

CAFII Board of Directors Meeting

Date: Tuesday, November 29, 2016
Location: BMO Insurance
60 Yonge St., Main Boardroom, 6th Flr.,
Toronto, ON

Chair: P. McCarthy
Time: 2:30 – 4:30 p.m.
Dial-in: 416-764-8662 or 1.888-884-4534
Participant code: 4532491#
Moderator code: 5829171#

Agenda

Item	Presenter	Document	Action
1. Call to Order and Welcome 2:30 p.m. 1.1. Approval of Agenda	P. McCarthy	✓	Approval
2. Consent Items 2:35 p.m. 2.1. Draft Board Meeting Minutes, October 4, 2016 2.2. Summary of Board & EOC Action Items 2.3. Balanced Scorecard 2.4. Regulatory Update 2.5. Regulator and Policy-Maker Visit Plan	P. McCarthy	✓ ✓ ✓ ✓ ✓	Approval Receipt Receipt Receipt Receipt
3. Financial 2:40 p.m. 3.1. Financial Statements as at October 31, 2016 3.2. Quarterly Financial Reporting -- November 2016 3.3. Draft CAFII 2017 Operating Budget Options Review	R. Rajaram R. Rajaram R. Rajaram	✓ ✓ ✓	Approval Review Review
4. Regulatory 3:00 p.m. 4.1 Regulatory Consultations/Submissions Timetable 4.1.1 BC 'Effecting' of CGI Issue 4.1.2 Saskatchewan Insurance Regulations Consultation 4.1.3 Quebec Omnibus Bill on Financial Sector Modernization 4.1.4 Ontario Replacement of FSCO with New Financial Services Regulatory Authority 4.2 Alberta Authorization of CI Sales Under an RIA Certificate	E. Fang/B. Wycks R. Beckford/B. Wycks R. Beckford/B. Wycks B. Wycks B. Wycks	✓ ✓ (2) ✓ (2)	Update Update Update Update Update
5. Committee Reports Addressing CAFII Priorities 3:15 p.m. 5.1 Market Conduct 5.2 Media Advocacy 5.3 Licensing Efficiency Issues 5.4 Research & Education	R. Beckford C. Blaquiere M. Gill D. Quigley		Update Update Update Update
6. Other Business 3:25 p.m. 6.1 Proposed 2017 CAFII Board Meeting Dates 6.2 CAFII Stakeholder Dialogue With CCIR: December 12/16 6.3 CAFII 20 th Anniversary Celebration in 2017	B. Wycks B. Wycks B. Wycks	✓	Approval Update Update
7. In-Camera Session 3:35 p.m. 7.1 Draft CAFII 2017 Operating Budget	P. McCarthy	✓	Discussion & Approval

CAFII Year-End Reception: will immediately follow this Board Meeting from 5:00 to 7:30 p.m., at First Canadian Place, 100 King St. West, York Room, 68th Floor, Toronto

Next Board Meeting: Wednesday, April 5, 2017, 2:30 to 4:30 p.m., location: TD Insurance, 2nd Floor, Cape Breton Room, 320 Front St, Toronto; to be immediately followed by CAFII 20th Anniversary Celebration, 5:00 to 7:30 p.m., at Ripley's Aquarium, Toronto.

CAFII Board of Directors Meeting Minutes
Tuesday, October 4, 2016
RBC Insurance, 1 Place Ville Marie, Montréal, Québec
DRAFT

Board Present:	Nicole Benson	CRI Canada <i>(by teleconference)</i>
	Joane Bourdeau	National Bank Insurance Co.
	Chris Knight	TD Insurance
	Chris Lobbezoo	RBC Insurance
	Peter McCarthy	BMO Insurance <i>Chair</i>
	Nick Bilodeau	AMEX Bank of Canada <i>(by teleconference)</i>
	Bob Grant	ScotiaLife Financial <i>(by teleconference)</i>
	Kelly Tryon	The CUMIS Group <i>(by teleconference)</i>
	Robert Zanussi	Assurant Solutions <i>(by teleconference)</i>
EOC Present:	Carol Allen	Assurant Solutions <i>(by teleconference)</i>
	Rose Beckford	ScotiaLife Financial <i>(by teleconference)</i>
	Charles Blaquiere	Canadian Premier Life Insurance Co. <i>(by teleconference)</i>
	Isabelle Choquette	Desjardins Financial Security
	Eleanore Fang	TD Insurance <i>Secretary & EOC Chair</i>
	Moira Gill	TD Insurance <i>(by teleconference)</i>
	Charles MacLean	RBC Insurance
	Sue Manson	CIBC Insurance <i>(by teleconference)</i>
	Diane Quigley	The CUMIS Group
	Raja Rajaram	CIBC Insurance <i>(for part, by teleconference) Treasurer</i>
	Jérôme Savard	Desjardins Financial Security
	Andrea Stuska	TD Insurance
Also Present:	Emily Cloutier	T•O Corporate Services <i>Recording Secretary</i>
	Brendan Wycks	CAFII <i>Executive Director</i>
Regrets:	Linda Fiset	Desjardins Financial Security
	Todd Lawrence	CIBC Insurance
	Kelly Tryon	The CUMIS Group
	Jason Beauchamp	BMO Insurance
	Katherine Geisler	CIBC Insurance
	Ana Vu	BMO Insurance

1. Call to Order

P. McCarthy called the meeting to order at 2:32 p.m. and welcomed all in attendance. P. McCarthy acted as Chair; E. Fang acted as Secretary; and E. Cloutier acted as Recording Secretary.

P. McCarthy extended a particular welcome to E. Fang as it was her first meeting as Board Secretary, an office associated with her new role as Chair of the Executive Operations Committee.

Secretary E. Fang confirmed that notice of the meeting was sent to all Directors in accordance with the Association's By-Law and that there was a quorum of Directors present, with four Directors present in-person and five Directors participating by teleconference.

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

On motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The Meeting Agenda be approved as presented.

1.2 Appreciation Resolution

P. McCarthy proposed that the Board pass a resolution of thanks and appreciation to G. Grant for his two years of outstanding service as EOC Chair and Secretary to the Board.

On motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The CAFII Board of Directors expresses its thanks and appreciation to Greg Grant, for two years of outstanding service as Executive Operations Committee Chair and Secretary to the Board of Directors; for his dedication of much time, energy, and professionalism to that volunteer leadership position; and for significantly moving this Association forward on numerous regulatory consultation issues and other strategic matters.

Action: Communicate the CAFII Board's Resolution of Appreciation to G. Grant [E. Fang or B. Wycks; October 21, 2016].

1.3 Debrief on Liaison Lunch and Industry Issues Dialogue with AMF Staff Executives

P. McCarthy noted that time had been set aside on the agenda to hold a debrief discussion on the Liaison Lunch and Industry Issues Dialogue that CAFII leaders had just completed with the CEO and other members of the AMF management team.

P. McCarthy advised that in his view, today's meetings with the AMF executives were a great success, having produced much collaborative and candid discussion. With each successive liaison meeting that CAFII holds with the AMF, it is obvious that a stronger rapport is being built between our Association and the regulator. He also noted that CEO Louis Morisset articulated a clear message that the AMF respects and values CAFII's role in the industry and was eager to gain further perspectives from us on issues.

B. Wycks added that, over lunch, E. Stevenson had expressed a high degree of confidence that in its imminent modernization of key pieces of legislation, the Quebec Government will support internet sales of simple insurance products without the necessary involvement of a licensed advisor.

C. Lobbezoo agreed and added that P. Lebel had raised important questions about where the role of an advisor would fit into the online insurance purchase experience. Will online sales offer the ability to speak to an advisor when needed?

P. McCarthy concluded by reiterating that meeting with the AMF annually was an important initiative as the AMF definitely wants to hear CAFII's perspectives and feedback on industry issues as the viewpoints of CAFII and its members often differ from those of other industry Associations.

2. Consent Items

On a motion duly made, seconded and unanimously carried

It was **RESOLVED** that the following 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:

- Summary Board and EOC Action Items
- Balanced Scorecard
- Regulatory Update
- Regulatory and Policy-Maker Visit Plan
- Committee Reports Addressing CAFII Priorities

IT WAS FURTHER RESOLVED that:

The Minutes of the Board meeting held June 7, 2016 be and are adopted in the form presented, and that a copy of these minutes be signed and placed in the Minute Book of the Corporation.

3. Financial Update

3.1 Approval of August 31, 2016 Financials

Treasurer R. Rajaram commented on the Statement of Operations, noting that while August was essentially a break-even month that did not add to the level of financial reserves, CAFII still had a surplus year-to-date of just over \$49,000. However, it was expected that significant spending over the remainder of the year, in particular in the line item areas of Media Outreach, including the CAFII website, and Regulatory Models, would move the Association closer to the budgeted deficit for 2016.

With respect to the Balance Sheet, we currently have unrestricted net assets of just over \$408,000, meaning our financial reserves are at 80% of the Association's annual operating expenses. However, with the healthy spending on projects expected over the balance of the year, we anticipate that by the end of the fiscal year, the reserves will be closer to the 72% of annual operating expenses set out in the forecast to the end of the year.

In terms of Member and Associate dues, E. Cloutier was pleased to report all 2016 dues had now been paid and none remained outstanding.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The CAFII financial statements as at August 31, 2016 be and are approved in the form presented.

3.2 Quarterly Financial Reporting – September 2016

P. McCarthy noted that the Quarterly Financial Report is a new mechanism developed this year to track the Association's financial results against the approved budget; and to project those results to the end of the fiscal year, with more precision, on a quarterly basis.

Treasurer R. Rajaram commented on the highlights of the Quarterly Financial Reporting as at September 2016. It appeared that the Association will come very close to meeting the forecast numbers of Q3. But for the full fiscal year, expenses are tracking lower below forecast so, barring unforeseen major expenditures over the remaining four months, it will still be a challenge to meet or exceed the budgeted deficit of \$71,000.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The CAFII Quarterly Financial Reporting of September 2016 be and is approved in the form presented.

3.3 Appointment of CAFII Cheque Signing Authorities

P. McCarthy provided background to this item, noting that the Board's recent appointment of a new EOC Chair and Secretary gave rise to a need to update the CAFII Cheque Signing Authorities in a manner that meets the requirements of the Association's bank.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The CAFII Board of Directors approves the appointment of the following individuals as authorized signatories for all cheques prepared and issued by the Canadian Association of Financial Institutions, revoking any person previously named in that capacity:

- Brendan Wycks, CAFII Executive Director
- Raja Rajaram, CIBC Insurance, CAFII Treasurer
- Eleanore Fang, TD Insurance, CAFII EOC Chair & Board Secretary
- Lynn Beauregard, President, TO Corporate Services
- Senait Ghebru, Controller, TO Corporate Services

Action: Submit Board-approved resolution on appointment of CAFII Cheque Signing Authorities to TD Bank and follow-up to ensure that CAFII's signing authorities are brought up-to-date in the bank's systems [E. Cloutier; October 24, 2016].

4. Regulatory Consultations/Submissions Timetable

P. McCarthy advised that the summer months had been an especially busy period for the Association, as two major CCIR regulatory consultation submissions were due – one in August; and another in September -- and a number of other consultations were in an active "watch and monitoring" mode. The status of each of those items was set out in the Regulatory Consultations/Submissions Timetable, and updates on several were provided in the Regulatory Update.

4.1.1 BC 'Effecting' of CGI Issue

EOC Chair E. Fang updated the Board on the status of CAFII's further engagement with BC's FICOM on matters arising from its Information Bulletin on Creditor's Group Insurance which was released in September 2015. E. Fang noted that while the Bulletin was released just over a year ago, CAFII had had a number of follow-up discussions with H. James and other FICOM staff executives on matters of concern in the Bulletin, which ultimately led to the Association's decision to engage J. McCutcheon of Borden Ladner Gervais to provide a legal opinion. At this time, J. McCutcheon has completed her research on the issue and though there has been a delay, she expects to be in a position to deliver her draft opinion to CAFII by mid-October. Following the EOC's review of that draft opinion, a formal recommendation for CAFII action will be presented to the Board.

Action: Secure legal opinion from J. McCutcheon on auto dealers are creditors for a moment-in-time issue for possible submission to FICOM; and facilitate review by EOC at October 25/16 meeting and subsequent recommendation to CAFII Board on use of the legal opinion [E. Fang; October 20, 2016].

4.1.2 Proposal to CAFII Board Re Engagement of Specialized Legal Counsel

P. McCarthy introduced a proposal to the Board from the EOC related to the engagement of specialized legal counsel in connection with Quebec's expected omnibus Bill on overhauling its Insurance Act and Distribution Act.

It was noted that engaging Sylvie Bourdeau of Fasken Martineau DuMoulin's Montreal office for specialized legal counsel services would enable CAFII to make an informed and strong submission in response to the Quebec Ministry of Finance's expected omnibus Bill.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The CAFII Board of Directors approves the Association's engagement of Sylvie Bourdeau, LLB, a partner in the Montreal office of Fasken Martineau DuMoulin; and empowers the EOC Chair and Executive Director to do so through a letter of engagement with a fee estimate of approximately \$15,000 plus HST.

Action: Implement Board-approved motion to engage Sylvie Bourdeau of Fasken Martineau DuMoulin through a letter of engagement with a fee estimate of approximately \$15,000 plus HST [R. Beckford, I. Choquette, B. Wycks, E. Fang; October 31, 2016].

4.1.3 CCIR Review of Travel Health Insurance

Sue Manson, Chair of the Association's Travel Medical Insurance Experts Working Group, updated the Board on CCIR's review of travel health insurance and CAFII's recent response to the CCIR Travel Insurance Working Group (TIWG)'s Travel Health Insurance (THI) Products Issues Paper.

CAFII had put together a comprehensive response submission which drew heavily upon the expertise of the members of the Travel Medical Insurance Experts Working Group and upon the CAFII-commissioned research by Pollara Strategic Insights into consumers' perceptions and satisfaction with THI; and had made its submission prior to the deadline of Sept 30, 2016.

B. Wycks advised that based on his attendance at the Travel Health Insurance Association's Annual General Meeting on September 27, where Harry James, Chair of CCIR's TIWG, was the keynote speaker, he had learned that it was no longer definite that the Council would be issuing a Position Paper on THI as the next phase in its review process; and that while the first iteration of CCIR's Annual Statement on Market Conduct Health would not seek THI data, it would definitely be sought in a subsequent iteration.

P. McCarthy thanked and congratulated S. Manson and the other members of the CAFII Travel Medical Insurance Experts Working Group for all their work, noting that he had read the CAFII submission and found it to be compelling; persuasive in its strong basis in independent, quantitative research; and supportive of positive change for the industry.

4.2 Alberta Decision on CI Sold Under an RIA Certificate

B. Wycks provided an update on the Alberta Life Insurance Council's decision on critical illness insurance benefits sold under a Restricted Certificate of Authority in that province, by sharing the following positive news communicated by J. Abram, CEO of the Council, on September 28, 2016:

The LIC met this morning and have come to the decision to redefine Credit Related Insurance to include Creditor group (CG) Life, CG Disability, CG Critical Illness and loss of employment. I will be sending out a formal letter to advise you of such and to seek CAFII's input regarding the definition of creditor group critical illness to be adopted for the purposes of restricted licensing.

5. In Camera Discussion

The Board of Directors met *in camera* from 3:10 to 3:35 p.m. Following this, the meeting reconvened with agenda item 6. *Other Business*.

6. Other Business

6.1 CCIR Annual Stakeholder Meetings: December 12-13/16

Executive Director B. Wycks updated the Board on CCIR's plans to hold Annual Stakeholder Meetings in Toronto on December 12 and 13, 2016. M. Boyle, CCIR Policy Manager, had recently communicated that the Council is moving ahead with these meetings and will be assigning 45 minute meeting slots to stakeholder groups. At this point in time, CCIR is not ready to assign meeting time slots but will do so in the near future. Board members P. McCarthy, J. Bourdeau, and C. Knight have indicated that they will attend CAFII's stakeholder meeting with CCIR on either December 12 or 13.

6.2 CAFII 20th Anniversary Celebration in 2017

Executive Director B. Wycks provided an update on plans for a CAFII 20th Anniversary Celebration in 2017. He noted that CAFII's 15th Anniversary Celebration was held in April 2013 on a Wednesday evening, scheduled to coincide with the arrival in Toronto of regulators for CCIR's Spring Meeting the following two days, without a scheduled commitment for the Wednesday evening. Many regulators attended and enjoyed some festive fellowship and networking with CAFII members.

During the EOC on September 20, feedback was provided that neither a guest speaker nor an entertainment act should be the focus of CAFII's Anniversary Celebration, but rather facilitating members' networking and socializing with regulators should be the focus.

B. Wycks advised that based on the EOC's recommendation, a "Save the Date" preliminary invitation had already been circulated to CCIR and CISRO members; and E. Stevenson of the AMF had indicated that he had received the invitation earlier that day and was planning to attend.

P. McCarthy suggested that Oscar Zimmerman, along with other founding members of CAFII, should be extended an invitation to attend. B. Wycks was in agreement and noted that Lawrie McGill had attended the 15th Anniversary celebration in 2013.

B. Wycks suggested that instead of an official speaker, the CAFII founding members could be asked to provide brief reminiscences into why and how CAFII was founded 20 years ago and how far the Association has come over the past two decades.

Action: Ask Oscar Zimmerman, founding CAFII Board member, who was in the founders group in 1997 and should be invited to the CAFII 20th Anniversary event on April 5, 2017 and communicate that information to B. Wycks and E. Cloutier [B. Grant; November 22, 2016].

6.3 OSFI Ruling on Promotion of a "Comprehensive Credit Insurance" (CCI) Policy By a Bank

Executive Director B. Wycks advised that Alex Ciaparra, Director of Economic Analysis at the Canadian Bankers Association, had brought to CAFII's attention that the Office of the Superintendent of Financial Institutions had recently issued a ruling that banks are not permitted to promote Comprehensive Credit Insurance (CCI) from their branches. He had asked CAFII to get back to him as to whether this OSFI ruling was of concern to the Association and its members.

In Board discussion of this matter, it was agreed that B. Wycks should send an email to all Board and EOC members, outlining this issue and asking that bank members get back to him with an indication as to whether OSFI's ruling on CCI is of any relevance to their business.

Action: Send information on recent OSFI Ruling 2016-01 on Promotion of a "Comprehensive Credit Insurance" Policy by a Bank to Board and EOC members in order to obtain feedback on whether this issue is of importance/relevance to member banks; and provide a results summary to the Canadian Bankers Association [B. Wycks; October 14, 2016].

7. Termination

There being no further business to discuss, the meeting was terminated at 3:53 p.m. The next CAFII Board of Directors meeting will be held on Tuesday, November 29, 2016 hosted by BMO Insurance at First Canadian Place, 100 King St. West, 40th Floor, in Toronto, and will be immediately followed by the Association's Holiday Season Reception event.

Date

Chair

Recording Secretary

Summary of CAFII Board and EOC Action Items					
	Source	Action Item	Responsible	Deadline	Status 22-Nov-2016
		Alberta Regulatory Issues			
1	EOC October 25, 2016	<ul style="list-style-type: none"> Obtain legal review feedback from J. McCutcheon on CAFII's proposed definition of creditor's group critical illness insurance; talk to E. Hiemstra of CLHIA to ensure that the CAFII and CLHIA proposed definitions are well-aligned; and circulate the revised definition to Market Conduct, LEIC, and EOC members for final review and approval before submission to J. Abram. 	Brendan	31-Oct-16	Complete
		Atlantic Canada Regulatory Issues			
2	EOC May 24, 2016	<ul style="list-style-type: none"> Update CAFII presentation on "Seven Point Guide to the Creditor Insurance Regulatory Regime," for possible use as an educational communication to New Brunswick and/or other insurance regulators 	Diane	30-Jun-16	Complete
		BC Ministry of Finance & FICOM Regulatory Issues			
3	EOC October 25, 2016	<ul style="list-style-type: none"> Post J. McCutcheon's draft legal opinion on auto dealers are creditors for a moment-in-time issue, for review at November 15/16 EOC meeting. 	Eleanore, Brendan	10-Nov-16	Complete
4		<ul style="list-style-type: none"> Prepare recommendation to EOC on how CAFII should utilize J. McCutcheon's draft legal opinion, if at all, in terms of further communication with FICOM, for discussion at November 15/16 meeting. 	Eleanore, Brendan	15-Nov-16	Complete
5	EOC Apr 26, 2016	<ul style="list-style-type: none"> Conduct further research and provide additional information on auto dealers are creditors for a moment-in-time argument, to enable further CAFII discussion with FICOM. 	Diane	31-May-16	Complete
6	EOC Feb 16, 2016	<ul style="list-style-type: none"> Investigate opportunities to engage with BC Ministry of Finance to provide information and find out more about what will be included in the Policy Paper to be released in late 2016. 	Brendan	30-Apr-16	In progress
		Saskatchewan Insurance Regulations Issues			
7	EOC October 25, 2016	<ul style="list-style-type: none"> Obtain from J. Seibel, FCAA, a copy of the amended Bill 177, The Insurance Act as actually passed by the Saskatchewan legislature in May 2015 	Brendan	28-Oct-16	Complete
8		<ul style="list-style-type: none"> Send a note to J. Seibel, FCAA, expressing CAFII's concern about the insufficient and compressed time being allowed for submissions on the draft Regulations and for preparing for and adapting to the new Insurance Act and related Regulations. 	Brendan	11-Nov-16	Complete
		Quebec Ministry of Finance & AMF Regulatory Issues			
9	Board October 4, 2016	<ul style="list-style-type: none"> Implement Board-approved motion to engage Sylvie Bourdeau of Fasken Martineau DuMoulin through a letter of engagement with a fee estimate of approximately \$15,000 plus HST. 	Rose, Isabelle, Brendan, Eleanore	31-Oct-16	Complete
		CCIR			
		Annual Statement on Market Conduct			
10	EOC October 25, 2016	<ul style="list-style-type: none"> Send a note to CCIR Policy Managers M. Boyle and S. Jacobs to find out (i) if the semi-annual SRP-CRS complaint report filing requirement, which has had a January 30 and July 30 deadline each year, will now not be required on January 30/17 because it will be absorbed within the Annual Statement filing which has a May 1/17 deadline?; and (ii) will the provincial/territorial jurisdictions which previously were not included in the SRP-CRS filing requirement now be included under the Annual Statement regime? 	Brendan	10-Nov-16	Complete
11		<ul style="list-style-type: none"> Send a note to CCIR Policy Managers M. Boyle and S. Jacobs asking that the confidentiality protection language in the Memorandum of Understanding be shared with the industry; and stressing the importance of all jurisdictions being signatories to the MOU by the time the Annual Statement is implemented. 	Brendan	5-Dec-16	Complete
		Regulator and Policy-Maker Visit Plan			
12	EOC June 21, 2016	<ul style="list-style-type: none"> Update and circulate CAFII's Lobbyist Registration Regime Matrix to EOC members 	Brendan	30-Jul-16	In progress

	Source	Action Item	Responsible	Deadline	Status 22-Nov-2016
		Association Admin			
13	EOC October 25, 2016	• Send request for input on 2017 CAFII Operating Budget to Committee Chairs	Emily	26-Oct-16	Complete
14		• Provide input for development of 2017 CAFII Operating Budget	Committee Chairs	02-Nov-16	Complete
15		• Develop 2017 CAFII Operating Budget for EOC review and feedback at November 15/16 EOC meeting, prior to its presentation to the Board at November 29/16 meeting for approval	Raja, Brendan, Emily	15-Nov-16	Complete
16		• Contact event coordinators at Ripley's Aquarium and set-up a site-visit for B. Wycks and E. Cloutier; and determine the deposit amount and next steps for securing the space.	Emily	28-Oct-16	Complete
17		• Send the LinkedIn posting for the CAFII Co-Executive Director position and a PDF of the job description to all EOC members for review and sharing with potential candidates	Emily	25-Oct-16	Complete
18	Board October 4, 2016	• Submit Board-approved resolution on appointment of CAFII Cheque Signing Authorities to TD Bank and follow-up to ensure that CAFII's signing authorities are brought up-to-date in the bank's systems.	Emily	24-Oct-16	Complete
19		• Ask Oscar Zimmerman, founding CAFII Board member, who was in the founders group in 1997 and should be invited to the CAFII 20th Anniversary event on April 5, 2017 and communicate that information to B. Wycks and E. Cloutier	Bob Grant	22-Nov-16	Complete

CAFII - 2016 Executive Director Balanced Scorecard					
	H = High Priority; M = Medium; L = Low				
Priority	Objectives	Measures	Timing	Status As At November 22/16	Outcome
	Regulatory and Advocacy (60% of ED and EOC focus/time)				
#1	Overall: Draft and deliver highly quality regulatory submissions and follow-up with regulators and policy-makers, as appropriate.	Overall: Regulatory submissions are well-written, impactful, and produced on time; consultation issues are reviewed with relevant CAFII committee and input and feedback incorporated into draft submission; Board and EOC have sufficient time to review and provide input, which is given due and equitable consideration and included where appropriate; submissions reflect consultation with allied industry Associations where appropriate. ED monitors, gathers intelligence, and reports on key regulatory developments; any hot button issues dealt with in timely, appropriate manner.	Ongoing		
H	British Columbia Consultation on 10-Year Review of Financial Institutions Act (FIA)	ED monitors progress/status through regular contact with Ministry of Finance. Follow-up educational material on CGI, alternate distribution, and travel insurance prepared and sent to Ministry. CAFII communicates with and influences Ministry thinking following release of Public Report on Input Received In Response To Initial Public Consultation Paper, as appropriate. Ministry's subsequent Policy Paper takes CAFII's positions into account	Q1 thru Q2 2017	Awaiting Ministry's release of Policy Paper on proposals for change (expected Q1 or Q2 2017)	On March 24/16, Ministry of Finance released Public Report on input received in response to Initial Consultation Paper; and all stakeholder submissions published on its website
H	BC FICOM's 'effecting' of creditor's group insurance issue	ED monitors progress/status through regular contact with Chris Carter, FICOM. FICOM takes CAFII's issues and positions into account in clarifying Information Bulletin on CGI	Q1 thru Q4 2016	Following review/analysis of legal opinion obtained from J. McCutcheon, EOC decided on November 15/16 not to provide it to FICOM; and instead to send short letter to H. James of FICOM to close off dialogue on auto dealers are creditors for a moment-in-time issue. Following April 14/16 teleconference between CAFII and FICOM, FICOM was expecting CAFII to provide further information in support of auto dealers are creditors for a "moment-in-time" argument.	Favourable clarification on other major issues received from FICOM via April 14/16 teleconference and April 20/16 response letter from H. James
H	Quebec Ministry of Finance consultation on "Report on the Application of the Act respecting the Distribution of Financial Products and Services" (Bill 188)	ED makes recommendation to EOC and Board Chair re meeting with Ministry officials to communicate CAFII position on online distribution of insurance; prepares project plan and secures EOC Chair approval; executes project plan. Ministry takes CAFII's positions into account in final decisions on modernizing Distribution Act	Q1 thru Q4 2016	Finance Minister indicated on November 14/16, at AMF Rendez-Vous, that omnibus Bill on modernizing Quebec's financial services sector, incl. Insurance and Distribution Acts will be tabled by December 9/16 at the latest. CAFII has secured specialized legal counsel S. Bourdeau of Fasken Martineau, via a letter of engagement, and is well-prepared to make authoritative submission on this matter. Recommendation made and approved. Project plan prepared and approved. Plan executed through to written meeting request and follow-up phone calls. Favourable, reassuring position conveyed by Ministry official in Feb. 25/16 call. Awaiting Ministry's release of omnibus Bill.	CAFII received verbal assurance from Ministry official on Feb. 25/16 that Quebec will be implementing measures to support online distribution of insurance without need for involvement of a licensed advisor
H	CCIR Annual Statement on Market Conduct	ED monitors progress/status through regular contact with Martin Boyle, CCIR. CAFII continues to communicate its views to CCIR as plans for Annual Statement evolve; CCIR takes CAFII's views into account in final design of Annual Statement and related implementation plan	Q1 thru Q4 2016	Awaiting CCIR's release of implementation-ready, final draft of Annual Statement in December 2016. Related implementation timeline informally shared with CAFII in October 24/16 meeting with CCIR Policy Managers	CAFII made strong submission on Draft 3 of Annual Statement on August 26/16. CAFII staged May 19/16 webinar for members with Laurie Balfour, CCIR ICPC Chair.
H	Ontario government review of FSCO mandate	ED monitors progress/status through regular contact with David McLean, Ministry of Finance. CAFII responds quickly to Expert Panel's final recommendations; communicates its positions to Minister of Finance, as appropriate. Minister takes CAFII's views into account in final decisions on FSCO's future mandate	Q1 thru Q4 2016	On November 14/16, in Fall Economic Statement, Minister of Finance Charles Sousa announced that government will table legislation in the near future to create a new Financial Services Regulatory Authority (FSRA), to replace FSCO and DICO.	
H	CCIR Review of Travel Health Insurance	ED monitors progress/status through regular contact with Sean Jacobs, CCIR and Joan Weir, CLHIA. ED supports work of CAFII internal group on travel insurance. CAFII in a position of readiness to make regulatory submission or otherwise make its views known, as distributors of travel insurance, should need arise. CAFII communicates views on TIWG Issues/Discussion Paper in timely, persuasive, effective manner. CCIR takes CAFII's views into account in final decisions on travel insurance regulatory reforms	Q1 2016 thru Q2 2017	Awaiting probable release of CCIR Position Paper in Q2 2017.	CAFII submitted response to CCIR TIWG's Issues Paper on Travel Health Insurance for September 30/16 deadline. CAFII held productive stakeholder meeting with CCIR TIWG on Issues Paper on August 10/16. On May 4/16, C. Rogers advised CAFII that because the industry had demonstrated significant movement in terms of reforms, at its April 7-8/16 meeting the Council decided that the Paper (which was slated for release in the spring) would be revised to reflect the latest industry input and released in the summer instead.
H	Bill 177, The Insurance Act (Saskatchewan)	ED monitors progress/status through regular contact with Jan Seibel, FCAA. CAFII communicates views on draft Regulations in timely, persuasive, effective manner. FCAA takes CAFII's views into account in final Regulations	Q1 thru Q2 2017	CAFII working to respond to FCAA's Insurance Regulations Consultation document by December 2/16 deadline. Draft submissions on draft Regulations and separate sub-consultation on Third Party Administrators in Saskatchewan being reviewed by Joint Market Conduct and Licensing Committees and EOC.	FCAA released Insurance Regulations Consultation document on October 7/16. On April 18/16, J. Seibel advised that FCAA plans to conduct consultation on Regulations in two parts: Part 1 - "more complex issues"; Part 2 - actual draft Regulations.
M	Financial Consumer Agency of Canada "Compliance Framework"	CAFII communicates views on questions/issues in consultation document in timely, persuasive, effective manner. FCAC takes CAFII's views into account in final decisions	Q2 thru Q4 2016	On October 25/16, EOC decided not to respond to this consultation -- as no issues raised are of direct relevance to CAFII members -- and instead to provide input/review for CBA submission, if requested.	On September 29/16, FCAC released its consultation document on Proposed Supervision Framework and Publishing Principles for Decisions
M	AMF's Distribution Guide template initiative	ED monitors progress/status through regular contact with AMF. CAFII communicates views on draft Distribution Guide Regulation in timely, persuasive, effective manner. AMF takes CAFII's views into account in final Distribution Guide template and related Regulation	Q1 thru Q4 2016	Awaiting reactivation of this initiative via AMF's circulation of a draft Regulation on the Distribution Guide for industry consultation	
M	New Brunswick's "Modernizing the Insurance Licensing Framework" for Other-than-Life Agents and Brokers	ED monitors progress/status through regular contact with David Weir, FCNB. FCNB takes CAFII's views into account in final positions on new licensing framework	Q1 thru Q4 2016	Awaiting release of FCNB's final recommendations to Government re change proposals, especially re implications for life agents' licensing framework	
M	New Brunswick's "Online Insurance Licensing System"	ED monitors progress/status through regular contact with David Weir, FCNB. FCNB takes CAFII's views into account in functionality and features decisions for Phase 2 of online licensing system, especially administrator rights for applicant's insurer sponsor	Q1 thru Q4 2016	FCNB launched Phase 2 of online insurance licensing portal in October 2016. Effective November 1/16, will only accept online applications for for insurance agent, broker, adjuster, and damage appraiser licences.	

	H = High Priority; M = Medium; L = Low				
Priority	Objectives	Measures	Timing	Status As At November 22/16	Outcome
M	Secure Insurance Council representation for CAFII members as Restricted Insurance Agents in Saskatchewan	CAFII communicates and engages with Ron Fullan, ICS Executive Director, in a timely, persuasive, effective manner. CAFII's proposed model for a Restricted Insurance Agent Advisory Committee is adopted in Saskatchewan	Q1 thru Q4 2016	CAFII submission pending re proposed Terms of Reference for RIA Advisory Committee, to augment Concept Proposal sent in October 2014	
#2 H	Develop and execute on Regulator and Policy-Maker Visit Plan in support of CAFII positions on legislative and regulatory issues	CAFII investments in regulator and policy-maker visits are appropriately scheduled; well-organized and executed, including briefing/preparation of CAFII participants	Ongoing	Liaison lunch and Industry Issues Dialogue with AMF staff executives secured for October 4/16; May 4/16 meetings secured and executed with Carolyn Rogers, CEO, BC FICOM, and CCIR Vice-Chair; and with Atlantic Canada regulators; April 12/16 liaison lunch with CCIR Policy Managers secured and executed; joint CAFII/CLHIA stakeholder meeting with CCIR Travel Insurance Working Group secured and executed on March 16/16	
#3 H	Maintain ongoing monitoring of and liaison/communications with regulators, policy-makers, allied Associations, and other industry stakeholders for relationship-building and intelligence gathering	EOC and Board members are kept well-informed of hot button, urgent, time-sensitive issues through CAFII "Alerts"	Ongoing	Productive, intelligence-gathering liaison lunch with CCIR Policy Managers executed on October 24/16. Executive Director became a member of THIA and gathered intelligence re its plans re travel health insurance regulation by attending its AGM on September 27/16. Two productive, intelligence-gathering teleconferences secured with AIC staff executives on July 12/16 and September 12/16 re Selling of CI Benefits Under A Restricted Certificate Of Authority issue. CAFII interactions and communications with AIC management on this issue, including July 22/16 formal submission, appear to have been persuasive in support of an outcome favourable to CAFII members.	

	H = High Priority; M = Medium; L = Low				
Priority	Objectives	Measures	Timing	Status As At November 22/16	Outcome
	Media and Communications (20% of ED and EOC focus/time)				
#1 H	Move CAFII into a position of readiness and confidence to respond to media opportunities re Creditor's Group Insurance and Alternate Distribution	Successful execution of Communications Plan tactics within specified timelines	Q2 thru Q4 2016	Contractual terms with media consultant finalized.	CAFII Board approved Media Strategy at its June 7/16 meeting
#2 H	Monitor media coverage re CGI, travel insurance, and alternate distribution	Any hot button issues related to media coverage are identified and dealt with in a timely, appropriate manner	Ongoing	In process, in concert with Media Committee	
#3 M	Monitor Consumer Interest Groups	Include intelligence on Consumer Interest Groups' issues and activities in Regulatory Updates for EOC and Board meetings	Ongoing	Consumers Association of Canada, Consumers Council of Canada, and Public Interest Advocacy Centre web sites monitored regularly for issues/activities related to insurance and alternate distribution	
	Association Oversight and Management (20% of ED and EOC focus/time)				
#1 H	Produce an "industry intelligence" Regulatory Update monthly, for each EOC and Board meeting	Regulatory Update is produced for each EOC and Board meeting, containing outside-of-the-public-domain information on regulatory actions, pronouncements, trends and leading indicators	Ongoing	<u>September, October, and November Regulatory Updates included new intelligence on issues in CAFII Regulatory Consultations/Submissions Timetable</u>	
#2 H	Efficient, effective CAFII meetings: with EOC Chair and standing committee Chairs, ensure agendas are focused and goal-oriented and meetings are well-managed	Agendas and meeting materials are distributed with appropriate lead time. Board and committee members are engaged in meeting discussions and feel meetings are productive and advance CAFII's objectives	Ongoing	<u>September, October, and November EOC meetings; and October Board and AMF liaison meetings in Montreal well-managed; executed successful 2016 Annual Members' Luncheon; liaised with Assurant Solutions re venue for June Board meeting and with CUMIS re venue for April Board meeting and solutions achieved</u>	
#3 H	Ensure that CAFII prepares an annual operating budget that is well-grounded in approved strategic and operational plans; funds are spent according to plan; and financial control policies and procedures -- including monthly financial statements -- are adhered to	Play a leadership role in development, management, and tracking/monitoring of CAFII's annual operating budget, and committee and project budgets. Budget targets are met, except for explainable/approved variances	Ongoing	<u>Development of 2017 CAFII Operating Budget Options completed, led by Executive Director; new quarterly financial reporting document refined with CAFII Treasurer. Planning and budgeting for CAFII 20th Anniversary Celebration well underway, led by Executive Director.</u>	
#4 H	Provide strategic and operational support to the EOC Chair in management of CAFII priorities and activities, and accountability reporting thereon	Engaged strategic and operational support to EOC Chair; appropriate matters escalated to EOC Chair for review and decision-making	Ongoing	<u>ED engaged TO Corp President in discussion of service delivery performance; is leading CAFII trademark registration initiative, in planning for 20th Anniversary Celebration in 2017; and in securing a CAFII domain under .insurance registry</u>	

Regulatory Update – CAFII Board of Directors, November 22, 2016

Prepared By Brendan Wycks, CAFII Executive Director

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Federal/National

Canadian Council of Insurance Regulators

CCIR Outlines Implementation Plans For Annual Statement On Market Conduct

In a liaison meeting with CAFII representatives on October 24/16, CCIR Policy Managers M. Boyle and S. Jacobs provided the following updates with respect to the finalization and implementation of the Council's Annual Statement on Market Conduct:

- the Annual Statement (Life & Health) and the Annual Statement (P&C) were approved at the CCIR Fall Meeting on October 6/16, with only minor tweaks required related to ensuring that the questions asked related to complaints are identical to the data requirements in the current National Complaint Reporting System.
- the initial implementation version of the Annual Statement (Life & Health) should be finalized and distributed to the industry, for information, by the end of 2016.
- the AMF will be developing, for CCIR, an online secure system for insurers to submit their Annual Statement response data. That portal should be ready for insurers to review and begin using at some point in February or March 2017.
- the deadline for insurers to make their first Annual Statement submission – based on their 2016 fiscal year-end – will be May 1, 2016.
- CCIR will not be taking a phased-in implementation approach with the Annual Statement, i.e. it will not be rolled out in discreet phases with certain sections of data being required at a later date than other sections. Rather, the entire Annual Statement will have a May 1/16 response deadline under a “best attempts” approach. “Best attempts” will mean that if an insurer is not capable of responding to one or more sections of the Annual Statement by the May 1/16 deadline, for whatever reason, it will need to explain why it is incapable of doing so at this time and state an action plan for rectifying the situation by a year hence, the next time it is required to submit.
- CCIR is currently finalizing a Communications Plan for rolling out the Annual Statement. As part of the roll out, CLHIA and the IBC – the two Associations involved in industry working groups which assisted CCIR to refine the respective versions of the Annual Statement – will be providing training for their members with respect to compliance.
- the attestation in the Annual Statement has been reworked to remove any reference to adherence to all applicable laws and regulations. As well, in both the preamble to the Annual Statement and in the attestation, wording has been added to specify that the information being requested is “commercially sensitive.” This is intended to provide some protection against Freedom of Information requests.
- the initial implementation version of the Annual Statement only asks for some very high level data related to travel health insurance (THI). If additional THI data were to be requested in a subsequent version of the Annual Statement or any new element was to be added, the industry would be given significant advance notice of the change.
- Newfoundland, the Yukon, and Northwest Territories have not yet signed CCIR's Memorandum of Understanding related to its Co-operative Framework for Market Conduct Supervision. Non-signatory jurisdictions will not be permitted to participate in the Council's Co-operative Framework-related activities, including the Annual Statement.
- CCIR has recommended to all of its member jurisdictions that they have legislated self-evaluative privilege in place in connection with the Co-operative Framework and the related Annual Statement.

CCIR's Fall 2016 Communique newsletter, issued November 8/16, states that "the Annual Statements will be used by the CCIR to collect data on insurers from across the country regarding their treatment of customers, corporate culture, and practices in the market."

Timing Of CCIR Travel Health Insurance Position Paper Pushed Back To Spring 2017

CCIR's Fall 2016 Communique newsletter, issued November 8/16, indicates that "CCIR members continue to view travel insurance as a key issue to address. Over the Fall, the Working Group will be reviewing the submissions received on the Issues Paper, which will help inform the direction of a Position Paper which CCIR would like to issue by Spring 2017."

In a liaison meeting with CAFII representatives on October 24/16, CCIR Policy Managers M. Boyle and S. Jacobs provided a clarification on the statement made by H. James, Chair of CCIR's Travel Insurance Working Group (TIWG), at THiA's AGM on September 27/16, that the Council may decide not to issue a Position Paper on Travel Health Insurance (THI).

Messrs. Boyle and Jacobs indicated that, in their view, it is probable that a Position Paper will be produced and released; and that Mr. James' comment was just acknowledging that due process will need to occur and it will be up to the membership of the full Council to decide if a THI Position Paper is necessary.

They also reported that CCIR received 13 submissions in response to the TIWG's Issues Paper on THI Products, from both industry Associations and individual companies. The TIWG will decide whether or not it would like to meet with those stakeholders, for follow-up discussion, based on what it reads in their submissions.

CCIR is requesting permission from each stakeholder to post its submission on the CCIR website. In an e-mail exchange with B. Wycks on November 8/16, S. Jacobs requested and received permission to post CAFII's submission.

Department of Finance Canada

Amendments Strengthen Exclusive Federal Jurisdiction Over Bank Products

On October 25/16, *Bill C-29, Budget Implementation Act, 2016, No. 2* received first reading in the House of Commons. The Bill proposes amendments to the federal *Bank Act* to create a new *Part XII.2, Dealings with Customers and Public*, which will streamline and consolidate existing consumer protection provisions, introduce some new consumer protection measures, and strengthen the argument in favour of exclusive federal jurisdiction over products and services offered by banks.

The amendments indicate that the legislative purpose of the consumer protection provisions is to provide a "comprehensive and exclusive regime in relation to an institution's dealings with its customers and the public in relation to banking products and services" in order to provide "uniform protection on a national level," thereby allowing financial institutions to carry on business "consistently and effectively on a national level" and to "ensure uniform supervision of institutions and enforcement" of consumer protection provisions. The new *Part XII.2* is explicitly stated to be, unless otherwise specified, paramount to any provincial law or regulation that relates to consumers or to business practices with respect to consumers.

The amendments specify that *Part XII.2* is based on the following regulatory principles:

- basic banking services should be accessible.
- disclosure should enable customers and the public to make informed financial decisions.
- customers and the public should be treated fairly.
- complaints processes should be impartial, transparent and responsive.

- banks should act responsibly, considering their customers.

It is expected that the amendments will be proclaimed into force once related regulations have been drafted and finalized; and that a transitional period will be provided to give banks time to adapt their systems and processes to comply with the new requirements.

Canadian Association Of Direct Response Insurers (CADRI)

CADRI Articulates Concerns About CCIR Annual Statement On Market Conduct

In its August 25/16 submission on CCIR's draft Annual Statement on Market Conduct (P&C), CADRI articulated concerns about administrative burden and protecting the confidentiality of proprietary company information that must be shared in responding to this new annual filing requirement.

CADRI's two-page submission states "we are concerned about the administrative burden that July 12, 2016 Draft Annual Statement on Market Conduct collection of data will place on our members, and whether the data requested will enable the CCIR to meet its goals. As it stands today, the CCIR's approach is very different from the way the industry collects and uses data. Providing the information as presented will require generation of data in formats not usually used by members, and may mean that some of the data the CCIR is requesting will not be available in the first and, possibly, the second year of collection.

In this context, we would like to propose that CCIR reconsider its current approach requiring each licensed entity within a group to complete an Annual Statement. This would see our members undertake a significant administrative effort to provide multiple statements. An effort which offers no apparent benefit to either the regulators or customers, particularly when the regulators' stated intent is to identify trends within the industry – a task that requires aggregate data. The typical customer relationship is with a group, not a licensed or legal entity. For example, the AMF research on cyber security accepted a single survey submission for a group as long as all the legal entities were named. Given the amount of data currently being requested, and the work it will take to separate it, we strongly suggest that CCIR reconsider this requirement.

CADRI continues to be interested in learning about the CCIR's protocols for proprietary information. Access to Information legislation exists across the country. While the spirit of those laws is consistent, the exact language and implementation of each regime is not. From time to time, an insurer may provide sensitive data to regulators in the course of an audit. The information is shared in situ, discussed, but retained by the insurer. The design of the current Statement anticipates the collection of some new and competitive information. CADRI is interested in assurances about how that information will be used and by whom, as well as the protocols CCIR would have in place to ensure that data is handled in such a way as to retain the confidentiality of its source.

British Columbia

Coast Capital Trying To Become Second National Credit Union

BC-based Coast Capital Savings Credit Union (CU) has put the wheels in motion to expand coast-to-coast and become Canada's second national CU.

Before that can happen, though, Coast Capital, which is Canada's third largest CU with about 532,000 members and more than \$17 billion in assets under administration, needs the approval of at least two-thirds of its members in a six-week special resolution vote which concludes November 28/16.

And membership approval of the special resolution doesn't guarantee that Coast Capital will become a federal CU. It will also need approval from the Office of the Superintendent of Financial Institutions (OSFI) and the federal government, as well as BC FICOM. The earliest it expects to begin operating nationally, if all necessary approvals are secured, would be 2018.

CUs in Canada were only allowed to do business in their home province until 2012, when the federal government amended its Bank Act regulations to allow CUs to apply for a federal charter and to be regulated by OSFI. Under the new rules, the first federal CU was created in July when Caraquet, New Brunswick-based UNI Financial Co-operation received approval from its members and received a federal charter.

The results of Coast Capital's special resolution vote will be announced at a Special General Meeting on December 14/16.

Saskatchewan

CAFII Provides Feedback On Implementation Timing For New Act And Regulations

In a November 17/16 e-mail to Jan Seibel, Legal Counsel with Saskatchewan's Financial Consumer Affairs Authority (FCAA) and lead on its Insurance Act and Regulations file, B. Wycks conveyed the following feedback from CAFII, as requested by the Executive Operations Committee:

While our Association is working hard and striving to provide well-considered feedback to the FCAA on the main Insurance Regulations Consultation and the separate mini-consultation on licensing requirements for TPAs by the December 2, 2016 deadline for both, we want to provide the following preliminary feedback related to timing and implementation plans.

CAFII has serious concerns that

- the less than two months of response time provided for this consultation does not provide sufficient time and will not allow stakeholders – particularly those that are industry Associations, which need to work through a member-based review and consensus-building process -- to prepare and submit thorough and informed feedback by December 2/16. The thorough and comprehensive consultation on the Regulations that was originally promised would, in our view, have provided a minimum of three months for stakeholder responses. In addition, the unusual circumstance of having an embargo placed upon sharing the consultation document has limited the number of people within CAFII member organizations who can review it and thereby constrained our ability to prepare the best possible response; and*
- it is our strong view that the plan to have the new Saskatchewan Insurance Act and its Regulations proclaimed into force in April 2017 is not realistic or achievable because it does not allow sufficient lead time for insurers and distributors to adapt to mandated changes, especially those which will have systems implications. When provinces are finalizing new legislation and regulations, CAFII always requests that lead time of at least 12 to 18 months be provided to facilitate our members' implementation of changes. These changes inevitably become major projects within member organizations and it takes time to ensure that necessary systems changes are made, forms revised, staff trained, and consumers notified of how the changes will affect them.*

We ask that you take this preliminary feedback under advisement and share it with your FCAA colleagues including Superintendent of Insurance Roger Sobotkiewicz and Deputy Superintendent of Insurance Ian McIntosh.

Ms. Seibel's reply thanked CAFII for providing this feedback, and indicated that she would share it with the Superintendent and Deputy Superintendent of Insurance and respond again thereafter.

Ontario

Ontario Moves Ahead With New Financial Services Regulatory Authority (FSRA)

On November 14, in his Fall Economic Update, Minister of Finance Charles Sousa announced that the province intends to establish a new Financial Services Regulatory Authority (FSRA) – replacing the existing Financial Services Commission of Ontario (FSCO) and Deposit Insurance Corporation of Ontario (DICO) – with a view to reducing regulatory burden on Ontario businesses while at the same time protecting consumers and investors. The legislation establishing the FSRA, known as the *Financial Services Regulatory Authority of Ontario Act, 2016* (FSRA Act) was introduced immediately thereafter and received first reading in the legislature on November 16 (as Schedule 8 of the budget implementation act, Bill 70.)

While the necessary Regulations to the FSRA Act have not yet been released, all indications are that the restructuring of Ontario's financial regulators will proceed in accordance with the Final Report of the Expert Panel that was commissioned to examine the mandates of FSCO, DICO, and the Financial Services Tribunal (FST). The FSRA is to be structured as a flexible, independent, financially self-sufficient, expertise-driven body equipped to respond to rapid technological and market change.

The FSRA Act establishes the structure of the FSRA. The agency will have a board of directors of between three and 11 members, led by a Chair chosen by the Minister. The Minister will also have approval power over by-laws. FSRA directors will be subject to the same conflict of interest, fiduciary duty and indemnification rules that apply to business corporation board members under the Business Corporations Act. The FSRA board will appoint a CEO and other officers, who cannot be board members themselves. The FSRA's revenues will be used exclusively for its own activities, thus fostering its independence, rather than being deposited into Ontario's Consolidated Revenue Fund. Those revenues will be raised, in part, through assessments paid by participants in the various regulated sectors, with provisions for licence revocation and other remedies in the event of non-payment.

Much of the detail of the FSRA's structure and mandate has been left to the Regulations. With respect to those Regulations, financial sector counsel at Stikeman Elliott predict the following:

- the FSRA will be the centerpiece of the regulatory regime, replacing FSCO while also taking on DICO's mandate as prudential regulator of credit unions and caisses populaires. The FSRA will be divided into distinct Market Conduct, Prudential Oversight and Pensions divisions, each with its own Superintendent and subject-matter expertise. The Expert Panel referred to this as a "triple peaks" model, in which the institutional separation of key functions serves to prevent the Agency's resources from being monopolized by one function to the detriment of the others;
- while the FST will share some administrative support services with the FSRA, the FST's independence will otherwise be carefully safeguarded under the new structure. Enforcement will be stepped up, with provision being made for Administrative Monetary Penalties and specific whistleblower protections. There will also be increased co-operation with other regulators and better communication with the public. DICO will continue to administer and oversee Ontario's deposit insurance scheme; and

- the forthcoming regulations may provide additional clarity about some issues on which the Panel did not take a strong position, notably whether and how the FSRA's auto insurance rate review and approval function will be insulated from political pressures. As for the possible extension of the FSRA's authority to payday lenders, loan brokers, consumer credit reporting agencies, credit counsellors and warranty providers – another issue on which the Panel opted not to take a position – it appears that the Government has decided against the idea, given that the FSRA Act defines “regulated sector” in exactly the same way as FSCO's existing legislation does.

Signalling that such a radical reform will be implemented cautiously, the Ministry of Finance has announced that, over the coming months, it will focus on getting the legislation finalized and passed, issuing the necessary Regulations, appointing FSRA's first board of directors, and drafting a detailed implementation plan.

FSCO Finds Life Agents Failing To Meet Regulatory Obligations

Life insurance agents are falling short of their regulatory obligations in certain areas, and FSCO is therefore imposing more and steeper fines on those who aren't following the rules, said FSCO representatives who spoke at the Independent Financial Brokers of Canada's (IFB) Fall Summit on November 1/16.

FSCO's 2015-16 examinations of life agents revealed several gaps in compliance, especially as they relate to disclosure, said Izabel Scovino, director of FSCO's market conduct regulation branch.

“With respect to compliance with the rules, the two areas that are still a concern for us relate to conflicts of interest and failure to disclose in writing the names of the insurers that the agent represents,” she said.

FSCO found that 21% of the 214 agents examined last year were not complying with the regulatory requirement to disclose to clients in writing any conflicts of interest or potential conflicts of interest associated with a transaction or recommendation.

As well, 24% of agents were failing to disclose in writing the names of the insurance companies that they represent, as they're required to do under the Insurance Act.

While the primary focus of FSCO's examinations in 2015-16 was on assessing compliance, it will be focusing more heavily on enforcement in the year ahead.

Enforcement activity is already up significantly in 2016. In the first half of the year, FSCO imposed 68 administrative monetary penalties (AMPs) compared to 67 in all of 2015. The monetary amount of AMPs levied in the first half of 2016 totaled more than \$450,000 versus \$150,000 in all of 2015.

FSCO May Recommend Legislation To Require Agents' Adoption Of Best Practices

FSCO's 2015-16 life insurance agent examinations found that there is much room for improvement in life insurance agents' adoption of certain industry best practices, as follows:

- 19% of agents are not consistently documenting their discussions with clients; and
- 29% of agents are not consistently conducting and documenting a needs analysis with clients.

Although FSCO does not have the authority to impose sanctions with respect to best practices, Izabel Scovino, director of the regulator's market conduct regulation branch, said that if FSCO continues to find insufficient implementation of these practices, it may recommend legislative action.

"We are looking to see better uptake on best practices. Our view is that if gaps continue to exist, that's where we come in, in our role in communication with the Ministry of Finance and making recommendations about turning those best practices into law," she said.

With respect to federally legislated requirements, FSCO's agent reviews also found that 20% of agents do not have policies and procedures in place to be in compliance with the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) and 17% do not have policies and procedures in place required under the Personal Information Protection and Electronic Documents Act (PIPEDA).

Quebec

Minister Confirms Imminent Release Of Financial Sector Reform Omnibus Bill

In remarks delivered as the luncheon guest speaker at the AMF's 2016 Rendez-Vous event on November 14/16 in Montréal, Quebec Minister of Finance Carlos Leitaó announced that an omnibus Bill aimed at modernizing many areas of the province's financial services sector will be tabled by December 9/16 at the latest. Friday, December 9 is the last date on which the National Assembly sits before it recesses for the Holiday Season.

With respect to planned changes to the Insurance Act, one of several pieces of legislation to be updated in the omnibus Bill, the Minister said he intends to introduce amendments to modernize the oversight of product sales via the internet. "Businesses innovate and evolve; and we must facilitate that," he said.

Deputy Minister Sees Online Insurance Sales Being Regulated Under Insurance Act

In a recent interview with *FlashFinance.ca*, a sister publication of *The Insurance and Investment Journal*, Richard Boivin, Quebec's Assistant Deputy Minister of Finance, named the eight pieces of financial sector legislation that will be modernized via the Ministry's upcoming omnibus Bill and also commented on online insurance sales.

The eight pieces of legislation – not all of which will be the subject of comprehensive changes, given that they will be updated via an omnibus Bill – are:

- *The Act respecting insurance*
- *The Act respecting trust companies and savings companies*
- *The Act respecting financial services cooperatives*
- *The Securities Act;*
- *The Act respecting the distribution of financial products and services*
- *The Derivatives Act;*
- *The Act respecting real estate brokerage*
- *The Act respecting the Autorité des marchés financiers*

Boivin's remarks indicate that the government wants to make changes so that online insurance sales are regulated under the province's Insurance Act.

"We want to set standards for the future," he said, noting that at the moment online insurance sales are permissible in Quebec because there is no prohibition against them. "We want to regulate it better, either by rules or by principles."

With respect to insurers, Boivin said it is a simple matter. "We want consumers to always have access to a licensed representative throughout the application process should they wish to have it."

From the advisor's perspective, Boivin questioned the feasibility of consumers doing business over the internet given the market conduct rules to which brokers are subject.

"I am expressing a personal opinion here, but I wonder: is it possible to perform a needs analysis over the internet in accordance with the rules of professional conduct? This is questionable." Boivin said this is particularly true when the code of ethics administered by the Chambre de l'assurance de dommages requires that information be collected by the broker personally.

International: United States

LIMRA and LOMA

Rino D'Onofrio Elected Chair Of LL Global Board

LL Global -- the Windsor, Connecticut-based parent organization of global insurance organizations LIMRA and LOMA -- announced on November 7/16 that CAFII's Immediate-Past Chair Rino D'Onofrio, President and CEO of RBC Life Insurance Company, had been elected Chair of its Board of Directors. Rino served as LL Global's Vice-Chair in 2016.

Americans Want To Pay Flat Fee When Buying Life Insurance

A recently released LIMRA research study indicates that most Americans say they would prefer to pay a flat fee instead of a commission to their insurance advisors. They aren't prepared to pay very much, though.

When LIMRA asked Americans about their payment preferences when buying life insurance, six in 10 said they would rather pay a flat fee. About one quarter had no preference about how their advisors are compensated, and just 14% would rather the financial professional be paid through a commission.

How much are they be prepared for insurance advice? LIMRA says Americans are willing to pay a median one-time fee of \$75, and notes seven in 10 are only prepared to spend \$100 or less.

"Prior LIMRA research shows that one of the top reasons people don't buy the life insurance they say they need is because they don't know what to buy or how much they need. The fact that the majority of Americans are unwilling to pay a realistic amount to get professional advice is troubling," said Jennifer Douglas, research director, LIMRA Developmental and Strategic Research.

LIMRA's study also found that eight in 10 Americans want to know in advance how an advisor is compensated, and this is true of both those who already work with an advisor and those who don't. However, 84% of respondents who have an advisor believe he or she provides excellent value.

CAFII Regulator and Policy-Maker Visit Plan 2016-17

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 7/16
British Columbia				
Insurance Council of BC: Gerry Matier, Executive Director	-June 29/16 informal discussion with B. Wycks at CISRO LLQP Session in Toronto -April 11/16 informal discussion with B. Wycks, at CISRO LLQP Info Session -Feb. 27/15 meeting in Toronto	None at this time	-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	
FICOM: Frank Chong, Acting Superintendent of Financial Institutions (effective August 1/16) Carolyn Rogers , former CEO, FICOM & Superintendent of Insurance (departed Aug 2016) (CCIR Vice-Chair)	-Nov 10/15 in Vancouver re CGI Information Bulletin -Lunch meeting in Halifax on May 4/16	None at this time On May 12/16, C. Rogers appointed OSFI's Asst. Supt, Regulation Sector, effective Aug 15/16. On June 8/16, CAFII Chair P. McCarthy sent congrats letter to C. Rogers	-Monitoring for appt. of interim or permanent FICOM CEO successor	
Doug McLean, Deputy Superintendent of Insurance	-No contact/meeting for at least past two years	None at this time	-FICOM Information Bulletin on CGI ('effecting' of CGI in BC issue) -10 yr. Review of BC Financial Institutions Act (if appropriate)	
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	-follow-up teleconference in Q4 2016 on auto dealers are creditors for a moment-in-time issue, if CAFII makes legal opinion submission	- FICOM Information Bulletin on 'effecting' of CGI in BC issue (C. Carter has leadership responsibility for this issue, as advised by H. James on March 16/16)	Pending CAFII's legal opinion submission

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 7/16
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	-See C. Carter above	-See C. Carter above	Pending (see C. Carter above)
Harry James, Senior Regulatory Advisor (Chair of CCIR's Travel Insurance Working Group)	-April 14/16 teleconference re CAFII's March 15/16 follow-up letter on CGI Info Bulletin	-See C. Carter above	-See C. Carter above. Although H. James is supposed to have handed this file to L. Dimma and C. Carter, he did most of talking in April 14/16 teleconference so CAFII will continue to include Harry in the discussions on "effecting" issue.	Pending (see C. Carter 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	-See C. Carter above	-See C. Carter above	Pending (see C. Carter above)
Erin Morrison, Regulatory Analyst, Policy Initiatives	-August 10/16 in Toronto, accompanied Harry James and participated in CCIR TIWG meeting with CAFII	-See C. Carter above	-See C. Carter above	Pending (see C. Carter above)
Ministry of Finance: Michael de Jong, Minister of Finance	-Nov. 21/14: G. Grant represented CAFII at FIA Review roundtable discussion hosted by Minister	None at this time	TBD until CAFII has a "direct ask" at Ministerial level	
Dan Ashton, Parliamentary Secretary for Finance (elected MLA)	-November 10/15 in Vancouver along with Elizabeth Cole	If necessary, follow-up meeting in Q2 or Q3 2017 in Vancouver, after Policy Paper released	-Update on 10-year Review of Financial Institutions Act: follow-up on CAFII issues/concerns including recommendations of other stakeholders	Pending (see E. Cole below)
Elizabeth Cole, Executive Director, Strategic Projects & Policy (head of 10-Year Review of FIA)	-June 23/16 telephone conversation 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	If necessary, follow-up meeting in Q2 or Q3 2017 in Vancouver, after Policy Paper is released		Pending Ministry of Finance's release of Policy Paper

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 7/16
Brian Dillon, Director, Financial Institutions		See E. Cole above		Pending (see E. Cole above)
Kari Toovey, Senior Policy Advisor		See E. Cole above		Pending (see E. Cole above)
Alberta				
Alberta Insurance Council: Joanne Abram, CEO;	-Oct 31/16 CAFII submission of letter proposing definition of CGI critical illness insurance to be adopted for inclusion under existing RIA licence -Sept 16 & 28/16 and Oct 11/16 e-mail correspondence with B. Wycks re LIC decision on allowing CI to be sold under an RIA licence -Sept 12/16 teleconference with G. Grant and B. Wycks -July 12/16 teleconference with G. Grant and B. Wycks -May 9/16 review update e-mail from J. Abram to B. Wycks -Feb. 10/16 CAFII letter to J. Abram - Jan/16 and Oct./15 e-mail exchanges with J. Abram	-if necessary, Q4 2016 teleconference or in-person meeting with AIC management or LIC	-CAFII's proposed definition of CGI critical illness insurance to be adopted for inclusion under existing RIA licence -Representation for Restricted Licence Holders	Pending outcome of LIC views on CAFII input re definition

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 7/16
Anthonet Maramieri, COO (succeeded Tom Hampton at beginning of 2015)	-Sept 12/16 teleconference with G. Grant and B. Wycks -July 12/16 teleconference with G. Grant and B. Wycks - 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 (see J. Abram above)
Warren Martinson, Legal Counsel	-May/June 2016 telephone discussion with J. McCutcheon (on CAFII's behalf) re legislative and regulatory underpinnings of selling of CI benefits as credit-related insurance under an RIA licence -Feb 10/14: Toronto, ON (with B. Wycks, as W. Martinson then on LLQP Governance Ctte.)	-See J. Abram above	-See J. Abram above	Pending (see J. Abram above)
Treasury Board and Ministry of Finance: Nilam Jetha, Acting Superintendent of Insurance (one year interim role) Mark Prefontaine, Superintendent of Insurance (seconded to Senior Asst. Deputy Minister for one year, effective Jan. 11/16)	No contact – appointed Jan 11/16 (congratulatory letter sent Feb. 1/16) -Sep 30/14; Fredericton, NB (informal meeting)	None at this time Not applicable at this time	- Update on Superintendent's priorities -Communicate CAFII issues; build and strengthen relationship	
David Sorensen, Deputy Superintendent of Insurance	No face-to-face contact to date - <i>appointed Sep 15/14</i>	None at this time	See N. Jetha above	

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 7/16
Laurie Balfour, Director, Financial Compliance, Insurance Regulation and Market Conduct Branch (Chair of CCIR Insurance Core Principles Implementation Ctte)	-Sep 30/14: Fredericton, NB (informal meeting) -Jul 28/14: call with CAFII reps re: "effecting of CGI"	None at this time	-See N. Jetha above	
Joe Ceci, President of Treasury Board and Minister of Finance	No contact – appointed May 24/15	None	TBD until CAFII has a "direct ask" at Ministerial level	
Saskatchewan				
Insurance Councils of Saskatchewan: Ron Fullan, Executive Director, (CISRO Chair)	-June 29/16 informal conversation with B. Wycks at CISRO LLQP Info Session -April 11/16 informal conversation with B. Wycks, at CISRO LLQP Info Session - Oct. 27/15: R. Fullan gave dedicated CISRO LLQP Stakeholder Info presentation for CAFII members	None at this time	-timing of renewed focus on establishing a Restricted Insurance Agents Advisory Committee -Sask. RIA regime and licensure issues	
April Stadnek, Director of Licensing	-Sept 22/15 CISRO LLQP Stakeholder Info Session in Toronto (B. Wycks) - Sep 30/14; Fredericton, NB (informal meeting) - November/13 in Toronto when April attended CLHIA CCOSS Seminar	None at this time	-See R. Fullan above	
Financial Consumer Affairs Authority (FCAA): Roger Sobotkiewicz, former Director of FCAA Legal Branch, became Interim Chairperson and Superintendent of Insurance, effective Feb. 1/15	-no previous contact; congratulatory letter on appointment sent March 4/15	-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 - Update on Superintendent's priorities	Pending (see J. Seibel below)

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 7/16
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)
Janette Seibel, Lawyer, became lead on Bill 177 and Regulations file effective June 1/15	-Oct. 12/16 telephone call and Oct. 7 and 11/16 e-mail exchanges with B Wycks re FCAA embargo on release of Insurance Regulations Consultation Document -Regular e-mail exchanges on this matter since June 2015 (B. Wycks)	-teleconference meeting in Nov. or Dec. 2016, if necessary	-FCAA's Insurance Regulations Consultation Document (in support of Bill 177, The Insurance Act) and CAFII's response submission: released Oct. 7/16 with a Dec. 2/16 deadline for submissions	Pending
Manitoba				
Ministry of Finance: Ken Lofgren, Acting Superintendent of Insurance Scott Moore, Deputy Superintendent of Insurance	-Appointed Spring 2015; no previous CAFII contact -August 10/16 CAFII stakeholder meeting re CCIR travel health insurance Issues Paper (participated by teleconference) -April 15/15 teleconference with three CAFII reps -April 29/14: Winnipeg, MB	None at this time None at this time	-concern about amended Insurance Act's apparent residency requirement for employees of Restricted Insurance Agents	
Cameron Friesen, Minister of Finance	No contact – took office May 3/16	None	TBD until CAFII has "direct ask" at Ministerial level	

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 7/16
Erin Pearson, Executive Director, Insurance Council of Manitoba (retiring at end of 2016)	-Sept. 23/16 email exchange with B. Wycks re amendments to Regulation 389/87 which ICM's ISI Committee recommended to Government re incorporating other organizations and other types of insurance into prescribed regulatory framework for RIA licence regime -Oct. 8/15 at CLHIA CCOS Fall Seminar (B. Wycks) -Sept. 30/14: dinner in Fredericton, NB re: ISI implementation	None at this time	-Insurance Council's "ISI items for further review and development"	
Ontario				
FSCO: Brian Mills, appointed Interim CEO and Superintendent on October 18/14	-January 28/15 stakeholder meeting with CCIR	-informal conversation at FSCO Symposium for Life and Health Insurance Sector: November 25/16 -Awaiting clarification of appointment status, emerging from Government action on Expert Panel's final report on FSCO's future mandate (delivered June 20/16)	(i) Introduce CAFII and build/maintain relationship (ii) Ontario government review of FSCO's mandate (iii) next steps, if any, in Life Insurance Product Suitability Review (iv) CCIR review of travel health insurance (v) Update on Superintendent's priorities (vi) communicate CAFII issues	Confirmed Pending Ontario government action (timing unknown)
Anatol Monid, Interim Executive Director, Licensing and Market Conduct Division	-June 7/16, December 8/15 and June 9/15: informal update conversations with A. Monid at CAFII Reception events -January 28/15 stakeholder meeting with CCIR	-informal conversation at FSCO Symposium for Life and Health Insurance Sector: November 25/16	-next steps, if any, in Life Insurance Product Suitability Review -other FSCO initiatives re life insurance agent and/or insurer compliance	Confirmed

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 7/16
Izabel Scovino, appointed Director, Market Conduct Regulation Branch in Nov/14	-Oct. 8/15 at CLHIA CCOS Fall Seminar (B. Wycks) -Nov 21/14 at FSCO Life & Health Insurance Symposium	-informal conversation at FSCO Symposium for Life and Health Insurance Sector: November 25/16	-See A. Monid above	Confirmed
Heather Driver Director, Licensing Branch Licensing and Market Conduct Division (assumed position in Jan 2016, following retirement of Shonna Neil)	-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 -Oct. 7/16 meeting with CAFII reps, at FSCO's invitation, re FSCO initiatives around life agent and insurer compliance, particularly re E&O insurance (also attended by Richard Tillman, Allan Amos, Kelly Picard, and Abina Rogers of FSCO)	-informal conversation at FSCO Symposium for Life and Health Insurance Sector: November 25/16	-See A. Monid above	Confirmed
Richard Tillman, Senior Manager, Insurance and Deposit Institutions Policy	-Oct. 7/16 meeting with CAFII reps re life agent and insurer compliance -heads-up call to B. Wycks on May 12/16 re imminent release of CCIR Seg Funds Issues Paper	None at this time. CAFII has chosen not to respond to seg fund issues, as only some members offer them	-CCIR's Segregated Funds Working Group's Issues Paper, open for consultation submissions until July 15/16	

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 7/16
Ministry of Finance Three-member Expert Panel advising on Government's review of FSCO's mandate -David McLean, Policy Advisor	-July 30/15 life & health insurance sector roundtable meeting (P. McCarthy and G. Grant) -May 21/15 informal meeting: insurance sector round table -June 7/16 and April 12/16 informal conversations with B. Wycks at CAFII Receptions	None at this time	-Awaiting Government announcement of any action in response to Expert Panel's final report (delivered June 20/16), to determine if meeting with Deputy Minister or Assistant Deputy Minister should be pursued -Discuss Expert Panel's final report to Minister on proposed future mandate of FSCO	Pending Ontario government action (timing unknown)
Quebec				
AMF: Louis Morisset, CEO; Patrick Dery, Superintendent, Solvency (appointed CCIR Chair effective April 1/15)	-Oct. 4/16 in Montreal: CAFII liaison lunch and Industry Issues Dialogue with AMF -Apr 8/14: Montreal, QC -Oct. 4/16 in Montreal: CAFII liaison lunch and Industry Issues Dialogue with AMF -Liaison lunch and industry issues dialogue on October 6/15 in Levis, Quebec	- AMF 2016 Rendez-Vous one- day conference on financial services regulatory issues on November 14/16 in Montreal (B. Wycks invited to sit at reserved lunch table hosted by AMF executives Louise Gauthier and Maryse Pineault) -CAFII liaison meeting with AMF in Oct. 2017 -See L. Morisset above	-(i)draft omnibus Bill to modernize Quebec's financial services sector, including Distribution Act (expected release by Ministry of Finance in Q4 2016) -(ii)AMF final paper on electronic commerce in insurance, setting out Orientations/expectations -(iii)Distribution Guide template and implementation timelines -(iv)Update on AMF priorities -(v)Communicate CAFII issues -(vi)Maintain and strengthen relationship -see L. Morisset above	Confirmed Tentative/ Pending Tentative/ Pending

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 7/16
Eric Stevenson, Superintendent, Client Services and Distribution Oversight	-Oct. 4/16 in Montreal: CAFII liaison lunch and Industry Issues Dialogue with AMF -Liaison lunch and industry issues dialogue on October 6/15 in Levis, Quebec	-See L. Morisset above	-See L. Morisset above	Tentative/ Pending
Louise Gauthier, Senior Director, Distribution Policies and Compensation (member of CCIR TIWG). Lead on AMF's Distribution Guide rewrite initiative.	-Oct. 4/16 in Montreal: CAFII liaison lunch and Industry Issues Dialogue with AMF -August 10/16 CAFII stakeholder meeting re CCIR travel health insurance Issues Paper -Liaison lunch and industry issues dialogue on October 6/15 in Levis, Quebec	-See L. Morisset above	-See L. Morisset above; and -Distribution Guide rewrite	Tentative/ Pending
Ministry of Finance Carlos Leitao, Minister Richard Boivin, Assistant Deputy Minister, Financial Institution Policy and Corporate Law Guillaume Caudron, Chief of Staff Yann Nachabé, Policy Advisor	-Feb. 25/16 phone call between B. Wycks and Yann Nachabé, Policy Advisor, Ministry of Finance	-in-person or teleconference meeting with Ministry officials coincident with consultation period on draft omnibus Bill expected in Q4 2016, if necessary - CAFII request for April 2016 in-person follow-up meeting with Richard Boivin and Guillaume Caudron	-draft omnibus Bill expected to modernize financial sector, incl. the Distribution Act (Minister Leitao in response to question at legislative committee meeting on April 28/16) -Ministry's direction on online distribution of insurance without involvement of an advisor -CAFII submission in response to Report on the Application of the Act respecting the distribution of financial products and service	-Pending release of draft omnibus Bill -Request politely withdrawn, based on reassuring information from Y. Nachabé

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 7/16
New Brunswick				
Financial and Consumer Services Commission (Insurance Division): Angela Mazerolle, Superintendent of Insurance	-May 4/16 dinner meeting with Atlantic Canada regulators in Halifax -Oct 1/14: Fredericton, NB	-Q4 2016 or Q1 2017 teleconference meeting or webinar	-refreshed "Seven Point Guide to The Creditor Insurance Regulatory Regime," to be sent by CAFII in Q4 2016 as 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	-Pending
David Weir, Deputy Superintendent of Insurance	-May 4/16 dinner meeting with Atlantic Canada regulators in Halifax - April 11/16 informal discussion with B. Wycks, at CISRO LLQP Info Session - Feb. 19/16 re CAFII feedback on online insurance licensing system - Sept. 22/15 CISRO LLQP Info Session in Toronto (B. Wycks) -Oct 1/14: Fredericton, NB	-see A. Mazerolle above	-see A. Mazerolle above -timing of final recommendations on reforming licensing framework for other-than-life agents and brokers -CAFII feedback on New Brunswick online insurance licensing system	-Pending (see A. Mazerolle above)
Opportunities New Brunswick: Jay Reid, Investment Attraction Officer	-Jun 3/14: Toronto, with Adam Mitton of predecessor organization Invest New Brunswick	None at this time	- CAFII submission re: 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	
Consumer Advocate for Insurance: Ronald Godin, Consumer Advocate	No contact	None at this time		

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 7/16
Nova Scotia				
Superintendent of Insurance: William Ngu, Acting Superintendent of Insurance	-May 4/16 dinner meeting with Atlantic Canada regulators in Halifax -Appointed June 2015; no previous CAFII contact	None at this time	-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	
Jennifer Calder, Deputy Superintendent of Insurance	-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	None at this time	-See W. Ngu above	
PEI				
Superintendent of Insurance: Robert Bradley, Superintendent	-Oct 1/14: Fredericton, NB	None at this time	-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	
Newfoundland				
Superintendent of Insurance: John O'Neill, Superintendent	-N/A; appointed in October 2015	None at this time	-legislative/regulatory change to support electronic beneficiary designations -Update on Superintendent's priorities -Communicate CAFII issues; build and strengthen relationship	
Craig Whalen, Deputy Superintendent of Insurance	-Oct 1/14: Fredericton, NB	-Same as John O'Neill		

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 7/16
FEDERAL/NATIONAL				
CCIR: Martin Boyle, Policy Manager	-October 24/16 CAFII liaison lunch with CCIR Policy Managers -Sept 7/16 informal discussion with B. Wycks at retirement reception for L. Byrnes -August 10/16 CAFII stakeholder meeting re CCIR travel health insurance Issues Paper -May 19/16 CCIR ICPiC teleconference/webinar meeting with CAFII members (L. Balfour and M. Boyle) -May 4/16 lunch meeting in Halifax (with C. Rogers and S. Jacobs) - April 12/16 CAFII Reception -April 12/16 liaison lunch meeting between CAFII and M. Boyle and S. Jacobs	-CAFII Annual Stakeholder Meeting with CCIR on December 12/16 in Toronto -liaison lunch in April 2017, following CCIR Spring Meeting, April 6-7/17	-Annual Statement on Market Conduct (Martin) -Framework for Cooperative Market Conduct Supervision (Martin) -attendance of CCIR members at CAFII 20 th Anniversary celebration in 2017 -Possible CCIR speakers/panelists at CAFII events -Update on CCIR 2014-17 Strategic Plan and related priorities -Communicate CAFII issues; and maintain and strengthen relationship -possible CAFII webinar(s) for CCIR audience -updates on Annual Statement on Market Conduct	Confirmed Pending

[illegible]

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 7/16
Harry James, Chair, CCIR Travel Insurance Working Group (TIWG)	-August 10/16 CAFII stakeholder meeting re CCIR travel health insurance Issues Paper -March 16/16 CAFII/CLHIA joint meeting with CCIR Travel Insurance Working Group -March 24/15 meeting with CAFII EOC re travel health insurance review initiative	-If necessary, Q2 2017 meeting with Harry and TIWG members	-CCIR Travel Health Insurance Products Position Paper and CAFII response to same	Pending CCIR release of Travel Health Insurance Products Position Paper (expected Q2 2017)
Laurie Balfour, Chair, CCIR Insurance Core Principles Implementation Committee (ICPiC)	-August 10/16 CAFII stakeholder meeting re CCIR travel health insurance Issues Paper (participated by teleconference) -May 19/16 CCIR ICPiC webinar presentation for CAFII members (L. Balfour and M. Boyle)	None at this time	-Harmonized Annual Statement on Market Conduct -Framework for Co-operative Market Conduct Supervision in Canada -ICPiC work on IAIS' Insurance Core Principles	
CISRO: Ron Fullan, Chair (SK); G. Matier (BC); J. Abram (AB), W. Martinson (AB); D. Weir (NB)	-August 10/16 CAFII stakeholder meeting re CCIR travel health insurance Issues Paper (participated by teleconference) -June 29/16 informal conversation with B. Wycks at CISRO LLQP Info Session - April 11/16 CISRO LLQP Stakeholder Info Session -March 16/16 CAFII/CLHIA joint stakeholder meeting with CCIR Travel Insurance Working Group	None at this time	-possible CISRO Strategic Plan and opportunity for stakeholders to provide input	

Jurisdiction Regulator/Policy-Maker	Last Meeting /Contact	Proposed Meeting	Topics/Purpose	Status Nov 7/16
Financial Consumer Agency of Canada (FCAC): Lucie Tedesco, Commissioner Brigitte Goulard, Deputy Commissioner Jane Rooney, Financial Literacy Leader	-May 1/15: B. Wycks made self-introduction and chatted with L. Tedesco, following her speech at CLHIA Conference -Jun 10/14: B. Goulard was speaker at CAFII event -Feb 10/15 (presentation at CAFII Annual Luncheon)	None at this time None at this time	-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
Jeremie Ryan, Director, Financial Literacy and Consumer Education Karen Morgan, Marketing Officer	-Feb. 10/15 -Jan 9/14			

CAFI

21 St Clair Ave East, Suite 802

Toronto, ON M4T 1L9

Balance Sheet

As at October 31, 2016

	Current 2016
ASSETS	
Current Assets	
Bank Balance	\$430,728
Investments ^A	\$54,077
Accounts Receivable	\$0
Interest Receivable	\$72
Prepaid Expenses	\$3,056
Computer/Office Equipment	\$2,334
Accumulated Depreciation -Comp/Equip	(\$1,828)
Intangible Assets-Trademarks	\$0
Accumulated Amortization-Trademark	\$0
Total Current Assets	\$488,439
TOTAL ASSETS	\$488,439
LIABILITIES	
Current Liabilities	
Account Payable ^B	\$6,133
Deferred Revenue	\$72,620
Total Current liabilities	\$78,753
TOTAL LIABILITIES	\$78,753
UNRESTRICTED NET ASSETS	
Unrestricted Net Assets, beginning of year	\$358,991
Excess of revenue over expenses	\$50,696
Total Unrestricted Net Assets	\$409,686
Total Unrestricted Net Assets	\$409,686
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$488,439

Financial Reserves Targets as per 2016 Budget:

Minimum 3 months (25%) of Annual Operating Expenses=	\$ 126,909
Maximum 6 months (50%) of Annual Operating Expenses=	\$ 253,817

Current Level of Financial Reserves (total unrestricted net assets):	\$409,686
Current Level of Financials Reserve (%) :	81%

C A F I I
 21 St Clair Ave east, Suite 802
 Toronto, ON, M4T 1L9
Balance Sheet Items
As at October 31, 2016

Item A

Investment Portfolio

Investment Type	Issue Date	Principal	Rate	Deemed Interest	Maturity Date
Cashable GIC #0087-8019718-13	June-16-16	\$54,077.01	0.40%	\$216.31	June-16-17
Total		\$54,077.01		\$216.31	

Item B

Accounts Payable

	Total
	1,589.35
	23.25
	4,520.00
Total outstanding:	<u>6,132.60</u>

CAFII

21 St Clair Ave East, Suite 802
Toronto, ON M4T 1L9

Statement of Operations As at October 31, 2016

	Current Month	Current YTD	Budget 2016	Variance Budget to YTD
Revenue				
Membership Fees	36,313	363,130	435,750	72,620
Interest Revenue	18	195	500	305
TOTAL REVENUE	36,331	363,325	436,250	72,925
Expenses				
Management Fees	22,016	218,079	256,742	38,663
CAFII Legal Fees/Corporate Governan	1,973	5,988	5,000	- 988
Audit Fees	0	0	14,000	14,000
Insurance	437	4,365	5,374	1,009
Website (incl translation)	5,373	9,478	30,000	20,522
Telephone/Fax/Internet	479	2,714	8,000	5,286
Postage/Courier	1	163	500	337
Office Expenses	99	2,347	3,000	653
Bank Charges	0	25	50	25
Miscellaneous Expenses	0	0	0	-
Amortization Expense	0	0	468	468
Depreciation Computer/Office Equipm	39	389	0	- 389
Board/EOC/AGM	0	0		
Annual Members Lunch	0	12,043.69	15,000	2,956
Board Hosting (External)	0	14,516.90	15,000	483
Board/EOC/Meeting Expenses	148.35	6,480.85	5,000	- 1,481
Industry Events	0	0	1,500	1,500
EOC Annual Lunch	0	2,079.05	2,000	- 79
Sub Total Board/EOC/AGM	148	35,120	38,500	3,380
Provincial Regulatory Visits	0	10,395	10,000	- 395
Research/Studies	1,356	1,356	50,000	48,644
Regulatory Model(s)	0	0	12,000	12,000
Federal Financial Reform	0	0	10,000	10,000
Media Outreach	9,040	21,809	50,000	28,191
Marketing Collateral	0	0	5,000	5,000
Tactical Communications Strategy	0	180		- 180
Networking Events	0	0		
Speaker fees & travel	0	0	8,000	8,000
Gifts	75	220.5	1,000	780
Sub Total Networking & Events	75	221	9,000	8,780
15th Anniversary Event	0	0	0	-
TOTAL EXPENSE	41,035	312,629	507,634	195,005
NET INCOME	-4,704	50,696	-71,384	- 122,080

Explanatory Notes:

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

CAFII

21 St Clair Ave East, Suite 802
Toronto, ON M4V 2Y7

Membership Fees As At October 31, 2016

	<u>Jan-16</u>		<u>Jul-16</u>	
	<u>Billed</u>	<u>Received</u>	<u>Billed</u>	<u>Received</u>
BMO Bank of Montreal	\$ 23,500.00	7-Apr-16	\$ 23,500.00	29-Aug-16
CIBC Insurance	\$ 23,500.00	6-May-16	\$ 23,500.00	12-Aug-16
RBC Insurance	\$ 23,500.00	15-Mar-16	\$ 23,500.00	10-Aug-16
ScotiaLife Financial	\$ 23,500.00	4-Mar-16	\$ 23,500.00	22-Jul-16
TD Insurance	\$ 23,500.00	15-Mar-16	\$ 23,500.00	29-Jul-16
AMEX Bank of Canada	\$ 11,750.00	6-Apr-16	\$ 11,750.00	5-Aug-16
Assurant Solutions	\$ 11,750.00	15-Mar-16	\$ 11,750.00	22-Jul-16
Canadian Premier Life Insurance Company	\$ 11,750.00	4-Mar-16	\$ 11,750.00	9-Sep-16
Desjardins Financial Security Life Assurance Company	\$ 11,750.00	6-Apr-16	\$ 11,750.00	12-Aug-16
National Bank Insurance Company	\$ 17,625.00	10-Jun-16	\$ 17,625.00	10-Jun-16
Cumis Group Ltd/Co-operators Life Insurance Co.	\$ 11,750.00	6-Apr-16	\$ 11,750.00	9-Sep-16
Willis Towers Watson	\$ 4,800.00	6-Apr-16		
Aimia	\$ 4,800.00	15-Jul-16		
Collins Barrow Toronto Actuarial Services	\$ 4,800.00	28-Apr-16		
CSI Brokers Inc.	\$ 4,800.00	12-Apr-16		
KPMG LLP	\$ 4,800.00	9-Sep-16		
Laurentian Bank of Canada	\$ 4,800.00	6-Apr-16		
Munich Reinsuranace Company Canada Branch (Life)	\$ 4,800.00	30-Jun-16		
Optima Communications	\$ 4,800.00	4-Mar-16		
RGA Life Reinsurance Company of Canada	\$ 4,800.00	4-Mar-16		
The Canada Life Assurance Company	\$ 4,800.00	15-Mar-16		
January Invoices	\$241,875		\$193,875	
July Invoices	\$193,875			
Total Membership Fees	\$435,750			
Total amount to realocate monthly Jan-Dec	\$36,313			

CAFII Budget Forecast: October 31, 2016

	As at October 31, 2016				YTD Q4 2016 Forecast			Full-Year Forecast			
	Current Month	Current YTD	Budget YTD	Variance	Q4 Budget	Q4 Forecast	Q4 Variance	2016 Budget	Full-Year Forecast	Full-Year Variance	Comments
Revenue											
Membership Fees	36,313	363,130	\$363,125	\$5	\$72,625	\$72,620	-\$5	\$435,750	\$435,750		
Interest Revenue	18	195	\$218	-\$23	\$83	\$36	-\$47	\$500	\$231	-\$269	
TOTAL REVENUE	36,331	363,325	\$363,343	\$18	\$72,708	\$72,656	-\$52	\$436,250	\$435,981	-\$269	
Expenses											
Management Fees	22,016	218,079	\$213,952	-\$4,127	\$42,790	\$59,139	\$16,349	\$256,742	\$277,218	\$20,476	
CAFII Legal Fees/Corporate Governan	1,973	5,988	\$5,000	-\$988	\$5,000	\$512	-\$4,488	\$5,000	\$6,500	\$1,500	Trademark registration expense
Audit Fees	0	0	\$0		\$14,000	\$14,000		\$14,000	\$14,000		
Insurance	437	4,365	\$4,478	\$113	\$896	\$875	-\$21	\$5,374	\$5,240	-\$134	
Website (incl translation)	5,373	9,478	\$19,500	\$10,022	\$9,600	\$4,222	-\$5,378	\$30,000	\$13,700	-\$16,300	
Telephone/Fax/Internet	479	2,714	\$6,667	\$3,953	\$1,333	\$786	-\$547	\$8,000	\$3,500	-\$4,500	Conference calls less in Q1
Postage/Courier	1	163	\$417	\$254	\$83	\$37	-\$46	\$500	\$200	-\$300	
Office Expenses	99	2,347	\$2,500	\$153	\$500	\$453	-\$47	\$3,000	\$2,800	-\$200	
Bank Charges	0	25	\$42	\$17	\$8	\$10	\$2	\$50	\$35	-\$15	
Amortization Expense	0	0	\$0		\$0	\$0	\$0	\$0			
Depreciation Computer/Office Equipm	39	389	\$390	\$1	\$78	\$78		\$468	\$467	-\$1	
Board/EOC/AGM											
Annual Members Lunch	0	12,044	\$15,000	\$2,956	\$0	\$0	\$0	\$15,000	\$12,044	-\$2,956	Speaker expenses not yet submitted
Board Hosting (External)	0	14,517	\$15,000	\$483	\$2,000	\$0	-\$2,000	\$15,000	\$14,517	-\$483	
Board/EOC/Meeting Expenses	148	6,481	\$4,188	-\$2,293	\$0	\$1,219	\$1,219	\$5,000	\$7,700	\$2,700	Incl. ED attendance at CLHIA Conference
Industry Events	0	0	\$0		\$2,000	\$0	-\$2,000	\$1,500	\$0	-\$1,500	
EOC Annual Dinner	0	2,079	\$2,000	-\$79	\$0	\$0	\$0	\$2,000	\$2,079	\$79	
Provincial Regulatory Visits	0	10,395	\$6,000	-\$4,395	\$0	\$116	\$116	\$10,000	\$10,900	\$900	
Research/Studies	1,356	1,356	\$30,000	\$28,644	\$20,000	\$0	-\$20,000	\$50,000	\$1,356	-\$48,644	
Regulatory Model(s)	0	0	\$8,000	\$8,000	\$0	\$0		\$12,000	\$0	-\$12,000	
Federal Financial Reform	0	0	\$7,000	\$7,000	\$3,000	\$0	-\$3,000	\$10,000	\$0	-\$10,000	
Media Outreach	9,040	21,809	\$30,000	\$8,191	\$15,067	\$9,041	-\$6,026	\$50,000	\$30,850	-\$19,150	
Marketing	0	0	\$4,000	\$4,000	\$5,000	\$0	-\$5,000	\$5,000	\$0	-\$5,000	
Tactical Communications Strategy	0	180	\$0	-\$180	\$0	\$0			\$180	\$180	
Networking Events											
Speaker fees & travel	0	0	\$8,000	\$8,000	\$500	\$0	-\$500	\$8,000	\$0	-\$8,000	No planned speakers currently
Gifts	75	221	\$500	\$279	\$500	-\$81	-\$581	\$1,000	\$140	-\$860	
TOTAL EXPENSE	41,036	312,629	\$382,634	\$70,004	\$122,356	\$90,408	\$31,948	\$507,634	\$403,426	\$104,208	
NET INCOME	-4,704	50,696	-\$19,291	\$69,987	-\$49,647	-\$17,752	\$31,896	-\$71,384	\$32,555	\$103,939	
Unrestricted Net Assets (beginning of 2016)								\$358,992	\$358,992		
Unrestricted Net Assets (end of 2016)								\$287,608	\$391,547	\$103,939	

Explanatory Notes:

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

	2016 Budget	2016 Full-Year
Unrestricted Net Assets (end of year)	\$287,608	\$391,547
Minimum 3 months (25%):	\$126,909	\$100,857
Maximum 6 months (50%)	\$253,817	\$201,713
Actual Level of Financial Reserves %	57%	97%

2017 Budget with Co-Executive Directors, No Dues Increase
Version: 5:50 pm. Nov-24

	2015 Actual	2016 Forecast ¹	2016 Budget	2016 Forecast to Budget Variance	2017 Budget Option; 2 Co-EDs; No Dues Increase	2017 Budget Option; 2 Co-Eds; 20% Dues Increase	2017 Budget Option; With Associate ED; No Dues Increase	2017 Budget Option; With Associate ED; 20% Dues Increase	Comment/Rationale
Revenue									
Membership Fees	\$ 424,000	\$435,750	\$435,750	0.0%	\$447,500	\$527,400	\$447,500	\$527,400	
Interest	\$ 339	\$231	\$500	-53.8%	\$250	\$250	\$250	\$250	
TOTAL REVENUE	\$ 424,339	\$ 435,981	\$ 436,250		\$ 447,750	\$ 527,650	\$ 447,750	\$ 527,650	
EXPENSE									
Management Fees	\$255,523	\$277,218	\$256,742	8.0%	\$500,115	\$500,115	\$419,791	\$419,791	includes TO Corp contracted amount; salary & benefits for existing Executive Director and either a new Co-ED or a new Associate ED; and Media Consultant from January through June 2017. See Mgmt. Fee Calculation tab.
CAFII Legal Fees/Corporate Governance	\$249	\$6,500	\$5,000	30.0%	\$7,000	\$7,000	\$7,000	\$7,000	
Audit Fees	\$13,560	\$14,000	\$14,000	0.0%	\$14,560	\$14,560	\$14,560	\$14,560	
Insurance	\$5,216	\$5,240	\$5,374	-2.5%	\$5,500	\$5,500	\$5,500	\$5,500	
Website ²	\$8,397	\$13,700	\$30,000	-54.3%	\$3,700	\$3,700	\$3,700	\$3,700	
Website Redesign, Platform Upgrade, SEO					\$30,000	\$30,000	\$30,000	\$30,000	
Telephone/Fax/Internet	\$4,523	\$3,500	\$8,000	-56.3%	\$5,000	\$5,000	\$5,000	\$5,000	
Postage/Courier	\$333	\$200	\$500	-60.0%	\$375	\$375	\$375	\$375	
Office Expenses	\$3,006	\$2,800	\$3,000	-6.7%	\$3,300	\$3,300	\$3,300	\$3,300	
Bank Charges	\$25	\$35	\$50	-30.0%	\$40	\$40	\$40	\$40	
Amortization Expense	\$0								
Depreciation Computer/Office Equipment ³	\$467	\$467	\$468	-0.2%	\$468	\$468	\$468	\$468	
Board/EOC/AGM									
Annual Members Luncheon	\$10,351	\$12,044	\$15,000	-19.7%	\$13,200	\$13,200	\$13,200	\$13,200	
Board Hosting (External)	\$2,597	\$14,517	\$15,000	-3.2%	\$15,000	\$15,000	\$15,000	\$15,000	
Board/EOC Meeting Expenses	\$13,885	\$7,700	\$5,000	54.0%	\$11,000	\$11,000	\$11,000	\$11,000	
Industry Events		\$0	\$1,500	-100.0%	\$2,000	\$2,000	\$2,000	\$2,000	
EOC Annual Dinner	\$1,196	\$2,079	\$2,000	4.0%	\$2,200	\$2,200	\$2,200	\$2,200	
Total Board/EOC/AGM	\$28,029	\$36,340	\$38,500	-5.6%	\$43,400	\$43,400	\$43,400	\$43,400	
Provincial Regulatory Visits	\$4,620	\$10,900	\$10,000	9.0%	\$8,000	\$8,000	\$8,000	\$8,000	
Research/Studies	\$46,677	\$1,356	\$50,000	-97.3%	\$50,000	\$50,000	\$50,000	\$50,000	
Regulatory Model(s)	\$1,229	\$0	\$12,000	-100.0%	\$20,000	\$20,000	\$20,000	\$20,000	includes Quebec specialized legal counsel expense
Federal Financial Reform	\$0	\$0	\$10,000	-100.0%	\$2,000	\$2,000	\$2,000	\$2,000	
Media Outreach	\$0	\$30,850	\$50,000	-38.3%	\$20,000	\$20,000	\$20,000	\$20,000	provision for proactive media engagement \$6K requested by Media Ctte.
Marketing Collateral	\$0	\$0	\$5,000	-100.0%	\$7,000	\$7,000	\$7,000	\$7,000	
tactical Communications Strategy	\$70	\$180			\$0	\$0	\$0	\$0	
CAFII Reception Events									
Speaker fees & travel		\$0	\$8,000	-100.0%	\$4,000	\$4,000	\$4,000	\$4,000	
Gifts		\$140	\$1,000	-86.0%	\$500	\$500	\$500	\$500	
CAFII 20th Anniversary Celebration					\$27,685	\$27,685	\$27,685	\$27,685	See CAFII 20th Anniversary Budget under separate tab
Total Networking Events	\$1,115	\$140	\$9,000		\$32,185	\$32,185	\$32,185	\$32,185	
TOTAL EXPENSE	\$ 373,039	\$ 403,426	\$ 507,634	-20.5%	\$ 752,643	\$ 752,643	\$ 672,319	\$ 672,319	
Excess of Revenue over Expenses	\$ 51,300	\$ 32,555	\$ 71,384	-145.6%	-\$ 304,893	-\$ 224,993	-\$ 224,569	-\$ 144,669	
Unrestricted Net Assets (beginning of year)	\$ 307,692	\$358,992	\$358,992		\$ 391,547	\$ 391,547	\$ 391,547	\$ 391,547	
Unrestricted Net Assets (end of year)	\$ 358,992	\$391,547	\$287,608		\$ 86,654	\$ 166,554	\$ 166,978	\$ 246,878	

Explanatory Notes:
(1) 2016 Forecast includes January to October actuals and forecast for November and December
(2) Website includes hosting cafiil.com, email and website updates
(3) Amortization of office equipment based on 4 year straight line depreciation

Forecasted Financial Reserves Targets	2015 Actual	2016 Forecast	2017 Budget Option; 2 Co-EDs; No Dues Increase	2017 Budget Option; 2 Co-EDs; 20% Dues Increase	2017 Budget Option; With Associate ED; No Dues Increase	2017 Budget Option; With Associate ED; 20% Dues Increase
Minimum 3 months (25%) of Annual Operating Expenses =	\$93,260	\$100,856	\$188,161	\$188,161	\$168,080	\$168,080
Maximum 6 months (50%) of Annual Operating Expenses =	\$186,520	\$201,713	\$376,322	\$376,322	\$336,160	\$336,160
Forecasted Level of Financial Reserves :	\$358,992	\$391,547	\$86,654	\$166,554	\$166,978	\$246,878
Forecasted Level of Financial Reserves %:	96%	97%	12%	22%	25%	37%

2017 Management Fees Calculations**Version: 5:00 pm Nov-24**

Two Co-Executive Directors Option	Amount	Notes
Existing Executive Director @ 4.5 days per week; plus TO Corporate Services	\$ 292,861.00	(Admin Co-ordinator @ 4 days/wk; Controller @ 0.7 days/wk; IT Admin/Webmaster @ 0.5 days per/wk)
New Co-Executive Director @ 5 days per week	\$ 180,134.00	
David Moorcroft, Strategy2Communication	\$ 27,120.00	Media Consultant, 6 mnth retainer (Jan thru Jun 2017)
Total	<u><u>\$ 500,115.00</u></u>	

One Executive Director and One Associate ED Option	Amount	Notes
Existing Executive Director @ 4.5 days per week; plus TO Corporate Services	\$ 292,861.00	(Admin Co-ordinator @ 4 days/wk; Controller @ 0.7 days/wk; IT Admin/Webmaster @ 0.5 days per/wk)
New Associate Executive Director @ 5 days per week	\$ 99,810.00	(Assumes \$82K base salary; benefits stipend of \$12,480; and employer's RRSP matching cost of \$5,330)
David Moorcroft, Strategy2Communication	\$ 27,120.00	Media Consultant, 6 mnth retainer (Jan thru Jun 2017)
Total	<u><u>\$ 419,791.00</u></u>	

2017 Status Quo Budget, Current ED Only
Version: 5:50 p.m. Nov-24

	2015 Actual	2016 Forecast ¹	2016 Budget	2016 Forecast to Budget Variance	2017 Status Quo Budget Option: One ED Only	Comment/Rationale
Revenue						
Membership Fees	\$ 424,000	\$435,756	\$435,750	0.0%	\$447,500	
Interest	\$ 339	\$231	\$500	-53.8%	\$250	
TOTAL REVENUE	\$ 424,339	\$ 435,987	\$ 436,250		\$ 447,750	
EXPENSE						
Management Fees	\$255,523	\$277,218	\$256,742	8.0%	\$319,981	includes TO Corp contracted amount; salary & benefits for current Executive Director only; and Media Consultant from January through June 2017. See Mgmt. Fee Calculation tab.
CAFil Legal Fees/Corporate Governance	\$249	\$6,500	\$5,000	30.0%	\$7,000	
Audit Fees	\$13,560	\$14,000	\$14,000	0.0%	\$14,560	
Insurance	\$5,216	\$5,240	\$5,374	-2.5%	\$5,500	
Website ²	\$8,397	\$13,700	\$30,000	-54.3%	\$3,700	
Website Redesign, Platform Upgrade, SEO					\$30,000	
Telephone/Fax/Internet	\$4,523	\$3,500	\$8,000	-56.3%	\$5,000	
Postage/Courier	\$333	\$200	\$500	-60.0%	\$375	
Office Expenses	\$3,006	\$2,800	\$3,000	-6.7%	\$3,300	
Bank Charges	\$25	\$35	\$50	-30.0%	\$40	
Amortization Expense	\$0					
Depreciation Computer/Office Equipment ³	\$467	\$467	\$468	-0.2%	\$468	
Board/EOC/AGM						
Annual Members Luncheon	\$10,351	\$12,044	\$15,000	-19.7%	\$13,200	
Board Hosting (External)	\$2,597	\$14,517	\$15,000	-3.2%	\$15,000	
Board/EOC Meeting Expenses	\$13,885	\$7,700	\$5,000	54.0%	\$11,000	
Industry Events		\$0	\$1,500	-100.0%	\$2,000	
EOC Annual Dinner	\$1,196	\$2,079	\$2,000	4.0%	\$2,200	
Total Board/EOC/AGM	\$28,029	\$36,340	\$38,500	-5.6%	\$43,400	
Provincial Regulatory Visits	\$4,620	\$10,900	\$10,000	9.0%	\$8,000	
Research/Studies	\$46,677	\$1,356	\$50,000	-97.3%	\$50,000	
Regulatory Model(s)	\$1,229	\$0	\$12,000	-100.0%	\$20,000	includes Quebec specialized legal counsel expense
Federal Financial Reform	\$0	\$0	\$10,000	-100.0%	\$2,000	
Media Outreach	\$0	\$30,850	\$50,000	-38.3%	\$20,000	provision for proactive media engagement
Marketing Collateral	\$0	\$0	\$5,000	-100.0%	\$7,000	\$6K requested by Media Ctte.
Tactical Communications Strategy	\$70	\$180			\$0	
CAFil Reception Events						
Speaker fees & travel		\$0	\$8,000	-100.0%	\$4,000	
Gifts		\$146	\$1,000	-85.5%	\$500	
CAFil 20th Anniversary Celebration					\$27,685	See CAFil 20th Anniversary Budget under separate tab
Total Networking Events	\$1,115	\$146	\$9,000		\$32,185	
TOTAL EXPENSE	\$ 373,039	\$ 403,431	\$ 507,634	-20.5%	\$ 572,509	
Excess of Revenue over Expenses	\$ 51,300	\$ 32,556	(\$71,384)	-145.6%	-\$ 124,759	
Unrestricted Net Assets (beginning of year)	\$ 307,692	\$358,992	\$358,992		\$ 391,548	
Unrestricted Net Assets (end of year)	\$ 358,992	\$391,548	\$287,608		\$ 266,789	

Explanatory Notes:

- (1) 2016 Forecast includes January to October actuals and forecast for November and December
(2) Website includes hosting cafil.com, email and website updates
(3) Amortization of office equipment based on 4 year straight line depreciation

Forecasted Financial Reserves Targets	2015 Actual	2016 Forecast	2017 Status Quo Budget Option; One ED Only
Minimum 3 months (25%) of Annual Operating Ex	\$93,260	\$100,858	\$143,127
Maximum 6 months (50%) of Annual Operating Ex	\$186,520	\$201,716	\$286,255
Forecasted Level of Financial Reserves :	\$358,992	\$391,548	\$266,789
Forecasted Level of Financial Reserves %:	96%	97%	47%

Version 5:50 p.m.--Nov. 24/16

**2017, 2018, and 2019 CAFII ProForma Budgets,
With Three-Step Member Dues Increases To Achieve
Steady State Sustainability Following Introduction Of
Two Co-Executive Directors Staffing Model**

	2016(1)	2017(2)	2018(3)	2019(4)
Current/Proposed Dues				
Foundation Member (6)	\$ 47,000.00	\$56,400	\$81,780	\$85,869
Voting Member (5)	<u>\$ 23,500.00</u>	\$28,200	\$40,890	\$42,935
Associate (10)	\$4,800	\$4,800	\$4,800	\$4,800
Revenue				
Member Dues	\$387,750	\$479,400	\$695,130	\$729,886.50
Associate Dues	\$48,000	\$48,000	\$48,000	\$48,000
Interest Income	\$231	\$250	\$250	\$250
Total Revenue	\$435,981	\$527,650	\$743,380	\$778,137
Annual Operating Expenses	\$403,426	\$752,175	\$687,391	\$708,013
Surplus/Deficit For Year	\$32,555	(\$224,525)	\$55,989	\$70,124
Reserves At End Of Prior Year	\$358,992	\$391,547	\$167,022	\$223,011
Reserves At End Of This Year	\$391,547	\$167,022	\$223,011	\$293,135
Reserves As Percentage Of Annual Operating Expenses	0.970554699	0.222052049	0.324431073	0.414024178

(1) Based on forecast as at November 11, 2016

(2) Assumes 20% increase over 2016 in Foundation and Voting Member dues; and Expenses as budgeted including one-time only provisions totaling \$84,805 for 20th Anniversary Celebration; Media Consultant (first 6 months of 2017) and Website Redesign

(3) Assumes 45% increase over 2017 in Foundation and Voting Member dues; removal of \$84,805 of one-time only expenses from prior year; and then 3% increase in Annual Operating Expenses over 2017

(4) Assumes 5% increase over 2018 in Foundation and Voting Member dues; and 3% increase in Annual Operating Expenses over 2017

Version 5:50 p.m.--Nov. 24/16

**2017, 2018, and 2019 CAFII ProForma Budgets,
With Two-Step Member Dues Increases To Achieve
Steady State Sustainability Following Introduction Of
Executive Director Plus Associate Executive Director Staffing Model**

	2016(1)	2017(2)	2018(3)	2019(4)
Current/Proposed Dues				
Foundation Member (6)	\$ 47,000.00	\$54,050	\$64,860	\$71,346
Voting Member (5)	<u>\$ 23,500.00</u>	\$27,025	\$32,430	\$35,673
Associate (10)	\$4,800	\$4,800	\$4,800	\$4,800
Revenue				
Member Dues	\$387,750	\$459,425	\$551,310	\$606,441
Associate Dues	\$48,000	\$48,000	\$48,000	\$48,000
Interest Income	\$231	\$250	\$250	\$250
Total Revenue	\$435,981	\$507,675	\$599,560	\$654,691
Annual Operating Expenses	\$403,426	\$671,851	\$604,657	\$622,797
Surplus/Deficit For Year	\$32,555	(\$164,176)	(\$5,097)	\$31,894
Reserves At End Of Prior Year	\$358,992	\$391,547	\$227,371	\$222,274
Reserves At End Of This Year	\$391,547	\$227,371	\$222,274	\$254,168
Reserves As Percentage Of Annual Operating Expenses	0.970554699	0.33842474	0.367602592	0.408106457

(1) Based on forecast as at November 11, 2016

(2) Assumes 15% increase over 2016 in Foundation and Voting Member dues; and Expenses as budgeted including one-time only provisions totaling \$84,805 for 20th Anniversary Celebration; Media Consultant (first 6 months of 2017) and Website Redesign

(3) Assumes 20% increase over 2017 in Foundation and Voting Member dues; removal of \$84,805 of one-time only expenses from prior year; and then 3% increase in Annual Operating Expenses over 2017

(4) Assumes 10% increase over 2018 in Foundation and Voting Member dues; and 3% increase in Annual Operating Expenses over 2017

CAFI 20th Anniversary Budget

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	Ripley's Aquarium (75 ppl)	Ripley's Aquarium (110ppl)	Comments
Food: reception	\$250.00	\$300.00	
Food: dinner - approx. \$85/person	\$6,375.00	\$9,350.00	Food stations, cruiser tables
Beverage: wine, beer and non-alcoholic	\$2,000.00	\$3,000.00	Est \$10/drink,, 2 drink tickets per
			includes charges for two bartenders, appetizer servers, and food station servers: hourly rate plus 18% gratuity
Staffing	\$1,050.00	\$1,050.00	
Dangerous Lagoon Rental (max 75 ppl)	\$2,500.00	\$2,500.00	
Atlantic & Pacific Room Rental (max 60 ppl)	\$0.00	\$2,000.00	
Other rentals (tables, chairs, linens)	\$ 1,000.00	\$ 2,000.00	Estimated cost
Decorations	\$500.00	\$700.00	
Entertainment	N/A	N/A	
Photographer	\$600.00	\$600.00	based on 2 hours (5:30-7:30pm)
Printing: Signs (pop-up banners), postcards	\$500.00	\$500.00	
CAFI-branded gifts	\$1,500.00	\$2,200.00	CAFI-branded mementoes of 20th Anniversary
Taxi chits, other	\$200.00	\$300.00	
Total	\$16,475.00	\$24,500.00	
13% HST	\$2,141.75	\$3,185.00	
Grand Total	\$18,616.75	\$27,685.00	

CAFII Consultations/Submissions Timetable 2016-17

Regulatory Issue	Deliverable	Deadline	Accountable
BC FICOM 10-Year Review of FIA (consultation paper released June 2, 2015)	<ul style="list-style-type: none"> CAFII Response to Initial Consultation Paper Meetings with Ministry of Finance officials Public Report on input received on Initial Consultation Paper Policy Paper on proposals for change CAFII Response to Policy Paper <i>Meeting with Ministry of Finance officials, if necessary</i> Amendments to Act and drafting of Regulations 	<ul style="list-style-type: none"> Sep 15, 2015 Nov 10, 2015 Issued March 23, 2016 Q1 or Q2 2017 Q2 or Q3 2017 <i>Q2 or Q3 2017</i> Q4 2017 	<ul style="list-style-type: none"> Joint Market Conduct/Licensing Committee; ED to monitor
BC "Effecting" of CGI Issue	<ul style="list-style-type: none"> FICOM Information Bulletin on CGI Meeting with FICOM officials re Bulletin's directives CAFII follow-up letter seeking clarification on key Bulletin issues CAFII teleconference with FICOM officials re follow-up letter CAFII obtains legal opinion re auto dealers as creditors issue CAFII to communicate with FICOM re auto dealers, if warranted 	<ul style="list-style-type: none"> Issued Sep 14, 2015 Nov 10, 2015 March 15, 2016 April 14, 2016 Oct 2016 Nov or Dec 2016 	<ul style="list-style-type: none"> EOC; ED to monitor
QC Ministry of Finance Review of Distribution Act	<ul style="list-style-type: none"> CAFII Response to June 12/15 Consultation Report Dialogue with Ministry re meeting re online distribution CAFII secures specialized legal counsel, in preparation for draft Bill Draft omnibus Bill to be tabled, for industry consultation CAFII Response to draft legislation 	<ul style="list-style-type: none"> Sep 30, 2015 Completed March 2016 Nov 2016 <u>Expected By Dec 9/16</u> Q1 2017 	<ul style="list-style-type: none"> Joint Mkt Cndct/ Lcnsing Cttee; ED to monitor
CCIR Annual Statement on Market Conduct	<ul style="list-style-type: none"> CAFII Response to Draft Annual Statement (released Oct 28/15) Revised Draft released for 45 day consultation period CAFII Response to Draft 3 <u>CCIR to release implementation-ready final version of Statement</u> <u>AMF to develop secure online system for data submissions</u> <u>Insurers submit "best attempts" data based on 2016 fiscal year-end</u> 	<ul style="list-style-type: none"> Dec 4, 2015 July 12, 2016 August 26, 2016 <u>Dec 2016</u> <u>Feb, March 2017</u> <u>May 1, 2017</u> 	<ul style="list-style-type: none"> Market Conduct Cttee; ED to monitor
CCIR Review of Travel Health Insurance	<ul style="list-style-type: none"> CAFII/CLHIA joint update meeting with CCIR TIWG Issues Paper released for 90 day consultation Meeting with CCIR TIWG re Issues Paper CAFII Response to Issues Paper CCIR releases Position Paper <i>Meeting with CCIR TIWG Re Position Paper, if necessary</i> 	<ul style="list-style-type: none"> March 2016 July 4, 2016 Aug 10, 2016 Sep 30, 2016 <u>Q2 2017</u> Q2 2017 	<ul style="list-style-type: none"> EOC; ED to monitor
SK Bill 177	<ul style="list-style-type: none"> FCAA releases Draft Regulations for industry consultation CAFII Response to Draft Regulations <i>Meeting with FCAA officials re CAFII submission, if necessary</i> 	<ul style="list-style-type: none"> Oct 7, 2016 Dec 2, 2016 <u>Dec 2016 or Q1 2017</u> 	<ul style="list-style-type: none"> Market Conduct Cttee; ED to monitor
"Modernizing the New Brunswick Insurance Licensing Framework"	<ul style="list-style-type: none"> CAFII Response to Position Paper on aspects related to life agents FCNB delivers final recommendations to Minister 	<ul style="list-style-type: none"> Jan 22, 2016 ? 	<ul style="list-style-type: none"> Licensing Cttee; ED to monitor

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

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October 12, 2016

Ms. Eleanore Fang
Secretary and Chair
Executive Operations Committee
Canadian Association of Financial Institutions in Insurance
21 St. Clair Avenue East Suite 802
Toronto, Ontario
M4T 1L9

Via email: eleanore.fang@td.com

[Determine to whom the letter should be addressed. Just CAFII or someone in particular or directly to FICOM]

Dear Ms. Fang:

Re: Creditor's Group Insurance in British Columbia

Background

Bulletin-INS-15-002 CREDITOR'S GROUP INSURANCE (the "**Bulletin**") issued by the Financial Institutions Commission of British Columbia ("**FICOM**") states, among other things, that in respect of creditors' group insurance a creditor must play an active and substantial role in the procurement of a contract of creditors' group insurance.

Issue

You have asked whether an automobile dealer is a creditor for the purposes of procuring a contract of creditor's group insurance, as described in the Bulletin.

Conclusion

In our opinion, automobile dealers are properly characterized as “creditors” when they enter into agreements with purchasers for the purchase and sale of vehicles (“PSA”) except in the rare instances when the purchaser pays in cash for the vehicle at the time of signing the PSA. As such, an automobile dealer is properly a “creditor” for the purposes of the definition of creditors’ group insurance in the *Insurance Act* (BC) and for the purpose of procuring a contract of creditors’ group insurance. However, it is important to note, that in our view no requirement exists in the law of BC such that vehicle dealers must be creditors in order to sell credit protection insurance under the licensing exemption and in the manner that is presently the market practice in BC.

Reasoning

When a potential purchaser of a vehicle attends an automobile dealer, once a vehicle is selected, a PSA is entered into as between the dealer and the purchaser. The purchaser agrees to buy the vehicle, financing is arranged and the vehicle is picked up at a future point in time. Financing or leasing may be arranged with the assistance of the dealer such that the purchaser is able to perform his or obligations under the PSA. Sometimes the vehicle is on the lot and available for delivery in short order but in many instances, the vehicle is ordered and delivered at a future time. Few, if any, purchases are made instantly and in cash and if that is the case, there is no eligibility for credit protection insurance, if it is available, there being no debt to insure.

The term “creditor” is informed by the definitions of “credit” and “debt”. In the context of a car purchase, pursuant to a PSA, the buyer has an obligation in law, upon signing the PSA, to pay money to the dealer, upon delivery of the vehicle, in order to complete the purchase of the vehicle. It is well established that a vendor of goods and services is a “creditor” at the time the buyer is obligated to purchase the goods or services. A dealer and a buyer who have entered into a PSA are respectively a “creditor” and “debtor”. If the purchaser does not pay after signing the PSA, the dealer can pursue the purchaser for recovery of the purchase price.

According to *Words and Phrases Legally Defined* the word "credit" is not specifically a technical legal term. "Credit" is defined in *The Dictionary of Canadian Law* as including "credit" for which a borrower is required to pay and that is given under an agreement between a seller and a buyer of goods or services by which all or part of the purchase price is payable after the agreement is entered into".

Similarly, *Words and Phrases Legally Defined* states that "credit is obtained when, with the assent of the creditor and at the behest of the debtor, a debt remains for a time unpaid or, it may be suggested, when goods or services are supplied 'in confidence of future payment' being made for them...Credit can be obtained when payment otherwise due for goods and services is expressly deferred by consent..."

It is settled in Canadian law that a debt is owed if, and when, conditional liability to pay money exists, even if that money is payable at a future time.

In *Garner v. Strickland & Western Forest Industries Ltd.*, [1955] 4 D.L.R. 329 (B.C.C.A.) it was held that:

*The debt is a present debt, the payment is to be a future payment. There are many cases in which such debts have been held garnishable...*¹

While the definition of debt typically brings to mind an obligation to pay money, in a broader sense, it can also be in relation to generally owing an obligation. This broader definition was referenced in *Gardner v. Newton* (1916), 10 W.W.R. 51 (Man. K.B.), in which the court provided the common law definition of “creditor”:

A creditor is one who has a right to require the fulfilment of an obligation or contract; but its general and almost universal meaning is a person to whom a debt is payable.

An automobile dealer is a “creditor” at the time the buyer becomes obligated to purchase the car – the crucial time being the time at which the PSA is entered into. The fact that the PSA is later performed because the purchaser obtains borrowed funds to pay the dealer, or performs the PSA, when a leasing company buys the car on behalf of the purchaser, does not change the fact, that under the PSA, the dealer is a creditor and the purchaser, a debtor.

In our view, a dealer is a creditor and can properly procure a contract of creditors’ group insurance².

However, we note that this aspect of the Bulletin is without foundation in law. This is the case for the following reasons:

- The *Insurance Act*³ (BC) (“IA”) does not deal with the distribution of insurance but rather it stipulates what is required for various contracts of insurance. The *Financial Institutions Act*⁴ (BC) (the “FIA”) deals with the regulation and licensing of various financial institutions, including insurance companies transacting business in British Columbia and it deals with the regulation of other persons, including insurance agents and adjusters. The IA does not contain any provision which specifies who can sell insurance and how they may sell it. Rather, those distribution issues are set out in the FIA.
- The FIA establishes the basic principle that no person may act in British Columbia as an insurance agent or insurance salesperson unless the person is licensed as an insurance agent or insurance salesperson, as the case may be⁵. Further, an insurer, officer, agent or

¹ See also *Lampman & Laidlaw Ltd. v. Levine* (1960), 22 D.L.R. (2d) 605 (B.C.C.A.).

² The *Insurance Act* requires that the person procuring the creditors’ group insurance be a creditor, which the dealer is at the time the contract is originated. Nothing prevents an insurance contract from directing payment of benefits to successor creditors, whether an entity which loans money to the purchaser to purchase the car, or whether the successor creditor is a vehicle leasing company. In each case the debt owed to the dealer is replaced with a debt owed to the lending or leasing company. The dealer, the lending or the leasing company are all creditors at some point in time.

³ RSBC 2012, c 1

⁴ RSBC 1996, c 141

⁵ Section 171(1) of the FIA

employee of an insurer, insurance agent or insurance salesperson must not pay or allow to be paid, or offer or promise, a commission or compensation to a person who is not an insurance agent licensee, or insurance salesperson licensee for so acting in British Columbia⁶. These prohibitions do not apply to a person or class of persons exempted by the regulations.

- The *Insurance Licensing Exemptions Regulation*⁷ specifically states that the general prohibition against unlicensed activity does not apply to a person whose only activity as an insurance agent or insurance salesperson is in connection with **credit insurance** sold incidentally to the granting or arranging of credit by that person or that person's employer⁸.
- “Credit insurance” as it is used in the *Insurance Licensing Exemptions Regulation* is specifically defined as credit protection insurance as defined in section 1 (1) of the *Classes of Insurance Regulation*⁹ which is as follows:

"credit protection insurance" means insurance under which an insurer undertakes to pay off credit balances or debts of an individual, in whole or in part, in the event of an impairment or potential impairment in the individual's income or ability to earn an income; credit protection insurance" in section 1 (1) of the Classes of Insurance Regulation

- You will note that the definition of “credit protection insurance” is the operative definition as it relates to who can sell insurance that pays of credit balances. You also will note that there is no reference in this definition or in the *Insurance Licensing Exemption Regulation* to “creditors’ group insurance” which is a large part of the focus of the Bulletin.
- Nothing in the law of BC requires that credit protection insurance be sold or structured as creditors’ group insurance. Such a requirement does not exist.
- The law of BC requires that a person selling credit protection insurance, which may or may not be structured as a group insurance contract, be either licensed or be selling credit insurance incidentally to the granting or arranging of credit by that person or that person's employer. This is what automotive dealers and their employees presently do, whether as an actual creditor or as a person who arranges credit.
- There is no requirement in the law of BC that if a dealer is to sell credit protection insurance under the exemption in the regulations, the dealer must be a creditor or procure

⁶ Section 178(1) of the FIA

⁷ BC Reg 328/90

⁸ There is also a corresponding exemption in the *Insurance Commission Exemption Regulation*, BC Reg 149/97

⁹ BC Reg 204/2011

a contract of creditors' group insurance as suggested by the Bulletin.

- BC law makers seem to have specifically anticipated the situation of those who arrange for credit but aren't in fact creditors. The exemptions seem to specifically anticipate a situation where the exempt seller may offer to arrange for credit from multiple sources while the seller is not a creditor. We are unsure as to why this clear legislative intent appears to have been ignored and why the Bulletin purports to impose requirements that do not exist and in fact conflict with the law, as it is in BC.

Yours truly,

A handwritten signature in black ink, appearing to read 'Jill McCutcheon', is written over a light gray rectangular background.

Jill McCutcheon

CONFIDENTIAL DRAFT ONLY

November 30, 2016

Mr. Harry James
Senior Regulatory Advisor
Financial Institutions Commission
2800 – 55 West Hastings
Vancouver, BC V6B 4N6
E-mail: harry.james@ficombc.ca

Dear Mr. James:

Thank you for your letter of April 19, 2016 -- *Re: Response to CAFII CGI Follow-up Letter Dated March 15, 2016* -- addressed to Greg Grant, who was then Board Secretary and Chair of our Association's Executive Operations Committee; and to you, Lorena Dimma, Chris Carter, and Molly Burns for participating in a teleconference discussion with CAFII representatives on the same subject on April 14, 2016.

The information communicated in your letter and the preceding teleconference provided thorough and helpful clarifications for our members on some key points of uncertainty arising from FICOM's *Information Bulletin INS-15-002: Creditor's Group Insurance*. In particular, we appreciated

- your fundamental clarification that when the Bulletin speaks to the "effecting" of a CGI contract, it is speaking exclusively to the negotiation and procurement of a Group Master Policy and not to the enrolment of a debtor insured;
- your highlighting of the fact that FICOM has specifically stated that a creditor can designate a third party to be its representative in negotiating a Group Master Policy, provided that the creditor has an appropriate contractual relationship in place with that third party; and
- the perspectives and advice you shared on the issue of whether automobile dealers are both the distributor and creditor at the moment-in-time that they sell CGI coverage to a vehicle purchaser.

By way of update, with respect to auto dealers as creditors, upon further internal deliberations, our members now feel well-advised on this issue. We do not see any outstanding concerns that might prevent our members from being in compliance with the Bulletin's provisions by the enforcement date of March 31, 2017; and we believe that this matter may therefore now be closed.

Thank you again to you and your colleagues for the helpful clarifications and assistance provided to CAFII in these matters.

Sincerely,

Eleanore Fang
Board Secretary and Chair, Executive Operations Committee

c.c. Frank Chong, Acting Superintendent of Financial Institutions
Chris Carter, Acting Superintendent of Real Estate and Acting Registrar of Mortgage Brokers
Molly Burns, Analyst, Policy Initiatives

ABOUT CAFII

The Canadian Association of Financial Institutions in Insurance (CAFII) is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. CAFII was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels, i.e. client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the internet. CAFII members offer travel, life, health, property and casualty, and creditor's group insurance across Canada.

CAFII's full members are the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Financial Security; National Bank Insurance; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players American Express, Assurant Solutions, Canadian Premier Life Insurance Company, and The CUMIS Group Ltd.

CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services.

October 31, 2016

Ms. Joanne Abram
Chief Executive Officer
Alberta Insurance Council
10104 – 103 Avenue
Suite 600, Bell Tower
Edmonton, Alberta T5J 0H8

Re: Proposed Definition of *Creditor Group Critical Illness Insurance* For Restricted Licensing

Dear Ms. Abram:

Thank you for your letter to CAFII of October 11, 2016 which communicated the Life Insurance Council's recent decision to specify, subject to its acceptance of an appropriate definition, that creditor group critical illness insurance coverage can be sold in Alberta under a Restricted Certificate of Authority for *Credit-Related Insurance*, in addition to creditor group life insurance, disability insurance, and loss of employment insurance.

CAFII commends the LIC for reaching that prudent decision. It supports consumer choice through competitive product availability and ensures that CAFII members will continue to be in a position to offer creditors' group insurance to Albertans.

It is our understanding that the LIC's intent now is to issue a definition as written guidance which will clarify the products that constitute *Credit-Related Insurance*, as authorized to be sold under a Restricted Certificate of Authority. In response to the related request made in your letter, our proposed definition of creditor group critical illness insurance to be adopted for restricted licensing is as follows:

Creditor's Critical Illness Insurance means a group insurance policy that will pay off all or part of the credit balance or debt of an insured person in the event that the insured person is diagnosed with a covered illness or medical condition.

We strongly recommend that the definition to be adopted should be at a general, high level, so as to support industry innovation and new offerings and enhancements for consumers without requiring the Council to have to update its regulatory guidance at frequent intervals.

CAFII also recommends that in addition to issuing a definition of creditor group critical illness insurance as written guidance, the LIC may want to consider providing further clarity around the products that constitute *Credit-Related Insurance* by making a revision to the October 2012 Order of The Life Insurance Council and the General Insurance Council (the "Order") which specifies the classes or types of insurance for the purposes of Section 454 of the Act.

We therefore refer you to our previous correspondence of July 22, 2016 and, in particular, Appendix "A" to that letter which provides a mark-up of how the Council could achieve additional clarity within an amended Order.

With two in five Canadians expected to develop cancer during their lifetimes and 63% expected to survive five or more years¹, and with more than 350,000 Canadians hospitalized each year for heart disease or stroke and an estimated 1.6 million people currently living with the effects of those conditions², it is vitally important that Albertans who seek and value coverage for these conditions continue to have access to a full range of Critical Illness benefits. The benefits offered by CAFII members provide choice and accessibility to Albertans – who otherwise may lack this important protection – and are designed to be simple, affordable and convenient, providing an alternative to the more complex types of Critical Illness Insurance offered in the marketplace.

The typical critical illness insurance product within creditor's group insurance covers a limited number of illnesses, with the three most common being cancer, heart attack, and stroke. In contrast, the majority of individual critical illness insurance products cover more than 20 illnesses. Yet, according to Munich Re data quoted in a recent Towers Watson report, cancer, heart attack, and stroke account for 86% of all critical illness insurance claims paid in Canada³. These factors make creditor critical illness insurance a more easily understood product that provides the breadth of coverage required by most Canadians.

Thank you again for giving CAFII the opportunity to propose a definition of creditor group critical illness insurance to be adopted for restricted licensing, and to share related feedback. Should you require further information or wish to meet with representatives of our Association at any time, please contact Brendan Wycks, our Executive Director, at brendan.wycks@cafii.com or 647-218-8243.

Sincerely,



Eleanore Fang,
Board Secretary and Chair, Executive Operations Committee
Canadian Association of Financial Institutions in Insurance

¹ Canadian Cancer Statistics 2015: Canadian Cancer Society

² Heart and Stroke Foundation of Canada

³ Towers Watson September 2015 Report: *Comparison of the Customer Value Proposition of Creditor's Group Insurance on Mortgages with Individual Insurance* (using 2013 data)

Agenda Item 4.2(ii)
November 29/16 CAFII Board Meeting

From: Joanne Abram [mailto:jabram@abcouncil.ab.ca]
Sent: Monday, November 14, 2016 11:56 AM
To: Brendan Wycks
Subject: RE: Follow-up Re LIC's Next Steps Re Definition Of Creditor Group Critical Illness Insurance To Be Adopted For Restricted Licensing

Hi Brendan

The AIC has received feedback on the suggested definition from the industry and will be putting forward recommendations to the LIC at their next scheduled meeting on Dec 14, 2016.

The next step will be to issue a definition, after approval from the LIC, as to what constitutes Credit Related Insurance for the purposes of restricted licensing.

I will get in touch with you to advise further after the December meeting. At this point I am hoping to have this issue resolved by the end of this year.

Please let me know if there is anything further I can provide.

CAFII 2017 Draft Schedule of Meetings

**Dates Tentative until Board Approved*

EOC Meetings: *Shall be held from 2:00 – 4:00pm unless otherwise specified.*

- Tuesday, January 17, 2017 (3:00-5:00 p.m.) and EOC Annual Dinner at 5:30 pm
- Tuesday, February 21, 2017 (*Family Day stat holiday: Monday, February 20*)
- Tuesday, March 21, 2017 (*March Break: March 13-17; Passover: March 31-April 1*)
- Tuesday, April 25, 2017
- Tuesday, May 23, 2017 (*Victoria Day stat holiday: Monday, May 22*)
- Tuesday, June 20, 2017 (*Holidays: June 24 - St. Jean Baptiste Day; July 1 - Canada Day*)
- Tuesday, July 25, 2017 **tentative summer meeting*
- Tuesday, August 22, 2017 **tentative summer meeting*
- Tuesday, September 19, 2017 (*Holiday: Sept 20 – 22 Rosh Hashanah (ends at nightfall); Sept 29-30 Yom Kippur (starts sunset)*)
- Tuesday, October 24, 2017
- Tuesday, November 14, 2017

Board Meetings*:

- | | |
|------------------------------|---|
| • Wednesday, April 5, 2017 | HOST: TD Insurance, followed by 20 th Ann. Celebration |
| • Tuesday, June 6, 2017 | HOST: Amex Bank of Canada incl. Annual Meeting |
| • Tuesday, October 3, 2017 | HOST: National Bank Insurance in Montreal |
| • Tuesday, November 28, 2017 | HOST: CIBC Insurance |

Each Board meeting is typically followed by a speaker presentation (except December) and/or networking reception which is well-attended by members, Associates, allied Associations, and regulators.

Annual Members Luncheon & Speaker Forum 2017:

February 7, 2017 from 11:45 a.m. to 2:00 p.m.

Topic: TBD

Speaker: TBD

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

Past Years

Annual Members Luncheon & Speaker Forum 2016

Topic: Innovation in Insurance: Opportunities in a Changing Market

Speaker: Alison Salka, Ph.D, Senior Vice President and Director Research, LIMRA

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

2016 Board Meetings Hosted by:

The CUMIS Group, Assurant Solutions (incl. AGM), RBC Insurance, BMO Insurance

2015 Board Meetings Hosted by:

CIBC, Scotiabank Financial (incl. AGM), Desjardins, Canadian Premier