

**CAFII EOC Meeting**

**Tuesday, April 22, 2014**

**Location: RBC Insurance**

**RBC Insurance, Royal Bank Plaza, South Tower, Capital Markets,**

**200 Bay St., 4th Floor [Richardson boardroom], Toronto, ON**

**1:00 – 4:00 pm**

*Conference call dial-in information:*

**416-764-8662 or 1.888-884-4534, participant pass code: 771017#, moderator pass code: 7661560#**

**Chair: J. Hines**

**Agenda**

- |  |                            |
|--|----------------------------|
| 1. Call to Order   | J. Hines                   |
| 2. Approval of Agenda  | All                        |
| 3. Minutes   | All                        |
| a. EOC Minutes and Action Items of March 25, 2014                    |                            |
| b. Board Minutes and Action Items of April 8, 2014                   |                            |
| 4. CAFII Financial Management  | R. Rajaram                 |
| a. Financial Statements As At March 31, 2014                         |                            |
| 5. Policy Issues and Decision Items                                  |                            |
| a. Balanced Scorecard  | J. Hines                   |
| b. Possible CAFII Project on Travel Insurance                        | J. Lewsen                  |
| c. Application for Voting Membership from The CUMIS Group Ltd.       | B. Wycks                   |
| 6. Regulatory Update   |                            |
| a. BC FICOM's Creditor's Group Insurance Issue                       | B. Wycks                   |
| b. Regulatory Visit Plan 2014  | B. Wycks                   |
| i. AMF Liaison Meeting (April 8)                                     |                            |
| ii. FSCO Life Insurance Product Suitability Review Meeting (April 9) |                            |
| iii. Meeting with Manitoba Minister of Finance (April 29)            |                            |
| iv. Dinner Liaison Meeting with Carolyn Rogers, BC and CCIR (May 6)  |                            |
| v. Joint Meeting with Atlantic Canada Insurance Regulators (May 15)  |                            |
| vi. One-on-One Stakeholder Meeting with LLQP Committee (May 28)      |                            |
| vii. Dinner Liaison Meeting with Gerry Matier, BC (May 28)           |                            |
| 7. EOC Committee Updates   |                            |
| a. Distribution and Market Conduct Committee                         | S. Manson                  |
| b. Licensing Efficiency Issues Committee                             | M. Gill                    |
| i. Representation for Restricted Licensees in SK and AB              |                            |
| c. Media and Advocacy Committee                                      |                            |
| i. CAFII External Communications Strategy Update                     | J. Lewsen/M. Gill/B. Wycks |
| ii. Visual Identity Modernization                                    |                            |
| d. Events and Networking Committee                                   |                            |
| i. Confirmed Speaker for June 10, 2014 Regulatory Reception          | P. Yeung/M. Sanchez-Chung  |
| ii. Proposed Speaker(s) for October 7, 2014 Event                    |                            |
| 8. Other Business  | P. Smith (Visitor)         |
| a. Update on CNCA Continuance  |                            |
| • Next EOC Meeting is May 27, 2014 in Toronto                        |                            |
| • Next Board Meeting is June 10, 2014 in Toronto (ON) hosted by AMEX |                            |

**CAFII EOC Meeting Minutes**  
**Tuesday, March 25, 2014**  
**Action Items from the Meeting**

Agenda Item	Action Item	Responsible	Deadline
4a. 2013 Audited Financial Statements	Brendan Wycks to contact Matt Fabian and/or Raja Rajaram to confirm whether CAFII has a Maximum Threshold in its Reserves Policy. In the event there isn't a maximum, KPMG advice to be sought on setting one.	B. Wycks	April 22
5a. Balanced Scorecard	EOC members are to review Balanced Scorecard document and get back to Brendan Wycks regarding any changes by the end of the week.	EOC	March 28
	Brendan Wycks to revise the Balanced Scorecard based on today's discussion and include it in the Board meeting materials for April 8, 2014.	EOC	April 4
5b. Proposed Revised CAFII By-Law and Articles of Continuance	Next Steps:		
	i. Advise the Board of Directors about need for a Special Meeting of Foundation Members to confirm amendment of By-law 2009-5 to remove Associate Members as a membership class.	CNCA Task Force	April 4
	ii. A one-page summary for the Board to be provided by the Task Force, summarizing significant changes and providing an overview of the CNCA compliance and continuance process.	CNCA Task Force	April 4
	Leya Duigu to confirm member corporate names that will appear in the new By-law.	L. Duigu	April 4
5c. CAFII Communications Strategy Implementation Timelines	Brendan Wycks to revise document to reflect EOC feedback, and include achievements in the first quarter of 2014.	B. Wycks	April 4
6. Regulatory Update	New Brunswick. DMC to review the information on "Insuring Your Debts" recently posted on the Financial and Consumer Commission of New Brunswick's new web site.	DMC	April 30
	CISRO LLQP Meeting in Toronto on May 28. Brendan Wycks to request meeting with Gerry Matier, Executive Director of Insurance Council of BC, while he is in Toronto for the CISRO LLQP meetings.	B. Wycks	April 11
6b(ii). Regulatory Visit Plan 2014	The AMF liaison meeting agenda to be reviewed by Board Chair Mark Cummings and Vice-Chair Rino D'Onofrio before it is submitted to the AMF. Once the agenda is finalized Brendan Wycks to send it to Eric Stevenson at the AMF.	B. Wycks, J. Hines	March 28
7. Event and Networking Committee	Maria Sanchez-Chung to confirm an FCAC speaker for CAFII's June 10/14 event; and facilitate a meeting to discuss topics and logistics.	M. Sanchez-Chung	April 30

**CAFII EOC Meeting**  
**Tuesday, March 25, 2014**  
**Location: RBC Insurance**  
**RBC Insurance, Royal Bank Plaza, South Tower, Capital Markets**  
**200 Bay St., 5<sup>th</sup> Floor [Dominion Securities Room], Toronto, ON**

<b>Present:</b>	Rose Beckford	ScotiaLife Financial
	Derek Blake	RBC Insurance
	Charles Blaquiere	Canadian Premier Life Insurance Co. <i>(by teleconference)</i>
	Emily Brown	BMO Insurance
	Vicky Cantin	Desjardins Financial Security Life Assurance <i>(by teleconference)</i>
	Moira Gill	TD Insurance <i>(by teleconference, for part)</i>
	Greg Grant	CIBC Insurance
	Jennifer Hines	RBC Insurance, Chair
	John Lewsen	BMO Insurance
	Sue Manson	CIBC Insurance
	Maria Sanchez-Chung	TD Insurance <i>(by teleconference)</i>
	Cecilia Xiao	Assurant Solutions <i>(by teleconference)</i>
	Paul Yeung	RBC Insurance <i>(by teleconference, for part)</i>

<b>Regrets:</b>	Eleanore Fang	TD Insurance
	Andre Duval	Desjardins Financial Security Life Assurance
	Raja Rajaram	CIBC Insurance <i>(by teleconference, for part)</i>
	Brian Wise	Assurant Solutions

<b>Also Present:</b>	Kathryn Beck	Fasken Martineau <i>(for part)</i>
	Koker Christensen	Fasken Martineau <i>(for part)</i>
	Leya Duigu	T•O Corporate Services
	Pamela Smith	T•O Corporate Services <i>(for part)</i>
	Brendan Wycks	CAFII Executive Director

**1. Call to Order**

The meeting was called to order at 1:05 pm. Jennifer Hines acted as Chair and Leya Duigu acted as Recording Secretary.

**2. Approval of Agenda**

The agenda was approved as presented.

**3. Minutes and Action Items**

**a. EOC Minutes and Action Items of February 18, 2014**

Jennifer Hines reviewed the Action Items from the previous meeting, noting that most had been completed or would be addressed in today's meeting agenda.

#### **4. CAFII Financial Management**

##### **a. 2013 Audited Financial Statements**

Brendan Wycks, Executive Director, reported on the 2013 Audited Financial Statements, included in the meeting package, on behalf of Treasurer Raja Rajaram, who was unable to attend.

Overall, there are no substantive comments. The Association's cash position remains healthy and we have received a clean audit opinion from KPMG. There is an excess of revenue over expenses higher than last year's due to lower operating costs and lower spending on Distribution and Market Conduct Committee initiatives. There are also no changes from previous years in the auditor's notes to the financial statements.

A brief discussion ensued regarding CAFII's Reserves Policy and whether there is a Maximum Reserves Threshold, which once surpassed would trigger the Association to make a decision on lowering dues or spending on additional projects.

**Action:** Brendan Wycks to contact Matt Fabian and/or Raja Rajaram to confirm whether there is a Maximum Threshold in CAFII's Reserves Policy. In the event there isn't a stated Maximum Reserves Threshold, KPMG's advice should be sought on setting one.

##### **b. Financial Statements as at February 28, 2014**

Brendan Wycks, Executive Director, reported on behalf of Treasurer Raja Rajaram on CAFII's financial statements for the two months ended February 28, 2014, which were included in the meeting package.

To date, 65% of 2014 membership dues have been received and revenue will continue increase as more members pay their dues renewals for the current year. In terms of expenses, there is nothing significant to report at this time.

#### **5. Policy Issues and Decision Items**

##### **a. Balanced Scorecard**

Jennifer Hines reported that the Balanced Scorecard was developed at the request of the Board of Directors, to focus CAFII's financial and human resources on goals and objectives that are agreed-upon and measurable. Brendan Wycks had prepared the first draft of the Balanced Scorecard with advice from Jennifer Hines and Greg Grant, prior to today's presentation.

In future, the Balanced Scorecard will be reviewed quarterly or more frequently to help address whether we are taking on more than we can reasonably deliver in a given time period.

She noted that broad goals and specific objectives were set out in the Balanced Scorecard and the purpose of today's discussion was to reach a consensus on

- What initiatives we are going to focus on?; and
- Does the Balanced Scorecard provide an objective tool for measuring the performance of the Executive Director and EOC?

In discussion, EOC members agreed that having a high level CAFII strategic plan was an essential foundation document for a Balanced Scorecard aimed at monitoring and assessing the performance of the Executive Director and the EOC. CAFII has not yet held a formal strategic planning session and members discussed which group would be best to undertake this: the Board or the EOC?

In addition, minor editorial changes to the Balanced Scorecard were proposed and agreed-upon; and consensus was reached on presenting the document to the Board on April 8, with the caveat that it will be a living document that may change from time-to-time due to intervening and/or competing priorities, as determined by the EOC.

**Action:** EOC members are to review the Balanced Scorecard document and get back to Brendan Wycks regarding any changes by the end of the week.

**Action:** Brendan Wycks to revise the Balanced Scorecard based on today's discussion and include it in the Board materials for the April 8, 2014 meeting.

**b. Proposed Revised CAFII By-Law and Articles of Continuance, to comply with Canada Non-Profit Corporations Act (CNCA)**

Pamela Smith, Governance Officer at T•O Corporate Services who had been engaged by CAFII to assist the Association in meeting the requirements for compliance with and continuance under the CNCA, introduced Koker Christensen and Kathryn Beck from Fasken Martineau, the Association's legal counsel on the CNCA matters.

Ms. Smith summarized the changes which the CNCA Compliance Task Force – which also included John Lewsen, Brendan Wycks, and Leya Duigu – were proposing in a revised CAFII Bylaw and Articles of Continuance to be filed to meet CNCA requirements, as follows:

- The Articles of Continuance will allow for a minimum of three and maximum of 25 CAFII Directors, to provide flexibility for the Board to grow or shrink based on the number of members.
- Associate Members are currently a non-voting membership. However, under the CNCA, all classes of members will have the right to vote on certain fundamental matters, including changes to membership classes. And to achieve continuance under the CNCA, the new Act requires that CAFII give non-voting members the right to vote on the removal of their membership class at an Annual or Special Meeting of Members.

Therefore, to deal with this constraint, It was agreed that CAFII should follow a two-step process to changing its By-law, as recommended by Fasken Martineau. This will involve having the Board approve a By-law change first, removing the Associate member class from the Association's By-law, which change shall then be confirmed by the Foundation Members in a Special Meeting of Foundation Members only. Thereafter, the former Associate Members will be referred to as "Associates."

Once this By-law amendment has been confirmed, the Board will then approve the CNCA transition documents (in the form presented or amended) for presentation for approval at the Annual and Special Meeting of Members in June 2014.

Following the Annual Meeting in June, the terms and conditions related to Associates shall be addressed via a CAFII operational policy.

In addition, the EOC clarified and agreed upon the following points for the CNCA transition documents:

- The Board shall appoint a Secretary and that person shall act as EOC Chair.
- The person filling the Treasurer role does not necessarily have to come from a Foundation Member.
- The Executive Director role will be referred to as an appointed position.
- EOC members are not formally appointed and the method for adding or deleting EOC members shall be addressed via an operational policy.

**Next Steps:**

- i. Advise the Board of Directors about the Special Meeting to amend By-law 2009-5, which will remove Associate Members as a membership class.
- ii. A one-page summary to be provided by the Transition Task Force, summarizing the significant changes and providing an overview of the process for the Board of Directors.

**Action:** Leya Duigu to confirm the proper corporate names of member organizations which should appear in the new By-law.

**c. CAFII Communications Strategy Tactical Implementation Timelines**

Jennifer Hines recalled that consensus had been reached at the Board level on CAFII's overall communications goals moving forward; and the next step was to develop specific tactics and timelines that will achieve those goals. The Communications Strategy Tactical Implementation Timelines document was drafted by Brendan Wycks; had been reviewed by the Media and Communications Committee; and was now being presented for EOC review and feedback.

Members agreed that the document captured many deliverables and was therefore quite ambitious; it was suggested an "evergreen list" be created for items that would be nice to achieve but are not particularly high on the priority list.

It was suggested and agreed that the presentation of the information should be revised into quarters rather than months, highlighting the deliverables in each period and accomplishments made in the previous quarter. Responding to regulatory consultations should be accounted for in every quarter regardless of whether we knew about them in advance.

**Action:** Brendan Wycks to revise the Communications Strategy Implementation Timelines to reflect the EOC's feedback and incorporate achievements in the first quarter of 2014; and bring the revised document forward to the Board meeting on April 8, 2014.

**d. Possible CAFII Project on Travel Insurance** *Deferred to next EOC Meeting.*

**6. Regulatory Update**

The following items, included in the Regulatory Update in the materials for this meeting, were discussed:

- New Brunswick. New content on “Insuring Your Debts” was recently posted to the Financial and Consumer Commission of New Brunswick (FCNB)’s new web site.

**Action:** DMC to review the information on “Insuring Your Debts” for potential revisions.

- The CISRO LLQP Committee will be holding one-on-one stakeholder group meetings in Toronto on May 28, which presents an opportunity for CAFII to have a liaison meeting with one of the provincial regulators on the committee.

**Action:** Brendan Wycks to request a meeting with Gerry Matier, Executive Director of the Insurance Council of BC, while he is in Toronto for the CISRO LLQP meetings on May 28.

**a. BC FICOM’s Creditor’s Group Insurance Issue**

Brendan Wycks reported on the most recent discussion he had had with Harry James, Director, Policy Initiatives at BC’s FICOM, about the creditor’s group insurance in that province that had recently come to light. He highlighted the information that Harry James had shared about the Consent Order details and the absence of a related cease and desist order.

Harry James had advised that with respect to such issues of concern, the BC regulator’s approach, if there is no immediate harm to the consumer, is to weigh and assess the situation before deciding on what should be done. Should they discover that there are other creditor’s group insurance products in the market that, similarly, appear to be in violation of the province’s insurance legislation and/or regulations, they will work with industry to address the situation.

FICOM does not want to impose an undue burden on the industry across the board, so it will be coming up with two to three “filter questions” in a short survey that will assist the industry in responding to an open letter that will be issued shortly. The purposed of that letter, with an embedded short survey, will be to get a sense of the magnitude of the problem in the market. It is FICOM’s hope that responses to the filter questions will remove the vast majority of players in the market from the universe of possible problem situations.

**b. Regulatory Visit Plan 2014**

Brendan Wycks provided an update on regulator and policy-maker meetings to date based on the document included in the meeting package. The EOC reviewed the following matters:

**i. March 17, 2014 Liaison Meeting With Alberta Insurance Council**

The Alberta Insurance Council regards travel insurance as an area of significant regulatory concern. Joanne Abram, CEO, and Ron Gilbertson, Council Chair, liked CAFII's suggestion of a Joint Industry Working Group on Travel Insurance Application Forms and Medical Questionnaires.

**ii. April 8, 2014 Liaison Discussion with Louis Morisset, CEO**

An agenda has been created in collaboration with the AMF to help guide the discussion on April 8, 2014. Members agreed that the conversation should start with a high level topic before getting into more specific, detailed topics.

**Action:** The AMF agenda will be reviewed by Board Chair Mark Cummings and Vice-Chair Rino D'Onofrio before it is submitted to the AMF. Once the agenda is finalized Brendan Wycks to send it to Eric Stevenson at the AMF.

**iii. May 15, 2014 Liaison Meeting with Atlantic Canada Regulators**

This meeting will be held in Halifax on May 15, beginning at 11:30 a.m. and running until 4:30 p.m. The session will begin with a presentation on creditor's group insurance by CAFII, followed by discussion of agreed-upon topics. Brendan Wycks has developed a draft agenda of discussion topics to propose to the Atlantic Canada regulators.

**7. Events and Networking Committee**

Maria Sanchez-Chung reported that the FCAC has agreed that one of Commissioner Lucie Tedesco or recently appointed Deputy Commissioner Brigitte Goulard was available to be the guest speaker at CAFII's event on June 10, 2014. Deputy Commissioner Goulard is a former CAFII EOC member, having worked previously for TD Meloche Monnex, and would be an excellent speaker.

**Action:** Maria Sanchez-Chung to confirm the speaker with FCAC, and facilitate a meeting to discuss topics and logistics.

**8. EOC Committee Updates**

No further updates were provided.

**9. Termination**

There being no further business, the meeting terminated at 4:20 p.m. The next CAFII EOC Meeting will be held on April 22, 2014, in Toronto.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Recording Secretary



**CAFII Board Meeting Minutes  
Tuesday, April 8, 2014  
Action Items from the Meeting**

Agenda Item	Action Item	Responsible	Deadline
5.1 Balanced Scorecard and 5.2 Communications Strategy Tactical Implementation Timelines	Brendan Wycks and the EOC to refine the Balanced Scorecard to reflect the following feedback: <ul style="list-style-type: none"> <li>Identify top three (3) priorities for 2014 in each area of activity;</li> <li>Use colour coding to aid in identifying importance and risk, for example: red (high risk) and blue (low risk);</li> <li>Add a percentage weighting to each broad area of activity/audience; and to sub-items; and</li> <li>Identify key persons responsible, primary and secondary, for each item</li> </ul>	B. Wycks and EOC	May 20, 2014
6.3 Media and Advocacy Strategy Committee	CAFII Member FIs to be approached about providing additional testimonials for display on <a href="http://www.cafii.com">www.cafii.com</a> .	B. Wycks & L. Duigu	April 30, 2014
6.4 Events & Networking Committee	Brendan Wycks to approach Carolyn Rogers informally about speaking on October 7, 2014.	B. Wycks	May 6, 2014

**CAFII Board Meeting Minutes**  
**Tuesday, April 8, 2014**  
**Location: National Bank**  
**600, rue de la Gauchetière Ouest, 4 th floor**  
**Montréal, Québec**

<b>Present:</b>	Peter McCarthy Chris Knight Rick Lancaster Isaac Sananes Linda Fiset Vivianne Gauci Richard Hebert Rino D'Onofrio	BMO Insurance TD Insurance CIBC Insurance Canadian Premier Life Insurance Co. Desjardins Financial Security Life Assurance AMEX Bank of Canada <i>(by teleconference)</i> National Bank Insurance Co. RBC Insurance <i>Vice-Chair</i>
<b>EOC Present:</b>	Rose Beckford Derek Blake Andre Duval Eleanore Fang Moiria Gill Greg Grant Jennifer Hines John Lewsen Sue Manson Raja Rajaram Maria Sanchez-Chung Cecilia Xiao Paul Yeung	ScotiaLife Financial <i>(by teleconference)</i> RBC Insurance Desjardins Financial Security Life Assurance TD Insurance <i>(by teleconference)</i> TD Insurance CIBC Insurance RBC Insurance <i>Secretary</i> BMO Insurance CIBC Insurance <i>(by teleconference)</i> CIBC Insurance <i>Treasurer (by teleconference, for part)</i> TD Insurance Assurant Solutions <i>(by teleconference)</i> RBC Insurance
<b>Also Present:</b>	Kathryn Beck Hudson Lopez Pamela Smith Vivienne Chen Leya Duigu Brendan Wycks	Fasken Martineau <i>(by teleconference, for part)</i> KPMG <i>(by teleconference, for part)</i> T•O Corporate Services <i>(by teleconference, for part)</i> KPMG <i>(by teleconference, for part)</i> T•O Corporate Services <i>Recording Secretary</i> CAFII <i>Executive Director</i>
<b>Regrets:</b>	Mark Cummings Robert Zanussi Charles Blaquiere Emily Brown Brian Wise	ScotiaLife Financial <i>Chair</i> Assurant Solutions Canadian Premier Life Insurance Co. BMO Insurance Assurant Solutions

**1. Call to Order and Welcome**

The meeting was called to order at 2:30 p.m. R. D'Onofrio acted as Chair; J. Hines acted as Secretary; and L. Duigu acted as Recording Secretary.

### **1.1. CAFII Competition Guidelines**

### **1.2. Approval of Agenda**

On a motion duly made, seconded and unanimously carried

**IT WAS RESOLVED that:**

**the Meeting Agenda be approved as circulated.**

## **2. Welcome and Appointment of New Directors**

### **2.1. Appointment of New Directors**

On a motion duly made, seconded and unanimously carried

**IT WAS RESOLVED that:**

**Peter McCarthy from BMO Insurance and Chris Knight from TD Insurance be and are appointed to the CAFII Board of Directors until the next Annual General Meeting in 2014.**

## **3. Consent Items**

On a motion duly made, seconded and unanimously carried

**IT WAS RESOLVED that:**

**the Consent Items be and are approved or received for the record, as indicated in the Action column beside each item on the agenda, including:**

- Regulatory Update
- Regulatory Visit Plan;

**IT WAS FURTHER RESOLVED that:**

**the Minutes of the meeting of the Board of Directors held December 4, 2013 be and are adopted in the form presented, and that a copy of these Minutes be signed and placed in the Minute Book of the Corporation.**

## **4. Financial Update**

### **4.1. Financial Statements as at February 28, 2014**

Raja Rajaram, Treasurer, presented the Financial Statements as at February 28, 2014 which were included in the meeting materials.

He noted that the Assets side of the Balance Sheet was a bit misleading at this early point in a new fiscal year. It appears quite high, as we have received the first instalment of 2014 membership dues without having incurred any significant expenses, being just two months into the year. At this time, all Foundation and Voting Members have paid their first instalment dues; and we will be following up with three Associate Members whose dues are still outstanding.

On a motion duly made, seconded and unanimously carried

**IT WAS RESOLVED that:**

**the financial statements for CAFII as at February 28, 2014 be and are approved in the form presented.**

#### **4.2. 2013 Draft Audited Financial Statements**

Raja Rajaram, Treasurer, presented the draft audited financial statements which were included in the meeting materials.

Hudson Lopez, CPA and Victoria Chen, CPA from KPMG, CAFII's auditor, were in attendance by phone to assist in answering any Board member questions on the draft audited statements. It was noted that KPMG had rendered a clean audit opinion on CAFII's financials and the ensuing process was identical to that followed in previous years: the audited financial statements were being presented in draft form for approval by the Board today, in order for the auditors to be in a position to issue the final financial statements for approval at the Annual Meeting on June 10, 2014.

On a motion duly made, seconded and unanimously carried

**IT WAS RESOLVED that:**

**the 2013 Draft Audited Financial Statements be and are hereby approved in the form presented.**

### **5. Policy Issues and Decision Items**

#### **5.1. Balanced Scorecard**

Jennifer Hines provided an overview of the Balanced Scorecard document provided in the meeting materials. The goal of the Balanced Scorecard, developed by Brendan Wycks and the EOC, is to establish agreed-upon benchmarks for measuring and evaluating the Association's performance throughout the year and whether we were successful in achieving our goals and objectives. Target completion dates have been provided throughout the year; however, these may change depending upon intervening and/or competing priorities, as determined by the EOC.

**Action:** Brendan Wycks and the EOC to refine the Balanced Scorecard, to the degree possible, to reflect the following feedback:

- Identify top three (3) priorities for 2014 in each area of activity;
- Use colour coding to aid in identifying importance and risk, for example: red (high risk) and blue (low risk);
- Add percentage weightings to each broad area of activity/audience and to sub-items; and
- Identify key persons responsible, primary and secondary, for each item.

It was noted that the Board's feedback on the Balanced Scorecard would apply also to the Communications Tactics Implementation Timelines.

## **5.2. Communications Strategy Tactical Implementation Timelines**

Brendan Wycks provided an update based on the document included in the meeting materials.

The External Communications Strategy and its Tactical Implementation Timelines are an extension of the Balanced Scorecard and also have linkages to the Regulatory Visit Plan, he advised. The Regulators and Policy-Makers section is the dominant section of the Tactical Implementation Timelines document, as they are, by a wide margin, the Association's primary audience.

It was noted that the Board's feedback on the Balanced Scorecard would apply also to the Communications Tactics Implementation Timelines.

## **5.3. Approval of Proposed By-Law 2014-5**

On a motion duly made, seconded and unanimously carried

### **IT WAS RESOLVED that:**

1. *By-law 2014-5A, being a by-law to amend By-law 2009-5, be and is hereby approved;*
2. *By-law 2014-5A shall be submitted to the Foundation Members for confirmation;*
3. *subject to the confirmation of By-law 2014-5A by the Foundation Members of the Corporation, the Chair and Secretary of the Corporation (the "Authorized Signatories") be and are hereby authorized and directed to do, execute and perform all acts, documents and instruments necessary or desirable to give full force and effect to the foregoing, including, without limitation, the execution and delivery to Industry Canada of By-law 2014-5A; and*
4. *the Authorized Signatories be and are hereby authorized and directed to make such technical changes in By-law 2014-5A as may be required by Industry Canada, with no further recourse to the Board or members to approve or confirm such changes, and any such amendments made by such Authorized Signatories shall be conclusive evidence of the need to make such amendments and are hereby ratified, sanctioned and approved.*

*The Board Meeting was adjourned at 3:07 p.m. to allow for the conduct of a Special Meeting of Foundation Members.*

*The Board Meeting was called to order and resumed at 3:10 p.m.*

## **5.4. CAFII Continuance Under Canada Non-Profit Corporations Act (CNCA)**

Pamela Smith, Governance Officer at TO Corp. who had been engaged by CAFII to assist the Association in CNCA compliance and continuance requirements, provided an overview of CAFII's CNCA transition initiatives to date. She advised that John Lewsen (BMO Insurance) was a key member of the task force was a key member of the task force working on this project, along with Kathryn Beck (Fasken Martineau), Koker Christensen (Fasken Martineau), Leya Duigu (T•O Corporate Services), Brendan Wycks (CAFII), and herself.

She highlighted the areas within proposed By-law No. 1, under which CAFII would achieve compliance with the CNCA and could receive a Certificate of Continuance, which were changes to the current By-law 2009-5. The elimination of the current Associate Member class was the most significant change, and was necessary because the new Act would confer voting rights on all members in certain circumstances.

On a motion duly made, seconded and unanimously carried

**IT WAS RESOLVED that:**

- 1. the Corporation is hereby authorized to make an application under section 297 of the CNCA to the Director appointed under the CNCA for a Certificate of Continuance of the Corporation;*
- 2. the Articles of Continuance of the Corporation, which been previously circulated to the Board and which are annexed to these minutes as Schedule A, are hereby approved;*
- 3. all existing by-laws of the Corporation are repealed in their entirety effective on the date that the Corporation continues under the CNCA, and the new general operating By-law No. 1, which has been previously circulated to the Board, is approved to be effective on the same date, and the Chair and Secretary of the Corporation are hereby authorized and directed to sign the By-Law as evidence of the foregoing and to insert the same in the minute book of the Corporation;*
- 4. the Articles of Continuance and By-Law No. 1 shall be submitted to the members of the Corporation for approval at the Annual General Meeting to be held in June 2014; and*
- 5. the persons executing the Articles of Continuance and the By-Law (the "Authorized Signatories") be and are hereby authorized and directed to make such technical changes in the Articles of Continuance and/or the By-Law as may be required by Industry Canada, as the case may be, with no further recourse to the Board or the members to approve or confirm such changes, and any such amendments made by such Authorized Signatories shall be conclusive evidence of the need to make such amendments and are hereby ratified, sanctioned and approved.*

**6. Committee Reports Addressing CAFII Priorities**

**6.1. Distribution and Market Conduct Committee (DMC)**

Sue Manson, Chair of the Distribution and Market Conduct Committee, reported on her committee's achievements to date. She noted that the subcommittee working on the Comparative Value of Creditor's Group Insurance Project was currently finalizing the contract with Towers Watson, as independent actuarial services provider. She noted that, as usual, generating the input data for this project would require considerable work on the part of each member FI, particularly their IT departments. The survey instrument for CAFII members will be ready in May and at least eight (8) weeks will be provided for its completion and submission to Towers Watson.

CAFII's recent response to Finance Canada's consultation on a proposed federal financial consumer code was first developed by the DMC; and a subcommittee is also nearing completion of a significant project on a matrix analysis of the IAIS' Insurance Core Principles that are relevant to our sector of the industry. In future, the DMC will be working with Brendan Wycks on materials for the Joint Visit with the Atlantic Canada Regulators on May 15; and a submission in response to FSCO's 2014 Statement of Priorities, which is due by May 30.

## **6.2. Licensing Efficiency Issues Committee (LEIC)**

Moir Gill, Chair of the Licensing Efficiency Issues Committee, reported that her committee was currently active in two key licensing-related issues: CISRO's Life License Qualification Program (LLQP) modernization initiative; and Manitoba's Incidental Sellers of Insurance (ISI) Regulation.

### **6.2.1. Representation for Restricted Licensees in SK and AB**

The Saskatchewan and Alberta representation for restricted licensees item relates to corporate licensing, in particular the ability of corporate licensees to be represented on the Insurance Councils in those provinces. A CAFII proposal is currently being considered by Ron Fullan, Executive Director of the Insurance Councils of Saskatchewan, but his response has been delayed by his heavy involvement as Chair of CISRO.

In addition, CAFII representatives have recently discussed this issue with the Alberta Insurance Council, and the CEO has expressed interest in moving forward on it. However, Alberta would like to see what direction Saskatchewan will be taking on this matter, with the goal of taking a harmonized approach.

## **6.3. Media and Communications Committee (MAC)**

John Lewsen, Co-Chair of the Media and Communications Committee, reported that most of the committee's work was discussed earlier under Policy Issues and Decision Items. It was noted that Brendan Wycks is doing the bulk of the work on the committee's initiatives, with support from committee members. The visual identity and rebranding project has been completed and the results can be seen in the materials that have been developed.

Brendan Wycks and two members from the MAC attended a media training session last week that was extremely valuable.

Brendan Wycks reported that the strongest message received was the importance of humanizing our communications, whether they are direct to the consumer or through media. The consumer testimonials, for example, are an important tool and we have in-hand three (3) video testimonials and one (1) written testimonial from member FIs.

Paul Yeung added that trainer Patrick McGee did a great job of ensuring that our messaging was focused, noting it should be human and highlighting the top three (3) messages. Brendan Wycks did a great job in the mock interviews and CAFII is well-positioned to use him as a spokesperson.

In future, the MAC will be proposing media educational sessions through round table discussions. The goal being that when something does come up in the media, they will turn to CAFII as a source of information, Mr. Yeung advised.

**Action:** CAFII Member FIs to be approached about providing additional testimonials for display on [www.cafii.com](http://www.cafii.com).

#### **6.4. Events and Networking Committee**

Maria Sanchez-Chung provided an update on the speaker line up for the remainder of 2014. A potential speaker is being confirmed for June 10 from the FCAC; and Carolyn Rogers, BC Superintendent of Insurance and Chair of CCIR, is a potential speaker for the October 7 event.

**Action:** Brendan Wycks to approach Carolyn Rogers informally about speaking on October 7, 2014.

### **7. Other Business**

#### **7.1. Recognition of a Retiring Director**

Rick Lancaster, CAFII Director from CIBC Insurance, has announced that he will be retiring soon and today's meeting will be his last as a CAFII Director. The Board and the EOC thanked Rick for his many contributions to the Association.

### **8. Termination**

**On a motion duly made, seconded and unanimously carried**

**IT WAS RESOLVED that:**

**the meeting be terminated at 3:45 p.m.**

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Recording Secretary



# CAFI

55 St Clair Ave West, Suite 255

Toronto, ON M4V 2Y7

## Balance Sheet

As at March 31, 2014

	Current 2014
<b>ASSETS</b>	
<b>Current Assets</b>	
Bank Balance	\$320,550
Investments <sup>A</sup>	\$52,852
Accounts Receivable	\$77,950
Interest Receivable	\$474
Prepaid Expenses	\$877
Computer/Office Equipment	\$2,334
Accumulated Depreciation -Comp/Equip	(\$739)
Intangible Assets-Trademarks	\$0
Accumulated Amortization-Trademark	\$0
<b>Total Current Assets</b>	<b>\$454,298</b>
<b>TOTAL ASSETS</b>	<b>\$454,298</b>
<b>LIABILITIES</b>	
Current Liabilities	
Account Payable <sup>B</sup>	\$18,599
Deferred Revenue	\$124,125
<b>Total Current liabilities</b>	<b>\$142,724</b>
<b>TOTAL LIABILITIES</b>	<b>\$142,724</b>
<b>UNRESTRICTED NET ASSETS</b>	
Unrestricted Net Assets, beginning of year	\$288,175
Excess of revenue over expenses	\$23,399
<b>Total Unrestricted Net Assets</b>	<b>\$311,574</b>
<b>Total Unrestricted Net Assets</b>	<b>\$311,574</b>
<b>TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS</b>	<b>\$454,298</b>

**Minimum Reserve = Greater of:**

Reserve at 25% of Annual Operating Expense =	\$ 61,383
Reserve at 6 months of Operating Expense =	\$ 121,759

**2013 Reserve (based on 6 month Reserve):**

**CAFI**  
55 St Clair Ave West, Suite 255  
Toronto, ON, M4V 2Y7  
**Balance Sheet Items**  
**As at March 31, 2014**

**Item A**

**Investment Portfolio**

Investment Type	Issue Date	Principal	Rate	Deemed Interest	Maturity Date
Cashable GIC #0087-8019718-12	May-07-13	\$52,852.40	1.00%	\$528.52	May-07-14
<b>Total</b>		<b>\$52,852.40</b>		<b>\$528.52</b>	

**Item B**

**Accounts Payable**

	Total
	2,935.73
	1,289.90
	14,373.60
<b>Total outstanding:</b>	<b>18,599.23</b>

# CAFII

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

## Statement of Operations

As at March 31, 2014

REVENUE	Current Month	Current YTD	Budget 2014	% Used	YTD 2013 Balance	% Used YTD 2013
Membership Fees	\$33,375	\$100,125	\$400,500	25%	\$102,525	27%
Interest Revenue	\$45	\$130	\$720	18%	\$186	186%
<b>TOTAL REVENUE</b>	<b>\$33,420</b>	<b>\$100,255</b>	<b>\$401,220</b>	<b>25%</b>	<b>\$102,711</b>	<b>26%</b>
<b>EXPENSE</b>						
<b>Association Operating Expenses</b>						
Management Fees	\$19,337	\$58,003	223,380	26%	\$55,893	81%
Lawrie Savage Fees	\$0	\$0	-		\$0	0%
CAFII Legal Fees/Corporate Governance	\$2,825	\$2,825	19,500	14%	\$0	0%
Audit Fees	\$0	\$0	14,000	0%	\$0	0%
Insurance	\$439	\$1,316	5,368	25%	\$710	16%
Website (incl translation)	\$0	\$0	540	0%	\$10	2%
Telephone/Fax/Internet	\$468	\$1,121	2,250	50%	\$117	5%
Postage/Courier	\$131	\$182	500	36%	\$19	2%
Office Expenses	\$967	\$1,110	4,500	25%	\$760	28%
Bank Charges	\$0	\$0	38	0%	\$38	1%
Miscellaneous Expenses	\$0	\$0	-	0%	\$0	0%
Amortization Expense	\$0	\$0	-	0%	\$0	0%
Depreciation Computer/Office Equipm <sup>1</sup>	\$78	\$117	640	0%	\$233	9%
<b>Sub Total Association Operating Expenses</b>	<b>\$24,245</b>	<b>\$64,674</b>	<b>\$270,716</b>	<b>24%</b>	<b>\$57,779</b>	
<b>Distribution &amp; Market Conduct Committee</b>						
Provincial Regulatory Review	\$1,602	\$1,602	3,000	53%	\$0	0%
Research/Studies	\$0	\$0	50,000	0%	\$0	0%
<b>Sub Total Distribution &amp; Market Conduct Committee</b>	<b>\$1,602</b>	<b>\$1,602</b>	<b>\$53,000</b>	<b>3%</b>	<b>\$0</b>	
<b>Licensing Efficiency Issues Committee</b>						
Regulatory Model (s)	\$662	\$1,096	12,000	9%	\$0	0%
Federal Financial Reform	\$0	\$101	3,000		\$0	0%
<b>Sub Total Licensing Efficiency Issues Committee</b>	<b>\$662</b>	<b>\$1,196</b>	<b>\$15,000</b>	<b>8%</b>	<b>\$0</b>	
<b>Media &amp; Advocacy Strategy Committee</b>						
Tactical Communications Strategy	\$106	\$299	51,500	1%	\$0	0%
Association Branding	\$0	\$0	2,500	0%	\$0	0%
<b>Sub Total Media &amp; Advocacy Strategy Committee</b>	<b>\$106</b>	<b>\$299</b>	<b>\$54,000</b>	<b>1%</b>	<b>\$0</b>	
<b>Networking &amp; Events Committee</b>						
Board/EOC/AGM Expense <sup>2</sup>	\$521	\$9,074	20,500	44%	\$2,230	11%
Networking Events	\$0	\$9	1,756	1%	\$0	0%
15th Anniversary Event	\$0	\$0	-	#DIV/0!	\$0	0%
<b>Sub Total Networking &amp; Events Committee</b>	<b>\$521</b>	<b>\$9,084</b>	<b>\$22,256</b>	<b>41%</b>	<b>\$2,230</b>	
<b>Media Relations, CAFII Consultant</b>						
Media Relations, CAFII Consultant	\$0	\$0	-		\$0	0%
<b>Sub Total Media Relations, CAFII Consultant</b>	<b>\$0</b>	<b>\$0</b>			<b>\$0</b>	
<b>TOTAL EXPENSE</b>	<b>\$27,136</b>	<b>\$76,856</b>	<b>414,972</b>	<b>19%</b>	<b>\$60,009</b>	<b>18%</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$6,284</b>	<b>\$23,399</b>	<b>(\$13,752)</b>		<b>42,701.86</b>	

### Explanatory Notes:

- (1) Amortization of office equipment based on 4 year straight line depreciation  
(2) Board meetings and receptions, special Board or EOC lunch meetings, speaker expenses

**CAFII**  
 Toronto, ON M4V 2Y7  
**Membership Fees**  
**As At March 31, 2014**

	<u>Jan-14</u>		<u>Jul-14</u>
	<u>Billed</u>	<u>Received</u>	<u>Billed</u> <u>Received</u>
BMO Bank of Montreal	\$ 23,500.00	Mar7,2014	\$ 23,500.00
CIBC Insurance	\$ 23,500.00	Mar20,2014	\$ 23,500.00
RBC Insurance	\$ 23,500.00	Mar17,2014	\$ 23,500.00
ScotiaLife Financial	\$ 23,500.00	Mar7,2014	\$ 23,500.00
TD Insurance	\$ 23,500.00	Mar7,2014	\$ 23,500.00
AMEX Bank of Canada	\$ 11,750.00	Apr20,2014	\$ 11,750.00
Assurant Solutions	\$ 11,750.00	Apr20,2014	\$ 11,750.00
Canadian Premier Life Insurance Company	\$ 11,750.00	Apr20,2014	\$ 11,750.00
Desjardins Financial Security Life Assurance Company	\$ 11,750.00	Apr20,2014	\$ 11,750.00
National Bank Insurance Company	\$ 11,750.00	Apr20,2014	\$ 11,750.00
Aimia	\$ 4,800.00	Mar7,2014	
Avalon Actuarial	\$ 4,800.00	Mar20,2014	
Collins Barrow Toronto Actuarial Services	\$ 4,800.00		
CSI Brokers Inc.	\$ 4,800.00		
KPMG	\$ 4,800.00		
Laurentian Bank of Canada	\$ 4,800.00	Mar20,2014	
Munich Re	\$ 4,800.00	Mar7,2014	
Optima Communications	\$ 4,800.00	Mar20,2014	
RGA Life Reinsurance Company of Canada	\$ 4,800.00	Apr20,2014	
The Canada Life Assurance Company	\$ 4,800.00	Mar20,2014	
<b>January Invoices</b>	<b>\$224,250</b>		<b>\$176,250</b>
<b>July Invoices</b>	<b>\$176,250</b>		
<b>Total Membership Fees</b>	<b>\$400,500</b>		
Total amount to realocate monthly Jan-Dec	\$33,375		

**Canadian Association of Financial Institutions (CAFI)**  
**2014 Executive Director Balanced Scorecard — Association Oversight and Management Metrics**  
**20-03-2014**

Association Oversight and Management Metrics				
Audience/Stakeholder Type	Objectives	Measures	Timelines	Analysis
Association as a whole	Ensure that CAFI successfully and optimally "continues" under Canada Non-Profit Corporations Act (CNCA)	CAFI successfully files "Articles of Continuance" and Revised Bylaw with Industry Canada by October 17, 2014 deadline; and Certificate of Continuance is received thereafter  CAFI's Revised By-law is optimally structured, within constraints imposed by CNCA, to facilitate efficient and effective future governance and operations	Q2 2014  Q3 2014 and Ongoing	
Association as a whole	Ensure that Association adheres to good governance practices in Board, EOC, and committee appointments and other transitions, conduct of annual and special meetings of members; and that required policies and procedures are in place and followed	CAFI governance policies and procedures are well-conceived, documented, and communicated; and adhered to  Smooth, successful, non-controversial conduct of Board and EOC succession appointments; and of annual meeting	Ongoing  Ongoing	
Association as a whole	Seek to become a trusted "go to" information resource	ED remains fully engaged and becomes knowledgeable about all CAFI activities, decisions, and policies  ED plays lead role in agenda preparation for Board and EOC meetings, and attends all scheduled Board, EOC, and subcommittee meetings  Board and EOC members see ED as "go to" resource on governance and strategic decision matters	Ongoing  Ongoing  Ongoing	
Association as a whole	Ensure that CAFI prepares an annual operating budget that is well-grounded in approved strategic and operational plans; funds are spent according to plan; and financial control policies and procedures are appropriate and adhered to	ED plays a leadership role in development, management, and tracking/monitoring of CAFI's annual operating budget, and committee and project budgets  Budget targets are met, except for explainable/approved variances  Financial control and signing authority policies and procedures are adhered to	Ongoing  Ongoing  Ongoing	
Association as a whole	With EOC Chair, oversee forming and activities of standing EOC subcommittees and adhoc working groups; and monitor and foster their progress	ED participates on all EOC subcommittees, helps in the determination of priorities and budgets, and works to support their activities and success in the achievement of objectives	Ongoing	

Association Oversight and Management Metrics				
Audience/Stakeholder Type	Objectives	Measures	Timelines	Analysis
Association as a whole	Ensure that CAFII's daily operations and ongoing administration function smoothly	<p>ED works productively and manages relationship with CAFII Administrative Co-ordinator and other members of TO Corp support team</p> <p>ED provides leadership, management and mentoring which optimizes performance of TO Corp staff in support of CAFII's goals and objectives</p> <p>ED completes assessment of workload allocation and resourcing; tracking of his time allocations over a set period; and compilation of results. Pulls together insights/conclusions for EOC and Board review and approval</p> <p>ED engages with TO Corp and EOC Chair to identify opportunities to streamline processes and realign workloads to ensure smooth and timely completion of all deliverables</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Q1 and Q2 2014</p> <p>Q2 2014 and Ongoing</p>	
Executive Operations Committee	Provide strategic and operational support to the EOC Chair in management of CAFII priorities and activities, and accountability reporting thereon	<p>ED provides engaged strategic and operational support of EOC Chair which alleviates "human resources burden" on that volunteer leader</p> <p>ED escalates appropriate matters to EOC Chair for review and decision-making</p>	<p>Ongoing</p> <p>Ongoing</p>	
Association as a whole	<p>Efficient, effective CAFII meetings</p> <p>Working with EOC Chair and standing committee Chairs, ensure that agendas are focused and goal-oriented; and meetings are managed accordingly</p>	<p>Agendas and meeting materials are distributed with appropriate lead time.</p> <p>Committee members are engaged in meeting discussions and generally pleased with the conduct of meetings.</p> <p>Meeting outcomes are productive and advance CAFII's objectives.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>	
Association as a whole	Ensure that "CAFII Priorities By Committee" document is kept up-to-date and well-utilized as an operations plan for the Association	<p>ED demonstrates engaged "ownership" of "CAFII Priorities By Committee" document</p> <p>Document is updated for every EOC and Board meeting</p> <p>ED monitors and ensures that CAFII committee activities remain focused and on track, using "CAFII Priorities By Committee" document as a map and guide</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>	

Canadian Association of Financial Institutions (CAFI)  
2014 Executive Director Balanced Scorecard — Media and Public Communications Metrics  
20-03-2014

Media and Public Communications Metrics				
Audience/Stakeholder Type	Objectives	Measures	Timelines	Analysis
Media	Deliver on Strategy and Tactics within the Implementation Timelines set out in Board-approved Communications Strategy (appended)	Successful execution of tactics within specified timelines	As per Communications Strategy Tactical Implementation Timelines	

**Canadian Association of Financial Institutions (CAFII)**  
**2014 Executive Director Balanced Scorecard — Regulatory Relations and Advocacy Metrics**  
**20-03-2014**

Regulatory Relations and Advocacy Metrics				
Audience/Stakeholder Type	Objectives	Measures	Timelines	Analysis
Regulators and Policy-Makers	Deliver on Regulator and Policy-Maker Strategy and Tactics within the timelines as set out in the Board-approved Communications Strategy (appended)	Successful execution of tactics within specified timelines	As per Communications Strategy Tactical Implementation Timelines	
	Completion of the "rebranding" of the Association, such that its new "look and feel" becomes synonymous with CAFII's name in the eyes of regulators, policy-makers, and other key stakeholders including members	Timely, high quality regulatory submissions emblazoned with new CAFII branding	Q1 2014 through Q3 2014	
	Ensure that Regulator and Policy-Maker Visit Plan is well-maintained, updated for every EOC and Board meeting, and executed/achieved	Regulators' and policy-makers' willingness to meet with CAFII; willingness to take advocacy arguments into account; favourable legislative and regulatory action or inaction	Ongoing	
	Produce an informative, "industry intelligence"-focused Regulatory Update for each EOC and Board meeting	Development and maintenance of enhanced Regulator and Policy-Maker Visit Plan, focused on dedicated, face-to-face meetings with each provincial regulator and relevant policy-maker at least once every 18 months, in Toronto or their location	Ongoing	
	Draft and deliver highly quality regulatory submissions on time		Ongoing	
	Obtain input from EOC and Board members in preparation of regulatory submissions; and ensure that they have sufficient time to respond to initial drafts		Ongoing	
	Ensure that, where appropriate, CAFII regulatory submissions reflect prior consultation with allied industry Associations		Ongoing	
	Maintain productive, collegial, mutually beneficial working relationships with allied industry Associations (egs. CLHIA, CBA)	Demonstrable collaboration and productive working relationships with allied Associations, particularly around regulatory submissions	Ongoing	
		Leadership in forming joint or multipartite industry working groups, where appropriate	If appropriate circumstances and opportunity present themselves	



**Canadian Association of Financial Institutions (CAFI)**  
**2014 Executive Director Balanced Scorecard — Learning and Personal Development Metrics**  
**20-03-2014**

<b>Learning and Personal Development Metrics</b>				
<b>Audience/ Stakeholder Type</b>	<b>Objectives</b>	<b>Measures</b>	<b>Timelines</b>	<b>Analysis</b>
Personal	Polish communication style for three key audiences: Media; Regulators and Policy-Makers; and Board/CAFI leaders	Development and improvement through learning at  Media Training and  Communications Training Sessions  with Patrick McGee	Q1 2014; and Q2 2014	
	Continue strong focus on learning about Creditors Group Insurance industry and alternate distribution	ED becomes "Subject Matter Expert" and "go to" resource for Board and EOC members and other CAFI stakeholders  ED demonstrates enhanced understanding of and judgment on CAFI positioning on contentious issues	Ongoing  Ongoing	

**Excerpt From CAFII Media & Advocacy Committee Meeting Notes  
March 18, 2014  
Re “Possible CAFII Project on Travel Insurance”**

*Arising From March 17/14 Liaison Meeting with Alberta Insurance Council Representatives:*

*When asked if there were any particular existing or “on the horizon” industry issues of concern for the AIC, J. Abram and R. Gilbertson replied “Yes, it’s travel insurance.”*

*J. Abram indicated that travel insurance is the one area of the restricted insurance licence regime that is causing noticeable numbers of inquiries and complaints. The bottom line is that, often, consumers don’t understand what they’re buying. J. Abram and R. Gilbertson explained that, as they see things, there are two issues of regulatory concern related to travel insurance:*

- Consumers may be buying travel coverage that they don’t really need because it duplicates coverage they already have through a credit card or through their employer’s group benefits plan; and this potential duplication/redundancy is not being raised by the insurance salesperson; and*
- Consumers, despite their honest best intentions, are not completing the application/enrolment form correctly because they don’t understand the medical-related questions. In particular, they don’t understand the coverage exclusions based on pre-existing conditions.*

*J. Abram said that the AIC wants to “get ahead of this issue” and avoid a situation where a travel insurance issue blows up in the legislature based on a consumer complaint of denial of coverage, where the consumer is dumbfounded and has a huge sense of injured merit based on a belief that the travel insurance application form was completed honestly and accurately.*

John Lewsen noted that there is a strong focus on travel insurance and he feels this is an area that will receive greater focus from regulator in the coming year. Is this something CAFII can take a lead on by getting an independent legal assessment of travel insurance, what the regulatory restrictions are?; and what are best practices?

John wished to get a better handle on this before engaging regulators. There was support for his suggestion that he propose to the EOC a CAFII project focused on an independent review of regulatory issues around travel insurance. What are the kinds of complaints coming out?, what is on the regulator websites?, what is the negativity that we are seeing around travel insurance?

Paul: this would extend CAFII’s scope a little, should we have the time and resources.

John: What’s on the horizon for regulators that will affect CAFII members? We sell travel insurance under the insurance business banking regulations, banks, direct channels... there are a lot of questions out there that we should seek to understand better. Travel insurance is also on credit cards and is also included in the group insurance plan. What if consumers ask their banker and they aren’t sure if there may be unnecessary, duplicate coverage? We should get ahead of the industry on this question and John feels that this is an area of great risk.

Moir noted that the Alberta Insurance Council feels that CAFII members are low risk in this area and won’t be coming in and talking to our branches.

**Action:** Raise this proposal at EOC for discussion.

**Action:** Other FIs should be alerted to these questions. Add this to the EOC Agenda.

## Application for Voting Member or Associate Status

Organization Name: The CUMIS Group Limited

Representative's Name and Title: Colleen Hyslop Senior Manager, Corporate & Board Relations and  
Assistant Corporate Secretary

Address: 151 North Service Road

City: Burlington

Province: Ontario

Postal Code: L7R 4C2

Phone - Main: 905.631.4888

Direct: 905.631.4888

Fax: 905.632.6871

Email: colleen.hyslop@cumis.com

Website: www.cumis.com

Parent Company: The Co-operators Group Limited

Asset Size of Corporate Family: \$35.5 billion

### Membership Classification & Fees:

#### I. VOTING

☐ \$47,000

☒ \$23,500

Financial organizations involved in the business of insurance in Canada are eligible to apply for Voting Member status. Voting Members are entitled to a single vote on Association decisions, regardless of corporate size. Dues are \$47,000 per annum for companies with consolidated corporate family assets of \$75 billion CAD or greater, and \$23,500 per annum for companies with consolidated corporate family assets below that threshold. Dues are payable in equal semi-annual instalments.

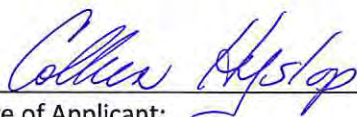
#### II. ASSOCIATE (non-voting status)

☐ \$4,800

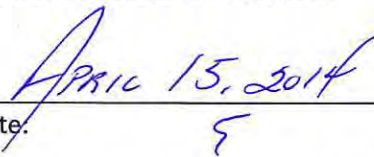
Organizations that are business partners of CAFII members or otherwise support the Association's goals are eligible to apply for Associate status. Associates receive periodic CAFII communications and invitations to CAFII events. Associate dues are \$4,800 per annum payable in one instalment.

*CAFII Voting Member or  
Associate Status is valid from  
January 1 to December 31 each year.*

Signature of Applicant:



Date:



As a signing authority, I hereby acknowledge that as an applicant for Voting Member or Associate status in CAFII, my organization supports the Association's mission, objectives, and policy positions.

## News Releases

### Co-operators Life Insurance Company and Central 1 Credit Union to acquire TheCUMIS Group Limited

Sep 17, 2009  
1:58pm

BURLINGTON, ON, Sept. 17 /CNW/ - Co-operators Life Insurance Company (Co-operators Life) and Central 1 Credit Union (Central 1) today announced an agreement to acquire The CUMIS Group Limited (CUMIS), subject to regulatory, shareholder and court approvals and other standard closing conditions. This transaction would result in a strong, Canadian-owned supplier of insurance products and services to Canadian credit unions and their members.

Based on December 31, 2008 consolidated financial statements, the purchase price will be approximately C\$232 million. The final purchase price will be determined based on closing audited financial statements for 2009 subject to final closing adjustments.

CUMIS provides a full range of personal insurance, including credit and mortgage protection; life; disability and critical illness; home; auto; travel and employee benefits. It also provides business, liability and property insurance to credit unions themselves, as well as wealth management services and products, including credit union group retirement plans. All existing CUMIS insurance policies remain in effect with no changes.

Co-operators Life is a wholly-owned subsidiary of The Co-operators Group Limited (The Co-operators). For 23 years, The Co-operators and CUMIS have had a joint insurance business venture, through which CUMIS provides insurance products and services to approximately 450 Canadian credit unions and caisses populaires, and their more than five million members.

Co-operators Life, based in Regina, Saskatchewan, and Central 1, headquartered in Vancouver, B.C., intend to acquire 100 per cent of the issued and outstanding shares of CUMIS, pending required approvals. CUNA Mutual Group, based in Madison, Wisconsin, currently holds 87.4 per cent of the shares of CUMIS, and fully supports this transaction. The transaction is expected to close on or about December 31, 2009. Upon completion of the transaction and execution of agreements between The Co-operators and Central 1, The Co-operators will own approximately 63.8 per cent to 73 per cent of CUMIS and Central 1 will own approximately 23.6 per cent to 27 per cent of CUMIS.

"Our longstanding relationships with both CUMIS and Central 1, together with our shared commitment to the co-operative and credit union sector, make this a natural fit for The Co-operators," said Kathy Bardswick, President and CEO of The Co-operators. "As a Canadian-owned co-operative, we welcome the opportunity to forge even closer relationships with, and to provide quality insurance-related services to, credit unions and their members."

"This investment fits well with our vision and we are pleased to partner with The Co-operators in this business opportunity," said Don Rolfe, President and CEO of Central 1. "This acquisition will allow us to ensure credit unions and their members receive efficient service and affordable insurance products. It also diversifies our revenue sources."

"As the leading provider of insurance-related products and services to the Canadian credit union system outside Quebec, CUMIS has been focused on helping credit unions protect themselves and their members for more than 70 years," said Kenn Lalonde, President and CEO of CUMIS.

"The Co-operators, Central 1 and CUMIS share strong co-operative values along with a commitment to community and to the credit union system. This deal can only enhance our ability to continue to meet and exceed our customers' expectations."

"The time is right for all of the organizations involved to make this move," said Jeff Post, President and CEO of CUNA Mutual. "For CUNA Mutual, it improves our flexibility to diversify and pursue new avenues for growth. For the Canadian companies involved, it joins three organizations with like-minded values and a long-time commitment to the Canadian credit union system."

In addition to her role as President and CEO of The Co-operators Group, Kathy Bardswick will become CEO of CUMIS on closing of this deal.

#### About Co-operators Life:

Co-operators Life Insurance Company, with its head office in Regina, is a part of The Co-operators - a group of Canadian companies offering home, auto, life, group, travel, commercial and farm insurance, as well as investment products. The Co-operators Group Limited is a 100 per cent Canadian-owned co-operative with assets of more than CDN \$7 billion. It is owned by a group of Canadian co-operators, credit union centrals and like-minded organizations. The Co-operators is well known for its community involvement, and is listed among the 50 Best Employers in Canada.

#### About Central 1:

With CDN \$9.5 billion in assets, Central 1 Credit Union is the central liquidity management facility and trade association for its nearly 200 member credit unions in B.C. and Ontario. From offices in Vancouver, B.C., and Mississauga, Ont., more than 500 employees provide a wide range of services, including liquidity management, payments settlement, Internet financial services and trade association functions. More information about Central 1 is available at [www.sedar.com](http://www.sedar.com).

#### About CUMIS:

CUMIS partners with credit unions to deliver competitive insurance and financial solutions. In doing so, it creates financial security and promotes the growth and success of the credit union system in Canada. Its principal companies are CUMIS Life Insurance Company and CUMIS General Insurance Company. CUMIS also has a 50 per cent interest in CUIS Brokerage Services Limited and Credential Financial Inc. CUMIS has management responsibility for its joint insurance business venture with The Co-operators, which offers an integrated portfolio of both organizations' insurance products and related services to credit unions under the banner of "CUMIS Insurance in partnership with The Co-operators."

About CUNA Mutual:

CUNA Mutual Group is a leading provider of financial services to credit unions, their members and valued customers worldwide. With more than 70 years of commitment to credit unions, CUNA Mutual's vision is unwavering: to be a trusted partner who delivers service excellence and customer-focused, best-in-class products and market-driven innovation. More information on the company is available on the company's Web site at [www.cunamutual.com](http://www.cunamutual.com).

**For further information:** Leonard Sharman, The Co-operators, 1-877-795-7272, ext. 2707, [leonard\\_sharman@cooperators.ca](mailto:leonard_sharman@cooperators.ca); Art Chamberlain, Central 1 Credit Union, (905) 282-8534, [achamberlain@central1.com](mailto:achamberlain@central1.com); Rick Uhlmann, CUNA Mutual Group, (608) 231-8940, [rick.uhlmann@cunamutual.com](mailto:rick.uhlmann@cunamutual.com); Colleen Vecsi, CUMIS, (905) 631-4892, [colleen.vecsi@cumis.com](mailto:colleen.vecsi@cumis.com)



**FINANCIAL DATA BY LEGAL ENTITY***(in millions of dollars except return on equity and loss ratio)*

	CGIC <sup>1,2</sup>			Sovereign			L'Union Canadienne <sup>3</sup>			COSECO		
	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
Direct written premium	1,608.2	1,565.6	1,548.4	288.7	284.6	280.6	-	-	-	209.7	199.8	205.9
Net income from continuing operations	155.2	75.8	33.5	28.6	26.0	17.7	-	-	-	28.4	48.7	11.5
Net income from discontinued operations	-	-	-	-	-	-	45.5	(0.2)	10.0	-	-	-
Net income (loss)	155.2	75.8	33.5	28.6	26.0	17.7	45.5	(0.2)	10.0	28.4	48.7	11.5
Total assets	3,664.8	3,554.6	3,447.3	679.2	666.4	640.8	-	466.9	458.4	558.7	604.9	588.6
Shareholders' equity	1,093.4	1,013.4	944.4	209.1	201.3	172.8	-	125.0	126.4	137.6	184.5	142.6
Return on equity	16.3%	8.6%	4.1%	15.0%	14.9%	11.7%	n/a	(0.2%)	7.7%	19.4%	32.6%	9.2%
Loss ratio (excludes MYA) <sup>4</sup>	61.3%	65.7%	71.2%	53.8%	49.6%	54.7%	68.4%	71.2%	62.0%	68.7%	51.2%	78.6%

<sup>1</sup> Net income from continuing operations, total assets and shareholders' equity amounts are net of inter-company adjustments<sup>2</sup> CGIC includes subsidiary L'Equitable, Compagnie d'assurances Générale for all periods presented<sup>3</sup> L'Union Canadienne is presented as discontinued operations. Refer to *Sale of L'Union Canadienne* section of the MD&A for a breakdown of net income (loss) from discontinued operations. Net income (loss) from discontinued operations is net of inter-company adjustments and includes the gain after tax on sale of discontinued operations<sup>4</sup> Loss ratio for L'Union Canadienne includes 9 months of operations, prior to sale on October 1, 2012

CGIC provides home, automobile, farm and commercial insurance to individuals and businesses through a dedicated financial advisor network with 2,513 licensed insurance representatives throughout Canada. DWP grew by \$42.6 million or 2.7% compared with 2011. Growth was attributed to policy, vehicle and client growth across all product lines except the farm line of business. CGIC's loss ratio, excluding the MYA, decreased to 61.3%, or by 4.4 percentage points due to fewer major events and reduced accident year claims which offset lower favourable claims development compared to 2011. Net investment income and gains improved during the year as less impairment losses were recognized. All of these factors contributed to a net income of \$155.2 million compared to \$75.8 million in 2011.

Sovereign writes complex commercial, marine and special risk insurance through independent brokers across Canada. It also offers personal insurance products in select regions of the country. DWP was \$4.1 million above prior year which is attributable to growth in our commercial energy product line, certain specialty products and commercial auto policies. This growth offset the soft market pressures affecting certain commercial business. The loss ratio, excluding MYA, has increased by 4.2 percentage points as a result of commercial losses which occurred in the first quarter of 2012, and an increased severity of commercial auto losses. Sovereign's underwriting gain and improved net realized investment gains contributed to net income of \$28.6 million, compared to \$26.0 million in 2011.

COSECO provides home and auto insurance to employer, association and affinity groups across Canada. COSECO's DWP increased in the year by \$9.9 million or 5.0%. The online internet quoting initiative has produced positive DWP growth results. In addition, rate decreases in certain areas has resulted in increased retention rates. The loss ratio, excluding the MYA, increased by 17.5 percentage points, as a result of the combination of increased frequency and severity of claims in the home portfolio, more auto accident year claims and lower IBNR releases, compared to 2011. This has led to net income of \$28.4 million in 2012 compared to a net income of \$48.7 million in 2011.

**BUSINESS DEVELOPMENTS AND OPERATING ENVIRONMENT****ONTARIO AUTO**

The Ontario auto reform, which commenced September 2010, is continuing to demonstrate effectiveness. Our loss ratio has experienced improvements since the reform. We recognize that the magnitude of bodily injury claims continues to be a risk that we are proactively managing. We are confident in the short term success of the reform and our risk management processes and have therefore implemented rate decreases for certain territories in the second and third quarters of 2012. Refer to *Emerging Legislation and Regulatory Events* for an update on the definition for catastrophic impairment and the dispute resolution backlog.

**SALE OF L'UNION CANADIENNE**

On June 6, 2012, CGIC announced that it had entered into an agreement to sell the shares of its wholly owned subsidiary, L'Union Canadienne to RSA Canada for cash consideration of \$150.0 million. The sale allows us to focus on the growth of both our direct distribution and specialty commercial businesses in the Quebec market. Following receipt of all regulatory approvals, the sale closed on

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**Regulatory Update – Executive Operations Committee, April 17, 2014**

Prepared By Brendan Wycks, CAFII Executive Director

**Executive Summary of this Issue**

- **BC's FICOM Issues Open Letter And Two Question Survey On "Creditor's Group Insurance Issue."** **Page 2:** An open letter to all insurers authorized to offer creditor's group insurance in BC includes a two question survey intended to ascertain the prevalence in the market of creditor's group insurance products which may contravene BC legislation. Questionnaire responses are due by May 9.
- **CAFII Meeting With Manitoba Minister Of Finance Confirmed For April 29.** **Page 3:** Deputy Superintendent Scott Moore feels that CAFII's upcoming meeting with the Minister of Finance is timely and could help move the province's pending Incidental Sellers of Insurance regulation forward.
- **CAFII Response To 2014 FSCO Statement Of Priorities.** **Page 3:** CAFII has a draft response submission in-progress. Deadline for submissions is May 30, 2014.
- **New Brunswick To Eliminate Consumer Advocate For Insurance.** **Page 4:** Ronald Godin's run of more than a decade as New Brunswick's Consumer Advocate For Insurance will come to an end this year, as the province has decided to eliminate this independent legislative officer position and fold its responsibilities into the Office of the Ombudsman.
- **Government Appoints Canada's First Financial Literacy Leader.** **Page 5:** Jane Rooney has been promoted into the role of Financial Literacy Leader, working within the Financial Consumer Agency of Canada (FCAC).
- **CFPB's Largest-Ever Consent Order Comes Down Hard On Deceptive Telemarketing And Unfair Billing Practices.** **Page 7:** Bank of America has been ordered to pay a settlement of \$727 million.



## **British Columbia**

### FICOM Issues Open Letter and Two Question Survey On “Creditor’s Group Insurance Issue”

On April 7, 2014, BC’s FICOM posted an open letter to Creditor’s Group Insurers on its web site, prior to mailing the letter to all entities licensed to offer creditor’s group insurance in the province. As previously indicated by Harry James, FICOM’s Director, Policy Initiatives, the letter includes a questionnaire consisting of two high level filter questions intended to ascertain the prevalence in the market of CGI products which may contravene BC insurance legislation with respect to the “structuring and effecting” of creditor’s group insurance.

Earlier, on March 12, Harry James had contacted Brendan Wycks to provide heads-up information about an issue related to creditor’s group insurance which had led the Commission to impose a Consent Order and fines totaling \$150,000 on Manulife Financial and its subsidiary company Benesure Canada.

The open letter requires that the completed one-page questionnaire be returned to FICOM by May 9, 2014.

## **Alberta**

### Alberta Insurance Council Launches Canadian Insurance Participant Registry (CIPR)

The Alberta Insurance Council has officially launched the CIPR via an announcement on its web site; and is requiring all licensees to log-in and go through a one-time conversion process which will use the existing Personal Profile information on record to automatically create a CIPR account.

The AIC advises that it is “working with several other jurisdictions to develop a national registry of individuals who hold certificates of authority or who are otherwise involved in the Canadian insurance industry. CIPR is the first step in that direction. Approximately 25% of the certificates issued in Alberta belong to individuals or businesses from other jurisdictions and the registry will uniquely identify these stakeholders. The creation of CIPR also creates the platform that will allow the AIC to take the next step in processing applications for new certificates and transfers of existing certificates online.”

“In addition, we continuously look for opportunities to improve service levels in order to reduce regulatory burden and allow you to focus on building your insurance businesses. One identified area of improvement is that of password management. CIPR provides a better and simplified solution that allows you to maintain your own passwords, utilizing the newest technologies available to ensure the security of your information. CIPR is a stand-alone service designed and built for the express purpose of securing the personal information of those involved in the insurance industry in Canada.”

The CIPR serves the following purposes:

- provides a single, secure location where you can maintain and control your personal information;
- requires you to specify an email address, rather than your license number, that will act as your login identification. You will use this and your choice of password to log into both CIPR and AIC systems; and
- gives you a unique business identifier that you can use to identify yourself with other industry players such as insurers, LLQP providers and CE providers.

## Alberta Insurance Council Announces 2014 Annual Stakeholder Information Sessions

The Alberta Insurance Council has announced that Stakeholder Information Sessions lasting 1.5 hours will be held in Calgary on the morning of May 15, 2014 and in Edmonton the morning of May 16, 2014. The Council's Board of Directors and the CEO will be presenting the Annual Report of the AIC for the year ending December 31, 2013. There will also be a demonstration of the newly introduced CIPR.

### **Manitoba**

#### Meeting With Minister of Finance Confirmed For April 29

CAFII's requested meeting with recently appointed Manitoba Minister of Finance Jennifer Howard – to make her acquaintance and discuss a range of industry issues – has been confirmed for Tuesday, April 29 at 3:00 p.m.

CAFII's attendees will be Moira Gill, Paul Yeung, and Brendan Wycks. The Minister's Scheduling Co-ordinator will advise Brendan Wycks of any additional Government attendees, once that is settled.

On April 16, Brendan Wycks spoke with Scott Moore, Deputy Superintendent of Insurance, to advise him of the confirmation of the April 29 meeting with the Minister. Scott was pleased to receive the heads-up about the meeting, and said that his office would be sure to inquire of the Minister's office as to whether Jim Scalena and himself should attend the 3:00 p.m. meeting.

At CAFII's request, Scott agreed to see if he could co-ordinate a meeting for the CAFII delegation with Jim Scalena, himself, and Erin Pearson earlier in the afternoon.

Scott seemed keen to meet with CAFII separately prior to the meeting with the Minister. He noted that even though everything re the ISI Regulation is ready to move forward on the Superintendent's end, nothing is happening and things seem stalled. They haven't yet been given an opportunity to brief Minister Howard and her Deputy Minister. He indicated that a number of stakeholders have been contacting him for an update on where things stand, given that this initiative has been two years in the making already, and he hasn't had much of a progress report to offer.

Scott noted that, fortuitously, CAFII's meeting with the Minister could be quite timely and helpful. The fact that a key industry stakeholder is coming in to see the Minister on April 29 may get the Superintendent, beforehand, the briefing opportunity they've been waiting on. And he intimated that if representatives from the Superintendent's Office are invited to be part of the meeting with the Minister, it would be helpful if the message about the importance and urgency of moving things forward was jointly communicated (ie. CAFII supporting the Superintendent's message).

### **Ontario**

#### FSCO Releases 2014 Draft Statement Of Priorities

On March 31, 2014, FSCO released its 17th Draft Statement of Priorities and posted it on its web site. The Statement outlines FSCO's and its Tribunal's priorities and planned initiatives for the coming year, and highlights the Commission's key accomplishments in the previous year. The deadline for response submissions is May 30, 2014.

Brendan Wycks has prepared a « thought starter draft » of a CAFII submission, which was reviewed with the Distribution and Market Conduct Committee on April 15. DMC members are to provide feedback on the preliminary draft by April 23, following which a further draft submission will be crafted for review by all EOC members.

## **New Brunswick**

### Province To Eliminate Consumer Advocate For Insurance

New Brunswick's consumer advocate for insurance will not be renewed when his term is up later this year and the independent watchdog's office will be permanently scrapped at the end of 2014.

Ronald Godin, who was appointed as the province's first consumer advocate for insurance in 2004, said he was told in a phone call two weeks ago that his term would not be renewed.

The insurance advocate's position was created shortly after the 2003 election campaign. Bernard Lord's Progressive Conservatives barely hung onto power and the party's poor handling of the insurance issue was blamed for the loss of seats, particularly in northern New Brunswick.

The insurance advocate was one of several reforms that were implemented at that time. While the office was created at the height of an automobile insurance crisis, Godin said he now deals with a substantial number of questions about other forms of insurance, particularly home insurance.

In 2011, Bernard Richard, a former ombudsman, wrote a report looking at ways to reform the number of independent legislative officers in New Brunswick. In his report, Richard recommended the insurance advocate's position be folded into the ombudsman's responsibilities as of January 1, 2015 and the advocate's budget be transferred to the Office of the Ombudsman.

## **Federal/National**

### **Canadian Insurance Services Regulatory Organizations (CISRO)**

#### LLQP Modernization

On March 18, Ron Fullan, Chair of CISRO and its LLQP Committee, e-mailed Brendan Wycks to provide the following updates:

- at the one-on-one stakeholder meetings held February 10, the Committee received requests for copies of the Detailed Planning documents for each of the study modules. The Committee has therefore posted a "Request for Access to Detailed Planning" document on the CISRO website (B. Wycks is taking care of this registration for access process); and
- the Committee has also posted the revised Curriculum document, along with the Curriculum Survey Results.

CAFII has another one-on-one stakeholder meeting with the LLQP Committee confirmed for May 28, 2014 from 10:15 to 11:00 a.m. The focus of the meeting will be providing feedback on the above-noted planning and curriculum documents, as well as the criteria to be approved as a course provider.

## **Financial Consumer Agency of Canada**

### New FCAC Deputy Commissioner To Speak At June 10 CAFII Event

On March 17, 2014, FCAC Commissioner Lucie Tedesco announced the appointment of Brigitte Goulard as Deputy Commissioner of the Financial Consumer Agency of Canada, effective immediately.

The Deputy Commissioner serves as the Executive Director of the Agency and the senior policy advisor to the Commissioner. Ms. Goulard will be responsible for all aspects of the administration of the Agency and will perform a role similar to that of a Chief Operations, Financial and Administrative Officer of the organization.

Ms. Goulard – a former employee of TD Meloche Monnex and, in that capacity, a one-time member of CAFII's EOC Committee -- brings experience and expertise from within the financial sector that will strengthen FCAC's capacity to maintain productive relationships and effective oversight. Before joining the Financial Consumer Agency of Canada, Ms. Goulard was the Vice-President, Policy and Government Relations, for Credit Union Central of Canada.

Maria Sanchez-Chung has secured a commitment from FCAC that Brigitte Goulard will be the guest speaker at CAFII's Regulatory Reception event on June 10, 2014 in Toronto.

### Canada's First Financial Literacy Leader Appointed

On April 15, Minister of State (Finance) Kevin Sorenson announced the appointment of Jane Rooney, a seasoned policy maker in domestic and international financial literacy issues, as Canada's first-ever Financial Literacy Leader.

Several years ago, a federal Task Force on Financial Literacy made a number of recommendations, including the appointment of a Financial Literacy Leader, to help ensure Canadians are equipped with the knowledge and skills necessary to make responsible financial decisions.

*The Financial Literacy Leader Act* provides for the appointment of a Financial Literacy Leader within the Financial Consumer Agency of Canada. The Financial Literacy Leader's mandate will be to collaborate and coordinate activities with stakeholders to contribute to and support initiatives that strengthen the financial literacy of Canadians.

Ms. Rooney joined the Financial Consumer Agency of Canada (FCAC) in 2002, and since 2008 has been Director, Financial Literacy and Consumer Education. In this role she directed and implemented two national, separately funded education programs—one with a focus on financial literacy that helps Canadians increase their financial knowledge and confidence in managing their personal finances; the second on consumer education which aims to increase consumers' knowledge and awareness of financial products and services, as well as their rights and responsibilities in this area.

Ms. Rooney is a member of a number of committees working on financial literacy within Canada and abroad. She is the Chair of the Government of Canada's Interdepartmental Committee on Financial Literacy. She is also Canada's representative on the Organisation for Economic Co-operation and Development's (OECD) International Financial Education Network and on the OECD's Advisory Board for the International Network on Financial Education.

## **Canadian Bankers Association (CBA)**

### CBA Welcomes New Financial Literacy Leader

On April 15, the CBA issued a press release welcoming the appointment of Jane Rooney as Canada's Financial Literacy Leader.

"We look forward to working with Ms. Rooney and she brings sound qualifications to the position," said Terry Campbell, President of the Canadian Bankers Association. "A dedicated Financial Literacy Leader will help achieve better coordination among the many financial literacy programs in place today and will help ensure that more Canadians have access to the skills and tools necessary to better manage their finances."

Banks in Canada recognize they have a shared responsibility in contributing to Canadians' financial literacy. Each day millions of Canadians turn to banks for advice to help them save, buy homes, start businesses and plan for retirement.

For over a decade, the CBA has brought financial literacy to Canadians through its high school seminar program, Your Money Students, which has taught more than 220,000 senior high school students about budgeting, borrowing, saving, investing, and fraud prevention. The non-commercial seminar is delivered by volunteer bankers from the local community and teaches young Canadians about responsible money management. Over 7500 seminars have been delivered to date across Canada. Your Money Students is offered in collaboration with the Financial Consumer Agency of Canada (FCAC).

Beginning in the fall of 2014, the CBA will launch Your Money Seniors, a new national financial literacy seminar program for Canadians who are retired or preparing for retirement. Your Money Seniors will be offered free of charge to seniors' groups across the country and will cover issues such as budgeting, cash management, financial abuse and frauds and scams targeted at seniors.

## **Canadian Life and Health Insurance Association (CLHIA)**

### CLHIA Welcomes Financial Literacy Leader

On April 15, CLHIA issued a press release welcoming the announcement of Jane Rooney as Canada's first Financial Literacy Leader.

The life and health insurance industry believes that Jane Rooney, as Canada's new Financial Literacy Leader, has a crucial role to play in coordinating national efforts to improve the financial literacy of Canadians. "Providing Canadians with the right knowledge and tools will help them to take control of their financial destinies", said Frank Swedlove, President of CLHIA. "The life and health insurance industry looks forward to working with Ms. Rooney and to supporting her initiatives towards strengthening the financial literacy of Canadians."

## **International/Global**

### **Consumer Financial Protection Bureau (CFPB)**

#### Largest-Ever Consent Order Comes Down Hard On Deceptive Telemarketing And Unfair Billing Practices

The Consumer Financial Protection Bureau recently announced a \$727 million settlement with Bank of America for deceptive telemarketing of debt protection products and unfair billing practices in connection with identity theft protection products. The case follows nearly identical allegations in other enforcement actions from the CFPB on these two topics.

The CFPB ordered \$20 million in civil money penalties; \$15 million in connection with the debt protection product and \$5 million in connection with the identity theft protection product. Total restitution, including refunds already given by the bank, amount to \$727 million; \$268 million for debt protection products and \$459 million for identity theft protection products.

**From:** Brendan Wycks [mailto:brendan.wycks@cafii.com]

**Subject:** Further Information Re BC FICOM's Creditor's Group Insurance Issue

In addition to the details set out below in my e-mail message of March 11, 2014, I obtained the following additional information about BC FICOM's Creditor's Group Insurance issue through a phone conversation with Harry James, Director, Policy Initiatives, on March 19:

### **Relevant Legislation**

There are two pieces of BC legislation in play here: the Insurance Act and the Financial Institutions Act. The FI Act contains definitions of classes of insurance that are slightly different from, but not in conflict with, what's in the Insurance Act. Both Acts are germane in the governance and regulation of creditor's group insurance.

### **Consent Order Details (No Cease and Desist Order)**

The Consent Order references four contraventions of the BC Insurance Act made by the Manulife/Benesure creditor's group insurance product"

- (i) Use of unlicensed individuals
- (ii) Payment of commissions to unlicensed individuals
- (iii) Acting as an unauthorized insurer; and
- (iv) Breach of the disclosure requirements, ie. lack of transparency regarding the identities of the insurer and related players and "improper holding out"

The fact that none of the four breaches talks about the insurance policy in question is significant. That's because while BC insurance legislation says that an insurer is prohibited from underwriting a product that the company was not a party to structuring/effecting, the legislation also says that – unless there is an identified immediate harm to consumers – a product in the market that is found to be in contravention will not be found void and immediate withdrawal will not be required.

As a regulator, you look at situations such as this violation of the Act and you weigh things and assess what's the best method for addressing the issue.

If we do find that there are other creditor's group insurance products in the market that are also in contravention, we are likely – unless there's an immediate harm to consumers – to try to work out a solution.

### **Plans For Open Letter to Insurers Authorized To Offer Creditor's Group Insurance In BC**

Our intention is to take a broad, high level approach in the open letter to insurers, which we hope to have out in the week of March 24-28.

We are not trying to put the industry through a "search and cull" process and we don't want to impose an undue burden. In the letter, we won't be asking for a complete catalogue of products that each company has in the market.

We are trying to come up with the wording for two or three simple "filter questions" that will help insurers to identify whether or not they're offering a product that is of the type that we want to hone in on and take a look at. We want the filters to help make it a simple task.

For example, one filter question might be “Do you offer any policies where the group policy holder is not the lender?” (Conversely, just because the lender is the group policy holder doesn’t necessarily mean that that lender was involved in structuring/effecting the contract, so we have to be careful in designing our filters.)

Our goal with the open letter and the filters it will contain as a simple survey is to get a sense of the magnitude of the problem, ie. how many players in the industry may have a product in the market that may be in contravention. We want to find out if it’s a small number of companies, such as two or three participants, or if it’s a larger number such as 15 or 20.

If it’s only a small number, we may decide that the best approach is to work with each company individually on a solution.

Hopefully, with the responses we get to the filter questions that will frame the issue, we’ll be able to remove the vast majority of authorized insurers from the picture; and then direct our focus to the rest that may have an off-side product that contravenes the Act in the market.

**From:** Brendan Wycks [mailto:brendan.wycks@cafii.com]

**Sent:** March-11-14 3:10 PM

**To:** 'Manson, Sue'; 'emily.brown@bmolife.com'; 'alduval@dsf.ca'; 'rose.beckford@scotiabank.com'; eleanore.fang@td.com; brian.wise@assurant.com; 'Hines, Jennifer' (jennifer.hines@rbc.com); 'Yeung, Paul' (paul.yeung@rbc.com); Gill Moira (moira.gill@td.com); Grant Greg (Greg.Grant@cibc.com); 'Lewsen, John'; 'Leya Duigu'; cblaquiere@aegonusa.com; derek.blake@rbc.com; Cecillia.Xiao@assurant.com; heather.latimer@scotiabank.com

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**Subject:** Important Heads-Up From BC Financial Institutions Commission (FICOM) On A Creditor's Group Insurance Issue

#### **EOC Members:**

I received a voicemail this afternoon from Harry James, Director, Policy Initiatives with BC’s FICOM, who focuses on insurance regulation (and is Chair of CCIR’s TPA Review Committee) – about a creditor’s group insurance issue that they are about to post an Enforcement Action on. I then connected with him to get additional information and add some flesh to the bones of his message.

Here is what I’ve learned:

Later this afternoon, FICOM will be sending to me, as CAFII Executive Director, and to other industry stakeholders an open letter about a contravention issue that FICOM has identified in the market that is germane to those who offer creditor’s group insurance.

FICOM has found at least one instance of a product where the contract was not constructed in accordance with the provisions of BC insurance legislation, and that product had been widely distributed.

The culprit is not a CAFII member. It is a large life insurer (Manulife Financial and Benesure Canada Inc.) that has been involved in the provision of mortgage protection insurance.



The key issue that has resulted in a contravention of BC legislation is that the definition of Creditor's Group Insurance only contemplates contracts that have been "effected by the lender." In the known offending case, the group contract was not so constructed; rather, mortgage brokers, as intermediaries, were the group policy holder. The actual lender was not an active participant in the effecting of the contract.

**With respect to the offending large life insurer, a Consent Order will be posted on FICOM's web site this afternoon under the Enforcement tab.**

<http://www.fic.gov.bc.ca/pdf/enforcement/trust/fia20140228.pdf>

As a result of this investigation and Enforcement Action, FICOM will, within the next few weeks, be doing some fact-finding with the industry, including CAFII members, just to understand whether or not there are similar products out there in the market.

The potential to be off-side the pertinent part of BC legislation arises not just with mortgage brokers, but with a number of different types of intermediaries. Any group product covering a borrower's loan in which the lender was not directly involved in structuring the contract is likely off-side. A "flag" is where the lender is not a contracting party.

The purpose of today's open letter is to provide a heads-up on what the issue is.

Today's letter will be followed-up by a direct letter to each insurer authorized to underwrite creditor's group insurance, on both the life and p&c sides. It'll be a fact-finding letter asking insurers to tell FICOM whether or not they may offer a creditor's group insurance product that is structured in this manner. The questions in the letter will be high level, rather than a formal, detailed survey. FICOM doesn't want to raise alarm bells unduly but it does need to do further investigation and due diligence to find out if this type of inappropriately structured product is fairly isolated in the market right now or if it's more widespread. And to find out if this may be a national issue, or is local to BC.

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April 7, 2014  
File No.: 78000-50  
Ref. No.: 0424

To: Creditors Group Insurers

**Re: Creditor's Group Insurance Questionnaire**

It has come to the Financial Institutions Commission's (FICOM) attention that there may be creditor's group insurance contracts in the market that have been effected by a third party, not the creditor. As these contracts are not being effected by the creditor, they do not meet the requirements to qualify as creditor's group insurance as stipulated in British Columbia's *Insurance Act* and cannot be offered in this province.

Section 37 and section 92 of the *Insurance Act* define creditor's group insurance as "*insurance effected by a creditor under which the lives of a number of the creditor's debtors are insured severally under a single contract.*" In order to "effect" a contract, the creditor must play an active and substantive role in negotiating and concluding the contract with the insurer.

In order to better understand the extent of third party effected contracts that may exist in the market, FICOM is conducting some preliminary information gathering. Attached is a short questionnaire FICOM is asking each insurer (life and property and casualty) currently authorized to write credit protection insurance and/or accident and sickness insurance business in British Columbia to complete.

Please note FICOM is only requesting that you complete the attached questionnaire; we are not asking you to validate whether all your contracts are in fact in compliance at this time.

Based on the results of the questionnaire, FICOM may work with insurers individually or it may work with other provincial regulators to address this issue.

Please scan and email your completed questionnaire to [insurance@ficombc.ca](mailto:insurance@ficombc.ca) or mail in a paper copy to the following address:

Attn: Molly Burns  
Financial Institutions Commission  
2800 - 555 West Hastings  
Vancouver BC, V6B 4N6

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- Superintendent of Financial Institutions
  - Superintendent of Pensions
  - Superintendent of Real Estate
  - Registrar of Mortgage Brokers

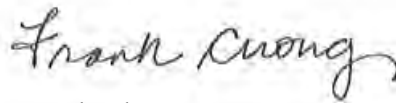
2800-555 West Hastings  
Vancouver, BC V6B 4N6  
Telephone: 604 660-3555  
Facsimile: 604 660-3365  
[www.fic.gov.bc.ca](http://www.fic.gov.bc.ca)

Please send us the questionnaire by May 9, 2014.

FICOM is making this request for information pursuant to Section 213 of the *Financial Institutions Act*.

If you have any questions or concerns regarding the questionnaire, please contact Ms. Molly Burns, Analyst, Policy Initiatives at [molly.burns@ficombc.ca](mailto:molly.burns@ficombc.ca).

Yours truly,

A handwritten signature in black ink that reads "Frank Chong". The signature is written in a cursive style with a large, stylized "F" and "C".

Frank Chong  
Executive Director, Regulation

Enclosure

MB/ac

## CREDITOR'S GROUP INSURANCE QUESTIONNAIRE

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*This questionnaire is to be completed by all insurance companies (life and property and casualty) that are authorized to write credit protection insurance and/or accident and sickness insurance business in British Columbia.*

**Name of Insurance Company:** \_\_\_\_\_

**Contact Person (name and email address):** \_\_\_\_\_

1. Do you issue creditor's group insurance that covers debtor insureds who are residents of British Columbia?      **Yes No (please circle)**
  
2. If you answered yes to question 1, are any of these policies issued to policyholders who are not the creditor?      **Yes No (please circle)**

**If yes,** please indicate the type of products issued (i.e. for mortgages, credit cards, car loans or leases, etc.)

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Please scan and email your completed questionnaire to [insurance@ficombc.ca](mailto:insurance@ficombc.ca) or mail in a paper copy to the following address:

Attn: Molly Burns  
Financial Institutions Commission  
2800 - 555 West Hastings  
Vancouver BC, V6B 4N6

Please send us the questionnaire by May 9, 2014

# CAFII Regulator Visit Plan 2014

updated April 17, 2014

Jurisdiction	Regulator	Annual Courtesy Call	Purpose/Issues	Attendees	Date/Venue	Status
British Columbia	<b>Insurance Council of BC:</b> Gerry Matier, Exec. Dir.	X	-Update on Council priorities -Maintain and strengthen relationship	S. Gelgor J. Lewsen R. Beckford T. VanMeggelen B. Wycks	Invite when in Toronto	<p>Five CAFII reps had liaison lunch meeting with G. Matier in Toronto on May 15/13; covered range of topics in CAFII Briefing document.</p> <p>G. Matier is member of CISRO LLQP Committee, which had engaging discussion with CAFII reps. in one-on-one stakeholder meeting on February 10/14 meeting.</p> <p><b>CAFII LEIC decided not to make submission in response to Insurance Council of BC's 2014 consultation on "Conflict of Interest Guidelines" (due date: March 9/14) as it was not high among competing priorities</b></p> <p><b>B. Wycks has arranged dinner meeting for small CAFII group with G. Matier on May 28/14, while he is in Toronto for CISRO LLQP stakeholder meetings that day. CAFII attendees will be M. Gill, G. Grant, D. Blake, B. Wycks, and ?</b></p>

Jurisdiction	Regulator	Annual Courtesy Call	Purpose/Issues	Attendees	Date/Venue	Status
	<b>Financial Institutions Commission(FICOM):</b> Carolyn Rogers , CEO, FICOM & Superintendent of Insurance (CCIR chair); Doug McLean, Deputy Superintendent	X	-update on FICOM priorities -Maintain and strengthen relationship  (-CAFII has decided not to submit a formal response to FICOM's summer 2013 Consultation on Use of Managing General Agents, as that is not CAFII members' distribution channel.)		Surrey, BC When Carolyn is in Toronto; or CAFII Board member in Vancouver	-Targeted networking with C. Rogers occurred during CAFII 15 <sup>th</sup> Anniversary event on April 10, 2013; at CLHIA Compliance Conference in Vancouver in May 2013; and at CAFII/CCIR Industry Stakeholder Meeting on October 30, 2013. <b>C. Rogers has accepted B. Wycks' invitation for a dinner meeting with CAFII group in Ottawa on May 6/14. CAFII attendees will be M. Gill, J. Lewsen, G. Grant, B. Wycks, and ?</b>  -J. Lewsen and B. Wycks met with Harry James, Director, Policy Initiatives, FICOM and Chair of CCIR's Agencies Regulation Committee, and Carol Shevlin of CCIR on September 26, 2013 around CCIR's TPA Review initiative. Presented opportunity to have brief side meeting with Harry around BC/FICOM regulatory issues  -Harry James phoned B. Wycks on March 12/14 with heads-up about "Creditor's Group Insurance" issue involving large life insurer that led to Consent Order and \$150,000 in fines (see March and April 2014 Regulatory Updates)

Jurisdiction	Regulator	Annual Courtesy Call	Purpose/Issues	Attendees	Date/Venue	Status
Alberta	<b>Alberta Insurance Council :</b> Joanne Abram, CEO; Tom Hampton, Chief Operating Officer; Ron Gilbertson, Chair (2012-15)	X	-Update on Council priorities -Council Representation -Licensing for 3 <sup>rd</sup> party providers -Business number registration system -Maintain and strengthen relationship	S. Gelgor M. Gill J. Lewsen R. Beckford T. VanMeggelen	When Joanne or Tom is in Toronto; or CAFII Board member in Edmonton	<p>Five CAFII reps met with J. Abram and R. Gilbertson in Vancouver on May 7/13; discussion captured in Regulatory Visit Report</p> <p>B. Wycks met with J. Abram over lunch at the CLHIA Consumer Complaints Officers Section Fall Seminar on November 21/13; insights captured in ED's Report</p> <p>M. Gill, J. Lewsen, B. Wycks and L. Duigu met with J. Abram and S. Boyetchko on December 12/13 around AIC's interest in Representation for Restricted Licence Holders in Alberta. Discussion captured in Regulatory Report. <b>CAFII to submit formal proposal on two viable options to J. Abram</b></p> <p>J. Abram and W. Martinson of AIC are members of CISRO LLQP Committee, which had engaging discussion with CAFII reps. in one-on-one stakeholder meeting on February 10/14 meeting</p> <p><b>M. Gill, J. Lewsen, and B. Wycks had lunch liaison meeting with J. Abram and R. Gilbertson on March 17/14 (see March 2014 Regulatory Update)</b></p> <p><b>CAFII arranged opportunity for two AIC staff execs. to give demo presentation of new "Canadian Insurance Participant Registry" (CIPR) to CAFII member audience on January 8/14. Highlights captured in Regulatory Update. CAFII arranged follow-up opportunity for electronic demo presentation of CIPR for CAFII and CADRI members which occurred on March 17/14</b></p>

Jurisdiction	Regulator	Annual Courtesy Call	Purpose/Issues	Attendees	Date/Venue	Status
	<b>Ministry of Finance:</b> Mark Prefontaine, Superintendent of Insurance  Brad Geddes, Deputy Superintendent of Insurance  Laurie Balfour, Acting Deputy Superintendent of Insurance		-Update on Superintendent's priorities -Maintain and strengthen relationship		When Mark is in Toronto; or CAFII Board member in Edmonton	Targeted networking with M. Prefontaine and B. Geddes occurred during CAFII 15 <sup>th</sup> Anniversary event on April 10/13  Effective June 27/13 Laurie Balfour became Deputy Superintendent of Insurance - Alberta. Brad Geddes has been seconded to the Government of Alberta's Flood Recovery Task Force as the Director of Stakeholder Engagement. This is for an indefinite period of time, likely for at least 6 months. Briefing networking with L. Balfour occurred during CAFII/CCIR Industry Stakeholder Meeting on October 30/13
	<b>New President of Treasury Board and Minister of Finance</b> Doug Horner					



Jurisdiction	Regulator	Annual Courtesy Call	Purpose/Issues	Attendees	Date/Venue	Status
Saskatchewan	<b>Sask. Insurance Council:</b> Ron Fullan, Chair	X	-Update on Council priorities -Council Representation -Maintain and strengthen relationship		Invite when Ron is in Toronto	<p>B. Wycks had Get Acquainted discussions with April Stadnek, Director of Compliance, Saskatchewan Insurance Councils, around CLHIA CCOS Fall Seminar and FSCO Life &amp; Health Sector Symposium, November 21-22/13; insights captured in Executive Director's Report</p> <p>Targeted networking with R. Fullan occurred during CAFII 15<sup>th</sup> Anniversary Event on April 10/13, and during CLHIA Compliance Conference in May 2013</p> <p>CAFII reps met with R. Fullan on July 29/13 to discuss main themes in CAFII's Proposal For Restricted Licensee Representation in Sask. Proposal submitted to R. Fullan on October 10/13.</p> <p><b>Feedback on CAFII proposal expected from R. Fullan in March or April 2014</b></p> <p>R. Fullan is Chair of CISRO LLQP Committee, which had engaging discussion with CAFII reps. in one-on-one stakeholder meeting on February 10/14 meeting.</p> <p><b>CAFII has further one-on-one stakeholder meeting with LLQP Committee booked for May 28/14</b></p>

Jurisdiction	Regulator	Annual Courtesy Call	Purpose/Issues	Attendees	Date/Venue	Status
	<b>Financial and Consumer Affairs Authority</b> , David Wild, Chairperson and Superintendent of Insurance;  Ian McIntosh, Deputy Superintendent of Insurance		-Courtesy visit, Introduction of CAFII -Insurance Act Review, ISI; Council Representation -Maintain and strengthen relationship		When David or Ian is in Toronto; or CAFII Board member in Regina	
	<b>Consultant (ex Superintendent)</b> Jim Hall		-Update on Insurance Act review -Maintain and strengthen relationship		When Jim is in Toronto; or CAFII Board member in Regina	
Manitoba	<b>Ministry of Finance:</b> Jim Scalena, Superintendent  (Targeted networking with J. Scalena, Superintendent, occurred during CAFII 15 <sup>th</sup> Anniversary Event on April 10, 2013)	X	-Update of Insurance Act review and ISI regime -Maintain and strengthen relationship		Winnipeg	Manitoba released Draft ISI Regulation in early June 2013. CAFII responded with detailed submission  <b>On January 10/14, CAFII responded to Draft 2 of ISI Regulation with detailed submission. CAFII requested meeting with Minister of Finance re imperative of harmonization of Manitoba ISI Regime with other provinces, as directed by Board on October 8/13</b>  In late February 2014, S. Moore communicated with B. Wycks by e-mail and phone to advise that Manitoba's Draft ISI Regulation would be amended to address nearly all of the concerns expressed by CAFII and other industry stakeholders (see Regulatory Update)

Jurisdiction	Regulator	Annual Courtesy Call	Purpose/Issues	Attendees	Date/Venue	Status
	<b>Manitoba Insurance Council:</b> Erin Pearson, Exec Director;	X	-Update on Council priorities -Restricted Certificate holder representation on Council -Maintain and strengthen relationship		When Erin is in Toronto; or CAFII Board or EOC member or Executive Director is in Winnipeg	
	<b>Ministry of Finance</b> Minister Jennifer Howard		Letter of introduction sent to predecessor Finance Minister Stan Struthers; include on a visit of CAFII Chair or other reps to Manitoba. <b>Letter requesting meeting with new Finance Minister Jennifer Howard re Draft ISI Regime Regulation and other CAFII issues sent on January 15/14, on heels of response submission on Draft 2 of ISI Regulation</b>			<b>CAFII meeting with Minister of Finance Jennifer Howard confirmed for April 29/14. CAFII attendees will be M. Gill, P. Yeung, and B. Wycks. Separate meeting with Superintendent J. Scalena, Deputy Superintendent S. Moore, and Executive Director of Insurance Council E. Pearson to be arranged for same day in Winnipeg</b>
Ontario	<b>FSCO:</b> Phil Howell, CEO & Superintendent	X	-Update on FSCO priorities -Maintain and strengthen relationship		Toronto	Targeted networking during CAFII 15 <sup>th</sup> Anniversary event on April 10,/13. B. Wycks had Get Acquainted lunch meeting with P. Howell, at his request, on July 5/13. Insights gained captured in Regulatory Visit Report

Jurisdiction	Regulator	Annual Courtesy Call	Purpose/Issues	Attendees	Date/Venue	Status
	<p><b>FSCO:</b> Grant Swanson, Executive Director, Licensing &amp; Market Conduct Division</p> <p><b>FSCO:</b> Anatol Monid, Director, Market Regulation Branch</p> <p>Shonna Neil, Senior Manager, Licensing</p>		<p>Consultation Proposal on “Modernizing Disciplinary Hearings for Insurance Agents and Adjusters”</p> <p>Industry consultation on “Life Insurance &amp; Mortgage Broker Product Suitability Review”</p>			<p>On February 14/13, B. Wycks and Rosemary Troiani, RBC Insurance, met with G. Swanson, Isobel Scovino and Jim Fox around FSCO’s plans for Modernizing Disciplinary Procedures For Life Insurance Agents and Independent Adjusters. CAFII made written submission in September 2013. <b>J. Fox e-mailed B. Wycks in early March 2014 to advise that implementing amendments to Insurance Act had been introduced in the legislature</b></p> <p>Adrienne Warner of A. Monid’s team is “point person” for FSCO’s “Life Insurance &amp; Mortgage Broker Product Suitability Review,” scope of which was narrowed to cover just term life, whole life, and universal life sales</p> <p>CAFII reps participated in focus group discussion with A. Monid, A. Warner, and other FSCO reps on this matter on July 18/13. Follow-up discussion on draft survey of insurance agents occurred on September 6/13. FSCO issued two follow-up requests of CAFII member on Sept. 30/13 re removing Call Centre agents from universe for random sample for online survey; and recommending “paragon of best practices” agents for focused meetings. <b>CAFII reps met with FSCO team on April 9/14 and provided feedback on of analysis of data from life agent questionnaire and resulting Interim Report of Life Insurance Product Suitability Review</b></p>

Jurisdiction	Regulator	Annual Courtesy Call	Purpose/Issues	Attendees	Date/Venue	Status
	FSCO: Annual Symposium for Life and Health Insurance Sector			-individual FI member reps. -CAFII Executive Director	Toronto November	FSCO's 6 <sup>th</sup> Annual Symposium for the Life and Health Insurance Sector took place on November 22/13. Networking by B. Wycks and several CAFII volunteer leaders in attendance occurred with G. Swanson, A. Monid, S. Neil, A. Warner, L. Miclescu, and other FSCO senior staff

Jurisdiction	Regulator	Annual Courtesy Call	Purpose/Issues	Attendees	Date/Venue	Status
Quebec	New AMF CEO effective July 2/13: Louis Morisset		-Update on AMF priorities -Maintain and strengthen relationship		When Louis is in Toronto; or CAFII Board member in Quebec City	R. Hebert, M. Gill, R. Beckford, I. Choquette, and B. Wycks met with Mario Albert, CEO; Eric Stevenson; Julien Reid; and Louise Gauthier in Quebec City on June 7/13 for a productive and informative liaison meeting  <b>Louis Morisset and four members of AMF staff executive team (P. Dery, E. Stevenson, J. Reid, S. Langlois) had candid discussion on industry issues with CAFII Board and EOC group on April 8/14.</b>
	<b>AMF:</b> Superintendent, Client Services and Distribution Oversight: Eric Stevenson  <b>AMF:</b> Superintendent of Solvency, Patrick Dery	X				Targeted networking with E. Stevenson and P. Dery occurred during CAFII 15 <sup>th</sup> Anniversary event on April 10/13

Jurisdiction	Regulator	Annual Courtesy Call	Purpose/Issues	Attendees	Date/Venue	Status
	<b>AMF:</b> Stephane Langlois, Senior Director, Distribution Practices				Fall	B. Wycks had networking discussions with S. Langlois at CLHIA CCOS seminar and FSCO symposium on November 21-22/13

New Brunswick	Angela Mazerolle, Superintendent of Insurance  David Weir, Deputy Superintendent of Insurance		<ul style="list-style-type: none"> <li>-Update on Superintendent's priorities</li> <li>-Discuss/educate on creditor's group insurance (CGI) and Avalon Study;</li> <li>-Licensing issues, electronic licensing; Insurance Act Review Status; including consultation on "Opportunities for Reforming the Licensing Framework for Other-than-Life Agents and Brokers" announced in late August 2013</li> <li>-Maintain and strengthen relationship</li> <li>-David Weir is Chair of Atlantic Taskforce on ISI (dormant)</li> </ul>		TBD Fredericton	<p>Targeted networking with A. Mazerolle and D. Weir, Deputy Superintendent of Insurance, occurred during CAFII 15<sup>th</sup> Anniversary Event on April 10/13. <b>A. Mazerolle will be attending CAFII Joint Meeting with Atlantic Canada Regulators on May 15/14</b></p> <p>D. Weir is member of CISRO LLQP Committee, which had engaging discussion with CAFII reps. in one-on-one stakeholder meeting on February 10/14 meeting</p>
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	Consumer Advocate For Insurance, Ronald Godin		<ul style="list-style-type: none"> <li>-Update on Consumer Advocate's priorities</li> <li>-Discuss /educate on creditor's group insurance (CGI) and Avalon</li> <li>-Build relationship</li> </ul>		When Ronald Godin is in Toronto; or CAFII Board member in Fredericton	<b>In April 2014, New Brunswick government announced that role of Consumer Advocate For Insurance will be eliminated, and responsibilities transferred to provincial ombudsman</b>
Nova Scotia	Superintendent Doug Murphy		<ul style="list-style-type: none"> <li>-Update on Superintendent's priorities</li> <li>-Discuss/educate on creditor's group insurance (CGI) and Avalon Study;</li> <li>-Atlantic Taskforce on ISI</li> <li>-Build relationship</li> </ul>		TBD Halifax	Targeted networking with D. Murphy occurred during CAFII 15 <sup>th</sup> Anniversary event on April 10/13; and brief networking with him occurred following CAFII/CCIR Industry Stakeholder Meeting on October 30/13. <b>D. Murphy will be attending CAFII Joint Meeting with Atlantic Canada Regulators on May 15/14</b>
PEI	Superintendent Robert Bradley		<p>Courtesy- Low priority for 2013 (only if CAFII Board member in Charlottetown)</p> <ul style="list-style-type: none"> <li>-Update on Superintendent's priorities</li> <li>-Build relationship</li> </ul>		Charlottetown	Targeted networking with R. Bradley occurred during CAFII 15 <sup>th</sup> Anniversary event on April 10/13. <b>R. Bradley will be attending CAFII Joint Meeting with Atlantic Canada Regulators on May 15/14</b>



Newfoundland	<p>Superintendent Douglas Connolly (<b>retired effective early 2014; successor expected to be appointed prior to May 15/14</b>)</p> <p>Craig Whalen, Deputy Superintendent</p>		<p>-Update on Superintendent's priorities</p> <p>-Discuss/educate on creditor's group insurance (CGI) and Avalon</p> <p>-Build relationship</p>		<p>St John's</p> <p>Targeted networking with D. Connolly occurred during CAFII 15<sup>th</sup> Anniversary event on April 10, 2013</p> <p>Brief networking with C. Whalen occurred immediately following CAFII/CCIR Industry Stakeholder meeting on October 30, 2013. <b>C. Whalen will not be attending CAFII Joint Meeting with Atlantic Canada Regulators on May 15/14 in-person, as requested approval was not granted</b></p>
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Atlantic Canada	Joint Forum of Insurance Regulators		<ul style="list-style-type: none"> <li>- Update on Superintendents' priorities</li> <li>-Discuss/educate on creditor's group insurance (CGI) and Avalon</li> <li>-Build relationships</li> </ul>			<p>-M. Gill contacted David Weir, Deputy Superintendent of Insurance, New Brunswick, re prospect of CAFII having a Joint Meeting with all four Atlantic Canada insurance regulators in Fall 2013</p> <p><b>- CAFII Joint Meeting with all Atlantic Canada insurance regulators confirmed for May 15/14 in Halifax, from 11:30 a.m. to 4:00 p.m.</b></p> <p><b>-Such a joint visit to Atlantic Canada regulators was strongly encouraged by Phil Howell of FSCO</b></p>
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CCIR	Carol Shevlin, Policy Manager	X	-Annual lunch. Discuss priorities -Maintain and strengthen relationship		Toronto	<p>-B. Wycks had a Get Acquainted Lunch with C. Shevlin in January 2013; and is in regular contact with her</p> <p>-J. Lewsen and B. Wycks had meeting with Carol Shevlin and Harry James, ARC Chair, on September 26/13 around CCIR's TPA Review initiative</p> <p><b>-in spirit of open communication, B. Wycks shared CAFII's submission in response to proposed federal financial consumer code with CCIR in early March 2014, to which C. Shevlin replied with a note of appreciation</b></p>
	CCIR Executive		Meet when pressing issues or opportunistic meeting occasions arise.		October 30, 2013 in Toronto	<p>CAFII Board members, EOC members, and B. Wycks had "industry stakeholder meeting" with CCIR Executive on October 30/13. Discussion captured in Regulatory Update</p>

CISRO	Ron Fullan Chair		<ul style="list-style-type: none"> <li>-Update on CISRO priorities</li> <li>-Maintain and strengthen relationship</li> <li>-LLQP Modernization</li> <li>-Multi-jurisdictional licensing and related contact centre compliance issues</li> </ul>		-invite when in Toronto	<p>B. Wycks interacted and had private liaison conversations with CISRO LLQP Chair Ron Fullan and other LLQP Committee members during each of four Stakeholder Information Sessions held in Toronto in 2013</p> <p><b>-CAFII representatives (3) had engaging one-on-one stakeholder meeting discussion with CISRO LLQP Committee on February 10/14</b></p> <p><b>-CAFII has another one-on-one stakeholder meeting booked with CISRO LLQP Committee for May 28/14</b></p> <p><b>-Based on suggestion made by J. Abram at March 17/14 liaison lunch, B. Wycks contacted R. Fullan, Chair of CISRO. As a result, CAFII likely to be offered opportunity to make a presentation to CISRO on multi-jurisdictional licensing and other compliance challenges faced by national contact centres, at meeting in Fredericton on September 29-30/14</b></p>
Federal	<b>Federal Finance Dept.</b>		Educational – marketing of CGI			
	<b>OSFI:</b> Julie Dickson, Superintendent					
	<b>OBSI:</b> Doug Melville Ombudsman		Educational – marketing of CGI			

	Financial Consumer Agency of Canada (FCAC)		Financial Literacy re insurance			<p>Ursula Menkes retired from FCAC Commissioner role at end of May 2013; Finance Minister Flaherty announced appointment of Lucie Tedesco as new Commissioner on September 4/13</p> <p><b>M. Gill and B. Wycks had Get Acquainted/Refresh meeting with FCAC contacts January 9/14. Discussion captured in Regulatory Update</b></p> <p>CAFI participated in federal government consultation, being led by FCAC, around a proposed new federal financial consumer code. Submission sent February 28/14 and is now posted on Finance Canada site</p> <p>-Maria Sanchez-Chung secured Brigitte Goulard, newly appointed FCAC Deputy Commissioner, as guest speaker for CAFI Regulatory Reception on June 10/14. Goulard is a former CAFI EOC member, having previously worked for TD Meloche Monnex.</p> <p>-On April 15/14, Jane Rooney was promoted from Director position to spotlight role of "Financial Literacy Leader" for Canada. Rooney will be a panelist on financial literacy at CLHIA Compliance Conference on May 7/14, at which several CAFI reps will be present</p>
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**CAFII Summary of FSCO's "Life Insurance Product Suitability Review: Interim Report"**  
**And**  
**Feedback Comments For April 9/14 Consultation Discussion With FSCO**

In the initial stage of its Life Insurance Product Suitability Review, FSCO held consultations with industry stakeholders, including CAFII, to obtain a benchmark and clearer understanding of the best practices for determining product suitability during a typical individual life sales process with a potential client. The needs-based approach to sales practices described in the industry document "*The Approach: Servicing the Client Through Needs-Based Sales Practices*" were used as the benchmark for the best practices. *The Approach* was developed collaboratively by Advocis, CAILBA, CLHIA and IFB, and published in October 2007.

Using the input sources noted above, FSCO also prepared a flowchart representing what could be considered the best practices for a typical individual life insurance sales process.

A Life Insurance Agent Questionnaire was then prepared to determine how the actions of agents match the best practices described during the consultations. Stakeholders were consulted for feedback on the Questionnaire.

A statistically-valid, random sample of over 1,000 life insurance agents was selected to complete the mandatory online Questionnaire. And in order to validate the questionnaire responses, FSCO undertook two "assurance sample" measures.

FSCO met with 50 agents who had completed the questionnaire, to discuss and verify their responses. Overall, the verification review found that agent practices reflected the responses to the Questionnaire and only minor issues were noted during the assurance visits.

FSCO also held face-to-face individual discussions with a small sample of "paragons of virtue" agents about their approaches and best practices.

FSCO assessed the comparability of the assurance sample to that of the total questionnaire population and found it to be wholly corroborative. As no material issues were identified during the assurance visits, FSCO is of the view that it can fully rely on the Questionnaire responses as an indication of the actual practices of life insurance agents in Ontario.

The main findings from the Questionnaire responses and assurance visits are:

- Best practices are largely being followed, i.e. the actual practices do reflect the needs-based sales practices described in *The Approach*.
- Many of the sales activities are still largely done verbally, with no written records (see elaboration below).
- Only 90 per cent of agents always disclose conflicts of interest; and only 50 per cent do so in writing, as required by law (see elaboration below).

- A majority of agents believe that they have a role to play in supporting their clients' financial literacy (see elaboration below).
- Only 50 per cent of the agents indicated that a compliance review had never been conducted, or at least not to their knowledge (see elaboration below).

### **Sales Activities are Largely Done Verbally, With No Written Records**

While most agents (90 per cent or more in most cases) do determine their client's expectations, engage in detailed fact-finding, complete a needs assessment, provide the relevant disclosures, provide and explain recommendations and advice and provide product information, the degree of record keeping is much lower. Many of these activities are still done only verbally with no supporting written records of the discussions.

In fact, on average, only 53 per cent of agents indicated that their sales practice activities are 'In Writing', 44 per cent indicated "Verbally," and 3 per cent of agents do not follow these needs-based sales practices.

*"It is the Superintendent's expectation that agents ensure that recommendations, analyses, and disclosures are documented in writing, and where appropriate acknowledgements are obtained. Having proper documentation of discussion with clients will be very helpful, not only to FSCO, but also for agents, particularly in addressing product suitability issues, which may be brought to FSCO's attention; and complaints in general."*

***In the assertion quoted above, CAFII suggests that FSCO should include customers/clients in the list of parties for which written documentation is very important.***

### **Disclosure of Conflicts of Interest and Potential Conflicts of Interest**

FSCO emphatically makes the point that Section 16 of Ontario Regulation 347/04 requires that an agent who holds a life insurance licence shall disclose in writing to a client or prospective client any conflict of interest or potential conflict of interest that is associated with a transaction or recommendation. Disclosure of a potential conflict of interest includes written disclosure of the names of all insurers and providers of financial products or services that the agent represents; and written compensation disclosure.

*"It was, however, concerning to find that nearly half of the sample reports non-compliance with written disclosure requirements (section 15, Ontario Regulation 347/04) and 10 per cent of agents indicated that they do not always disclose conflicts and potential conflicts of interest to clients (section 16, Ontario Regulation 347/04), especially after the work done by CCIR and CISRO between 2004 and 2008. This is in direct contravention of the Act. FSCO will be reviewing this matter further."*

*FSCO was disappointed to find that only 90 per cent of agents indicate that they “Always” disclose to their clients any potential or actual conflicts of interest and the disclosure is done in writing only 51 per cent of the time. This means that 10 per cent of the agents still do not always disclose any potential or actual conflicts of interest to their clients. In addition, in almost half of the cases, those who disclose are not providing written disclosures.*

*When asked if they disclose the methods of compensation associated with a product sale to their clients, only 76 per cent answered “Always or Most of the time”. In addition, only 44 per cent of the agents indicated that they disclose that information to their clients in writing. Back in 2007, the responses were very similar with 75 per cent indicating “Always or Most of the time” and 43 per cent providing written disclosure.*

*FSCO was surprised to find that despite the six intervening years (2007 to 2013), no material change in behaviour has been observed with respect to the statutory written disclosure requirements on the part of a material number of agents. Given the passage of time and the abundance of information with respect to this requirement from intermediary stakeholders, the high percentage of non-compliance is of great concern to the regulator. FSCO will be reviewing this matter further.”*

*“It is the Superintendent’s expectation that all agents will comply with the law and provide written disclosures of conflicts or potential conflicts of interest 100% of the time. It is important to note that although best practices specify minimum performance standards, they do not supersede regulatory requirements.”*

#### **Majority Of Agents Believe They Have Role To Play In Supporting Financial Literacy**

FSCO was pleasantly surprised and encouraged to see that, contrary to what was heard during the stakeholder consultations, a majority of agents believe that they have a role to play in supporting their clients’ financial literacy. Close to 93 per cent indicated that their role includes educating clients about financial products in general.

#### **Only Half Of Agents Have Ever Been Subject To A Compliance Review**

Only 50 per cent of agents indicated that a compliance review had ever been conducted on them, to the best of their knowledge. Thirty percent stated that a review had been conducted less than a year ago, and 12 percent stated that one had occurred between one to two years ago. In those instances where a compliance review had been conducted, most were done by a party other than the insurer or MGA.

*“As most agents identify with the independent distribution channel, increasing the frequency of compliance audits may serve to help address the findings.”*

***CAFII believes that this point merits greater analysis and elaboration in the Report, perhaps by doing cross-tabs of the data by “type of licensed agent.”***



## Potential CAFII Responses To FSCO Discussion Questions On April 9/14

Does The Interim Report's Section On Stakeholder Consultations Accurately Reflect What Was Discussed During The Consultations?

Yes, to the best of our recollection; and that section's content is certainly in line with "The Approach."

Are There Any Questionnaire Results That You View As Unexpected?

***Yes, we are wondering why 1% of the sample is "Call Centre Agents" when it was indicated in the established terms of reference for the Product Suitability Review that the focus would be restricted to face-to-face/"across the kitchen table" sales situations. Should not that 1% of respondents (10 or 11 individuals) have been filtered out (and perhaps the "Inactive" agents as well), and replaced with other randomly selected agents? At a minimum, the Call Centre Agents should be segmented and separated in the Report's findings, as they are a "different kettle of fish" as compared to the focus of the Product Suitability Review.***

***On a related matter, we're wondering how FSCO plans to "roll in" the data from the agents selected for the random sample who haven't yet completed the Questionnaire. How will their responses be factored into the next draft of the Report?***

***Also with respect to an agent profile-related analysis, we believe it would be quite useful for FSCO to do a correlation between years of tenure versus earnings.***

***We did find it surprising that only 53 per cent of agents indicate that they document and put all aspects of their sales practices in writing; and that the level of disclosure of conflicts and potential conflicts of interest is at only 90%, with only 51% providing such mandated disclosures in writing.***

***However, with respect to the non-face-to-face Contact Centre Environment – the prime sales support mechanism for the alternate distribution channels which constitute the bulk of CAFII members' business -- the problems re low levels of written documentation and failure to provide legally mandated disclosures are "not applicable" and not an issue. CAFII member Contact Centres are controlled, monitored environments where all required disclosures are set out in scripts and where interactions with the consumer are recorded and thereby documented.***

***FSCO needs to be careful not to make overly sweeping generalizations based on these survey results, because the Contact Centre environment is distinctly different. Rules and regulations that are germane and applicable to licensed life agents should not be applied to "incidental sales of insurance."***

*Suggestions On Steps Industry Should Take To Address Gaps In Best Practices Identified In The Interim Report?*

*In the Interim Report's Conclusions, it says "In its supervisory approach, FSCO supports the implementation of industry-initiated market solutions as being preferable to regulatory intervention. If the solutions are reasonable, FSCO will rely on publicly available best practices and sector guidance in lieu of publishing Superintendent's bulletins. In order to place such reliance over the long-term, FSCO must validate, through a variety of measures, that there is a high degree of compliance with this guidance. Where there are gaps between the guidance, industry practices and the law, FSCO will be required to take supervisory action or recommend changes in the law to the government to better protect consumers."*

***Suggestions:***

***CAFII does not have any particular suggestions in this area, as the gaps identified are outside of our Association's mission and mandate, and more within the purview of CLHIA and other stakeholders.***

*Suggestions On Steps That FSCO Should Take To Address Issues Identified In Report, Specifically Any Contravention Of The Insurance Act?*

***Suggestions:***

***CAFII does not have any particular suggestions in this area, as the issues identified are outside of our Association's mission and mandate, and more within the purview of CLHIA and other stakeholders.***

*Any General Comments On Format Of The Report?*

- Content at bottom of p. 21 is an exact repetition of content in middle of p. 2.
- Much additional constructive feedback in a separate document (appended) prepared by Sue Manson

**Questions From CAFII**

1. On page 28, it says that the results from this review will help to determine the additional work that FSCO will undertake in the future. Please elaborate on what FSCO has in mind for future initiatives related to product suitability.

**Comments for FSCO Re Analysis, Presentation and Formatting in  
Interim Report of Life Insurance Product Suitability Review**

**Flowchart**

- need to add a process for “collect payment” to flowchart – no contract unless payment received

**Interim Report**

**General comments**

- All charts and graphs should include the Base, e.g. n=1032
- Order of pie slices and legends should match (and go clockwise?)
- Text describing a chart or graph should come before the chart or graph
- Be consistent with use of “most”, “close to”, “half”, “two-thirds”
- Insert page breaks when topic/question changes

**Page 3**

- The review did not take into account the suitability of advice related to the investment strategy
  - This may affect question 24 in that the investment strategy is very related to affordability, e.g. products with guarantees will be more expensive than those without

**Page 8**

- 1<sup>st</sup> chart: should Manitoba be 2.7% rather than 27%
- Is pie chart correct? E.g. text says mutual fund license 46% but pie chart says 31%, all are like this
- 65% ≈ two-thirds, not “most”

**Page 9**

- Pie chart slice for “other” should be in legend
- Statement that “some agents may hold more than one designation” contradicts statement at bottom of page 8 “Most agents indicated that they do not hold any professional designation other than life insurance agent credentials” It is really 2/3 do and 1/3 do not

**Page 10**

- Might some career agents as we think of them identify with the the survey definition of independent and therefore overstate independent?

**New analysis**

- suggest graph/chart to show relationship of years licensed, annual compensation and types/size of products sold
  - e.g. to see new agents sell mostly term and in smaller quantities

Page 11

- Pie chart has no reference to policy size while text refers to policy size but from another question – need to clarify that term life policies of values less than \$250k most widely sold among those whose majority sales are term”
- Suggest adding a 2-dimensional chart to show Face Amount by Policy Type:

		Policy size				
		<\$249	\$250 - \$499	\$500-\$1m	>1m	
Face Amount	Term					100%
	Whole Life					100%
	UL					100%
	Seg Funds					100%
	Ann					100%
		100%	100%	100%	100%	100%

Page 11

- Is base among the 50% who had a review, ie. 516? It is not clear because it includes “not applicable”
- Pie Chart is supposed to be showing only if Compliance Review was done then why is there “not applicable” since this was only for “never done”
- Provide some examples of “other”

Page 11

- Last Paragraph not clear if equating “most” with “more”
- If the 15 agents are the previously shown 1.8% earning \$250+ from page 10 then it helps to link the two

Page 13

- If base is 1032 then would expect pie chart “not at all” to equal 1%

Page 14

- Why not include “not at all” in pie chart on page 14 but do include “not at all” on page 13?

Page 15

- I can’t find the 15 or 2% mentioned? Is it represented by another number?
- Text middle of page belongs to graphs on next page

Page 16

- Is survey question different from “expected disclosure of all the insurers and providers products and services the agent represents”; based on the answers I don’t think a client would know if the agent left out any providers that they do represent

Page 18

- Text at bottom of page 18 and top of page 19 goes with charts on page 20 (should be consecutive)

Page 19

- Bar chart of page 19 goes with text on page 18

Page 20

- Bottom charts go with text at top of page 19

# **LIFE INSURANCE PRODUCT SUITABILITY REVIEW**

## **INTERIM REPORT**

**Financial Services Commission of Ontario  
(FSCO)**

**Market Regulation Branch (MRB)**

**March 2014**

**AM's Final Draft**

# FSCO Life Insurance Product Suitability Review Report

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## EXECUTIVE SUMMARY

The Financial Services Commission of Ontario (FSCO), a regulatory agency of the Ministry of Finance, regulates Ontario life insurance agents. As a regulator, it is important for FSCO to understand what is occurring in the marketplace and to take a more proactive approach to market conduct regulation, rather than wait for problems to arise.

As published in the 2013 Statement of Priorities, FSCO conducted a review to understand and assess the process that life insurance agents use at the point of sale, when making product recommendations to prospective policyholders. The review also considered the actions that life insurance agents take to support the financial literacy of their clients. The review, which commenced in the summer of 2013, was an information gathering exercise for FSCO.

FSCO held consultations with industry stakeholders to obtain a benchmark and a clearer understanding of the best practices for determining product suitability during a typical individual life sales process with a potential client. A Life Insurance Agent Questionnaire was then prepared to determine how the actions of agents match the best practices described during the consultations. Stakeholders were consulted for feedback on the Questionnaire.

A statistically-valid, random sample of life insurance agents was selected to complete the mandatory online Questionnaire. In order to validate the questionnaire responses, FSCO met with fifty agents who had completed the questionnaire, to discuss and verify their responses. FSCO also held face-to-face individual discussions with a small sample of agents about their approaches and best practices.

The needs-based sales practices described in the industry document *The Approach*, were used as the benchmark for the best practices.

The results of the review are presented in detail in this report. However the main findings are:

- Best practices are largely being followed i.e. the actual practices do reflect the needs-based sales practices described in *The Approach*.
- No material issues were identified during the assurance visits, so FSCO considers the responses to the Questionnaire to be valid and reliable.
- Only 50 per cent of the agents indicated that a compliance review had never been conducted, or at least not to their knowledge.
- Many of the sales activities are still largely done verbally, with no written records.
- Only 90 per cent of agents always disclose conflicts of interest, but only 50 per cent do so in writing, as required by law.
- A majority of agents believe that they have a role to play in supporting their clients' financial literacy.

The results from the survey will provide valuable information to both FSCO and the life insurance industry in promoting best practices on product suitability at the point of sale. Agents can benchmark themselves against the aggregate results in this report and hence evaluate their



## FSCO Life Insurance Product Suitability Review Report

own practices and identify areas for improvement. Having proper documentation of discussion with clients will be very helpful, not only to FSCO, but also for agents, particularly in addressing product suitability issues, which may be brought to FSCO's attention and complaints in general. The results will also help to inform the next stages of FSCO's review. FSCO is now preparing an implementation strategy.

### BACKGROUND

Governments and regulators around the world are concerned with knowing that consumers are receiving the appropriate levels of information and advice when they are purchasing financial services or products.

The combination of economic uncertainty and the growing complexity of financial innovation and products have made product risks less apparent to consumers. Some products have unique or complex features that may not be well understood by consumers or the intermediaries themselves. In some situations, financial intermediaries may receive incentives to sell financial products and as a result the suitability of these products for their clients may not be as obvious. All this increases the potential for unsuitable sales transactions, loss of consumer confidence and market instability.

In 2006, the Canadian Council of Insurance Regulators (CCIR) endorsed the following three principles for managing conflicts of interest in the insurance industry;

- Priority of Client's Interest
- Disclosure of Conflicts or potential conflicts of Interest, and
- Product Suitability

In June 2007, FSCO sent a questionnaire regarding "Managing Conflicts of Interest", to a randomly selected sample of 1,400 Ontario agents, to determine the extent to which the principles were being applied and the manner in which they were being applied and documented. The results of that survey of agents indicated a high level of implementation of activities and practices, at the point of sale, which supported the three principles.

There is also currently a focus, by all levels of government, on financial literacy, specifically making sure people understand what they are buying. Financial literacy is considered an important skill that enables consumers to make informed decisions, thereby helping to promote a strong and stable financial system.

As published in the 2013 Statement of Priorities, FSCO undertook a market conduct review to understand and assess the process that life insurance agents use at the point of sale when making suitable product recommendations to prospective policyholders. Its purpose was also to determine how the life insurance industry ensures that consumers obtain appropriate information to make informed decisions when purchasing life insurance products. As well, the review considered the actions that life insurance agents take to support the financial literacy of their clients.

## FSCO Life Insurance Product Suitability Review Report

This was an information-gathering exercise for FSCO, to be better informed of industry practices. It was not based on the level of complaints received nor any concerns or problems identified.

For the purposes of the review, product suitability referred to:

- the appropriateness of the product for the client's needs and circumstances
- most appropriate product based on products or contracts available at the time of sale and
- the affordability by the client.

The review focused on individual life insurance products which are sold during face-to-face meetings between a life insurance agent and a consumer and excluded group products or stand-alone health, disability, or other related products. The review also did not take into account, the suitability of advice related to the investment strategy.

This Questionnaire formed the initial information gathering activity related to life insurance product suitability. The responses and findings from this Questionnaire will help inform FSCO of its next steps. The industry's response to any findings would also impact on those directions. Nonetheless, FSCO does expect to undertake further work around the reasonableness of product recommendations and the role that insurance companies have to ensure that the insurance application makes sense both to avoid fraud and anti-selection.

### **FSCO's METHODOLOGY**

During the summer of 2013, FSCO's product suitability review project team consulted with industry insurer and intermediary stakeholders in order to obtain a benchmark and a clearer understanding of the best practices for determining product suitability during a typical individual life sales process with a potential client. FSCO engaged representatives from Advocis, Canadian Association of Financial Institutions (CAFII), Canadian Association of Independent Life Brokerage Agencies (CAILBA), Canadian Life & Health Insurance Association (CLHIA), Independent Financial Brokers of Canada (IFBC), OmbudService for Life and Health Insurance (OLHI), Independent Financial Brokers of Canada (IFBC), and Ombudsman, Compliance and Complaints Officers of several insurers. FSCO also considered the stakeholders' views on best approaches to assess what occurs at the point of sale.

FSCO received information during the consultative process and reviewed industry practices described in the document "The Approach: Servicing the Client Through Needs-Based Sales Practices". The Approach was developed collaboratively by Advocis, CAILBA, CLHIA and IFB, and published in October 2007. Based on the above, FSCO prepared a flowchart representing what could be considered the best practices for a typical individual life insurance sales process. In order to determine how the actions of agents match these best practices, which were identified during the stakeholder consultations, FSCO also prepared a questionnaire to gather information on the practices of individual life insurance agents at the point of sale.

## FSCO Life Insurance Product Suitability Review Report

A statistically-valid, random sample of life insurance agents was selected to complete the Questionnaire. FSCO also held face-to-face individual discussions with a small sample of agents about their approaches and best practices.

A sample of agents was also selected for follow up assurance visits, in order to validate the reliability of the Questionnaire responses. FSCO met with these agents to discuss and verify their responses and to review a sample of files, records or materials used to support the responses to the Questionnaire.

Given that, at the close of the Questionnaire on November 15, 2013, the overall response rate was 77 per cent, FSCO felt that there was a material gap in the result. On March 10, 2014, FSCO reopened the survey to allow additional responses. As such, until the total final responses are reviewed, this report contains FSCO's interim findings.

The Life Insurance Product Suitability Review was an information gathering exercise with a high level of stakeholder engagement designed to validate and gauge the level of Industry driven best practices. Agents and stakeholders were made aware of FSCO's expectations and the requirement to provide the requested information in an email to all agents and then specific emails to each selected agent. FSCO will be taking appropriate regulatory action against those agents who did not complete the Questionnaire.

Email communication with licensees, will become increasingly more common for FSCO. The law allows for the Superintendent of Financial Services to levy administrative monetary penalties for the failure to advise FSCO of any change in the agent's mailing address, e-mail address, telephone number or fax number within five days after the change is effective.

## OBSERVATIONS

### Stakeholder Consultations

#### **1. Sales Process Best Practices**

FSCO consulted with seven stakeholder groups who were asked to describe the typical individual life insurance sales process when a life insurance agent meets face-to-face with a potential policyholder and to outline the best practices for determining product suitability during this process.

As described by stakeholders, the best practices of life insurance agents, from the initial meeting with a client until the policy is issued, are largely reflected in the needs-based sales practices described in *The Approach*. The general principle of *The Approach* is that the recommended product or service must be appropriate for the needs of the client, as determined by a needs-based assessment done by the advisor and/or identified by the client, to the extent to which the client has chosen to provide their financial and personal information.

The sales process, which typically starts with a discussion to build a relationship and trust, may occur over one or several meetings with the client and should include the following steps:

## FSCO Life Insurance Product Suitability Review Report

*Agent disclosure to client* - The consumer should be provided with information about the range of products and services the advisor can sell. Information provided to the consumer should include advisor experience, knowledge, companies represented and potential conflicts of interest.

As a best practice, there should be a written record of any discussion; signed privacy documents and signed disclosure documents.

*Client expectations* - The advisor and the client should have a common understanding about the services that the client expects the advisor will provide. The nature of the services that client expects from the advisor should be clear, e.g. does the client want to purchase predetermined products or does the client want professional advice and/or product recommendations. As a best practice, a letter of engagement should be provided to the client.

*Fact finding* - Where product recommendations or professional advice are sought by the client, the advisor should obtain such information about the client as is reasonable in the circumstances. For example, relevant information from the client to determine the client's life stage and available funds. If the client has already identified his or her needs and has already identified a specific (pre-determined) product, there may be no need to go through the fact-finding process. As a best practice, there should be a written record of the discussion.

*Needs assessment* - Based on the facts and information obtained from the client, advisors should identify the client's life insurance need. The extent of the assessment will vary according to product-needs and circumstances. As a best practice, there should be client and file copies of the needs assessment. The records and documents should show how the facts relate to the needs.

*Recommendations and Advice* - Insurance product recommendations and professional advice should address a client need given the circumstances at the time of the sale. There should be written records of the discussion and the documentation should describe the linkage between fact-finding, needs assessment and advice and provide an understanding of why the recommendation was made. There should also be client and file copies of any policy illustrations.

*Product Information* - The client should be informed about options available through the advisor and provided with information about the products that the advisor recommends. Insurer approved marketing materials and brochures should be provided to the client.

Stakeholders explained that the above steps do not necessarily occur in a particular sequence but should take place at some point during the sales process.

The amount of information gathered, level of documentation and the extent of the needs assessment will vary depending on the nature of services to be provided, the client's circumstances and the complexity of the products. Stakeholders also explained that since the

## FSCO Life Insurance Product Suitability Review Report

process is one of relationship building, it involves a lot of verbal discussions, sometimes with minimal or no note taking or documentation, although there was an acknowledgement of the need for more or better documentation.

At the end of this process, the client should have all the necessary information to make an informed decision.

After the client agrees on a recommended product, the advisor submits the application for insurance to the insurer, which would include:

- Completed signed and dated Application Form
- Replacement form (as required)
- Copy of policy illustration

If the policy is then approved by underwriting and the policy issued, the advisor, on policy delivery to the client:

- Reviews the Policy Contract
- Obtains signed delivery receipt; signed declaration of good health
- Makes a written record of discussion

The client then has a 10 day “free look” period to accept the contract and then the policy is placed.

### **2. Financial Literacy**

According to the Financial Consumer Agency of Canada, financial literacy means having the knowledge, skills and confidence to make responsible financial decisions. Within that definition,

- **Knowledge** refers to an understanding of personal and broader financial matters;
- **Skills** refers to the ability to apply that financial knowledge in everyday life;
- **Confidence** means having the self-assurance to make important decisions; and
- **Responsible financial decisions** refers to the ability of individuals to use the knowledge, skills and confidence they have gained to make choices appropriate to their own circumstances.

Stakeholders were also consulted on the life insurance agent’s role in supporting the financial literacy of their clients.

The general view was that life insurance agents are responsible for educating their clients about life insurance related matters, particularly with respect to the product options available and the recommended product. Provision of any additional financial information would be the role of a financial planner, not an insurance agent. However, some were of the view that financial literacy should be addressed during the needs and risk assessments.

## 2013 Life Insurance Agent Questionnaire

### 1. Responses to the Questionnaire

The 2013 Life Insurance Agent Questionnaire (Questionnaire) was sent via email to 1,348 randomly selected Ontario licensed life insurance agents, on October 15, 2013. Completion of the online Questionnaire was mandatory pursuant to sections 442.1 “Inquiries” and 442.3 “Duty to Provide Information” of the *Insurance Act*, and the selected agents were required to complete the Questionnaire by November 15, 2013. The survey was conducted using “Survey Monkey”, a popular web-based surveying tool.

The Questionnaire, which was designed to determine how closely the actual practices of agents match the best practices identified during the stakeholder consultations, consisted of 39 questions and was divided into five categories as follows:

- Agent Profile
- Knowledge of Clients and Products
- Recommendation and Documentation
- Disclosure of Conflicts and Potential Conflicts of Interest, and
- Financial Literacy of Clients.

FSCO received a total of 1,032 responses to the Questionnaire, of which 1,000 were from selected agents and 32 voluntary. This equates to a 74 per cent response rate from selected agents and a 77 per cent response rate overall. The lack of a full response was troubling, given that completing the Questionnaire was mandatory, and FSCO has contacted all agents that did not respond, for remediation purposes.

#### a. Agent Profile

The objective of the first eleven questions was to obtain a general profile of the sample of life insurance agents. The questions covered areas such as number of years licensed, types of licences and designations held, distribution channels used, types and face values of policies sold and compliance reviews of life insurance files.

The Questionnaire results show that the 1,032 life insurance agents who responded represent a wide range of new licensees to life-long career agents. Agents indicated that they have been licensed for as little as few months to as many as 40 years. The number of years licensed is as follows:

- 23 per cent of the agents have been licensed for less than 3 years,
- 21 per cent of the agents have been licensed for 3 to 5 years,
- 19 per cent of the agents have been licensed for 6 to 10 years
- 37 per cent of the agents have been licensed for over 10 years.

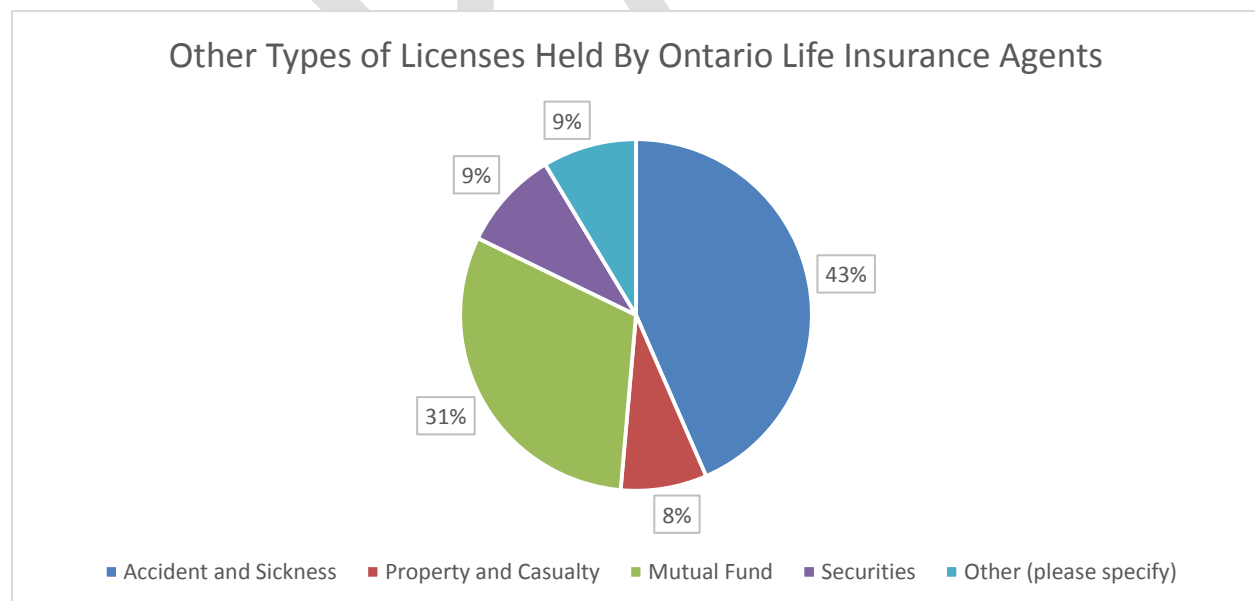
The average number of years licensed is 9.8 years, which is comparable to the overall average of 10 years for all the Ontario licensed life agents.

## FSCO Life Insurance Product Suitability Review Report

The majority of agents surveyed (88 per cent) indicated that they are licensed exclusively in Ontario. The remaining 12 per cent indicated that they also hold licences across all the other provinces and territories, with the majority held in British Columbia (7 per cent), Alberta (5 per cent), and Quebec (3 per cent). These numbers are not mutually exclusive in that some of the agents may hold concurrent licences in several provinces.

Percentage of Ontario life insurance agents who hold licenses in other provinces											
Alberta	British Columbia	Manitoba	New Brunswick	Newfoundland & Labrador	Northwest Territories	Nova Scotia	Nunavut	Prince Edward Island	Quebec	Saskatchewan	Yukon
4.7%	6.6%	27%	2.0%	1.7%	0.6%	2.9%	0.5%	1.4%	3.0%	2.6%	0.7%

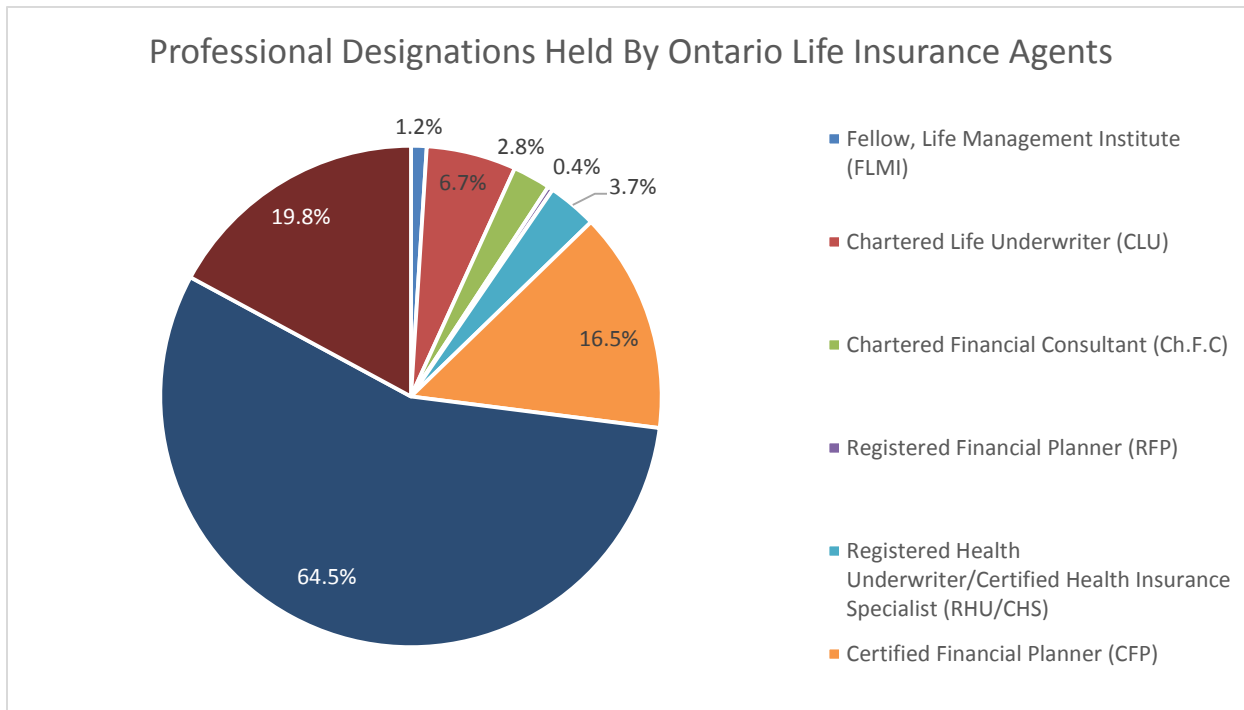
Forty-six per cent of the agents are also licensed to sell mutual funds and an additional 14 per cent are licensed to sell securities. Property and casualty licensees comprise 12 per cent of the agents. Again, these numbers are not mutually exclusive in that some of the agents may hold concurrent licences in various sectors. However, the fact that more than one-half of agents are also licensed to sell mutual funds and securities could influence the type of products and services provided to their clients.



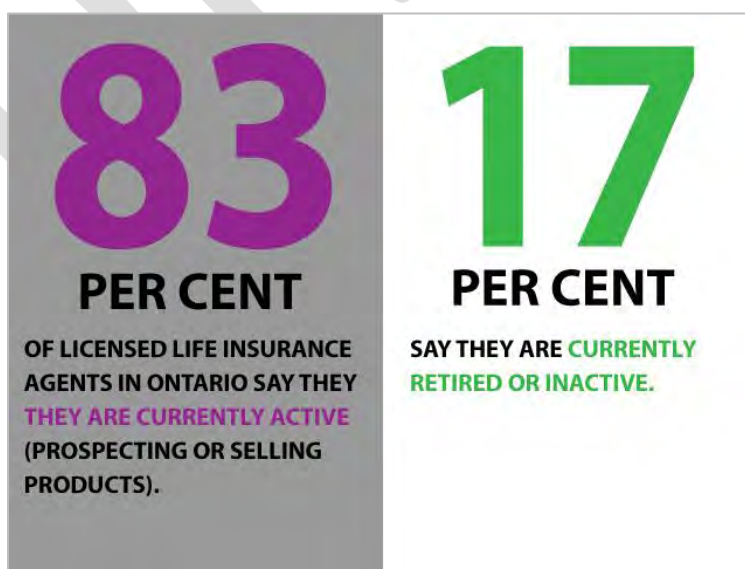
Notwithstanding holding other licences, most of the agents (65 per cent) indicated that they do not hold any professional designation other than life insurance agent credentials. Of those that hold additional designations, the following best represents the designations held:

## FSCO Life Insurance Product Suitability Review Report

- 17 per cent Certified Financial Planner (CFP)
- 7 per cent Chartered Life Underwriter (CLU)
- 4 per cent Registered Health Underwriter/Certified Health Insurance Specialist (RHU/CHS)



Close to 20 per cent of the agents indicated that they have “Other” designations not listed, which include Certified Investment Managers, various types of accountants, personal financial planners, and certified financial analysts. Of note is that some agents may hold more than one designation.



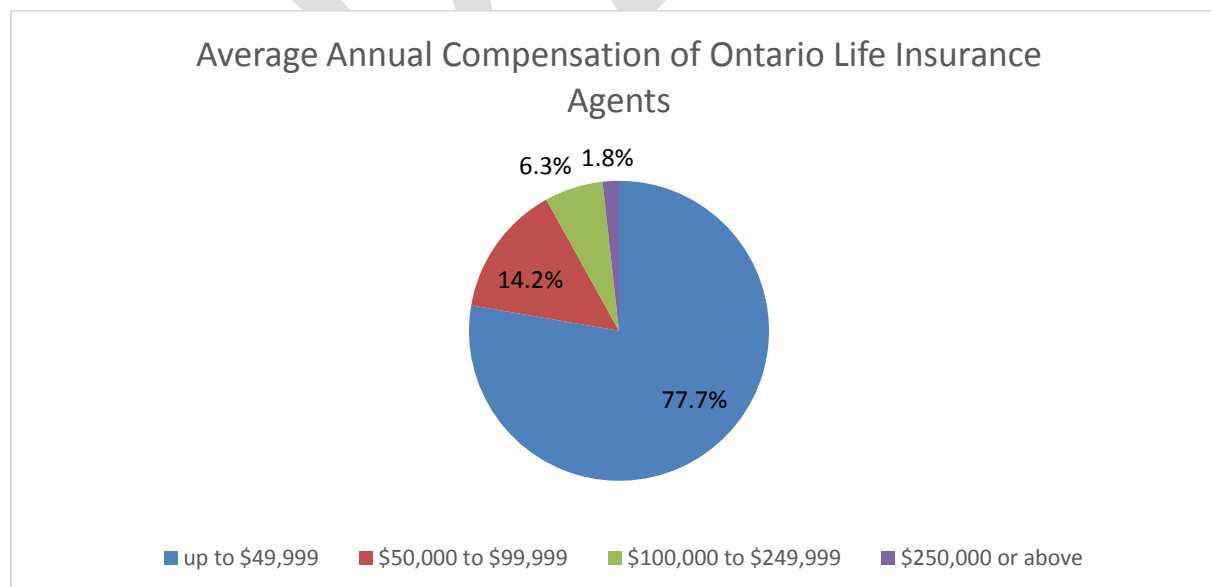


## FSCO Life Insurance Product Suitability Review Report

For the purposes of the Questionnaire, an agent is “active” if in the last 12 months, the agent met with clients regarding their individual life insurance needs and provided advice resulting in the clients completing applications for individual life insurance products, for which the agent earned or would have earned commissions. Of the 1,032 agents, 857 (83 per cent) indicated that they are actively prospecting or selling individual life insurance products while the remaining 175 (17 per cent) are currently retired or inactive.



Almost one-half of the active agents who responded identified with the independent distribution channel, with just over one-quarter identifying themselves as career/captive agents.

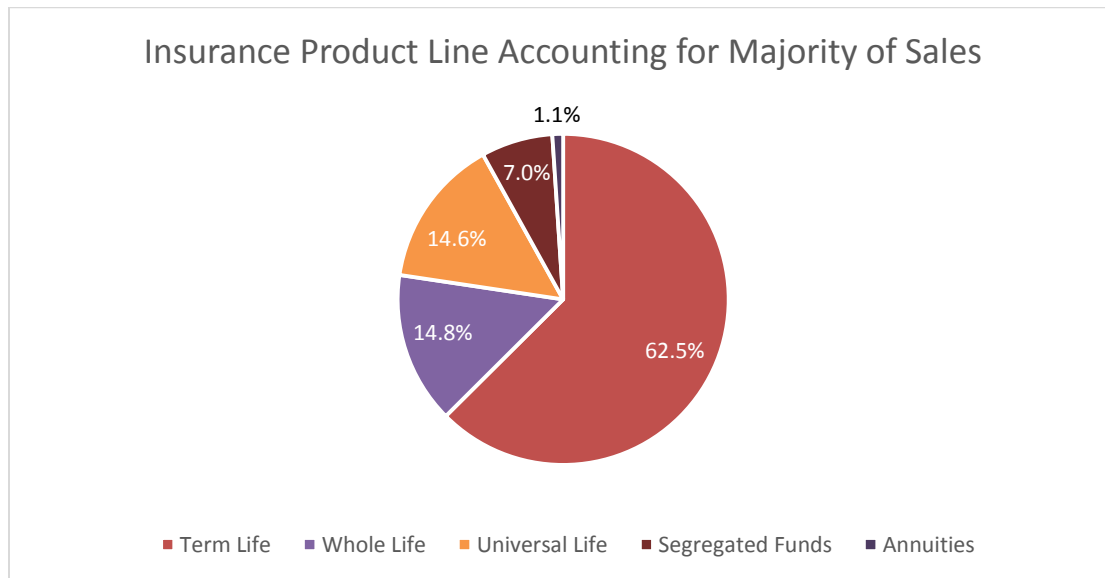


Survey results indicate that the majority of the agents earn a modest income from the sale of life insurance products. Based on the overall number of individual life insurance policies sold for the past three years, 78 per cent of the agents had an average annual compensation package of

## FSCO Life Insurance Product Suitability Review Report

less than \$50,000, 14 per cent earned between \$50,000 and \$99,999, with the remaining 8 per cent earning \$100,000 or above.

Term Life policies with face values of less than \$250,000 appear to be the most widely sold product. Over 62 per cent of the agents indicated that term life products accounted for the majority of their sales over the past three years. The number of agents who mainly sold either universal or whole life products was very similar at slightly less than 15 per cent each.



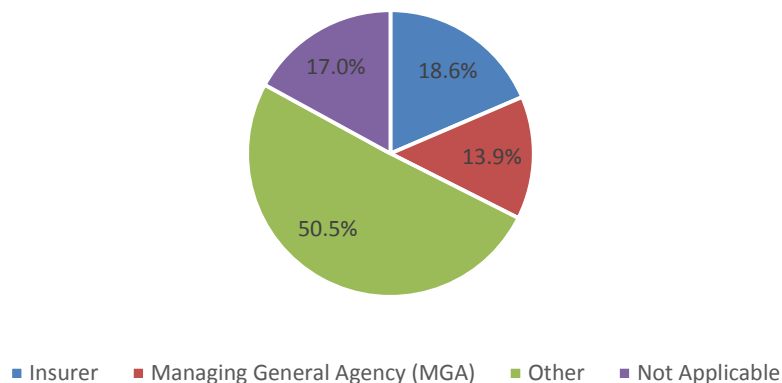
A little more than one-half of the agents (52 per cent) stated that the average face/investment value of each of the policies sold in the past three years was less than \$249,999, with 35 per cent of the agents indicating \$250,000 to \$499,999 and 11 per cent indicating face values/investment values from \$500,000 to \$999,999. Only 3 per cent of the policies sold had face values of \$1 million or more.

Fifty per cent of the agents who responded indicated that a compliance review had never been conducted, or at least not to their knowledge, with 30 per cent stating that a review had been conducted less than a year ago and 12 per cent stating it had occurred between one to two years ago. In those instances where a compliance review had been conducted, most were done by a party other than the insurer or MGA.

## FSCO Life Insurance Product Suitability Review Report



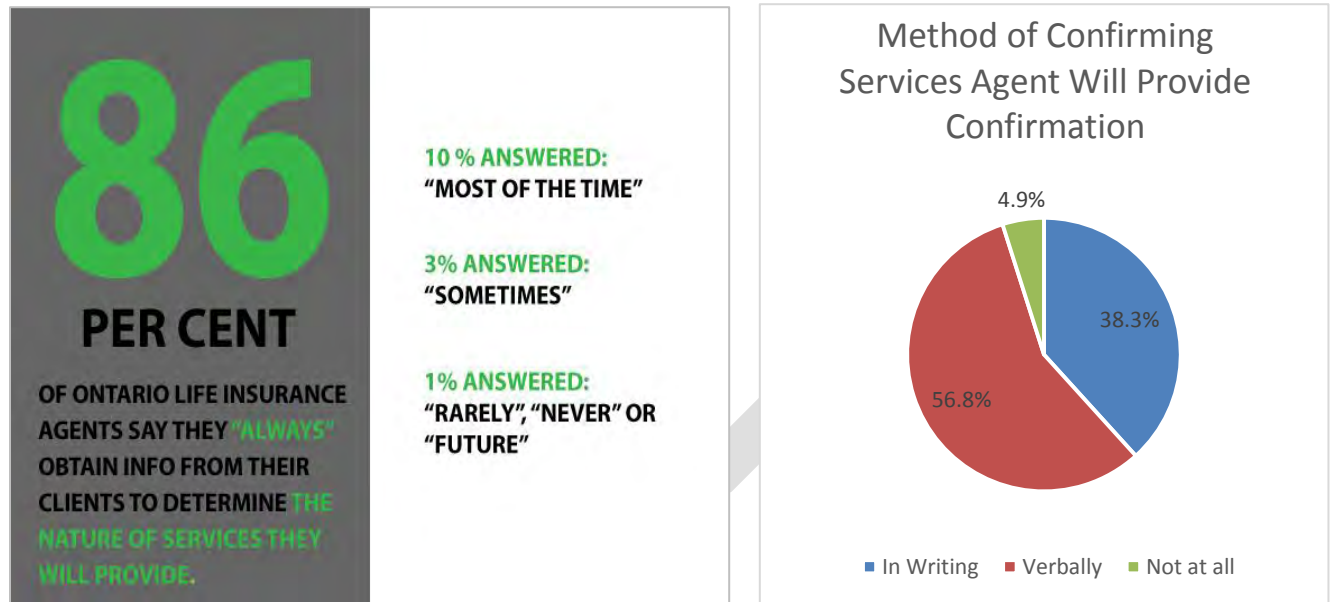
If a Compliance Review was conducted it was done by:



It is interesting to note, that of the highest compensated agents (earning \$250,000 or more), most are independent agents holding a Chartered Life Underwriter (CLU) designation. Survey results reveal that the more highly compensated agents sell more complex products, including whole life and universal life products, with higher face/investment values. For the 15 agents in this category, 13 indicated that the average face/investment value of each policy sold was \$500,000 or above, of which seven were \$1 million or above.

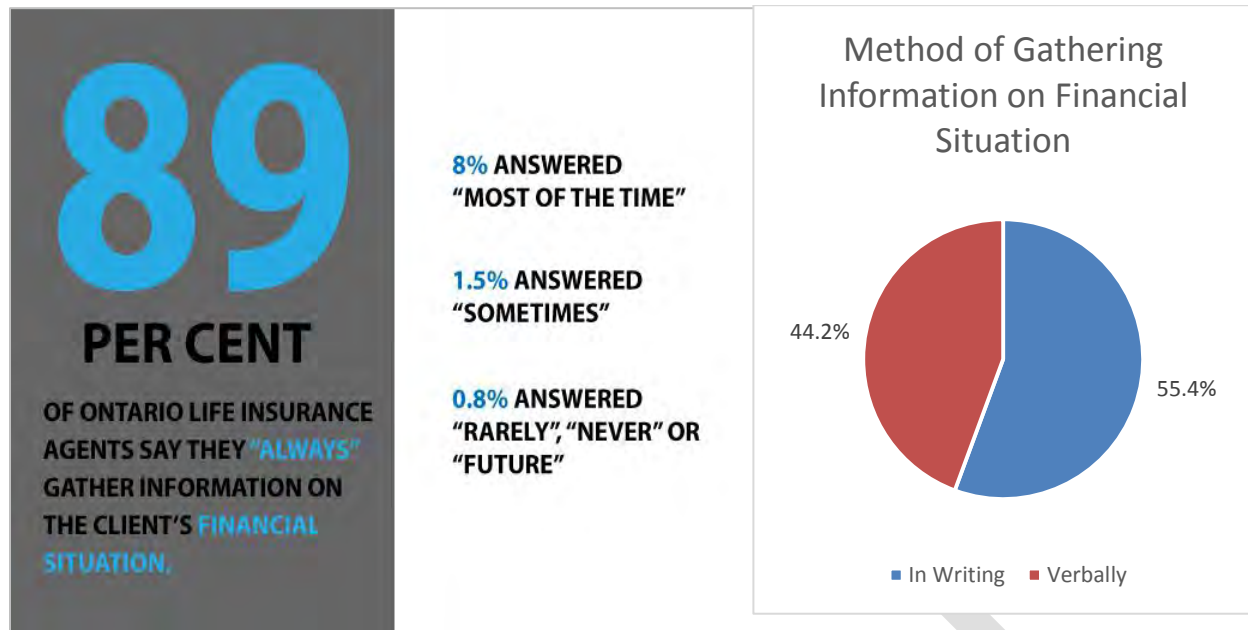
### *b. Knowledge of Clients and Products*

Questions 12 to 21 covered the agents' knowledge of clients and products by capturing the method and frequency of fact-finding, needs assessment and product search conducted by the agents.



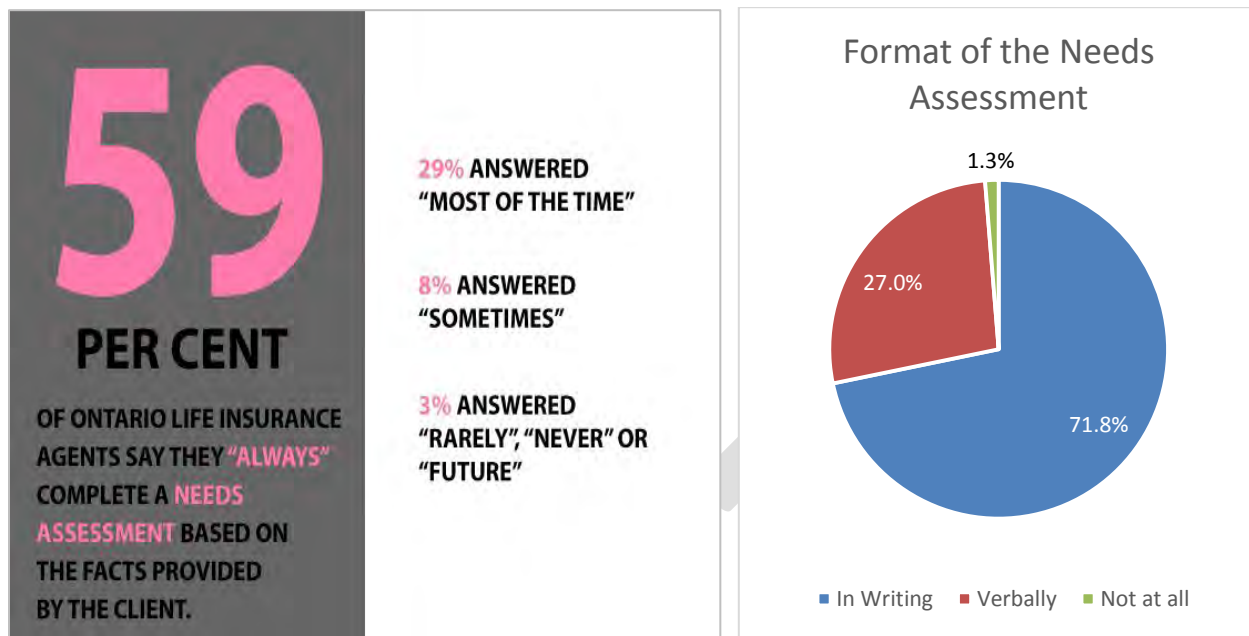
As stated in industry consultations and one-on-one interviews with a sampling of agents, as part of the sales process, most agents determine their clients' expectations before proceeding. This has been corroborated by the survey results in which 96 per cent of the agents answered "Always or Most of the time" when asked if they obtain information from clients to determine the nature of the services that are to be provided. However, the majority of the agents do not provide any written confirmation of the services that they will provide (such as a letter of engagement), as only 38 per cent of the agents indicated that they do so.

Similarly, while most agents engage in fact-finding, with 98 per cent indicating that they either "Always or Most of the time" gather as many relevant facts as the client is willing to provide to assess his or her financial situation and personal circumstances, only 55 per cent of the agents gather this information in writing. There is value in having documented the fact-finding process, with documents provided by the client or with the agent's contemporaneous notes.

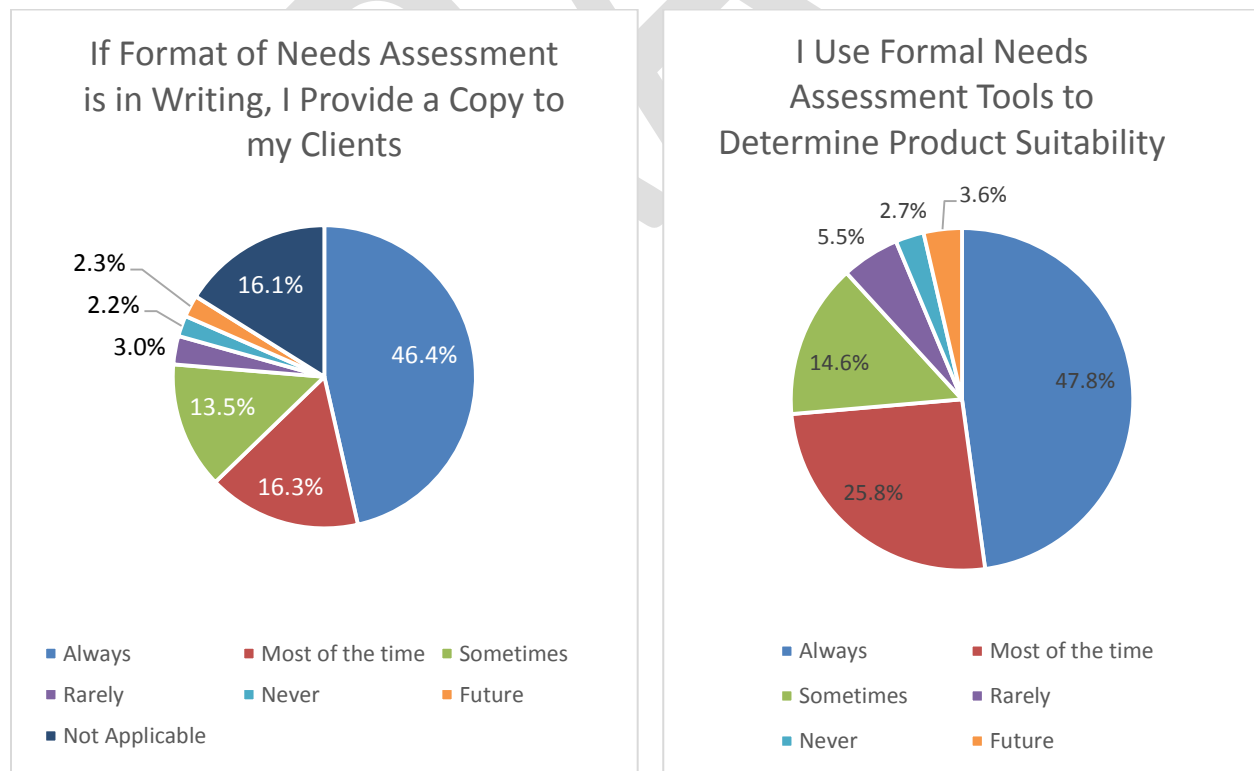


Ninety per cent of agents either "Always or Most of the time" complete a needs assessment to determine the client's life insurance need, based on the facts provided the client, with only 15 of the agents (2 per cent) indicating that they never complete a needs assessment or that they plan to do so in the future. Seventy-two per cent of the agents complete the needs assessment in writing and the remaining 28 per cent complete the assessments verbally or not at all.

If the format of the needs assessment is in writing, 63 per cent of the agents either "Always or Most of the time" provide a copy to their clients, with 14 per cent of the agents providing it sometimes and 16 per cent indicating that this question was not applicable. Seventy four per cent of the agents either "Always or Most of the time" use formal needs assessment tools, with 15 per cent using it sometimes.

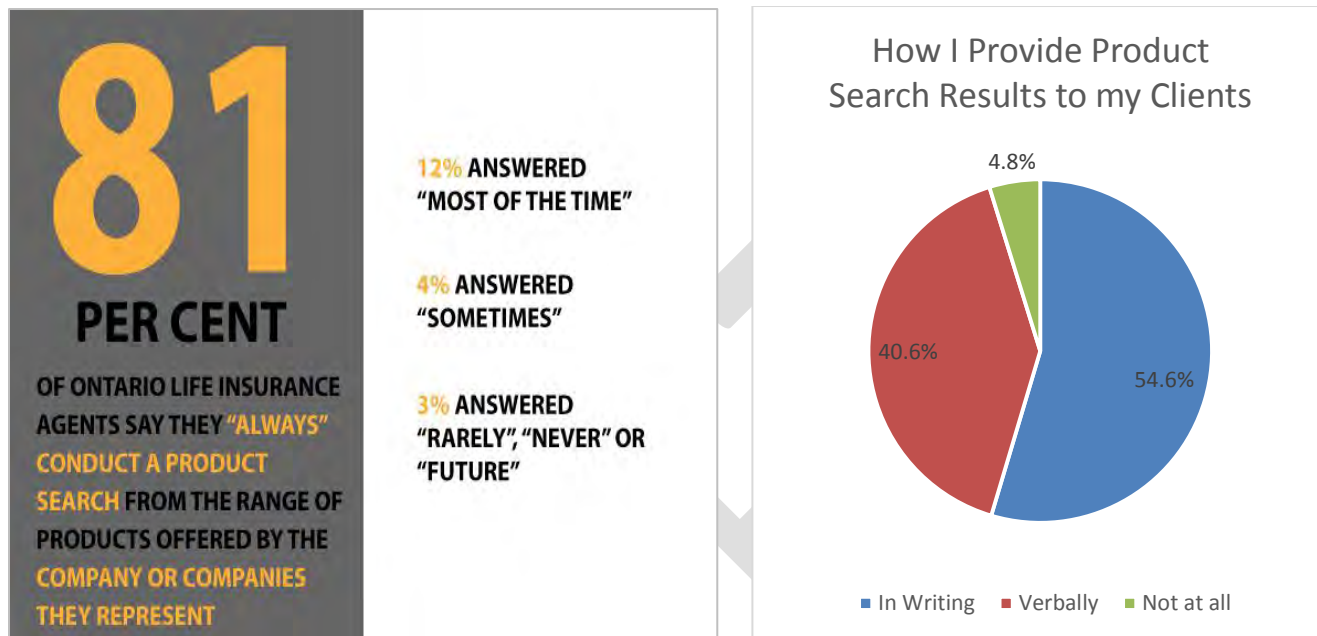


The practice of conducting a product search from the range of products offered by the company or companies the agent represents is completed by 93 per cent of the agents either "Always or Most of the time". However, only 55 per cent of the agents provide the product search results to their clients in writing.



## FSCO Life Insurance Product Suitability Review Report

Under the *Insurance Act*, section 15 of Ontario Regulation 347/04 requires that agents disclose in writing the names of all insurers and providers of financial products or services that the agent represents. It is FSCO's expectation that agents always provide written disclosure and should obtain a signed acknowledgement of the disclosure documents from their clients.



### Comparison to "The Approach"

*"Client Expectations - The advisor and the client should have a common understanding about the services that the client expects the advisor will provide in the immediate transaction and ongoing relationship."*

- Ninety-six per cent of agents state that they "Always or Most of the time" determine their clients' expectations by obtaining information to determine the nature of the services that the agent will provide.

*"Fact Finding - Where product recommendations or professional advice are sought by the client, the advisor should obtain such information about the client as is reasonable in the circumstances."*

- Approximately 98 per cent of the agents either always or most of the time gather as many relevant facts as the client is willing to provide to assess his or her financial situation and personal circumstances.

*"Needs Assessment – Based on the facts and information obtained from the client, advisors should identify the client's life insurance need."*

- A needs assessment is completed by 90 per cent of agents either "Always or Most of the time".



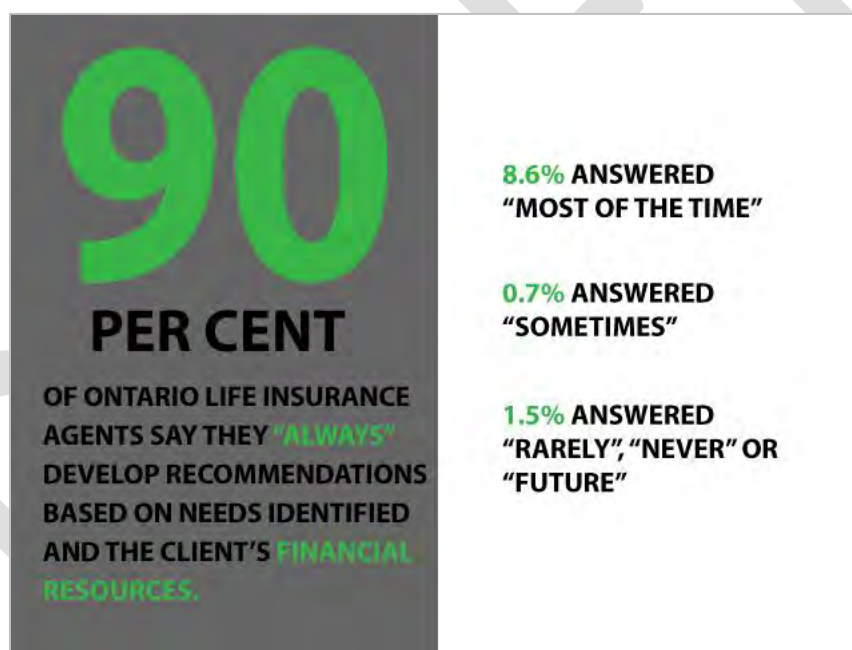
## FSCO Life Insurance Product Suitability Review Report

- The practice of conducting a product search from the range of products offered by the company or companies the agent represents is completed by 93 per cent of the agents either “Always or Most of the time”.

Our Questionnaire findings were in keeping with industry best practices as laid out in *The Approach*, whereby majority of the agents (90 per cent or higher) determine their clients’ expectations, conduct fact-finding, complete a needs assessment and conduct a product search. However, while the majority of agents answered “Always or Most of the time” regarding the frequency of their fact-finding, needs assessment and product search practices, a significantly lower percentage document their discussions and maintain records.

### *c. Recommendation and Documentation*

The nine questions under the “Recommendation and Documentation” section of the Questionnaire (22 to 30), asked agents about the recommendations and advice provided to clients regarding products and services and the documentation of these recommendations.

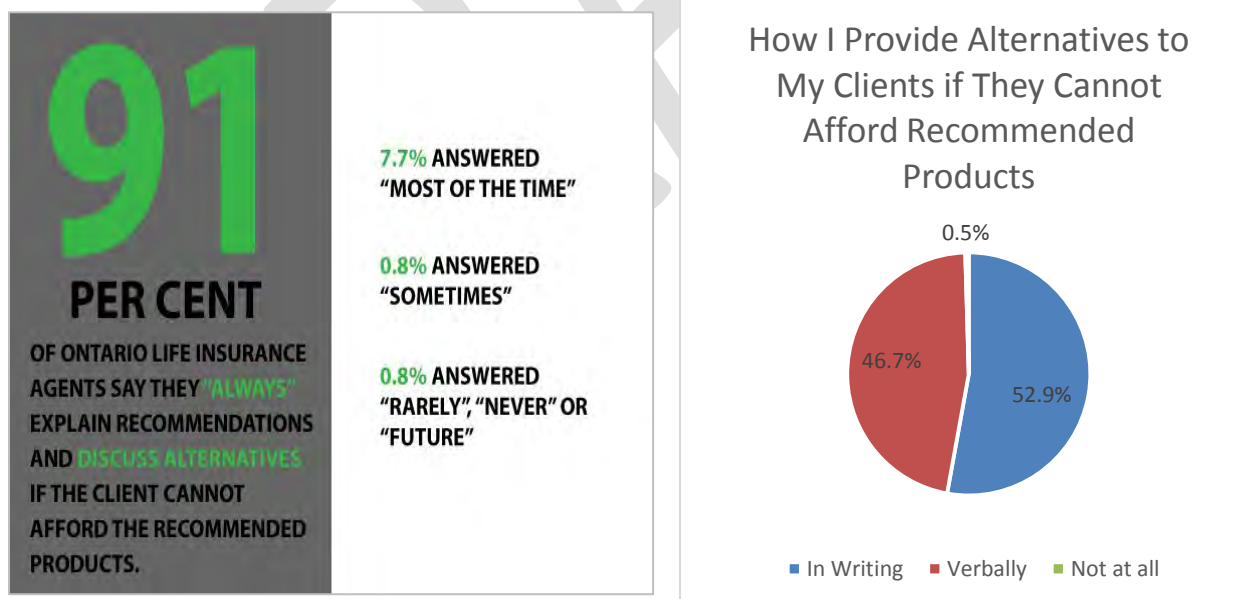


Approximately 98 per cent of the agents “Always or Most of the time” develop recommendations for products or services based on the needs identified and considering the client’s financial condition and personal circumstances. Eighty-three per cent of the agents “Always or Most of the time” maintain records that show the reasons for the recommendations made and 8 per cent of the agents maintain records “Sometimes”.





Explaining the recommendations and discussing alternatives if the client cannot afford the recommended products is completed "Always or Most of the time" by 98 per cent of the agents with 53 per cent of the agents providing the recommendations in writing. If the recommendations are made in writing, 70 per cent of the agents "Always or Most of the time" provide a copy of their recommendations to their clients, with 21 per cent indicating that this question was not applicable.



As many as 97 per cent of the agents "Always or Most of the time" provide their clients with information about the products and services that are recommended, with 84 per cent either "Always or Most of the time" providing insurer-approved marketing materials.

## FSCO Life Insurance Product Suitability Review Report

More than 99 per cent of the agents indicated that they provide their clients with an opportunity to consider their recommendations and advice and to ask questions. However, only 37 per cent stated that they obtain a written acknowledgement from the client either “Always or Most of the time” if the client did not follow their advice when purchasing products.

### Comparison to “The Approach”

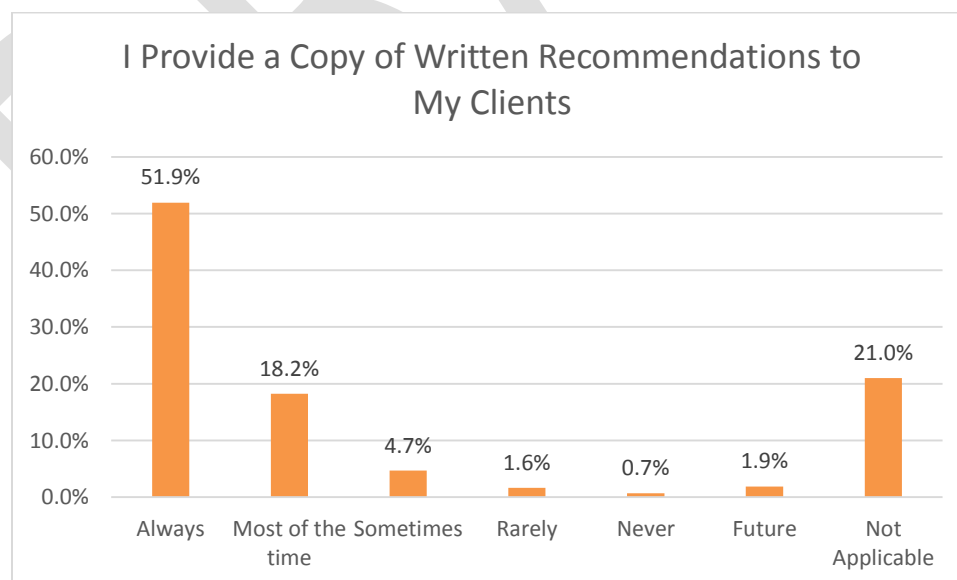
*“Recommendations and Advice – Insurance product recommendations and professional advice should address a client need given the circumstances at the time of the sale.”*

- Approximately 98 per cent of the agents stated that they “Always or Most of the time” develop recommendations for products or services based on the needs identified and considering the client’s financial resources, situation and personal circumstances.

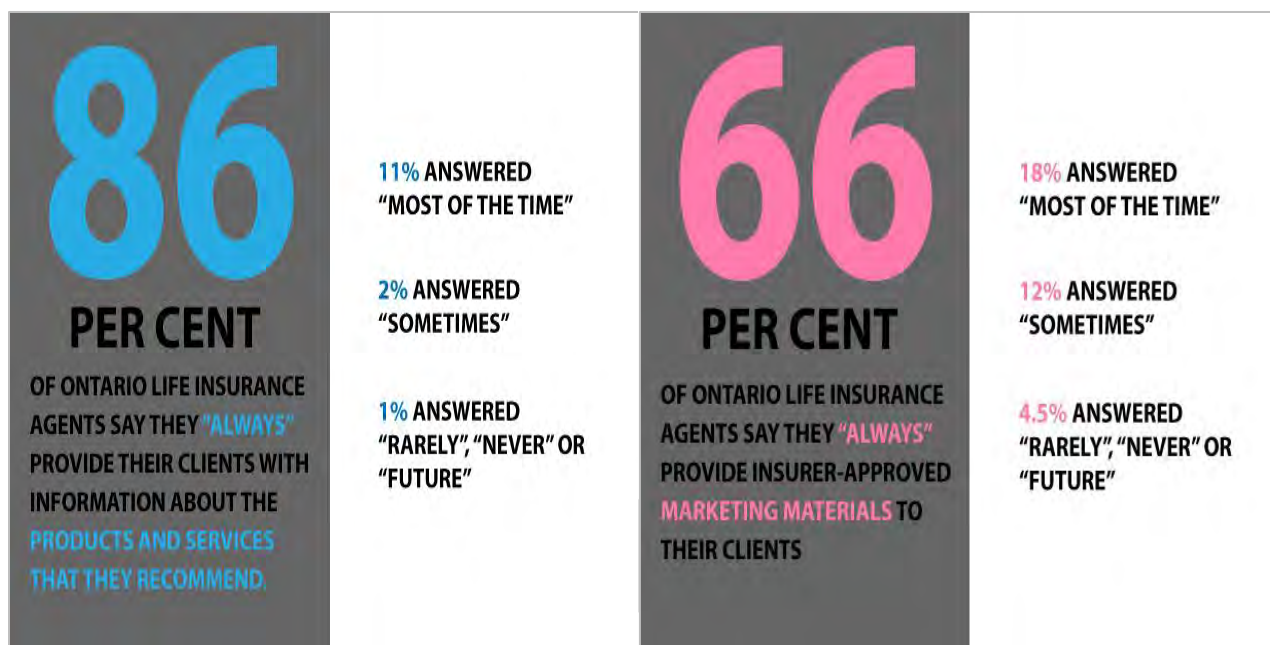
*“Product Information – The client should be informed about options available through the advisor and provided with information about the products that the advisor recommends.”*

- Ninety-seven per cent of the agents specified that they “Always or Most of the time” provide the client with information about the products and services that are recommended.

Our Questionnaire results show that when developing and recommending products to their clients, agents largely follow the best practices indicated in *The Approach*. However, the degree of written record keeping of such recommendations is markedly less so. Although 98 per cent of the agents answered “Always or Most of the time” to the questions about developing recommendations and explaining them to their clients, only 83 per cent keep any records of reasons for the recommendations and an even lower percentage (53 per cent) provide written explanation to the client.



FSCO was pleased to note, however, that over 99 per cent of agents do provide clients with an opportunity to consider the recommendations and to ask questions.



Also interesting to note is the close split between those agents who obtain a written acknowledgement from clients who do not follow their advice and those who do not obtain written acknowledgement. When asked if they obtain a written acknowledgement from clients, 30 per cent of the agents indicated that they never do or that they plan to do so in the future. A similar percentage (37 per cent) indicated that they obtain a written acknowledgement "Always or Most of the time". This result is consistent with stakeholders' comments during the consultations.



### *d. Disclosure of Conflicts and Potential Conflicts of Interest*

Section 16 of Ontario Regulation 347/04 requires that an agent who holds a life insurance licence shall disclose in writing to a client or prospective client any conflict of interest or potential conflict of interest that is associated with a transaction or recommendation.

Only 90 per cent of the agents indicated that they “Always” disclose to their clients any potential or actual conflicts of interest and the disclosure is done in writing only 51 per cent of the time. This means that 10 per cent of the agents still do not always disclose any potential or actual conflicts of interest to their clients. In addition, in almost half of the cases, those who disclose are not providing written disclosures.



CCIR formally endorsed three principles for managing conflicts of interest in the insurance industry:

- Priority of client's interest,
- Disclosure of conflicts or potential conflicts of interest, and
- Product suitability.

In June 2007, FSCO sent a questionnaire regarding “Managing Conflicts of Interest”, to a randomly selected sample of 1,400 Ontario agents, to determine the extent to which the principles were being applied and the manner in which they were being applied and documented. The results of that survey of agents indicated a high level of implementation of activities and practices, at the point of sale, which supported the three principles.

## FSCO Life Insurance Product Suitability Review Report

Four questions under the “Disclosure of Conflicts and Potential Conflicts of Interest” section of the 2013 Life Agent Questionnaire (31 to 34) were regarding agents’ disclosure of methods of compensation and disclosure of conflicts or potential conflicts of interest.

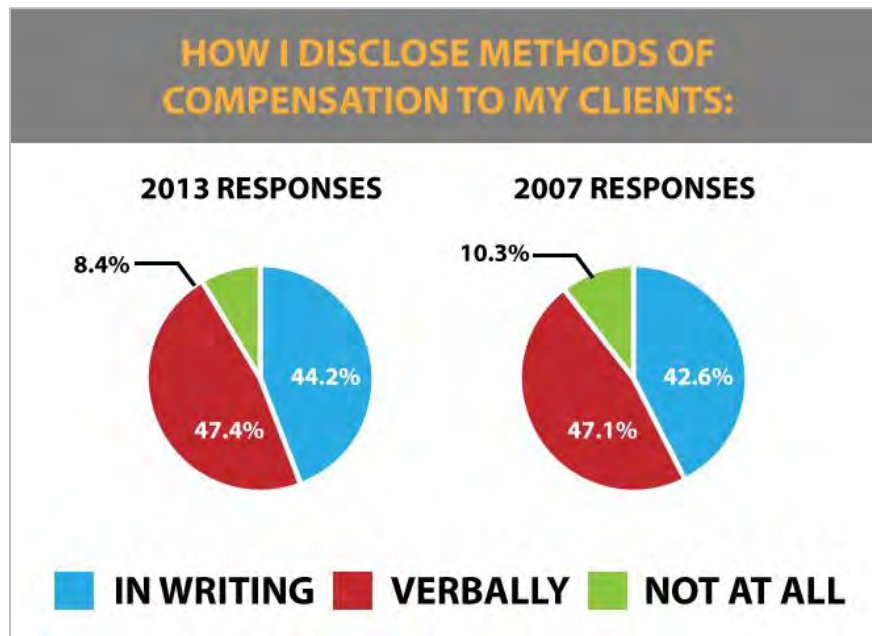
Two of the questions (31 and 32) were also asked on the 2007 Managing Conflicts of Interest Questionnaire and there are some striking similarities in responses to both questionnaires.

When asked if they disclose the methods of compensation associated with a product sale to their clients, only 76 per cent answered “Always or Most of the time”. In addition, only 44 per cent of the agents indicated that they disclose that information to their clients in writing. Back in 2007, the responses were very similar with 75 per cent indicating “Always or Most of the time” and 43 per cent providing written disclosure.



In August 2005, The Canadian Life and Health Insurance Association published an Advisor Disclosure Reference Document, providing an outline of the mandatory disclosure regulatory requirements, in response to Regulation 347/04 which established new disclosure requirements. The 2007 questionnaire was a first check of compliance related to this regulation.

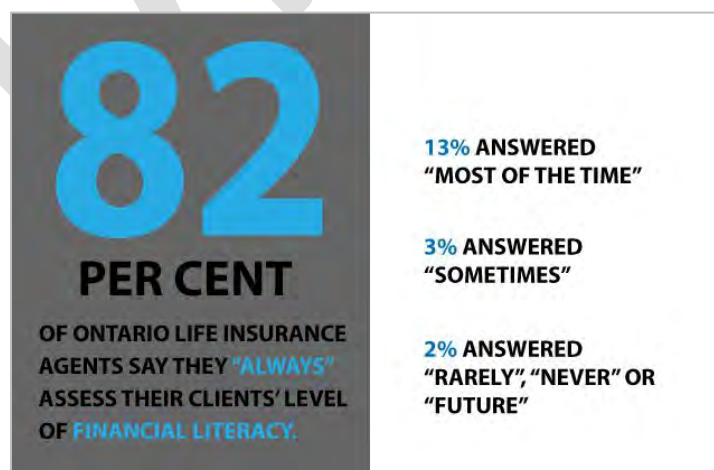




FSCO was surprised to find that despite the six intervening years (2007 to 2013), no material change in behaviour has been observed with respect to the statutory written disclosure requirements on the part of a material number of agents. Given the passage of time and the abundance of information with respect to this requirement from intermediary stakeholders, the high percentage of non-compliance is of great concern to the regulator. FSCO will be reviewing this matter further.

*e. Financial Literacy of Clients*

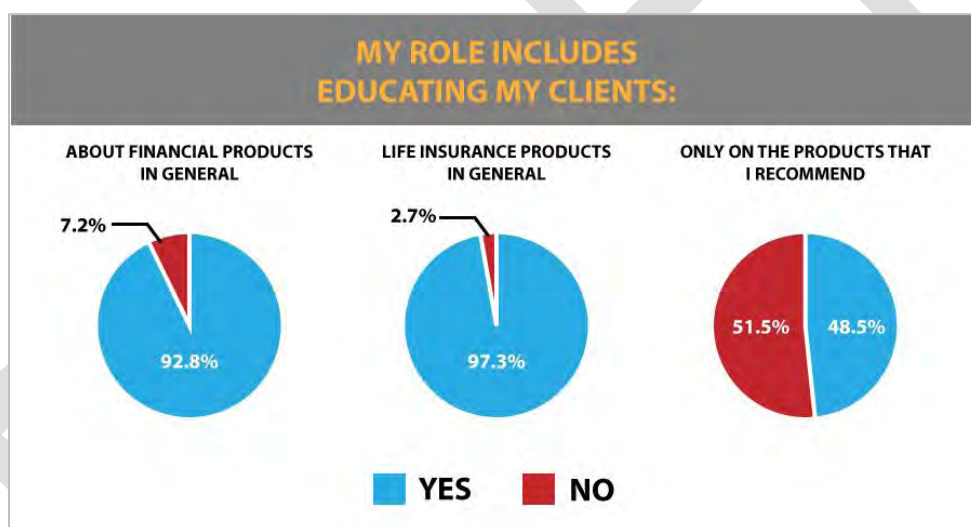
The four questions under the “Financial Literacy of Clients” section of the Questionnaire (35 to 38) were asked in order for FSCO to get an understanding of what agents considered as their role in relation to the financial literacy of their clients.



## FSCO Life Insurance Product Suitability Review Report

When asked if they assess their clients' level of financial literacy, as many as 95 per cent of the agents indicated that they do so "Always or Most of the time". Moreover, 93 per cent of the agents surveyed confirmed their belief that their role includes educating clients about financial products in general. FSCO was pleasantly surprised at these results, as they are in marked contrast to the stakeholder consultations and agent discussions. At that time, it appeared that anecdotally that about fifty per cent so of parties engaged in the consultation to be of the opinion that financial literacy education was their responsibility and felt that provision of any non-insurance related financial information would be the role of others, like a financial planner.

The general view during the stakeholder consultations was that life insurance agents are responsible for educating their clients about life insurance related matters, particularly with respect to the product options available and the recommended product. This was fully supported by the survey results where as many as 97 per cent of the agents believe their role is to educate clients on life insurance products in general. It was encouraging to see that only 49 per cent believe that their role is to educate clients only on the products that they recommend. It was also encouraging to find that many agents do believe that they have a role in supporting their clients' financial literacy.



### One-on-One Visits

During the Questionnaire period, FSCO also conducted face-to-face meetings with a small sample of agents to discuss their life insurance sales practices. Industry stakeholders were asked to provide a list of agents who would be willing to participate in this information-gathering exercise and were considered to represent the best practices that should be included in FSCO's final report. From this amalgamated list, a suitable cross-section of agents was selected from across the Greater Toronto Area (GTA).

## FSCO Life Insurance Product Suitability Review Report

FSCO's product suitability review project members met with eleven agents individually, who described their respective sales practices and provided examples of the sales discussion and any related documentation used.

FSCO found that, as expected, the "typical" sales meeting described by these agents, has all the elements outlined in *The Approach*, including detailed fact-finding and needs assessment to determine appropriate policy options. Agents also demonstrated that detailed notes of discussions held with clients are taken and kept on file. For some agents, every meeting with a client is followed up with an email confirming the discussions. Email is the most common mode of communication and documentation.

A few of the agents indicated that after the client's expectation has been established, they do not normally provide a letter of engagement to their clients.

The agents generally explained that detailed fact-finding is done to gather all the pertinent personal and financial information from the client. In some instances, if the client refuses to provide all the information requested, the agent will not proceed.

While all the agents do complete a needs assessment, the format varied from a simple paper based format to electronic tools - most times, this is product dependent. One agent suggested that a needs assessment should be made a mandatory part of the sales process as it would help to avoid litigation.

The product features and options of the recommended product are always discussed with the clients and an email is normally sent to the client confirming the decision.

Disclosure of conflicts of interest is not an issue. However, some agents did indicate that disclosure of commissions is normally done verbally. One agent felt that the insurance industry in general is not as strong on disclosures as it should be and that all agents should be required to provide the same types of disclosures.

With respect to the agent's role in financial literacy, most agents were of the opinion that assessing financial literacy was inherent in the fact finding and needs assessment process. Often times, a client's level of financial literacy would become apparent during discussions when gathering personal and financial information about the client and assessing clients' needs. Some agents indicated that they do take an additional step in providing financial literacy education in the form of industry articles and illustrations to prospective and existing clients.

Overall, the findings from these agents' interviews reinforced that the practices for the individual life insurance sales process reflected the elements of *The Approach* but these agents placed a high degree of importance on written communication and documentation.

### **Assurance Visits**

In order to validate the reliability of the Questionnaire responses, a random sample of agents was selected for follow-up assurance visits. FSCO met with these agents to discuss and verify



## FSCO Life Insurance Product Suitability Review Report

their responses and to review a sample of files, records or materials used to support the responses to the Questionnaire.

A total of 50 life insurance agents, from across the GTA, – approximately 5 per cent of those agents sampled for the Questionnaire – were visited on-site by a Senior Compliance Officer. Assurance visits took place during the period of December 2 to December 20, 2013, and mostly at the agents' offices.

Of the 50 life insurance agents who were selected for a review, 47 were active agents and 3 were inactive. The (mean) average period of time that the agents have been licensed is 8.2 years which falls within the range of new licensees and those tenured to the industry.

Overall, the verification review found that agent practices reflected the responses to the Questionnaire and only minor issues were noted during the assurance visits.

The minor issues, which were noted on only four of the 50 assurance visits, primarily included misunderstanding the questions or unclear or missing written communications. No regulatory action was taken in these instances.

Several agents offered positive feedback from the assurance visits, indicating that they found the exercise to be very useful and will learn from it to change their practices (for example, put written copies of needs assessments in files going forward). Other agents, particularly the newer licensees, were happy for the opportunity to speak with FSCO and some want FSCO to implement best practices.

FSCO also assessed the comparability of the assurance sample to that of the total questionnaire population and found it to be wholly corroborative. As no material issues were identified during the assurance visits, FSCO is of the view that it can fully rely on the Questionnaire responses as an indication of the actual practices of life insurance agents in Ontario.

### CONCLUSIONS

In its supervisory approach, FSCO supports the implementation of industry initiated market solutions as being preferable to regulatory intervention. If the solutions are reasonable, FSCO will rely on publicly available best practices and sector guidance in lieu of publishing Superintendent's bulletins. In order to place such reliance over the long-term, FSCO must validate, through a variety of measures, that there is a high degree of compliance with this guidance. Where there are gaps between the guidance, industry practices and the law, FSCO will be required to take supervisory action or recommend changes in the law to the government to better protect consumers.

The Questionnaire results show that, in general, the actual practices of life insurance agents reflect the needs-based sales practices described in the industry paper *The Approach*. As no material issues were identified during the assurance visits, FSCO considers the responses to the Questionnaire to be valid and will therefore rely on the Questionnaire responses as an

## FSCO Life Insurance Product Suitability Review Report

evidence-based assessment of the actual practices of life insurance agents in Ontario. In addition, the individual face-to-face meetings that were conducted with a small sample of select agents also revealed that agents' best practices for an individual life insurance sales process do reflect the elements of *The Approach*.

However, while both the survey results and the face-to-face meetings indicate that best practices are largely being followed, the same results did indicate areas for improvement. For example, while most agents (90 per cent or more in most cases) do determine their client's expectations, engage in detailed fact-finding, complete a needs assessment, provide the relevant disclosures, provide and explain recommendations and advice and provide product information, the degree of record keeping is much lower. Many of these activities are still done only verbally with no supporting written records of the discussions. In fact, on average, 53 per cent of agents indicated that their sales practice activities are 'In Writing', 44 per cent indicated "Verbally" and 3 per cent of agents do not follow these needs-based sales practices.



FSCO staff were pleasantly surprised to see that, contrary to what was heard during the stakeholder consultations, a majority of agents believe that they have a role to play in supporting their clients' financial literacy. Close to 93 per cent indicated that their role includes educating clients about financial products in general.

It was, however, concerning to find that nearly half of the sample reports non-compliance with written disclosure requirements (section 15, Ontario Regulation 347/04) and 10 per cent of agents indicated that they do not always disclose conflicts and potential conflicts of interest to clients (section 16, Ontario Regulation 347/04), especially after the work done by CCIR and CISRO between 2004 and 2008. This is in direct contravention of the Act. FSCO will be reviewing this matter further.

Nonetheless, only 50 per cent of the agents indicated that a compliance review had never been conducted, or at least not to their knowledge. As most agents identify with the independent distribution channel, increasing the frequency of compliance audits may serve to help address the findings.

## FSCO Life Insurance Product Suitability Review Report

The results from the survey will provide valuable information to both FSCO and the life insurance industry in promoting best practices on product suitability at the point of sale. FSCO encourages industry associations and individual agents to benchmark themselves against the aggregate results in this report. This would allow agents to evaluate their own practices and to identify areas for improvement.

The review found that most agents have sufficient guidelines for their sales practice activities to ensure compliance with regulatory requirements. However, it is the Superintendent's expectation that agents ensure that recommendations, analyses, and disclosures are documented in writing, and where appropriate written acknowledgements are obtained. Having proper documentation of discussions with clients would be very helpful, not only to FSCO but also for agents, particularly in addressing product suitability issues which are brought to FSCO's attention and complaints in general.

It is also the Superintendent's expectation that all agents will comply with the law and provide written disclosures of conflicts or potential conflicts of interest 100 per cent of the time. It is important for agents to note that although best practices specify minimum performance standards, they do not supersede regulatory requirements.

Since the review did not focus on the reasonableness of the product recommendations, FSCO cannot determine whether consumers are receiving good advice. It appears, however, that most agents are following accepted methodology for developing product recommendations based on an assessment of client needs. The review also did not consider the underwriting process and the role that insurance companies have to ensure that the insurance applications make sense, both to avoid fraud and anti-selection. The results from this review will help to determine the additional work that FSCO will undertake in the future.

FSCO appreciates the life insurance industry's cooperation and continued support in this important initiative.

# FSCO Life Insurance Product Suitability Review Report

## **APPENDIX 1**

Life Insurance Sales Process – Best Practices Flowchart

## **APPENDIX 2**

Life Agent Questionnaire Results

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CAFII Priorities by Committee – April 17, 2014

**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 <b>Financial Reports</b>  <b>Develop, monitor and report on performance against Balanced Scorecard</b>	
Keep environment open to key products	Be aware of current and emerging issues ( <b>Regulatory Update</b> ).	
	Develop responses to regulatory initiatives. Forward to board for approval as necessary. Oversight of <b>Distribution and Market Conduct Policy Committee (DMC)</b>	Regulation of ISI
		International regulation of creditor products
		Market Conduct Regulation
		Electronic Commerce
		Provincial Insurance Act Reviews
		Quebec Distribution Guide
Keep environment flexible /efficient	Identify barriers to efficient operations. Oversight of <b>Licensing Efficiency Issues Committee (LEIC)</b>	Licensing Irritants
		Provincial Insurance Councils and CISRO issues, including LLQP
		Electronic licensing
		Multi-jurisdictional licensing/mutual recognition
Develop communication plans and tools	Oversight of <b>Media and Communications Strategy Committee (MAC)</b>	Communications strategy, CAFII Branding Advocacy Strategy Website
Build relationships with key stakeholders	Connect with regulators and policy-makers. Manage and conduct regulator visits. (Manage <b>Regulator and Policy-Maker Visit Plan</b> ) Approve attendees at regulator and policy-maker meetings, review meeting notes and manage follow-up actions	
	Oversight of <b>Networking and Events committee</b>	
Other items	Continuance under new Canada Not for Profit Corporations Act	Articles of Continuance to be filed by October 17, 2014
	Changes to CAFII Management structure – development of Executive Director role	Executive Director hired effective December 2012; oversight of establishment of ED's role, its evolution and effectiveness

**Distribution and Market Conduct Policy Committee (DMC)**

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

1) Sue Manson, CIBC, Chair 2) Eleanore Fang, TD 3) Emily Brown, BMO 4) Brian Wise, Assurant Solutions

5) Andre Duval, DFS 6) Rose Beckford, ScotiaLife Financial 7) Ex Officio: Jennifer Hines, RBC; Brendan Wycks, Executive Director **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. **DMC priorities closely linked with Balanced Scorecard; progress/update reports on both to be provided at EOC and Board meetings.**

Item	Description	Activities Completed/Industry Developments	Status/Next Steps
<b>Regulation of ISI</b>	Quebec <ul style="list-style-type: none"> <li>DWR (review of Insurance Act)</li> </ul>	<ul style="list-style-type: none"> <li>CAFII members met with Eric Stevenson November 15/12 and with AMF staff executives on June 7/13</li> <li>Insurance Act Overhaul/Re-write formally announced by Quebec Government on April 30,/13</li> <li><b>New government elected in Quebec on April 7/14. AMF advised on April 8/14 that overhaul of Insurance Act and Distribution Act will proceed ahead in due course</b></li> </ul>	<ul style="list-style-type: none"> <li>Active/Monitor ongoing</li> </ul>
	Quebec <ul style="list-style-type: none"> <li>Review of Distribution Guide</li> <li>Sound Commercial Practices Guideline</li> </ul>	<ul style="list-style-type: none"> <li>CAFII input provided on Guide (e.g. signature, remuneration) through letter sent to AMF June 2012, meeting with Eric Stevenson on November 15/12 and follow-up letter sent to AMF in Dec 2012</li> <li><b>AMF advised on April 8/14 that a new iteration of draft DG will be released for consultation in due course, in conjunction with Distribution Act overhaul</b></li> <li><b>AMF advised on April 8/14 that a self-assessment questionnaire re compliance with Guideline, released in June/13, would be sent to entities licensed in Quebec, with at least one month provided for completing and submitting it</b></li> </ul>	<ul style="list-style-type: none"> <li>Active</li> <li>EOC involvement and oversight</li> <li>Met with AMF in Quebec City on June 7/13</li> <li>DMC proposes information session on the Guide, for CAFII member staff, once Guide is finalized</li> </ul>
<b>International Regulation of Creditor Insurance</b>	PPI	<ul style="list-style-type: none"> <li>B. Wycks reported on US and UK developments</li> </ul>	<ul style="list-style-type: none"> <li>Active/Monitor ongoing</li> </ul>
	IAIS Core Principles	<ul style="list-style-type: none"> <li>CAFII Project</li> </ul>	<ul style="list-style-type: none"> <li>Board approval received on June 11/13 to secure draft communication of project outcomes</li> <li>Post-Implementation Review</li> </ul>

CAFII Priorities by Committee – April 17, 2014

Item	Description	Activities Completed/Industry Developments	Status/Next Steps
			<ul style="list-style-type: none"> <li>▪ Presentation by Chrys Lemon on latest developments in US, at Annual Members' Luncheon in February 2014</li> </ul>
		<ul style="list-style-type: none"> <li>▪ Subcommittee working on matrix of impact of Insurance Core Principles (ICPs) and international regulations</li> </ul>	<ul style="list-style-type: none"> <li>▪ EOC Input obtained</li> <li>▪ Active</li> </ul>
<b>Industry Complaint Statistics</b>		<ul style="list-style-type: none"> <li>▪ Subcommittee working on compilation of Industry Complaint Statistics</li> </ul>	<ul style="list-style-type: none"> <li>▪ EOC Input obtained</li> <li>▪ DMC Subctte. met on June 4 and 25/13</li> <li>▪ To be reactivated</li> </ul>
<b>Consultations</b>	FSCO life insurance product suitability review	<ul style="list-style-type: none"> <li>▪ FSCO has held consultation meetings with CAFII on this initiative in July and September 2013</li> </ul>	<ul style="list-style-type: none"> <li>▪ Having provided significant input through two meetings, CAFII was consulted on final draft of survey of life agents, and on final report from Suitability Review. <b>CAFII had follow-up meeting with FSCO on April 9/13 to discuss Interim Report of product suitability review, based on results of life agent survey</b></li> </ul>
	E-commerce	<ul style="list-style-type: none"> <li>▪ CCIR and AMF – upcoming consultations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Active with Release of CCIR E-Commerce Position Paper on May 23/13</li> <li>▪ CAFII submitted detailed response to CCIR E-Commerce Position Paper in July 2013</li> <li>▪ CCIR Final E-Commerce Position Paper released November 15/13; CAFII analysis indicates that final CCIR recommendations in harmony with CAFII positions, as stated in submission</li> </ul>

CAFII Priorities by Committee – April 17, 2014

Item	Description	Activities Completed/Industry Developments	Status/Next Steps
	Provincial Insurance Acts	<ul style="list-style-type: none"> <li>Manitoba</li> </ul>	<ul style="list-style-type: none"> <li>Draft ISI Regulations released on June 3/13; Licensing Committee dealt with this matter.</li> <li>CAFII submitted response to Draft ISI Regulation in July/13</li> <li>S. Moore, Deputy Superintendent, called B. Wycks on October 2, 2013 to provide detailed update on progress with and timelines for ISI Regulation</li> <li>B. Wycks had further conversations with S. Moore in November 2013 and February 2014</li> <li>CAFII submitted response to second draft of ISI Regulation on January 10/14</li> <li>CAFII requested meeting with Manitoba Minister of Finance to stress imperative of harmonization of provincial ISI regimes</li> <li><b>S. Moore advised in February 2014 that Draft ISI Regulation will be amended to address nearly all of concerns expressed by CAFII and other industry stakeholders; and confirmed same in writing</b></li> <li><b>CAFII meeting with Finance Minister Jennifer Howard confirmed for April 29/14.</b></li> </ul>
		<ul style="list-style-type: none"> <li>Saskatchewan</li> </ul>	<ul style="list-style-type: none"> <li>Watch</li> </ul>
		<ul style="list-style-type: none"> <li>Ontario</li> </ul>	<ul style="list-style-type: none"> <li>Watch</li> </ul>



CAFII Priorities by Committee – April 17, 2014

Item	Description	Activities Completed/Industry Developments	Status/Next Steps
<b>Comparison of creditor insurance on mortgages with term life and individual disability insurance project</b>	Survey member companies, update analysis and research	<ul style="list-style-type: none"> <li>Comparison of creditor insurance on mortgages with term life and individual disability insurance: pricing, approval rates, claim approval rates, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Active</li> <li>Last conducted in late 2009/early 2010 on 2008 data</li> <li>DMC secured Board approval for refresh of this study, using 2013 data; to be conducted in 2014. Avalon proposal and draft survey brought to EOC at September 24, 2013 meeting. Due to concerns, committee advised to negotiate with Avalon for better terms and also to “shop” the Study</li> <li><b>Board approved the engagement of Towers Watson as actuarial consultant to this project in early March 2014. Project kick-off meeting held March 20/14. Ongoing progress monitoring meetings being held every two weeks</b></li> </ul>

**AMF Distribution Guide Task Force**

(Task Force of Distribution and Market Conduct Policy Committee)

**Members:** Emily Brown, Brian Wise, Rose Beckford, Moira Gill, Sue Manson, Brendan Wycks

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

**Licensing Efficiency Issues Committee (LEIC)**

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

Chair: Moira Gill, TD 2) Rose Beckford, ScotiaLife Financial 3) Brian Wise, Assurant Solutions 4) Greg Grant, CIBC 5) Ex Officio: Jennifer Hines, RBC; Brendan Wycks, Executive Director

**Mandate:** Identify and manage licensing efficiency issues for restricted and individual licensing processes. **LEIC priorities closely linked with Balanced Scorecard; progress/update reports on both to be provided at EOC and Board meetings.**

Priorities	Issues	Currently active issues	Status
<b>Licensing operation issues</b> Streamlining and harmonizing licensing requirements (training, CE, other)	Request for restricted certificates for third parties in Alberta	v	CAFII letter to the Council (2011). Council responded that they did not support the request. Committee decision to address the issue with the Council again when time was opportune. J. Abram indicated to B. Wycks on November 21/13 that AIC is interested in creating a forum for Representation for Restricted Licence Holders in Alberta. Window of opportunity for this in Q1 2014, in conjunction with plans to fold near-dormant Adjusters Council into General Council. CAFII had preliminary consultation meeting with J. Abram about this on December 12/13 and further discussion during liaison lunch on March 17/14. This development may present a tandem opportunity to push for restricted certificates for third parties.
	CISRO project to redesign LLQP – project completion target date is early 2015		CAFII attended CISRO's quarterly LLQP Stakeholder Information Sessions on January 17/13, April 9/13, and October 30/13; <b>and had one-on-one meeting with LLQP Committee on February 10/14.</b> Thereafter, CISRO requested a letter of support from CAFII for its LLQP modernization initiative, which CAFII delivered on February 21/14. CAFII has further meeting booked with LLQP Committee for May 28/14 in Toronto.

CAFIL Priorities by Committee – April 17, 2014

	Licensing process -streamlining and harmonization		Identification of issues ongoing
<b>ISI regime implementation</b>	Manitoba – issues to be resolved with implementing regulations		<p>Included in Insurance Act Spring 2012  Letter sent in August 2012  -CAFIL response to draft ISI Regulation sent in early July 2013. On October 8/13, Board supported recommendation that CAFIL seek a meeting with the Minister re imperative of harmonization of Manitoba's ISI Regime with other provinces  -CAFIL response submission on second draft of ISI Regulation sent on January 10, 2014  <b>-In late February 2014, S. Moore, Deputy Superintendent, communicated to CAFIL that Manitoba's Draft ISI Regulation would be amended to address nearly all of the concerns expressed by CAFIL and other industry stakeholders; and he subsequently confirmed that in writing</b></p>
<b>Provincial Insurance Councils and CISRO issues</b>	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		<p>Legal assistance engaged and analysis of options underway.  Meeting with AIC Jan 2012.  Meetings with Sask. held  Meeting with Manitoba held</p> <p>Active: CAFIL Concept Proposal For A Saskatchewan Insurance Councils' Restricted Insurance Agents Advisory Committee submitted to R. Fullan on October 10/13.</p> <p>Active: In a meeting with B. Wycks on November 21/13, J. Abram, CEO, indicated that AIC would be open to a CAFIL proposal re representation for restricted licence holders.</p>

CAFII Priorities by Committee – April 17, 2014

			2014 is opportune for discussions re establishing a "Restricted Licence Holder Council." <b>CAFII advanced discussion with AIC on this issue on December 12/13 and March 17/14. CAFII to provide submission to AIC based on updated options analysis developed by Stikeman Elliott</b>
<b>Electronic licensing</b>	Promote use of electronic licensing systems by provincial regulators; possible use of "business numbers" to link		-Letter of support sent to CISRO May 2012 -Alberta Insurance Council readying to launch Canadian Insurance Participant Registry (CIPR) later in 2014; will be a significant leap forward towards a national electronic licensing system
<b>Multi-jurisdictional licensing/ mutual recognition</b>	Trade Agreements - promote mutual recognition ( Ontario – Quebec, New West Partnership )		-Attended trade agreement update meeting May 2012 - <b>CAFII viewpoints on licensing and harmonization communicated, as related relevant commentary, in February 2014 letter of support for CISRO's LLQP modernization initiative</b> -Based on suggestion made by J. Abram at March 17/14 liaison lunch, B. Wycks contacted R. Fullan, Chair of CISRO. As a result, CAFII likely to be offered opportunity to make a presentation to CISRO on multi-jurisdictional licensing and other compliance challenges faced by national contact centres, at meeting in Fredericton on September 29-30/14

**Media and Communications Strategy Committee (MAC)**

**Membership:** The committee will have 4 permanent members including 2 co-chairs, all of whom are members of EOC. EOC Chair is ex-officio member.

**Co-Chairs:** 1) John Lewsen, BMO 2) Moira Gill, TD

**Members:** 3) Paul Yeung, RBC 4) Greg Grant, CIBC 5) Charles Blaquiere, Canadian Premier 6) Ex Officio: Jennifer Hines, RBC

**Resources:** Leya Duigu, Brendan Wycks

**Mandate:** Identify key stakeholders and develop, recommend and implement communication and advocacy strategy. Oversee CAFII branding. Oversight of Media Response Task Force.

**Areas of Interest:** Underserved Market: Creditor Insurance (value proposition, disclosure); Counter broker lobby messages. **MAC priorities closely linked with Balanced Scorecard; progress/update reports on both to be provided at EOC and Board meetings.**

Initiatives	Status/Explanation	Resp	Next steps
-Develop a Communications Strategy	-Update Communications Strategy: CAFII-branded "Regulatory Value Added Strategy" for website and regulator communication. Most materials exist but materials should be reviewed and recommendations made as to how to package and brand materials. Include concept of sending targeted messages to regulators when an issue is in the media.	ED	-2014 External Communications Strategy approved by Board on October 8/13 and December 4/13. <b>Completed.</b> -Communications Strategy Tactical Implementation Plan approved by Board on April 8/14, with suggestions for minor tweaks in presentation only. <b>Completed.</b>
<u>Website</u> -collect testimonials, post on site  -Refresh CAFII mission statement  -expand tabs to include other products & regulators/industry	-Testimonial ( written or video)- 1 per member, have 7 or 8 available and determine how to rotate through ( value –add to members)  -review mission statement to ensure it is in line with branding,  -incorporate alternate distribution ( underserved market)	ED  ED  ED	-Email reminder sent w/o Oct 22, 2012; One written and three video testimonials received to date. B. Wycks to follow-up with direct request to all Members -Removed from MAC Priorities, as Mission Statement is solely within Board purview and typically is reviewed as part of Strategic Plan renewal. -Underserved market material drafted, to be approved for website. In process with ED B. Wycks as part of Communications Strategy implementation

CAFII Priorities by Committee – April 17, 2014

Initiatives	Status/Explanation	Resp	Next steps
	- Travel insurance product – ED to reach out to CLHIA and THIA; look at it from distribution perspective	ED	<b>Seek to form a multi-partite industry/regulator task force on travel insurance application forms – with representation from CAFII, THIA, and CLHIA – as per wish expressed by J. Abram, Alberta Insurance Council CEO, on March 17/14; and earlier by C. Rogers, CCIR Chair, in CAFII/CCIR liaison meeting on October 30/13</b>  -Ongoing
<u>CAFII Branding</u> -develop marketing tagline  -CAFII newsletter for regulators  -CAFII “look”  -Acquire soft marketing tools (pads, pens etc),	several tagline options sent to Board -identify differentiating factor, eg advocating for insurance access , choice, all Canadians - include tagline on all submissions, website, swag, and letters to regulators -Insurance regulatory news to be collected and shared with regulators as a value-added service  -Develop a font and layout unique to CAFII to be used in letters, submissions and newsletter; assess if new logo needed  -Coasters suggested– include tagline and web address on next re-order	J Lewsen  ED  ED  ED	Completed  -Completed  -Completed and ongoing  -Completed  -Completed
<u>Media Protocol</u> -Develop and manage protocol for handling media requests	-Protocol revised with arrival of ED	ED	-Completed; revised Media Protocol approved by MAC on January 17/13

CAFII Priorities by Committee – April 17, 2014

Initiatives	Status/Explanation	Resp	Next steps
-media training for ED			-Media Training for ED B. Wycks with Patrick McGee completed on March 26/14, with EOC members J. Lewsen and P. Yeung also participating
-Monitor Media		ED	Ongoing
-Develop List of Friendly media			Paul & Moira have completed list
-Notify communications departments of member firms	-To be done when messaging is reviewed		
-News Release	-Send out notification re new ED		-Completed. Notice sent to all CAFII members. Included in first issue of Regulators' newsletter and added to web site.
Develop 2-3 likely media response scenarios	-In process in conjunction with Key Message development and media training/media preparedness work	ED	-B. Wycks reviewing material drafted by G. Grant.
Key Message Development - identify issues and develop key messages	-Key message document: develop and review stock messages to be used in communication opportunities	ED	-In process. Key Messages being reviewed and refined by B. Wycks <b>as part of Communications Strategy implementation</b>
-Regulator Kit	For new regulators. Compile package of information for regulators which can include:	ED	-Some content developed by RBC intern
-develop booklet /brochure	-booklet - past submissions, -testimonials and -key fact sheet.	ED	-To be completed <b>as part of Communications Strategy implementation</b>
	Booklet - take images from website, testimonials, designed to highlight major issues. Small 10 page booklet that can be given out with business cards.	ED	-To be completed <b>as part of Communications Strategy implementation</b>
-Key Facts sheet	-develop a "Key Facts" sheet to be part of regulator package	ED	-To be completed <b>as part of Communications Strategy implementation</b>
Manage research to support message (eg. Pollara) - develop key messages - manage plan of use of research - determine when and what research must be undertaken or renewed	-Pollara plan of use available, but in need of review and update	MAC	-Research is a key component of Communications Strategy. Plan of use to be reviewed by ED in light of now approved Communications Strategy
-Industry Statistics	-identify and keep current statistics from LIMRA and CAFII research	ED	-overlapping responsibility with DMC. Referred/delegated to DMC.

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Initiatives	Status/Explanation	Resp	Next steps
Webinars: -Develop and offer webinar education -Determine distribution of webinar material	-develop / oversee development of new webinars -review and keep webinars current -track who has seen which webinars -plan number of webinars per year, have list of upcoming webinars -deliver webinars	ED	-Digital commerce and social media webinar, developed by Davis Yoo and Debbie Dimoff of PwC, delivered to CCIR audience on May 30, 2013.  -Topic and timing of next webinar for CCIR under consideration <b>as part of Communications Strategy implementation</b>

**Media Response Taskforce**

**Membership:** Taskforce consists of any two members of the Media and Advocacy Strategy committee plus Executive Director Brendan Wycks.

**Purpose:** Deal with media issues as they arise. Make recommendation to Board communications committee (Members: Mark Cummings, ScotiaLife Financial; Dave Minor, TD; Rick Lancaster, CIBC; Julie Barker-Merz, BMO)



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**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: Jennifer Hines, RBC Resources: Leya Duigu, Brendan Wycks

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

Priority	Activities	Status
<b>Plan Quarterly Speaker and reception events, and member-only event</b>	-February 2014 Speaker Event (members only)	-Annual Members' Luncheon moved to February 11, 2014, with Chrys Lemon, Partner, McIntyre & Lemon, PLLC, Washington, DC, speaking on "Update On Credit Card Insurance Market In The U.S. Since 2012."
	-April 8, 2014	- <b>Louis Morriset, CEO, and four AMF staff executives spoke informally with CAFII Board/EOC at liaison meeting in Montreal on April 8/14</b>
	-June 2014 AGM/Regulator Reception Event	- <b>Maria Sanchez-Chung has secured Brigitte Goulard, newly appointed FCAC Deputy Commissioner, who is a former CAFII EOC member, having formerly worked for TD Meloche Monnex</b>
	October 2014 Speaker Event	-Speaker required
	December 2014 Reception	
<b>Keep current lists of key contacts</b>		
<b>Christmas cards to key contacts?</b>		
<b>Seek out other opportunities to meet with contacts (eg. corporate table)</b>		