunity to join CAFII as an Associate, this time reaching out to Robert McDowell	Brendan, Keith	31-Mar-18	Complete
7	Board April 17, 2018	Arrange a CAFII Member Applicant Review Committee meeting with representatives of OneMain Solutions Canada to review their CAFII Initiation Member application.	Brendan, Keith	15-May-18	N/A; due to OneMain Solutions' withdrawal of Initiation Member Application
8	Board April 17, 2018	Follow up with Sarah Gelgor to advance the possibility of HSBC joining CAFII as an Initiation Member.	Brendan, Keith	15-May-18	Complete
9	EOC February 27, 2018	Document in writing the process for reviewing, approving, and admitting applicants for CAFII Members and Associate status	Brendan	30-Apr-18	In progress
		<b>Association Administration and Financial Management</b>			
10	EOC June 20, 2017	Review the mandate of the CAFII Networking and Events Committee; solicit/recruit interest, as necessary; and propose 3-5 volunteers -- from among current EOC member or other individuals from member organizations -- to reconstitute and reactivate the Committee.	All EOC	24-Oct-17	In progress
		<b>CAFII Research</b>			
11	EOC March 27, 2018	Report back to the EOC on the findings of the exploratory meeting on the possibility of CAFII engaging in syndicated/omnibus research	Keith, Brendan	25-May-18	In progress

**Regulatory Update – CAFII Board of Directors and Executive Operations Committee, May 25, 2018**

Prepared By Brendan Wycks, CAFII Co-Executive Director

**Table of Contents**

**Federal/National:**

- **Financial Consumer Agency of Canada (FCAC)**
  - FCAC Report Outlines Best Practices For Consumer Protection **(page 2)**
- **Canadian Life and Health Insurance Association (CLHIA):**
  - CLHIA Delays New Compensation Disclosure Guideline By Six Months **(page 3)**
  - CLHIA Ignoring Views on New Guideline G-19 Says Newly Formed Advisors Group **(page 3)**

**Provincial/Territorial:**

- **Alberta:**
  - Industry Will Be Consulted On Single Financial Services Regulator Proposal **(page 4)**
- **Québec:**
  - AMF To Seek Industry Input In Updating Sound Commercial Practices Guideline **(page 4)**
  - AMF Seeking Candidate Nominees For Distribution Practices Advisory Committee **(page 5)**
  - AMF Calls For Candidates For Technological Innovation Advisory Committee **(page 5)**
- **New Brunswick**
  - FCNB “Well Advanced” In Developing RIA Licensing Regime For New Brunswick **(page 6)**
- **Prince Edward Island:**
  - Superintendent Expresses Concern About Alleged Use Of Credit Scores In Claims Adjudication **(page 6)**

**International:**

- **Australia**
  - Australian Banking Royal Commission Reveals Malpractice That Has Ruined Lives: The Guardian **(page 7)**

## **Federal/National**

### **Financial Consumer Agency of Canada (FCAC)**

#### FCAC Report Outlines Best Practices For Consumer Protection

The Financial Consumer Agency of Canada (FCAC) has found a lack of consumer protection around unfair treatment, according to its report on best practices in financial consumer protection which was released in May.

While FCAC found Canada's overall federal financial consumer protection framework to be strong, it noted areas that could be strengthened, including addressing consumer protection in legislation, better supporting the supervisory and enforcement work of the agency with additional tools, and introducing targeted measures to better empower and protect consumers.

For example, the report notes that, according to the G20 High-Level Principles, financial consumers should be treated equitably, honestly and fairly at all stages of their relationship with financial service providers. Yet, no provincial consumer protection laws mandate that consumers be treated "fairly," in particular, says the report.

However, it also notes that the Autorité des marchés financiers is currently considering including fair treatment as an integral part of governance for provincially regulated financial service institutions offering credit.

Also, The Bank Act prohibits specific practices such as coercive tied selling or charging for products or services without express consumer consent. However, "there are currently no provisions requiring fair treatment of consumers or prohibiting unfair treatment," says the report.

In March, FCAC released findings from a review of business practices across Canada's big banks, following media reports last year of questionable sales tactics. That report said the banks had insufficient controls in place to mitigate against risks of mis-selling.

The report on best practices comes in response to a request from the Minister of Finance that FCAC engage with provincial and territorial regulators and other key stakeholders to identify best practices in financial consumer protection in place across the country. Findings from the report will help inform the government's work on a new financial consumer protection framework.

The scope of FCAC's review focused on consumer protection measures that apply to financial products and services, such as credit products and deposit products. In parallel, FCAC assessed international best practices and the current federal framework.

The FCAC's full report is published on its website.

## Canadian Life and Health Insurance Association (CLHIA)

### CLHIA Delays New Compensation Disclosure Guideline By Six Months

On February 5/18, CLHIA announced that, in response to feedback from the advisor community, it was postponing the implementation of its new Guideline G19, *Compensation Disclosure in Group Benefits and Group Retirement Services*, **by six months** for new contracts to January 1, 2019.

"Advisors are valuable partners in delivering group benefits and retirement services to Canadians and their views on the new proposed standards and how to implement them are key. Consultations began earlier this year and we are listening to their views. That is why we took the immediate step of pushing back the implementation date," said Stephen Frank, CLHIA President and CEO.

The CLHIA media release noted that the Association was currently on a cross-country tour, meeting with advisors to explain the new Guideline and gather their views and recommendations on how best to implement G19. Further, the CLHIA was creating an advisory committee of advisors and insurers to provide their guidance. "We need the help of advisors to ensure successful implementation and we are committed to partnering with them on the new standards," said Frank.

### CLHIA Ignoring Views on New Guideline G-19 Says Newly Formed Advisors Group

Rob Taylor of the newly formed National Coalition of Benefit Advisors (NCBA) says its pleas to CLHIA on the Association's new *Guideline G19, Compensation Disclosure in Group Benefits and Group Retirement Services* have mainly fallen on deaf ears.

"If you look at any industry, when one side of the table decides they want to get together on their own and try to impact all other stakeholders, we start to question what the actual intent is," he says. "We don't really think, deep down, that this is all about the consumer. It's about 'can we make more money and have access to more of the market' – that is what CLHIA is governed by."

In response, Taylor joined with group benefits advisors from across Canada to form NCBA earlier this year. Their primary mission is to provide a voice for their profession, thus acting as a counterpoint to the insurance providers. In his opinion, the role of the advisor is crucial in acting as a buffer between huge conglomerates and plan sponsors. And for that reason, he is skeptical of the insurers' reasoning for G-19.

"Does it mean they want to go direct – who knows? What I do know is that when other jurisdictions around the world tried to do the same thing, it failed miserably and the consumer was harmed by increased costs and less stewardship and protection," he says.

Speaking to Life-Health Professional, Lyne Duhaime, SVP, Quebec Affairs and President, ACCAP-Quebec, was adamant that advisor support was crucial to the successful roll-out of G-19. To achieve that, the CLHIA would hold a number of consultation meetings across Canada to gauge opinion on this issue. Taylor was present at one such meeting in Vancouver, but in his opinion, the important decisions had already been made by the insurers.

“What we know for a fact is the CLHIA is not consulting with anyone,” Taylor says. “What they are doing is rolling out town hall sessions on implementation. These are not feedback sessions and it is very disingenuous for CLHIA to ever mention that they are embarking on a feedback tour.” Rather than offering critique of G-19, Taylor wants advisors to have a proper seat at the table. In his view, the entire process has been massively flawed and lacking in transparency, which is bad news for brokers, but also for those buying group benefits.

“Insurers can put themselves at an advantaged position where a uniformed consumer might think going direct to an insurer might save them money, and an insurer could imply that,” he says. “If an insurer is going to create a cost structure that is cheaper, it would mean clients who have intermediaries are likely going to subsidize the insurer delivering it cheaper.”

## **Alberta**

### **Alberta Treasury Board and Finance; and Alberta Insurance Council**

#### Industry Will Be Consulted On Single Financial Services Regulator Proposal

During a panel presentation at the May 2-4/18 CLHIA Conference in Calgary, David Sorensen, the province’s Deputy Superintendent of Insurance at Alberta Treasury Board and Finance, advised that his province’s exploration of creating a single financial services regulator was still in its early stages; nothing had yet been decided; and industry would be consulted on this proposal. He did not provide a timeline for the rollout and advancement of the proposal.

Shedding more light on the situation, in a subsequent provincial insurance councils panel presentation at the same conference, Joanne Abram, CEO of the Alberta Insurance Council, said that the anticipated timeline for bringing the proposal to fruition was aggressive, with a short industry consultation period later this year before an early 2019 implementation date.

## **Québec**

## **AMF**

#### AMF To Seek Industry Input In Updating Sound Commercial Practices Guideline

During a panel presentation at the May 2-4/18 CLHIA Conference in Calgary, Louise Gauthier, Director, Distribution Practices at the AMF advised since the regulator’s Sound Commercial Practices Guideline (the AMF’s version of a Fair Treatment of Consumers Guideline) had not been updated since its introduction in 2013; the time was now ripe to do so and that would occur later this year. There will be a four to five week consultation period with industry stakeholders on the Guideline, she indicated, likely during the summer months.

Ms. Gauthier also indicated that if Bill 141 and Bill 150 are adopted in the National Assembly, there will be several years of work ahead for the AMF in drafting regulatory rules to support the legislation.

### AMF Seeking Candidate Nominees For Distribution Practices Advisory Committee

On May 25/18, the AMF announced that it was seeking candidates to serve on an advisory committee that will examine the practices of representatives pursuing activities under the Act respecting the distribution of financial products and services (the “Distribution Act”).

The Distribution Practices Advisory Committee will serve as a forum between the AMF and industry stakeholders involved in the distribution of financial products and services covered by the Distribution Act to gain practical insight into their field, foster an open dialogue with the industry, and help the AMF achieve its objectives, in particular by allowing it to develop a modern, responsive framework based on best practices.

The Committee’s core mandate will be to examine topics proposed by the AMF pertaining in particular to product and service distribution practices in insurance and financial planning. Members will be invited to share their practical experience, concerns and advice on industry-related issues. They will also be called on to provide information, suggestions, focus areas and constructive solutions, in particular to help develop, interpret and implement the AMF’s related framework (including regulations, notices, directives, guidelines and support).

The Committee will be composed of up to 15 outside experts from sectors related to the distribution of financial products and services in Québec, including damage insurance, insurance of persons, financial planning and claims adjustment, and whose activities are governed by the Distribution Act.

To ensure the best possible input into the work of the Committee, members are expected to have relevant experience in their respective fields and a solid understanding of the regulations applicable to financial products and services covered by the Distribution Act. All members must be active within the industry. A candidate’s multi-sector practice will be an asset. Insofar as possible, the AMF will consider certain diversity criteria, including gender representation, experience and competency, when selecting Committee members.

Committee members will be appointed for an initial two-year term, which may be extended in accordance with conditions to be determined by the AMF. Committee meetings will be planned in co-operation with members and take place three to six times annually. The frequency and duration of meetings may vary based on topical issues, initiatives or ongoing developments. Members will not be remunerated for their participation in the Committee.

The AMF has provided on its website a related “Call For Candidates” background document; and the deadline for applications is June 15, 2018.

### AMF Calls For Candidates For Technological Innovation Advisory Committee

On May 16/18, the AMF announced that it was seeking candidates for new positions and one vacant position on its Technological Innovation Advisory Committee (TIAC).



“The TIAC, which currently has 14 members, serves as a forum to gain practical insight into technological innovation in the financial services and products industry and maintain an open dialogue between stakeholders and the AMF,” said the regulator. It is made up of outside experts from various areas and professions related to technological innovation in the financial sector, and AMF representatives.

TIAC members are appointed for an initial two-year term. The term may be extended under certain conditions. Those interested in applying are invited to read the Information Sheet and submit their application in writing to the AMF. The deadline for submitting an application is June 5, 2018.

## **New Brunswick**

### **Financial Consumer Services Commission of New Brunswick**

#### FCNB “Well Advanced” In Developing RIA Licensing Regime For New Brunswick

In a CAFII liaison meeting with FCNB on May 14/18, Angela Mazerolle, Superintendent of Insurance, and David Weir, Deputy Director of Insurance, advised that there was serious interest in implementing a Restricted Insurance Agent (RIA) regime in New Brunswick, and that this initiative was already “well advanced.”

Because it would need to be implemented after the Fall 2018 provincial election, the launch of an RIA regime is probably at least a year away, they indicated.

It was noted that unlike is the case in the three Western Canada jurisdictions that have an RIA regime, there are no plans to introduce an Insurance Council regulatory structure in New Brunswick. More specifically, New Brunswick intends to license “incidental sales of insurance” through an RIA regime; and will not reinvent the wheel, but rather look at other jurisdictions with such a regime already in place, with Manitoba being specifically mentioned. This would require some “bare bones” legislative amendments, with more specific framework details coming in the form of regulations that will be drafted by the Superintendent of Insurance, CAFII was advised.

## **Prince Edward Island**

#### Superintendent Expresses Concern About Alleged Use Of Credit Scores In Claims Adjudication

The matter outlined in the article below was raised by PEI Superintendent of Insurance Robert Bradley as a matter of serious concern to him, in a May 16/18 liaison meeting with CAFII in Charlottetown. The following synopsis of a Canadian Underwriter article on the matter is provided as relevant background.

*A major Ontario auto insurer is facing a lawsuit over allegedly using credit scores in adjusting accident benefits claims. The proposed class-action lawsuit, filed April 10 in Federal Court, is on behalf of all Canadians who made auto claims with The Personal Insurance Company after Jan. 18, 2012 “and who had their credit score information accessed by The Personal or its agents.”*

*The insurer will be filing a statement of defence “in due course,” a spokesperson for Desjardins General Insurance Group Inc., The Personal’s parent company, told Canadian Underwriter Tuesday. DGIG was the top Ontario private passenger auto underwriter in 2016, with \$1.85 billion in direct premiums written and 17.9% market share, according to Canadian Underwriter’s 2017 Statistical Guide.*

*Allegations that The Personal accessed credit scores of accident benefits claimants have not been proven in court. The statement of claim asserts that The Personal does not have a “direct business need” for credit scores from accident benefits claimants and is in violation of the federal Personal Information Protection and Electronic Documents Act.*

*“The Personal respects and values the privacy of its customers but given the pending litigation, we cannot comment any further on the action,” the Desjardins spokesperson wrote to Canadian Underwriter.*

*Lawyers with Waddell Phillips Professional Corporation, the law firm representing plaintiff auto claimants, are working on “court materials to support the motion for certification,” lawyer Margaret Waddell said Tuesday in an interview. Waddell Phillips is aiming towards having the motion for certification heard “hopefully before” the end of 2018, Waddell added. “That’s a pretty aggressive schedule for this kind of litigation, but the Federal Court moves very quickly,” she noted.*

*There is no indication right now how many people may be included in the class, Waddell said.*

*The representative plaintiff is Kalevi Haikola. After an auto accident in 2012, in which he was injured, Haikola made a claim with The Personal. It is alleged in the statement of claim that Haikola was asked to give consent for The Personal to get a FICO score. That score is described by data analytics provider Fair Isaac Corporation as one that is derived by running data from credit reporting agencies through a scoring models developed by FICO.*

*In 2014, Haikola a filed formal complaint with the federal Office of the Privacy Commissioner.*

*In an OPC report released in October, 2017, which did not name The Personal, the Office of the Privacy Commissioner said the use of credit scores in adjusting an auto insurance claim “is not something that a reasonable person would consider to be appropriate.”*

*The insurer that was subject to the 2014 complaint to the privacy commissioner had argued that “it has a direct business need for credit scores in order to detect and prevent fraud, and to control costs and clients’ premiums,” the Office of the Privacy Commissioner added at the time.*

## **International**

### **Australia**

[Australian Banking Royal Commission Reveals Malpractice That Has Ruined Lives: The Guardian](#)

The following is a synopsis of an article on the Australian banking Royal Commission published in The Guardian on April 19/18.

### What is the royal commission?

The banking royal commission was established in late December 2017, after years of public pressure from whistleblowers, consumer groups, the Greens, Labor, and some Nationals MPs.

Its first public hearings began on 13 March 2018, and they will run at irregular intervals through 2018. The royal commission has been asked to investigate whether any of Australia's financial services entities have engaged in misconduct, and if criminal or other legal proceedings should be referred to the commonwealth.

It's also been asked to consider if sufficient mechanisms are in place to compensate victims.

### What have we found out so far?

We've heard evidence of appalling behaviour by Australia's major banks and financial planners from the past decade, including alleged bribery, forged documents, repeated failure to verify customers' living expenses before lending them money, and mis-selling insurance to people who can't afford it.

In this week's hearings, AMP admitted to lying to regulators, and the Commonwealth Bank admitted some of its financial planners have been charging fees to clients who have died. AMP's chief executive became the first high profile casualty of the commission announcing he was standing down from the company with immediate effect.

### Which banks are involved ?

The so-called big four banks – Commonwealth Bank, Westpac, ANZ, National Australia Bank – are being looked at. They comprise four of the five largest companies in Australia by market value, holding an inordinate amount of power over the financial system.

Other companies including AMP, BT Financial, Aussie Home Loans, and St George, and a number of small car finance companies will also be called, and more financial institutions will be asked to appear as the year rolls on.

### Has your financial future been destroyed by a bank?

Last year, the Commonwealth Bank, which is the largest company in the country, posted a full-year cash profit of \$9.8bn, up 4.6%. It was followed by Westpac (full-year profit \$8.1bn, up 3%), ANZ (\$6.4bn, up 12%), and NAB (\$6.6bn, up 2.5%).

Australia's seven largest authorized deposit-taking institutions (including the big four) hold roughly \$4.6 trillion in assets – around two and a half times the size of Australia's \$1.8 trillion economy, as measured by nominal GDP.

### What is the problem with their financial advice?

The banks discovered long ago it was highly profitable to sell their customers financial advice and financial products. If they could charge customers for financial advice, and if that "advice" consisted of purchasing their financial products, then they would enjoy a profitable feedback loop.

The business model was called "vertical integration".

*Earlier this year, the corporate regulator published a report scrutinizing the practice: “Vertically integrated institutions and conflicts of interest.”*

*It looked at the quality of financial advice being offered by the two largest financial advice licensees owned or controlled by the Commonwealth Bank, ANZ Banking Group, Westpac, National Australia Bank and AMP.*

*It found their financial advisers had failed to comply with the best interests of customers in 75% of advice files reviewed.*

*It concluded there was an “inherent” conflict of interest arising from banks providing personal financial advice to retail clients while also selling them financial products.*

*How has this affected customers?*

*It’s not just poor financial advice that’s affected bank customers. The poor advice has combined with reprehensible behaviour by bank employees.*

*Since 1 July 2010, almost \$250 million in remediation has had to be paid to almost 540,000 consumers by financial services entities for poor conduct in connection with home loans.*

*The poor conduct included fraudulent documentation, processing or administration errors, and breaches of responsible lending obligations.*

*Since 1 July 2010, almost \$90 million in remediation has been paid to almost 17,000 consumers by financial services entities as a result of poor conduct in connection with car loans.*

*Over \$11 million in remediation has been paid to over 34,000 consumers by financial services entities for breaching responsible lending obligations in connection with credit cards.*

*Over \$128 million has been paid in remediation to consumers by financial services entities as a result of poor conduct in connection with add-on insurance.*

*Aren’t some banks already embroiled in scandal?*

*They’re involved in multiple scandals.*

*In August last year, the Australian Transaction Reports and Analysis Centre (Austrac) announced it was suing the Commonwealth Bank for 53,700 breaches of money laundering and counter-terrorism financing laws after the bank failed to report properly on \$77 million worth of suspicious transactions through its intelligent deposit ATMs over a number of years.*

*In November, the federal court imposed pecuniary penalties of \$10 million each on ANZ and NAB for attempting to manipulate the bank bill swap rate.*

*What is the reaction so far to the royal commission?*

*The Turnbull government realized this week how bad the situation is.*

*After AMP executive Anthony Regan admitted that AMP had lied repeatedly to the corporate regulator, the treasurer, Scott Morrison, warned wrongdoers could face jail. "That's how serious these things are," he said this week.*

*The former Nationals leader Barnaby Joyce admitted he was personally wrong to have argued against a royal commission.*

*The Nationals senator John Williams said he was concerned the inquiry had been given too little time to unearth wrongdoing, and if it needed an extension of time it should be given it. The finance minister, Mathias Cormann, made a similar argument.*

*But the government has also tried to take credit for the royal commission, saying it established it, and if it wasn't for the government, the terms of reference wouldn't be so robust.*

*But wasn't it the Liberals and Nationals who were so opposed to the commission?*

*Yes. The Coalition had to be dragged kicking and screaming to establish the royal commission.*

*For years, they rejected calls by the Greens and Labor to establish the commission, and when Malcolm Turnbull finally relented in November he presented the backdown as a "regrettable but necessary" step to deal with mounting political pressure and uncertainty for the industry.*

*He made the decision in the face of open revolt from some Nationals MPs and senators who had joined the push by the Greens and Labor to set up a banking commission of inquiry.*

*After Turnbull's announcement, Labor said it was "unforgivable" that the government had fought for 18 months against the opposition's calls for a royal commission, and noted that the prime minister had ruled out a royal commission just 48 hours earlier.*

*The Greens leader, Richard Di Natale, reminded voters that the Greens had been the first party to propose a royal commission "several years ago" and the idea had been consistently voted down by Labor, the Liberals and Nationals.*

*So what happens next?*

*The royal commission will run through the rest of this year. An interim report is due in September, and a final report is due in February 2019.*

*But there's a lot of time between now and then. It may have its time extended. It may have its terms of reference changed. It depends on the politics.*

## CAFII Regulator and Policy-Maker Visit Plan 2018-19

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
<b>British Columbia</b>				
<b>Insurance Council of BC:</b> Janice Sinclair, Executive Director (started November 1/17)	-liaison meeting on May 3/18 during <b>CLHIA Conference in Calgary</b> -October 17/17 in Vancouver as part of CAFII tour of BC/Alberta/Manitoba regulators and policy-makers	None at this time	-CAFII's views on optimal features of an RIA regime in BC -CAFII's views on "post-claims underwriting" myth perpetuated by advice-based channel -Council's current view on 10-Year Review of Financial Institutions Act -Representation of alternate distribution/non- resident sellers on Council -Update on Council priorities	
<b>FICOM:</b> Frank Chong, Acting Superintendent of Financial Institutions (effective August 1/16)	-Oct.25/17 CAFII Stakeholder Dialogue with CCIR in Toronto -liaison meeting on October 17/17 in Vancouver as part of CAFII tour of BC/Alberta/Manitoba regulators and policy-makers -Dec. 12/16 CAFII Stakeholder Dialogue with CCIR in Toronto -Nov 10/15 in Vancouver re CGI Information Bulletin	None at this time	-future of FICOM if proposals made in Ministry of Finance's "Preliminary Recommendations Paper" are brought to fruition -FICOM Information Bulletin on CGI ('effecting' of CGI in BC issue: ED and EOC to monitor re need for meeting/ dialogue around any member or industry issues re compliance with CGI Info Bulletin	Pending
Doug McLean, Deputy Superintendent of Insurance	-liaison meeting on October 17/17 in Vancouver as part of CAFII tour of BC/Alberta/Manitoba regulators and policy-makers	None at this time	-See F. Chong above	
Chris Carter, Acting Superintendent, Real Estate and Acting Registrar, Mortgage Brokers (effective August 1/16)	-April 14/16 teleconference re CAFII follow-up letter - Follow-up letter, seeking clarification on CGI Info Bulletin key issues, sent March 15/16 - Nov 10/15 in Vancouver re CGI Information Bulletin	None at this time	-See F. Chong above	

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
Michael McTavish, Acting Executive Director, Market Conduct (joined FICOM in Spring 2017)	-liaison meeting on October 17/17 in Vancouver as part of CAFII tour of BC/Alberta/Manitoba regulators and policy-makers	None at this time	-See F. Chong above	
Lorena Dimma, Director, Market Conduct (assuming Harry James' former policy advisor role re 'effecting' of CGI issue)	-April 14/16 teleconference re CAFII's March 15/16 follow-up letter on CGI Info Bulletin	None at this time		
Harry James, Senior Regulatory Advisor (Chair of CCIR's Travel Insurance Working Group)	-liaison meeting on October 17/17 in Vancouver as part of CAFII tour of BC/Alberta/Manitoba regulators and policy-makers -Dec. 8/16 cordial reply email to E. Fang, agreeing with CAFII's request that auto dealers are creditors for a moment-in-time issue be closed. -April 14/16 teleconference re CAFII's March 15/16 follow-up letter on CGI Info Bulletin	None at this time	-See F. Chong above	
Molly Burns, Analyst, Policy Initiatives	-April 14/16 teleconference re CAFII's March 15/16 follow-up letter on CGI Info Bulletin -Nov 10/15 in Vancouver	None at this time	-See F. Chong above	
Erin Morrison, Regulatory Analyst, Policy Initiatives	-August 10/16 in Toronto, accompanied Harry James and participated in CCIR TIWG meeting with CAFII	None at this time	-See F. Chong above	

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
<b>Ministry of Finance:</b> Carole James, Minister of Finance	-None to date. Appointed Minister of Finance in July 2017, with change in BC government. Delivered first provincial budget on September 11/17	None at this time	TBD until CAFII has a “direct ask” at Ministerial level	
Lori Wanamaker, Deputy Minister of Finance	-None to date. Appointed July 2017	See E. Cole below	-See E. Cole below	See E. Cole below
Elizabeth Cole, Executive Director, Strategic Projects & Policy (head of 10-Year Review of FIA) (on personal leave until sometime in mid- to late 2018)	-April 20/17 and June 23/16 telephone conversations with B. Wycks re updates on expected release date of Policy Paper and other FIA Review timelines  -November 10/15 in Vancouver along with Dan Ashton; and separate meeting along with Brian Dillon and Kari Toovey	<b>-Q3 or Q4 2018 in-person or teleconference meeting with Ministry of Finance officials re Preliminary Recommendations Paper’s Insurance Sector recommendations and CAFII’s response to same, if necessary.</b>	<b>-Preliminary Recommendations Paper emerging from 10-Year Review of Financial Institutions Act, making proposals for change, released March 16/18 with a June 19/18 deadline for responses.</b>	<b>Pending</b>
Brian Dillon, Director, Financial Institutions		See E. Cole above	-See E. Cole above	See E. Cole above
Kari Toovey, Acting Executive Director, Strategic Projects & Policy (head of 10-Year Review of FIA); normally Senior Policy Advisor	-liaison meeting on October 17/17 in Vancouver as part of CAFII tour of BC/Alberta/Manitoba regulators and policy-makers	See E. Cole above	-See E. Cole above	See E. Cole above



Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
<b>Alberta</b>				
<b>Alberta Insurance Council:</b> Joanne Abram, CEO	<b>-May 4/18 liaison meeting during CLHIA Conference in Calgary</b> -liaison meeting on October 18/17 in Edmonton as part of CAFII tour of BC/Alberta/Manitoba regulators and policy-makers -June 2/17 CAFII presentation to CISRO in Saskatoon -May 4/17 liaison lunch in London, Ontario	<b>-Q3 or Q4 teleconference meeting to discuss Alberta Government consultation paper on plans to create a single financial services regulator in the province, once it is released</b>	<b>-Alberta Government consultation paper on plans to create a single financial services regulator in the province</b> -AIC's implementation of approved definition and process for CI to be sold under existing RIA licence -Representation for Restricted Licence Holders on Life Insurance Council	Pending
Anthonet Maramieri, COO	-liaison meeting on October 18/17 in Edmonton as part of CAFII tour of BC/Alberta/Manitoba regulators and policy-makers -March 8/17 email to B. Wycks advising of Life Council's further look at definition of credit-related insurance approved to be offered under a Restricted Certificate, at April 12/17 meeting. - April 11/16 informal discussion with B. Wycks, at CISRO LLQP Info Session - Feb 27/15: Toronto: B. Wycks met A. Maramieri and had get acquainted chat at CISRO LLQP Stakeholder Info Session	-See J. Abram above	-See J. Abram above	Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
Warren Martinson, Legal Counsel	- <b>May 4/18 liaison meeting during CLHIA Conference in Calgary</b> -liaison meeting on October 18/17 in Edmonton as part of CAFII tour of BC/Alberta/Manitoba regulators and policy-makers -June 2/17 CAFII presentation to CISRO in Saskatoon -W. Martinson in attendance at Feb. 22/17 CAFII stakeholder meeting with CCIR TIWG	-See J. Abram above	-See J. Abram above	Pending
Sylvia Boyetchko, Director of Licensing	-liaison meeting on October 18/17 in Edmonton as part of CAFII tour of BC/Alberta/Manitoba regulators and policy-makers	-See J. Abram above	-See J. Abram above	Pending
<b>Treasury Board and Ministry of Finance:</b> Nilam Jetha, Superintendent of Insurance (made permanent at beginning of 2017, following one year interim period)	-liaison meeting on October 18/17 in Edmonton as part of CAFII tour of BC/Alberta/Manitoba regulators and policy-makers	<b>-Q3 or Q4 2018 teleconference, if necessary, re Alberta Government consultation on creating a single financial services regulator in the province</b>	<b>-Alberta Government plans to create a single financial services regulator in the province</b> -Update on Superintendent's priorities -Communicate CAFII issues; build and strengthen relationship	<b>Pending</b>
David Sorensen, Deputy Superintendent of Insurance	- <b>May 2/18 brief catch-up liaison discussion with K. Martin and B. Wycks during CLHIA Conference in Calgary</b> -liaison meeting on October 18/17 in Edmonton as part of CAFII tour of BC/Alberta/Manitoba regulators and policy-makers	-See N. Jetha above	-See N. Jetha above	Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
Laurie Balfour, Director, Financial Compliance, Insurance Regulation and Market Conduct Branch (Chair of CCIR Insurance Core Principles Implementation Ctte)	-liaison meeting on October 18/17 in Edmonton as part of CAFII tour of BC/Alberta/Manitoba regulators and policy-makers -CAFII 20 <sup>th</sup> Anniversary: April 5/17 -Sep 30/14: Fredericton, NB (informal meeting) -Jul 28/14: call with CAFII reps re: “effecting of CGI”	-See N. Jetha above	-Alberta Government plans to create a single financial services regulator in the province -See N. Jetha above	Pending
Wayne Maday, Director, Insurance Policy	-liaison meeting on October 18/17 in Edmonton as part of CAFII tour of BC/Alberta/Manitoba regulators and policy-makers	-See N. Jetha above	-Alberta Government plans to create a single financial services regulator in the province -See N. Jetha above	Pending
Joe Ceci, President of Treasury Board and Minister of Finance	No contact – appointed May 24/15	-None at this time	TBD until CAFII has a “direct ask” at Ministerial level	
<b>Saskatchewan</b>				
<b>Insurance Councils of Saskatchewan:</b> Ron Fullan, Executive Director, (CISRO Chair)	<b>-May 3/18 liaison meeting during CLHIA Conference in Calgary</b> -October 27/17 three-way meeting in Toronto -- involving ICS (R. Fullan and A. Stadnek), CAFII, and CLHIA -- re “Representation for RIA Licence Holders in Saskatchewan” -June 2/17 liaison meeting in Saskatoon -CAFII 20 <sup>th</sup> Anniversary: April 5/17 -R. Fullan in attendance at Feb. 22/17 CAFII stakeholder meeting with CCIR TIWG	<b>-three-way teleconference meeting re “Representation for RIA Licence Holders in Saskatchewan” in June 2018, once CAFII and CLHIA submit joint proposal to R. Fullan</b>	-establishing and implementing a Restricted Insurance Agents Advisory Committee  -ICS-relevant aspects of implementation of new Saskatchewan Insurance Act and Regulations  -Sask. RIA regime and licensure issues	<b>-Pending</b>

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
April Stadnek, Director of Compliance	<b>-May 3/18 liaison meeting during CLHIA Conference in Calgary</b> -October 27/17 three-way meeting in Toronto -- involving ICS (R. Fullan and A. Stadnek), CAFII, and CLHIA -- re "Representation for RIA Licence Holders in Saskatchewan" -June 2/17 liaison meeting in Saskatoon -Sept 22/15 CISRO LLQP Stakeholder Info Session in Toronto (B. Wycks) - Sep 30/14; Fredericton, NB (informal meeting)	-See R. Fullan above	-See R. Fullan above	-Pending
<b>Financial Consumer Affairs Authority (FCAA):</b> Roger Sobotkiewicz, former Director of FCAA Legal Branch, became Interim Chairperson and Superintendent of Insurance, effective Feb. 1/15	-June 1/17 get acquainted and liaison meeting in Regina	-See J. Seibel below	-see J. Seibel below; and -introduce CAFII and build relationship -Regulations being developed following passage of <i>Bill 177, The Insurance Act (Saskatchewan)</i> -ISI: Representation for Restricted Licence Holders -Sask's imposition of PST on all insurance premiums - Update on Superintendent's priorities	-Pending (see J. Seibel below)
Ian McIntosh, Deputy Superintendent of Insurance	-Jul 28/14 call with CAFII reps re: "effecting CGI"	-see J. Seibel below	-see J. Seibel below; and -see R. Sobotkiewicz above	-Pending (see J. Seibel below)

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
<p>Janette Seibel, Lawyer, became lead on Bill 177 and Regulations file effective June 1/15</p> <p><b><u>Ministry of Finance</u></b>  Donna Harpauer, Minister of Finance (appointed Oct/17)</p> <p>(predecessor: Kevin Doherty, whom CAFII met with on June 1/17 in Regina)</p> <p>Brent Hebert, Deputy Minister</p>	<p>-June 1/17 get acquainted and liaison meeting in Regina  -March 2017 email exchange with B. Wycks re invitation to CAFII to provide feedback on FCAA-proposed definition of TPA, for inclusion in Insurance Regulations  -February 17/17 call to B. Wycks advising that “in force” date for new Insurance Act and Regulations had been deferred to Spring 2018  -Jan 2017 email exchange with B. Wycks re timing of “in force” date for new Saskatchewan Insurance Act and related Regulations</p> <p>-June 1/17 get acquainted and CAFII profile-raising meeting in Regina with Minister and Ministry officials re Sask’s imposition of PST on insurance premiums</p>	<p><b>-teleconference meeting in Q3 2018, if necessary, for final questions/clarifications as January 1/19 “coming into force” target date for Insurance Act, Saskatchewan; related Regulations; and The Insurance Amendment Act, 2017 approaches</b></p> <p>-None at this time</p>	<p>-timing of “in force” date for new Saskatchewan Insurance Act and related Regulations  -CAFII’s response submissions on FCAA’s Insurance Regulations Consultation document (submitted Dec. 2/16) and TPAs sub- consultation (submitted Dec. 9/16)  -Sask’s imposition of PST on all insurance premiums</p> <p>-Sask’s reversal of PST on all insurance premiums decision via exemptions  -further introduce CAFII and build relationship</p>	<p><b>-Pending</b></p>

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
<b>Manitoba</b>				
<b>Ministry of Finance:</b> Scott Moore, Deputy Superintendent of Insurance	<ul style="list-style-type: none"> <li>-CAFII Stakeholder Meeting with CCIR on October 25/17 in Toronto</li> <li>-liaison meeting on October 19/17 in Winnipeg, hosted by ICM, as part of CAFII tour of BC/Alberta/Manitoba regulators and policy-makers</li> <li>-CAFII 20<sup>th</sup> Anniversary event: April 5/17</li> <li>-Dec. 12/16 CAFII Stakeholder Dialogue with CCIR in Toronto</li> <li>-August 10/16 CAFII stakeholder meeting re CCIR travel health insurance Issues Paper (participated by teleconference)</li> <li>-April 15/15 teleconference with three CAFII reps</li> <li>-April 29/14: meeting in Winnipeg, MB</li> </ul>	-None at this time	<ul style="list-style-type: none"> <li>-Maintain and build relationship</li> <li>-Representation for Restricted Licence Holders on Life Insurance Council</li> <li>-concern about amended Insurance Act's apparent residency requirement for employees of Restricted Insurance Agents</li> </ul>	
Cameron Friesen, Minister of Finance	No contact – took office May 3/16	-None at this time	TBD until CAFII has “direct ask” at Ministerial level	

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
Barbara Palace Churchill, Executive Director, Insurance Council of Manitoba (appointed late November 2016)	- <b>May 3/18 liaison meeting during CLHIA Conference in Calgary</b> -liaison meeting on October 19/17 in Winnipeg, hosted by ICM, as part of CAFII tour of BC/Alberta/Manitoba regulators and policy-makers -June 2/17 CAFII presentation to CISRO in Saskatoon -May 4/17 short get acquainted/liaison meeting in London, Ontario	None at this time	-CAFII response letter of March 2018 re Single Premium Insurance Policies -Introduce CAFII and build/maintain relationship -Representation for Restricted Licence Holders on Life Insurance Council -Insurance Council's "ISI items for further review and development" -communicate CAFII issues	-Pending
Heather Winters, Director, Licensing & Compliance	-liaison meeting on October 19/17 in Winnipeg, hosted by ICM, as part of CAFII tour of BC/Alberta/Manitoba regulators and policy-makers	None at this time		
Lee Roth, Investigator	-liaison meeting on October 19/17 in Winnipeg, hosted by ICM, as part of CAFII tour of BC/Alberta/Manitoba regulators and policy-makers	None at this time		
<b>Ontario</b>				
<b>FSCO:</b> Brian Mills, appointed Interim CEO and Superintendent on October 18/14. Will likely be FSCO's last CEO, as Ontario Government transitions to a new Financial Services Regulatory Authority (FSRA) over next two years (2017 and 2018), as stated by B. Mills at FSCO Symposium on November 25/16.	-November 6/17: informal chat with B. Wycks during FSCO 2017 Life and Health Insurance Symposium -CAFII Stakeholder Meeting with CCIR on October 25/17 in Toronto -May 3/17: informal chat with K. Martin during CLHIA Conference -Dec. 12/16 CAFII Stakeholder Dialogue with CCIR in Toronto -January 28/15 stakeholder meeting with CCIR	None at this time	(i)Build/maintain relationship (ii) Ontario government review of FSCO's mandate (iii) next steps in Life Insurance Product Suitability Review (iv)CCIR review of travel health insurance (v)Update on Superintendent's priorities (vi)communicate CAFII issues	

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
Anatol Monid, Executive Director, Licensing and Market Conduct Division	<ul style="list-style-type: none"> <li>-November 6/17: informal chat with B. Wycks during FSCO 2017 Life and Health Insurance Symposium</li> <li>-June 2017 liaison lunch with M. Gill and J. Lewsen re CAFII advice on FSCO's planned survey of bank insurers re sales practices</li> <li>-June 2/17: questions raised by A. Monid, on the phone, at end of CAFII presentation to CISRO in Saskatoon</li> <li>-May 3/17: informal chat with K. Martin during CLHIA Conference</li> <li>-CAFII 20<sup>th</sup> Anniversary event: April 5/17</li> <li>-June 7/16, December 8/15 and June 9/15: informal update conversations at CAFII Reception events</li> </ul>	<b>-Q3 or Q4 2018 in-person or teleconference meeting, if necessary, re FSCO's Treating Consumers Fairly (TCF) Guideline and CAFII response to it</b>	<ul style="list-style-type: none"> <li>-FSCO consultation on Treating Consumers Fairly Guideline</li> <li>-FSCO consultation related to Incidental Sales of Insurance (ISI) Questionnaire and Bank-Owned Insurance Company CEO Attestation</li> <li>-next steps in Life Insurance Product Suitability Review</li> <li>-other FSCO initiatives re life insurance agent and/or insurer compliance</li> <li>-initiatives of FSCO LII Working Group</li> </ul>	<b>-Pending</b>
Izabel Scovino, appointed Director, Market Conduct Regulation Branch in Nov/14	<ul style="list-style-type: none"> <li>-February 28/18 meeting with joint CLHIA/CAFII Working Group re FSCO's planned "CEO Attestation for Bank-Owned Insurers"</li> <li>-February 1/18 meeting with joint CLHIA/CAFII Working Group re FSCO's planned "Incidental Insurance Market Conduct Questionnaire"</li> <li>-November 6/17 during FSCO 2017 Life and Health Insurance Symposium: private discussion with B. Wycks re setting up a consultation meeting with CAFII reps re FSCO's planned "Incidental Insurance Market Conduct Questionnaire and Attestation"</li> <li>-September 12/17 meeting of FSCO Life Insurance Industry Working Group (LII Working Group) of which Izabel Scovino is a member (K. Martin and H. Pabani)</li> </ul>	<b>-Q3 or Q4 2018 in-person or teleconference meeting, if necessary, re FSCO's draft Treating Consumers Fairly (TCF) Guideline and CAFII response to it</b>	-see A. Monid above	<b>-Pending</b>



Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
Heather Driver Director, Licensing Branch Licensing and Market Conduct Division (assumed position in Jan 2016, following retirement of Shonna Neil)	<ul style="list-style-type: none"> <li>-September 12/17 second meeting of FSCO Life Insurance Industry Working Group (LII Working Group), of which H. Driver is Chair (K. Martin and H. Pabani)</li> <li>-June 2/17 CAFII presentation to CISRO in Saskatoon</li> <li>-May 30/17 initial meeting of LII Working Group (K. Martin and H. Pabani)</li> <li>- Oct. 14/16 email exchange with B. Wycks following CAFII's delivery of input, requested by FSCO in Oct. 7/16 meeting, re optimal wording to use in FSCO communications re life insurance agent and insurer relationship</li> <li>-Oct. 7/16 meeting with CAFII reps, at FSCO's invitation, re FSCO initiatives around life agent and insurer compliance, particularly re E&amp;O insurance (also attended by Richard Tillman, Allan Amos, Kelly Picard, and Abina Rogers of FSCO)</li> </ul>	<b>-Q3 or Q4 2018 in-person or teleconference meeting, if necessary, re FSCO's draft Treating Consumers Fairly (TCF) Guideline and CAFII response to it</b>	-see A. Monid above	<b>-Pending</b>
Andrea Chow, Senior Manager, Financial Services Regulatory Policy (joined FSCO in summer 2017; formerly with Ontario Ministry of Finance; <b>currently on maternity leave</b> )	-November 6/17: get acquainted chat with B. Wycks during FSCO 2017 Life and Health Insurance Symposium, which she chaired	<b>-Q3 or Q4 2018 in-person or teleconference meeting, if necessary, re FSCO's draft Treating Consumers Fairly (TCF) Guideline and CAFII response to it</b>	-see A. Monid above	<b>-Pending</b>

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
Richard Tillman, Senior Manager, Insurance and Deposit Institutions Policy (currently seconded to FSRA Implementation Secretariat)	-Oct. 7/16 meeting with CAFII reps re life agent and insurer compliance	None at this time	-see A. Monid above	
Reena Vora, Manager, Market Regulation Branch, Licensing and Market Conduct Division	-December 8/16 with CAFII reps for feedback on draft questionnaire for life insurer examination visits (one pilot test visit planned in Q1 2017), as next phase in Life Insurance Product Suitability Review	None at this time	-Life insurer examination visits	
<b>Financial Services Regulatory Authority of Ontario (FSRA)</b>  <b>Mark White, CEO</b>         Bryan Davies, Chair, Board of Directors         Cathy Mallove, Communications Officer, FSRA	<b>-CAFII Reception event on April 17/18</b>         <b>-CAFII Reception event on April 17/18</b> <b>-March 6/18 with three founding FSRA Board Members: Bryan Davies, Kathryn Bouey, Judith Robertson</b>  -March 6/18, immediately prior to CAFII meeting with three founding FSRA Board Members	<b>-June 5/18 CAFII Reception</b>  <b>-November 27/18 CAFII Reception (where Mark White and/or Bryan Davies will be guest speaker(s))</b>  <b>-November 27/18 CAFII Reception (where Mark White and/or Bryan Davies will be guest speaker(s))</b>  -None at this time	-FSRA's start-up; transition from FSCO into FSRA; FSRA's rule-making authority; FSRA's plans for regulating the life and health insurance industry	<b>-Confirmed</b>  <b>-Confirmed</b>         <b>-Confirmed</b>         -Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
<b>Ministry of Finance:</b> -Sandy Roberts, Director, FSRA Implementation Secretariat (appointed Nov 2016)	-CAFII Year-End Reception on November 28/17 -congratulatory letter on appointment sent; no in-person contact to date. Was a no-show for June 29/17 CAFII stakeholder meeting with FSRA Implementation Secretariat; and April 5/17 CAFII 20 <sup>th</sup> Anniversary Celebration	-None at this time (awaiting release of further information and/or Regulations for consultation re FSRA structure, governance, and operating model)	-Ontario Government's replacement of FSCO with a new Financial Services Regulatory Authority (FSRA) over next two years (2017 and 2018); and Regulations to implement FSRA -FSRA's regulation of life and health insurance sector.	
-Stuart Wilkinson, Senior Manager, FSRA Implementation Secretariat (transferred from previous MOF role in Nov 2016)  -David McLean, Policy Advisor   Paul Braithwaite, Policy Advisor	-June 29/17 CAFII stakeholder meeting with FSRA Implementation Secretariat -CAFII 20 <sup>th</sup> Anniversary Reception: April 5/17 (regular attendee at CAFII Receptions)  -June 7/16 and April 12/16 informal conversations with B. Wycks at CAFII Receptions -July 30/15 life & health insurance sector roundtable -May 21/15 informal meeting: insurance sector round table  -November 6/17: informal chat with B. Wycks during FSCO 2017 Life and Health Insurance Symposium, as both at same small group table -June 29/17 CAFII stakeholder meeting with FSRA Implementation Secretariat -September 12/17 second meeting of FSCO Life Insurance Industry Working Group (LII Working Group) of which Paul Braithwaite is an attendee for the MOF (K. Martin and H. Pabani)	-See S. Roberts above   -See S. Roberts above   -See S. Roberts above		

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
<b>Quebec</b>				
<b>AMF:</b> Louis Morisset, CEO;	<ul style="list-style-type: none"> <li>-AMF Rendez-Vous on November 13/17 in Montreal</li> <li>-AMF 2016 Rendez-Vous on November 14/16 in Montreal</li> <li>-Oct. 4/16 in Montreal: CAFII liaison lunch and Industry Issues Dialogue with AMF</li> <li>-Apr 8/14: CAFII liaison lunch and Industry Issues Dialogue with AMF in Montreal</li> </ul>	-CAFII/AMF Liaison Lunch and Industry Issues Dialogue on October 2/18	<ul style="list-style-type: none"> <li>-(i) Bill 141 and Bill 150 to modernize Quebec's financial services sector, including the Distribution Act (both released by Ministry of Finance in October 2017)</li> <li>-(iii) Distribution Guide template and implementation timelines</li> <li>-(iv) Update on AMF priorities</li> <li>-(v) Communicate CAFII issues</li> <li>-(vi) Maintain and strengthen relationship</li> </ul>	-Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
Patrick Dery, Superintendent, Solvency (appointed CCIR Chair effective April 1/15)	<ul style="list-style-type: none"> <li>-CAFII Stakeholder Meeting with CCIR on October 25/17 in Toronto</li> <li>-CAFII/AMF Liaison Lunch and Industry Issues Dialogue in Levis, Quebec on October 23/17</li> <li>-Dec. 12/16 CAFII Stakeholder Dialogue with CCIR in Toronto</li> <li>-Oct. 4/16 in Montreal: CAFII liaison lunch and Industry Issues Dialogue with AMF</li> <li>-Liaison lunch and industry issues dialogue on October 6/15 in Levis, Quebec</li> </ul>	-CAFII/AMF Liaison Lunch and Industry Issues Dialogue on October 2/18	-see L. Morisset above	-Pending
Phillip Lebel, Director General of Legal Affairs	<ul style="list-style-type: none"> <li>-CAFII/AMF Liaison Lunch and Industry Issues Dialogue in Levis, Quebec on October 23/17</li> <li>-Oct. 4/16 in Montreal: CAFII liaison lunch and Industry Issues Dialogue with AMF</li> </ul>	-CAFII/AMF Liaison Lunch and Industry Issues Dialogue on October 2/18	-see L. Morisset above	-Pending
Nathalie Sirois, Senior Director, Supervision of Insurers and Control of Right to Practise	<ul style="list-style-type: none"> <li><b>-informal conversation during May 2-4/18 CLHIA Conference in Calgary</b></li> <li>-CAFII/AMF Liaison Lunch and Industry Issues Dialogue in Levis, Quebec on October 23/17</li> <li>-Oct. 4/16 in Montreal: CAFII liaison lunch and Industry Issues Dialogue with AMF</li> </ul>	- CAFII/AMF Liaison Lunch and Industry Issues Dialogue on October 2/18	-see L. Morisset above	-Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
Frédéric Pérodeau (became new Superintendent, Client Services and Distribution Oversight on January 22/18, succeeding Eric Stevenson; joined AMF in 2012 and was previously Senior Director, Investigations)	-None to date	-CAFII/AMF Liaison Lunch and Industry Issues Dialogue on October 2/18	-See L. Morisset above	-Pending
Louise Gauthier, Senior Director, Distribution Policies and Compensation (member of CCIR TIWG). Lead on AMF's Distribution Guide rewrite initiative.	<b>-informal conversation during May 2-4/18 CLHIA Conference in Calgary</b> -February 21/18 CAFII liaison meeting with CCIR FTC Working Group re its proposed Draft Guidance on Conduct of Insurance Business and Fair Treatment of Customers -AMF 2017 Rendez-Vous in Montreal on November 13/17 -CAFII/AMF Liaison Lunch and Industry Issues Dialogue in Levis, Quebec on October 23/17 -CAFII 20 <sup>th</sup> Anniversary event: April 5/17 -L. Gauthier in attendance at Feb. 22/17 CAFII stakeholder meeting with CCIR TIWG -AMF 2016 Rendez-Vous on November 14/16 in Montreal	-- CAFII/AMF Liaison Lunch and Industry Issues Dialogue on October 2/18	-See L. Morisset above	-Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
<b>Ministry of Finance:</b> Carlos Leitao, Minister  Richard Boivin, Assistant Deputy Minister, Financial Institution Policy and Corporate Law  Guillaume Caudron, Chief of Staff  Yann Nachabé, Policy Advisor	-early December 2017 phone call with K. Martin, which encouraged CAFII to submit its concerns about Bills 141 and 150 to National Assembly Committee on Public Finance; and offered a meeting for CAFII representatives with Ministry of Finance officials if CAFII could not secure a presentation opportunity before National Assembly Committee -Feb. 25/16 phone call between B. Wycks and Yann Nachabé, Policy Advisor, Ministry of Finance, resulting from CAFII request for April 2016 in-person follow-up meeting with Richard Boivin and Guillaume Caudron	<b>-Q3 2018 in-person or teleconference meeting with Ministry officials, if necessary/warranted – to highlight kudos and concerns in CAFII submission on Bills 141 and 150</b>	- Bill 141 and Bill 150 to modernize Quebec's financial services sector, including the Distribution Act (both released by Ministry of Finance in October 2017) -Ministry's direction on online distribution of insurance without involvement of an advisor	<b>-Pending</b>
Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
<b>New Brunswick</b>				
<b>Financial and Consumer Services Commission (Insurance Division):</b> Angela Mazerolle, Superintendent of Insurance	<b>-May 14/18 liaison meeting in Fredericton</b> -October 25/17 CAFII Stakeholder Dialogue with CCIR in Toronto -May 4/16 dinner meeting with Atlantic Canada regulators in Halifax -Oct 1/14: Fredericton, NB	<b>-Summer or September 2018 (around CCIR Fall Meeting in Halifax) meeting with Angela Mazerolle and David Weir to provide CAFII input on FCNB plans to introduce RIA regime in New Brunswick (possibly with other Atlantic Canada insurance regulators also in attendance)</b>	<b>-FCNB plans to introduce an RIA regime in New Brunswick</b> -refreshed "Seven Point Guide to The Creditor Insurance Regulatory Regime," to be presented by CAFII as an educational resource to counteract false impression that ISI is unregulated -implementation of further phases of online licensing system -legislative/regulatory change to support electronic beneficiary designations -other New Brunswick licensing issues	<b>-Pending</b>

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
David Weir, Deputy Superintendent of Insurance	<b>-May 14/18 liaison meeting in Fredericton</b> -June 2/17 CAFII presentation to CISRO in Saskatoon -Dec 9/16 informal discussion with B. Wycks at CISRO LLQP Session in Toronto -May 4/16 dinner meeting with Atlantic Canada regulators in Halifax <b>-Oct 1/14: CAFII liaison meeting with Atlantic Canada insurance regulators in Fredericton, NB</b>	<b>-See A. Mazerolle above</b>	-see A. Mazerolle above -timing of final recommendations on reforming licensing framework for other-than-life agents and brokers -CAFII feedback on New Brunswick online insurance licensing system	<b>-Pending</b>
<b>Opportunities New Brunswick:</b> <b>Cameron Bodnar, Director, Strategy &amp; Planning</b>  Jay Reid, Investment Attraction Officer	<b>-May 15/18 liaison meeting in Fredericton, NB</b>  -Jun 3/14: Toronto, with Adam Mitton of predecessor organization Invest New Brunswick	None at this time  None at this time	-Insurance Act and regulatory process changes necessary to support business efficiency and further inbound investment and additional jobs in New Brunswick -Introduce CAFII and build relationship -Position CAFII as an information resource	
<b>Consumer Advocate for Insurance:</b> <b>Michele Pelletier, Consumer Advocate</b>	<b>-May 15/18 liaison meeting in Fredericton, NB</b>	None at this time		



Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
<b>Nova Scotia</b>				
<b>Superintendent of Insurance:</b> William Ngu, Acting Superintendent of Insurance	<b>-May 14/18 liaison meeting in Halifax, NS</b> -May 4/16 dinner meeting with Atlantic Canada regulators in Halifax -Appointed June 2015; no previous CAFII contact	<b>-Summer or September 2018 (around CCIR Fall Meeting in Halifax) meeting with Angela Mazerolle and David Weir to provide CAFII input on FCNB plans to introduce RIA regime in New Brunswick (possibly with other Atlantic Canada insurance regulators also in attendance)</b>	-refreshed “Seven Point Guide to The Creditor Insurance Regulatory Regime,” to be presented by CAFII as an educational resource to counteract false impression that ISI is unregulated -Review of life and accident & sickness provisions of Insurance Act -legislative/regulatory change to support electronic beneficiary designations -Update on Superintendent’s priorities -Communicate CAFII issues; build and strengthen relationship	-Pending
Jennifer Calder, Deputy Superintendent of Insurance	<b>-May 14/18 liaison meeting in Halifax, NS</b> -CAFII 20 <sup>th</sup> Anniversary event: April 5/17 -Dec. 12/16 CAFII Stakeholder Dialogue with CCIR (participated by phone) -August 10/16 CAFII stakeholder meeting re CCIR travel health insurance Issues Paper (participated by teleconference) -May 4/16 dinner meeting with Atlantic Canada regulators in Halifax	<b>-see William Ngu above</b>	-See W. Ngu above	-Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
<b>PEI</b>				
<b>Superintendent of Insurance:</b> Robert Bradley, Superintendent	-May 16/18 liaison meeting in <b>Charlottetown, PEI</b> -CAFII 20 <sup>th</sup> Anniversary event: April 5/17 -Dec. 12/16 CAFII Stakeholder Dialogue with CCIR in Toronto -Oct 1/14: CAFII liaison meeting with Atlantic Canada insurance regulators in Fredericton, NB	-Summer or September 2018 (around CCIR Fall Meeting in <b>Halifax</b> ) meeting with <b>Angela Mazerolle and David Weir to provide CAFII input on FCNB plans to introduce RIA regime in New Brunswick (possibly with other Atlantic Canada insurance regulators also in attendance)</b>	-refreshed “Seven Point Guide to The Creditor Insurance Regulatory Regime,” to be presented by CAFII as an educational resource to counteract false impression that ISI is unregulated -Review of life and accident & sickness provisions of Insurance Act (on April 23/15, R. Bradley advised that this may get underway in late 2015) -legislative/regulatory change to support electronic beneficiary designations -Update on Superintendent’s priorities -Communicate CAFII issues -Maintain and strengthen relationship	-Pending
Phillip McInnis, Compliance Officer	-May 16/18 liaison meeting in <b>Charlottetown, PEI</b>	-See R. Bradley above		-Pending
<b>Newfoundland</b>				
<b>Superintendent of Insurance:</b> Craig Whalen, Acting Superintendent of Superintendent of Insurance	-May 17/18 liaison meeting in <b>St. John’s, NF</b> -Oct 1/14: CAFII liaison meeting with Atlantic Canada insurance regulators in Fredericton, NB -June 2/17 CAFII presentation to CISRO in Saskatoon	-Summer or September 2018 (around CCIR Fall Meeting in <b>Halifax</b> ) meeting with <b>Angela Mazerolle and David Weir to provide CAFII input on FCNB plans to introduce RIA regime in New Brunswick (possibly with other Atlantic Canada insurance regulators also in attendance)</b>	-refreshed “Seven Point Guide to The Creditor Insurance Regulatory Regime,” to be presented by CAFII as an educational resource to counteract false impression that ISI is unregulated -legislative/regulatory change to support electronic beneficiary designations -Update on Superintendent’s priorities -Communicate CAFII issues; build and strengthen relationship	-Pending
<b>Sean Dutton, Deputy Minister, Service Newfoundland Pam Senior, Senior Policy Analyst</b>	-May 17/18 liaison meeting in <b>St. John’s, NF</b>  <b>May 17/18 liaison meeting in St. John’s, NF</b>	-See C. Whalen above  -See C. Whalen above		-Pending  -See C. Whalen above

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
<b>FEDERAL/NATIONAL</b>				
<b>CCIR:</b>				
Tony Toy, Policy Manager	-liaison meeting on May 18/18 -liaison lunch on November 17/17 -CAFII Stakeholder Meeting with CCIR on October 25/17 in Toronto (first meeting with CAFII)	<b>-2018 CAFII Stakeholder Meeting with CCIR, to be scheduled for October 2018 in Toronto</b>	-CCIR Annual Statement on Market Conduct -Framework for Cooperative Market Conduct Supervision -CCIR review of travel health insurance -Possible CCIR speakers/panelists at CAFII events -Update on CCIR 2017-20 Strategic Plan and related priorities -Communicate CAFII issues; and maintain and strengthen relationship -possible CAFII webinar(s) for CCIR audience	<b>-Pending</b>
Adrienne Warner, Policy Associate	-liaison meeting on May 18/18	-See T. Toy above		<b>-Pending</b>
Patrick Déry, Chair (Superintendent, Solvency, AMF)	-CAFII Stakeholder Meeting with CCIR on October 25/17 in Toronto -Dec. 12/16 CAFII Stakeholder Dialogue with CCIR in Toronto -Oct. 4/16 in Montreal: CAFII liaison lunch and Industry Issues Dialogue with AMF	<b>-2018 CAFII Stakeholder Meeting with CCIR, to be scheduled for October 2018 in Toronto</b>	-CCIR review of travel health insurance -Update on CCIR 2017-20 Strategic Plan and related priorities -Communicate CAFII issues; maintain and strengthen relationship	<b>-Pending</b>
Harry James, Chair, CCIR Travel Insurance Working Group (TIWG)	-January 29/18 meeting with Harry James and TIWG members re Travel Health Insurance Products Position Paper (released May 27/17) and proposed industry reforms -CAFII Stakeholder Meeting with CCIR on October 25/17 in Toronto -May 10/17 teleconference with CAFII reps re CCIR TIWG Communications Plan for release of Travel Health Insurance Position Paper	-None at this time	-CCIR Travel Health Insurance Products Position Paper and CAFII/industry response to same	<b>-Confirmed</b>

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
Laurie Balfour, Chair, CCIR Insurance Core Principles Implementation Committee (ICPiC)	<ul style="list-style-type: none"> <li>-November 23/17 CAFII Member-Exclusive Webinar On Year 2 Housekeeping Changes To CCIR Annual Statement On Market Conduct</li> <li>-CAFII liaison visit to Alberta Treasury Board &amp; Finance, October 18/17 in Edmonton</li> <li>-CAFII 20<sup>th</sup> Anniversary event: April 5/17</li> <li>-March 1/17 CCIR webinar presentation for CAFII members on CCIR expectations for insurer completion of Annual Statement on Market Conduct (presented by L. Balfour and M. Boyle)</li> <li>-Dec. 12/16 CAFII Stakeholder Dialogue with CCIR in Toronto</li> <li>-August 10/16 CAFII stakeholder meeting re CCIR travel health insurance Issues Paper (participated by teleconference)</li> <li>-May 19/16 CCIR ICPiC webinar presentation for CAFII members (L. Balfour and M. Boyle)</li> </ul>	-None at this time	<ul style="list-style-type: none"> <li>-Harmonized Annual Statement on Market Conduct</li> <li>-Framework for Co-operative Market Conduct Supervision in Canada</li> <li>-ICPiC work on IAIS' Insurance Core Principles</li> </ul>	

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status May 24/18
<b>CISRO:</b> Ron Fullan, Chair (SK)	<p>-<b>May 3/18 liaison meeting during CLHIA Conference in Calgary</b></p> <ul style="list-style-type: none"> <li>-February 21/18 with CCIR Fair Treatment of Consumers Working Group re CCIR Draft TCF Guidance</li> <li>-January 29/18 meeting with CCIR TIWG re Travel Health Insurance Products Position Paper</li> <li>-December 6/17 CISRO LLQP Stakeholder Information Session At FSCO Office In Toronto</li> <li>-CAFII Stakeholder Meeting with CCIR on October 25/17 in Toronto (R. Fullan attends in capacity as CISRO Chair)</li> <li>-June 2/17 CAFII presentation to CISRO in Saskatoon</li> </ul>	<p><b>-2018 CAFII Stakeholder Meeting with CCIR, to be scheduled for October 2018 in Toronto</b></p>	<ul style="list-style-type: none"> <li>-national, online licensing system for insurance and related harmonization issues</li> <li>-possible CISRO Strategic Plan and opportunity for stakeholders to provide input</li> </ul>	<p><b>-Pending</b></p>
<b>Joanna Reading, CISRO Policy Manager</b>	<p><b>-liaison meeting on May 18/18</b></p>	<p><b>-See R. Fullan above</b></p>		<p><b>-Pending</b></p>
<b>Financial Consumer Agency of Canada (FCAC):</b> Lucie Tedesco, Commissioner	<p>-May 1/15: B. Wycks made self-introduction and chatted with L. Tedesco, following her speech at CLHIA Conference</p>	<p><b>-Q3 2018 in-person meeting or teleconference, if necessary, re CAFII comments on FCAC reporting on sales of creditor insurance in “Domestic Bank Retail Sales Practices Review”</b></p>	<p>-FCAC consultation on its Proposed Supervision Framework and Publishing Principles for FCAC Decisions (released September 29/16 with November 14/16 deadline for submissions) of document expected). CAFII decided not to respond to this consultation, as out-of-scope</p>	<p><b>-Pending</b></p>
Brigitte Goulard, Deputy Commissioner Jane Rooney, Financial Literacy Leader	<ul style="list-style-type: none"> <li>-Jun 10/14: B. Goulard was speaker at CAFII event</li> <li>-Feb 10/15 (presentation at CAFII Annual Luncheon)</li> </ul>	<ul style="list-style-type: none"> <li><b>-see L. Tedesco above</b></li> <li>-None at this time</li> </ul>		<p><b>-Pending</b></p>

**Nicole Benson elected Board Chair  
of Canadian Association of Financial Institutions in Insurance**

**Toronto, June 6, 2018** – The Canadian Association of Financial Institutions in Insurance (CAFII) is pleased to announce that Nicole Benson was elected Chair of its Board of Directors, effective June 5, 2018. Ms. Benson succeeds Peter McCarthy who completed a three-year term as Chair.

Ms. Benson, Chief Executive Officer at valeyo (formerly Canadian Premier Life Insurance Company), brings **XX**-years of insurance industry experience to the role of CAFII Board Chair.

“I would like to thank Peter McCarthy for his leadership as Chair of CAFII for the past three years,” said Ms. Benson. “I look forward to working with my colleagues on the Board, and to building on Peter’s accomplishments in positioning the Association for long-term success.”

Mr. McCarthy, President and CEO at BMO Life Assurance Company, remains on the CAFII Board as the director from his member organization.

“I would like to thank my fellow CAFII directors for their support during my term as Chair,” said McCarthy. “And I wish Nicole Benson the best of success as our new Chair.”

CAFII is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. It was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels. Its 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. Its members offer travel, life, health, property and casualty, and creditor’s group insurance across Canada. In particular, creditor’s group insurance and travel insurance are the product lines of primary focus for CAFII, along with alternate, direct distribution channels.

CAFII works with government and regulators (primarily provincial/territorial) to develop a legislative and regulatory framework for the insurance sector that helps ensure Canadian consumers get the insurance products that suit their needs. The Association’s aim is to ensure appropriate standards are in place for the distribution and marketing of all insurance products and services.

CAFII’s 12 members include the insurance arms of Canada’s major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Financial Security; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players American Express Bank Canada, Assurant, Canada Life Assurance, CUMIS Services Incorporated, Manulife (The Manufacturers Life Insurance Company), and valeyo.

- 30-

-----  
Media contact:

David Moorcroft, Public Affairs Advisor

Email: [david@strategy2communications.com](mailto:david@strategy2communications.com); Tel: +1-416-727-1858



**Nicole Benson est élue présidente du conseil d'administration  
de l'Association canadienne des institutions financières en assurance**

**Toronto, le 6 juin 2018** - L'Association canadienne des institutions financières en assurances (ACIFA) a le plaisir d'annoncer que Nicole Benson a été élue présidente de son conseil d'administration à compter du 5 juin 2018. Mme Benson succède à Peter McCarthy qui a terminé son mandat de trois ans en tant que président.

Mme Benson, chef de la direction de valeyo (auparavant la première compagnie d'assurance-vie du Canada), apporte 18 années d'expérience dans l'industrie de l'assurance au poste de présidente de l'ACIFA.

« Je tiens à remercier Peter McCarthy pour son leadership en tant que président de l'ACIFA au cours des trois dernières années », a déclaré Mme Benson. « Je suis impatient de travailler avec mes collègues du conseil d'administration et de miser sur les réalisations de Peter dans le positionnement de l'Association pour le succès à long terme. »

M. McCarthy, président et chef de la direction de BMO Assurance, demeure au conseil d'administration de l'ACIFA en tant que directeur de son organisation membre.

«J'aimerais remercier mes collègues sur le conseil d'administration de l'ACIFA pour leur soutien pendant mon mandat à titre de président», a déclaré M. McCarthy. « Et je souhaite à Nicole Benson le meilleur du succès en tant que nouvelle présidente.»

L'ACIFA est une association commerciale à but non lucratif dédiée au développement d'un marché de l'assurance ouvert et flexible. Elle a été créée en 1997 pour donner une voix aux institutions financières qui offrent des produits d'assurance par l'intermédiaire d'une variété de canaux de distribution. Ses membres fournissent de l'assurance par le biais de centres de contact avec la clientèle, d'agents et de courtiers, d'agents de voyages, de publipostage direct, de succursales d'institutions financières et d'Internet.

L'ACIFA croit que les consommateurs sont mieux servis lorsqu'ils disposent d'un choix important dans l'achat de produits et de services d'assurance. Ses membres offrent de l'assurance voyage, vie et maladie, ainsi que de l'assurance de dommages et de l'assurance créances collective partout au Canada. L'assurance créances collective et l'assurance voyage sont les principales catégories de produits dont se préoccupe l'ACIFA, ainsi que les autres canaux de distribution directe.

L'ACIFA collabore avec le gouvernement et les organismes de réglementation (principalement provinciaux et territoriaux) afin d'élaborer un cadre législatif et réglementaire pour le secteur de l'assurance qui aidera les consommateurs canadiens à obtenir les produits d'assurance qui répondent à leurs besoins. L'objectif de l'Association est de s'assurer que des normes appropriées sont en place pour la distribution et la commercialisation de tous les produits et services d'assurance.

Les 12 membres de l'ACIFA comprennent les branches d'assurance des principales institutions financières du Canada - Assurance CIBC; BMO Assurance; Desjardins Sécurité financière; La Financière ScotiaLife; RBC Assurances; et TD Assurance, de même que les principaux acteurs de l'industrie, Assurant, Assurance-vie Canada, Banque American Express, CUMIS Services Incorporated, Manuvie (La Compagnie d'Assurance-Vie Manufacturers) et valeyo.

-----

**Contact avec les médias:**

David Moorcroft, conseiller en affaires publiques

Courriel : [david@strategy2communications.com](mailto:david@strategy2communications.com); Tél. : +1-416-727-1858



# CAFII

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

## Statement of Operations As at April 30, 2018

	Current Month	Budget Apr-18	Variance to Monthly Budget	Current YTD	Budget '18 YTD	Variance Budget to YTD	Budget 2018
<b>Revenue</b>							
Membership Fees	\$57,962	\$50,699	\$7,263	\$231,848	\$202,795	\$29,053	608,385
Interest Revenue	\$0	\$17	(\$17)	\$0	\$68	(\$68)	200
<b>TOTAL REVENUE</b>	<b>\$57,962</b>	<b>\$50,716</b>	<b>\$7,246</b>	<b>\$231,848</b>	<b>\$202,863</b>	<b>28,985</b>	<b>608,585</b>
<b>Expenses</b>							
Management Fees	\$38,657	\$37,917	(\$741)	\$163,413	\$151,667	- 11,746	455,000
CAFII Legal Fees/Corporate Governan	\$563	\$0	(\$563)	\$563	\$1,250	687	5,000
Audit Fees	\$2,016	\$1,217	(\$799)	\$5,667	\$4,868	- 799	14,600
Insurance	\$437	\$458	\$22	\$1,746	\$1,832	86	5,500
Website (incl translation)	\$1,386	\$1,166	(\$220)	\$2,236	\$4,664	2,428	14,000
Website SEO and Enhancements	\$1,856	\$683	(\$1,173)	\$1,856	\$2,732	876	14,220
Telephone/Fax/Internet	\$106	\$483	\$377	\$1,337	\$1,932	595	5,800
Postage/Courier	\$44	\$33	(\$11)	\$401	\$132	- 269	400
Office Expenses	\$158	\$166	\$8	\$535	\$664	129	2,000
Bank Charges	\$0	\$4	\$4	\$16	\$16	1	50
Miscellaneous Expenses	\$0	\$42	\$42	\$0	\$168	168	500
Amortization Expense	\$0	\$0	\$0	\$0	\$0	-	-
Depreciation Computer/Office Equipm	\$95	\$100	\$5	\$379	\$400	21	1,200
<b>Board/EOC/AGM</b>							
Annual Members Lunch	\$0	\$0	\$0	\$10,503	\$10,000	- 503	10,000
Board Hosting (External)	\$6,335	\$7,500	\$1,165	\$6,335	\$7,500	1,165	15,000
Board/EOC/Meeting Expenses	\$3,258	\$2,600	(\$658)	\$7,326	\$10,400	3,074	26,000
Industry Events	\$0	\$250	\$250	\$0	\$250	250	1,000
EOC Annual Appreciation Dinner	\$0	\$0	\$0	\$763	\$800	37	800
<b>Sub Total Board/EOC/AGM</b>	<b>9,593</b>	<b>10,350</b>	<b>757</b>	<b>24,927</b>	<b>28,950</b>	<b>4,023</b>	<b>52,800</b>
Provincial Regulatory Visits	\$0	\$0	\$0	\$0	\$0	-	12,000
Research/Studies	\$2,917	\$2,917	\$0	\$11,667	\$11,668	1	52,500
Regulatory Model(s)	\$0	\$0	\$0	\$1,957	\$0	- 1,957	27,000
Federal Financial Reform	\$0	\$0	\$0	\$0	\$0	-	500
Media Outreach	\$2,260	\$2,000	(\$260)	\$16,735	\$14,900	- 1,835	30,000
Marketing Collateral	\$0	\$0	\$0	\$55	\$0	- 55	2,000
Tactical Communications Strategy	\$0	\$0	\$0	\$0	\$0	-	-
Media Relations, CAFII Consultant	\$0	\$0	\$0	\$0	\$0	-	-
<b>Networking Events</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>-</b>	<b>-</b>
Speaker fees & travel	\$0	\$700	\$700	\$0	\$700	700	2,000
Gifts	\$100	\$150	\$50	\$100	\$150	50	500
Networking Events	\$0	\$150	\$150	\$0	\$150	150	500
<b>Sub Total Networking &amp; Events</b>	<b>100</b>	<b>1,000</b>	<b>900</b>	<b>100</b>	<b>1,000</b>	<b>900</b>	<b>3,000</b>
<b>TOTAL EXPENSE</b>	<b>60,188</b>	<b>58,536</b>	<b>- 1,652</b>	<b>233,590</b>	<b>226,843</b>	<b>- 6,747</b>	<b>698,070</b>
<b>NET INCOME</b>	<b>- 2,226</b>	<b>- 7,820</b>	<b>5,594</b>	<b>- 1,742</b>	<b>- 23,980</b>	<b>22,238</b>	<b>- 89,485</b>

### Explanatory Notes:

- 1 - Amortization of office equipment based on 4 year straight line depreciation
- 2 - Management fees includes TO Corp, Managing Matters and Executive Director
- 3- Website includes hosting cafii.com, Vimeo(videos) subscription and website improvements

# CAFII

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

## Balance Sheet As at April 30, 2018

ASSETS	30-Apr 2018	31-Mar 2018	31-Dec 2017
<b>Current Assets</b>			
Bank Balance	\$270,863	\$269,935	\$192,706
Investments	\$0	\$0	\$0
Accounts Receivable	\$85,519	\$95,859	\$0
Interest Receivable	\$0	\$0	\$0
Prepaid Expenses	17,518	17,716	\$26,577
Computer/Office Equipment	\$8,014	\$8,014	\$8,014
Accumulated Depreciation -Comp/Equip	(\$3,848)	(\$3,753)	(\$3,469)
Intangible Assets-Trademarks	\$0	\$0	\$0
Accumulated Amortization-Trademark	\$0	\$0	\$0
<b>Total Current Assets</b>	<b>\$378,066</b>	<b>\$387,770</b>	<b>\$223,827</b>
<b>TOTAL ASSETS</b>	<b>\$378,066</b>	<b>\$387,770</b>	<b>\$223,827</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accrued Liabilities	\$10,367	\$20,650	\$35,953
Account Payable <sup>B</sup>	\$17,148	\$10,301	\$7,427
Deferred Revenue	\$171,846	\$175,889	\$0
Total Current liabilities	\$199,361	\$206,840	\$43,380
<b>TOTAL LIABILITIES</b>	<b>\$199,361</b>	<b>\$206,840</b>	<b>\$43,380</b>
<b>UNRESTRICTED NET ASSETS</b>			
Unrestricted Net Assets, beginning of year	\$180,447	\$180,447	\$380,759
Excess of revenue over expenses	(\$1,742)	\$484	(\$200,312)
Total Unrestricted Net Assets	\$178,705	\$180,931	\$180,447
<b>Total Unrestricted Net Assets</b>	<b>\$178,705</b>	<b>\$180,931</b>	<b>\$180,447</b>
<b>TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS</b>	<b>\$378,066</b>	<b>\$387,770</b>	<b>\$223,827</b>

<b>Financial Reserves Targets as per 2017 Budget:</b>	
Minimum 3 months (25%) of Annual Operating Expenses=	\$ 174,518
Maximum 6 months (50%) of Annual Operating Expenses=	\$ 349,035
<b>Current Level of Financial Reserves</b> (total unrestricted net assets):	<b>\$178,705</b>
<b>Current Level of Financials Reserve (%)</b> :	<b>26%</b>

# CAFII

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

## Membership Fees

As At Apr 30, 2018

	<u>Feb-18</u>		<u>Jul-18</u>	
	<u>To be billed</u>	<u>Received</u>	<u>To be billed</u>	<u>Received</u>
BMO Bank of Montreal	\$ 36,719.00	15-Mar-18	\$ 36,719.00	
CIBC Insurance	\$ 36,719.00	25-Apr-18	\$ 36,719.00	
RBC Insurance	\$ 36,719.00	12-Mar-18	\$ 36,719.00	
ScotiaLife Financial	\$ 36,719.00	28-Feb-18	\$ 36,719.00	
TD Insurance	\$ 36,719.00	27-Feb-18	\$ 36,719.00	
Desjardins Financial Security Life Assurance Company	\$ 27,539.50	25-Apr-18	\$ 27,539.50	
AMEX Bank of Canada	\$ 18,360.00	26-Mar-18	\$ 18,359.00	
Assurant Solutions	\$ 18,360.00	28-Mar-18	\$ 18,359.00	
Canadian Premier Life Insurance Company	\$ 18,360.00	6-Mar-18	\$ 18,359.00	
Cumis Group Ltd/Co-operators Life Insurance Co.	\$ 18,360.00	28-Feb-18	\$ 18,359.00	
Manulife Financial	\$ 22,000.00		\$ 22,000.00	
The Canada Life Assurance Company	\$ 22,000.00		\$ 22,000.00	
Willis Towers Watson	\$ 4,800.00	5-Mar-18		
<b>RSM Canada Actuarial Services</b>				
KPMG MSLP	\$ 4,800.00			
Munich Reinsurance Company Canada Branch (Life)	\$ 4,800.00			
Optima Communications	\$ 4,800.00	8-Mar-18		
RGA Life Reinsurance Company of Canada	\$ 4,800.00	5-Mar-18		
DGA Careers Inc.	\$ 4,800.00	28-Feb-18		
AXA Assistance Canada	\$ 4,800.00	26-Feb-18		
Torys LLP	\$ 4,800.00	23-Feb-18		
<b>Feb Invoices</b>	<b>\$366,975</b>		<b>\$328,571</b>	
<b>July Invoices</b>	<b>\$328,571</b>			
<b>Total Membership Fees</b>	<b>\$695,545</b>			
Total amount to reallocate monthly Jan-Sept	\$ 57,962			
Total amount to reallocate monthly Oct-Dec	\$ 57,962			

## CAFII Consultations/Submissions Timetable 2018-19

Regulatory Issue	Deliverable	Deadline	Accountable
BC FICOM 10-Year Review of FIA (Initial Public Consultation Paper released June 2, 2015)	<ul style="list-style-type: none"> <li>Public Report on input received on Initial Consultation Paper</li> <li>Preliminary Recommendations Paper on policy proposals for change</li> <li><b>CAFII Response to Preliminary Recommendations Paper</b></li> <li><i>Meeting with Ministry of Finance officials, if necessary</i></li> <li>Amendments to Act and drafting of Regulations</li> </ul>	<ul style="list-style-type: none"> <li>Issued March 23, 2016</li> <li>Released March 19/18</li> <li><b>June 19/18</b></li> <li><i>Q3 2018</i></li> <li>Q4 2018 or Q1 2019</li> </ul>	<ul style="list-style-type: none"> <li>Joint Market Conduct/Licensing Committee; Co-EDs to monitor</li> </ul>
Alberta Consultation on Creating a Single Financial Services Regulator	<ul style="list-style-type: none"> <li><u>Alta Govt. releases Consultation Paper</u></li> <li><b>CAFII Submission on Govt. Consultation Paper</b></li> </ul>	<ul style="list-style-type: none"> <li><u>Q3 2018 (expected)</u></li> <li><b>Q3 or Q4 2018</b></li> </ul>	<ul style="list-style-type: none"> <li>Joint Mkt Conduct/Licensing Committee; Co-EDs to monitor</li> </ul>
FSCO Treating Consumers Fairly Guideline	<ul style="list-style-type: none"> <li>CAFII/CLHIA Joint Meeting with FSCO To Provide Preliminary Feedback</li> <li>FSCO Releases Draft TCF Guideline For Industry Consultation</li> <li>CAFII submission on FSCO Draft TCF Guideline</li> </ul>	<ul style="list-style-type: none"> <li>January 29/18</li> <li>April 2018</li> <li>May 8/18</li> </ul>	<ul style="list-style-type: none"> <li>Market Conduct Cttee; Co-EDs to monitor</li> </ul>
<u>AMF Sound Commercial Practices Guideline Update</u>	<ul style="list-style-type: none"> <li>Summer 2018 “update” consultation announced by L. Gauthier</li> <li><u>AMF releases consultation document</u></li> <li><u>CAFII submission on updates to Sound Commercial Practices Guideline</u></li> </ul>	<ul style="list-style-type: none"> <li><u>May 3/18</u></li> <li><u>Q3 2018 (expected)</u></li> <li><u>Q3 2018 (expected)</u></li> </ul>	<ul style="list-style-type: none"> <li><u>Market Conduct Cttee; Co-EDs to monitor</u></li> </ul>
QC Ministry of Finance Review of Distribution Act and Insurance Act	<ul style="list-style-type: none"> <li>CAFII secures specialized legal counsel, in preparation for draft Bill</li> <li>Omnibus Bill 141 tabled and related Bill 150 subsequently tabled</li> <li>CAFII submission to National Assembly Committee on Public Finance</li> <li><i>Meeting with Ministry of Finance officials on CAFII submissions</i></li> <li><b>CAFII Submission on Regulations Supporting Bills 141 and 150</b></li> </ul>	<ul style="list-style-type: none"> <li>Nov 2016</li> <li>Oct 5 and 23, 2017</li> <li>January 16, 2018</li> <li><i>Q3 2018, if necessary</i></li> <li><b>Q4 2018</b></li> </ul>	<ul style="list-style-type: none"> <li>Joint Mkt Conduct/Licensing Committee; Co-EDs to monitor</li> </ul>
CCIR Guidance: Conduct of Insurance Business and Fair Treatment of Customers	<ul style="list-style-type: none"> <li>CAFII Meeting with CCIR FTC Working Group re initial feedback</li> <li>CAFII submission on first draft of Guidance document</li> <li>CCIR releases Draft 2 of Guidance for formal industry consultation</li> <li><b>CAFII submission on Draft 2 of CCIR Guidance</b></li> </ul>	<ul style="list-style-type: none"> <li>February 21/18</li> <li>March 7/18</li> <li><u>May 3, 2018</u></li> <li><b>June 18, 2018</b></li> </ul>	<ul style="list-style-type: none"> <li>Market Conduct Cttee; Co-EDs to monitor</li> </ul>
CCIR Annual Statement on Market Conduct	<ul style="list-style-type: none"> <li>Insurers submit “best attempts” data based on 2016 fiscal year</li> <li>CAFII Member Webinars on Year 2 Tweaks to Annual Statement</li> <li>Insurers submit based on 2017 fiscal year for Year 2 Annual Statement</li> </ul>	<ul style="list-style-type: none"> <li>May 1, 2017</li> <li>Nov 23/17 &amp; Mar 5/18</li> <li><b>May 1, 2018</b></li> </ul>	<ul style="list-style-type: none"> <li>Market Conduct Cttee; Co-EDs to monitor</li> </ul>
CCIR Review of Travel Health Insurance	<ul style="list-style-type: none"> <li>CAFII Submission on draft Recommendations in Position Paper</li> <li>Meeting with CCIR TIWG re Communications Plan for Position Paper</li> <li>CCIR THI Products Position Paper Released</li> <li>Meeting with TIWG Re Position Paper and industry reforms</li> </ul>	<ul style="list-style-type: none"> <li>March 10, 2017</li> <li>May 10, 2017</li> <li>May 31, 2017</li> <li>January 29, 2017</li> </ul>	<ul style="list-style-type: none"> <li>EOC; Co-EDs to monitor</li> </ul>
SK Bill 177	<ul style="list-style-type: none"> <li>Final Regulations released along with new Insurance Act</li> <li>The Insurance Amendment Act, 2017 tabled</li> <li><b>New Saskatchewan Insurance Act and Regulations come into force</b></li> </ul>	<ul style="list-style-type: none"> <li>June 29, 2017</li> <li>Oct 31, 2017</li> <li><u>January 1, 2019</u></li> </ul>	<ul style="list-style-type: none"> <li>Market Conduct Cttee; Co-EDs to monitor</li> </ul>
“Modernizing the New Brunswick Insurance Licensing Framework”	<ul style="list-style-type: none"> <li>CAFII Response to Position Paper on aspects related to life agents</li> <li>FCNB delivers final recommendations to Minister</li> </ul>	<ul style="list-style-type: none"> <li>Jan 22, 2016</li> <li>?</li> </ul>	<ul style="list-style-type: none"> <li>Licensing Committee; Co-EDs to monitor</li> </ul>

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

18 June, 2018

FIA & CUIA Review  
Policy & Legislation Division  
Ministry of Finance  
PO Box 9470 Stn Prov Govt  
Victoria, BC V8W 9V8  
Email: [fiareview@gov.bc.ca](mailto:fiareview@gov.bc.ca)

**Subject:** Financial Institutions Act & Credit Union Incorporation Act Review

CAFII is pleased to provide the following input in response to the recommendations set out in the Ministry's Preliminary Recommendations Paper which are relevant to our members' insurance-related activities. Our responses are offered from the perspective of insurers and distributors that:

- offer creditor's group insurance and travel insurance in BC and across Canada;
- offer insurance solutions through alternate, non-traditional distribution channels such as direct mail, contact centres, and the internet; and
- for the most part, are federally incorporated and subject to both federal and provincial regulation.

**Objectives of the FIA and CUIA Legislative and Regulatory Framework for Financial Institutions and Intermediaries.**

CAFII supports the legislative and regulatory framework's key goal of maintaining stability and confidence in the financial services sector by reducing the risk of failures and providing consumer protection. We also believe that companies operating in a competitive environment can enhance British Columbia's economic vitality and spur innovation; and, in that connection, we applaud the Preliminary Recommendations Paper's recognition that it is important to reduce red tape and unnecessary regulations that hinder economic development.

We support harmonization of regulations and licensing requirements among provincial insurance regulators. This is a critical requirement for the industry, the absence of which leads to inefficiencies. We also support alignment with international regulatory best practices, such as the IAIS' Insurance Core Principles.

**Recommendation #1: Establish FICOM as a Crown agency.**

CAFII supports the establishment of FICOM as a Crown agency which would be authorized to operate as an independent government agency, accountable to the provincial legislature through the Minister of Finance.

While we generally support a funding model that would give FICOM greater independence, we have some concerns about a self-funded model if that model is based on the agency relying largely upon a revenue stream derived substantially from Administrative Monetary Penalties (AMPs) and associated fines/monetary sanctions imposed upon the industry. We recommend that, should this recommendation be implemented, FICOM be required to adopt the budgeting and financial management best practices used by other self-funded regulatory authorities in Canada which are

relevant comparators. In particular, we counsel against a model that is wholly dependent upon AMPs, fines, and/or other monetary sanctions to fund the Crown agency.

Consideration of whether or not to transform FICOM into a self-funded Crown agency should also address questions about the adequacy of the Commission's resources under its current financial model; and whether it is making targeted, efficient use of its existing resources. A self-funded regulatory authority, by definition, imposes a significant financial burden upon industry participants and licensees; and it should not be assumed that new independence and an updated mandate for FICOM necessarily mean that its resources must increase. We believe that addressing issues related to the adequacy and the optimization of FICOM's financial resources should be part-and-parcel of the decision-making related to its becoming a self-funded Crown agency.

**Recommendation #3: The Commission will appoint the CEO and statutory decision-makers of FICOM.**

We support this recommendation, as giving the Commission the power to appoint its own CEO and statutory decision-makers will enhance the independence, industry reputation, and effectiveness of FICOM.

**Recommendation #5: Provide FICOM with the authority to issue enforceable guidelines/rules. Guidelines/rules will require public consultation and Ministerial approval.**

We agree with the general thrust of this recommendation, but must stress that fleshing out details which mandate a thorough and meaningful public consultation process with respect to the issuance of guidelines and rules will be critical to its successful implementation.

Where a substantive rule change is being contemplated in any jurisdiction, CAFII believes that best practice is to publish the proposed rule for stakeholder/public consultation before adoption, following which the relevant Minister can either consent to or reject the proposed rule. If FICOM is to be granted rule-making authority, it should be required by statute to engage in a meaningful consultation process whenever it uses that authority.

It is also critically important to CAFII members that new rules, regulations, and guidelines be accompanied by sufficient time for implementation. This is particularly true in situations where our members need to make process or system changes, which require investments of time and effort and the ability to test the changes to ensure that they are not going to adversely affect the consumer's experience or satisfaction.

**Recommendation #10: Provide FICOM with clear authority to share information with the existing national insurance reporting database and/or the proposed new national market conduct database.**

CAFII supports this recommendation related to FICOM's participation in national databases. Our Association has long been an outspoken advocate for an integrated national database to facilitate licensing and monitoring of insurance agents across all jurisdictions.

**Recommendation #17: Do not amend the legislation to require financial institutions to make investments in financial literacy.**

We support this recommendation because financial institutions' investments in financial literacy should be voluntary. However, we also believe that a critical building block in enhancing the fair treatment of consumers is raising their level of financial literacy.

Consumer education around financial literacy is a shared, multi-stakeholder responsibility and something in which CAFII members and other industry stakeholders are actively involved. While consumers are ultimately responsible for their purchase decisions, governments and regulators such as FICOM have an important role to play, alongside the industry, in providing education which can help consumers better understand the benefits and limitations of products and thereby improve their financial literacy.

In that connection, we believe that in its communications, FICOM should emphasize, where appropriate, consumers' responsibilities with respect to financial and insurance products, in addition to their rights. CAFII members are committed to playing our part by ensuring that communications are easy to understand and written in plain language wherever possible. Our members will continue to make efforts to ensure consumers' ease of understanding, but we believe it is also important to emphasize that consumers need to read their policies, understand their features, and ask questions if there is anything they are uncertain about.

**Recommendation #43 : Provide FICOM with the authority to issue binding rules on records storage, with prior public consultation and Ministerial approval.**

CAFII does not believe that any legislative and/or regulatory changes are required in this area, as the current FIA contains provisions requiring insurers to maintain facilities that the Superintendent considers adequate for FICOM to be able to obtain access to records. As well, insurance industry participants are required to comply with BC's *Personal Information Protection Act (PIPA)*. PIPA's *Part 9 – Care of Personal Information* sets out requirements for the protection and retention of such information.

With respect to federally-incorporated insurers and financial institutions, they must also adhere to the *Personal Information Protection and Electronic Documents Act (PIPEDA)* and follow the rules set out in sections 260 to 270 of the *Insurance Companies Act*. Records can be outsourced, but the Superintendent of OSFI can require records processing to be done in Canada if that is seen to be appropriate. OSFI Guideline B-10 sets out expectations for financial institutions related to outsourcing, including outsourcing to providers outside of Canada. Insurers are required to ensure that OSFI can readily access in Canada any records necessary to fulfill its mandate.

If legislative changes in this area are being contemplated in BC, we encourage consideration of OSFI's approach, with a view to adapting and incorporating the expectations in place at the federal level.

**Recommendation #44 : Expand the restricted licensing regime currently applied to travel agencies to other incidental insurance sales, similar to the approach used in Alberta, Saskatchewan and Manitoba.**

While CAFII believes that BC's current system of insurance retailing and licensing exemptions is working well, our members would be open to and supportive of the introduction of a Restricted Insurance Agent (RIA) regime in the province. We would encourage BC to harmonize with the existing RIA regimes in the other Western Canada provinces to the maximum degree possible. A thorough consultation process with industry will help ensure that such a new regime is structured in a way that will produce the results that the recommendation seeks.

If properly and fairly implemented, an RIA regime can be an effective tool for managing the sale of certain insurance products, including creditor's group insurance and travel insurance. We welcome proper oversight of the marketplace; our members place a strong emphasis on the fair treatment of consumers, and they dedicate significant resources to training staff and others acting on their behalf, and on controls and monitoring.

In that connection, we are pleased to highlight those features which our Association views as optimal in an RIA regime.

#### **Authorization for Contractors**

Third parties contracted by a restricted licensee (such as a third party administrator) – where the licensee is a federally or provincially regulated financial institution – should be considered authorized under the financial institution's RIA licence.

It is critically important to include contractors of RIA licensees as parties authorized under the licence because most financial institutions now outsource certain business activities, functions, and processes to meet the challenges of technology innovation, increased specialization, cost control pressures, and heightened competition. The contractual arrangement between the financial institution and the contractor makes the financial institution liable for the actions of the contractor. Further, federally regulated entities are subject to OSFI's outsourcing Guideline B-10 which sets standards for monitoring and oversight of the contractor, and requires the institution to take ultimate responsibility for outsourced activities. Including contractors under the authority granted to financial institutions holding an RIA licence would recognize the application of OSFI's outsourcing guideline and be appropriate with respect to the continued distribution of incidentally-offered insurance products by national financial institutions in BC.

Adopting this optimal RIA regime feature – which is in place in Saskatchewan and Manitoba; but not yet in Alberta, the first province to introduce an RIA regime in 2000 – would also see BC's new RIA regime remain well-aligned with the principles of the province's own legislation –ie. (2(1)(b.1)(ii) of the Insurance Licensing Exemptions Regulation under the Financial Institutions Act) -- which provides an exemption from licensing for a service provider under contract to a trust company, credit union, extra-provincial trust corporation, extra-provincial credit union, or bank in connection with incidental insurance.

#### **Council Composition**

Insurance Councils in Canada have been designed on the basis of "peer regulation and proportional representation," principles which are intended to remove conflict of interest and ensure that Council representatives have appropriate knowledge and experience of the business they are regulating. Given the unique nature of incidentally-offered insurance products and of alternate distribution channels, successful oversight of these products requires different expertise and relies on the effective management of competitive sensitivities relative to the matters before a Council at a given point in time. Having a Council's membership be comprised of all categories of stakeholders on a proportional basis is an important consideration and an approach that would ensure that the Council represents the interests of all stakeholders and permits a fair and informed approach to the oversight of all regulated entities.



Based on these considerations, we recommend that -- in conjunction with designing and introducing an RIA regime in BC -- the Ministry of Finance initiate an overall review of the Insurance Council of BC's structure and membership to ensure that its composition is structured appropriately, given its new oversight responsibility for incidentally-offered insurance products and to ensure that RIA licensees are represented appropriately in accordance with the principles of administrative law.

To be more specific, CAFII believes that the Insurance Council of BC should be structured and operated in a channel neutral" manner. That is, the Council should be designed and populated such that the interests of all distribution channels are well-served and the representatives of any particular channel are not in a position to make decisions which could negatively impact consumers' access to competing distribution channels.

This principle should, in our view, be incorporated into a Restricted Insurance Agent licensing regime in BC; and that will likely necessitate the creation, at a minimum, of an RIA Advisory Committee to the Insurance Council. CAFII is working with the Canadian Life and Health Insurance Association (CLHIA) on recommendations to the Insurance Councils of Saskatchewan on such an RIA Advisory Committee, and we would be pleased to provide additional information on our progress on this key initiative to the BC Ministry of Finance.

#### **Other Optimal Features**

We would also highlight the following two features as being part-and-parcel of an optimal RIA regime: one which strikes the "right balance" between achieving consumer protection through appropriately detailed and rigorous licensing, while not burdening business with overly restrictive requirements or red tape:

- ensuring sufficient clarity as to which insurance products may be offered under each RIA licence category; and
- implementing an online licensing/registration portal and digital platform, with timely electronic reminders and notifications to RIA licensees.

#### **Recommendation #45: Provide FICOM with the authority to issue guidelines requiring insurers to provide more direct oversight of exempt sellers and/or sellers under a restricted licensing regime.**

CAFII believes that insurers already shoulder an appropriate level of responsibility for their exempt sellers and that the current system is working well for most such relationships. **The more prescriptive approach suggested here is inconsistent with a principles- and risk-based approach to regulation, and it is not clear that it would be beneficial to consumers.**

All CAFII member client service representatives are required to undergo comprehensive and recurring product training to ensure that they provide consumers with accurate and reliable information. That training ensures that representatives offering insurance have the knowledge and skills to do their jobs and serve clients well. It also ensures that they act in accordance with the CBA Code of Conduct for Authorized Insurance Activities; the Bank Act; federal and provincial privacy legislation; and CLHIA Guidelines, including Guideline G7 Creditor's Group Insurance, G9 Direct Marketing, and G5 Travel Insurance.

CAFII members adhere to the market conduct and consumer protection provisions of BC's FIA, Insurance Act, and PIPA. In addition, the distribution of creditor insurance products is federally regulated in the case of most CAFII members. In that connection, consumers are well-protected through their compliance with the CBA Code of Conduct for Authorized Insurance Activities; and, in the case of all CAFII members, through their adherence to CLHIA Guidelines, including Guideline G7 Creditor's Group Insurance, G9 Direct Marketing, and G5 Travel Insurance. Members are also compliant with OSFI Guideline E-13, Regulatory Compliance Management (RCM). Guideline E-13 also contains provisions specifically related to oversight controls such as training, monitoring, testing, reporting, etc.

CAFII members, whether insurers or distributors, dedicate significant resources and efforts to ensuring the compliance of employees and third parties acting on their behalf, with regulations and expectations of regulatory authorities. Our employees and those who act on the company's behalf are certified and subject to significant training. There are extensive internal controls to ensure compliance with internal expectations and with regulations. There are strong internal monitoring mechanisms in place as well as other processes to ensure that the highest standards of ethical behaviour, fair treatment of consumers, and compliance with regulations—both the letter of the law as well as its spirit—are met.

**Recommendation #47: Place restrictions on the sale of insurance products sold on a post-claims underwriting basis by exempt sellers and/or sellers under a restricted licensing regime.**

CAFII strongly disagrees with the false assumptions and misunderstandings which underlie this recommendation; and we are therefore unequivocally opposed to it.

Underwriting refers to determining the risk involved in offering insurance to a potential policyholder, and then determining the premium or "price" required to assume that risk. At the time of offering the insurance at the appropriate premium/price, there is a trade-off between the amount of information gathered, and the simplicity and consumer-friendliness of the underwriting process. Creditor's group insurance products attempt to simplify the process by asking limited questions and avoiding, where possible, the taking of para-medical samples; and by enrolling the customer in a group policy, of which they then become a certificate-holder.

At the time of a claim, the responses to the questions asked at the time of enrollment need to be verified. This is not "post-claims underwriting," but rather a claims adjudications process that all insurers apply, including those offering competing term life insurance coverage. CAFII members do not enroll consumers who are not eligible to make a claim; and a claim will be paid if the questions posed during enrolment were answered truthfully. This assertion is also not consistent with the high claims payout of creditors group insurance. CAFII commissioned a 2015 study undertaken by actuarial firm Towers Watson study, which found that a high rate -- 95% -- of creditor's group mortgage life insurance claims were paid.

"Post-claims underwriting" is a myth created and perpetuated by competitors in the advice-based insurance distribution channel, who seek to malign and create consumer and regulator doubts and confusion about the convenient, affordable, incidentally sold insurance products offered by CAFII member financial institutions and other alternate channel distributors. It is our view that this recommendation is based upon falsehoods; and that the restrictions it proposes are completely unwarranted. As a result, we are of the view that there is no need for any of the restrictions or limitations proposed.

Furthermore, we would point out that no other jurisdiction in Canada – federal, provincial, or territorial --has imposed restrictions of this type on exempt sellers of insurance and/or RIA licensees to address “post-claims underwriting” practices alleged by the advice-based distribution channel.

We also would specifically call out that the suggestion to prohibit the denial of claims based on any **innocent misrepresentation** in respect of credit insurance sold under a licensing exemption (that is, other than by a licensed agent) – in the 3<sup>rd</sup> bullet point, Recommendation #47 – appears at present to be a very undefined, open-ended concept which, until and unless fleshed out with much greater detail, could well create a flawed, “slippery slope” in this sector of life and health insurance. While common law concepts related to fraudulent, negligent and innocent misrepresentation exist, it is not clear how the Ministry of Finance wishes to define “innocent misrepresentation.” Similarly, the introduction of such a new element to the terms and conditions, in the context of creditor’s group insurance, would add undue complexity for consumers to what is intended to be a simple, affordable product, **and is likely to have a negative impact on product availability and pricing – both of which would be detriments to consumers.**

**Recommendation #48: Require insurers to treat consumer fairly; delegate authority to FICOM to develop a code of conduct for insurers and to develop rules based on the code.**

CCIR/CISRO are currently consulting with the industry and public on a Conduct of Insurance Business: Fair Treatment of Customers Guideline, a process in which CAFII is actively engaged. In the interests of harmonization and consistency across jurisdictions, we support BC FICOM’s adoption of CCIR/CISRO’s Guideline on the Fair Treatment of Customers. **We are also supportive of the statement issued by FICOM Superintendent of Insurance Frank Chong on 3 May, 2018 which included the following: “Today’s consultation on national guidance announced by Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organizations (CISRO) – two national organizations that FICOM is very active in – is a positive step in making sure fair treatment of customers is front and center in all insurance.”**

**Recommendation #51: Provide privilege for the self-assessment programs of financial institutions (insurance companies, credit unions, trust companies).**

CAFII feels that the benefits of implementing a compliance self-evaluative privilege outweigh the costs of limiting evidence available in court proceedings.

Legislating a self-evaluative privilege protection for insurers promotes open and transparent self-assessments by companies and ultimately contributes to consumer protection improvements that can be achieved through regulators’ use of such assessments.

We would also point out that providing a self-evaluative privilege protection is a position recommended by CCIR that was adopted with minimal modifications by Alberta and Manitoba in their recent Insurance Act reviews. In addition, earlier this year, Saskatchewan legislated a self-evaluative privilege into its Insurance Act re-write that will come into force at the time of the new Act’s proclamation.

That said, we strongly recommend that self-evaluative privilege not be limited to insurers, credit unions and trust companies, as currently written, but also include deposit-taking institutions as licensees under an RIA regime.

**Recommendation #52: Allow FICOM to withhold information under the Freedom of Information and Protection of Privacy Act (FOIPPA) when it is provided by other regulators in confidence.**

We agree that where information is provided by other regulators in confidence, FICOM should have the option of withholding it.

**Recommendation #54: Expand the number of Insurance Council members appointed by the LGIC from eleven to thirteen by adding two additional independent agent representatives.**

We would support dropping, as least partially, the residency requirement for participation in the Insurance Council of BC, so as to permit expert advice and input from those who conduct business in BC, even if they do not reside in the province.

**Recommendation #57: Draw on the CCIR's recommendations to put in place a flexible legal framework that enables insurers to offer their products online while protecting consumers.**

We support allowing consumers to have choice in a competitive marketplace. Choice includes that they have options to purchase insurance through a licensed broker, or to purchase it directly from an insurance company through whatever channel they prefer, depending on their preference. Consumers have much information available to them, including about the products of CAFII members, and it is the consumer's right to decide what channel, level of advice, or method of purchase they prefer.

We therefore support the overall thrust of this recommendation, while counselling against use of the words "and making consumers aware of the importance of obtaining advice" which is a biased statement, favouring one purchase channel over others. Consumers differ in their level of knowledge, and some products may not require advice and can be purchased more efficaciously via a direct channel and without the involvement of a commissioned agent. It is for the consumer to make that decision, without the competitive marketplace being tilted by favouring one channel or method of purchase over another.

**Conclusion**

Thank you for the opportunity to share CAFII's comments and recommendations in this important legislative review. We look forward to engaging with the Ministry in next steps on this process. Should you require further information from CAFII or wish to meet with representatives from our Association at any time as the review progresses, please contact Brendan Wycks, CAFII Co-Executive Director, at [brendan.wycks@cafii.com](mailto:brendan.wycks@cafii.com) or 647.218.8243. In particular, we would be pleased to meet with Ministry officials – in-person or by phone, as may be preferred – to clarify and elaborate upon our views expressed in this submission.

Sincerely,

Peter Thorn  
Board Secretary and Chair, Executive Operations Committee

### **About CAFII**

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

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

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

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

*Financial Institutions Act &  
Credit Union Incorporation Act*  
Review  
**Preliminary Recommendations**



Ministry of  
Finance

March 2018





# FIA & CUIA REVIEW – PRELIMINARY RECOMMENDATIONS

## ***FINANCIAL INSTITUTIONS ACT & CREDIT UNION INCORPORATION ACT REVIEW*** **SECOND PUBLIC CONSULTATION PAPER**

### **TABLE OF CONTENTS**

---

<b>INTRODUCTION .....</b>	<b>1</b>
Process to Date .....	1
Purpose of the Preliminary Recommendations Paper and Next Steps .....	1
How to Provide Input .....	2
Public Nature of Consultation Process .....	2
<b>BACKGROUND/CONTEXT .....</b>	<b>3</b>
Rationale for Regulating the Financial Services Sector .....	3
Financial Institutions Commission .....	3
Objectives of the Legislative and Regulatory Framework .....	5
<b>DISCUSSION OF KEY RECOMMENDATIONS .....</b>	<b>6</b>
<b>OVERALL FRAMEWORK ISSUES .....</b>	<b>7</b>
Governance and Structure of FICOM .....	7
Regulatory Powers and Guidelines .....	8
Market Discipline .....	10
Out of Province Business .....	12
Winding Up of Insurers and Credit Unions .....	14
Financial Literacy .....	15
Fines .....	17
<b>CREDIT UNION SECTOR .....</b>	<b>18</b>
Deposit Insurance .....	18
Capital Requirements .....	19
Liquidity Requirements .....	22



## FIA & CUIA REVIEW – PRELIMINARY RECOMMENDATIONS

Consumer Protection .....	23
Credit Union Governance.....	25
Central Credit Unions.....	28
Technology.....	30
<b>INSURANCE SECTOR .....</b>	<b>31</b>
Insurance Retailing and Licensing Exemptions .....	31
Consumer Protection .....	33
Protection of Confidential Information .....	34
Regulation of Insurance Intermediaries.....	35
Technology.....	37
Long-term Disability Plans .....	38
Rebating .....	39
Regulation of Reciprocal Exchanges, Mutual Insurers, and Societies .....	40
<b>TRUST SECTOR .....</b>	<b>42</b>
Provincial Authorization/Regulation of Trust Corporations .....	42
Unincorporated Trust Business .....	42
Self-dealing .....	43
Capital Requirements .....	44
<b>GLOSSARY .....</b>	<b>45</b>

# INTRODUCTION

---

The Ministry of Finance is currently undertaking a broad review of the *Financial Institutions Act* (FIA) and *Credit Union Incorporation Act* (CUIA). The FIA provides the regulatory framework for credit unions, insurance companies and intermediaries, and trust companies, and the CUIA provides the framework for incorporation and corporate governance of credit unions.

The purpose of the FIA/CUIA review is to consider the regulatory tools BC has to oversee credit unions, insurers and intermediaries, and trust companies, and whether changes to the legislative and regulatory framework are needed. To ensure that the regulatory framework continues to be effective, efficient and modern, both the FIA and the CUIA require that a review of the legislation be initiated every ten years.

It should also be noted that, regardless of the statutory requirement that a review of the FIA and CUIA be initiated every ten years, the Ministry is committed to ensuring that the legislative and regulatory framework remains current and will review the framework more frequently as necessary.

## Process to Date

The Ministry released an initial public consultation paper in 2015. The purpose of that paper was to seek input from stakeholders and other interested parties for consideration as part of the review.

Submissions were received from the credit union system and individual credit unions, insurance sector and intermediary organizations, trust companies, public sector organizations, businesses, banking and other organizations, and individuals. After the submission period ended, Ministry staff met with a number of these stakeholders to discuss their submissions.

A public report on the stakeholder input received in response to the initial public consultation paper was released in 2016. The report and stakeholder submissions are posted on the Ministry of Finance website (<http://www.fin.gov.bc.ca/pld/fiareview.htm>).

In addition to the broad review of the FIA and CUIA, a review of the governance and structure of FICOM was undertaken in late 2017 to assist in providing recommendations to ensure that its governance and organizational structure is clear, appropriate and contributes to the overall goals and objectives of government.

## Purpose of the Preliminary Recommendations Paper and Next Steps

This paper represents the next stage of the consultation process; it sets out policy recommendations, including proposals related to the governance and structure of FICOM, and provides an opportunity for stakeholders to review the proposed changes.

The recommendations do not represent government policy; rather, the paper is intended to elicit discussion.

Feedback from stakeholders on this paper's proposed changes will help guide government as it considers legislative changes to the FIA and CUIA. After consultation and analysis, Ministry staff will prepare specific policy proposals for the consideration of government. Ultimately, any proposed changes to the FIA and CUIA would be subject to consideration and approval by the Minister of Finance and Cabinet, and approval of the Legislature of British Columbia.

## **How to Provide Input**

**Submissions and comments must be received by June 19, 2018 and may be transmitted electronically to [fiareview@gov.bc.ca](mailto:fiareview@gov.bc.ca).**

Submissions and comments may also be mailed to:

FIA & CUIA Review  
Policy & Legislation Division  
Ministry of Finance  
PO Box 9470 Stn Prov Govt  
Victoria BC V8W 9V8

## **Public Nature of Consultation Process**

Please note that this is a public consultation process and, unless confidentiality is specifically requested, comments and submissions may be summarized or attributed in a public report, and may also be disclosed to other interested parties or made publicly available on the Ministry of Finance website at <http://www.gov.bc.ca/fin/>.

If you prefer that certain comments not be posted publicly or shared with other parties, please clearly indicate this in your submission or covering letter. However, please note that all submissions received are subject to the *Freedom of Information and Protection of Privacy Act* and, even where confidentiality is requested, this legislation may require the Ministry to make information available to those requesting such access.

## BACKGROUND/CONTEXT

---

The FIA provides the regulatory framework for credit unions, insurance companies and intermediaries, and trust companies, and the related CUIA provides the framework for incorporation and corporate governance of credit unions.<sup>1</sup>

### **Rationale for Regulating the Financial Services Sector**

Financial sector stability and consumer protection are important public policy objectives for government. Although there are other sectors that represent greater proportions of gross domestic product (GDP) and employment, governments dedicate significant time and resources to regulation of the financial services sector because issues in the sector can have disproportionately large impacts on the economy and society in general.

An effective regulatory framework helps to ensure that British Columbians continue to benefit from a financial services sector that is strong, stable, and inspires public confidence and trust. Regulation of financial institutions and intermediaries should be balanced, so that it is both effective and efficient, and does not place an undue burden on financial institutions, stifle innovation, or create barriers to new institutions.

Financial sector regulation in BC has proven effective, and BC's financial sector remained stable and strong even through the global financial crisis. Credit unions, insurers and insurance intermediaries, and trust companies continue to make significant contributions to BC's economy and to communities throughout the province.

Although much has changed since the previous legislative review, government remains committed to providing an effective and balanced regulatory framework which protects the interests of depositors, policyholders, beneficiaries, members and the public, while ensuring the financial services sector is able to innovate, take reasonable risks, and compete effectively.

### **Financial Institutions Commission**

The Financial Institutions Commission (Commission), along with the Superintendent of Financial Institutions (Superintendent), is responsible for regulating and supervising financial institutions in BC—credit unions, insurance companies and intermediaries, and trust companies—to determine whether they are in sound financial condition and complying with their governing laws (i.e., the FIA and CUIA) and supervisory standards.

---

<sup>1</sup> Not all provisions governing the insurance industry are contained in the FIA. The *Insurance Act* provides part of the consumer protection regulatory framework for the insurance sector. It was last reviewed and updated in 2009.

The Commission is established under the FIA and its members are appointed by the Lieutenant Governor in Council (LGIC). The Commission must comply with policy directions issued by the Minister of Finance with respect to the exercise of its powers and performance of its duties. The Superintendent is appointed by the LGIC, after consultation with the Commission Chair, and the Commission provides oversight and direction to the Superintendent.

The Commission may delegate most of its powers and duties to the Superintendent, with the exception of major regulatory decisions such as consent to incorporation, amalgamation, etc., and, in practice, the Superintendent undertakes the day-to-day regulatory functions (and may in turn delegate certain powers and duties to staff).

While the acronym “FICOM” is used to refer both to the Commission itself and to the organization headed by the Superintendent which supports the Commission, for the purposes of this paper a reference to FICOM is a reference to the Commission, as it is the Commission that has the statutory authority for the regulation of financial institutions in BC.<sup>2, 3</sup>

---

<sup>2</sup> The Superintendent also holds certain powers under the FIA that are separate and apart from those held by the Commission.

<sup>3</sup> In a few cases when discussing issues related to specific powers and duties that may not be delegated by the Commission, “the Commission” will be used instead of “FICOM”.

## Objectives of the Legislative and Regulatory Framework

The primary goal or objective of the FIA and CUIA regulatory framework for financial institutions and their intermediaries is:

- ❖ To maintain stability and confidence in the financial services sector by reducing the risk of failures and providing consumer protection.

There are also a number of important complementary and supporting objectives:

- To create an environment where the financial services sector, and the entities within it (i.e., financial institutions and intermediaries), can continue to grow and prosper.
  - For example, does the proposed change help to reduce red tape and unnecessary regulations that hinder economic development?
- To promote sound risk management and appropriate/responsible risk-taking.
  - For example, does the proposed change help to foster good governance and a comprehensive risk management process in regulated institutions?
- To enable early detection and timely intervention and resolution of issues.
  - Does the proposed change help to ensure that the legislation provides the regulator with an adequate range of supervisory tools so that problems can be detected early, and intervention made in a timely matter to resolve issues?
- To reflect international standards, while respecting the particular needs and circumstances of BC's financial sector and taking into account the nature, structure, size, scope and complexity of institutions.
  - Does the proposed change take into account international standards and best practices, while also considering significant differences in the size and complexity of organizations to ensure the approach is appropriate for all entities in BC's financial sector?
  - Do structural and ownership differences among financial institutions (e.g., cooperative or mutual organizations) necessitate different approaches?
- To foster member engagement in cooperative and mutual financial institutions.
  - Does the proposed change help to encourage member involvement and engagement and provide members with the information they need about issues that impact them?

## **DISCUSSION OF KEY RECOMMENDATIONS**

---

The remainder of this paper sets out a summary of the preliminary recommendations being made in respect of the FIA/CUIA review.

As in the initial consultation paper, the issues are grouped into four main sections: a general section which contains the issues that likely impact all financial service sectors (i.e., credit unions, insurers and insurance intermediaries, and trust companies) and includes proposals related to the governance and structure of FICOM; as well as separate sections for each of the credit union, insurance and trust sectors which contain the issues that primarily, or exclusively, apply to that sector.

For each issue, recommendations have been set out and are followed by a high level rationale for that recommendation. Please note that the issues and recommendations have been numbered for ease of reading and discussion and do not reflect any sort of ranking of the issues.

# OVERALL FRAMEWORK ISSUES

---

## **Governance and Structure of FICOM**

### **Recommendation #1**

**Establish FICOM as a Crown agency.**

While not raised as an issue in the initial public consultation paper, issues related to the governance and structure of FICOM were raised by a number of stakeholders during the consultation period, particularly in the credit union sector.

Under this proposal, FICOM would be established as a Crown agency. FICOM would be authorized to operate as an independent, self-funded government agency, accountable to the provincial legislature through the Minister of Finance. This proposal aligns with international standards for financial sector regulators.

### **Recommendation #2**

**Expand the mandate of the Commission to exercise certain powers and duties related to mortgage brokers and pension plans.**

The Superintendent serves in several official capacities, including Superintendent of Financial Institutions, Superintendent of Pensions, Registrar of Mortgage Brokers and CEO of the Credit Union Deposit Insurance Corporation (CUDIC) under the corresponding legislation.

Currently the Commission exercises powers and carries out duties assigned to it under the FIA and the CUIA relating to the regulation and supervision of provincially authorized insurance companies, trust companies and credit unions. Through the exercise of FIA and CUIA powers, the Commission makes major regulatory decisions regarding incorporations, business authorizations, amalgamations, liquidations and windups. Under the current framework, the Commission does not have any oversight of mortgage brokers or pensions.

Under this proposal the mandate of the Commission would be expanded to include mortgage brokers and pension plans. In order for the Commission to take on this expanded mandate, a Commission structure that reflects best practices and includes expertise from the regulated sectors will be required. Public sector board governance guidelines would also apply.



### Recommendation #3

**The Commission will appoint the CEO and statutory decision makers of FICOM.**

Under this proposal the CEO and statutory decision makers (i.e., Superintendent of Financial Institutions, Superintendent of Pensions, and Registrar of Mortgage Brokers) will be appointed by the Commission and will be accountable to the Commission. Structural changes to the Commission, including the requirement that the Commission have sector-specific expertise, will ensure that the Commission has the capacity to effectively oversee the operations and strategic direction of the regulatory agency and to oversee the statutory decision makers.<sup>4</sup>

### Recommendation #4

**CUDIC will continue to be administered by FICOM and members of the Commission will continue to serve as the CUDIC board.**

Under this proposal, no changes would be made to the structure of CUDIC, which would continue to be administered by FICOM. CUDIC was merged with FICOM in 1990 to allow expertise to be pooled; that pooling of expertise continues to be relevant and important today.

## **Regulatory Powers and Guidelines**

### Recommendation #5

**Provide FICOM with the authority to issue enforceable guidelines/rules. Guidelines/rules will require public consultation and Ministerial approval.**

International standards have increasingly focused on regulators having the appropriate tools to review and evaluate financial institutions and the ability to intervene on a timely basis to address problems at an early stage. Rules issued by financial sector regulators are increasingly being relied upon around the world as an important tool due to their flexibility and their ability to be adopted and amended in a timely manner (in comparison with legislation and regulations).

Currently FICOM can, and does, issue guidelines. The guidelines do not replace legislative or regulatory requirements, but rather reflect what is in the legislation, clarify supervisory

---

<sup>4</sup> The Commission itself is also a statutory decision maker.

expectations, and inform supervisory assessments. The FIA grants authority to the Insurance Council of British Columbia (Insurance Council) to make legally enforceable requirements or standards in the form of Council rules (e.g., rules respecting licensing, supervision, education and conduct). Similarly, the *Securities Act* provides the British Columbia Securities Commission (BCSC) with the authority to make legally enforceable rules for some purposes (e.g., regulating trading in securities or exchange contracts). In both cases, the entity has been delegated rule-making authority. The rules they make are not issued for the purposes of interpreting the legislation, but instead impose legally binding requirements. In part because they are substantive rules having the same enforceability as regulations, each proposed rule must be published for public comment and the Minister of Finance can either consent to or reject it.

Under this proposal, FICOM would be provided with rule-making authority. All rules would be subject to public consultation and Ministerial approval. The legislation would set out the specific matters on which FICOM may make rules.

#### **Recommendation #6**

**Consistent with the rule-making authority described in Recommendation #5, require industry/public consultations and Ministerial approval of the deposit insurance assessment methodology.**

Under the FIA, FICOM is authorized to assess each credit union a contribution to the deposit insurance fund. FICOM sets a target size for the deposit insurance fund and determines the annual contribution each credit union is required to make to the fund. For credit unions, the methodology for the calculation of deposit insurance premiums/contributions is an important issue and was raised a number of times during the initial consultation phase of the FIA/CUIA review.

Under this proposal, FICOM would be provided with the authority to make rules respecting the determination of annual premiums for credit unions, subject to consultation and Ministerial approval. This approach is consistent with the federal framework for bank deposit insurance assessments. The deposit fund target size, including the timelines for achieving the target, would continue to be determined independently by FICOM.

## **Recommendation #7**

**Continue to apply federal capital standards to BC insurance companies but provide FICOM with: (1) the discretion to disapply some requirements; and (2) the authority to issue rules to modify, where appropriate, capital requirements for BC insurance companies.**

Most insurance companies in BC are federally-incorporated. The federal regulator has traditionally led the development of solvency standards for insurers and generally provincial regulators have harmonized their solvency standards with federal standards so that all insurers are subject to similar requirements regardless of where they are incorporated. Under the FIA, the capital requirements for insurance companies are based on the guidelines issued by the federal regulator (Office of the Superintendent of Financial Institutions [OSFI]).

Under this proposal, FICOM would have the discretion to disapply specific requirements where appropriate and would also have rule-making authority to apply alternative requirements for BC insurance companies. This would allow FICOM to tailor requirements to risks that may be unique to BC. All rules would be subject to industry/public consultation and Ministerial approval.

## **Market Discipline**

## **Recommendation #8**

**Authorize FICOM to collect and publish certain financial and risk information.**

Enhancing public disclosure requirements would help bring BC's legislative framework up-to-date with global standards. This proposal would also align BC requirements with federal requirements (and Alberta requirements for insurers) and would provide consistency in reporting to help customers and investors compare financial institutions across jurisdictions.

Under this proposed change, the specific information that could be collected and published by FICOM would be set out in regulation. The intent would be to allow FICOM to publish: (1) financial statements and auditors' reports, which financial institutions are already required to make publically available; (2) additional financial and risk information, such as that required by OSFI, Alberta, and Quebec; and/or (3) aggregate financial and risk information that does not identify distinct financial institutions. As with any regulation, the specific items that FICOM would have the authority to disclose would be subject to Ministerial and Cabinet approvals. Financial institutions would only be obligated to supply information to the regulator and would not be responsible for making such information publically available.

Further analysis would be necessary to determine specific information that may be of value to consumers and investors. Consideration would be given to the size and complexity of financial institutions to ensure small institutions are not overburdened. Attention would also be paid to ensure that increased disclosure requirements do not undermine cooperation with the regulator and confidence in financial institutions. As well, increased disclosure requirements must not result in customer information being revealed. There would be no change to the current requirement for FICOM to maintain strict confidentiality of all other information it receives from financial institutions.

#### **Recommendation #9**

**Require financial institutions to make their public disclosures (i.e., financial statements and auditor's reports) available online.**

Under this proposal, BC-incorporated financial institutions would continue to be required to keep a copy of their required public disclosures at each branch or office location, and would also be required to make these documents available on their public websites.

This proposal reflects changes in technology and modernizes the legislation. Consumers and investors would benefit from faster and more convenient access to information. Most, if not all, financial institutions already maintain public websites and as such, an online disclosure requirement should not be overly burdensome for financial institutions.

#### **Recommendation #10**

**Provide FICOM with clear authority to share information with the existing national insurance reporting database and/or the proposed new national market conduct database.**

In 2005, insurance regulators in Quebec and Ontario contracted a private company to develop a joint insurance complaint reporting system to reduce duplication and harmonize regulatory reporting. The system has since been expanded nationwide.<sup>5</sup> BC is the only province that has not joined the system because it is currently ambiguous whether the FIA allows BC to join.

Insurance companies operate in multiple jurisdictions. The ability of a regulator to collect and share relevant market conduct information (e.g., aggregate complaint data) with other supervisors and authorities is an important component of a proactive risk-based market conduct

---

<sup>5</sup> More recently, the Canadian Council of Insurance Regulators (CCIR) has been working to replace the national complaint reporting system with a new national market conduct database, which will be administered by Quebec's Autorité des marchés financiers (AMF).

regulatory regime. BC's participation in an integrated national database would help regulators in identifying and assessing issues in the insurance marketplace.

Under this proposal, information sharing would be handled by FICOM to avoid placing a burden on small institutions.

## **Out of Province Business**

### **Recommendation #11**

**Clarify that the FIA regulatory requirements (e.g., business authorization, solvency, market conduct) do not apply to federal credit unions incorporated under the *Bank Act*.**

Clarification of the FIA's definition of "credit union" to exclude credit unions that are regulated as banks under the *Bank Act* is warranted to keep the FIA up-to-date with federal legislative changes.

### **Recommendation #12**

**Make amendments to the framework for cross-border operation of credit unions to:**

- (a) Maintain/update the reciprocal framework for cross-border operation of credit unions (branch operations) so it is available if any other province establishes an operational reciprocal framework.**
- (b) Provide FICOM and CUDIC more guidance for the exercise of their discretion in whether to approve BC credit unions intending to open extraprovincial branches.**
- (c) Specify that under the reciprocal framework, an extraprovincial credit union must have deposit insurance from either home or host regulator and allow regulations to apply other aspects of the FIA to extraprovincial credit unions operating in the province.**

In 2004, the FIA was amended to permit retail credit unions to operate extraprovincially on a reciprocal basis. BC is currently the only province that has implemented a functioning legislative framework for extraprovincial credit unions. As no other jurisdiction has a reciprocal framework that is operational, no extraprovincial credit union can operate in BC and no BC credit unions can operate in other provinces. With the new *Bank Act* provisions allowing credit unions to incorporate/continue federally, credit unions now have the option of operating extraprovincially under the federal legislation.

However, it is not clear whether the federal framework will ultimately meet credit union needs. Therefore, it appears warranted to leave the reciprocal framework in place.

The proposed amendments could allow for a more carefully tailored regulatory approach based on assessment of the specific regulatory risks of cross-border operation of credit unions. Similar to the Ontario framework, regulations could be adopted if and when another jurisdiction decides to implement a framework for cross-border operation of credit unions.

Under this proposal, FICOM and CUDIC approvals will continue to be required both for BC credit unions operating in other provinces and for other credit unions operating in BC, but the legislation will provide direction and criteria that FICOM and CUDIC will need to consider in making their decision.

### **Recommendation #13**

**Prescribe additional business activities that a credit union may carry on outside the province without the approval of FICOM or CUDIC.**

The review examined the framework for out-of-province incidental business activities and considered whether additional activities not already permitted under the FIA should be allowed without approval from FICOM or CUDIC.

Some credit unions recommended that the FIA be amended to remove approval requirements for extraprovincial business activities. However, extraprovincial business activities can give rise to exceptional risks, especially in light of limited provincial jurisdiction to regulate activity outside the province. Requiring FICOM approval may be excessive for certain low risk activities but other activities (such as opening branches in other jurisdictions) clearly raise regulatory and other risks. It also appears warranted to require CUDIC approval for out-of-province deposit taking activities that are captured under the CUDIC guarantee. As such, the recommendation is to continue to require FICOM/CUDIC approval of these activities but to allow for further regulatory exemptions to be established for specific kinds of low-risk out-of-province business activity.

This approach would provide some flexibility to allow credit unions to undertake other business activities outside BC, provided they do not raise significant regulatory risks and/or activity that FICOM would not have sufficient tools to properly oversee.

#### **Recommendation #14**

**Maintain the current general prohibition on the purchase of insurance outside of BC.**

The FIA already provides a framework for licensed agents to place risk with unauthorized insurers where insurance is not otherwise available, and BC also has a flexible regulatory framework for self-insurance: captive insurers and reciprocal exchanges are permitted as regulated entities that organizations can use to reduce insurance costs and/or provide better claims management.

The current approach appears to be working well and broad exemptions could undermine the insurance market and consumer protection.

### **Winding Up of Insurers and Credit Unions**

#### **Recommendation #15**

**Make amendments to more effectively address credit unions facing solvency issues. Specifically:**

- (a) Amend the legislation to provide authority for FICOM or the Minister of Finance to establish bridge credit unions.**
- (b) Enhance CUDIC's role in dealing with credit unions facing solvency issues.**

International standards highlight the importance of an effective resolution scheme to any banking regime. Amending the FIA or CUIA to provide the Minister of Finance or FICOM with the ability to establish a bridge credit union would be consistent with the federal framework under the *Canada Deposit Insurance Corporation Act* and would likely lead to better outcomes for members of a troubled credit union.

Enhancing CUDIC's role in dealing with credit unions facing solvency issues would be consistent with the federal framework and would enhance clarity. Further analysis and consideration would be given to designating CUDIC as a resolution authority, with similar tools as are available to the federal deposit insurance corporation.

#### **Recommendation #16**

**Allow FICOM to apply to the court for an order that an insurance company be wound up if sufficient cause has been shown.**

FICOM requires sufficient powers to take action in the event there is an imminent risk to the viability of an insurer. Amending the FIA to clearly outline the procedures for taking control of a troubled insurer or winding up an insurance company will help facilitate the orderly resolution of problems.

Maintaining the status quo would be inconsistent with international standards that highlight the importance of an effective resolution scheme to any framework for financial institutions.

Under this proposal, consideration will be given to requiring FICOM to apply to the court for permission to intervene (similar to those rules in place in Alberta and Saskatchewan, where the legislation specifies under what conditions the regulator can intervene). Consideration would also be given to setting out what actions can be taken by the intervening regulator, as in Quebec.

### **Financial Literacy**

#### **Recommendation #17**

**Do not amend the legislation to require financial institutions to make investments in financial literacy.**

Financial organizations already have an incentive to foster financial literacy, as greater knowledge of available financial products and services generally leads to more consumption of those products and services. Furthermore, financial organizations already actively contribute to financial literacy through a wide variety of initiatives and provided many examples of such initiatives in their submissions to the FIA review. The variety and scope of existing financial literacy initiatives demonstrates that a specific requirement for financial organizations to invest in financial literacy initiatives is not required.

#### **Recommendation #18**

**Establish a cross-ministry working group to coordinate government's financial literacy efforts.**

Several submissions to the FIA review encouraged government to take on a greater role in contributing to and fostering financial literacy. Given the complexity of financial products and



services, government intervention may help to ensure better consumer understanding and protection. A number of initiatives have already been undertaken. For example, the Ministry of Education has embedded financial literacy education instruction throughout the recently adopted K-9 provincial curriculum and updates for grades 10-12 are being developed. The BCSC has a number of programs focusing on financial education and literacy.

Within government, financial literacy objectives reach broadly across several different ministries/organizations in support of a wide range of policy objectives. A coordinated cross-government approach is therefore desirable.

#### **Recommendation #19**

**If necessary, clarify that financial institutions have the authority to report suspicions of financial abuse to a designated agency under the *Adult Guardianship Act* (AGA).**

Financial institutions may make use of the existing provision under the *Adult Guardianship Act* (AGA), which allows reporting of suspected abuse to a designated agency.<sup>6</sup> Ministry staff will work with financial institutions to ensure that industry is familiar with their authority to report suspicions of financial abuse under the AGA.

While many stakeholders supported a change to allow financial institutions to be able to report suspected financial abuse to next of kin (as now allowed under federal legislation), serious concerns were raised by the Public Guardian and Trustee and the Council to Reduce Elder Abuse, who noted that often, the next-of-kin is the individual perpetrating the abuse. By maintaining the status quo, financial institutions will continue to be able to report suspected financial abuse to the designated agencies referred to in the AGA.

#### **Recommendation #20**

**Support, where appropriate, Emergency Management BC in developing consumer-friendly communication materials that outline the government's Disaster Financial Assistance program.**

A number of submissions, particularly from the insurance sector, suggested that government should better communicate government policies regarding catastrophic risk and disaster preparedness. However, detailed information on disaster preparedness and the province's

---

<sup>6</sup> Currently, designated agencies include the five regional health authorities, Community Living BC, and Providence Health Care Society.

Disaster Financial Assistance (DFA) program is already available from Emergency Management BC.

Emergency Management BC is considering producing consumer-friendly material (rather than detailed information bulletins) that describe the DFA program, which could lead to better awareness and understanding of the DFA program and the importance of obtaining earthquake and overland flood insurance.

## **Fines**

### **Recommendation #21**

#### **Increase the maximum fines for offences under the FIA and CUIA.**

While not raised as an issue in the initial public consultation paper, the fines available under the FIA have not been reviewed since the legislation was first brought into force in 1989.

Consideration is only being given to the monetary penalties imposed under section 253 of the FIA. The legislative and regulatory framework for administrative penalties was developed relatively recently and does not form part of this recommendation.

Monetary penalties are intended to enhance compliance with legislative requirements and, where those requirements are not met, fines give authorities a way to penalize offenders and encourage future compliance. Monetary penalties need to be sufficiently high to encourage compliance; if monetary penalties are too low, individuals and corporations may willingly pay them rather than adjust their behaviour, viewing the fines as a cost of doing business.

# CREDIT UNION SECTOR

---

## Deposit Insurance

### Recommendation #22

**Continue to provide unlimited deposit insurance to credit union members.**

Deposit insurance contributes significantly to consumer confidence and market stability and is an important component of the financial system.

International regulatory organizations caution against unlimited deposit insurance because of the potential incentive for increased risk-taking by financial institutions (i.e., financial institutions may lack incentive to guard against risk when they are protected from its consequences by unlimited deposit insurance). The Basel Committee on Banking Supervision and International Association of Deposit Insurers released a set of core principles which address all aspects of deposit insurance.<sup>7</sup> They recommend that deposit insurance adequately cover a large majority of depositors and that the level of coverage be limited but credible. They also recommend that jurisdictions with unlimited deposit insurance transition to limited coverage as soon as their circumstances permit, with careful planning of the transition due to the importance of deposit insurance in maintaining public confidence. Worldwide, jurisdictions have generally reintroduced limits on coverage only where financial market and general economic stability have been achieved and the change is unlikely to impact public confidence in financial institutions.

However, there are arguments for BC to continue with unlimited coverage for credit unions at this time. This will allow BC credit unions to remain competitive with other western provinces (which offer unlimited coverage). Most importantly, government must carefully consider that simultaneously imposing multiple changes to the credit union system could negatively impact credit union liquidity.

In light of recommendations 24 and 28, (to modernize capital and liquidity standards using a framework based on Basel III), government is not considering moving to limited deposit insurance at this time. Any future reconsideration of deposit insurance coverage would require further review by the Ministry of Finance at that time and would also include consultation with affected stakeholders, FICOM and other interested members of the public.

---

<sup>7</sup> Basel Committee on Banking Supervision and International Association of Deposit Insurers, *Core Principles for Effective Deposit Insurance Systems*, June 2009, <http://www.bis.org/publ/bcbs156.pdf>.

### Recommendation #23

**Make changes to the scope of deposit insurance coverage by excluding or limiting coverage for certain products.**

Under this proposal, coverage could be excluded or limited for the following products:

Foreign currency (exclude from coverage): The founding purpose of deposit insurance centers on institutional failure. Foreign currency deposits bear market risk (like stocks, bonds, and mutual funds) that deposit insurance is not intended to protect against. Although Alberta, Manitoba, and Saskatchewan do insure foreign currency deposits, the federal government, Ontario, Quebec and the Atlantic provinces do not (although the federal government is consulting on this issue).

Term deposits (limit coverage of term deposits to those with a length to maturity of five years or less): Term deposits beyond five years can be seen as an investment product rather than a deposit product. While some provinces provide coverage for deposits of any length to maturity, Quebec, New Brunswick, Prince Edward Island and Newfoundland match federal deposit insurance and only provide coverage for term deposits up to five years.

Interbank deposits (eliminate or limit coverage): Large interbank deposits raise serious risks for liquidity in times of financial stress.

Non-equity shares (exclude coverage but provide a transition period to convert existing shares to deposits): It appears that credit unions no longer offer these shares, but a transition period is necessary to allow existing non-equity shares to be wound up.

## **Capital Requirements**

### Recommendation #24

**Adopt a Basel III-like capital framework and guidance/rules-based approach for capital standards, applicable to all provincial credit unions, with modifications to recognize the cooperative nature of credit unions and size differences among credit unions.**

**All new rules would be subject to consultation and Ministerial approval.**

The credit union system in BC has grown significantly since the current (Basel I-based) capital requirements were introduced. Growth, consolidation and increased interconnectivity in the sector have resulted in greater complexity of operations and a greater concentration of assets into a few large credit unions. While credit unions in BC delivered strong financial results and remained stable during the 2008 financial crisis and in subsequent years, credit unions are

operating in an environment with increasingly complex risks. Failure to benchmark the latest standards in BC could reduce confidence in the regulatory oversight of credit unions and in the credit union system itself.

Adopting the Basel III capital framework, with modifications to accommodate the unique characteristics of the BC credit union system, would be consistent with federal regulation, and with the approaches in Quebec, Saskatchewan and the recommendations made in Ontario's recent review of the *Credit Unions and Caisses Populaires Act*.

Moving to a guidance/rules-based approach for credit union capital and liquidity standards would mean that FICOM could issue enforceable guidelines, subject to public consultation and Ministerial approval, with respect to capital and liquidity requirements. This approach would make FICOM more consistent with its provincial regulatory counterparts and also allow FICOM to be more flexible and reactive to emerging industry concerns (e.g., development of alternative sources of capital, changes to leverage ratios, treatment of member equity). Furthermore, modernizing capital requirements would result in the elimination of some of the specific impediments that credit unions have expressed concern about (e.g., the commercial cap, the treatment of residential property held through trusts).

A capital regime based on the Basel III framework will take significant time to fully implement and will also require a lengthy transition time.

#### **Recommendation #25**

**Adopt the credit union system's hybrid proposal for high ratio mortgages at the same time that new capital requirements are adopted.**

The credit union system submission recommended that BC change its rules on high-ratio mortgages. Currently, BC applies a risk weighting of 0.35 for mortgages with a loan-to-value ratio (LTV) of up to 75 percent. For loans above the 75 percent threshold, the risk-weighting (for the entire amount of the loan) is 0.75. Therefore there is a significant capital penalty for loans with an LTV above 75 percent. However, unlike banks, credit unions are not prohibited from issuing uninsured high-ratio mortgages (i.e., those with an LTV ratio above 80 percent).

The credit union system has proposed a hybrid model where uninsured mortgages between 75-80 percent LTV are risk weighted at 0.35 (as opposed to the current 0.75), uninsured mortgages between 80-85 percent LTV are risk weighted at 0.75 (which is the same as they are currently risk weighted), and mortgages higher than 85 percent LTV must be insured.

This proposal accommodates the markets that are served by certain credit unions by allowing the few credit unions that provide uninsured mortgages with a higher than 80 percent LTV ratio to continue to do so (provided they do not have a ratio greater than 85 percent).

However, there are concerns with implementing this proposal before a new, more risk-sensitive capital framework is in place, particularly in light of current economic conditions (rapidly

increasing real estate prices, high consumer debt loads) and the possibility of a correction in the future.

#### **Recommendation #26**

**Continue to allow 50 percent of system capital to count towards individual credit unions' capital requirements, but remove CUDIC funds from the definition of system capital.**

While including components of system capital may not be entirely consistent with international standards/Basel III, prohibiting the use of system capital as a component of individual credit unions' capital bases would fail to recognize the cooperative support structure under which Central 1 and Stabilization Central manage the risks to the credit union system and provide assistance to credit unions in financial difficulty.

The inclusion of CUDIC's retained earnings in system capital, however, is problematic because the purpose of deposit insurance is to protect individual depositors, not credit unions. Furthermore, capital is intended to represent an ownership over resources, and unlike Central 1 or Stabilization Central, CUDIC is a government-owned corporation.

#### **Recommendation #27**

**The redemption rights for investment, patronage and membership will be amended to better match Basel III standards and continue to treat these shares as tier 1 capital.**

Under Basel III, BC credit union membership shares may not be considered tier 1 capital as they may not have sufficient permanency, given that the CUIA requires credit unions to redeem membership shares when a member withdraws their membership and authorizes credit unions to redeem other equity (investment) shares by a resolution of directors.

While the Basel Committee intended to allow cooperative shares with a high degree of permanence and the ability to absorb losses to qualify as tier 1 capital, it did not provide many details about how this would work.<sup>8</sup> The World Council of Credit Unions recommends regulators follow the approach taken by the European Union, which would treat cooperative shares as tier 1 capital if they are not redeemable or have significant restrictions on their redemption, can absorb losses on a going-concern basis, and meet other similar requirements (such as being accounted for as "equity").

---

<sup>8</sup> World Council of Credit Unions, Inc., *Credit Union Shares as Regulatory Capital Under Basel III*, August 2012.

Amending the redemption rights for investment, patronage and membership shares to better match Basel III standards would allow credit unions to continue to treat these shares as highest quality (tier 1) equity as BC moves towards a more modern capital regime based on the Basel III framework.

## **Liquidity Requirements**

### **Recommendation #28**

**Adopt Basel III-like liquidity framework and guidance/rules-based approach for liquidity standards.**

**All new rules would be subject to consultation and Ministerial approval.**

A move from prescriptive to more principles-based liquidity regulation (like Basel III) would be in keeping with national and international best practices.

While Basel III requirements could be implemented by regulation, a guidance/rules-based approach is recommended because prescribed quantitative liquidity requirements are inflexible and cannot be adjusted in a timely fashion to mitigate risk and emerging concerns. A guidance/rules-based approach for credit union liquidity standards would permit FICOM to be more consistent with its provincial regulatory counterparts and be more flexible and reactive to emerging concerns. Furthermore, a guidance/rules-based approach would ensure sufficient flexibility to tailor standards to credit unions of different size and complexity.

### **Recommendation #29**

**Allow credit unions to hold less than 8 percent statutory liquidity with the approval of FICOM (if and when Basel III-like liquidity standards are adopted, as set out in Recommendation #28).**

If Basel III-like targets are adopted, as set out in Recommendation #28, BC credit unions' liquidity will be managed in accordance with international standards. Canadian banks and other international financial institutions that are subject to this framework are not subject to an additional requirement to hold a prescribed percentage of deposits as statutory liquidity.

However, Basel III-like standards have not previously been applied in the BC credit union context and until they have stood the test of time as an appropriate liquidity backstop, it may be prudent to maintain some features of the current regulatory framework, keeping in mind that some BC credit unions have asked for greater scope to set their own liquidity policies. The recommendation is therefore to allow credit unions the option of either following the prescriptive

8 percent requirement or preparing and filing their own liquidity policy with FICOM for approval.

#### **Recommendation #30**

**Allow credit unions to hold their liquidity outside of the Mandatory Liquidity Pool (MLP) with FICOM approval.**

Credit unions currently have the option to continue under federal jurisdiction, in which case they would not be required to hold their liquidity in the MLP. Risks created by making the MLP optional (which may ultimately lead to a smaller pool) can be mitigated by requiring credit unions to submit their proposals to manage their own liquidity to FICOM for approval before leaving the MLP. In addition, to acknowledge the benefit of pooled liquidity and recognize Central 1's compliance with FICOM's risk guidelines, deposits held at Central 1 could be treated more favourably than liquid assets held elsewhere, which may provide an incentive for the credit union system to collectively maintain a sizable liquidity pool.

### **Consumer Protection**

#### **Recommendation #31**

**Expressly authorize the credit union system to adopt a consumer code of conduct. If the credit union system does not adopt a code of conduct within a reasonable period of time, FICOM may establish a code of conduct for credit unions, with prior public consultation and Ministerial approval.**

This proposal would allow the credit union sector to adopt a consumer code of conduct that would address both corporate culture (e.g., fair treatment of consumers) and specific consumer protection issues (e.g., it could require notification of branch closures, mandatory government cheque cashing obligations, annual reporting on consumer and member complaints received by the credit union). The adoption and future amendment of the code would require FICOM approval. FICOM would also have authority to monitor credit union compliance with the code.

While the credit union sector generally does not present major consumer protection concerns, two factors might support some increased attention on consumer protection issues: growth in credit unions, both in membership and business lines; and developments in international/national standards that increasingly focus on market conduct. Moving proactively in this area may be prudent to ensure the framework continues to be effective and maintains public confidence.

The establishment of a set of expectations for fair conduct in the credit union sector would be consistent with Saskatchewan, where the central credit union has adopted and requires adherence to a Market Code Handbook, and with Quebec, where the regulator has issued a set of guidelines



that elaborate on a legislative requirement for credit unions to use sound commercial practices. It would also generally be consistent with the federal government’s intention to establish a set of market conduct provisions within the *Bank Act*.

### **Recommendation #32**

**Require credit unions to have in place internal complaint resolution procedures; any complaints not resolved could be taken by the consumer to an ombudservice administered by Stabilization Central.**

Notwithstanding the lack of concerns raised about consumer protection, the growth of credit unions along with developments in international/national standards suggest a proactive approach to consumer protection is warranted.

This proposal would provide a formal dispute resolution process to which FICOM and government could direct consumer complaints. An ombudservice could also help address concerns members have as owners, namely issues related to a credit union's organizational or corporate practices (e.g., annual general meeting processes, election and voting practices, board of directors’ decisions).

### **Recommendation #33**

**Expressly authorize credit unions to use trade names, including regional trade names; provide regulation-making authority to prescribe notification and other requirements.**

Under this proposal, the CUIA would expressly permit the use of multiple trade names by a credit union, including regional trade names. Regulations would prescribe requirements for credit unions using them. Where multiple/regional trade names are used, credit unions would be required to clearly identify the relationship to the credit union (e.g., by using specific wording such as “a division of”). Regulations could also require specific notifications to members of credit unions where multiple/regional trade names are used, to help ensure they are aware of their rights (voting, etc.).

This proposal would expressly provide credit unions with flexibility in branding, helping them to compete in the highly competitive financial sector and to retain goodwill after a merger or acquisition.

## **Credit Union Governance**

### **Recommendation #34**

**Make the following changes for member proposals:**

- (a) Adopt member proposal provisions, consistent with other Canadian jurisdictions, to allow a single member to bring forward any matter for discussion at an annual meeting.**
- (b) Increase thresholds for requisitioning of special meetings and members' special resolutions.**

Under this proposal, the CUIA would be amended to adopt member proposal provisions whereby a single member can bring forward “any matter that they propose to raise at an annual meeting.” Under these provisions, management would be required to circulate a copy of the proposals to all members prior to the annual general meeting and to allow time for discussion of the proposals at the meeting.

However, if the proposal involves something more than the discussion of a matter at a meeting, such as a members' special resolution or the election of directors, a higher threshold of 1 to 5 percent of members (depending on credit union size) would be required, unless the credit union bylaws provide for a lower threshold. Specifically, the proposal would set the threshold at 5 percent for the first 6,000 members, plus 1 percent of additional members. This same threshold would be required for the extra-ordinary event (and cost) of requisitioning a special meeting of members. Additional restrictions could be adopted, such as a minimum membership period and a prohibition on proposals used to secure publicity.

For smaller credit unions (6,000 members or fewer), this proposal would maintain the status quo (5 percent of members needed to bring forward binding resolutions or requisition special meetings). For larger credit unions, the number of members required would increase from the current level (300), with the exact threshold varying by the size of the credit union (i.e., 1 percent of members or roughly 5,000 members at the largest credit unions). This would effectively set a threshold ranging from 5 percent for very small credit unions to 1 percent for very large credit unions.

This change would respond to the concern of credit unions that the current 300 member threshold does not appropriately reflect the growth in credit union membership.

### **Recommendation #35**

**Authorize FICOM to issue binding corporate governance rules, with prior public consultation and Ministerial approval.**

Under this proposal, legislation would authorize FICOM to supplement the statutory framework with rules on corporate governance, such as board responsibilities for director elections, supervision of management and enterprise risk management. Further directions on voting processes for the election of directors or more clarity around endorsements of nominees could be provided in FICOM rules.

Clear authority to issue binding corporate governance rules would confirm regulatory/public interest in good corporate governance. Compared to legislative requirements, FICOM would have more flexibility to keep the standards up to date to reflect changes in the environment or in business practices and to allow it to respond to emerging risks. Requiring FICOM to conduct public consultations and to receive Ministerial approval prior to establishing rules would help assure credit unions that any new rules are appropriately balanced; for example, that proportionate rules apply to smaller credit unions.

### **Recommendation #36**

**Require credit unions to obtain prior FICOM approval for prescribed types of major transactions and establish criteria that FICOM must take into account.**

Currently, FICOM approval is needed only for transactions that involve corporate structural changes (e.g., mergers or continuances) or that raise concerns about conflicts involving transactions with related parties.

This proposal envisions that the FIA would require credit unions, including central credit unions, to obtain FICOM approval for certain prescribed transactions. For example, regulations could require prior FICOM approval of any business acquisition or investment above 1 percent of a credit union's assets and/or \$100 million.

A new regulation-making authority could also be adopted to allow government to set out criteria that FICOM may or must take into account before consenting to all or specific types of major transactions (e.g., that FICOM should consider whether, or be satisfied that, appropriate member input is sought on a type of transaction).

These changes would address FICOM's concern that it does not have appropriate oversight over certain major transactions and that its current broad discretion leaves it unclear about the key criteria that should be considered when approving or rejecting major transactions. Setting out clear criteria would also make the process more transparent for credit unions.

### **Recommendation #37**

#### **Make common bonds optional.**

For some BC credit unions that are no longer effectively limited by a geographic or other bond, the common bond requirement is seen as an outdated practice that does not reflect their current business. The credit union system submission recommended that the legislation be amended to allow, but no longer require, a credit union to have a common bond, reflecting rules in some other provinces and the new reality of online banking and increased mobility of members.

Under this proposal, credit unions could amend their constitution to remove the common bond, requiring both member and FICOM approval. Therefore, FICOM could seek assurance at the time of proposed elimination of the bond that a sound risk governance framework is in place to demonstrate that the credit union has the capacity to take on risks outside of its current region or demographic.

### **Recommendation #38**

#### **Make technical changes to credit union governance rules.**

Specific technical changes include the following:

- (a) Allow a credit union to alter any part of its constitution by special resolution and with FICOM approval;
- (b) Allow unincorporated associations (e.g., local Toastmaster Clubs), to be members of credit unions;
- (c) Allow credit unions to issue shares in series, with rules and rights similar to business corporate law;
- (d) Allow a credit union member to be able to vote individually as well as on behalf of a business wherein they are sole proprietor;
- (e) Eliminate signature requirement for credit union members requisitioning of special meetings and special resolutions;
- (f) Require credit union directors to appoint all senior officers (including president, vice president, the secretary, the treasurer or the general manager of the corporation); and
- (g) Expand the authority of financial institution's investment and lending committees to review all risks (credit, operational, etc.).

The technical changes listed above respond to some of the requests made by credit unions (e.g., allowing unincorporated entities to be members of credit unions) and generally modernize the governance framework for credit unions.

## **Central Credit Unions**

### **Recommendation #39**

**Direct FICOM and Stabilization Central to develop a Memorandum of Understanding (MOU) delineating their respective roles and setting out the circumstances in which FICOM will delegate supervisory authority to Stabilization Central.**

Credit unions have concerns that there is uncertainty over the role of Stabilization Central and that Stabilization Central is underutilized. If the responsibilities and role of Stabilization Central were better defined, FICOM could make better use of Stabilization Central and its resources.

While credit unions recommended an enhancement of Stabilization Central's statutory powers, including the transfer to Stabilization Central of many of those powers currently exercised by FICOM and even CUDIC, credit unions are a significant and growing component of the financial services sector and external oversight is important. A move to greater self-regulation, with a corresponding reduction in the external oversight of credit unions by an independent regulator, may raise public policy concerns in light of the significant importance of deposit-taking institutions to the economy.

Regulators and industry self-regulatory bodies must work together to function effectively and an MOU would provide the starting point for an effective partnership between FICOM and Stabilization Central.

### **Recommendation #40**

**Continue to provide Central 1 with the broad business powers currently set out in the CUIA but amend the legislation to clarify that credit unions, including central credit unions, must obtain prior FICOM approval for prescribed types of major transactions.**

The CUIA currently provides substantial flexibility for Central 1, allowing it to adapt to changes in the credit union system provided its functions meet the test of being incidental or conducive to the sound operation of its members or to the attainment of the purposes of its members.

Prior to January 2017, Central 1 was jointly regulated by BC (FICOM) and federal (OSFI) regulators, and, in addition to the FIA and CUIA, was subject to provisions in the federal *Cooperative Credit Associations Act* (CCAA) and numerous OSFI guidelines. In January 2017,

FICOM became the sole prudential regulator of Central 1 and, accordingly, the sole prudential regulator of the primary payments and clearing provider for Canadian credit unions (outside Quebec).

The rules in the CUIA and FIA were not developed in contemplation of FICOM regulating a central credit union whose role has expanded beyond the traditional business of a provincial central credit union. As well, the FIA was developed prior to Central 1 having an expanded role as the credit union system's payments and clearing provider and supporting credit unions outside the province. Under this proposal, Central 1 would need to obtain prior FICOM approval for major transactions, such as major business acquisitions and taking on the functions of another province's central. FICOM's current broad discretion with respect to approving major transactions leaves it unclear about the key criteria that should be considered when making decisions. Setting out clear criteria for the approval of major transactions would help to provide transparency about the process.

#### **Recommendation #41**

**Set out a legislative framework for the designation of provincial financial institutions as Domestic Systemically Important Financial Institution (D-SIFIs) and enable FICOM to issue enforceable guidelines applicable to D-SIFIs, as appropriate.**

The Basel Committee noted that regulatory authorities should establish a methodology for assessing the degree to which financial institutions are systemically important in a domestic context.<sup>9</sup> Central 1, which has been designated as a D-SIFI by FICOM, has expressed concern about the lack of a legislative framework for regulating D-SIFIs.

Under this approach, the authority for FICOM to designate a D-SIFI would be set out in the FIA, along with the qualifying criteria and requirements. The qualifying criteria and requirements would be similar to those recommended by the Basel Committee, but adapted to the credit union system.

In light of OSFI ceasing its oversight of Central 1 in 2017, FICOM would also be provided the authority to issue enforceable guidance to Central 1 (or any D-SIFI) to clarify requirements and update standards, as needed, to reflect current market conditions, emerging risks and evolving regulatory practice. FICOM-issued guidelines would be subject to consultation and Ministerial oversight.

---

<sup>9</sup> Basel Committee on Banking Supervision, *A framework for dealing with domestic systemically important banks*, October 2012.

## **Technology**

### **Recommendation #42**

**Adopt reforms to member communication and AGM notice requirements to allow notices to be sent electronically, and amend the legislation to use technologically neutral language.**

Under this proposal, the requirement to mail notices would be eliminated and instead credit unions would be permitted to provide notice to members by email (if a member has provided an email address) and by notice in newspapers or on the credit union website. The approach would be optional for each credit union and the credit union's rules would have to be amended, with member support, prior to any change.

Credit unions undertake business in one of the most competitive sectors in Canada, and outdated rules in financial institutions legislation should not impede their ability to compete. Older framework rules, particularly the requirement to deliver AGM notices by mail, impose both environmental impacts and financial costs, and are inconsistent with member and consumer needs and expectations. Furthermore, modern corporation laws, including the *Business Corporations Act* and the new *Societies Act*, provide entities significant flexibility in communicating with members.

The credit union system recommended the legislation be re-written in technologically neutral language, which would be consistent with the approach established under the *Electronic Transactions Act* where a document that must be provided in writing to another person may be provided electronically if the recipient consents.

### **Recommendation #43**

**Provide FICOM with the authority to issue binding rules on records storage, with prior public consultation and Ministerial approval.**

Currently, there is some concern that the regulator may experience problems accessing records of credit unions and other financial institutions, particularly in the event of a credit union failure, which could undermine deposit insurance protection and market confidence.

Adopting a guidance/rules-based approach to record storage is preferred to amending legislation to prohibit or restrict specific practices, as it will provide more flexibility and responsiveness as business conditions change over time.

## INSURANCE SECTOR

---

### **Insurance Retailing and Licensing Exemptions**

#### **Recommendation #44**

**Expand the restricted licensing regime currently applied to travel agencies to other incidental insurance sales, similar to the approach used in Alberta, Saskatchewan and Manitoba.**

Insurance products are generally sold by licensed agents who provide advice and help consumers to understand the products they are purchasing. However, the FIA provides a number of exemptions from the requirement that insurance be sold by a licensed agent. These exemptions generally relate to insurance that covers a good or service the consumer is acquiring from the seller (e.g., product warranties for electronics and appliances, credit insurance sold incidentally to the arranging of credit by a financial institution).

Many of the products sold by exempt sellers, especially travel insurance and credit insurance, have received significant negative press coverage in recent years. As well, the products sold by exempt sellers have increased in complexity and coverage amounts.

Under this proposal, certain entities would be required to obtain a restricted licence that would allow the entities to sell insurance where it is sold incidentally to their ordinary business (e.g., motor vehicle warranty insurance, credit insurance). This licence would be a corporate licence issued to the business entity, which would be responsible for the insurance activities of its employees. This model is already in place for travel agencies selling travel insurance in BC and is also the model used by Alberta, Saskatchewan and Manitoba for the sale of credit insurance, travel insurance, funeral insurance, etc.

A restricted licensing regime would allow for oversight and enforcement related to incidental sales of insurance, which is important as these insurance products increase in complexity and value. This option would also allow specific requirements to be adopted if necessary, such as the requirement for education for persons selling certain insurance products.



#### **Recommendation #45**

**Provide FICOM with the authority to issue guidelines requiring insurers to provide more direct oversight of exempt sellers and/or sellers under a restricted licensing regime.**

Exempt sellers of insurance products are not necessarily accountable to regulatory bodies and are also generally not under the direct oversight of the insurer. One way of increasing oversight of exempt sellers is to increase the accountability of the insurer whose product they sell, for example by requiring insurers to provide training or guidance to exempt sellers.

Under this proposal, the legislation would authorize FICOM to issue enforceable guidelines that set out how insurers must oversee exempt sellers and/or sellers under a restricted licensing regime. The guidelines would be subject to public consultations and ministerial approval.

#### **Recommendation #46**

**Maintain the current regulatory oversight of the insurance activities of travel agents.**

The Insurance Council suggested that regulatory requirements could be streamlined by allowing the insurance activities of travel agents (and funeral directors) to be regulated by their principal regulator, Consumer Protection BC. However, travel insurance is available through a number of entities, not just travel agents. Having Consumer Protection BC regulate the sale of the travel insurance by travel agencies, but not the sale of travel insurance sold by other entities, may result in confusion for consumers.

#### **Recommendation #47**

**Place restrictions on the sale of insurance products sold on a post-claims underwriting basis by exempt sellers and/or sellers under a restricted licensing regime.**

Insurance sold on a post-claims underwriting basis means that eligibility for insurance coverage is determined after a claim is made. It is commonly used for credit insurance products sold by exempt sellers and is conducive to quick enrolment (which benefits consumers by reducing transaction time and inconvenience), but leads to enrolment of some consumers who are not actually eligible for coverage.

Implementation of this proposal would place restrictions on the sale of insurance products sold on a post-claims underwriting basis, without actually prohibiting their sale entirely. This

proposal balances necessity of access to insurance and the risk of consumers finding out they are ineligible for insurance sold on a post-claims underwriting basis after they need it.

Restrictions could include some or all of the following:

- Require education of salespersons so they are better able to advise the consumer about the meaning and importance of health questions and disclosure;
- Require specific point-of-sale disclosures or specific, standardized wording of health questions to ensure consumers are able to understand their obligations; and/or
- Prohibit the denial of claims based on any innocent misrepresentation in respect of credit insurance sold under a licensing exemption (that is, other than by a licensed agent).

## **Consumer Protection**

### **Recommendation #48**

**Require insurers to treat consumer fairly; delegate authority to FICOM to develop a code of conduct for insurers and to develop rules based on the code.**

The establishment of a code of conduct for insurers would be consistent with international standards and would parallel the establishment of a code of market conduct for the BC credit union sector (as described in recommendation 31). This model allows specific guidance to evolve along with emerging issues in a more dynamic way than legislation typically permits.

Because insurance companies often operate in multiple jurisdictions, consistency is important. Ideally the Canadian Council of Insurance Regulators (CCIR) would develop a national code of conduct for insurers that FICOM could adopt. Otherwise, FICOM could look to existing national industry codes/standards as much as possible to avoid inconsistencies with other jurisdictions. Both the code and any accompanying rules would be subject to ministerial approval and public consultation.

The code and any accompanying rules would apply only to insurers. The Insurance Council of BC would continue to administer the existing Code of Conduct for agents and brokers in BC.

### **Recommendation #49**

**Do not require mutual insurers to have membership in an ombudservice.**

No issues or consumer complaints have arisen that would appear to justify eliminating the ombudservice exemption provided to mutual insurers (which stems from their cooperative nature). Mutual insurers can continue to voluntarily offer their policyholders access to an independent ombudservice, as Mutual Fire Insurance of BC currently does.

### **Recommendation #50**

**Do not require insurance agents/brokers to have membership in an ombudservice.**

The CCIR recently undertook research on a potential nationwide dispute resolution mechanism for disputes between licensees (agents/brokers) and consumers that would be shared across jurisdictions. This research has indicated there are not enough cases to warrant a separate body. The CCIR concluded that errors and omissions insurance should continue to be relied upon (where applicable) to compensate consumers in the event of a loss.

In the absence of an ombudservice, consumers could continue to seek a resolution via the legal system, including the new Civil Resolution Tribunal (currently for disputes involving amounts under \$5,000). In BC, insurance licensees are required to have errors and omissions insurance, helping ensure compensation is available to those consumers who pursue legal remedies. In addition, consumers can continue to file complaints against agents/brokers with the Insurance Council of BC.

## **Protection of Confidential Information**

### **Recommendation #51**

**Provide privilege for the self-assessment programs of financial institutions (insurance companies, credit unions, trust companies).**

Risk-based regulatory models rely on companies implementing a self-assessment system that identifies risk and reports compliance to the regulator. To regulate effectively, regulators need adequate information from regulated entities.

Concerns have been raised that confidential information provided to regulators under the FIA may not be adequately protected. This may impact the quality and timeliness of disclosure and, consequently, the ability of the regulator to protect the public interest.

Under this proposal, the FIA would be amended to include a provision protecting self-assessment documents prepared by financial institutions (i.e., insurance companies, credit unions, trust companies) from disclosure. These documents would also no longer be accessible under the *Freedom of Information and Protection of Privacy Act* (FOIPPA). However, the legislation would make clear that credit union members and mutual insurer policyholders are still able to access information about their respective financial institutions so they are able to exercise their rights as owners.

This proposal would make BC consistent with the approaches in Alberta, Saskatchewan and Manitoba, which all provide privilege for the self-assessment programs of insurance companies. This proposal is also consistent with recommendations made by the CCIR.

#### **Recommendation #52**

**Allow FICOM to withhold information under the *Freedom of Information and Protection of Privacy Act* (FOIPPA) when it is provided by other regulators in confidence.**

The financial institutions sector in BC is comprised of local and national companies, which means that FICOM must cooperate with other regulators such as the federal regulator in order to oversee them. Currently, other regulators are reluctant to share information about financial institutions with FICOM because information protected in their jurisdiction may be released in BC subsequent to a freedom of information request made under FOIPPA.

This proposed change would be consistent with the approaches taken federally, in Alberta and in Saskatchewan and would facilitate FICOM sharing information with, and receiving information from, other provincial and federal regulators.

### **Regulation of Insurance Intermediaries**

#### **Recommendation #53**

**Continue to have all Insurance Council members appointed by the LGIC.**

While a change to a combined elected/appointed model is strongly supported by industry, the Insurance Council, as currently structured, has proven to be an effective and balanced regulator of the sector. No concerns about the competency of the members or a lack of focus on consumer protection have been raised. Concerns raised about insurance agent conduct appear to be addressed effectively and efficiently, and at the same time, industry participants seem to feel the Insurance Council regulation is appropriately balanced and not unfairly burdensome.

Moreover, the current approach is consistent with legislative reforms made in 2016 with respect to the structure of the Real Estate Council to ensure appropriate protection of the public.

#### **Recommendation #54**

**Expand the number of Insurance Council members appointed by the LGIC from eleven to thirteen by adding two additional independent agent representatives.**

Under this proposal, the number of Insurance Council members from each of the independent general and life insurance brokers and agents would be increased from two to three, while the other categories of representatives would not change.

Increasing the number of representatives of independent insurance agents would promote effective and representative regulation of insurance intermediaries.

#### **Recommendation #55**

**Implement technical changes to Insurance Council tools and powers as identified by Council and Ministry of Finance staff.**

Under this proposal, a number of largely technical changes to the tools and powers of the Insurance Council would be made. Proposed changes include:

- (a) Giving a hearing committee the authority to decide a matter, not just prepare a report to Council;
- (b) Increasing maximum fines that may be imposed by the Insurance Council from \$10,000 for individuals and \$20,000 for corporations to \$25,000 for individuals and \$50,000 for corporations and partnerships;
- (c) Allowing Council to assess investigation costs even where no other disciplinary action is warranted (any such investigative costs order would remain subject to appeal to the Financial Services Tribunal);
- (d) Clarifying that Council may publish its decisions on its website or other websites; and
- (e) Replacing the current provision on Council member remuneration (currently based on a specific LGIC order) with a provision linking remuneration to Treasury Board policies (consistent with other government boards).

While the Insurance Council has operated successfully with the current sets of tools and no major concerns have been raised, adopting these generally minor changes will enhance consumer protection and Insurance Council effectiveness. These proposed changes are consistent with tools and powers available to other self-regulatory bodies.

## Recommendation #56

### **Maintain the current framework for special brokers.**

Special brokers in BC are licensed and regulated by the Insurance Council and must also abide by government regulations requiring additional reporting to FICOM. This review considered whether to require special brokers to obtain a separate licence from FICOM, similar to the requirement in several other provinces for these brokers to be licensed directly by the financial institutions regulator or government.

However, in BC the risks associated with special brokers are already addressed in several ways. To ensure the agent's capacity, the Insurance Council requires prior notice to Council before an agent undertakes this type of business. The FIA prohibits special brokers from directly or indirectly soliciting residents for this insurance business and requires quarterly reporting to FICOM.

## **Technology**

## Recommendation #57

### **Draw on the CCIR's recommendations to put in place a flexible legal framework that enables insurers to offer their products online while protecting consumers.**

Many consumers, particularly younger, tech-savvy consumers, use online information and sales to save time, have more control of the process, research different options, etc. For some consumers, the ability to read about a policy and coverage quickly and efficiently online is preferable to traditional purchases where the consumer has to rely primarily on the information an agent provides.

Insurers, and many insurance agents and brokers, want to be able to respond to consumer preferences, provide information and solicit insurance business using new technology. It is likely that increased consumer comfort with online sales, along with competition and cost pressures, will eventually lead to increased use of the internet by insurers and their customers.

Under this proposal, the recommendations made by the CCIR in relation to electronic commerce would be used to develop a flexible legal framework that expressly enables insurers to offer products online while protecting consumers.<sup>10</sup> For example, online insurance providers could be required to ensure consumers purchasing an insurance product make informed decisions by:

---

<sup>10</sup> Canadian Council of Insurance Regulators (CCIR), *Electronic Commerce in Insurance Products*, [http://www.ccir-ccira.org/en/init/Elec\\_Commerce/ECC\\_position\\_paper\\_2013\\_EN\\_final.pdf](http://www.ccir-ccira.org/en/init/Elec_Commerce/ECC_position_paper_2013_EN_final.pdf), May 2013.

providing them with the information needed, in a timely and comprehensive way; providing them with access to a suitable level of advice, taking into account, among other factors, the complexity of the product; and making consumers aware of the importance of obtaining advice.<sup>11</sup>

#### **Recommendation #58**

**Do not prohibit the promotion of insurance on credit union websites.**

It is not clear that concerns addressed by the current prohibition on credit unions and insurance agencies sharing the same premises (i.e., coercive tied selling and sharing of confidential information) are relevant to web-based insurance promotions. Practically, credit union involvement in insurance has been significantly reduced in recent years.

### **Long-term Disability Plans**

#### **Recommendation #59**

**Pending further consultation, require employee long-term disability (LTD) plans to be insured, with exemptions for certain employers with low risk of insolvency.**

Employee benefit plans are exempted from regulation under the FIA (employee benefit plans generally fall within the province's definition of insurance and, but for the exemption, would be subject to regulation under the FIA). No concerns have been raised about this exemption in respect of uninsured short-term benefits such as health and dental benefits or short-term illness/sick pay. However, because of the enormous financial hardship for individuals that can result from the loss of LTD coverage, concerns have been raised about the current exemption in the context of LTD coverage.

Uninsured employer LTD plans may not be available to support claimants in times of corporate financial stress or insolvency. Confusion on the part of the employee can arise, especially where an "administrative services only" (ASO) arrangement is in place (an ASO arrangement is where an insurance company has been contracted to administer the program, but the employer retains the underlying risk). Employees dealing with a licensed insurer for any claims may be surprised

---

<sup>11</sup> The Government of Quebec recently introduced legislation proposing extensive reforms to its financial services sector legislation. This proposed legislation includes new provisions aimed at addressing online sale of insurance by insurance companies and distributors. For example, see sections 59-68 of the proposed new *Insurers Act*, as enacted by s. 3 of Bill 141, *An Act mainly to improve the regulation of the financial sector, the protection of deposits of money and the operation of financial institutions*.

after the company's failure to learn that they do not have a claim against the insurer, but only against the failed company.

Under the proposed amendment, employers that choose to offer LTD benefit plans would be required to do so using an authorized insurance company rather than retaining the underlying risk themselves.<sup>12</sup>

While employers are currently required to disclose in writing if benefits are not insured and the plan sponsor is not subject to insurance regulation, in practice, many employees likely continue to be uninformed or confused about who is responsible for their LTD benefits.

This proposal is consistent with federal law and with recent changes in Ontario (not yet in force). Ministry staff will conduct further consultation with the business community and labour unions to better understand the use of self-insurance and ASO plans in the private sector and in negotiated labour agreements.

## **Rebating**

### **Recommendation #60**

**Cap rebates at the lesser of 25 percent of the initial year's commission and 25 percent of the initial year's premium.**

In 2004, the FIA was amended to allow rebating but capped the amount that may be rebated to 25 percent of the premium. Government agreed to monitor the impact of the new rebating rule on the industry to determine whether changes are required.

The proposed amendment is intended to refine the current compromise position by making an adjustment to account for the differing commissions earned by life insurance sellers and property and casualty insurance sellers (who typically earn less than 25 percent of the premium as a commission). The goal is to bring the legislation into greater alignment with the original intent of the cap.

---

<sup>12</sup> The Insurer Exemption Regulation currently includes in the definition of "employer" groups of employers, unions and groups of unions, and entities formed by an employer to provide benefits to employees.



#### **Recommendation #61**

**Continue to allow insurance licensees to make referral payments but require them to disclose the amount of any referral payment.**

Current regulatory trends in the financial sector favour enhanced transparency for consumers. Enhancing referral commission disclosure requirements would be consistent with other changes recently planned/implemented for BC's financial sector framework, including requirements governing the disclosure provided by mortgage sellers and mutual fund dealers.

### **Regulation of Reciprocal Exchanges, Mutual Insurers, and Societies**

#### **Recommendation #62**

**Enhance the regulatory framework for reciprocal exchanges.**

While no specific concerns have been raised about the operation of reciprocal exchanges in BC, the more limited regulatory requirements and tools available to FICOM to oversee these entities could pose some risk to insured persons and the public. FICOM believes the regulatory framework for reciprocals should be more closely aligned with the more robust frameworks in other provinces (Alberta, Saskatchewan, Manitoba and Ontario).

This proposal will require further consultation with industry to determine the best framework for reciprocal exchanges in BC.

#### **Recommendation #63**

**Maintain the current framework for regulating mutual insurers (i.e., do not establish a demutualization framework).**

Across Canada, the biggest legislative reform issue for mutual insurers is demutualization. Both Ontario and the federal government have adopted legislation to allow mutual insurers to demutualize (i.e., become a regular insurance corporation that is owned on a business corporate law rather than cooperative law basis). However, no mutual insurers in BC have expressed an interest in demutualization.

## Recommendation #64

**Eliminate the “deemed business authorization” category for societies and apply the full insurance company framework to these entities.**

Since 1990 the FIA has included a broad prohibition on any society obtaining a business authorization to conduct insurance business. A few existing societies (already licensed under previous legislation) were deemed to have a business authorization under the FIA. These societies are referred to as “deemed business authorization societies” and are subject to certain provisions of the FIA. Some other societies offering limited types of coverage that had been exempted from legislation prior to 1990 were provided with an exemption in 1990 and are referred to as grandfathered societies (grandfathered societies are exempt from the FIA entirely). While it appears that many grandfathered societies that offered insurance prior to 1990 still offer limited accident and sickness benefits to members of their organizations (e.g., sports organizations offering limited dental care and business trade organizations offering limited accident and sickness coverage to employees of member companies), no concerns have been raised with the government or the regulator about the operation of these entities.

With respect to “deemed business authorization societies”, FICOM has recommended eliminating this category and applying the full framework to the few societies in this category (i.e., Pacific Blue Cross and federally-regulated fraternal associations). The proposed change would enhance regulation of key insurance entities and would help maintain public confidence in them. Further consultation with affected entities will be required to assess whether there will be any major impacts from the changes and whether/what exemptions may be required.

# TRUST SECTOR

---

## Provincial Authorization/Regulation of Trust Corporations

### **Recommendation #65**

**Do not make changes to the FIA pertaining to authorization or filing for trust corporations.**

This review examined the possibility of eliminating the authorization requirement on the basis that (trust-only) trust corporations do not carry the same types of risks as deposit-taking institutions. However, it was concluded that authorization plays an important role as the authorization requirement is the only way BC can ensure that only qualified trust corporations operate in the province. Authorization also provides a useful mechanism for enforcing the FIA's consumer protection provisions.

## Unincorporated Trust Business

### **Recommendation #66**

**Do not amend the FIA to regulate unincorporated trust business (by individuals or other unincorporated entities).**

Some stakeholders have expressed concern that vulnerable adults and others need to be protected from unincorporated trust services businesses that have no insurance, oversight, or trained staff. However, other than certain professionals (e.g., lawyers, who are trained and insured) and businesses offering employee health benefit trusts, there appear to be few or no such businesses in operation in BC. Government is not aware of any consumers who were harmed by an unregulated individual or other entity offering trust services to the public.

Furthermore, the risks associated with unregulated trust business are already mitigated by several mechanisms. All trustees (including trust businesses) must abide by the *Trustee Act* and the common law in respect of their duties as trustees. Even in the absence of a prohibition on unincorporated trust business, beneficiaries will continue to have access to civil remedies in the case of financial abuse or if a trustee fails to perform their duties to the high standard required by trust law. Finally, the criminal law will continue to apply where a consumer is defrauded or financially abused by an individual or other entity offering (or claiming to offer) trust services.

Maintaining the status quo (i.e., not regulating unincorporated trust businesses) is consistent with all other Canadian jurisdictions.

## **Self-dealing**

### **Recommendation #67**

**Do not introduce new regulation of self-dealing by trust companies but broaden section 93(1) of the FIA to enhance consumer protection.**

As part of this review, a concern was raised about potential conflicts of interest and lack of provincial oversight in relation to trust companies that are subsidiaries of deposit-taking financial institutions. Specifically—in the case of trust assets associated with registered plans held in deposit accounts—whether the use of the trust assets for the benefit, at times exclusive, of the financial institution that owns the subsidiary acting as trustee means, or creates the appearance, that the fiduciary’s trust obligation is not being met. While the enforcement of general trust law is not the role of the FIA, the issue examined was whether there should be additional regulatory oversight to deal with potential conflicts of interest (and in particular, self-dealing, which refers to transactions not made at arm’s length).

Enhancing regulation of self-dealing might be achieved by either prohibiting self-dealing or by mitigating its impact on consumers, as is done in some other jurisdictions including the United States. However, an attempt to regulate self-dealing would have many complex implications given that this is an area of the law that overlaps with securities regulation, trust law, and banking regulation (and may, in fact, be more appropriately addressed by one of these regimes). Regulating self-dealing may also impact federally-regulated financial institutions in ways that potentially overstep provincial jurisdiction.

An ancillary issue was raised during the analysis of this topic. Section 93(1) of the FIA provides authority for FICOM to prohibit the use of a contract between a financial institution and its customers (or an application/advertisement relating to a contract) if it is unfair, misleading, or deceptive. The references in the provision to “contracts”, applications and advertisement may not encompass all materials in use by financial institutions. For example, an issue that has arisen is whether section 93(1) applies to explanatory material provided by financial institutions (e.g., brochures). Broadening the wording of s. 93(1) would help clarify that the provision applies to all aspects of a consumer transaction, including, where applicable, a trust instrument and materials provided to consumers for informational purposes.

## **Capital Requirements**

### **Recommendation #68**

**Do not change capital requirements for trust companies.**

The 0.5 percent capital requirement for provincial trust-only trust companies has been in place since the adoption of the FIA in 1990.

Although a risk-based capital regime for BC trust companies was considered, the activity of BC trust companies is largely trust services (versus riskier activities such as lending), so no change is being proposed at this time.

## GLOSSARY

**“Basel”** refers to the Basel Committee on Banking Supervision, the primary international standard setter for the prudential regulation of banks. Its mandate is to strengthen the regulation, supervision and practices of banks worldwide to enhance financial stability. It has international membership, including from Canada, the United States and the European Union. It has developed a series of standards (Basel I in 1988, Basel II in 2004, and Basel III in 2010-11).

**“Canadian Council of Insurance Regulators”** is an inter-jurisdictional association of insurance regulators. The mandate of the CCIR is to facilitate and promote an efficient and effective insurance regulatory system in Canada to serve the public interest.

**“Central 1 Credit Union”** is the primary liquidity manager, payments processor, and trade association for credit unions in BC and Ontario. Central 1’s key legislated role is as the BC credit union system’s liquidity provider, and all BC credit unions are required to be members of and hold statutory liquidity with Central 1.

**“Commission”** is the Financial Institutions Commission (also referred to as FICOM). It has statutory authority for the regulation of financial institutions in BC. It is established under the FIA and its members are appointed by the Lieutenant Governor in Council.

**“CUDIC”** is the Credit Union Deposit Insurance Corporation, a statutory corporation of the BC government administered by FICOM. CUDIC is responsible for administering and operating a deposit insurance fund and guarantees all deposits and non-equity shares of BC credit unions.

**“CUIA”** is the *Credit Union Incorporation Act*, the BC legislation that provides the framework for incorporation and corporate governance of credit unions.

**“D-SIFI”** is a domestic systemically important financial institution. D-SIFIs are financial institutions whose disorderly failure could cause significant disruption to the wider financial system and economic activity.

**“FIA”** is the *Financial Institutions Act*, the BC legislation that provides the regulatory framework for credit unions, insurance companies and intermediaries, and trust companies.

**“FICOM”** is the Financial Institutions Commission appointed by the Lieutenant Governor in Council which has statutory authority for the regulation of financial institutions in BC. (While FICOM is also used to refer to the organization headed by the Superintendent which supports the Commission, for purposes of this paper “FICOM” is a reference to the Commission itself.)

**“Financial institution”** means a credit union, insurance company, or trust company.

**“Insurance Council of British Columbia”** is the regulatory body responsible for licensing and discipline of insurance agents (life and general), insurance salespersons, insurance adjusters, and restricted travel insurance agents.

**“MLP”** is the Mandatory Liquidity Pool held by Central 1 Credit Union. All BC-incorporated credit unions are required to hold liquidity in the MLP. Some Ontario credit unions also hold liquidity in the MLP.

**“OSFI”** is the Office of the Superintendent of Financial Institutions, the Canadian federal regulator of financial institutions subject to federal oversight.

**“Stabilization Central Credit Union”** is a central credit union whose role is to identify and assist credit unions facing governance, operational or financial challenges, and to manage a stabilization fund that can be used to help credit unions experiencing difficulties meet supervisory expectations. BC credit unions are required to be members of Stabilization Central.

**“Superintendent”** is the Superintendent of Financial Institutions. The Financial Institutions Commission may delegate most of its powers and duties to the Superintendent, who undertakes the day-to-day regulation and supervision of financial institutions in BC.

18 June, 2018

Ms. Louise Gauthier  
Chair, CCIR/CISRO Fair Treatment of Customers (FTC) Working Group  
Attention: [ccircrra@fscs.gov.on.ca](mailto:ccircrra@fscs.gov.on.ca)

Subject: **CCIR/CISRO Guidance—Conduct of Insurance Business and Fair Treatment of Customers**

Dear Ms. Gauthier.

The Canadian Association of Financial Institutions in Insurance (CAFII) is pleased to offer its general observations and specific comments on the CCIR/CISRO Guidance – Conduct of Insurance Business and Fair Treatment of Customers consultation document.

### **General Comments**

Our Association appreciates the emphasis that CCIR/CISRO are putting on the fundamental principle that customers need to be treated fairly. We agree with the basic thrust of the draft Guideline, including that the interests of customers must be paramount and information about financial transactions must be communicated in an accurate and transparent manner. We are generally comfortable with and support the draft Guidance because it is rooted in a principles-based approach, rather than prescriptive rules.

CAFII agrees that treating customers fairly means putting their interests first and taking the time to understand their needs, as well as making every reasonable effort to ensure that they understand the benefits and limitations of the product(s) being considered, along with their rights and responsibilities as consumers.

### **Definitions**

*Please review the definitions and indicate if you have concerns with any of them.*

### **Preamble**

We recommend that CCIR/CISRO state clearly in the preamble that in the interests of clarity and consistency for industry participants; harmonization across jurisdictions; and, ultimately, for maximum customer protection, CCIR and CISRO member policy-makers and regulators are strongly encouraged to adopt the CCIR/CISRO FTC Guidance as their own provincial/Territorial guideline, unless there is a compelling need or reason for adopting one that is unique to their particular province or territory. In any such case, the unique FTC guideline should be aligned with the CCIR/CISRO document to the maximum degree possible, and any differences should be explained, with suggestions on how organizations are expected to reconcile differences between the CCIR/CISRO Guidance and their own guideline. Even where different jurisdictions' guidelines have similar objectives, small differences in emphasis and language can produce significant, and often unnecessary, additional burden on the compliance efforts of organizations.



**Question #1: Does this guidance present contradictions with existing or future local instruments related to fair treatment of Customers?**

Currently, only Quebec (*Sound Commercial Practices Guideline, June 2013*) has its own version of a Fair Treatment of Customers Guideline in place, while Ontario is expected to promulgate an official and final version of its *Treating Financial Consumers Fairly Guideline* in the near future, having completed a consultation period on a draft version of the document in May 2018. We do not see any significant contradictions between the CCIR/CISRO Guidance and these other two provincial guidelines; and it is precisely because we do not see notable contradictions between these documents -- although they are all structured, written, and organized in different ways --that we question the purpose and efficacy of stating expectations of the industry in different ways, when the customer protection objectives are similar, if not identical, across all jurisdictions.

**Question #2: Does this guidance strike the right balance between roles and responsibilities of Insurers, Distribution Firms, agents and representatives?**

We concur with the CCIR/CISRO Guidance's recognition that while insurers bear ultimate responsibility for ensuring fair treatment of customers, and insurers need to have oversight over their intermediaries, distributors, agents and representatives, that does not absolve those entities of responsibility for being in full compliance with the expectations of this Guidance themselves.

**Conduct of Business**

It is our view that the "tone at the top" is a critical feature of a business culture that fosters fair treatment of customers. We would encourage the addition of an assertion that the business culture of an organization should consistently promote the importance of customers, and that the leadership of the organization needs to speak, and act, in accordance with that principle. Explicitly specifying those features as part-and-parcel of an exemplary business culture would provide a valuable reinforcement of the important observations made in the section on "Corporate Culture."

**Question #3: CCIR and CISRO are mindful that in some industry sectors, the introduction of this guidance may raise questions about the possibility that intermediaries may be subject to multiple audits by regulators, self-regulatory organizations and insurers in a given year. CCIR and CISRO will address any need for clarification and invite stakeholders to comment.**

We appreciate the recognition that regulators must deploy an even-handed and reasonable approach to audits of industry players. Audits are only one mechanism available for monitoring compliance with regulatory expectations.

**Concluding Observations**

We believe that a critical building block for enhancing the fair treatment of customers is raising their level of financial literacy. Customer education around financial literacy is a shared, multi-stakeholder responsibility. While customers are ultimately responsible for their purchase decisions, governments and regulators have an important role to play, alongside the industry, in providing education which can help customers better understand the benefits and limitations of products and improve their financial literacy.

In that connection, we believe that in their communications, CCIR and CISRO should emphasize, where appropriate, customers' responsibilities with respect to financial and insurance products, in addition to

their rights. CAFII members are committed to playing our part by ensuring that communications are easy to understand and written “in plain language wherever possible.” Our members will continue to make efforts to ensure the ease of understanding of our communications, but we believe it is also important to emphasize that customers need to read their policies, understand their features, and ask questions if there is anything they are uncertain about.

CAFII members place strong emphasis on ethical behaviour: not just on complying with regulations – as important as that is – but in recognition that the principles which the regulations uphold are fundamental to our own businesses. We provide comprehensive and rigorous training to our own employees and to the staffs of suppliers we may engage to interact with consumers on our behalf, such as third party administrators. We also have monitoring and controls; and together these are examples of areas where CAFII members dedicate significant resources to upholding the principles set out in the CCIR/CISRO Fair Treatment of Customers (FTC) Guidance.

With respect to any new expectations of the industry which may be introduced in the finalized FTC Guidance, we ask that a reasonable period of time for implementation be provided, with a minimum of 90 days provided for adjusting to new regulations; and that a longer period of at least six to nine months be built-in for implementing changes that require modifications to IT systems or processes.

CAFII appreciates the opportunity to comment on the CCIR/CISRO *Guidance—Conduct of Insurance Business and Fair Treatment of Customers* and we look forward to continued communication and input on policy matters. Should you require further information from CAFII or wish to meet with representatives of our Association at any time, please contact Brendan Wycks, CAFII Co-Executive Director, at [brendan.wycks@cafii.com](mailto:brendan.wycks@cafii.com) or 647.218.8243.

Sincerely,

Peter Thorn  
Board Secretary and Chair, Executive Operations Committee

### **About CAFII**

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

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

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

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



# **GUIDANCE CONDUCT OF INSURANCE BUSINESS AND FAIR TREATMENT OF CUSTOMERS**

---

# TABLE OF CONTENTS

**Definitions .....3**

**Preamble.....4**

    Supervision of the Conduct of Business of Insurance .....4

**Scope .....6**

**Conduct of Business .....7**

**Fair Treatment of Customers .....8**

**Corporate Culture.....9**

**Relationships between Insurers and Intermediaries ..... 10**

**Relationships with Regulatory Authorities..... 10**

**Customers outcomes and expectations.....12**

    Governance and Corporate Culture ..... 12

    Conflicts of Interest ..... 13

    Outsourcing ..... 14

    Design of Insurance Product ..... 15

    Distribution Strategies..... 16

    Disclosure to Customer ..... 17

    Product Promotion..... 18

    Advice..... 19

    Disclosure to Policyholder.....20

    Claims Handling and Settlement ..... 21

    Complaints Handling and Dispute Resolution ..... 22

    Protection of Personal Information.....23

---

## Definitions

In this Guidance, the following terms are used as defined below:

«**Insurer**» includes the various entities registered to do insurance business within any jurisdiction, excluding those that are only engaged in reinsurance.

«**Intermediary**» is given a broad meaning that encompasses agents and representatives and Distribution Firms authorized to distribute insurance products and services. In Canada, Intermediaries that are subject to licensing and supervision can vary from jurisdiction to jurisdiction. This guidance applies to all Intermediaries that are authorized to do business within any jurisdiction, which includes licensing, registration or exemption.

«**Distribution Firm**» includes the various business entities authorized to distribute insurance products and services within any jurisdiction, whatever corporate form they may take and includes sole proprietorship. Distribution Firms may deal with any number of Insurers either directly or through any number of Agent Firms.

«**Agent Firm**» is a Distribution Firm having a specific role of compliance and supervision over other Distribution Firms. Insurers may outsource to Agent Firms some functions, activities or processes. Agent Firms hold at least one direct brokerage contract with an Insurer. Some Agent Firms do not have direct contact with the Customer but act with other Intermediaries to place business with Insurers (such as wholesale Intermediaries). Even though they do not necessarily deal directly with the purchaser of insurance, they perform a function in the chain of soliciting, negotiating or selling insurance and are therefore considered Intermediaries for the purpose of this guidance.

«**Organization**» designates Insurer and Distribution Firm jointly.

«**Consumer**» includes all actual and potential Customers for insurance products

«**Customer**» refers to policyholder (which itself, as the case may be, includes certificate holder) or prospective policyholder with whom an Insurer or an Intermediary interacts, and includes, where relevant, other beneficiaries and claimants with a legitimate interest in the policy.

---

## Preamble

In Canada, the conduct of business in insurance is the exclusive authority of the provinces and territories. Each jurisdiction has its own regulatory approach for the conduct of business, based on its unique culture, traditions and legal regime.

However, despite these differences, regulators within each jurisdiction have a common set of expectations pertaining to the conduct of business to ensure the fair treatment of Customers. With respect to these expectations, jurisdictions that already have or plan to develop a framework based on this guidance, shall ensure coherence with the latter.

This guidance sets out the Canadian Council of Insurance Regulators (“CCIR”) and the Canadian Insurance Services Regulatory Organizations (“CISRO”) members’ vision, including their expectations (to the extent of their respective authority), relating to conduct of insurance business and fair treatment of Customers.

CCIR and CISRO provide this guidance to further support Insurers and Intermediaries in achieving fair treatment of Customers while complying with existing laws and regulations. It also aims at strengthening public trust and Consumer confidence, minimizing reputational risks and unsustainable business models. This guidance is based on Insurance Core Principles of the International Association of Insurance Supervisors (“IAIS”).<sup>1</sup>

Expectations for the conduct of insurance business may differ depending on the nature of the Customer with whom industry participants interact, the type of insurance provided and the distribution strategy.

This guidance provides Insurers and Distribution Firms with the necessary latitude to determine the requisite strategies, policies, processes, procedures and controls that apply to the offer of insurance products and services to Customers and to apply them based on the nature, size and complexity of their activities, while taking into account agents’ and representatives’ regulatory obligations, in order to facilitate achieving Customers outcomes reflected in this guidance. .

## Supervision of the Conduct of Business of Insurance

Through CCIR, all jurisdictions have a framework for information sharing and cooperative market conduct supervision to address conduct of business issues arising across jurisdictions (Framework for Cooperative Market Conduct Supervision).

In assessing conduct of business in insurance, regulatory authorities consider industry-wide as well as Insurer/Intermediary-specific activities against the Customer outcomes. Effective assessment of the quality of conduct of business in insurance requires, to a large extent, supervisory consideration of strategies, policies, processes, procedures and controls that apply to the offer of insurance products and services to Customers, which are more easily assessed through supervision of Insurers and Intermediaries. Thus, regulatory authorities monitor whether such policies and procedures are adhered to.

Effective assessment of the quality of conduct of business of Insurers and Intermediaries also requires supervisory considerations of the Customer outcomes that are being achieved industry-wide as well as firm-specific.

### Questions

- Harmonization**

It is CCIR’s strong commitment to build upon cooperative supervision in aligning with best international practices to enhance Consumer protection. Of equal importance is CCIR’s and CISRO’s commitment to partner with industry stakeholders to identify opportunities to increase regulatory and supervisory harmonization where practicable and appropriate. This guidance is the outmost expression of these two strategic priorities.

---

<sup>1</sup> [International Association of Insurance Supervisors, Insurance Core Principles, ICP 19 updated November 2017](#)

---

Individual jurisdictions may or may not introduce their own guideline or other instrument dealing with fair treatment of Customers. It is up to regulators in each jurisdiction to determine - based on their specific legislation and public policy objectives - if a guideline or other measures will be introduced, and in what manner.

Although this guidance mentions that jurisdictions that already have or plan to develop a framework based on it shall ensure coherence with the latter, we recognize that its introduction might raise concerns on harmonization and the risk of contradiction with existing or future local regulatory frameworks. CCIR and CISRO will address any such risk identified in the course of its consultation process.

- Question #1: Does this guidance present contradictions with existing or future local instruments related to fair treatment of Customers?

- **Agents and Representatives' responsibilities**

As much as the Insurer is the ultimate risk carrier, licensed or registered agents and representatives are often the first to enter in contact with Customers, through their Distribution Firm. They must comply with the duties that are associated to their registration or license.

- Question #2: Does this guidance strike the right balance between roles and responsibilities of Insurers, Distribution Firms, agents and representatives?



---

## Scope

In order to promote the fair treatment of Customers to insurance industry participants, this guidance applies to Insurers and Intermediaries.

The Insurer is responsible for fair treatment of Customers throughout the life-cycle of the insurance product, as it is the Insurer that is the ultimate risk carrier. In the provision of products and services, Insurers should, upon first contact with Customers, make a commitment to them and hold it throughout the life-cycle of the product, regardless of the distribution channel used by the Insurer.

Intermediaries typically play a significant role in insurance distribution, but may also be involved in other areas. Their interactions with both Customers and Insurers give them a key role, and their conduct in performing the services in which they are involved is critical in building and justifying public trust and confidence in the insurance sector.

Where more than one party is involved in the design, marketing, distribution and policy servicing of insurance products, treating Customers fairly in respect of the relevant services is a responsibility that is shared amongst involved Insurers and Intermediaries.

Agents and representatives must respect their regulatory obligations, codes of conduct/ethics of Insurers and Distribution Firms. They must maintain an appropriate level of professional knowledge and experience, integrity and competence. Insurers, Distribution Firms, agents and representatives should collaborate to achieve fair treatment of Customers.

---

## Conduct of Business<sup>2</sup>

In the field of insurance, conduct of business encompasses industry-wide as well as Insurer/Intermediary specific activities with Customers.

Sound conduct of business includes treating Customers fairly throughout the life-cycle of the insurance product. This cycle begins with product design and runs until all obligations under the contract are fulfilled.

In their conduct of the business of insurance, Insurers and Intermediaries are expected to:

- act with due skill, care and diligence when dealing with Customers;
- maintain good and sound relationships between themselves and with the regulatory authorities;
- establish and implement policies and procedures on fair treatment of Customers, as integral parts of their business culture;
- act in compliance with the laws, regulations and guidelines to which they are subject;
- promote products and services in a clear, fair and not misleading manner;
- provide Customers with timely, clear and adequate pre-contractual and contractual information;
- take into account a Customer's disclosed circumstances when that customer receives advice and before concluding insurance contracts;
- avoid or properly manage any potential conflicts of interest, before concluding an insurance contract;
- handle complaints in a timely and fair manner;
- have and utilize appropriate policies and procedures for the protection and use of Customer information; and
- have contractual arrangements between each other, that ensure fair treatment of Customers.

Moreover, Insurers are expected to:

- take into account the interests of different types of Consumers when developing and distributing insurance products;
- service policies appropriately throughout the life-cycle of the product;
- disclose information on any contractual changes occurring during the lifecycle of the contract to the policyholder;
- disclose relevant information depending on the type of insurance product to the policyholder; and
- handle claims in a timely and fair manner.

Although ongoing policy servicing is traditionally seen as primarily the responsibility of the Insurer, Intermediaries are often involved, particularly where there is an ongoing relationship between the Customer and the Intermediary. In such a case, the Insurer remains ultimately responsible for servicing policies throughout their life-cycle, and ensuring that Intermediaries have appropriate policies and procedures in place in respect of the policy servicing activities performed on the Insurer's behalf.

---

<sup>2</sup> Where an insurer or a Distribution Firm are part of an insurance group, the application of appropriate policies and procedures on conduct of business should be consistent across the group, recognizing local specificities, and should result in fair treatment of Customers on a group-wide basis.

---

## Fair Treatment of Customers

Fair treatment of Customers encompasses concepts such as ethical behavior, acting in good faith and the prohibition of abusive practices.

Ensuring fair treatment of Customers encompasses achieving outcomes such as:

- developing, marketing and selling products in a way that pays due regard to the interests of Customers;
- providing Customers with accurate, clear, non-misleading and sufficient information before, during and after the point of sale, which will allow them to make informed decisions;
- minimizing the risk of sales which are not appropriate to the Customers' needs;
- ensuring that any advice given is of a high quality;
- dealing with Customer claims, complaints and disputes in a fair and timely manner; and
- protecting the privacy of Customer information.

---

## Corporate Culture

Corporate culture refers to the common values (e.g., ethics and integrity) and standards that define an Organization and influence the mindset, conduct and actions of its entire staff as well as all aspects of decision-making, from strategic decisions to those made by customer-facing employees on a daily basis.

Establishing a customer-centric culture creates an environment that fosters Consumer confidence and long-term Customer relationships, rather than focusing on short-term financial goals that could cause serious harm to Customers and damage the organization's reputation to the point of having an adverse impact on profitability.

A corporate culture that seeks to achieve meaningful results, particularly regarding the fair treatment of Customers, should help meet the following objectives:

- The Organization understands the importance of placing clients at the center of its concerns: strategic decisions, daily conduct and results clearly demonstrate that Customers and market integrity are real priorities for the organization.
- All levels of the Organization embrace the corporate culture and recognize the risks that could hinder the achievement of expected results regarding the fair treatment of Customers as well as the means to mitigate such risks.
- The Organization understands the importance of reporting the achievement of expected results throughout the organization, using indicators in terms of fair treatment of Customers that are measured, monitored and driven by a cycle of continuous improvement.

---

## Relationships between Insurers and Intermediaries

In managing their relationships with Intermediaries, Insurers are expected to:

- have effective systems and controls in place and communicate clear strategies for selecting, appointing and managing arrangements with Intermediaries as part of their overall distribution plan;
- conduct due diligence in the selection of Intermediaries to ensure that they are authorized and have the appropriate knowledge and ability to conduct insurance business and, for Distribution Firms, have appropriate governance policies and procedures with respect to fair treatment of Customers;
- have written agreements in place to clearly define the conditions, scope and limits of contracted services, clarify roles and promote the fair treatment of Customers. Such agreements would include, where relevant, respective responsibilities on matters such as:
  - product development;
  - product promotion;
  - the provision of pre-contractual and point of sale information to Customers;
  - post-sale policy servicing;
  - claims notification and handling;
  - complaints notification and handling;
  - management information and other documentation required by the Insurer;
  - remedial measures; and
  - any other matters related to the relationship with Customers.
- manage contracts, once in place, to ensure that Intermediaries continue to be authorized and remain suitable to do business with them and are in compliance with their contract conditions;
- be satisfied that the involved Intermediaries are providing information to Customers in such a manner that will assist them in making an informed decision; and
- analyze complaints concerning Intermediaries in respect of products distributed by Intermediaries on their behalf, to enable them to assess the complete Customer experience and identify any issues to be addressed.

- **Responsibility to oversee Intermediaries**

Question #3: CCIR and CISRO are mindful that in some industry sectors, the introduction of this guidance may raise questions about the possibility that intermediaries may be subject to multiple audits by regulators, self-regulatory organizations and insurers in a given year. CCIR and CISRO will address any need for clarification and invite stakeholders to comment.

---

## Relationships with Regulatory Authorities

With regard to regulatory authorities, Insurers and Distribution Firms are expected to:

- make available their strategies, policies and procedures dealing with the fair treatment of Customers; and
- implement the necessary mechanisms to promptly advise regulatory authorities if they are likely to sustain serious harm due to a major operational incident that could jeopardize the interests or rights of Customers and the organization's reputation.

Moreover, Insurers are expected to communicate and report to the regulatory authorities any Intermediaries with whom they have transacted that may be unsuitable or not duly authorized, all of which would have the undesirable result of impairing fair treatment of Customers.

This may include:

- identifying whether particular Intermediaries or particular matters are subject to regular or frequent complaints; and
- reporting to the regulator recurring issues relevant to the regulator's assessment of the Intermediaries concerned.

---

# Customers outcomes and expectations

This section outlines the Customers’ outcomes that CCIR and CISRO expect to be achieved by Insurers and Intermediaries, as the case may be, and provides CCIR’s and CISRO’s expectations for achieving those outcomes.

## Governance and Corporate Culture

CCIR and CISRO expect fair treatment of Customers to be a core component of the governance and corporate culture of Insurers and Distribution Firms.

Incorporating a fair treatment of Customer culture requires the involvement of all the organization’s levels and processes, from strategic planning to decision-making and governance structures to operations. In doing so, Organizations aim at striking balance between the obligations of all involved, including agents and representatives.

### Expectations to achieve this outcome (Insurers and Distribution Firms)

- Overall responsibility for fair treatment of Customers is at the level of the board and senior management, who design, implement and monitor adherence to policies and procedures aimed at ensuring that Customers are treated fairly.
- Management information includes the most useful information and indicators to allow the board and senior management to:
  - assess the organization’s performance with respect to fair treatment of Customers;
  - react, in a timely manner, to changes or risks likely to have a negative impact on the organization’s Customers; and
  - demonstrate that fair treatment of Customers is part of the organization’s corporate culture.
- Mechanisms and controls are established to identify and deal with any departure from the organization’s strategies, policies and procedures, any conflicts of interest or any other situation likely to interfere with fair treatment of Customers.
- Appropriate measures are taken to ensure that their employees and others meet high standards of ethics and integrity, beginning at recruitment.
- Relevant staff is trained to deliver appropriate outcomes in terms of fair treatment of Customers.
- Remuneration, reward strategies and evaluation of performance take into account the contribution made to achieving outcomes in terms of fair treatment of Customers.

---

## Conflicts of Interest

CCIR and CISRO expect that any potential or actual conflicts of interest be avoided or properly managed and not affect the fair treatment of Customers.

In their dealings either with each other or with Customers, Insurers and Intermediaries may encounter conflicts of interest. As Intermediaries interact with both Customers and Insurers, they may be more likely to encounter potential or actual conflicts of interests. Where conflicting interests compete with duties of care owed to Customers, they may create risks that Insurers, Intermediaries or any person acting on their behalf will not act to support the fair treatment of Customers.

Examples of Conflicts of interest that may arise:

- from compensation structures, performance targets or performance management criteria that are insufficiently linked to Customer outcomes;
- from inducements as benefits offered to an Insurer or Intermediary or any person acting on its behalf, incentivizing that firm/person to adopt a particular course of action; and
- where the Intermediary or Insurer owes a duty to two or more Customers in respect of the same or related matters or, has interest in the outcome of a service or a transaction carried out on behalf of a Customer or, has significant influence over the Customer's decision.

These situations may encourage behaviors that result in unsuitable sales, have a detrimental impact on the quality of the service provided or otherwise breach the Insurer's or Intermediary's obligations towards the Customer. They also may affect the independence of advice given by Intermediaries.

This is a matter, therefore, of ensuring that each situation is assessed from a broad perspective, taking into account interactions between Insurers, Distribution Firms, agents and representatives, in order to obtain a sustainable system, as a whole, that will deal appropriately with conflicts of interests.

### Expectations to achieve this outcome (Insurers and Intermediaries)

- Take all reasonable steps to identify and avoid or manage conflicts of interest, and communicate these through appropriate policies and procedures.
- Ensure that the disclosure of conflicts of interest is used appropriately and does not put an unreasonable onus on the Customer, especially if the Customer does not fully appreciate the conflict or its implications.
- Where conflicts of interest cannot be managed satisfactorily, this results in the Insurer or Intermediary declining to act.



---

## Outsourcing

CCIR and CISRO expect that functions related to conduct of business outsourced to third parties do not hinder the quality of services or jeopardize the Insurer's or Distribution Firm's ability to achieve fair treatment of Customers.
--

Outsourcing is defined as delegating to a third parties, over a defined period, the performance and management of a function, activity or process that is or could be undertaken by the Insurer or Distribution Firm itself.

When functions related to conduct of business of an Insurer or a Distribution Firm (such as those in the chain of designing, soliciting, selling insurance products or policy servicing) are delegated to a third party, the third party is to carry out these tasks in compliance with the laws, regulations and guidelines applicable to the Insurer's or Intermediary's activities.

### Expectations to achieve this outcome (Insurers and Distribution Firms)

- Retain full and ultimate responsibility for those outsourced functions and, consequently, monitor them accordingly.
- Only deal with third parties whose policies, procedures and processes are expected to result in fair Customer outcomes.
- Maintain appropriate controls over outsourced functions.
- Develop outsourcing agreements that do not hinder the quality of services or jeopardize their ability to fulfill fair treatment of customers-related obligations.
- Ensure that the firms to which they outsource processes have adequate policies and procedures in place for the protection and use of private Customers' information records.
- Re-assess their existing arrangements upon renewal, to ensure that they contribute to the achievement of fair Customers outcomes.

### Expectations to achieve this outcome (Insurers)

- Supervise and monitor functions outsourced to Agent Firms.
- If any of the claims handling or complaints processes are outsourced in part or in full, maintain close oversight and ultimate responsibility for the provision of fair and transparent claims handling and complaints resolution.

---

## Design of Insurance Product

CCIR and CISRO expect that the design of a new insurance product or significant adaptations made to an existing product take into account the interests of the target Consumers' group.

With the development of complex products, that are sometimes difficult to understand, any weakness in the design or the related disclosure documents can increase the likelihood of inappropriate choices from Consumers.

### Expectations to achieve this outcome (Insurers)

- Development of products includes the use of adequate information to assess the needs of different Consumer groups.
- Product development (including a product originating from a third party administrator) provides for a thorough assessment of the main characteristics of a new product and of the related disclosure documents by every appropriate department of the Insurer.
- Policies, procedures and controls put in place enable the Insurer to:
  - offer a product that delivers the reasonably expected benefits;
  - target the Consumers for whose needs the product is likely to be appropriate, while preventing or limiting, access by Consumers for whom the product is likely to be inappropriate;
  - assess the risks resulting from the product by considering, among other things, changes associated with the environment or stemming from the Insurer's policies that could harm Customers; and
  - monitor a product after its launch to ensure it still meets the needs of target Customers and, as the case may be, take the necessary remedial action.
- Provide relevant information and training to Intermediaries to ensure they understand the target market, such as information related to the target market itself, as well as the characteristics of the product. Collaboration between Insurers, Distributions Firms, agents and representatives is a key factor in achieving fair treatment of Customers.
- Retain oversight of, and remain accountable for, the development of its products whenever product development is undertaken by Distribution Firms on its behalf.

### Expectations to achieve this outcome (Intermediaries)

- Provide information to the Insurer on the types of Customers to whom the product is sold and whether the product meets the needs of the target market, in order to enable the Insurer to assess whether its target market is appropriate and to revise the product, when needed.
- When undertaking product development on behalf of an Insurer, take Customers' interests into account in performing this work.

---

## Distribution Strategies

CCIR and CISRO expect that distribution strategies are tailored to the product, take into account the interests of the target Consumer groups and result in consistent Consumer protections independently of the distribution model chosen.

Insurers are accountable for distribution strategies and are ultimately responsible for all aspects of oversight of the distribution of their products, regardless of the distribution model.

Distribution models have evolved and CCIR and CISRO expect this evolutionary process to continue, particularly considering the rapid pace of change brought on by technological developments in the financial services sector.

However, regardless of the distribution model and medium used, Insurers must ensure that Consumers are treated fairly. Adequate protection is of paramount importance.

### Expectations to achieve this outcome (Insurers)

- Development of distribution strategies includes the use of adequate information to assess the needs of different Consumer groups.
- Policies, procedures and controls put into place ensure that distribution methods are appropriate for the product, particularly in light of the legislation in force and whether or not advice should be provided.
- Assess the performance of the various methods of distribution used, particularly in terms of fair treatment of Customers and, if necessary, take the necessary remedial action.

### Expectations to achieve this outcome (Intermediaries)

- Provide information to the Insurer, particularly in terms of fair treatment of Customers in order to enable the Insurer to revise its distribution strategy, when needed.

---

## Disclosure to Customer

CCIR and CISRO expect that a Customer is given appropriate information in order to make an informed decision before entering into a contract.
---

Insurers and Intermediaries ensure that Customers are appropriately informed about a product, before and at the point of sale, to enable them to make an informed decision about the proposed product.

The information provided is sufficient to enable Customers to understand the characteristics of the product they are buying and help them understand whether and how it may meet their needs. To this end, the level of information required will tend to vary according to the knowledge and experience of a typical Customer for the product in question and the product's overall complexity.

Whatever distribution model and medium used to make the disclosure, Insurers and Intermediaries ensure they provide an equivalent level of protection to Customers.

### Expectations to achieve this outcome (Insurers and Intermediaries)

In particular, CCIR and CISRO expect the disclosure to Customers to:

- be up to date and provided in a way that is clear, fair and not misleading, using plain language wherever possible;
- be accessible in written format, on paper or another durable medium;
- focus on the quality rather than the quantity of information;
- identify the Insurer and provide its contact information;
- include information on key features of particular significance to the conclusion or performance of the insurance contract, including any adverse effect on the benefit payable under that contract;
- clearly identify the rights and obligations of the Customer, including the rights to cancel, to claim benefits and to complain; and
- make the information on their policies and procedures on claims and complaints publicly available.

### Expectations to achieve this outcome (Intermediaries)

- The types of business for which they are authorized.
- The services provided, including whether they offer products from a full range of Insurers, from a limited range or from an exclusive Insurer.
- Their relationship with the Insurers with whom they contract.

---

## Product Promotion

CCIR and CISRO expect that product promotional material is accurate, clear, not misleading and consistent with the result reasonably expected to be achieved by the Customer of the product.
--

The Insurer is responsible for providing promotional material that is accurate, clear and not misleading not only to Customers but also to Intermediaries who may rely on such information. To this end, the Insurer ensures that any promotional material regarding its products is reviewed by independent functions prior to being disseminated. Any promotional material designed by Intermediaries follows the same principles.

If an Insurer or Intermediary becomes aware that the promotional material is not accurate and clear or is misleading, it informs the party responsible for designing the material, whether Insurer or Intermediary, and has the material withdrawn. In cases where the Insurer or Intermediary knows that Customers are relying on any materially inaccurate or misleading information, they notify such Customers and correct the information as soon as reasonably practicable.

### Expectations to achieve this outcome (Insurers and Intermediaries)

To promote products in a fair manner, the information provided:

- is easily understandable;
- is consistent with the coverage offered;
- accurately identifies the Insurer;
- states prominently the basis for any claimed benefits and any significant limitations; and
- does not hide, diminish or obscure important statements or warnings.

---

## Advice

CCIR and CISRO expect that, when advice is given, Customers receive relevant advice before concluding the contract, taking into account the Customer's disclosed circumstances.

Advice goes beyond the provision of product information and relates specifically to the provision of a personalized recommendation on a product in relation to the disclosed needs of the Customer.

Insurers and Intermediaries are committed to delivery of high quality advice, communicated in a clear and accurate manner that is comprehensible to the Customer. Minimizing the risk of inappropriate sales is a core priority. Independent of the distribution model or the medium used, it is made clear to the Customer whether advice is provided or not.

### Expectations to achieve this outcome (Insurers and Intermediaries)

- Before giving advice, appropriate information should be sought from Customers for assessing their insurance demands and needs. This information may differ depending on the type and the complexity of product and may, for example, include information on the Customer's:
  - financial knowledge and experience;
  - needs, priorities and circumstances;
  - ability to afford the product; and
  - risk profile.
- The basis on which a recommendation is made is explained and documented, particularly in the case of complex products and products with an investment element. Where advice is provided, this is communicated to the Customer in written format, on paper or in a durable and accessible medium, and a record kept in a "client file".
- Insurers and Distribution Firms review the "client files" of those under their responsibility to exercise control after the fact on the quality of the advice given, take any necessary remedial measures with respect to the delivery of advice and, if applicable, are in a position to examine fairly any complaints submitted to them.
- In cases where advice is not required by law but would normally be expected and may be waived by the Customer, the Insurer or Intermediary retains an acknowledgment by the Customer to this effect.
- In order to ensure the delivery of quality advice, Insurers and Distribution Firms establish ongoing training programs that allow the persons giving advice to maintain an appropriate level of knowledge about :
  - their industry segment;
  - the characteristics and risks of the products and services and their related documentation; and
  - the applicable legal and regulatory requirements.

---

## Disclosure to Policyholder

CCIR and CISRO expect that policyholders are provided information which allows them to make informed decisions throughout the lifetime of their contracts.
--

CCIR expects that the disclosure processes established by Insurers allow policyholders to determine whether the product continues to suit their needs and expectations and as the case may be, remind them in a timely manner of options that can be exercised from time to time.

Where there are changes in terms and conditions, the Insurer notifies the policyholder of their rights and obligations regarding such changes and obtains the policyholder's consent as appropriate.

### Expectations to achieve this outcome (Insurers)

The system includes the disclosure of information:

- on the Insurer:
  - any change in the name of the Insurer, its legal form or the address of its head office and any other offices as appropriate;
  - any acquisition by another entity resulting in organizational changes as far as the policyholder is concerned; and
  - where applicable, information on a portfolio transfer (including policyholders' rights in this regard).
- on terms and conditions:
  - evidence of cover (including policy inclusions and exclusions) promptly after inception of a policy; and
  - changes in policy terms and conditions or amendments to the legislation applicable to the policy.
- in the case of switching between products or early cancellation of a policy.

---

## Claims Handling and Settlement

CCIR and CISRO expect claims to be examined diligently and fairly settled, using a simple and accessible procedure.

The claims examination and settlement processes are key indicators for assessing an Insurer's performance regarding the fair treatment of Customers. Sometimes, Intermediaries serve as an initial contact for claimants, which may be in the common interest of the policyholder, Intermediary and Insurer.

### Expectations to achieve this outcome (Insurers)

- Maintain written documentation on their claims handling procedures, which include all steps from the claim being made up to and including settlement. Such documentation may include expected timeframes for these steps, which might be extended in exceptional cases.
- Claimants are informed about procedures, formalities and common timeframes for claims settlement.
- Claimants are given information about the status of their claim in a timely and fair manner.
- Claim-determinative factors such as depreciations, discounting or negligence are illustrated and explained in understandable language to claimants. The same applies when claims are denied in whole or in part.
- Dispute resolution procedures follow a balanced and impartial approach, bearing in mind the legitimate interests of all parties involved. Procedures avoid being overly complicated, such as having burdensome paperwork requirements.
- Mechanisms are in place to review claims disputes within the Insurer to promote fair play and objectivity in the decisions.



---

## Complaints Handling and Dispute Resolution

CCIR and CISRO expect complaints to be examined diligently and fairly, using a simple and accessible procedure.

The complaint examination and dispute resolution processes are key indicators for assessing an organization’s performance regarding the fair treatment of Customers.

A complaint can be defined as an expression of dissatisfaction about the service or product provided by an Insurer or Intermediary. It may involve, but is differentiated from, a claim (unless relating to the administration of the claim process) and does not include a pure request for information.

Expectations to achieve this outcome (Insurers and Intermediaries)

- Establish policies and procedures to deal with complaints which they receive in a fair manner. These include keeping a record of each complaint and the measures taken for its resolution.
- Respond to complaints without unnecessary delay; complainants are kept informed about the handling of their complaints.
- Analyze the complaints they receive to identify trends and recurring risks. Analysis of what leads to individual complaints can help them to identify and enable them to correct common root causes.
- Provide clear, transparent and easy to understand information about independent dispute resolution processes.

---

## Protection of Personal Information

CCIR and CISRO expect protection of confidentiality of personal information policies and procedures adopted by Insurers or Intermediaries to reflect best practices in this area and ensure compliance with legislation relating to privacy protection.

Theft, loss or inappropriate use of personal information obtained from Customers represents a risk to Customers and a threat to the reputation of Organizations.

The protection of personal information is a key issue for Insurers and Intermediaries. The sustainability of their operations depends, among others things, on public confidence in this regard. Customers expect their information to remain confidential and be handled accordingly.

### Expectations to achieve this outcome (Insurers and Intermediaries)

- Provide their Customers with a level of comfort regarding the security of their personal information.
- Have sufficient safeguards in place to protect the privacy of personal information on Customers.
- Have appropriate policies and procedures in place. Examples of areas that might be covered include:
  - ensuring that the board and senior management are aware of the challenges relating to protecting the privacy of Customers' personal information;
  - demonstrating that privacy protection is part of the organization's culture and strategy, through measures such as training of employees that promotes awareness of internal and external requirements on this subject; and
  - implementing internal control mechanisms that support the objectives of protecting the privacy of personal information on Customers and assess the risks associated with potential failure to protect the privacy of personal information.

## **CAFII Legal Research and Analysis Project**

**Project Background and Purpose:** An Australian Royal Commission on Banking is currently underway and conducting hearings in that country. The Royal Commission has been asked to investigate whether any of Australia's financial services entities have engaged in misconduct, and if criminal or other legal proceedings should be referred to the Commonwealth (federal government). Misconduct identified or admitted to thus far in Australia includes fraudulent documentation, processing or administration errors, and breaches of responsible lending obligations.

Since 1 July 2010, over \$128m has been paid in remediation/fines to consumers by financial services entities as a result of poor conduct in connection with add-on insurance.

CAFII is concerned that findings of misconduct by Australian banks with respect to their distribution/sales of insurance could have a spill-over effect with regulators and governments in Canada; and, in particular, any findings of misconduct in sales, consumer disclosures, or claims settlements with respect to creditor's group insurance products in Australia could cause suspicions about Canada's system.

The purpose of this legal research and analysis project is to provide an objective comparison of the Australian and Canadian financial institutions in insurance (bancassurance) systems.

The approach we are proposing is a comparison of the Australian and Canadian systems to demonstrate that findings by Australia's Royal Commission are not transferable and relevant to Canada. We would seek to have a short summary of the findings publicly released, and we would share these as well with regulators and policy-makers, as part of a proactive effort to inform the public debate on these issues.

Our proposal is for the lawyer, perhaps supported by a legal academic/scholar on the research component of the project, to provide objective legal/regulatory interpretation responses, to the following hypotheses:

### **Hypothesis #1:**

***The financial institutions in insurance regulatory system in Canada is fundamentally different from Australia's, and more rigorous.***

This section would review the regulatory structure, framework, and systems for financial institutions in insurance in Canada and in Australia in recent years; and compare them in terms of rigour, and the authority, legal powers, and monitoring and intervention practices of regulators in the two nations.

### **Hypothesis #2:**

***The regulatory compliance and monitoring system for financial institutions in Canada is fundamentally different, better resourced, and more rigorous than the parallel system in Australia.***

This section would review the structure and resourcing of regulators' compliance and monitoring systems for Canada's financial institutions in insurance as compared to the parallel systems for Australia's financial institutions in insurance. This would include the level of regulatory penalties/fines paid in Canada and Australia due to non-compliance, and any remediation to Canadian and to Australian consumers due to improper behaviour.

**Hypothesis #3:**

***The level of consumer complaints, in particular formal escalated complaints, related to financial institutions in insurance is much higher in Australia than it is in Canada.***

This section would review and compare the level of escalated consumer complaint cases related to financial institutions in insurance in Canada versus those in Australia.

**Hypothesis #4:**

***The evidence gathered in Australia about its creditor's group insurance system reveals a fundamentally different corporate culture and approach to the Fair Treatment of Customers than is prevalent in Canada.***

This section would review available evidence, such as existing or proposed codes of conduct, guidelines on the Fair Treatment of Customers, and the results of regulatory reviews (such as the findings of Australian reviews in comparison to federal and provincial reviews of financial institutions in insurance carried out in Canada).

**Agenda item 6(b)(i)  
May 29/18 EOC Meeting**

*From: Gauthier Louise [mailto:Louise.Gauthier@lautorite.qc.ca]  
Sent: Friday, May 11, 2018 4:57 PM  
To: Keith Martin; Sirois Nathalie  
Cc: 'Brendan Wycks'; 'Natalie Hill'; Beaudoin Mario  
Subject: RE: Suivi de l'ACIFA sur le projet de loi 134 -- Follow up from CAFII on Bill 134*

Good afternoon Keith,

Thank you for your question. We will ask our legal department to take a look at it and will get back to you as soon as possible.

Have a great weekend!  
Louise Gauthier, LLB, ASA, ACIA  
Senior Director, Distribution Policies  
Autorité des marchés financiers

*De : Keith Martin [mailto:keith.martin@cafii.com]  
Envoyé : 11 mai 2018 14:26  
À : Gauthier Louise <Louise.Gauthier@lautorite.qc.ca>; Sirois Nathalie <nathalie.sirois@lautorite.qc.ca>  
Cc : 'Brendan Wycks' <brendan.wycks@cafii.com>; 'Natalie Hill' <natalie.hill@cafii.com>  
Objet : Suivi de l'ACIFA sur le projet de loi 134 -- Follow up from CAFII on Bill 134*

Hello Louise, Natalie,

At the recent 2-4 May, 2018 CLHIA Conference in Calgary, I had the chance to briefly mention some confusion among some of our members around Bill 134, and you suggested I email you the details and you would try to get clarification from your legal team. Thank you for the offer. The details are below.

It has come to our attention that Bill 134 has provisions requiring that a loan with an associated optional insurance policy issue – as part of the documentation for the loan – disclosures related to the insurance component. For credit cards and PLC's, the new QCPA exempts such disclosures where information relating to the optional contract is contained in a separate document delivered to the consumer. However, there is no similar exemption for other impacted credit products where information relating to the optional contract is contained in a separate document delivered to the consumer. As such, we are not sure why the additional insurance disclosures should be required as part of the loan documentation. We are wondering whether this might be an inadvertent drafting issue. Greater clarity on this requirement and on why it is being envisioned would be greatly appreciated.

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

***Agenda Item 6(c)(i)***  
***May 29/18 EOC Meeting***

**CLHIA Conference 2-4 May 2018: Summary Notes**

During the CLHIA Conference, CAFII organized four in-person meetings with insurance regulators. The attendees from CAFII (attending at least one of the sessions) are listed below.

Isabelle Choquette, Desjardins Financial Security
John Lewsen, BMO Insurance
Scott Kirby, TD Insurance
Rob Dobbins, Assurant
Diane Quigley, CUMIS Services Inc.
Moirra Gill, TD Insurance
Fay Coleman, TD Insurance
Arunesh Sohi, BMO Insurance
Martin Boyle, BMO Insurance
Brad Kuiper, ScotiaLife Financial
Dana Easthope, valeyo
Dominique Julien, CIBC Life Insurance
Shawna Sykes, Co-operators
Casandra Litniansky, CUMIS Services Inc.
Luke O'Connor, Manulife
Christine Dear, Manulife
Brendan Wycks, CAFII
Keith Martin, CAFII

The four CAFII in-person sessions with regulators are listed below.

<b><u>Thursday, 3 May 2018</u></b>	<b><u>Thursday, 3 May 2018</u></b>	<b><u>Thursday, 3 May 2018</u></b>	<b><u>Friday, 4 May 2018</u></b>
lunch with Janet Sinclair, Executive Director; and Rob Tanaka, Director of Policy, Insurance Council of British Columbia	coffee with Ron Fullan, Executive Director; and April Stadnek, Director of Compliance, Insurance Councils of Saskatchewan	pre-dinner drink with Barbara Palace Churchill, Executive Director, Insurance Council of Manitoba	breakfast with Joanne Abram, CEO, Alberta Insurance Council; Warren Martinson, Director of Regulatory & Legal Affairs, AIC Calgary office; and Kenneth Doll, Vice Chair, AIC Life Insurance Council

**Thursday, 3 May 2018 meeting with Janet Sinclair, Executive Director, and Rob Tanaka, Director of Policy, Insurance Council of British Columbia**

- Janet Sinclair indicated that she was climbing a very significant learning curve since starting in her new Executive Director role in November 2017.
- We reviewed our views on the Preliminary Recommendations Paper from the BC Ministry of Finance on the 10-year Review of the Financial Institutions Act.
- Among these was our openness to the introduction of an RIA regime in BC, so long as it is consistent with the regimes in the other Western provinces. Harmonization is key to CAFII members, we stressed.
- Janet asked which of the existing RIA regimes – Alberta, Saskatchewan, or Manitoba – did we feel was most effective and why?; and we indicated that we would get back to her with a response.
- We also raised our concerns with Recommendation #47 on “Post-Claims Underwriting” which we said was based on myths. Janet Sinclair said that perhaps this recommendation could be about clarity of communications, as there is a perception that some creditor products are different when the claim is made than what the customer thought they had purchased.
- There was particular concern expressed by Janet Sinclair around perceptions that consumers think they have travel insurance coverage only to learn later, often at the time of a claim, that they do not have that coverage in place.
- Janet and Rob were keenly interested in “third party sellers” and how CAFII members manage and monitor them. This related to call centres that might not consist of employees; and to third party sales forces. It was explained that whether they are employees or not, they are still subject to the same rules and oversight.
- There was interest in arranging an opportunity for CAFII to present the results of our Pollara travel health insurance consumer survey to the Insurance Council of BC.
- In a side-conversation with Rob Tanaka, it was explained that some insurance coverages for travel insurance may be via an employee benefits plan, and these are group insurance coverages that you need to read to know the limitations and exclusions for your policy. For example, you may get the travel insurance coverage in a group employee policy that has exclusions for pre-existing conditions, but you need to know this before you travel. You are not asked questions for this type of policy as you did not individually sign up for it; you are covered simply as an employee with the company offering the group benefits. Surprises about coverages may be what causes the perception that individuals are not covered when they think they are, but it was explained this is not the same as “signing up” for a travel policy on its own, where you will be asked questions to determine eligibility.

**Thursday, 3 May 2018 meeting with Ron Fullan, Executive Director, and April Stadnek, Director of Compliance, Insurance Councils of Saskatchewan**

- CAFII advised that good progress had been made in its joint efforts with CLHIA to produce a joint proposal for a Restricted Insurance Agents Advisory Committee in Saskatchewan; and that after some further due diligence, the two Associations should be in a position to submit that proposal to Ron Fullan in early June.

Ron Fullan indicated that he was committed to the concept of a RIA Advisory Committee in Saskatchewan; and to seeing this through. With the new Saskatchewan Insurance Act now released, the ICS was working on the required Regulations to implement the legislation, with a target “in force” date of January 1, 2019. Ron felt that if he receives the joint CAFII/CLHIA proposal in June, the timing would be very opportune to update the ICS’ bylaws to allow for an RIA Advisory Committee, with the same January 2019 implementation date.

- There was some discussion around the recent conversations between CAFII and the Saskatchewan Ministry of Finance regarding the rules for refunding the PST paid on insurance premiums since 1 August 2017; and our satisfaction with the ultimate blanket exemption from PST for all creditor’s group insurance products.

**Thursday, 3 May 2018 meeting with Barbara Palace Churchill, Executive Director, Insurance Council of Manitoba**

- There was discussion of the issue of single premium insurance policies, about which we had written a letter to Scott Moore, Deputy Superintendent, Financial Institutions, Financial Institutions Regulation Branch, Government of Manitoba on 9 March, 2018. We noted that the letter reviewed the oversight of these policies, and emphasized that there was full disclosure of the features of this type of policy.
- We raised the issue of the openness of the Insurance Councils of Saskatchewan to an RIA Advisory Committee. Barbara Palace Churchill countered that there was some industry representation on her ICM ad hoc “ISI Committee” already; and we spent a bit of time differentiating CAFII members and explaining how they offer insurance directly to consumers, without an advice channel, and that advice channel players would have a different perspective than our members on some issues.

**Friday, 4 May 2018 meeting with Joanne Abram, CEO, Alberta Insurance Council, Warren Martinson, Director of Regulatory & Legal Affairs, Calgary, and Kenneth Doll, Vice Chair, AIC Life Insurance Council**

- Joanne Abram provided an overview of some of the licensing issues that she and her colleagues had been dealing with, including the effort to improve their website and provide for expanded online capacities.
- There was discussion around some of the licensing challenges the AIC faces and the limits to validating information through audits, given resource constraints.
- The issue of publishing on the AIC website definitions of the types of credit-related insurance that can be sold in the province under a Restricted Certificate of Authority was raised. This was something that had caused some concern last year mainly at CLHIA, and a final decision was delayed because some public appointees were missing from the AIC. These public appointee positions had just recently been filled and we should expect an update on the AIC’s approach to the website definitions in the near future, Ms. Abram advised.
- Ms. Abram noted that the AIC is doing some work on licensees’ E&O coverage. They are mostly attempting to work through the sponsoring insurance companies to get this information. They are also always on the look-out for better processes and welcome any suggestions from the industry in that area.



**CLHIA Conference****Highlights from Key Sessions of Interest to CAFII****2 May, 2018****Tone at the Top—Peter McCarthy, President & CEO, BMO Life Assurance Company**

Peter McCarthy, in a well-received opening address to the CLHIA Conference, said that life and health insurance had previously passed through the age of the captive agent, and then the age of the broker, to finally arrive at the age of the consumer, which we are now living through. This consumer focus is revolutionizing the industry and changing customers' expectations. Customers evaluate us not based on industry norms, but on their experience with Amazon, Apple, and Netflix—and they expect no less of a positive experience from any other company.

Peter also touched on the negative industry developments in Australia, with respect to the Royal Commission on banks and financial services currently underway there, noting that while he felt the Canadian reality was much different, it would have repercussions here. Finally, he cited the two main risks for the industry as cyber security, and reputational risk.

**Update from the CCIR—David Sorensen, Deputy Superintendent of Insurance Regulation and Market Conduct, Treasury Board and Finance, Government of Alberta**

David Sorensen reviewed CCIR's current priorities, placing an emphasis on the Fair Treatment of Consumers. He said that while this is not a new concept, it was one gathering momentum and importance for regulators. He cited the importance of CCIR alignment with the IAIS' Insurance Core Principles (ICP), and noted that the regulators were very alert to the regulatory importance of both manufacturers and distributors. David noted that CCIR is increasingly coordinating activities with CISRO.

**Regulatory Perspectives from Across Canada****Anatol Monid, Executive Director, Licensing and Market Conduct Division, Financial Services Commission of Ontario**

Anatol Monid mentioned the current FSCO consultation on its 2018 Statement of Priorities; and the current FSCO consultation on the draft Guideline on Treating Customers Fairly. He said that FSCO will continue to engage in examinations of insurance activity. He mentioned that the three top sources of complaints are around suitability of products; mis-selling of products; and regulatory activities. FSCO will continue to align its oversight to behavior and the risk of insurance failure.

Mr. Monid said that FSCO, in its Guideline on the Fair Treatment of Consumers, wants to protect *all* financial services consumers. The objective, he said, is to ensure consumer protection; to clarify FSCO's expectations for the industry; and to align FSCO with international guidelines. FSCO also intends to align with CCIR Guidelines, and with the AMF's Sound Commercial Practices Guideline. Having said that, FSCO realizes that there is not a "one size fits all" solution—some institutions may require a lighter regulatory touch, especially if they do not pose the same level of risk as a larger institution. The consultation on FSCO's TCF Guideline closes May 8, 2018, and the final document will be released in the Summer of 2018.

On the CCIR Annual Statement on Market Conduct, Mr. Monid noted that not all companies need to file the entire report. He also said that FSCO had determined that 72% of the industry has a code in place for FTC, 87% said FTC mattered, and 80% had a process in place to ensure point of sale information—to which Mr. Monid asked, what does that say about the other companies that did not answer in the affirmative?

Mr. Monid referred to the Ontario Securities Commission’s “Regulatory Supersandbox” and the development of a new Fintech accelerator’s office, which are intended to better equip Ontario to dealing with emerging technology challenges. The Insurance Act, he noted, is 90 years old, and there needs to be changes made to it to respond to the new regulatory and industry realities. He noted that a regulatory sandbox should not be viewed as a mechanism to deal with startups alone. Properly constructed, a regulatory sandbox should allow the broader industry to have ways of innovating, including for the regulator itself. A challenge for the regulators, as they deal with innovations, is to think about what could go wrong—and how to respond to such a development.

Mr. Monid noted that the International Monetary Fund had made some comments in 2013 on shortcomings in the regulatory environment in Ontario; and that was something that FSCO had to be prepared for the next time the IMF makes a re-assessment visit to Canada, on behalf of the International Association of Insurance Supervisors.

**Louise Gauthier, Directrice principale des politiques d’encadrement de la distribution, Autorité des marchés financiers**

(Note: Ms. Gauthier was a last-minute replacement for Frederic Pérodeau, Superintendent, Client Services and Distribution Oversight, AMF, who had to bow out of attending due to a urgent matter at the AMF.) Louise Gauthier said that the AMF is juggling multiple priorities right now. She said that the AMF had posted just last week its Annual Statement of Priorities. The AMF was focused on IT and Risk Management, as well as cyber-risk. Fintech was also an area of interest. Ms. Gauthier said that if Bill 141 and Bill 150 are adopted, there will be *several years* of work ahead in drafting regulatory rules to support the legislation. She spoke about the need to have the proper framework to protect vulnerable people, and mentioned the increasingly important issue in our aging society of dealing with cognitive deterioration of clients, or abuse of clients who are vulnerable. One of the issues the AMF is looking at is a “safe harbour” provision to allow an advisor to refuse to enact a directive of a client if they are concerned that they are not of sound mind, or not acting in their own interests.

Ms. Gauthier said that the AMF’s Sound Commercial Practices Guideline (the AMF version of the FCT Guideline) has not been updated since 2013, and so the time had arrived for a revision, which will occur later this year. There will be a 4 to 5 week window for consultation with industry and stakeholders. She said that governance would be critical to the AMF’s approach, and they were looking for tools to deal with concerns, some of which she said included remuneration based on sales volume alone, or product design based on profitability alone and not taking into account customer needs. Insufficient point of sale information for customers was another area of concern. The AMF’s findings from its Fall 2017 consultation on Managing Conflicts of Interest With Respect To Incentives would be shared with the CCIR.

Turning to the CCIR Annual Statement on Market Conduct, Ms. Gauthier said that compliance (completion of the survey as mandated) had dropped somewhat, from 90% in 2017 to 87.5% in 2018. To date, 40 companies have not filed, but some of these may have had technical filing issues and so the compliance number may improve.

On the issue of innovation, Ms. Gauthier said the objective has to be a balance between fostering innovation without compromising on customer protection. Quebec's Bill 141 is trying to address some of these very issues. She said a key for the AMF is to acquire the internal skills and knowledge so that they can better understand some of these emerging developments and effectively respond to them. For example, the AMF has a Fintech Working Group with 60 people who can advise the AMF on a variety of issues, including funding platforms, mobile platforms, blockchain, regulatory technology etc. There is also a new AMF Fintech lab that helps the AMF enhance its understanding of some of these issues. She said that some companies are proactively sharing their innovation projects with the AMF, and that is extremely helpful to them.

Turning specifically to Bill 141, Ms. Gauthier said that it was currently under debate in the Legislative Assembly, and that would continue until June 15, 2018, after which Bill 150 would be reviewed. She emphasized that Bill 141 completely authorizes the online sale of insurance, so long as the customer is given access to an advisor if he/she requests one. She said that there was some strong opposition to the ability to sell insurance online, and that amendments had been proposed to Bill 141 to ensure that the level of consumer protection remains the same. She said that "insurers will have to register as a firm if they want to sell insurance online" (*NB—this is not the legal interpretation that CAFII has received and this statement will require further study*). She added that if Bill 141 is adopted, the next step will be consultations on the development of regulations to implement it.

On Bill 150, Ms. Gauthier noted that it was a Budget Bill which focuses partially on limiting the ability to traffic in life insurance products—something she said was already allowed, with the Bill intending to develop rules and a regulatory framework around this activity. She said these provisions may be subject to amendments, and there will be greater clarity about that after the National Assembly begins its legislative review of the Bill after June 15, 2018.

**David Sorensen, Deputy Superintendent of Insurance Regulation and Market Conduct, Treasury Board and Finance, Government of Alberta**

David Sorensen noted that there are \$6.5 billion in annual life and health premiums in Alberta. He stated that there were concerns in Alberta with "harmful marketing practices" in the creditor's group insurance space. A Restricted Insurance Agent (RIA) might sell these products, and they needed to understand what they were selling.

He then specifically mentioned the case of a short term loan with an insurance protection component that was weaved into the premium. He cited cases where the client determined that they were paying more in premium than the value of the loan, and tried to cancel the insurance, but had difficulty doing so. Mr. Sorensen then referenced BC FICOM cease and desist order for a related creditor group insurance practice by payday lenders, and also cited the AMF's recent fines imposed upon Canada Life and Manulife for credit card practices. Mr. Sorensen also cited concerns around whole and universal life insurance policies where the original advisor was no longer working, and when the policy-owner, perhaps at a time when the policy had come to maturation, tried to get information from the insurance company directly but encountered challenges in doing so. Insurance companies need to do a better job at assisting clients in those situations, he said. Mr. Sorensen also touched on the issue of trafficking in insurance contracts and the restrictions on this practice in Alberta.

Mr. Sorensen said that the FTC exercise was about producing desirable outcomes in the industry, consistent with the expectations of the regulatory authorities. The industry should develop and market products that take into account the needs of consumers.

Mr. Sorensen said that one area that concerned him was that some companies, in responding to the Annual Statement on Market Conduct, self-reported a very low number of complaints, when they are the source of multiple complaints escalated to the regulator—how, he asked, could that be? Mr. Sorensen also said that insurtech will be a challenge for regulators—what is insurance, and how do the regulators properly respond to the new challenges from new technologies?

Mr. Sorensen also touched on the current effort to explore implementing a single financial services regulator in Alberta. He emphasized that this effort was in its early stages, nothing had been decided, and the industry would be consulted.

### **Workshop on Travel and Travel Complaints—Joan Weir, Director, Health and Disability Policy, CLHIA**

Joan Weir spoke about the variety of travel insurance issues that CLHIA had been reviewing, most specifically efforts to address CCIR Travel Insurance Working Group (TIWG) concerns. These included efforts to improve policy wording and to simplify language. Ms. Weir noted that CLHIA had recently conducted a series of focus groups and the results were useful in the work being conducted. There was a particularly high level of concern around definitions and language, with consumers feeling that policy definitions were not clear and that the language was meant to protect the insurer at the expense of the consumer. Ms. Weir touched upon CAFII's Travel Medical and Health Insurance consumer survey from 2015, and noted that CAFII and THiA were participants with CLHIA on some of the industry efforts to address regulatory concerns. Finally, Ms. Weir touched on the issue of problems reported in the media, and which had raised concerns bureaucratically and politically in Ontario, around the repatriation of Ontario patients from out-of-Canada locations, and highlighted some of the short term and long term strategies to deal with this issue.

## **3 May 2018**

### **Quebec Update**

**Pierre-Alexandre Archer, Legal Counsel, Industrial Alliance Insurance and Financial Services Inc.**  
**Lyne Duhaime, President Quebec Affairs and Senior Vice-President Distribution**

Panel participants provided an overview of Bills 141 and 150. The overall tone can be characterized as an environment filled uncertainty and fluidity; both participants said that there was no certainty that the Bills would pass; and, in particular, Bill 150 was going to undergo review by the Legislative Assembly in a very short time-frame, and that would produce risks around its passing. There was also a fair amount of complexity around the Bills, for example some of the provisions of Bill 141 will be amended by other provisions of Bill 150, if Bill 150 is passed. Bill 141 must be adopted by the Legislative Assembly of Quebec by 15 June, 2018, which is itself a very tight timeline. A major element of Bill 141 is to provide a regulatory framework for oversight of electronic commerce in insurance, which the AMF has had on its radar screen since 2012, and about which it issued a report in 2015 (*l'Offre d'assurance par internet au Québec, AMF, 2 avril, 2015*). Bill 141 completely authorizes the sale of insurance on the Internet. Insurers who want to sell via the internet have to register as a firm, although not everyone agrees with that interpretation of the Bill.

Some provisions of the Bill allow for “temporary insurance” until a final contract is signed, and if a consumer purchases insurance without a licensed advisor, they can cancel it within 10 days of purchase. The industry, including the CLHIA, has pushed back on this provision, so far unsuccessfully. For example, this provision, as currently worded, would have unintended consequences for travel insurance—a consumer could purchase travel insurance, go on their trip for one week, then if they did not use the insurance, could then cancel it for a full refund.

The Distribution Guide will be replaced by a general information obligation. The AMF will create a legal framework for this obligation. So the next step in this process, if the Bills pass, will be the development of the detailed Regulations by the AMF required to enforce the Bills.

**Workshop on Current Issues in Alternate Distribution—Denis Martel, Vice-President Compliance, American Health and Life Insurance Company; Erin Vong, Director, Compliance, Client Solutions, Sun Life Financial Inc.; Moira Gill, TD Insurance**

There was an interesting and engaging discussion of creditors group insurance, with discussion on the size of this sector of the industry (see Table One), the way this insurance works, and the regulatory environment including the provisions in the provinces with a Restricted Insurance Agent (RIA) regime. A recurring theme that was emphasized was the critical importance to the industry of regulatory harmonization to the greatest extent possible in the different provincial and territorial jurisdictions that regulate the industry.

**Table One**

## Alternate Distribution 101

### Industry Overview

	Premiums				
	\$ millions	% of Total	Growth Year/Year %	Estimated Growth 5-Yr Total %	Estimated Growth 5-Yr CAGR %
Group Creditor	\$ 5,638	72.9%	-0.1%	15.9%	3.0%
Group Non-traditional	782	10.1%	-2.2%	4.8%	0.9%
Individual	1,316	17.0%	8.0%	15.7%	3.0%
Total Alternate Distribution	<u>\$ 7,736</u>	100.0%			
Alternate Distribution	\$ 7,736	12.8%	1.0%	14.7%	2.8%
Industry Total (excl. AD & Annuities)	\$ 45,517	75.4%	7.2%	26.2%	4.8%
Industry Total – All Channels	\$ 60,399	100.0%	6.6%	23.9%	4.4%

At the end of the presentation, Anatol Monid from FSCO stood up, said he was glad to hear that everything was so positive in the industry, and said that he wanted to give industry a “heads up” that later in 2018 FSCO would be conducting a review of creditors group insurance to confirm that there was full compliance with expectations.

#### **4 May 2018**

##### **Saskatchewan Legislative Update—Ron Fullan, Executive Director, Insurance Councils of Saskatchewan**

Ron Fullan provided an entertaining review of the Saskatchewan Insurance Act revision process. He noted that the Act had not been reviewed in a very long time, and it was ripe for an update. He said that the ICS was an active stakeholder, but it was acting in an advisory role alone, with all final decisions up to the Government of Saskatchewan. The Act is focused on intermediaries in insurance and the expectations of them. The goal is to have completed the bylaws needed to support the legislation by the end of Q3 2018, with the Act slated to be proclaimed into force on January 1, 2019. Among the provisions of the Act is an expanded definition of an insurance agent, as well as new license types (insurer’s representative; MGA; Third Party Administrator). The ICS will now have the ability to audit, and the fees it can impose will be increased.

##### **Provincial Insurance Councils Panel**

##### **Joanne Abram, Chief Executive Officer, Alberta Insurance Counsel**

Joanne Abram noted that the AIC is looking at overhauling its processes around audits for E&O insurance for licensees, and at audits around confirming that continuing education expectations are met by licensees. For the past few years, the AIC has worked with insurance companies to confirm the information provided. In 2017, 4,000 audits were conducted, with only 14 suspensions. Renewals of licenses are now all done online. The challenge is that the AIC does not have the resources to confirm the accuracy of every submission—in 2017, the AIC issued 57,000 certificates. The regulatory regime has not kept pace with evolutions in the distribution model in the industry. Salespeople have to be knowledgeable about the products they are selling. The Life Insurance Council feels that it is important that there be common definitions that everyone uses. The Government of Alberta is continuing to explore the concept of a single financial regulator. If this does come to fruition, the Alberta Insurance Council would be integrated into the single regulatory body. The timeline for achieving this is aggressive, with a short consultation period before an early 2019 implementation.

##### **Ron Fullan, Executive Director, Insurance Councils of Saskatchewan**

The ICS has developed a new strategic plan which includes responding to the new Saskatchewan Insurance Act; an audit strategy which will start with the P&C side of the industry in late 2019; better collaboration with CISRO and with industry; and enhanced consumer awareness. The ICS is also going to start working on succession planning for Ron Fullan, likely over the next two to three years. Mr. Fullan mentioned that the ICS is working with the CLHIA and CAFII on an RIA Advisory Committee, with the intention of having this in place by January 2019. Mr. Fullan also mentioned that the CCIR / CISRO draft Guideline on the Fair Treatment of Customers was just released the day before, with a consultation period now underway until June 18, 2018.

**Barbara Palace Churchill, Executive Director, Insurance Council of Manitoba**

E&O insurance is an issue and has caused some agents to see their licenses revoked. Some agents incorrectly believe that if they are not actively selling insurance, they don't need to have E&O insurance. There are 15,000 license holders in Manitoba. The ICM is currently looking at providing a new online system for new applicants to receive their license. Some of the areas that are challenges are regulating certain components of the industry which do offer insurance, yet don't think of themselves as insurance providers—for example, car dealerships, funeral directors, and travel agents. Another challenge is distinguishing between insurance and warranties.

**Janet Sinclair, Executive Director, Insurance Council of British Columbia**

Janet Sinclair reported that she has now been in her role for six months. A Task Force has been struck to look at the approach to confirming that continuing education expectations are being met. The Insurance Council of BC now accepts credit card payments online, and will be publishing a new, easier-to-navigate website in June 2018.

The Council's objective is to always try to resolve issues well before the disciplinary stage is reached.

The BC Ministry of Finance is seriously contemplating a Restricted Insurance Agent (RIA) licensing regime for more than just travel agents. The Government will make that decision and if it does come to pass, the Insurance Council will focus on ensuring the highest degree of harmonization with the regimes in place in other Western Canada provinces. Ms. Sinclair mentioned the B.C. Recommendations Paper reference to "post-claims underwriting" (Recommendation #47) —one of the issues we raised with her in our private meeting—and she said that this may be about properly communicating about products to consumers so that they understand what they are buying, and are not surprised at the time of claim.



**Report on CAFII Liaison Visits to  
Nova Scotia, New Brunswick, PEI and Newfoundland  
Regulators and Policy-Makers**

**Background**

From 14-17 May, 2018 a CAFII delegation held six (6) meetings with insurance regulators, policy-makers, and related bodies in Nova Scotia, New Brunswick, PEI and Newfoundland. This tour was part of the effort to fulfil a key element of the approved CAFII 3-5 year Strategic Plan, ie. to meet face-to-face with all key insurance regulators and policy-makers in their home locales at least once every 18 months.

The CAFII delegation comprised Pete Thorn, TD Insurance and EOC Chair (not in attendance at the Newfoundland meeting); John Lewsen, BMO Insurance; Moira Gill, TD Insurance (Newfoundland meeting only); and Co-Executive Directors Brendan Wycks and Keith Martin.

Each of the meetings was structured around a three-part agenda—(i) participant self-introductions and get acquainted chat; (ii) a presentation led by CAFII's Co-Executive Directors titled "CAFII: Past, Present, and Future" which included some background on the Association; a brief review of its priorities; a snapshot of its recent research outputs and their major findings; and an update on priority initiatives such as our revamped consumer-facing website and our new Strategic Plan; and (iii) discussion of current regulatory/policy issues of mutual relevance to CAFII and the body being visited.

**14 May, 2018—Meeting with Nova Scotia Superintendent of Insurance**

CAFII met with Nova Scotia Superintendent of Insurance William Ngu and with Deputy Superintendent of Insurance Jennifer Calder in their Halifax offices in Halifax on 14 May, 2018. A general observation was that William Ngu was more reserved and hesitant in his responses than Jennifer Calder, who seemed more familiar with the life and health insurance issues we raised. The discussion was general, and included the CAFII presentation "CAFII: Past, Present, and Future" which was received with interest, especially the section on our intention to conduct more research. There was support for our efforts to develop a consumer-focused website.

We discussed some of the issues raised in the media around travel insurance, and made the point that our 2015 Pollara research suggested high levels of satisfaction with travel insurance, including a 99% claims payout, which led to the comment from William Ngu and Jennifer Calder that some of the issues were around optics. It was suggested that some of the issues are around customer understanding of their policies, and it was recommended that the industry needed to avoid "lumping all ailments into one policy."

William and Jennifer advised that Nova Scotia does not plan to produce its own Fair Treatment of Consumers Guideline, but will instead align with what the CCIR develops. Nova Scotia understands the importance of harmonization, and it was agreed that there needed to be an ongoing focus on this in all regulatory jurisdictions.



The FCAC Report on bank sales practices was raised, and CAFII noted that there was no evidence provided of wide-spread mis-selling.

William and Jennifer agreed that regulators' facilitation of digital-based innovations and solutions provided benefits for both consumers and the industry. They politely bragged about and celebrated the fact that their province had recently become the first jurisdiction in Canada to permit and introduce "electronic pink slips" for automobile insurance.

However, with respect to making the necessary legislative and/or regulatory changes to permit electronic beneficiary designations, William and Jennifer said that they had concerns about such an initiative which were related to fraud prevention and potential abuse of vulnerable people, as well as privacy concerns. (We heard this message consistently in our meetings with the four Atlantic Canada regulators; and subsequently felt that this should not be a high priority advocacy issues for CAFII at this time.)

William said that Nova Scotia has no intention of moving down the road of having an RIA licensing regime. (We subsequently learned that New Brunswick is already "well advanced" in its plans to introduce an RIA regime; and that Nova Scotia had apparently indicated that they would be willing to consider following if such an approach was implemented in other Atlantic Canada jurisdictions. We therefore believe this might have been a forgotten or missed issue in our discussion with William and Jennifer. Based on other comments made, we do believe that an RIA regime is a possibility which Nova Scotia will consider at some point.)

Nova Scotia's priority attention in insurance right now is on the auto sector; there are no top-of-mind life or health issues at this time, nor are there any regulatory matters that are pressing in this area. While there is a hypothetical interest in Atlantic Canada policy harmonization, at a practical level this is not something that is garnering much attention, and there is no formal collective regulatory effort underway or currently contemplated.

#### **14 May, 2018—Meeting with New Brunswick Superintendent of Insurance**

CAFII met with New Brunswick Superintendent of Insurance Angela Mazerolle and Deputy Director, Insurance David Weir in their FCNB offices in Fredericton on 14 May, 2018. Early on in the meeting, we were surprised to hear from Angela Mazerolle that there was serious interest in implementing a Restricted Insurance Agent (RIA) regime in New Brunswick, and that this initiative was already "well advanced."

Because it would need to be implemented after the province's Fall 2018, the launch of an RIA regime is probably at least a year away, but this was definitely something the Superintendent of Insurance was working on. It was noted that unlike is the case in the three Western Canada jurisdictions that have an RIA regime, there are no plans to introduce an Insurance Council regulatory structure in New Brunswick. More specifically, New Brunswick intends to license "incidental sales of insurance" through an RIA regime; and will not reinvent the wheel, but rather look at other jurisdictions with such a regime already in place, with Manitoba being specifically mentioned. This would require some "bare bones" legislative amendments, with more specific framework details coming in the form of regulations that will be drafted by the Superintendent of Insurance.

CAFII emphasized the importance of harmonization with other jurisdictions that have an RIA regime in place. Angela and David noted that there is no plan/intention to coordinate this initiative with the other Atlantic Canada provinces. Since New Brunswick is most advanced among the Atlantic Canada provinces on this initiative, it was felt that it would move forward on its own, and the other three provinces in the region might seek to align themselves with New Brunswick at a later date.

Our “CAFII: Past, Present, and Future” presentation was well-received; and there was constructive dialogue around the information we provided to dispel some of the inaccurate information that has been voiced by competing channels about CAFII members’ CGI products and about alternate distribution, such as the high levels of consumer satisfaction and claims payouts that the CAFII-commissioned objective research evidence has identified.

On the issue of electronic beneficiary designations, New Brunswick expressed the same concerns as Nova Scotia had around potential abuse of such a capability.

It was noted that there are about 90 people working in total at the FCNB, with about 20 in pensions and insurance, and about 10 in insurance alone, most of them on the automotive insurance side.

### **15 May, 2018—Meeting with Opportunities New Brunswick**

CAFII met with Cameron Bodnar, Director of Strategy and Planning, Opportunities New Brunswick; Alec Manley, Market Intelligence Consultant; and Melissa Gottshall, Strategic Planning Specialist, at the Opportunities New Brunswick offices in Fredericton on 15 May, 2018. The ONB is an “arms length” Crown Corporation that tries to attract business to New Brunswick. It looks at issues that can affect business investment, such as taxes, business environment, infrastructure, quality of life, labour force attractiveness, etc. New Brunswick is an attractive place to do business, it was noted, although it has some challenges, including talent retention, and an aging population. New Brunswick was the only Canadian province in the latest census to experience an absolute decline in population.

There are 8 to 9 ONB teams across the province that work collaboratively to attract business to New Brunswick. There are immigration pilot projects as well in New Brunswick, to try to attract new Canadians to the province. There are specific initiatives, such as developing centres of excellence in cyber-security—where it was noted that New Brunswick’s relatively stable climate/temperature conditions relative to other jurisdictions in Canada gave it an infrastructure advantage for locating large computer centres.

Fintech is an area in which New Brunswick is hoping to attract more investment to the province. ONB can be an advocate internally in New Brunswick with political and regulatory authorities on issues of importance to business.

CAFII raised some issues that we had previously written the ONB on regarding regulatory concerns, and these were discussed and reviewed. It was noted that some of our members, such as TD Insurance, had significant contact centre investments in New Brunswick.

After the meeting had concluded and CAFII’s representatives were taking their leave, Cameron Bodnar suddenly recalled a CAFII-relevant piece of news which he wished he had mentioned earlier. He noted that in recent Atlantic Canada Council of Premiers meetings, the issue of a harmonized, single insurance licensing regime for all four provinces had been discussed and advanced. Cameron promised to dig up some further intelligence on that initiative and communicate it to CAFII.

(It was agreed that CAFII and ONB would continue to keep in touch. Subsequent to the meeting, it was suggested that on our next tour of Atlantic Canada, there might be some meetings—with ONB being an example—where CAFII should continue to meet and seek to maintain a mutually beneficial, face-to-face relationship, but perhaps with the Co-Executive Directors only involved and spending the time, with CAFII volunteer leaders participating exclusively in insurance regulator and policy-maker meetings.)

#### **15 May, 2018—Meeting with Michèle Pelletier, Consumer Advocate for Insurance, New Brunswick**

CAFII met with New Brunswick Consumer Advocate for Insurance Michèle Pelletier over lunch in Fredericton on 15 May 2018. Michele drove from Bathurst, New Brunswick (three-hour trip one-way) for the meeting. It became apparent to us very quickly that Ms. Pelletier is much more familiar with and focused on auto insurance issues than on life and health insurance, which she offered was not the subject of many complaints (she could not be specific as her office does not keep statistics). In many respects, her office has the role of provincial ombudsman for insurance, with a focus on protecting consumers and calling out prohibited practices. However, she has no enforcement powers, no rate-setting authority, and mostly operates through moral suasion and occasional interventions with other authorities or with the media.

She did say that denial of claims is a top concern, and there are occasional issues around travel insurance, but she felt that overall under 5% of complaints were in the areas of insurance which CAFII focuses on. She has a staff of five. She was at the CLHIA Conference in London, Ontario in May, 2017; and plans to attend again next year in Niagara Falls, Ontario, where John Lewsen said he would try to get her a spot as a panelist. On a side note, her husband René Arseneau was elected in the most recent federal election as the Liberal Member of Parliament for Madawaska—Restigouche, New Brunswick.

#### **16 May, 2018—Meeting with PEI Superintendent of Insurance**

CAFII met with PEI Superintendent of Insurance (and CCIR Vice-Chair) Robert Bradley and Compliance Officer Phillip McInnis at their offices in Charlottetown on 16 May, 2018. Robert Bradley indicated that there were no plans to dedicate resources to reviewing the life and health insurance provisions of the PEI Insurance Act at this time. We were interested to learn that Robert was fully aware of the efforts in New Brunswick to introduce an RIA regime. He said the other Atlantic provinces were all well aware of this initiative—including Nova Scotia—and all had indicated that they might consider doing something similar after they had the opportunity to see how such a regime was playing out in New Brunswick. PEI, he explained, did not have the resources to initiate such efforts, but would be a willing follower if there was a reason to move in this direction.

There was discussion of electronic commerce, and of fintech. There had previously been an Atlantic Canada Taskforce on ISI, but it was disbanded in 2011; and despite much talk, there is little being done in the way of harmonization, he acknowledged. There was mention made that given the limited resources available in PEI; if New Brunswick were to implement an RIA regime, one possible option for PEI to be able to follow suit would be to license the use of New Brunswick's electronic registration portal for PEI purposes.

Robert advised that if PEI chooses to adopt a Fair Treatment of Consumers Guideline, it will simply take what the CCIR develops and adopt it. He understood our concern about parallel efforts on FTC from FSCO and CCIR, but felt that at some later point the two documents may simply be merged into one.

He felt that the International Monetary Fund was likely to be back in Canada for a follow-up assessment visit on behalf of the International Association of Insurance Supervisors, possibly as early as June 2018, and he thought it likely they would go again to Ontario and Quebec for their investigations. **He also felt it was possible they may investigate a few private sector insurers and do a deep dive into their practices.**

Mr. Bradley said that the CCIR would hold stakeholder meetings again in October, 2018, but he expressed the desire—which he has shared with his CCIR colleagues and their Secretariat—that the meetings be limited to those stakeholders most directly involved in the industry. For example, he did not see the point of CCIR meeting with a group representing TPAs. While prefacing this comment with an acknowledgement that CAFII was not guilty of such lapses and poor uses of time in its stakeholder meetings with CCIR, he noted that some other stakeholders routinely begin with long “who we are” background, which only serves to tell CCIR information which they already know. He suggested that participants in the meetings should quickly get into their key priorities.

Electronic proof of insurance – ie. electronic pink slips for auto insurance -- was an area of contention in PEI, as in some other jurisdictions, including around privacy concerns, Robert indicated.

In an interesting closing issue raised for discussion, Robert raised an industry trade press article that had just come to his attention that morning which suggested that *The Personal* auto insurance company (subsidiary of DFS) had been accused of using credit scores to adjust and deny some auto insurance claims, something which CAFII’s participants agreed was a “bad faith practice” if indeed the allegations were true.

#### **17 May, 2018—Meeting with Newfoundland Superintendent of Insurance**

CAFII met with Newfoundland Acting Superintendent of Insurance Craig Whalen, and Pam Senior, Senior Policy Analyst. For the last half hour of our session, we were also joined by Sean Dutton, Deputy Minister, Service Newfoundland, who was interested in our presentation on “CAFII: Past, Present, and Future” and asked several pertinent questions.

Mr. Whalen noted that there were many competing priorities for the attention of the Superintendent of Insurance, with limited resources available. There was some reference to the importance of CCIR and CISRO to coordinate the activities of different jurisdictions; and Mr. Whalen said that he was pleased that the two bodies were cooperating in the development of a Guideline on the Fair Treatment of Customers, something he expected to also occur in other areas over time. Pam Senior noted that she was on the CCIR Market Conduct Working Group.

There was awareness of New Brunswick’s work on introducing an RIA regime, but no intention in the short term to do something similar in Newfoundland. The province would see what New Brunswick develops, and then see if it made sense for them to follow suit thereafter.

It being noted that Newfoundland had only recently become a signatory to CCIR’s *Memorandum of Understanding On A Framework For Co-operative Market Conduct Supervision*, Craig indicated that his province would be seeing data for the first time coming out of the Year 2 version of the CCIR Annual Statement on Market Conduct. It was suggested that the data from the first two years of the Statement were not at a stage where they could be readily analyzed on a jurisdiction-specific basis; but going forward, that was definitely the intention. There was appreciation for CAFII’s emphasis on the importance of harmonization across provinces.

*Agenda Item 6(c)(iii)  
May 29/18 EOC Meeting*

**Report on CAFII Meeting with CCIR and CISRO Policy Managers**  
**18 May, 2018**

**Background**

On 18 May, 2018, CAFII Co-Executive Directors Brendan Wycks and Keith Martin had a liaison and update meeting with Tony Toy, CCIR Policy Manager; Adrienne, CCIR Policy Analyst who works with Tony Toy; and Joanna Reading, CISRO Policy Manager, a new two-year pilot project role which provides Secretariat support to CISRO.

In the recent past, these meetings have been attended by CAFII EOC volunteers; and the previous such meeting had over 15 volunteer attendees. Tony Toy has alluded since that November 2017 meeting that he prefers meeting with a much smaller group from CAFII, and suggested that just the Association's Co-Executive Directors should attend. We counter-proposed in the 18 May meeting that for such meetings in the future, having up to three (3) CAFII volunteer leaders attend would add some business expertise to the discussion. Mr. Toy consented to that modified approach for such CAFII liaison meetings with the CCIR/CISRO Policy Managers in future.

It was also agreed that there was mutual interest and benefit in continuing to have these meetings on a regular basis, possibly quarterly; and, in general, after the CCIR or CISRO has held a meeting of its own that would provide good content for an update dialogue with CAFII. More specifically, it was noted that CCIR in-person meetings are much longer and more substantive, so it was suggested by Tony Toy that we could have a teleconference call between CCIR and CAFII after a CCIR teleconference call (Winter and Summer); and an in-person meeting between CCIR and CAFII after a CCIR in-person meeting (Spring and Fall).

**Detailed Comments**

Tony Toy advised that the CCIR Spring Meeting in Montreal in mid-April 2018 was productive, with a strong focus on the CCIR/CISRO's collaboration and joint intent to release a "Guidance: Conduct of Insurance Business and Fair Treatment of Customers" consultation document for industry stakeholder feedback. Industry feedback had been received on the preliminary version of the document, and revised, public consultation version was released on 3 May 2018, for feedback until 18 June, 2018. Mr. Toy noted that this was the first instance of a more formalized collaboration relationship between CCIR and CISRO.

Mr. Toy also said that CCIR Travel Insurance Working Group (TIWG) was generally pleased and encouraged by the progress on travel health insurance reforms which the industry had recently accomplished, with CLHIA leading those initiatives on behalf of the entire industry. The TIWG was currently reviewing the need for metrics in the travel health insurance space and what they optimally would be, which could potentially produce new some new questions for incorporation into the Annual Statement of Market Conduct.

CAFII noted that we were reviewing results from new research we had commissioned with Pollara Strategic Insights on consumer attitudes toward travel health insurance; and that we would like to arrange a webinar to present the results of this research to CCIR and CISRO members, in co-operation with Tony and Joanna. Mr. Toy and Ms. Reading agreed to co-operate with CAFII in such a webinar for CCIR and CISRO members as a joint audience.

In response to a question, Mr. Toy noted that all 13 provincial and territorial jurisdictions are now signatories to the *CCIR Memorandum of Understanding On A Framework For Co-operative Market Conduct Supervision*, but OSFI is not. He explained that the agendas for CCIR meetings are structured so that non-signatories to the MOU are not present for the discussion of items that require participants to be an MOU signatory.

Mr. Toy asked if the CLHIA was keeping CAFII in the loop on developments with CCIR on the travel health issues they are taking the lead on, and we said indeed they are and we had a very strong, collaborative relationship with Joan Weir at the CLHIA on this file.

Mr. Toy provided an update on some of the activities of the various CCIR Working Groups, including the Cooperative Market Conduct Supervision Oversight Committee (Chair: Izabel Scovio, FSCO) which has succeeded the predecessor Insurance Core Principles Implementation Committee; and the Fintech Working Group.

Mr. Toy also expressed surprise at Canada Life and Manulife having recently joined CAFII as new Members, as he thought we were focused on banks alone. To correct that mis-perception, we explained that only some banks have insurance companies which manufacture the products they distribute, and that insurance companies and the insurance distribution arms of banks share common interests around some of CAFII's priorities, such as creditor's group insurance, travel insurance, and alternate distribution.

Joanne Reading provided an update on the activities of CISRO. She noted that there was a Spring Meeting in Quebec City during the week of 7 – 11 May 2018, where the strengthened relationship with the CCIR was discussed, including the collaborative effort on the FTC Guideline.

CISRO is looking at doing some work over the coming year on harmonization of educational requirements for licensees, initially just on the property & casualty insurance side but with the potential to touch on the life and health insurance side as well. The deepening relationship between CCIR and CISRO will continue, but this will largely occur on an initiative- by-initiative basis. It was also noted that the CISRO Secretariat (ie. Joanna Reading) currently supports one of the CCIR Working Groups.

There was no further information on when in 2018 the International Monetary Fund would be returning to Canada for a re-assessment visit on behalf of the International Association of Insurance Supervisors, nor on which "sample" provinces it would focus on this time.

There will be another round of CCIR Stakeholder Meetings later this year, likely in October 2018 and most probably in Toronto. At least three months' advance notice will be given to industry stakeholders. Tony Toy gave unprompted remarks on last year's stakeholder presentations that reflected what we heard recently from PEI Superintendent of Insurance Robert Bradley—who is also CCIR Vice Chair—along the lines that stakeholders do not need to spend much time on explaining who they are, and should instead quickly get to the key substantive points they wish to emphasize.

*Agenda Item 5.1(i)*

*June 5/18 Board Meeting*

**CAFII EXECUTIVE OPERATIONS COMMITTEE RECOMMENDATION TO**

**THE CAFII BOARD OF DIRECTORS**

**ADOPTED MAY 29, 2018**

*Moved by Pete Thorn; and*

*Seconded by John Lewsen,*

*That the Executive Operations Committee recommends to the Board that CAFII should*

- *issue a Press Release on the CAFII-commissioned 2018 Pollara Travel Health Insurance Results; and*
- *publish the Executive Summary of the 2018 Pollara Travel Health Insurance Results on the Association's website.*

***Carried Unanimously***





# Travel Medical Insurance Study Wave 2 Report



March, 2018



# Table of Content

Section	Page #
Background and Methodology	3
Executive Summary	7
Detailed Findings	17
Travel Medical Insurance: Incidence, Type and Behaviours	18
Perceptions of Industry	28
Purchase Experience and Satisfaction	36
Claim Experience and Satisfaction	47
Appendix A – Respondent Demographics	65



# Background and Methodology



# Study Background and Objectives

- In 2015, a survey was conducted by Pollara on behalf of CAFII, as part of an industry review of Travel Medical Insurance requested by the Canadian Council of Insurance regulators, triggered by concerns raised in the media. In 2018, CAFII decided to repeat this quantitative research to determine if consumer perceptions and experience changed over the past three years.
- The specific objectives of this study are to quantitatively test:
  - The general public's perceptions of the travel medical insurance sector and the level of confidence in travel medical insurance
  - Experiences and satisfaction levels with the travel medical insurance purchase process among recent buyers (past 12 months)
  - Experiences and satisfaction with the travel medical claims submission process and outcomes among recent claimants (past 24 months)
- CAFII again engaged Pollara, an independent market research firm, to conduct a Canada-wide study that would provide answers to the aforementioned topics.
- Results of this study are compared to the 2015 benchmark study wherever possible.

# Methodology

- Survey conducted nationally between February 16<sup>th</sup> and March 5<sup>th</sup> using an online methodology
  - First wave conducted August 17<sup>th</sup> – 28<sup>th</sup>, 2015
- Stratified sample in 2018 was increased to 1,200 adult Canadians from 1,000 in 2015 to allow for more in-depth analysis of purchasers and claimants:
  - General population - Non-buyers of insurance, or purchased more than 12 months ago: n=400 (n=400 in 2015)
  - Purchased travel medical insurance over the past 12 months: n=800 (n=600 in 2015)
  - Subsample #1: made a claim over the past 24 months: n=400 (2015 – made a claim over past 12 months n=300)
- Three-part survey, completed by the following respondent groups:
  - Section 1: Perceptions of the travel medical insurance – completed by all respondents (n=1,200; 2015 n=1000)
  - Section 2: Travel medical insurance purchase experience and satisfaction – completed by buyers (n=800; 2015 n=600)
  - Section 3: Experience and satisfaction with travel emergency experience, claims submission and outcomes – completed by claimants (n=400; 2015 n=300)
- Because of very low incidence levels of buyers and claimants, quota were set to ensure that a sufficient number of completes was obtained for these sub-segments

# Definitions



**Buyers** – Consumers who have purchased travel medical insurance in the past year.



**Non-Buyer** – Consumers who have not purchased travel medical insurance in the past year, whether or not they have workplace or credit card coverage.



**Holders** – Consumers who have not purchased travel medical insurance in the past year but have travel medical insurance through their workplace or credit card.



**Claimants** – Consumers who have made a claim on travel medical insurance in the past two years.



**Non-Claimants** – Consumers who have purchased travel medical insurance but who have not made a claim in the past two years.



# Executive Summary

**pollara**  
strategic insights

# Key Findings

- Over the past 12 months, 30% of Canadians purchased travel medical insurance (31% in 2015); 64% have access to coverage through work or a credit card (63% in 2015).
- Buyers of private coverage are 2 to 3 times more likely to claim extensive knowledge of their work/credit card coverage suggesting that the higher the level of knowledge, the greater the likelihood of buying private coverage.
- While many do not read policies in detail, they do read some and feel they are laid out in an easy to understand way. Claimants and purchasers feel more strongly positive than those less involved in the process.
- The main observation regarding satisfaction is that positive attitudes toward industry and specific experiences with travel medical insurance far outweigh negative ones.
- While the intensity of the positive impressions varies across respondent groups, there are no obvious areas of concern within any segment.
- The more involved the consumer is with the industry (through purchase or making a claim) the more positively they feel. That said, positive attitudes among non-buyers prevails 3 to 1 over negative ones.
- High satisfaction levels are virtually identical by channel – phone, online including mobile and in-person. While all demographics feel satisfied, it is more intense among older consumers.
- Higher regard toward travel medical insurance in general and purchase experience in particular correspond with having a claim event.
- Most importantly, 98% of processed claims were paid: 75% fully and 23% partially 2% denied (2015: 75% fully, 24% partially, 1% denied)

# Comparison to 2015

- Usage of travel medical insurance, purchased or through credit cards/work coverage, remains consistent this year.
- Overall positive attitudes toward travel medical insurance remain unchanged since 2015, with involvement (making a purchase or a claim) continuing to have a positive impact on impressions.
- Consumers have become even more discriminant with their travel insurance purchase; wanting even more from their policies, such as a better price, ease of purchase, coverage for pre-existing conditions, than they did in 2015.
- While satisfaction remains high all on factors, there has been an increase in satisfaction with access to live representatives and their explanation of policies
- The incidence of reading policies and the confidence in knowledge of coverage has seen little change since the first wave of study.
- Satisfaction with the purchase and claims process remains high.
- However, consumers are less likely to know who to call in case of an emergency, and are less likely to feel the process of making this call lived up to expectations.
- While claimants continue to make complaints at the same rate as they did in 2015, they are even more likely to complain about the time it took to process. Policy-wording is less likely to be blamed, but unclear expectations (not testing in 2015) is a primary complaint.



# Confidence and Trust in Industry

- Most respondents have confidence in the travel medical insurance industry in general on various measures. There are higher scores among buyers than non-buyers and still higher scores among claimants compared to non-claimants; confidence is also higher among the older cohort (65+).
  - 82% (80% in 2015) are confident they would receive the needed assistance - 90% for buyers – 93% for claimants.
  - 80% (77% in 2015) are confident in the quality of service – 87% (85% in 2015) for buyers – 91% (88% in 2015) for claimants
  - 78% (77% in 2015) are confident they would be reimbursed for eligible expenses – 86% for buyers – 88% for claimants (unchanged from 2015).
  - 74% are confident they would be provided the amount of financial coverage necessary to take care of any medical emergency they may suffer during travel – 84% for buyers and 87% for claimants. (New question – no 2015 tracking)
- There is also a good degree of trust toward many insurance providers, particularly:
  - Associations - 80% saying they trust somewhat or fully (81% in 2015),
  - Traditional insurers - 78% (unchanged from 2015),
  - Employer-provided insurance – 77% (80% in 2015),
  - Financial institutions (banks, credit unions, caisses populaires) - 72% (74% in 2015), and
  - Insurance Brokers – 69% (unchanged from 2015)
- In contrast, there is comparatively less trust in organizations whose core business is not financial services...
  - Travel agencies – 65% (63% in 2015),
  - Airlines – 56% (54% in 2015), and
  - Travel companies – 55% (52% in 2015).

# General Knowledge and Behaviours

- Similar to 2015 findings, approximately half of consumers have travel medical insurance through their work (47%, compared to 50% in 2015) and/or credit cards (48%, compared to 43% in 2015).
  - Three in ten (31%) have both, while 16% only have it through work, and 17% through their credit card, leaving roughly another third without travel medical insurance on an ongoing basis.
- Similar to 2015 findings, consumers, particularly those who actually purchased a policy, tend to understand what is and what isn't covered, and know coverage amount of this insurance
  - Nine in ten (88%) of those with workplace travel insurance say they have reasonable (60%) or extensive (28%) knowledge of their coverage, and eight in ten (81%) of those with credit card insurance say the same (59% and 22%, respectively).
  - Similarly, 85% have either a rough idea (45%) or know their coverage amounts exactly (31%) for workplace insurance, while 72% say the same of their credit card policies (45% and 27%, respective).
- Only two-fifths will read a travel insurance policy in detail prior to travelling (39%), with one-third (33%) skimming it and one-quarter (28%) reading even less. These behaviours have not changed from 2015.
  - While those who have purchased this insurance in the past year are more likely to read it in detail, it is still less than half who will do so (46%).

## General Knowledge and Behaviours (Cont'd)

- Most do not have a problem with the way their policy is laid out and believe it is at least somewhat easy to understand what is covered and what is excluded (78%).
  - That said, only 24% say this is very easy; 54% say it is somewhat easy to understand.
  - Even among those who have purchased insurance and therefore are likely read it more carefully (and recall doing so more recently), only 29% rate this as very easy.
- Most (82%) would know who to contact if they had a concern about their travel medical coverage.
  - This is particularly true of those who have recently bought a policy (89%).
- The main factors influencing consumers' purchase decisions are:
  - features and benefits – 87% (86% in 2015),
  - overall amount of coverage – 85% (not asked in 2015)
  - ability to speak to someone – 83% (81% in 2015),
  - Price (81%, up significantly since 76% in 2015),
  - coverage for pre-existing conditions – 71% (up significantly from 66%), and
  - ease of purchase – 77% (up significantly from 70%).

# Purchase Behaviours

- The top-three insurance purchase providers sources are:
  - Insurance companies - 25% (up from 20% in 2015),
  - Associations – 15% (13%), and
  - Banks/ credit unions/caisses populaires - 13% (unchanged).
- Purchases continue to be well-spread across various channels, with phone, in-person, and online each representing approximately one third of purchases, as was the case in 2015.
- Buyers also continue to gravitate toward a single-trip medical insurance - 45%, (compared to 44% in 2015) followed by multi-trip medical - 26% (unchanged).
  - Comprehensive packages are purchased much less frequently (single trip – 17% and multi-trip - 12%).
- When asked their preference, a strong majority (74%) would rather purchase a comprehensive travel insurance package, rather than buy coverages individually.
  - Among those 21% preferring the latter, when told buying pieces individually would cost up to 20% more, two-thirds (66%) changed their answer to a package policy.
- At the time of purchasing their travel medical insurance policy, buyers are confident they know the policy terms, with 90% saying their knowledge is at least reasonable, 20% saying it is extensive (unchanged from 2015).
- Buyers also feel they have at least some knowledge of the limitations and exclusions of their policy at the time of purchase (89%), with 42% saying they knew them exactly.
- While they are likely to know who to contact in the event of a medical emergency (83%), this is down slightly from 2015 (87%).

## Purchase Behaviours (Cont'd)

- Three-fifths (60%) say they filled out a medical form when purchasing their policy (unchanged since 2015).
  - The form was easy to complete for four in ten and moderately easy for just over half (53%); these findings were also virtually unchanged since 2015.
  - Satisfaction with the purchase experience is once again very high - 94% (up from 87% in 2015).
  - Satisfaction levels are virtually identical by channel – phone, online & mobile, in-person.
- Satisfaction is high across the range of measured factors that influence the overall purchase experience with no areas for concern:
  - *Highest*: Ease of transaction and availability of comprehensive information – 92% (from 90% in 2015 when it also ranked highest).
  - *Lowest*: Value for money – 84%, unchanged since 2015.

# Claim Experience

- Six in ten (61%) individuals who experienced a travel medical emergency contacted their insurer during the emergency. Among them, just over half (53%) initiated a claim at that time.
- Overall satisfaction with the claim experience, from initial contact to final outcome, remains high, at 91% satisfied (92% in 2015).
  - Virtually all - 98% - of processed claims were paid: 75% fully, 23% partially (2% denied).
  - Those paid in full were more likely to be satisfied (97%; 70% very) than those paid partially (78%; 26% very).
- All aspects of the emergency call received high satisfaction scores – ranging from 81% to 94%.
  - Moreover, 81% (down from 88% in 2015) found the actual medical emergency experience in line with what was explained to them during the initial contact.
  - As well, 85% (up from 82% in 2015) report that the support they received during the travel medical emergency met (57%) or exceeded (28%) their expectations.
- Satisfaction with the various aspects of the claim submission process is strong with scores ranging from 85% to 92% satisfied, and there are no areas of concern.
  - Scores for these measures were higher than in 2015 for a number of measures.
  - As with other measures, the strength of satisfaction is affected by the claim outcome, with claimants paid in full giving higher ratings than those paid partially.

## Claim Experience (Cont'd)

- Fully 85% (compared to 87% in 2015) found the actual claim submission experience to be in line with what was explained to them during the initial contact.
- As well, 89% of claimants thought the claim submission experience was positive and either met (75%) or exceeded (14%) their expectations.
  - Fully reimbursed: 97% met (81%) or exceeded (16%) expectations.
  - Partially reimbursed: 79% met (70%) or exceeded (9%) expectations.
- Eight in ten (79%, up from 72% in 2015) reported that the claim payment was in line with expectations, while another 14% said it exceeded them (down from 23% in 2015 – this proportion is down for both claimant groups).
  - Fully reimbursed: 99% met (84%) or exceeded (16%) expectations.
  - Partially reimbursed: 73% met (64%) or exceeded (9%) expectations.
- Even though a vast majority declare satisfaction with the claim experience, approximately three in ten (31%, down from 38% in 2015) made a complaint about the claim experience.
  - This was mostly done directly to the insurance representative they were dealing with for the claim, and most often was in regard to the time it took for the claim to be processed.
  - Three quarters (73%, down from 89% in 2015) were satisfied with how the claim was handled – 47% very satisfied (unchanged). This includes 93% among those with fully paid claims and 50% among those partially reimbursed.

**CANADIANS POSITIVE ON TRAVEL MEDICAL INSURANCE**  
**98% say claims paid; 8 in 10 satisfied with their experience**

TORONTO, June XX, 2018 – The experience of Canadians with travel medical insurance is very positive, with at least eight in 10 satisfied with most aspects of the product and the value it provides. Furthermore, 98% of people who made travel medical insurance claims in the past year say they were fully or partially paid, with only 2% of claims being rejected. In addition, 91% of Canadians said they were satisfied with their claim experience from initial contact to final outcome.

These are the key findings of public opinion research by **Pollara Strategic Insights** (insert link to Pollara executive summary on CAFII website), conducted between February 16 and March 5, 2018. These and other findings about travel medical insurance are consistent with results from similar research undertaken by Pollara in 2015.

According to the research, confidence in the travel medical insurance industry is high, with consumers continuing to expect they would receive a high quality service that would provide the assistance they need and the expected reimbursement to cover the cost of the emergency. The more involved the consumer has been in this process (through making a purchase or a claim) the more confident they are.

Canadians also say they have a reasonable understanding of the travel medical insurance coverage terms and limitations, amount of coverage and who to contact in the event of an emergency. For example, at the time of purchasing their travel medical insurance policy, buyers said they were confident they know the policy terms, with 90% saying their knowledge is at least reasonable, and 20% saying it is extensive. Buyers also said they feel they have at least some knowledge of the limitations and exclusions of their policy at the time of purchase (89%), with 42% saying they knew them exactly.

Fully 85% of respondents found the actual claim submission experience to be in line with what was explained to them during the initial contact, and 89% of claimants thought the claim submission experience was positive and either met (75%) or exceeded (14%) their expectations. However, despite the high levels of overall satisfaction, approximately three in ten (31%) had a complaint about the claim experience, mostly about the length of time it took to process a claim (41%), and what information was required to make a claim (24%).

When it comes to choosing their travel medical insurance, Canadians said the top six factors influencing their decisions were:

- features and benefits (87% vs 86% in 2015),
- overall amount of coverage (85% vs 85% in 2015),
- ability to speak to someone (83% vs 81% in 2015),
- price (81% vs 76% in 2015)),
- ease of purchase (77% vs 70% in 2015), and,
- coverage for pre-existing conditions (71% vs 66% in 2015),

The last three factors were up significantly from 2015, which suggests consumer expectations for travel medical insurance are increasing, and that providers need to keep improving their product to maintain high levels of customer satisfaction.



“Canadian consumers have expressed a great deal of confidence in the travel medical insurance industry, and the products that our members provide,” said Keith Martin, Co-Executive Director of the Canadian Association of Financial Institutions in Insurance (CAFII), which sponsored the Pollara research. “On the other hand, consumers continue to raise the bar on what they expect from the industry in terms of innovative product features, quality service and value, and rightly so.”

- 30 -

**About CAFII:**

The Canadian Association of Financial Institutions in Insurance is a not-for-profit Association dedicated to the development of an open and flexible insurance marketplace. CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services. CAFII's members include the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Financial Security; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players American Express Bank Canada, Assurant, Canada Life Assurance, CUMIS Services Incorporated, Manulife (The Manufacturers Life Insurance Company), the CUMIS Life Insurance Company, and valeyo (formerly Canadian Premier Life Insurance Company).

**About Pollara Strategic Insights:**

Founded in 1980, Pollara Strategic Insights is one of Canada's premier full-service research firms – a collaborative team of senior research veterans who are passionate about conducting research through hands-on creativity and customized solutions. Taking full advantage of their comprehensive toolbox of industry-leading quantitative and qualitative methodologies and analytical techniques, Pollara provides research-based strategic advice to a wide array of clients across all sectors on a local, national, and global scale.

-----

Media contact for Cafii:

David Moorcroft, Public Affairs Advisor

Email: david@strategy2communications.com

Tel: 416-727-1858

Media contact for Pollara:

Craig Worden President,

Email:CraigWorden@pollara.com

Tel: 416-921-0090 ext. 2235

## **Objectives, Media and Public Release**

### **Pollara Travel Health Insurance Consumer Research**

**Objective:** The Pollara Travel Health insurance consumer study demonstrates the generally high levels of satisfaction of Canadians with travel health insurance. It provides an objective, evidence-based counter-point to the one-off stories about negative experiences some Canadians have complained about, which have been picked up by the media. Given that the results are so positive, it seems appropriate to issue a press release and post the results of the Executive Summary on our website. The objective is to publicly share, and get media pickup on, the positive results of this study; and indirectly, to have evidence to back up our claims and key messages to regulators and policy-makers about the travel health industry.

#### **Benefits – The benefits of a public strategy are:**

- Share key study results publicly (which is vastly positive), and in the process, further establish CAFII as a credible and reliable source of industry information and data;
- Provide an opportunity for media pick up of our positive industry results now and in the future, as the results will remain in media archives for many years
- Show that we have nothing to hide, and that we are continuously looking at how to maintain and improve customer satisfaction;
- Provide factual, evidence-based information on the real situation in the industry, as opposed to the impressions left by sensationalist media stories, often encouraged by unopposed criticism from others;
- Show regulators that we are functioning well as an industry, are willing to share information about our industry, that we are not relying solely on regulators to correct public misinformation about the industry, and that we are focused on consumer satisfaction;
- Demonstrate the very high level of customer satisfaction with travel medical insurance, and in particular the 98% claims payout, and provide strong evidence that the original 2015 study was valid, since results in 2018 are so consistent with that earlier study;
- Provide information on the positives of the industry to journalists researching a story on the industry, where right now they would only see negative stories with no counter points or information providing the industry's point of view.

#### **Risks – The risks of a public strategy are:**

- There is always the possibility that a biased source, like a broker controlled industry outlet, could try to spin some of the research results negatively; however, this is unlikely to occur in the mainstream media;
- There are a few results that are less favourable in 2018 than 2015, for example “Three quarters (73%, down from 89% in 2015) were satisfied with how the claim was handled.” This is one of the few areas where there was a notable drop from 2015. However, it gives CAFII and the industry more credibility by including a few negatives, because otherwise we may appear dishonest by “cherry-picking” only positive results. Furthermore, by publishing all of the key findings including a few minor negatives, we make all the results more believable and useful. The few results that are not as strong are small relative to the overall positive results, so we can feel confident that media reporting will be generally positive given the overall positive nature of the results. Furthermore, a result like this can be explained:

- This is the age of the consumer, where we are compared to Amazon and COSTCO. Consumers expect more. As an industry, we take that seriously and our members will analyze the results carefully to see how to continue to improve customer experience.
- We are responding well to complaints, as overall satisfaction levels remain very high.
- The top two complaints are around time to process a claim, and clarity around the information required to process a claim. These are legitimate concerns that we hope to improve upon. However, while we want to make the claims process as simple and fast as possible, we also want to ensure we have enough information and time to properly assess claims and maintain a very high level of pay out, which right now is 98%.

**Risk-Benefit Analysis:**

- When reviewing the study results, and the benefits versus the risks of going public, there is a strong case to be made that the benefits of the public approach significantly outweigh the potential risks.

There will be a 90 minute media preparation session on Monday, 5 June with media consultant David Moorcroft; and his partner Brian Smith, with CAFII spokesperson Keith Martin, along with Brendan Wycks, Diane Quigley, Charles Blaquiere, and Sue Manson. At that session, we will review potential critical questions that could be asked and how best to manage these.

## **Critical Path, Pollara Research**

<b><u>Event</u></b>	<b><u>Lead</u></b>	<b><u>Date</u></b>	<b><u>Comments</u></b>
Detailed Pollara Research Deck / Detailed Research Results	Sue Manson	Week of May 14	
Key Messages for Media	Keith Martin	Week of May 21	
Key takeaways to leave with Regulators and Policy-Makers, Post on website	Keith Martin	Week of May 21	
Review key messages, key takeaways in media session	Keith Martin, Brendan Wycks; meeting with David Moorcroft, Brian Smith. Also participating: Charles Blaquiere, Diane Quigley, Sue Manson.	Prior to May 29 EOC Meeting	A 1-2 hour session to review messages and materials as part of our prior investment in a Media Session
Develop Draft Media Releasee	David Moorcroft	After Media Session, and before May 29 EOC meeting	
Provide recommended messages, takeaways, Media Release to EOC	Keith Martin, Brendan Wycks	May 29 EOC Meeting	
Refine recommended messages, takeaways, Media Release based on EOC feedback	Keith Martin (David Moorcroft for Media Release)	After May 29 EOC Meeting, and before June 5 Board meeting	
Provide Board of Directors with Pollara Research Communications Strategy, including key messages; takeaways; Media Release	Keith Martin	June 5 Board Meeting	
Meeting of the R&E Committee and the Travel Medical Experts Working Group (joint, teleconference) to provide an informational update on the strategy approved by the EOC and Board on Pollara research, including media strategy / key deliverables	Keith Martin	After June 5 board meeting and before CCIR webinar, media release	Keith to find dates that work for everyone
Meeting of the Media Advocacy Committee (teleconference) to provide an informational update on the strategy approved by the EOC and Board on Pollara research, including media strategy / key deliverables	Keith Martin	After June 5 board meeting and before CCIR webinar, media release	Keith to find dates that work for everyone

Present webinar on Pollara Research Results highlights to CCIR/CISRO audience	Brendan Wycks, Keith Martin, Pollara	After June 5 Board meeting; and immediately prior to release of Media Release that same day	Need to set this up several weeks before actual webinar session; Tony Toy is contact at CCIR, and his new colleague at CISRO
Distribute key messages / takeaways to all Regulators and Policy-Makers	Brendan Wycks	Right after CCIR/CISRO webinar	
Share research results with key partners (CLHIA, THiA, maybe CBA)	Brendan Wycks, Keith Martin, Pollara	Shortly after CCIR webinar	
Issue Media Release, prepare for media interviews	Keith Martin	After June 5 Board Meeting	
Work with Managing Matters' graphic designer to develop digital and physical takeaways	Keith Martin	After June 5 Board meeting	20 free graphic designer hours; after that it is billed; will get a budget
Present to Joan Weir's Travel Committee CLHIA	Sue Manson / Keith Martin	June 21 2018	

**Agenda item 4(c)**  
**May 29/18 EOC Meeting**

*From: Brendan Wycks [mailto:brendan.wycks@cafii.com]  
Sent: Wednesday, May 09, 2018 11:13 AM  
To: 'McCarthy, Peter'; 'nicole.benson@valeyo.com'; 'Thorn, Peter'; 'Keith Martin'; 'Lewsen, John';  
'Pergola, Antonio'; 'Rondzik, Sandra'; 'Manson, Sue'  
Cc: 'Natalie Hill'; 'Tara Moran'; 'daniella.bustamante@cafii.com'  
Subject: OneMain Solutions Canada: Withdrawal of Application for CAFII Initiaton Member Status*

**CAFII Representatives Involved In Member Applicant Review Committee Process Re OneMain  
Solutions Canada's Application For CAFII Initiation Member Status:**

See the withdrawal of application message from Henryka Anderson below.

When I spoke to Henryka, Chief Agent in Canada for OneMain Solutions Canada and its two creditor insurance companies American Life and Health Insurance Company and Triton Insurance Company, at the CLHIA Conference in Calgary last week –informing her that we wanted to proceed with a meeting between OneMain Solutions Canada executives and CAFII Member Applicant Review Committee members on May 23; and that I would be sending her a short list of the additional information we wanted them to bring to the table – Henryka advised me that the parent company in the U.S. (OneMain Solutions) had just announced internally that it would be undertaking a strategic rethink and that meant that a corporate reorganization would likely ensue in the near future.

Henryka said that she would be on a call with corporate headquarters about the corporate rethink/reorg this week; and that in light of the current uncertainty, head office might require that OneMain Solutions Canada withdraw its application to become an Initiation Member of CAFII at the present time, until such time as the company's direction and corporate structure are sorted out. While when we spoke last week, Henryka advised that a withdrawal of her company's Initiation Member application was just a possibility, until she received a clear direction from her boss(es) on this issue, she did see it as a likelihood.

This morning, Henryka left me a voicemail message indicating that for the reasons cited above, OneMain Solutions Canada does indeed want to withdraw its application for CAFII Initiation Member status at this time. Her email message below is intended to formalize the notification provided in her voicemail.

In both last week's conversation and her voicemail of this morning, Henryka took pains to emphasize that OneMain Solutions Canada's withdrawal of application at this time is in no way an indication of a change/decline in its interest in joining our Association, but solely related to internal, corporate uncertainty. She indicated that OneMain Solutions Canada may well resubmit its CAFII Initiation Member Application in late 2018 or early 2019.

Brendan Wycks, BA, MBA, CAE  
Co-Executive Director  
Canadian Association of Financial Institutions in Insurance

*From: Henryka Anderson [mailto:henryka.anderson@omf.com]*

*Sent: Wednesday, May 09, 2018 10:48 AM*

*To: 'Brendan Wycks'*

*Cc: Denis Martel*

*Subject: CAFII Application*


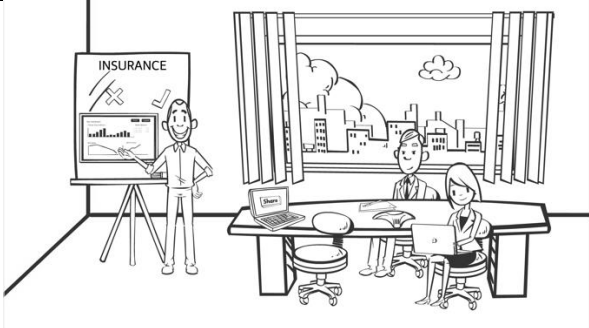


Brendan, as discussed last week, our companies would like to take some time to reassess our strategic direction. As such OneMain Solutions is withdrawing our application for membership.

Thank you for all the time you have invested in bringing us up to speed on the workings of this association.



Sincerely,

Henryka Anderson  
Chief Agent  
Triton Insurance Company  
American Health and Life Insurance Company  
1420-380 Wellington Street  
London, ON N6A 5B5  
Toll Free: 844-621-8014  
Direct: 817-820-5014  
Fax: 866-897-8985

## CAFII INTRODUCTORY VIDEO FOR WEBSITE – DRAFT 2

Audio	Story Board Description	Time
<p>The Canadian Association of Financial Institutions in Insurance or CAFII is an industry association, whose members believe that insurance should be simple, accessible, and affordable for consumers.</p>	 <p>The image shows the CAFII logo in blue. Below it, the text 'Helping to make insurance:' is followed by the words 'SIMPLE', 'ACCESSIBLE', and 'AFFORDABLE' stacked vertically in large, bold, sans-serif font. 'SIMPLE' is blue, 'ACCESSIBLE' is orange, and 'AFFORDABLE' is blue.</p>	8 sec
<p>Our members are focused on making life and health insurance easy-to-understand, including by providing helpful information for consumers on this website.</p>	 <p>A black and white line drawing of an office scene. A man stands next to a flip chart labeled 'INSURANCE' with a checkmark and a graph. He is pointing at the chart. Two women are seated at a desk with laptops, looking at the man. A window in the background shows a city skyline.</p>	9 sec
<p>We believe that when insurance can be purchased in a variety of ways, it makes it easier for consumers to get the coverage they need – particularly those who are underserved by traditional means.</p>	 <p>A black and white line drawing showing a man sitting on a suitcase with a laptop. Behind him is a large screen displaying the CAFII logo and five icons representing different purchase channels: Internet (laptop), Contact Centres (phone), In Person (person), Travel Agents (airplane), and Direct Mail (envelope).</p>	10.5 sec
<p>Our members offer creditor insurance products at standard economical group rates that provide an affordable option for consumers.</p>	 <p>A black and white line drawing of five diverse people standing outdoors under a sun and clouds. They are all smiling and holding stacks of money, suggesting financial success or savings.</p>	8.5 sec



<p>We believe consumer choice is important, and that people should have the right to decide how they want to buy their insurance, and through which channel.</p>		9 sec
<p>CAFII – making insurance simple, accessible and affordable.</p>		5 sec
Total:		50 sec



June XX, 2018

Mr. Ron Fullan  
Executive Director  
Insurance Council of Saskatchewan  
Suite 310  
2631 – 28<sup>th</sup> Avenue  
Regina, Saskatchewan S4S 6X3

Dear Mr. Fullan,

On behalf of the Canadian Life and Health Insurance Association (CLHIA) and the Canadian Association of Financial Institutions in Insurance (CAFII), we are pleased to provide our joint proposal for a Restricted Insurance Agent Advisory Committee (RIA Advisory Committee) of the Saskatchewan Insurance Councils.

As you will recall at our meeting on October 27, 2017, we expressed our support for an RIA Advisory Committee that would ensure the Councils have the benefit of expert information and advice when dealing with issues involving restricted insurance agents. At the time, you had requested that the CLHIA and CAFII develop a joint proposal for consideration.

We have since met with members of CLHIA and CAFII to develop a proposal that sets out the principles upon which we recommend establishing an RIA Advisory Committee. We believe that the RIA Advisory Committee itself may be in the best position to determine how the committee will be managed, but offer some details for consideration in the attached suggested Terms of Reference.

The CLHIA and CAFII appreciate the opportunity to provide this joint proposal for your consideration. We would be pleased to discuss our proposal in more detail at your convenience.

Sincerely,

Erica Hiemstra  
Assistant Vice President, Distribution  
Canadian Life and Health Insurance Association

Brendan Wycks

Co-Executive Director  
Canadian Association of Financial Institutions in Insurance

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

## **CLHIA and CAFII's Joint Proposal for a Restricted Insurance Agent Advisory Committee of the Saskatchewan Insurance Councils**

### **Mandate**

The RIA Advisory Committee will provide subject matter expertise to the Saskatchewan Life Council, General Council, and/or Executive Director regarding Restricted Insurance Agents (RIAs). The Advisory Committee may also provide advice regarding the operational efficiency and effectiveness of regulations related to RIAs.

The RIA Advisory Committee will not advocate on behalf of the industry.

### **Scope**

The RIA Advisory Committee will provide the Councils and/or Executive Director with advice and information on RIA-relevant issues, including:

- Information on relevant products and distribution channels;
- The consumer needs for which RIA-distributed products are designed;
- Impact of Council decisions on RIAs; and
- The operational efficiency and effectiveness of the Saskatchewan RIA regulatory regime.

### **Terms of Reference**

Within the first year of its existence, the RIA Advisory Committee will develop its own Terms of Reference that will determine how it will function, including quorum at meetings, agenda development, and minutes, among other things. A suggested Terms of Reference is attached as a “thought-starter” for the RIA Advisory Committee.

### **Membership**

Given the broad interests already represented on the Life and General Councils, we believe the membership of the RIA Advisory Committee should be limited to experts in the products and distribution channels utilized under restricted licenses.

The RIA Advisory Committee will be composed of five (5) members, including:

- two (2) restricted insurance agent representatives with distribution expertise in RIA products.
- two (2) insurer representatives with expertise in relevant products, distribution channels and practices.
- the Executive Director of the Insurance Councils or designated staff.

A wide range of products are distributed under restricted insurance agent licenses through a variety of channels. In order to balance the need for relevant subject matter expertise with the need for continuity on the RIA Advisory Committee, the Committee may be augmented by additional subject matter experts, as needed and on an *ad hoc* basis.

For Committee members and *ad hoc* subject matter experts, CAFII shall be called upon to propose a list of representative candidates from RIA license holders and the CLHIA shall be called upon to propose a list of insurer representative candidates. The CLHIA and CAFII can only provide commentary on behalf of life and health insurers. However, the list of members and *ad hoc* subject matter experts should be expanded to include representatives from the property and casualty insurance industry. It is recommended that associations representing the P&C industry (e.g. IBC, CADRI) be called upon to propose members.

We believe the interests of consumers are already well-represented through the Life and General Councils; and, therefore, a consumer representative is not required on the RIA Advisory Committee.

RIA Advisory Committee members shall not be required to be residents of Saskatchewan.

### **Chair**

In keeping with the Saskatchewan Life and General Councils' by-laws, the Chair of the RIA Advisory Committee will be appointed by the Life and General Councils.

### **Membership Rotation**

Consistent with the Saskatchewan Life and General Councils model, RIA Advisory Committee members shall serve a three-year term, once renewable. In establishing the initial composition of the committee, members' terms of office may be staggered in order to ensure appropriate continuity of expertise.

### **Frequency of Meetings**

The RIA Advisory Committee will meet as necessary, at the request of the Life Council, the General Council, or the Executive Director. However, the RIA Advisory Committee shall meet no less than twice per year.

Where two or more members of the RIA Advisory Committee feel that a meeting should be held to deal with an issue(s), they may request -- in writing to the Life Council, the General Council, or the Executive Director -- that a meeting of the Advisory Committee be held.

### **Duration of Committee**

The duration of the RIA Advisory Committee's mandate is indefinite. However, after a three-year period, the Life and General Councils, in conjunction with the Executive Director, shall review the Advisory Committee's role and effectiveness.

## **Suggested Terms of Reference for the Restricted Insurance Agent Advisory Committee of the Saskatchewan Insurance Councils**

Below we have provided a suggested Terms of Reference for the RIA Advisory Committee's consideration.

Conduct of the RIA Advisory Committee's meetings and related procedures shall be as consistent as possible with those followed by the Life and General Councils.

### **Quorum**

Quorum for meetings will be attendance by a simple majority of RIA Advisory Committee members. The Executive Director or a designated staff member shall always be in attendance.

### **Distance Support**

The RIA Advisory Committee may meet in-person or by teleconference or other electronic means.

### **Agenda**

The Chair of the RIA Advisory Committee shall prepare a meeting agenda. The Chair may request agenda items from members.

### **Committee Records**

The Executive Director or a designated staff member shall maintain minutes of the RIA Advisory Committee's meetings.

### **Conflicts of Interest**

Members of the RIA Advisory Committee must be committed to the public interest regarding the insurance industry. If the RIA Advisory Committee is dealing with an issue that directly affects one of its members, that member shall remove him/herself from deliberations on the issue. The RIA Advisory Committee may wish to supplement its membership with another representative from the roster of *ad hoc* experts, if needed.

### **Removal from the RIA Advisory Committee**

RIA Advisory Committee members may be removed if their conduct or activities are detrimental to or incompatible with the functions and policies of the committee or of the Life or General Councils.

### **Remuneration**

Remuneration of RIA Advisory Committee members' committee-related expenses, including travel expenses if any, shall be in accordance with the expense reimbursement policy of the Insurance Councils of Saskatchewan.

### **Amending the Terms of Reference**

The RIA Advisory Committee's Terms of Reference may be revised by the Executive Director or a designated staff member, in consultation with and upon the recommendation of the RIA Advisory Committee.