



CAFII Board of Directors Meeting
Tuesday, October 9, 2012
Location: Toronto Dominion Bank Tower
66 Wellington St. West, 54th Floor
Toronto, ON
2:00 - 4:30 pm

Agenda

Item	Presenter	Action
1. Welcome	C. Honor	
2. Review of CAFII Competition Guidelines	C. Honor	Review
3. Approval of Agenda	C. Honor	Approval
4. Executive Director Recruitment Update	J. Hines	Update
5. Minutes 5.1. Adoption of June 19, 2012 Board Meeting Minutes	C. Honor	Approval
6. Financial Update 6.1. August Financials	M. Fabian	Approval
7. Regulatory Update 7.1. Lawrie Savage Report 7.2. Regulator Meetings 7.3. Reports on Regulator Meetings 7.3.1. SK Insurance Council 7.3.2. MB Superintendent and Council 7.3.3. FSCO	A. Riley A. Riley M. Gill / S. Gelgor M. Gill / S. Gelgor J. Lewsen / M. Gill	Review Review Update Update Update
8. Committee Reports on addressing CAFII Priorities 8.1. Distribution and Market Conduct Policy Committee 8.1.1. Education Curriculum / Webinars 8.1.2. UK PPI 8.2. Media and Advocacy Strategy Committee 8.3. Licensing Efficiency Issues Committee 8.4. Networking and Event Hosting Committee 8.4.1. CAFII 15 th Anniversary Event	J. Hines S. Manson S. Gelgor / J. Lewsen M. Gill P. Yeung / M. Sanchez-Chung	Update Update Update Update Update
9. Other Business		

Next Board Meeting: December 11, 2012 hosted by ScotiaLife Financial in Toronto, Ontario.

Conference call dial-in information: 416.764.8662 or 1.888.884.4534
participant pass code: 771017#, moderator pass code: 7661560

COMPETITION LAW POLICY FOR CAFII'S BY-LAW NO. 2007 - 1

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ADD DEFINITION OF "COMPETITION ACT" TO SECTION 1.01:

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

ADD SECTION TO BODY OF BY-LAW:

SECTION TWELVE

COMPETITION LAW POLICY

12.01 Competition Law Policy Statement

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

12.02 Guidelines for Competition Act Compliance

At each meeting of the members of the Corporation, each member shall be furnished with a document setting out the Corporation's guidelines for Competition Act compliance (the **"Guidelines"**). Each attending member shall acknowledge receipt of the Guidelines in writing and agree to adhere to the Guidelines in respect of any activity undertaken for or on behalf of the Corporation.

12.03 Consequences for Failure to Comply with Policy and Guidelines

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

12.04 Annual Review of Guidelines

The Guidelines shall be reviewed annually by the Corporation in consultation with its legal counsel and shall be amended from time to time, as necessary or considered desirable by the board.

/MM

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

GUIDELINES FOR *COMPETITION ACT* COMPLIANCE

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

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

1. **Prohibited Activities**²

(a) **Anti-competitive Agreements or Understandings**

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

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

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

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

(b) Sharing Information Posing Anti-competitive Risk

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

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

(c) Exchange of Cost Information – Anti-competitive Purposes

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

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

(d) Published Papers

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

(e) No Attempt at Product Standardization

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

(f) **Independent Dealings with Suppliers**

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

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

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

2. **Permissible Activities**

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

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

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

3. **Efforts to Influence Governmental Action**

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



CAFII Board of Directors Meeting Minutes
Tuesday, June 19, 2012
Domaine Cataraqui
2141, chemin Saint-Louis
Quebec, QC G1T 1P9

Present: Keith Demmings, Assurant Solutions *Vice Chair*
Linda Fiset, Desjardins Financial Security Life Assurance Company
Cathy Honor, RBC Insurance Services Inc. *Chair*
Richard Hébert, National Bank Insurance Co.
David Minor, TD Insurance

EOC Present: Charles Blaquerie, Canadian Premier Life Insurance
Andre Duval, Desjardins Financial Security Life Assurance Company
Matthew Fabian, BMO Insurance *Treasurer*
Sara Gelgor, ScotiaLife Financial
Moira Gill, TD Insurance (*teleconference*)
Jeff Gladwish, AMEX Bank of Canada
Greg Grant, CIBC Insurance
Jennifer Hines, RBC Insurance Services
John Lewsen, BMO Insurance *Secretary*
John Poolman, Assurant Solutions
Paul Yeung, RBC
Sue Manson, CIBC Insurance (*teleconference*)

Regrets: Julie Barker-Merz, BMO Insurance
Emily Brown, BMO Insurance
Mark Cummings, ScotiaLife Financial
Wayne Eccles, TD Insurance
Rick Lancaster, CIBC Insurance
Isaac Sananes, Canadian Premier Life Insurance
Maria Sanchez-Chung, TD Insurance
Yvonne Ziomecki, AMEX Bank of Canada

Also: Leya Duigu, T•O Corporate Services *Recording Secretary*
Richard Evans, Media Relations CAFII (*teleconference*)
Anne Riley, Lawrie Savage and Associates

1. Call to Order

The meeting was called to order at 1:20 pm. C. Honor acted as chair, J. Lewsen acted as secretary and L. Duigu acted as recording secretary.

2. Discussion with AMF Representatives

Members of the AMF were welcomed to the meeting. P. Dery provided opening remarks and distributed handout. Their overall goal is appropriate consumer disclosure, while balancing the interests of various stakeholders. To date they have appreciated the support received from industry.

Internet. There were two consultations done recently in May by the AMF and CCIR. They noted that there appear to be very polarised views on this issues and are looking to achieve more clarity on this issue. Some feel a licensed representative must be involved at some point in the process whereas others believing the sale can be fully completed over the internet. Regardless of channel the consumer protection must be of a similar level. They anticipate this file should progress quickly (next 6-12 months) but this is dependant on priorities that arise.

Guideline on Commercial Practices. They are waiting on comments from the government and it was felt that this guideline is not a priority right now. International pressures are a component of this and they believe that most international standards are fulfilled.

Trade Agreement. This is a large agreement that was signed in September 2009, in which there is a whole chapter on the financial sector. P. Dery outlined what was agreed to as it was listed in their presentation. Work plans are being finalized and implementation is due to start this year. They weren't able to make any announcements today however there will be an announcement in the coming months.

Financial Education. There are many concerns in this area, in particular that knowledge is not always linked to responsible behaviour. This is the main topic of the education campaign that was aired last spring which encouraged consumers to ask themselves some basic questions in order to become more informed about the process. They are interested in improving behaviour and this is part of their strategic plan. The survey was a tool used to help them become informed about regulating this area.

The AMF wishes to identify ways of working effectively with industry. We all have a common goal of improving consumer literacy, to which CAFII offered its assistance.

3. Review of CAFII Competition Guidelines

C. Honor reminded members that the Competition Guidelines provided in the package were adopted at the April 3, 2008 Board of Directors meeting. The practice of reviewing the guidelines was adopted at the start of the meetings to ensure that our activities conform to its principles, which were briefly summarized.

4. Approval of Agenda

On a motion duly made, seconded and unanimously carried.

IT WAS RESOLVED that:

The agenda be approved as presented.

5. New Members & Appointments

5.1. Appointment of Executive Director

The Board of Directors held an in-camera discussion prior to the meeting to review the evolution of the CAFII organizational structure given the current external environment, combined with changes that are occurring within CAFII (recent resignation of A. Riley from Lawrie Savage & Associates, and the appointment of a new Secretary & EOC Chair). A recommendation was made to create an Executive Director role

The Communications Sub Committee was tasked to finalize an Executive Director mandate, post the position and commence a candidate search.

On a motion duly made, seconded and unanimously carried.

IT WAS RESOLVED that:

An Executive Director role be created and filled and the communications committee will draft and finalize the mandate for this role.

5.2. Appointment of Secretary & EOC Chair

A recommendation is being put forward, to break precedent, and nominate Jennifer Hines of RBC Insurance as the next Secretary.

On a motion duly made, seconded and unanimously carried.

IT WAS RESOLVED that:

J. Hines be appointed as Secretary for the term until the June 2014 Annual General Meeting.

It was further noted that it shall not be a regular precedent to have the Chair and Secretary from the same institution.

6. Minutes

On a motion duly made, seconded and unanimously carried.

IT WAS RESOLVED that:

The minutes of the meeting of the board held on April 10, 2012 be adopted as amended, and that a copy of these minutes be signed and placed in the minute book of the Corporation.

7. Financial Update

7.1. April Financials

M. Fabian reported that we are well within the reserve policy and have only one cashable GIC that has been reinvested recently and will appear in the next financials. The statement of operations features a new column showing the balance as of this time last year and the % used of the previous budget. At this time all members have paid except for, CIT and Ecklar, who have resigned from the association.

On a motion duly made, seconded and unanimously carried.

IT WAS RESOLVED that:

The April 2012 financial statements be and are hereby approved in the form presented.

7.2. Audited Financial Statements

The audited financial statements were circulated via email for review. Board members were thanked for approving the financials again via email and overall nothing stood out during the audit

8. Regulatory Update

8.1. Lawrie Savage Report

A. Riley presented the regulatory updated included in the meeting materials and additional discussion occurred as follows:

- US Discover Card. Lawsuits are underway and the consumer financial protection bureau has been called in. This issues can be linked to the treating customers fairly movement and include a number of other issues that would be of interest to CAFII members.

8.2. Regulator Meetings

- Atlantic meetings. Members were reminded to consider incorporating a regulator visit in their travel schedules, in particular the Atlantic provinces.

8.3. Reports on Regulator Meetings

8.3.1. AB Council

M. Gill reported that a meeting was held with the AB Insurance Council during a trip to Montreal for the CLHIA conference.

8.3.2. AMF

J. Lewsen reported that a meeting was held with members of the AMF during the CLHIA conference as well and meeting notes were available in today's package.

8.3.3. CCIR

J. Hines, G. Grant and A. Riley met with Carol Shevlin recently for their annual lunch and update. A replacement for D. Boulet as Chair had not yet been identified. They will be issuing the credit score findings paper soon, FSCO decided not to proceed with the ISI Surveys and the webinars will be discussed below.

Action: A. Riley to confirm that they won't be proceeding with the surveys.

9. Committee Reports on addressing CAFII Priorities

9.1. Distribution and Market Conduct Policy Committee

9.1.1. Proposed Education Curriculum

A one-page document of possible webinar topics was provided to C. Shevlin who will follow-up with regulators across the country to solicit interest on the initial topic. The concept was very well received and we anticipate scheduling the first webinar towards the end of the summer.

9.1.2. UK PPI

While the initial intent was to focus on mortgage and card creditor insurance, a subsequent decision was made to focus on card creditor insurance only. S. Manson provided a summary of a draft survey by section noting that the focus was based on key points taken from the UK PPI issues, as well as perceived areas of potential vulnerability. J. Poolman reported that two legal firms have been consulted and provided a summary of the proposals received.

Next Steps: At this time the committee would like to seek agreement on representation and bring forward the timing, so the survey can be released in August, based on the input received from legal counsel.

Decision: Members of the board were satisfied with the information presented and with delegating the decision of selecting a law firm to the EOC. It was also noted that all members were interested in participating in the survey.

Budget: The EOC shall review the budget with the goal of reallocating expenses to cover this initiative. The board is in agreement with this additional spending, subject to earmarking approximately \$35K from the existing budget to fund the project.

On motion duly made, seconded and unanimously carried

IT WAS RESOLVED that:

The Committee continue to review and develop the PPI survey project and the board approves spending up to \$35K for external legal counsel for legal advice regarding it.

EOC members shall commit to follow up with their board members regarding the survey.

Action: EOC members shall brief their board members on the survey, discuss concerns and questions and report back at the next EOC meeting.

9.2. Media and Advocacy Strategy Committee

9.2.1. Communications Strategy

J. Lewsen and S. Gelgor reported on the committee's follow-up items from the previous meeting including the media kit, which is being developed with a focus on regulators rather than media. This was discussed with the board communications committee. The website is now live and the members only area is much improved with greater access to materials. Related to this is a recommendation to start providing testimonials on the website and members of the board were asked to see if they have any testimonials available, which we will seek the relevant permissions to display on the CAFII web site. During the committee discussion it was suggested that a CAFII tag line be developed that can encapsulate what CAFII is and this can become our brand. In addition soft marketing tools such as pens and mouse pads shall be ordered for use when visiting regulators. A CAFII brochure can also be developed providing an overview of CAFII, what we do, key messages, testimonials and contact information, in both English and French.

The website currently displays information only about creditor and it was suggested that content be developed for alternate distribution as this is another area of focus for CAFII members companies.

9.3. Licensing Efficiency Issues Committee

M. Gill reported that since the last meeting the committee has been focusing on licensing and representation on council. The purpose of this presentation is to work through the approaches and recommendations. An update was included in the meeting package and it was noted that this is an ideal time to engage Manitoba. The licensing committee is seeking agreement from members of the board as follows:

- a. Engage Manitoba to discuss implementing concepts 3, 4 or 5 outlined in the document. If agreed a face-to-face meeting shall be requested with MB, a law firm will be engaged to refine the possible models and updates will be communicated with the Board and EOC as they become available for further discussion and approval as required.

- b. Preliminary discussions will be held with Alberta and Saskatchewan on the same concepts.

The board discussed the concepts presented and the committee was commended on their work so far. The board supports this initiative and agrees to proceeding as outlined.

9.4. Networking and Event Hosting Committee

P. Yeung reported that the committee is working on securing a speaker for the next event on October 9 including Julie Dickson or John Collins from AMEX. The next board meeting will be held in December. While we don't typically have a speaker at this time, given this year mark's CAFII's 15th Anniversary consideration should be given to recognizing this milestone.

10. Other Business

10.1. New Canadian Not-for-Profit Corporations Act

CAFII has been notified by its suppliers (T·O Corporate Services and Faskens) that a new Canada Not-for-Profit Corporations Act came into force in October 2011. As a result all federally incorporated not-for-profit organizations are required to transition under the new legislation by October 2014, including CAFII. J. Lewsen reported that support can be provided by T·O Corporate Services and Faskens to complete this process. At this time they would like to seek quotes from both for the work. Members suggested that this work be combined with the proposed restructuring and creation of the ED position.

Volunteers: S. Gelgor and J. Lewsen.

11. Termination

On a motion duly made, seconded and unanimously carried.

IT WAS RESOLVED that:

The meeting be terminated at 4:45 pm. The next meeting of the board is on Tuesday, October 9, 2012 in Toronto , hosted by TD Insurance. Motion passed.

Date

Chair

Recording Secretary

CAFII

55 St Clair Ave West, Suite 255
Toronto, ON M4V 2Y7

Balance Sheet As at August 31, 2012

ASSETS	Current 2012
Current Assets	
Bank Balance	\$117,579
Investments ^A	\$52,097
Accounts Receivable	\$176,250
Interest Receivable	\$240
Prepaid Expenses	\$2,181
Intangible Assets-Trademarks	\$6,245
Accumulated Amortization-Trademark	(\$6,245)
Total Current Assets	\$348,348
TOTAL ASSETS	\$348,348
LIABILITIES	
Current Liabilities	
Account Payable ^B	\$1,456
Deferred Revenue	\$136,700
Total Current liabilities	\$138,156
TOTAL LIABILITIES	\$138,156
UNRESTRICTED NET ASSETS	
Unrestricted Net Assets, beginning of year	\$137,319
Excess of revenue over expenses	\$72,872
Total Unrestricted Net Assets	\$210,192
Total Unrestricted Net Assets	\$210,192
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$348,348

RESERVE RATIO:

Minimum Reserve for 2012	\$71,258
Maximum Reserve for 2012:	\$435,177
Current Reserve Ratio (CAFII policy requires min. 3 months reserve)	8.9 Months

C A F I I
55 St Clair Ave West, Suite 255
Toronto, ON, M4V 2Y7
Balance Sheet Items
As at August 31, 2012

Item A

Investment Portfolio

Investment Type	Issue Date	Principal	Rate	Deemed Interest	Maturity Date
Cashable GIC #0087-8019718-11	May 7, 2012	\$52,096.99	1.45%	\$755.41	May 7, 2013
Total		\$52,096.99		\$755.41	

Item B

Accounts Payable

	Total
	50.62
	1,405.58
Total outstanding:	\$1,456.20

CAFII

55 St Clair Ave West, Suite 255
Toronto, ON M4V 2Y7

Statement of Operations As at August 31, 2012

REVENUE	Current Month	Current YTD	Budget 2012	% Used	YTD 2011 Balance	% Used YTD 2011
Membership Fees	\$34,175	\$273,400	\$419,700	65%	\$279,400	73%
Interest Revenue	\$64	\$456	\$750	61%	\$526	526%
TOTAL REVENUE	\$34,239	\$273,856	\$420,450	65%	\$279,926	72%
EXPENSE						
Management Fees	\$5,885	\$47,078	\$70,617	67%	\$46,162	67%
Lawrie Savage Fees	\$14,679	\$117,434	\$171,289	69%	\$115,131	69%
Fasken Martineau Fees ¹	\$0	\$0	\$10,467	0%	\$0	0%
Audit Fees	\$0	\$347	\$11,594	3%	\$1,162	12%
Board/EOC/AGM Expense ²	\$2,321	\$11,261	\$21,000	54%	\$9,720	46%
Insurance	\$219	\$1,840	\$4,320	43%	\$1,885	44%
Website (incl translation)	\$0	\$2,245	\$540	416%	\$2,074	384%
Telephone/Fax/Internet	\$63	\$389	\$1,000	39%	\$659	31%
Postage/Courier	\$10	\$216	\$500	43%	\$175	16%
Office Expenses	\$67	\$554	\$2,700	21%	\$1,642	61%
Bank Charges	\$0	\$38	\$0	0%	\$0	
Miscellaneous Expenses	\$0	\$0	\$0	0%	\$0	
Amortization Expense	\$0	\$0	\$0	0%	\$0	
Regulatory Model (s)	\$0	\$0	\$2,940	0%	\$0	0%
Tactical Communications Strategy ⁷	\$1,018	\$1,911	\$22,250	9%	\$9,549	38%
Media Relations, CAFII Consultant	\$0	\$8,170	\$12,000		\$5,842	49%
Research/Studies ⁴	\$0	\$5,085	\$42,000	12%	\$55,568	132%
Federal Financial Reform ⁵	\$0	\$0	\$2,160	0%	\$0	0%
Provincial Regulatory Review ⁶	\$1,406	\$4,305	\$54,000	8%	\$8,052	15%
Provincial Networking Strategy ³	\$0	\$0			\$17	
CCIR Research for Sup.model support	\$0	\$111	\$5,800	2%	\$0	0%
TOTAL EXPENSE	\$25,668	\$200,984	\$435,177	46%	\$257,637	46%
EXCESS OF REVENUE OVER EXPENSES	\$8,571	\$72,872	(\$14,727)		22,289.30	

Explanatory Notes:

- (1) Legal work relating specifically to CAFII
- (2) Board meetings and receptions, special Board or EOC lunch meetings, speaker expenses
- (3) Speaker lunches such as the one we did in BC and other events where we invite provincial regulators
- (4) Research for the creditor issues committee and any new issue that may come up
- (5) Placeholder
- (6) Faskin Martineau work: costs associated with regulation changes, insurance act updates, and issues related to restricted licensing regimes.
- (7) Fees for PR, media and communications firm

CAFII

Toronto, ON M4V 2Y7

Membership Fees

As At August 31, 2012

	<u>Jan-12</u>		<u>Jul-12</u>	
	<u>Billed</u>	<u>Received</u>	<u>Billed</u>	<u>Received</u>
TD Insurance	\$23,500.00	24-Feb-12	\$23,500.00	11-Sep-12
Assurant Solutions	\$11,750.00	24-Feb-12	\$11,750.00	7-Sep-12
BMO Insurance	\$23,500.00	16-Mar-12	\$23,500.00	
Canadian Premier Life Insurance Company	\$11,750.00	17-Feb-12	\$11,750.00	11-Sep-12
CIBC Insurance	\$23,500.00	2-Mar-12	\$23,500.00	
National Bank Insurance Company	\$11,750.00	9-Mar-12	\$11,750.00	
RBC Insurance	\$23,500.00	9-Mar-12	\$23,500.00	
ScotiaLife Financial	\$23,500.00	17-Feb-12	\$23,500.00	
Desjardins Financial Security Life Assurance Company	\$11,750.00	24-Feb-12	\$11,750.00	7-Sep-12
AMEX Bank of Canada	\$11,750.00	23-Mar-12	\$11,750.00	
Avalon Actuarial	\$4,800.00	2-Mar-12		
CSI Brokers Inc.	\$4,800.00	23-Mar-12		
Dion, Durrell & Associates Inc.	\$4,800.00	18-May-12		
Eckler Partners Ltd.	\$4,800.00	resigned		
KPMG	\$4,800.00	20-Apr-12		
Laurentian Bank of Canada	\$4,800.00	2-Mar-12		
Oliver, Wyman Consulting Limited	\$4,800.00	25-May-12		
Optima Communications	\$4,800.00	16-Mar-12		
RGA Life Reinsurance Company of Canada	\$4,800.00	25-May-12		
Swiss Reinsurance Company Ltd	\$4,800.00	10-Feb-12		
Munich Re	\$4,800.00	13-Apr-12		
CIT Financial Ltd.	\$4,800.00	resigned		
Aimia	\$4,800.00	9-Mar-12		
The Canada Life Assurance Company	\$4,800.00	13-Apr-12		
January Invoices	\$243,450		\$176,250	
July Invoices	\$176,250			
Total Membership Fees	\$419,700			

CAFII Board -Regulatory Update- October, 2012

By Lawrie Savage & Associates

Federal

Payments System Review- Code of Conduct for the Credit and Debit Card Industry to be extended to Mobile Payments

On September 18, 2012, the Department of Finance announced a consultation on proposed changes to the Code of Conduct for the Credit and Debit Card Industry in Canada (the code). Finance wants the code to explicitly cover mobile payment transactions. The changes would apply to credit and debit card networks that offer mobile payments. The consultation and participation instructions can be found at <http://www.fin.gc.ca/n12/12-106-eng.asp> Comments will be accepted for 60 days.

Credit Union Regulations Published for Comment

Draft regulations to establish a new type of financial institution were published in the Canada Gazette Vol. 146, No. 27 — July 7, 2012 for a 30 day consultation period. The regulations will allow credit unions to incorporate and continue federally and is based on the framework applicable to banks. The proposed regulations do not compel provincially regulated credit unions to be federally regulated.

The proposed regulatory package includes five regulations:

- *Prospectus (Federal Credit Unions) Regulations*

The Regulations would incorporate, by reference, provincial prospectus requirements and provide that an exemption from those requirements constitutes an exemption from federal prospectus requirements. However, the Regulations would stipulate that a federal credit union must provide a minimum level of disclosure to the buyer of a security.

- *Regulations Amending the Canadian Payments Association Election of Directors Regulations*

The proposed Regulations specify that, once part of the federal framework, a federal credit union would be required to vote and participate in the governance of the CPA as part of the Cooperatives class, rather than in the Bank class.

- *Disclosure on Continuance Regulations (Federal Credit Unions)*

The proposed Regulations specify the information that must be publicly disclosed to members and customers of the credit union and the process that must be followed to qualify the credit union to continue federally and be eligible for federal deposit insurance.

- *Federal Credit Union Conversion Regulations*

The proposed Regulations specify the process and disclosure required for a federal credit union to change its legal form from a company owned by members to one owned by shareholders. The proposed Regulations contain a series of requirements that must be followed to ensure a fair demutualization process.

- *Regulations Amending Certain Regulations Made Under the Bank Act*

The proposed Regulations specify consequential amendments to existing *Bank Act* regulations to make them apply to federal credit unions. The regulations can be found at <http://www.gazette.gc.ca/rp-pr/p1/2012/2012-07-07/html/reg4-eng.html>

Financial Literacy – Consumer Financial Toolkit Launched

The Financial Consumer Agency of Canada (FCAC), the Investor Education Fund (IEF) and l’Autorité des marchés financiers (AMF) together have developed a resource entitled “Your Financial Toolkit” for consumers to understand and make financial decisions. The toolkit has 11 modules, worksheets, quizzes, questionnaires, videos and case studies. Each module contains activities that can be completed in a workshop making it a good tool for educational institutions or for employers to provide financial training. The toolkit is available online or in paper format from the FCAC. The toolkit can be found at <http://www.fcac-acfc.gc.ca/ft-of/home-accueil-eng.html>

FCAC Publishes Credit Card Balance Insurance Guide

In August, the Financial Consumer Agency of Canada published updated consumer information on creditor card balance insurance. The guide provides consumers with basic information such as what credit card balance insurance is, how it protects consumers, what it costs and how to obtain it. The information can be found at <http://www.fcac-acfc.gc.ca/eng/media/pressrelease/posting-eng.asp?postingId=409>

New Negative Option Billing Regulations in Force August 1, 2012

Federally regulated financial institutions must provide consumers with required information in clear, simple language and obtain customer consent before for a new optional product or service, such as optional insurance coverage on a loan or credit card is obtained. Consent for an optional product or service can be verbal or in paper or electronic form. The financial institution must provide the consumer with a product summary (written or verbal) that contains the following information:

- a description of the product or service
- the terms of the agreement
- how to cancel the product or service

- all related fees and costs for the product or service, or information about how the fees will be calculated, and

- an example to illustrate the method

If consent is verbal, the financial institution (FI) must provide confirmation of consent for the new product or service. The FI must also provide a document setting out all the terms and conditions, the date from which the product or service is available, steps to take to use the product and how to cancel. There are also rules pertaining to special promotions, cancellations, changes to the product offering and refunds. In particular, the FI must provide advance warning of the end of a promotional offer. Any consumer complaints received by FIs must be handled in accordance to the FCAC's new Compliance Framework.

The requirements are set out in the *Negative Option Billing Regulations* under the *Bank Act*, *Cooperative Credit Associations Act*, *Insurance Companies Act* and *Trust and Loan Act*. A consultation draft of the regulations was released in March 2011. Final regulations were published in the *Canada Gazette Part II* on March 14 2012.

British Columbia

Red Tape Reduction Report Released

The government of British Columbia has published its first annual report on regulatory reform. Regulatory reform is intended to eliminate unnecessary red tape and reduce regulatory requirements. Under the Regulatory Reporting Act, of November 2011, the government made it a requirement to present annual public reports on regulatory reform progress by June of each year. The report can be found at: http://www.straightforwardbc.gov.bc.ca/docs/Reg_Reform_Report_2012.pdf

Mandatory Supervision for Life Agents Introduced

BC Insurance Council has established a mandatory supervision requirement for new life insurance agents. The new rules will apply to all licences issued to new life agents with an effective date of September 1, 2012 or later.

Life agents will require supervision for a minimum of 24 months. An exception may be allowed where an applicant holds a current Chartered Life Underwriter, Certified Financial Planner, or Registered Financial Planner designation. In these cases, the applicant or new life agent may request to have the period of supervision reduced by up to 12 months.

Supervision must be provided by a qualified life insurance agent who has a minimum of five years experience within the last seven years. Council will consider exceptions to the minimum five years' experience requirement where a licensee can demonstrate alternate, relevant experience and / or education. Council recommends all supervisors confirm with their errors and omissions carrier that their coverage is adequate for the additional responsibilities. The level of supervision is determined by the supervisor. Supervisors may delegate some or all of the supervisory requirements. Ultimately, it is the

supervisor's responsibility to determine what procedures are appropriate to ensure there is an adequate level of supervision for a new life agent.

Alberta

General Insurance Agent Licensing- Proposed Changes

Alberta Finance is looking to have all general insurance licenses expire on June 30 each year for annual renewal. The changes proposed include:

- 1) Probationary certificates – to be allowed once per individual for a maximum of 90 days prior to official certification. This will allow people to experience the insurance industry while completing formal studies.
- 2) Eliminate mandatory requirement to achieve level 2 within 3 years
- 3) Supervision- Level 1 is under supervision of a level 2 agent or a designated representative (DR). They have established a general supervision requirement rather than prescribed requirements as follows: Each Level 1 general and Probationary Licensee must be supervised. It is the responsibility of the firm's DR to determine what constitutes appropriate standards of supervision of each individual Licensee. When determining the level of supervision, the DR is expected to take into account the levels of qualification, education and experience of the licensees, the nature of the insurance business being conducted, and the requirements of the *Insurance Act* and regulations.
- 4) Level 3 certificate for a the designated representative - DR must hold level 2 , have 2 years experience in general insurance within last 3 years, must be responsible for management and supervision of the business and passed the level 3 examination.

Saskatchewan

Ian McIntosh appointed Deputy Superintendent of Insurance

After the departure of Jim Hall as Superintendent of Insurance, David Wild, Chair of the Saskatchewan Financial Services Commission, became the Superintendent of Insurance in February 2012. In August 2012, Ian McIntosh became Deputy Superintendent of Insurance.

Insurance Act Review Update

Jim Hall advises that the province will not be in a position to issue any recommendations for comment by stakeholders until sometime in 2013. CAFII is invited to submit suggestions for changes to the new legislation by the end of October, 2012.

CLHIA (F Zinatelli) reports that CLHIA has been in touch with Jim Hall about the Saskatchewan review. They have encouraged him to focus on the Life and A&S sections in accordance with the Uniform Act.

They are encouraging harmonization with Manitoba and are supportive of having wording in the legislation to give greater clarity to the validity of electronic beneficiary designations.

Manitoba

Insurance Council Annual Report Highlights

Council's annual report notes that it is celebrating its 20th year and has 9,900 licensees. Council has begun the process to enable an online license renewal system which should be in place for 2013. Also of interest, the annual report notes that they have developed a quiz for life and accident and sickness insurance agents on the code of conduct. The quiz will be made available for self-test on the council website. The 2012 annual report is available at <http://www.icm.mb.ca/files/Bulletin/Annual%20Reports/2012%20Annual%20Report%20Web%20Version>

Ontario

Changes to Lobbyists Registration Act Forthcoming

On July 25, 2012, the Ontario Government announced proposed changes to the *Lobbyists Registration Act, 1998 (Ontario)*, to be introduced when parliament resumes in the fall. These changes follow from the Ontario Integrity Commissioner's call for a review of the existing legislation in her report of May 24, 2012.

Ontario is proposing to strengthen its *Lobbyists Registration Act* to ensure greater transparency and accountability among lobbyists, government and the public. Proposed amendments would enhance the existing act by:

- Giving the Integrity Commissioner more enforcement powers, including the ability to prohibit individuals from lobbying
- Giving the Integrity Commissioner new investigative powers, including the ability to compel testimony and obtain key documents
- Requiring lobbyists to identify the specific MPP and ministers' offices they lobby
- Preventing lobbyists from accepting additional fees for preferred outcomes
- Prohibiting lobbyists from providing paid advice to a ministry and lobbying on the same subject matter
- Providing the Integrity Commissioner with the ability to establish a lobbyist code of conduct
- Incorporating for-profit and not-for-profit organizations under the same category of 'in-house' lobbyists, treating both classes of lobbyists the same and capturing more lobbying activity

The government announcement can be found at

<http://news.ontario.ca/mgs/en/2012/07/making-lobbying-industry-more-accountable.html>

Unclaimed Intangible Property Consultation

Items such as amounts due under an insurance policy and unpaid wages are considered to be intangible property which may not have been claimed by their rightful owners. Ontario has recently proposed a program to manage such unclaimed assets for the benefit of Ontarians until property is claimed. The Ontario legislation is intended to be founded on the Uniform Unclaimed Intangible Property Act. The consultation is very broad based and seeks input on all aspects of handling unclaimed property. Input is required by October 12, 2012. The consultation can be found at http://www.attorneygeneral.jus.gov.on.ca/english/about/uipp_consultation-EN.pdf

Quebec

New Finance Minister Announced

New Quebec Premier, Pauline Marois of the Parti Québécois(PQ), has announced that Nicolas Marceau, a former professor of economics at UQAM, the University of Quebec in Montreal, will be the new Finance Minister. The PQ won a minority government on September 4 with 54 seats out of 125 in the National Assembly. The Liberals hold 50 seats; the new Coalition Avenir Québec (CAQ) took 19 seats and Québec Solidaire (QS) 2 seats.

Staff Changes at the Autorité des marchés financiers (AMF)

On September 20, 2012, the Québec Cabinet announced the appointments of Nathalie Drouin as Deputy Minister of Justice and Patrick Déry as Deputy Minister of Natural Resources. Nathalie Drouin leaves the post of Superintendent, Solvency and Executive Director, Legal Affairs of the AMF, a post she has held since June 12, 2012. Patrick Déry leaves the position of Superintendent, Client Services and Distribution at the AMF, a post he has held since July 2011.

AMF President and CEO Mario Albert will assume the position of Superintendent, Solvency Oversight on an interim basis. Philippe Lebel, Senior Director, Legal Affairs, will serve as Executive Director, Legal Affairs on an interim basis. Eric Stevenson will assume certain responsibilities of the Superintendent, Client Services and Distribution Oversight on an interim basis. He will continue serving as Senior Director, Distribution Policies and Compensation, and will also oversee Distribution Practices.

Rendez-vous with the AMF

The annual rendez-vous event will take place on October 15 at the Palais des congrès in Montreal. The sessions start at 10:15 am with opening remarks from AMF President and CEO Mario Albert. The session topics include:

- 1) The European debt crisis,

2) Consumer awareness of rights and responsibilities. The AMF will reveal the results of the index to measure the financial vigilance of Quebecers, and

3) Effective law enforcement and investor confidence

The sessions will be followed by a reception at 5:15 pm. There is no fee but registration is required at <http://www.lautorite.qc.ca/fr/inscription-rendez-vous-pro.html>

Canadian Council of Insurance Regulators

Ecommerce Submissions Posted

The CCIR has posted to its website the 25 submissions it received in response to the January 2012 consultation on **Electronic Commerce in Insurance Products**. Its purpose is to stimulate debate about the issues noted in this paper and launch a process of consultation on those issues as well as to educate and to build a common understanding of the topic and issues for both regulators and stakeholders.

The Electronic Commerce Committee (ECC) will be analysing the responses and developing a preliminary list of recommendations to bring to the CCIR Fall Meeting for discussion.

Credit Scoring Working Group

The CCIR will not be developing a position paper on credit score and will instead publish its findings as the conclusion of this project.

Interim Chair

Carolyn Rogers, CCIR Vice-Chair and CEO and Superintendent of the Financial Services Commission of British Columbia, has agreed to act as interim Chair of CCIR until the regularly scheduled elections in spring 2013.

Next Meetings

The fall 2012 CCIR meeting was held in Charlottetown, PEI, on September 27th and 28th

Invitation to Meet with CCIR Executive

CAFI has been invited to meet with the CCIR executive in person on October 25th in the morning or anytime on October 26th. The purpose is to have an opportunity to discuss in person industry issues, concerns and work plans.

US Debt Protection Update

Capital One Fined \$210 Million for Deceptive Practices

July 2012 –The Consumer Financial Protection Bureau (CFPB) issued an order requiring Capital One Bank to refund approximately \$140 million to two million customers and pay an additional \$25 million penalty. This action resulted from CFPB examinations that identified deceptive marketing tactics used by Capital One’s call center vendors to pressure or mislead consumers into paying for add-on products such as payment protection and credit monitoring when customers called to have new credit cards activated. Unfair practices of Capital One included:

- Misleading consumers about the benefits of the products (mainly re credit score)
- Providing misinformation about the nature of the products, eg not advising that products optional, or advising consumers that they were required to purchase the product in order to receive full information about it, but that they could cancel the product if they were not satisfied. Cancellation difficulty ensued.
- Eligibility Issues: Products were sometimes offered to ineligible unemployed and disabled consumers.
- Misinformation about cost of the products: Some consumers were thought the coverage would be free.
- Enrollment without consent

Enforcement Action

- Capital One has ceased all marketing of these products until a compliance plan is acceptable to the Bureau.
- Repayment to two million consumers: Capital One will pay approximately \$140 million to all of the estimated two million consumers to cover the amount paid for the product, as well as a refund of the finance charges, any over-the-limit fees resulting from the charge for the product, and interest.
- Pay claims denied based on ineligibility at enrollment: For consumers whose payment protection claims were denied due to unemployment, disability, which existed prior to enrolment, Capital One will pay their claims as if they had been eligible, if that amount is greater than the refund for that consumer.
- \$25 million penalty payable to the CFPB’s Civil Penalty Fund.
- the Office of the Comptroller of the Currency (OCC), is separately ordering restitution of approximately \$150 million from Capital One. This amount includes the same \$140 million refund to be paid to the

approximately two million customers harmed by the deceptive marketing practices identified by the CFPB's examiners. The OCC's order also includes separate restitution for additional consumers harmed by unfair billing practices taking place between May 2002 and June 2011 .The OCC is assessing a \$35 million civil money penalty against Capital One.

The full text of the CFPB's Consent Order is available at:

http://files.consumerfinance.gov/f/201207_cfpb_consent_order_0001.pdf

A factsheet on the Consent Order is available at:

http://files.consumerfinance.gov/f/201207_cfpb_ending_deceptive_marketing_practices.pdf

Bank of America Stops Offering Credit Card Payment Protection Plans

Bank of America has ceased offering credit protection service for credit cards. The Bank has made a tentative \$20 million settlement with lawyers representing customers. The bank stopped offering the product in August and no longer offers the plans to new customers. Existing customers will be given 6 months of protection free and the bank plans to exit the business next year. Bank of America says the decision to terminate the product offering was not related to lawsuits but was a streamlining of business.

American Express Ceased Account Protector Product in US

American express ceased the credit card account protector product in 2012 and will cover enrolled customers to the end of December 2012.

Discover Bank to Pay \$200 Million

On September 24, the Federal Deposit Insurance Corporation (FDIC) and the CFPB , in finding that Discover Bank has engaged in deceptive acts and practices ,are requiring Discover to refund approximately \$200 million to more than 3.5 million consumers and pay a \$14 million penalty. The investigation determined that Discover's inbound and outbound telemarketing scripts contained material misrepresentations and omissions related to Payment Protection, Identity Theft Protection, Wallet Protection and Credit Score Tracker products. Misrepresentations included

- implications that free benefits were offered
- cardmembers were asked if they wanted to “ be enrolled” rather than agreeing to purchase
- enrollment was offered before terms and conditions were disclosed verbally
- customers were required to purchase before receiving the full terms and conditions list by mail

Discover's telemarketing scripts for the Payment Protection Product also typically failed to disclose material terms and conditions of the Payment Protection Product. For example, these scripts failed to state that individuals who are self-employed, unemployed, employed part-time, or suffering from a pre-existing medical condition cannot obtain certain Payment Protection Product benefits.

The issue was compounded by the fact that Discover did not need to ask the customer for their credit card number.

In addition to the fine, there are a number of conditions imposed on Discover including:

- Discover shall include a message on the first three periodic statements on which a Product charge appears, highlighting inclusion of the charge. The statement shall be positioned in a clear and conspicuous manner and shall be in 12-point font or any larger type.
- if a Cardmember requests that Discover make no further calls to the Cardmember with respect to a Product, Discover shall immediately place the Cardmember on Discover's No Call List. Discover shall provide an updated copy of the No Call List to all third-party telemarketers on a bi-weekly basis.

The order requires implementation of comprehensive compliance, staff training and complaint management programs including monitoring of third parties, and client record retention provisions.

The full consent order can be found at
http://files.consumerfinance.gov/f/201209_cfpb_consent_order_0005.pdf

CAFII Regulator Visit Plan 2012

updated October, 2012

Jurisdiction	Regulator	Annual Courtesy Call	Purpose	Attendees	Org	Date/Venue	Status
British Columbia	Insurance Council of BC: Gerry Matier, Exec. Dir.	X	Update on Council priorities			TBD Toronto	
	Carolyn Rogers , Superintendent (interim CCIR chair) Doug Mclean, Deputy Superintendent		-meet when in BC, was invited as CAFII speaker for October 2012	Cathy Honor			To be set up
Alberta	Alberta Insurance Council : Joanne Abram, CEO, Tom Hampton, Chief Operating Officer	X	Update on Council priorities Council Representation Licensing for 3 rd party providers			May 8 Montreal	complete
	Alberta Insurance Council :		Present to CAFII AIC's Business number registration system				
	Ministry of Finance: Mark Prefontaine, Superintendent		Courtesy call to introduce New Chair	Cathy Honor Moira Gill	RBC TD	Jan 13 12:30 – 2pm Edmonton	complete
	Council: Joanne Abram		Council representation, other issues to be determined	Cathy Honor Moira Gill	RBC TD	Jan 13 10:30 AM Edmonton	complete
	New Minister of Finance					after the election	
Saskatche wan	Sask. Insurance Council: Ron Fullan, Chair	X	Review Council priorities Council Representation	Moira Gill Sara Gelgor	TD Scotia	Friday July 6 8:30	complete
						September 24	complete
	Consultant (ex Superintendent) Jim Hall		Insurance Act review, wants input by Oct 31			Conference call	On hold until review starts

Jurisdiction	Regulator	Annual Courtesy Call	Purpose	Attendees	Org	Date/Venue	Status
Manitoba	Ministry of Finance: Jim Scalena, Superintendent	X	Update on Insurance Act review. ISI regime	Moira Gill Sara Gelgor	TD Scotia	In Winnipeg August 8	complete
	Manitoba Insurance Council: Erin Pearson, Exec Director;	X	Review Council priorities Restricted cert holder representation on council	Moira Gill Sara Gelgor	TD Scotia	In Winnipeg August 8	complete
	Ministry of Finance Minister Stan Struthers		Letter of introduction sent, include on a visit of Chair to Manitoba. Sept 2012 – eoc recommends waiting until issues with Insurance act review are resolved			(J Hines to confirm avail of chair)	
Ontario	FSCO: Phil Howell, CEO & Superintendent	X				Toronto	To be set up
	FSCO: Director, Market Conduct; Grant Swanson, Exec Dir Licensing & Market Conduct and new staff		FSCO has hired new staff, introduce CAFII, cover current files, Insurance act review			September 13	complete - follow up re call center tour
	Ministry of Finance : Paul Braithwaite		Update on trade negotiations/agreements (e.g. Canada-EU, ON-QB)			May 28	complete
Quebec	AMF: Mario Albert, CEO; Superintendents and key directors	X		Board		June 19, Quebec City Board lunch	complete
	AMF:		ECommerce consultation paper meeting			April 4	Part of CCIR meeting

Jurisdiction	Regulator	Annual Courtesy Call	Purpose	Attendees	Org	Date/Venue	Status
	AMF: Patrick Dery, Superintendent; Eric Stephenson, Director, SROs and Distribution Practices		Meeting to discuss DWR distribution guide format , compensation disclosure	Moira Gill Andre Duval John Lewsen Greg Grant Rose Beckford Jennifer Hines	TD Des	May 10 Montreal, lunch at RBC place Ville Marie	complete
	AMF: Superintendent, Solvency	X		Board		With M Albert June 19	complete
New Brunswick	Superintendent (may be unavailable for personal reasons-as at Sept 2012)		Review priorities Discuss /educate on creditor's group insurance (CGI) and Avalon; Licensing issues, electronic licensing; Insurance Act Review Status ; David Weir (Deputy Super)- Atlantic Taskforce on ISI (chair)	Check board member travel plans		TBD Fredericton	
	Consumer Advocate		Review priorities, Discuss /educate on creditor's group insurance (CGI) and Avalon;	Check board member travel plans		TBD Fredericton	
Nova Scotia	Superintendent		Review priorities, Discuss /educate on creditor's group insurance (CGI) and Avalon; Atlantic Taskforce on ISI	Check board member travel plans		TBD Halifax	
PEI	Superintendent		Courtesy- Low priority for 2012 (if member is in Charlottetown)	Check board member travel plans		Charlottetown	
Newfoundland	Superintendent		Review priorities, Discuss /educate on creditor's group insurance (CGI) and Avalon; Atlantic Taskforce on ISI	Check board member travel plans		TBD St John's	

Jurisdiction	Regulator	Annual Courtesy Call	Purpose	Attendees	Org	Date/Venue	Status
CCIR	Carol Shevlin, Policy Manager	X	Review CCIR Priorities CAFII webinar curriculum	Greg Grant Jennifer Hines John Lewsen Anne Riley		May 31	complete
	Ecommerce Committee		Review issues paper			April 4	complete
	CCIR members		Webinar presentation - underserved market			Sept 14	complete
	CCIR executive and members		CCIR initiative – request personal contact to discuss industry issues, concerns and workplans			Oct 25 AM or 26 all day	1.5 hours offered , to be set up
CISRO	Ron Fullan Chair		Chair requested a face to face presentation of Ecommerce –Sept 2012				To be set up
Federal	Federal Finance		Educational – marketing of CGI				
	OSFI: Julie Dickson, Superintendent		Guest speaker at CAFII event				Offer extended
	OBSI: Doug Melville Ombudsman		Educational – marketing of CGI				
	Financial Consumer Agency of Canada (FCAC)		Financial Literacy re insurance	John Lewsen Moira Gill Maria Sanchez-Chung	BMO TD TD	January	complete
	FCAC compliance group		Financial Literacy re insurance (at FCAC request)	John Lewsen Moira Gill	BMO TD	April 4	complete

CAFII Regulator Meeting Report

Regulator: Manitoba Superintendent & Council

Date: August 8, 2012

Location: Winnipeg

Attendees: CAFII- (M. Gill, S. Gelgor);

Manitoba-Superintendent of Insurance (Jim Scalena); Deputy Superintendent (Scott Moore); Executive Director, Manitoba Insurance Councils (Erin Pearson)

Purpose: Discuss CAFII concerns on ISI and Insurance Act consultations

Discussion

Insurance Act Review

- Timing

The Superintendent hopes to have regulations (5 or 6 in total) out for comment this fall. 2013 is the target for implementation, with ISI regulations being developed first. The regulations are based on the Insurance Council recommendations to the Superintendent. The Superintendent would like to have everything ready to go for the end of the year, however implementation dates could be staggered to take into consideration the different topics covered.

- Implementation Period

Manitoba proposed to have a 6 month implementation period for that part of the Insurance Act which is similar to Alberta and BC. CAFII explained that this was really too tight. System changes need to be made, and this project would need to get in the existing queue for regulatory changes. Institutions cannot even set up, resource and properly plan for a project until final regulations are available. For those changes which are customer facing, proper time needs to be given for any client communication to be sent out in advance, and staff training and communication regarding the changes require time if an implementation is to be successful. The Superintendent was sympathetic to these arguments and noted that he had not understood all of the operational considerations. We advised that many CAFII members struggled to meet the deadline required to complete the project required to be compliant with AB and BC.

We also explained the difficulty we encountered in order to meet the deadline of the recent premium tax, which even led to some companies having to resort to an interim manual processes solution in order to meet the deadline. This carries a fair amount of compliance risk; however the worst consequence, from our perspective, is the inability to properly communicate to customers the changes before the deadline. We foresee an increase in cancellations due to delayed communication and increase in insurance cost, which is very worrying given that Manitobans are already underinsured. This wasn't something that the Superintendent was consulted on in advance, and he said he would articulate this to the government if the opportunity arose. We also noted that if people cancel due to the increased cost and notification after the

fact, the expected tax revenue numbers will not be met. The Superintendent shared that his wife had received a notice of the change from Manulife this week, which indicated to call Manulife for any information about the policy, but to call the government of Manitoba for any concerns about the increase due to the premium tax. We held this up as an example of why implementation timeframes are important.

- **E-commerce**

This Act contains a provision that allows the province to reference other legislation, thereby deeming the Act (or portions thereof) applicable to other statutes. Manitoba proposes to reference the Insurance Act in the Electronic Documents Act in order to facilitate ecommerce. They will have an exemption for terminations and beneficiary designations from the general statements allowing ecommerce. They don't want ecommerce to be open for these transactions yet because they don't want to get ahead of the ecommerce consultation timeline at CCIR. Manitoba does not want to be a leader in regulatory change.

ISI

- **Roster or record**

The Council understands CAFII's concern with this terminology and are not intending to have financial institutions send thousands of names via a print out nor to maintain a special data base. Should an issue come up, the Council needs to know that an individual is trained and authorized to sell. Erin sees a potential for exclusions from the requirement for large institutions. CAFII reiterated concerns from past conversations that information about individuals that would be relevant to this type of request is actually housed on a number of different data bases and does not exist in one spot as a single record. Erin indicated that she understands this concern.

- **Disclosure**

There is a strong appetite from the Council to go beyond the summary information at point of sale which is required in the other jurisdictions. In fact, Council proposed that the full policy, or complete limitations and exclusions, be provided at time of sale. Erin Pearson suggested that, if we want council to reconsider this, we should provide her with as much information as possible before the August 28 council meeting date.

We reiterated our argument that some of the specific information cannot be provided at point of sale because the information isn't known, or it is too much information to be absorbed in the context of an incidental sale. We also pointed out that since the products that would be covered under a restricted certificate often are purchased by the underserved market, an emphasis is placed on convenience, for example telephone or other alternate distribution channels. There is a limited value in providing a lot of specific information when an individual is purchasing insurance at the same time as a primary product. That is why we have a generous rescission period (in CAFII members case it is 30 days) during which the customers' money will be refunded if they decide they do not want the product. If we are going to be relying on this rescission period, then Erin wants to be assured that this is emphasized to the customer at point of sale.

- Suitability

CAFII reiterated our concerns with a suitability requirement, citing potential confusion with the requirements for suitability of life licensed agents. We don't screen employees specifically for suitability to sell ISI, and this very high level of diligence is not what is really intended by council. Erin agreed to review this issue further with Council.

- Annual Applications

CAFII had concerns that this would be a significant compliance document as opposed to the simple process that is found in Alberta. Erin Pearson indicated that it would be a technical document with a few minor compliance questions, particularly around complaints.

CAFII talked about CCIR complaints and our longstanding request that this information be rearranged in a meaningful way. We don't see reports from CCIR, and we would like to do so. It is important to use exactly the same definition of reportable complaints. Erin indicated that designated representatives should be aware of complaints.

CAFII discussed the difficult process of finalizing the Saskatchewan application and that part of the problem was it being developed from the perspective of an individual license, instead of a corporate one.

Erin Pearson indicated that she was familiar with the Saskatchewan application, however, we briefly walked through it and noted that as a result of considerable negotiation with Saskatchewan in the weeks leading up to the first applications due date, we indicate in the application that we do not answer questions 3 to 6 because we are federally regulated entities supervised by OSFI and in compliance with OSFI guidelines 13 and 17. CAFII also noted the exemption from E&O coverage in the application. Jim took particular note of the wording as he thought that it was a challenge to the province's jurisdiction to regulate. We explained that the wording in the cover letter was developed in conjunction with Council's Executive Director.

We discussed the possibility of having a different application for federally regulated financial institutions, and this is something that the council has been considering.

CAFII asked about electronic applications, and were told that this would not be possible for the first filing. However, they are moving to electronic licensing for individual license renewals, hopefully for the May 2013 renewal date. Individual license applicants will be required to complete an attestation that is similar to Alberta.

CAFII talked about the amount of work and manpower at the Council that would be required to process the restricted license in a timely manner, and the need to be able to quickly communicate to the financial institution that the license is in place to satisfy compliance concerns. We suggested that a file and use system (in place in Quebec and Saskatchewan) would be important because it will be difficult to process all the licenses in time and unfair to put the licensees operation in jeopardy due to any administrative delay.

They have increased the number of staff at the Council in order to deal with the ISI licensing. They also need to make system changes and are considering one annual filing date for restricted license applications, rather than having rolling dates.

- Representation on Council

During the meeting it became evident that recommendations for requirements under the restricted license that differed from what exists in other jurisdictions were coming from the Life Insurance Council, which is populated primarily by life insurance agents who are bringing a perspective that is different from that which may be held by those who would fall under a restricted certificate. This led us to a discussion about representation by restricted licensees on a Council or Committee, and we walked Erin Pearson, Jim Scalena and Scott Moore through the various options that CAFII has identified. We handed out the chart with the 3 proposed options and the pros and cons of each. We indicated that we had engaged a law firm to assist us and had viewed the full range of options possible including the two extremes of ad hoc meetings such as we are currently having, and having a seat on the existing council; neither of these extremes met our needs. We are also reviewing the same models with Alberta and Saskatchewan. We are open to the possibility that we may not come out with exactly the same final proposal in each jurisdiction due to the different regulatory structures.

Council had not been thinking about the options we proposed. Their focus was on adding a seat to the existing council. Jim Scalena mentioned that he understood the problems inherent in having a self regulatory regime supervised by competitors who all do not have a full understanding of our distribution system. One model that seemed to be of particular interest to the Superintendent was the establishment of a separate Council for restricted licenses, with the flexibility for meetings to be held as needed. It was suggested that one benefit of a separate Council over a committee under the Life Insurance Council is that the committee would have no standing and any recommendations coming from the committee would have to be approved by the Life Insurance Council, whereas Council decisions have weight. There was also the challenge of having a Committee fall under the Life Council when there would also be restricted licenses that would come under the General Insurance Council (for example for travel insurance).

We talked about the numbers and composition of the existing councils, and it was noted by the Council and the Superintendent that if we are setting up a new council for ISI that it can have a different structure.

We talked about the importance of reflecting the number of employees covered in the financial institution licenses vs licenses of same players in the council and that number of licenses of a type of licensee was not a fair way to reflect representation.

We talked about the importance of flexibility in who represents this license class and the residency requirements need to be avoided. The designated representative would not always be an appropriate choice. Appointees could come from industry associations such as CAFII, as company representatives to the Life Council are appointed by the CLHIA and agent representatives are appointed by Advocis.

Erin indicated that the council is very invested in the process and will likely recommend a model that gives them a continued connection to ISI, such as having a life and a general council representative on a proposed dedicated ISI council.

The Council would find it useful to get draft language from CAFII to be included in the regulation addressing the establishment of a new (restricted license) council. Note that, unlike Saskatchewan, there are no by-laws in place governing Manitoba's insurance councils.

The ability to have representation on a committee of the Council is in place now, but this gives us no formal standing or decision making authority.

The recommendation from CAFII could be to have both a committee and a council. Council would be convened only if there is a live issue and agenda items to bring forward, for example, the adjuster council only meets two or three times a year.

The Superintendent commented that there would not be much cost in setting up a dedicated council, so why not just proceed with that option. It would be unlikely to meet more than a few times a year. The main cost would be travel expenses, which are paid by the council. The infrequent meetings and ability to use teleconferencing would keep costs down.

We agreed to provide the Superintendent's office with draft wording for a separate Council that could be used as a starting point by the legislative drafters.

Next Steps & Follow-up Items

1. Letter to the superintendent focusing on the needs for a sufficient implementation timeline, and our willingness to work with them on the consultations on the regulations. Include a note on beneficiary designations, highlighting what has changed in Alberta and BC and why our customers need Manitoba to allow it to be done electronically.
2. Letter to council, cc superintendent discussing each of the 5 points where they are proposing to differ from Alberta/ Saskatchewan, and recapping the discussion we had on representation.
3. Letter to superintendent with proposed draft language for representation

CAFII Regulator Meeting Report

Regulator: Financial Services Commission of Ontario

Date: September 13, 2012

Location: FSCO offices
5160 Yonge Street

Attendees:

CAFII: Moira Gill, Sue Manson, Paul Yeung, John Lewsen, Anne Riley

FSCO: **Grant Swanson**, Executive Director, Licensing & Market Conduct

Letitia Miculescu, Manager, Market Intelligence & Analysis Unit, Market Regulation Branch, Licensing and Market Conduct Division
-Has experience in consulting, worked for Scotiabank in International Banking and a small insurance company

Louise Robichaud, Manager Licensing Approvals
-Has a CA and worked in the credit union sector

Shonna Neil – Senior Manager, Licensing

Jennifer Wong, Manager, Market Conduct Compliance
-Has experience with the CRA, criminal investigations

Reena Vohra , Manager, Market Conduct Compliance
- 10 years with KPMG in forensics, 2 years on risk consulting

Discussion:

CAFII provided information on the organization, its members, business lines and current files including Alternate distribution, Ecommerce, mobile and digital commerce and the Insurance Act review.

Ecommerce

There was a great deal of interest in new forms of delivery systems. Grant Swanson noted that FSCO is looking at Twitter and would like to gain an understanding of how businesses use social networking. He further noted that the delivery systems in use today such as mobile applications were not contemplated when laws were made. He wants to know how regulators can educate themselves on the current technology. CAFII made the following key points:

- 1) Electronic delivery systems allow us to put stronger controls in place than are possible in traditional distribution to ensure consumer education; disclosure and other compliance and supervisory requirements or standards are met.
- 2) The education component, lack of pressure, convenience and opportunities for easy comparison shopping means that there is increased consumer empowerment.

CAFII noted that the Ecommerce submission and other submissions is on the CAFII website. We offered to provide a copy to FSCO.

Complaints

FSCO asked how insurers know if there is a real issue based on monitoring chat and other public Internet space. Answer - Insurers have staff that monitor the Internet full time and reach out to the affected individual offline to have a conversation. In dealing with complaints publicly eg Marketplace, privacy is always a concern. It is not really possible to convey the insurer's position without violating customer privacy. Insurers have to push back on some claims or there would be no business. In all, there are very few complaints.

Customers and Products

CAFII highlighted the underserved market, products and CAFII's webinar on the topic. Grant noted that the regulator's perception can be coloured by only hearing from customers with complaints. He cited the Don Drummond report that decisions be based on fact, not anecdotes. Using a fact-based approach raises the bar for regulators in a good way. He would like to know the key facts on dimensions of the market. What research do we have to show that creditor is often the first time people get insurance? He wants information on the overall customer base (size and description), what proportion of the population have insurance, and in what amounts.

Grant Swanson noted that he toured 2 call centers several years back and that it was helpful to give a sense of the environment. He would like to get a sense of what customers see and what education they get when they buy authorized products. He noted he possibly could look at the Internet, but mentioned that getting "out and about" would be good. CAFII noted that we had a presentation prepared on creditor products, regulation and distribution. Grant said that while that could be beneficial, he hoped that there might be an opportunity for CAFII members to provide his staff with hands on experience in electronic delivery – walking all the way through a web based or customer contact centre purchase for example. We said that this would be an interesting addition to the other educational material that we could provide, and that we would discuss and get back to him about how we might be able to assist him.

Insurance Act Review

Changes were announced in the budget papers. Grant noted that there is no way that regulations would be ready for January 1, 2013 implementation but could be ready for July 1, 2013 in force. He thought industry wanted the in force date to be as soon as possible to enhance harmonization with BC and Alberta. CAFII advised that while harmonization is good, implementing the changes in Alberta and BC were big projects and that Ontario would also be a big project. CAFII requested a minimum on 18 months lead time ideally but no less than 1 year once the regulations were finalized.

Follow –up

- 1) Thank you note to Grant Swanson - mention Insurance Act review implementation timing of 18 months
- 2) Include new staff on reception invitations

- 3) Respond to Grant with a) key market facts and b) how we could provide an example of the customer experience for web-based and contact center purchases
- 4) Follow up to see if FSCO want to see the full presentation on creditor products.
- 5) Provide CCIR Ecommerce submission

CAFII Priorities by Committee –October 2012

Executive Operations Committee

Membership: As per CAFII Bylaw 6.01. Sub-committees may strike taskforces drawing on expertise of other individuals associated with member companies.

Mandate	Activities	Issues of Interest
Recommend budget and priorities to Board	Draft and review Financial Reports	
Keep environment open to key products	Be aware of current and emerging issues (Regulatory Update).	
	Develop responses to regulatory initiatives. Forward to board for approval as necessary. Oversight of Distribution and Market Conduct Policy Committee (DMC)	Regulation of ISI
		International regulation of creditor products
		Market Conduct Regulation
		Electronic Commerce
Keep environment flexible /efficient	Identify barriers to efficient operations. Oversight of Licensing Efficiency committee	Provincial Insurance Act Reviews
		Licensing Irritants
		Provincial Insurance Councils and CISRO issues
		Electronic licensing
Develop communication plans and tools	Oversight of Media and Advocacy Strategy Committee(MAC)	Multi-jurisdictional licensing/mutual recognition
		Communications strategy Media Response Plan Website
Build relationships with key stakeholders	Connect with regulators. Manage and conduct regulator visits. (Manage Regulator Visit Schedule) Approve attendees at regulator meetings, review meeting notes and manage follow-up actions	
	Oversight of Networking and Events committee	
Other items	Continuance under new Not for Profit Corporations Act	Changes to be made before 2014

Distribution and Market Conduct Policy Committee

Membership: The committee will have 4 permanent members including 2 co-chairs all of whom are members of the EOC.

Co-Chairs:1) Sue Manson CIBC 2) Jennifer Hines RBC **Other members:** 3)Wayne Eccles TD 4)Emily Brown BMO 5) John Poolman, Assurant 6) Andre Duval, DSF **Resource:** A. Riley

Mandate: Oversee development of CAFII policy positions as directed by EOC. Oversee taskforces as required

Activities: Draft CAFII submissions Manage and interpret industry research projects as approved by EOC

Priorities	Issues	Currently Active Issues	Status
Regulation of ISI	Manitoba ISI regime in 2011/2012	√	Included in Insurance Act spring 2012
	Quebec DWR, distribution guide review		Input provided on Guide (signature, remuneration) letter sent June 2012
	Alberta – review of medical questions on applications	√	Project for review required by CAFII, response to Superintendent required
	AML/ATF paper		Complete- Response sent March 1, 2012, follow up questions answered
Int.regulation of creditor	PPI	√	Legal input acquired
	US Debt protection products		Monitor decisions
	IAIS core principles		Watch file - CCIR committee announced
Market Conduct Regulation	Quebec Commercial Practices Guideline		Awaiting re-release for comment
	MGA CCIR consultation		Complete-Letter of input -June 30 2012
	Input to provincial strategic plans and priorities		Complete- FSCO priorities submitted May 2012
Electronic Commerce	CCIR consultation released Feb 2012		Complete- Submission made May 2012
	AMF consultation released Feb 2012		Complete- Submission made May 2012
Provincial Insurance Act Reviews	BC and Alberta regulations		Now final
	Manitoba Insurance Act Review	√	Insurance act changes made spring 2012
	Saskatchewan Insurance Act	√	Provide input by October 2012
	Ontario Insurance Act review		Insurance act changes made with budget bill
Webinars	Develop and test webinar capability	√	Done
	Education program	√	Webinar series designed, first webinar complete (-underserved market)

AMF Distribution Guide Task Force

(Task Force of Distribution and Market Conduct Policy Committee)

Members: Emily Brown, John Poolman, Rose Beckford (ScotiaLife Financial), Moira Gill

Purpose: Recommend changes to the AMF Distribution Guide based on the Mutual Fund Guide, customized for exclusion disclosure

CAFII Priorities by Committee –October 2012

Media and Advocacy Strategy Committee

Membership: The committee will have 4 permanent members including 2 co-chairs, all of whom are members of EOC. EOC chair is co-chair.

Co-Chairs: 1) Sara Gelgor 2) John Lewsen

Members: 3) Paul Yeung, 4) Moira Gill 5) Greg Grant

Resources: A. Riley, L. Duigu, Media Advisor (currently Ian Blair), Rick Evans

Mandate: Identify key stakeholders and develop, recommend and implement media and advocacy strategy.
Oversight of Media Response taskforce.

Areas of Interest: Underserved market, Creditor Insurance(value proposition, disclosure), Counter broker lobby messages

Priorities	Issues	Currently Active Issues	Status
Media Strategy	Develop a CAFII communications strategy	√	Developed , revised strategy for board review June 2012
	Manage new CAFII website , collect testimonials, refresh CAFII description, expand tabs, create tab for regulators , develop tagline, add section on underserved market	√	Website live –updates to web materials in progress Decide if underserved market webinar should be on website
	Media protocol – develop and manage protocol for media requests	√	Complete , pilot test complete
	Develop list of key media contacts		
	Notify member media staff when key messages are ready		
Advocacy Strategy	Key messages Development <ul style="list-style-type: none"> Identify issues and develop key messages for audiences, feed into submissions, develop 2 or 3 scenarios , Develop messaging re US debt protection decisions Develop messaging re travel products Regulator kit (formerly media kit), develop booklet and soft marketing materials Manage research to support messaging 	√ √	Messages prepared, review stock messages -logo items obtained 3 questions for Pollara omnibus survey complete
	CCIR Complaints- Respond to any issues identified		
	Industry Statistics Identify & keep current statistics from LIMRA & CAFII research		

Media Response Taskforce Membership: Taskforce consists of any 2 members of the Media and Advocacy Strategy committee plus Rick Evans. Purpose: Deal with media issues as they arise. Make recommendation to Board communications committee (Members: Cathy Honor, RBC; Mark Cummings, Scotia; Dave MinorTD; Rick Lancaster, CIBC, Gord Henderson, BMO)

CAFIL Priorities by Committee –October 2012

Licensing Efficiency Issues Committee

Membership – 1 Chair who is a member of EOC and 3 members from representative companies.

Chair: Moira Gill TD 2) John O’Hoski Cdn Premier 3)Sara Gelgor , ScotiaLife Financial 4) John Poolman, Assurant 5)Greg Grant CIBC

Resources: A Riley

Mandate: Identify and manage licensing efficiency issues for restricted and individual licensing processes.

Priorities	Issues	Currently active issues	Status
Licensing operation issues Streamlining and harmonizing licensing requirements (training, CE, other)	Request for restricted certificates for 3 rd parties Alberta	v	CAFIL letter to the Council (2011). Council responded that they did not support the request. Committee decision to address the issue with the Council again in 2012.
	Licensing process -streamlining and harmonization		Identification of issues on going.
Provincial Insurance Councils and CISRO issues	Opportunities to have restricted licensees represented or otherwise participate on Council discussed with Saskatchewan and Alberta. Committee identified a need for an analysis of options for BC, Alberta & Saskatchewan council representation needed	v	Legal assistance engaged and analysis of options underway. Meeting with AIC Jan 2012. Meeting with Sask. held Meeting with Manitoba held
Electronic licensing	Promote use of electronic licensing systems by provincial regulators Possible use of “business numbers” to link		Letter of support sent to CISRO May 2012
Multi-jurisdictional licensing/ mutual recognition	Trade Agreements - promote mutual recognition (Ontario – Quebec, New West Partnership)		Attended trade agreement update meeting May 2012

CAFII Priorities by Committee –October 2012

Networking and Events Committee

Membership: 1 Chair - 2 members , EOC chair is an ex-officio member

Chair: Paul Yeung RBC 2) Maria Sanchez –Chung TD 3)

Ex-officio: John Lewsen Resources: Leya Duigu

Mandate : Operate CAFII events and receptions to maintain contact with regulators, associate members and other key stakeholders.

Priority	Activities	Status
Plan Quarterly Speaker and reception events, and member-only event	February Speaker Event (members only)	Derek Yoo PWC on Ecommerce
	March/April	Byren Innes, NewLink Group Emerging products in Insurance and distribution trends
	June AGM	no speaker, Board meeting with AMF in Quebec city
	October	Janet Ecker, TFSA
	December Reception	
Keep current lists of key contacts		
Christmas cards to key contacts?		
Seek out other opportunities to meet with contacts (eg corporate table)		

The Underserved Insurance Market

Presented to the
Canadian Council of Insurance Regulators

September 14, 2012

CONFIDENTIAL
Presentation is incomplete without oral commentary.



Canadian Association of Financial Institutions in Insurance (CAFII)

2

About CAFII

- Established in 1997 as an insurance association for financial institutions involved in selling insurance via customer contact centres, agents & brokers, branches of FIs, travel agents, direct mail & Internet
- Its members offer a variety of insurance products, such as creditor's group, life, travel, health, property & casualty



Canadian Association of Financial Institutions in Insurance (CAFII)

Today's Presenters

Cathy Honor	Board Chair	RBC Insurance
David Minor	Past Board Chair	TD Insurance
Jennifer Hines	EOC Chair	RBC Insurance
Moira Gill	Past EOC Chair	TD Insurance



The Underserved Life Insurance Market

Agenda

- Challenges for low & middle income Canadians
- Traditional channels & the underserved market
- Alternate distribution channels:
 - Description & advantages of channel & typical products offered
- How gaps can be addressed



Challenges for low & middle income households

- Many mass-market households face insurance gaps & are at risk
- They have insufficient or no life insurance
- Gaps exist in traditional Broker channels that prevent them from adequately meeting the needs of mass-market clients
- Low to mid-income, younger 'mass market consumers' are underserved



Many households have insufficient insurance

A significant gap exists

Life insurance coverage recommended

- Replace income for 7 -10 years
- On average at least \$430,000 of insurance is required to replace 7 years of income

(Based on a \$60,900 average after-tax income for a family with children & one wage earner. Statistics Canada. Average income after tax by economic family types, 2005-2009)

Average amount of life insurance held

- \$173,700 - only 40% of the recommended protection!
- 44% of life insurance owned is Employer Group coverage
- Average coverage \$42,700
- Coverage at risk in the event of job loss

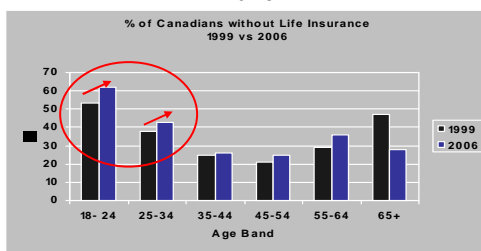
CLHIA, Canadian Life & Health Insurance Facts, 2011

Many households are at risk if the wage earner died



More than one third of adults in Canada have no life insurance coverage at all

*Younger Canadians
have less coverage
% by age*



*Less insurance is held
at lower incomes*

% by income

Income	% without Individual or Group Life Insurance
< \$25,000	56%
\$25,000-49,000	23%
\$50,000-74,999	12%
> \$100,000	4%

LIMRA TOPIC 2009 - Financial Products, P.11

Lower income, younger households are at greatest risk

LIMRA 2007 Canadian Life Insurance Ownership Person Trends, p. 8



Canadians worry over risks due to insurance gaps

- 58% could not provide for their family if they died unexpectedly
- 48% would have concerns if they lost their job
- 75% worry they would not have enough money if they became critically ill or disabled

LIMRA TOPIC Studies - various (Retzliff)

38% or 5MM households feel they are underinsured

LIMRA Canadian Ownership Study - Household trends, 2007, p. 6 & 27

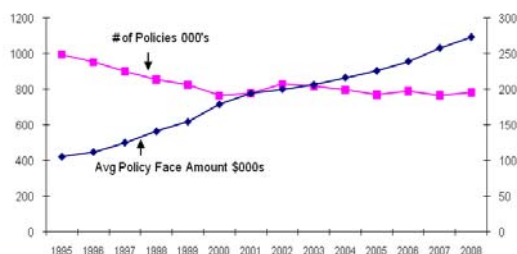


Many households are not being well served by traditional insurance sales channels

Households find purchasing life insurance a challenge

- 58%+ Don't know how much or what type to buy
- 58% Dread high pressure sales tactics
- 36% No one has approached them.
- 48% Find it very difficult to find an advisor/agent

LIMRA Canadian Life Insurance Ownership 2007 Household Trends, P. 28
LIMRA 2011 Trends in Canada Factbook (Ahmed)



Individual policy sales have decreased
Brokers are selling fewer policies, with higher face amounts

LIMRA Canadian Life Insurance Ownership 2007 Person Trends, P. 9-10

Alternatives are needed



Many households are not being well served by traditional insurance sales channels

Compensation Structure Drives Broker Behaviour

Compensation programs that pay commissions based on a % of premium incent brokers to target older clients needing higher value, higher premium policies

Female Non-smoking Client	Life Insurance Policy Type	\$100,000 Life Policy		\$500,000 Life Policy	
		Annual Premium	Base First Year Commission (FYC) \$	Annual Premium	Base First Year Commission (FYC) \$
Age 35	Term 10	\$ 134.50	\$ 53.80	\$ 221.00	\$ 88.40
	Term 20	\$ 155.00	\$ 69.75	\$ 314.50	\$ 141.53
Age 55	Term 10	\$ 332.10	\$ 132.84	\$ 941.00	\$ 376.40
	Term 20	\$ 577.80	\$ 260.01	\$ 2,190.00	\$ 985.50

Commission Rate Assumptions: T10 Base FYC = 40%; T20 Base FYC = 45%

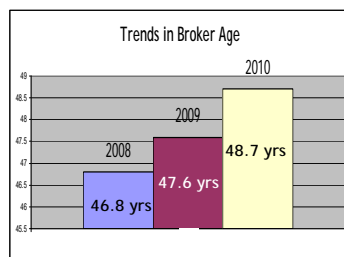
source: RBC Insurance Illustration 31/08/55

Seven \$100,000 Term 10 policies must be sold to 35 yr olds to earn the commission paid on one \$500,000 Term 10 policy for a 55 yr old



Many households are not being well served by traditional insurance sales channels

*Advisors are aging & few new recruits are entering the business
Only 70,000 life insurance advisors serving 30 million Canadians*



Insurance Advisor Profile (2011)

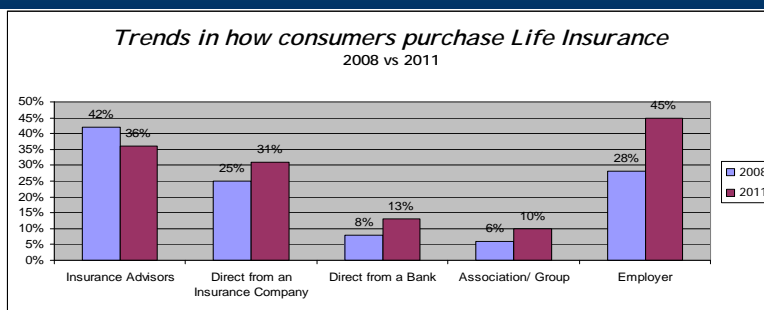
- Average age 48.7 years
- 17 years in industry
- Manage a relatively stable base of ~ 446 client households
- New advisors experience high turnover with 4 year retention rate of only 31%

Investment Executive Research 2011 Insurance Advisor Report Card
LIMRA annual survey of Canadian Sales Force Retention (April 6, 2011).

Advisors are more likely to develop their existing block of business & target new clients within their peer group



Consumer purchase behaviours are changing



↓ Insurance Advisors

↑ Alternative Channels including:
Banks/Ins Companies, Associations & Employers

*Insurance Advisor Share of Market is decreasing
as consumers are using Alternative Channels*



Consumer demand for Alternate Distribution Channels is increasing

Channels they are choosing

- Financial Institution & Bank Branches
- Contact Centres/ Direct Marketing
- Online/e-commerce

Clients often use multiple channels during the purchase process



Alternate Distribution: Financial Institution & Bank Branches

Over 8,000 Financial Institution (FI) branches offer authorized products to clients

- Product offerings are timely & fulfill a clearly defined need
 - Creditor insurance when there is new debt
 - Travel insurance when they are getting ready for a trip
- Face to face channel with representatives who are properly trained & supervised
- Convenient availability in most communities
- Well established channel from which consumers are comfortable seeking financial advice

Well positioned for Underserved Mass Market Clients

Ipsos Reid research study: RBC Insurance May 2008



Alternate Distribution: Contact Centres

Convenient, easy to access, well established channel

- Often available during extended hours
- Comfortable customer experience
- Insurance offer is timely & matches a need
 - e.g. travel insurance when a trip is being planned
- Adherence to associations' guidelines (i.e., CLHIA Guideline 7 & 9)
- Consistent, scripted communication
- Continuous supervision of representatives
- Supported by mail / internet fulfillment

*Provides convenient advice & products to consumers
wherever they are located*



Alternate Distribution : Online /e-commerce

Emerging / growing channel especially to research product information & advice

- Has been primarily used by consumers for information & research
- Is now beginning to emerge as a direct sales channel
- Available 24/7 for immediate information or coverage
- Chosen for ease & convenience to research & comparison shop
- Avoids pressure sales
- Information can be presented in a clear, logical order
- Advice can be made available from online tools
 - e.g. needs analysis, scenarios, pop-ups, contact information & "click to chat"
- Cancellation period with full refund on all offerings, typically 30 days
- Broad based use amongst mass market & younger consumers

*Facilitates enhanced financial literacy &
increases access to insurance*



Advantages of Alternate Distribution

Provides convenience & easy access to information throughout the product lifecycle

- Convenient & wide availability
- Allow consumers access to a variety of products
 - E.g. Basic term, Disability, Critical Illness, Creditor & Travel insurance
- Well-trained & supervised salaried sales people
- Simple, affordable products

Can make insurance more easily available to underserved Canadians



Summary

- Mass Market, younger, lower & mid-income families, are underserved:
 - They face significant insurance gaps
 - They need & want basic advice & simple products
- Traditional Brokers do not focus on the Underserved Mass Market
 - Brokers are aging & fewer are coming into the business
 - They target & develop relationships with Mass Affluent & High-net worth clients
- Consumers are demanding alternative means for obtaining advice & coverage
 - Alternate channels meet customer needs for access, convenience & simplicity

It is critical to ensure that regulatory regimes help to foster & support the ongoing growth & development of these channels



Questions & Answers

Thank you

