

CAFII Executive Operations Teleconference Committee Meeting

Date: Tuesday, April 24, 2018
Location: Teleconference Only
Chair: P. Thorn

Time: 2:00 – 3:00 p.m. EST
Dial-in: 416-477-0921 / 1-888-543-2249
Pin #: 1500

Agenda

Item		Presenter	Action	Document
1.	Call to Order and Welcome to New EOC Member(s) 2:00 p.m.	P. Thorn		
2.	Consent Items 2:05 p.m.			
a.	Quebec Bills 141 and 150	K. Martin	Update	✓
b.	Liaison Meetings During 2018 CLHIA Conference in Calgary	B. Wycks	Update	✓
c.	Atlantic Canada Regulators and Policy-Makers Visits Tour, May 13-17/18	B. Wycks	Update	✓
d.	Regulatory Update	B. Wycks	Update	✓
3.	CAFII Governance 2:05 p.m.			
a.	Debrief on April 17/18 CAFII Board Meeting and Reception	P. Thorn	Discussion	
i.	CAFII Board Chair Succession	B. Wycks/K. Martin	Discussion	
b.	June 5/8 CAFII Annual Meeting; Board Meeting; and Reception	B. Wycks	Discussion	
c.	CAFII Board Meeting Hosting Rotation	B. Wycks	Discussion	✓
d.	Other CAFII Initiation Member, Returning Member, and Associate Prospects	B. Wycks/K. Martin	Discussion	
4.	Recent and Upcoming CAFII Regulatory and Strategic Initiatives 2:20 p.m.			
a.	CAFII Utilization of 2018 Pollara Research, Including Potential Media Release	K. Martin/S. Manson	Discussion	✓
b.	CAFII/CLHIA Joint Proposal to ICS Re RIA Advisory Committee	K. Martin/M. Gill	Discussion	✓
c.	Draft CAFII Submission on FSCO's Draft 2018 Statement of Priorities	R. Beckford/ B. Wycks	Discussion	✓
d.	Draft CAFII Submission on FSCO's Draft Treating Consumers Fairly Guideline	R. Beckford/ K. Martin	Discussion	✓ (2)
e.	Draft CAFII Submission on BC FIA Review Preliminary Recommendations Paper	R. Beckford/ K. Martin	Discussion	✓
f.	CAFII Website Enhancements	K. Martin	Discussion	✓
g.	Recent CAFII Media Efforts	K. Martin	Discussion	✓
5.	Tracking Issues			
a.	Outcomes of Saskatchewan Exemptions to PST on Insurance Premiums Issue			
b.	CCIR Fair Treatment of Customers Guidance			

Next EOC Meeting: Tuesday, May 29/18, 2:00 – 4:00 p.m., TD Insurance, 320 Front St. West, Arrowhead Boardroom, 3rd Floor, Toronto

Next Board Meeting: Tuesday, June 5/18, 3:00 – 5:00 p.m., Scotialife Financial, Scotia Plaza, 40 King Street West, 63rd Floor, Toronto

Status of Quebec Distribution Guide Under Bills 141 and 150

(note: comments below are from Sylvie Bourdeau, Fasken, CAFII's legal counsel)

- It is apparent from the parliamentary debates that the intention is to replace the distribution guide.
- The following was stated at the National Assembly hearings that took place on February 22, 2018 by Richard Boivin, who is Assistant Deputy Minister, Ministry of Finance, Government of Quebec:



Richard Boivin • 3rd

Sous-ministre adjoint chez Gouvernement du Québec

Quebec, Canada

-
- « Le représentant commercial va vendre un seul produit, un seul contrat d'assurance qui est spécifique, et normalement, sa formation pour le contrat en question, il va l'avoir reçue de l'assureur. L'assureur aujourd'hui est obligé d'avoir un guide de distribution qui donne le détail du contrat et qui explique, donc, éventuellement le contenu du contrat. **On fait disparaître le guide de distribution dans la loi, mais ça ne veut pas dire qu'il n'y a plus de documents d'information.** C'est l'autorité qui va déterminer, dépendamment des produits, le genre d'information qui est requis pour un consommateur afin qu'il puisse se faire une bonne idée de ce qu'il achète. La responsabilité, comme je vous le disais, on l'augmente d'un cran en rendant l'assureur directement responsable de cette distribution-là qui est faite d'un produit dans un cadre précis, dans le cas que vous parlez, lors de l'achat d'une automobile. » (R. Boivin – Ministère des Finances)

Translation : "The sales representative will sell a single product, a single insurance policy that is specific, and normally, he will have received his training for the contract in question from the insurer. The insurer today is obliged to have a distribution guide that gives details of the contract and explains, therefore, the content of the contract. The distribution guide will disappear as a legal requirement, but that does not mean that there are no more information documents. (continued on next page)"

It is the AMF that will determine, depending on the products, the kind of information that is required for the consumer so that he can get a good idea of what he is buying. The responsibility, as I said, is increased by one notch by making the insurer directly responsible for distributing that information in relation to a product in a specific situation, for example in the case that you are talking about, in relation to buying a car.” (R. Boivin - Ministry of Finance)

- « La distribution sans représentant, on ne change absolument rien. Peut-être qu'on fait disparaître le guide de distribution, ce que je mentionnais tout à l'heure. Ça va être remplacé. C'est un petit peu une formule vieillotte qui ne servait pas vraiment le consommateur qui ne s'y retrouvait pas. Donc, ce que ça va permettre, avec les pouvoirs réglementaires de l'autorité, ça va lui permettre de mettre en place des mécanismes forçant les assureurs à donner des informations peut-être plus simples, plus faciles à comprendre, qui vont être plus faciles pour un consommateur de prendre une décision éclairée sur le produit qu'il achète. » (R. Boivin – Ministère des Finances)

Translation : "Distribution without a representative, we won't change anything. Maybe we're getting rid of the distribution guide, which I mentioned earlier. But it will be replaced. It's a little old-fashioned formula that does not really serve the consumer, who did not understand what it said. So, what that will allow, with the regulatory powers available to the AMF, is it will allow the AMF to put in place mechanisms forcing insurers to give information that will be simpler, easier to understand, that will make it easier for a consumer to make an informed decision about the product he is buying.” (R. Boivin - Ministry of Finance)

- « ... le guide de distribution va être remplacé éventuellement par un autre genre de guide qu'on va appeler différemment, que l'autorité va adapter à la réalité plus moderne des pratiques commerciales et des produits vendus par les assureurs via leurs représentants ou via la distribution sans représentant dans ce cas-ci. » (R. Boivin – Ministère des Finances)

Translation : "... the distribution guide will eventually be replaced by another kind of guide that will be given a different name that the AMF will make more appropriate to current commercial practices and to products sold by insurers via a representative or via distribution without a representative as the case may be.” (R. Boivin - Ministry of Finance)

- « ce qu'on dit souvent en anglais, un «two-pager» qui va donner de l'information vraiment spécifique sur le contrat. Il y a de plus en plus un mode, si vous voulez, d'avoir des contrats en langage simplifié, dont le contrat d'assurance automobile en est un exemple. Donc, l'autorité pourrait éventuellement, par ses pouvoirs réglementaires, exiger que tel type de contrat soit revu dans des libellés plus simples à comprendre par les assurés. Donc, au lieu d'avoir un guide de 40 pages qui explique une police complexe, mais qu'on l'explique toujours dans un langage complexe et hermétique et préparé par des avocats, je pense que les prochains guides vont être plus simples à comprendre pour le consommateur. Donc, on améliore les choses, on ne les rend pas plus compliquées. On n'enlève pas des garde-fous. » (R. Boivin – Ministère des Finances)

Translation : "As the English expression says, we will require a "two-pager" that will give really specific information about the contract. There is more and more a trend towards writing contracts in simple language, an example of this is for auto insurance contracts. Therefore, the AMF could possibly, through its regulatory powers, require that this type of contract be produced in ways that are simpler to understand by the insured. So, instead of having a 40-page guide that explains a complex contract, and explains it still in a complex and airtight language developed by lawyers, I think the next guides will be easier for the consumer to understand. So, we are going to improve things, we do not want to make them more complicated. But we are not removing safeguards." (R. Boivin - Ministry of Finance)

Agenda Item 2(b)
April 24/18 EOC Teleconference Meeting

CAFII Liaison Meetings During 2018 CLHIA Conference In Calgary: May 2-4/18

Wednesday, May 2, 2018

- Breakfast liaison meeting with Frédéric Perodeau, the AMF's new Superintendent, Client Services and Distribution Oversight and successor to Eric Stevenson, 7:00 to 8:20 a.m. Mountain time, Thomsons Restaurant, Hyatt Regency Hotel, 700 Centre St. SE, Calgary, Alberta (403) 537-4446.

Thursday, May 3, 2018

- Liaison lunch meeting with Insurance Council of BC staff executives Janet Sinclair, Executive Director; and Rob Tanaka, Director of Policy, Finance, and Investigations, 12 Noon to 1:20 p.m. Mountain time, Palomino Room (Private Room), Milestone's Grill and Bar, 107 8th Ave. SE, Calgary, Alberta (403) 410-9521; Directly Across the Street From Hyatt Regency Hotel.
- Appetizers/Pre-Dinner Drink liaison meeting with Barbara Palace Churchill, Executive Director, Insurance Council of Manitoba, 5:00 to 5:45 p.m. Mountain time, Palomino Room (Private Room), Milestone's Grill and Bar, 107 8th Ave. SE, Calgary, Alberta (403) 410-9521; Directly Across the Street From Hyatt Regency Hotel.

Friday, May 4, 2018

- Breakfast liaison meeting with Joanne Abram, CEO, Alberta Insurance Council, 7:00 to 8:20 a.m. Mountain time, Thomsons Restaurant, Hyatt Regency Hotel, 700 Centre St. SE, Calgary, Alberta (403) 537-4446.

**Draft Itinerary For CAFII Liaison Visits Tour To Atlantic Canada Insurance Regulators and Policy-Makers
Sunday, May 13 Through Thursday, May 18, 2018**

Sunday, May 13/18

- CAFII representatives fly from Toronto to Halifax (AC flight #620, arriving 9:57 p.m.; or WS flight #252, arriving 8:20 p.m.); pick-up rental car/van; drive to downtown Halifax and check into hotel.

Monday, May 14/18

- Meeting between CAFII representatives and Nova Scotia Superintendent of Insurance William Ngu; Deputy Superintendent of Insurance Jennifer Calder; and other relevant staff members (possibly with Byron Rafuse, Deputy Minister of Finance and Treasury Board, in attendance also) at Superintendent of Insurance office in Halifax: 9:00 to 10:15 a.m.
- CAFII representatives drive to Fredericton, have lunch enroute, arrive approximately 3:15 p.m., and check into hotel.
- Meeting between CAFII representatives and New Brunswick Superintendent of Insurance Angela Mazerolle; David Weir, Deputy Director, Insurance; and other relevant staff members (possibly with Nicole Picot, Deputy Minister of Finance, in attendance also) at FCNB office in Fredericton: 4:00 to 5:00 p.m.
- Overnight stay in Fredericton.

Tuesday, May 15/18

- Meeting between CAFII representatives and Stephen Lund, CEO, and/or other Opportunities New Brunswick staff executive(s) at Opportunities New Brunswick office: 9:15 to 10:15 a.m.
- Lunch meeting between CAFII representatives and Michele Pelletier, Consumer Advocate for Insurance, New Brunswick, at Fredericton restaurant: 11:30 a.m. to 1:00 p.m. (Ms. Pelletier is making three hour drive from office in Bathurst, NB to meet with CAFII in Fredericton).
- CAFII representatives drive to Charlottetown, arrive at approximately 6:15 p.m., and check into hotel. Overnight stay in Charlottetown.

Wednesday, May 16/18

- Meeting between CAFII representatives and PEI Superintendent of Insurance Robert Bradley (Vice-Chair of CCIR); Compliance Officer Phillip McInnis; and other relevant staff members (possibly with Erin Mitchell, Deputy Minister of Justice and Public Safety, in attendance also) at Superintendent of Insurance office in Charlottetown: 9:00 to 10:15 a.m.
- CAFII representatives drive to Halifax airport, have lunch enroute, and arrive at approximately 3:30 p.m., and catch flight to St. John's (WS flight #3424, departing 5:00 p.m. and arriving 7:20 p.m.; Porter flight PD237 departing 8:55 p.m. and arriving 11:10 p.m.; or AC flight #668, departing 9:30 p.m. and arriving 11:30 p.m.). Overnight stay in St. John's.

Thursday, May 17/18

- Meeting between CAFII representatives and Newfoundland Acting Superintendent of Insurance Craig Whalen; and other relevant staff members (possibly with Sean Dutton, Deputy Minister of Service Newfoundland, in attendance also): 10:00 to 11:00 a.m.
- CAFII representatives travel back to St. John's airport and catch flight to Toronto (AC flight #667; departing 1:55 p.m. and arriving 4:00 p.m.; or AC flight #685 departing 2:50 p.m. and arriving 4:52 p.m.)

Regulatory Update – CAFII Board of Directors and Executive Operations Committee, April 22, 2017

Prepared By Brendan Wycks, CAFII Co-Executive Director

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Federal/National

Financial Consumer Agency of Canada (FCAC)

FCAC Introduces New Consumer Protection Advisory Committee

In February 2018, the Financial Consumer Agency of Canada (FCAC) announced the appointment of nine members to its new Consumer Protection Advisory Committee. The committee will be chaired by FCAC Commissioner Lucie Tedesco and support the agency's financial consumer protection mandate.

"In today's rapidly changing and increasingly complex financial marketplace, strengthening collaboration is essential," says Tedesco, in a statement. "This new committee will broaden stakeholder engagement beyond traditional players, enhancing FCAC's capacity to identify and respond to emerging financial consumer protection issues.

The members of the committee are:

- Marie Elaine Farley, Chambre de la sécurité financière, Montreal
- Maryse Guénette, Option Consommateurs, Montreal
- Scott Hannah, Credit Counselling Society, New Westminster, B.C.
- Luc Hervé Thibault, Lavery, De Billy Law Firm, Montreal
- George Iny, Automobile Protection Association, Montreal
- Marc Lacoursière, Université Laval, Faculté de droit, Quebec
- Kelley Keehn, personal finance educator/consumer advocate, Edmonton
- Don Mercer, Consumers Council of Canada, Ladysmith, B.C.; and
- Louise Simbandumwe, Supporting Employment & Economic Development, Winnipeg.

CBC News Issues Follow-Up Story On FCAC's Investigation Into Bank Sales Practices

On April 22/18, CBC News posted a story which leads with the assertion that an unnamed CIBC financial adviser says she and her colleagues are "stunned" that a recent report by Canada's banking regulator did not find widespread instances of customers who were upsold due to pressure on employees to meet sales targets. The CBC story reads as follows:

"I can't even explain to you how disheartened we all were," says the financial adviser. CBC has confirmed her employment, but is not identifying the woman because she fears she would lose her job. "We've been waiting for a year for this report," she says. "It's very hard, because it doesn't feel accurate."

The Financial Consumer Agency of Canada (FCAC) recently released the findings of a review of sales practices at the country's six big banks. It was prompted by a series of Go Public investigations last year, revealing intense pressure on bank employees to sell customers products and services they may not need in order to meet sales targets.

Between May and November 2017, the FCAC interviewed more than 600 employees at BMO, CIBC, National Bank, RBC, Scotiabank and TD, reviewed 100,000 pages of bank documents and looked at more than 4,500 complaints.

The regulator found that the requirement for retail banking employees to sell products and services "can increase the risk of mis-selling and breaching market conduct obligations," but also said it "did not find widespread mis-selling during its review."

The CIBC employee says "there obviously wasn't good enough research," and that she is "doing daily harm to customers" because of her upselling. The financial adviser — and several employees from other banks who've contacted Go Public — say the pressure to sell initially eased up after media reports last year, but then gradually worsened.

"Sometimes two, three times a day, you'll get an email wanting to know where are your sales numbers at? What have you sold today?" says the financial adviser. "Now that this [FCAC] report has come out, the [sales] pressure is 100 per cent full force. It's every single day. 'How many products did you sell?' "

She describes feeling "desperate" to meet sales targets — by doing everything from tacking on a savings account, to extending a customer's line of credit, to putting customers into bank-owned investments [when another option might be more suitable]. "You're saying to customers, 'Let's go over your finances. I'm here and I want to help,'" she says. "But what we're doing is trying to find products you don't have, that we can sell you."

In order to find sales opportunities — or "gaps" — the financial adviser says they're instructed to pull a customer's credit profile, which can affect someone's credit score. "You don't feel good. All the time," she says. "You go home and you know that you told somebody that they needed to put their money into an investment because you had gaps that needed to be filled."

In an email to Go Public, CIBC spokesperson Caroline Van Hasselt wrote: "The actions described are not representative of our culture, which is focused on putting our clients at the centre of all we do. At CIBC, we are committed to continuously reviewing our business to ensure we do what's right for our clients every day."

Michelle Bechthold of Airdrie, Alta., thinks she's a victim of the upselling the FCAC says its review did not find to be a widespread problem. She has filed a complaint to the FCAC about a recent issue with her bank, which is now being investigated.

In December, Bechthold went to her local BMO branch and says the teller told her she "qualified for a complimentary upgrade" to her credit card. "All she said was, 'It's so easy, and you'll get all these [travel] points.'" says Bechthold.

But when the card arrived in the mail, instead of having a 13.9 per cent interest rate like her current credit card, it had an interest rate of 19.9 per cent, something Bechthold says the teller never mentioned. "I would've never said, 'Send it,'" she says. "That's a six per cent increase on my interest rate. Are you kidding me? No way!"

After Bechthold complained several times, BMO apologized and gave her \$150 compensation. But she still doesn't trust that another new card BMO sent her actually has her original interest rate of 13.9 per cent, and hasn't activated it yet.

BMO did not respond to a request for comment from Go Public.

In an interview with Go Public, FCAC deputy commissioner Brigitte Goulard said she "can understand" why bank employees and customers might feel disappointed by the regulator's report. "The bank environment is a sales environment," says Goulard. "If you're not a salesperson, perhaps working in a bank is not for you. People [bank customers] need to know that the bank is not there to look after their interest."

Goulard says the FCAC can't address many of the concerns the public and bank employees have about selling products. "Offering higher credit limits to Canadians or extending credit lines or offering more credit cards isn't, per se, illegal," says Goulard. "There are some questions about whether Canadians should have a third or fifth credit card. But that behaviour is not illegal."

Goulard said the regulator's investigation did reveal an unnamed number of instances of possible wrongdoing, and those cases are now being investigated, along with 4,500 other consumer complaints the agency received between April 2015 and May 2017. The deputy commissioner says she encourages bank employees to contact the FCAC confidentially if they have concerns.

Frank Allen, Executive Director of the Canadian Foundation for Advancement of Investor Rights, says the FCAC review was too general — it didn't name banks where problems were found, it recognized sales targets as being an issue but didn't examine their impact, and made "vague recommendations" for banks to make improvements.

"It's disappointing in the short term," says Allen. "But hopefully in the long term, it will be a step that advances the interests of bank customers." Allen says the report is more fodder for calls for the banks to have a best interest standard, something FAIR Canada has long championed.

"It would require bank personnel to put the interests of the bank customer first," says Allen. "Not just focusing on sales targets."

In a statement, Canadian Bankers Association spokesperson Dave Bauer wrote that banks are committed to operating with high ethical standards, "which has been consistently neglected in Go Public's reporting" and pointed to the fact that the FCAC's review did not find widespread misselling. "When mistakes happen, banks work diligently and quickly to make them right," Bauer says.

The CIBC financial adviser says she'll try to focus on the 25 per cent of her job that is actually about helping customers with good financial advice. "The bank should be a place you go to where you get the help, the support, the advice, and the products that you actually need," she says. "I understand it's a business. But to what end? And at what cost to Canadians?"

FAIR Canada and Public Interest Advocacy Centre

Fair Canada and PIAC Joint Backgrounder Takes Issue With FCAC Report

On March 20/18, FAIR Canada (Canadian Foundation for the Advancement of Investor Rights) and the Public Interest Advocacy Centre (PIAC) issued the following joint Backgrounder on the FCAC's Report on Banks' Sales Practices:

The Financial Consumer Agency of Canada (FCAC) has published a report on its review of domestic banks' retail sales practices (the "Report"). The Report, which follows 9 months of investigation, finds that the banks do not prioritize financial consumer protection, fairness and product suitability and as a result there is an increased risk of mis-selling to consumers and of bank employees breaching market conduct obligations.

The FCAC News Release identifies the following as key findings in the Report:

- *Retail banking culture is predominantly focused on selling products and services, increasing the risk that consumers' interests are not always given the appropriate priority.*
- *Banks' financial and non-financial incentives, sales targets and scorecards may increase the risk of mis-selling and breaches of market conduct obligations.*
- *Certain products, business practices and distribution channels present a higher sales practices risk.*
- *Governance frameworks do not manage sales practices risk effectively.*
- *Controls to mitigate the risks associated with sales practices are underdeveloped.*

FAIR Canada and the Public Interest Advocacy Centre's (PIAC's) Key Observations from the Report include:

- *Compensation structures (sales practices) and firm-wide practices place employees' and banks' interests ahead of the interests of Canadians.*
- *Legislative and regulatory requirements for banks are inadequate. The Report defines "mis-selling" as the sale of financial products or services that are unsuitable for the consumer; sales that are made without taking reasonable account of the consumer's financial goals, needs and circumstances; and sales where consumers are provided with incomplete, unclear or misleading information. Mis-selling, according to the Report, does not amount to a violation of a market conduct obligation. In other words, the rules are inadequate.*
- *There is inadequate protection for Canadians at banks and reforms are needed. FAIR Canada and PIAC call for a best interest standard so Canadians get the advice they expect and deserve. We believe that a best interest standard is urgently needed for those engaged in providing financial advice to consumers. Such a best interest standard should include acting fairly, honestly, with a duty of loyalty to the client and avoiding conflicts of interest, among other things. As part of a best interest standard, banks would be required to avoid financial and non-financial incentives, targets, scorecards or performance measures that put Canadians at risk of harm.*
- *A best interest standard would lead banks to adapt their business practices so that employees no longer prioritize sales over the interest of the client.*

- *The Report notes that branch and call centre channels have shifted their focus to other kinds of services including “providing financial advice and sales-related customer service”. The fact that these institutions purport to provide “advice” warrants a higher standard of conduct. FAIR Canada and PIAC are disappointed that the Report does not provide any specifics as to how many Canadians were harmed or what percentage of products sold were done in a manner that was wrongful or unsuitable for consumers. There is no support for their key finding that they “did not find widespread mis-selling.”*
- *Although Canadians may conduct millions of routine deposit, withdrawal and payment transactions through banks, when they seek to make important financial decisions, such as obtaining a credit card, obtaining a line of credit, taking out a mortgage, or purchasing various types of complex investments such as market linked GICs, PPNs, Structured Products or Mutual Funds, they are at serious risk of being ill-advised, misinformed and mis-sold these products. This demonstrates inadequate consumer protection and has serious consequences for Canadians’ financial well-being.*
- *The Report should have greater emphasis on what the risks mean for the financial well-being of Canadians.*

Consumer Complaints

- *The FCAC found “Weaknesses in policies, procedures and systems for handling complaints limit the ability of banks to adequately monitor, identify and report complaints to management, boards and FCAC.”*
- *FAIR Canada and PIAC call for a complete overhaul of the internal bank oversight, management and reporting and handling of consumer complaints.*
- *Banks should be required to follow the FCAC Internal Guidelines for internal complaints and the Internal Guidelines need to be reformed so that consumers do not have to complain at two separate levels at their bank. In addition, consumers should have the right to go the external complaints body if they have not obtained a resolution of their complaint at the bank within 90 days. They should not have to wait for a 90 day letter from the bank (which may not be forthcoming in a timely manner).*
- *FAIR Canada and PIAC also call for major reform to the consumer complaint handling system. The Minister of Finance should work towards having one, national, statutory ombudservice for financial services complaints that can issue binding decisions.*
- *Finally, we are concerned about the robustness and rigour of the proposed enhancements to the FCAC’s supervisory and enforcement functions set forth at page 24 of the Report.*

Insurance Brokers Association of Canada

IBAC And CAMIC Lobby To Keep Banking and Insurance Separate

The Insurance Brokers Association of Canada (IBAC) is welcoming explicit restrictions on banks’ business powers related to insurance contained in Bill C-74, but wants to make sure the historical separation between banks and insurance continues.

The federal government’s recently introduced budget implementation Bill includes proposed amendments to the Bank Act that give greater flexibility for financial institutions to undertake fintech activities.

In essence, the Bill proposes to give banks expanded networking capabilities to newly permitted entities, as well as new powers to make customer referrals to other entities, such as fintechs, IBAC chief executive officer Peter Braid said in a recent interview with Canadian Underwriter.

Currently under the Bank Act, with few exceptions, banks cannot provide a customer's banking information to any insurance provider, including subsidiaries. The rules are designed to protect consumers from feeling pressure to accept the bank's insurance at the point of sale instead of exploring other options.

While IBAC is pleased that the changes specifically maintain banks' existing restrictions, Braid said that "it will be important to ensure the historical separation between banking and insurance continues to be preserved. As fintechs are essentially 'unchartered waters,' care must be taken to ensure that the regulations continue to maintain the restrictions that prevent banks from selling insurance at the point of credit, and prevent any loopholes or unforeseen consequences that may arise through the use of emerging technologies."

Not selling insurance at the point of credit is a position that has been upheld by successive governments and further expanded to include the online environment, Braid added.

Braid said in a release that it's encouraging that the Bill reinforces the prohibitions on banks entering the insurance space. "However, as the government now moves to develop regulations, it will be important to guard against unintended consequences. We must ensure that banks are not allowed to do through the back door what they're prohibited from doing through the front door with regards to retailing or make referrals in the insurance marketplace."

Braid's concerns were echoed by Normand Lafrenière, president of the Canadian Association of Mutual Insurance Companies (CAMIC). Under Bill C-74, nothing prevents banks from sharing their information with fintechs. And nothing prohibits the unregulated fintech from passing along the bank's information to an insurance company (whether owned by the bank or not). Lafrenière told Canadian Underwriter on April 4/18 that he fears the Bill will indirectly allow banks to share their information with insurers, currently not allowed under the Bank Act.

Lafrenière said that CAMIC took its concerns about the Bill to the federal Minister of Finance, Bill Morneau. While the mutual insurance Association was told that the government's "purpose is not to go against the intent of the Bank Act to protect consumers from being forced to buy the [bank's] insurance," CAMIC didn't get the assurance that they would enshrine Bank Act protections into Bill C-74.

Travel Health Insurance Association (THiA)

THiA Considering Fraud Database; Voluntary Legal Opinion Contributions Sought

On April 19/18, the Travel Health Insurance Association (THiA) issued a member advisory which indicated that its Claims Committee had been discussing the possible establishment of a Fraud Database whereby insurers, claims and assistance providers could share information in a secured environment. The THiA member advisory went on to say the following:

We would like your opinion by participating in a one-minute survey. Obviously there are a number of potential legalities involved in a Fraud Database and the first step would be to obtain a legal opinion. The cost of such an opinion, estimated to be in the \$50,000 range, is not something that THIA has the funds to pay for. We are reaching out to the membership to see whether you would be willing to share in the cost of such an opinion and if the database were to move forward, would your organization be willing to share your claims data and utilize the database. Obviously if things were to move forward, your own legal would need to render its opinion. Right now we are just trying to determine whether or not there is interest. Please click on the link below to answer our two-question survey by April 30.

Insurance Bureau of Canada

Regulators Are Stifling Innovation In Insurance Industry: IBC CEO

Consumers want more out of auto insurance, but insurers' hands are tied by regulators, says Don Forgeron, president and CEO of the Insurance Bureau of Canada (IBC).

"We live in a time when we can see, learn, or order almost anything we desire by touching the screen of our phone, and yet we live in a country where only one province has taken steps to allow for the use of electronic pink slips," Forgeron said at the recent annual Swiss Re Canadian Insurance Outlook Breakfast. Forgeron referenced an IBC survey on usage-based insurance (UBI) that found that two thirds of Canadians agree that determining premiums based on driving performance was a fair way to price auto insurance.

"The public sentiment is clear and overwhelming," he said. "And yet here in Canada we still can't use UBI to help fully determine premiums." In order for insurers to be able to adapt to evolving consumer expectations, Forgeron suggested regulators and politicians will have to get with the times.

"Regulators and policymakers need to adapt to the world as it is—not cling to the world as it was," he said. "There comes a moment when regulations become so out of touch with the world that they begin to adversely affect an industry's ability to innovate."

Canadians Want Digital Access To Insurance Documents

Nearly 6 in 10 Canadians (58%) who pay for auto insurance would choose to receive their insurance documents online or electronically if it were available to them, finds a survey by Insurance Bureau of Canada (IBC). That number increases to 71% among millennials.

In addition, two-thirds of Canadians who have auto insurance agree that determining premiums based on driving performance or vehicle usage is a fair way to price auto insurance.

"We are living in an age of disruption. How we engage with our customers is evolving and consumer expectations are changing," said Don Forgeron, the IBC's president and CEO. "As insurers, we need to have the ability to adapt to the rapid changes that are impacting our business. Only by embracing innovation and new ways of thinking will we be able to keep the door open to new products and services and new ways of delivering them to Canadians."

Alberta

Five Stakeholders Issue Joint Letter To Government On Single Financial Regulator

On March 9/18, CLHIA and four allied insurance industry stakeholders (Canadian Association of Direct Response Insurers; The Co-operators; Insurance Brokers Association of Alberta; and Insurance Bureau of Canada) issued a joint letter to Alberta Minister of Finance Joe Ceci with respect to the province's proposed single financial sector regulator.

The letter, which was c.c.'d to Lorna Rosen, Deputy Minister, Treasury Board & Finance; and Nilam Jetha, Assistant Deputy Minister, Financial Sector Regulation and Policy, and Superintendent of Insurance, reads as follows:

We are writing today representing regulated industries that would be impacted by the Government of Alberta's transition to a Single Financial Sector Regulator. We recognize government's goal of further diversifying Alberta's economy and welcome growth in our respective sectors. We also welcome the concept of providing industry and consumers with a simpler, more efficient regulatory system. A single agency could allow the industry to be more agile in the face of evolving consumer expectations and technological change.

That said, we have concerns about the establishment of a Single Financial Sector Regulator, including clarity on its objectives, transparency in the framework development process, and the timing of both development and implementation.

We believe that meaningful results for industry and consumers will come from Alberta engaging in a transparent and comprehensive consultation process with stakeholders. This could include the formation of an expert panel representing the sectors involved to carry out a mandate review, conduct stakeholder consultations, and issue final recommendations, as has been done in a number of provinces (e.g. Ontario).

Notionally there are benefits to a single coordinated entity, including a streamlined process; however these benefits would be limited without meaningful consultation with the impacted stakeholders. We look forward to an opportunity to discuss this in a meaningful way in the near future.

Saskatchewan

FCAA Moves "In Force" Date For New Act and Regulations Back To January 1, 2019

Saskatchewan's Financial and Consumer Affairs Authority (FCAA) recently published on its website an indication that the "in force"/implementation date for the province's new Insurance Act and related Regulations has been pushed back to January 1, 2019. Previous communications to CAFII from Jan Seibel, Legal Counsel in the FCAA's Legal Branch, in 2017 had indicated that the tentative in force date would be in the Fall of 2018. The FCAA's latest announcement reads as follows:

In 2015 the Government of Saskatchewan passed The Insurance Act, which modernizes the regulation of the insurance industry and improves consumer protection. This new legislation will increase harmonization with other western provinces and will replace The Saskatchewan Insurance Act, which has not undergone substantial revision for decades.

On June 22, 2017, The Insurance Regulations were filed with the Registrar of Regulations. These regulations are required in order to implement the new Act, and will come into effect when the new Act is proclaimed into force.

Research, interprovincial comparisons, consultations with industry participants along with reviews of national and provincial projects have led to the creation of the new legislation.

The Superintendent of Insurance will be recommending that The Insurance Act and The Insurance Regulations come into force on January 1, 2019. FCAA officials will be working toward the implementation of the new legislation throughout 2018 in anticipation of the new Act coming into force on the recommended date. Further information regarding the transition will be provided as it becomes available. In the meantime we encourage all licensees to become familiar with the Act and Regulations.

Ontario

CLHIA Calls On Ontario To Ensure FSRA Consults With Life And Health Industry

In a January 19/18 pre-budget consultation submission , CLHIA called upon the Ontario government to "ensure FSRA has a governance structure that supports meaningful consultation with the life and health insurance industry and continues to support the harmonization of life and health insurance regulation across Canada."

CLHIA Shares Update On Ontario Bed Repatriation Issue

On April 20/18, Joan Weir, Director, Health and Disability Policy at CLHIA, shared with CAFII and THiA the following update which had just been issued to CLHIA's Committee on Travel Insurance:

This email is to provide you with an update on CLHIA initiatives with respect to Bed Repatriation in Ontario and interactions with government.

The short-term bed repatriation initiative has been in place since April 2/18 and is working well. As a reminder, the information required to initiate the escalation is:

- 1. Patient's name, OHIP #, destination hospital and contact information*
- 2. Medical details, type of bed required*
- 3. Ontario hospital(s) contacted and the contact information (name, number) for the individual(s) who declined repatriation*
- 4. Contact name, phone number, email address for the individual responsible for the transfer on behalf of the insurer (insurer, assistance company or bed finder)*
- 5. Copy of consent from patient/substitute decision-maker re: disclosure of personal health information*

(The OHIP # and patient name is conveyed by CLHIA to the Ministry of Health and Long-Term Care by telephone and the rest of the information by secure email.)

Yesterday we met with the Health Minister, Helena Jaczek, as well as staff from MOHLTC and from the Ontario Hospital Association. This was an opportunity to revisit the issues with bed repatriation, reconfirm the short term process and understand what the longer term plan may be. While it is still too early to confirm what the longer term resolution is, we were cheered to hear that MOHLTC staff are actively working on developing a plan in conjunction with the Ontario Hospital Association. As soon as I know anything concrete, I will be back in touch.

THiA Issues Member Advisory On Ontario Bed Repatriation Issue

On April 19/18, the Travel Health Insurance Association (THiA) issued the following Member Advisory:

In mid-March, the Ontario hospital bed issue surfaced in the media and both Premier Wynne and Health Minister Jaczek spoke on the issue in the legislature. There have been at least three cases in the media where travellers outside Canada received emergency treatment in hospital at destination, were cleared for travel to return home to an Ontario hospital, but were denied a bed over a period of days stretching into a week or more.

In each case, the families of the patient reached out to the media with the message that the Ontario healthcare system is not working while also noting that the insurer had done everything they could to bring their family member home. The responses by Premier Wynne and the Health Minister indicated that it is the insurers' fault, as beds are available.

On March 27, 2018, a meeting regarding operational issues that insurers are encountering during the repatriation process took place between the Ministry of Health, CLHIA, and THiA. This was a very positive and productive meeting that has resulted in the Ministry providing a short-term solution while they continue to solve for the long-term. This in-person meeting was followed on March 28 by a brief teleconference meeting in which the Ministry of Health saw its objective of ensuring all Ontarians have equal access to beds as potentially taking somewhat longer to resolve, possibly a few months. In the meantime, as they realize the situation is acute, they would like to put in a short-term plan. The short term plan includes Ministry officials securing a bed for your case. In order to be eligible as an escalation to the Ministry, your case would need to be rejected by hospital or physician on a second day of contact.

The information required by the Ministry would be:

- 1. Patient's name, OHIP #, destination hospital and contact information*
- 2. Medical details, type of bed required*
- 3. Ontario hospital(s) contacted and the contact information (name, number) for the individual(s) who denied a bed*
- 4. Contact name, phone number, email address for the individual responsible for the transfer on behalf of the insurer (insurer, assistance company or bed finder)*
- 5. Copy of consent from patient/substitute decision-maker re: disclosure of personal health information*

For the interim, you would scan and email these details to Karen Voin (kvoin@clhia.ca, 416-359-2020) AND Joan Weir (jweir@clhia.ca, 416-359-2003). Both Joan and Karen will be watching intently for these cases and will get them to the Ministry right away. They will also confirm back to you the four individuals who have received the information at the MOHLTC (Ministry of Health), as the sender can expect to hear back from one of them within a few hours. They have committed to review any cases that come in urgently.

Also, your patient/substitute decision-maker consents will extend to other organizations within the repatriation process (ie: CLHIA and MOHLTC). That said, I would urge each of you to review your wording.

Quebec

AMF Posts “Fair Consumer Credit Practices Guideline” For Consultation

In late March, the AMF posted on its website a “Fair Consumer Credit Practices Guideline” for consultation, allowing less than a month for submissions by the April 20/18 deadline.

Discussion of the Guideline among CAFII EOC Chair Pete Thorn, Market Conduct Committee Chair Rose Beckford, and Co-Executive Directors Brendan Wycks and Keith Martin determined that the Guideline constituted no change to the creditor insurance-related obligations set out in the AMF’s Sound Commercial Practices Guideline and other documents; and that creditor insurance was largely out-of-scope for the new Guideline’s purposes and intent.

Newfoundland and Labrador

Newfoundland Superintendent of Insurance Departs For New Position

In early April, Craig Whalen, Deputy Superintendent of Insurance in Newfoundland, informed Brendan Wycks that Friday, April 6/18 would be John O’Brien’s last day as the province’s Superintendent of Insurance, as he was moving on to take up a new executive position at the province’s Public Utilities Board.

Therefore, on Thursday, May 17/18, Craig Whalen will meet with CAFII representatives in St. John’s either as Acting Superintendent of Insurance himself or with the new Superintendent of Insurance, his new boss, in place already and in tow at the meeting. Craig will also arrange for Sean Dutton, Deputy Minister of Service Newfoundland, to attend our meeting if he is available to do so.

CAFII Past, Present and Future Board Hosting Rotation

Year	Spring Mar/Apr	Summer June AGM	Fall Sep/Oct	Winter Nov/Dec
2021	Assurant	CIBC	<i>BMO, with AMF Luncheon in Montreal (if declined switch with RBC Fall 2020 hosting)</i>	Manulife
2020	CUMIS Services Incorporated	valeyo	<i>RBC, with AMF Luncheon in Montreal (if declined switch with BMO Fall 2021 hosting)</i>	ScotiaLife Financial
2019	Manulife	Canada Life Assurance	Desjardins, with AMF Luncheon in Levis	TD
2018	<i>AMEX (declined on Jan 10, 2018, CAFII is hosting April 17/18 Board meeting)</i>	ScotiaLife Financial	<i>BMO, with AMF Luncheon in Montreal (if declined switch with RBC Winter 2018 hosting)</i>	RBC
2017	TD	CAFII *AMEX declined	Desjardins, with AMF luncheon in Levis	CIBC
2016	CUMIS	Assurant (switched with BMO)	RBC, with AMF luncheon in Montreal	BMO (switched with Assurant)
2015	CIBC	ScotiaLife	Desjardins, with AMF luncheon in Levis	Canadian Premier
2014	National Bank, with AMF Luncheon in Montreal	AMEX	TD Insurance	CAFII ScotiaLife
2013	RBC	CIBC	Assurant	BMO
2012	National	Desjardins	TD	Scotia
2011	Assurant	RBC	Canadian Premier	BMO
2010	MBNA	CIBC	Desjardins	TD
2009	Assurant	BMO	National	Scotia
2008	Desjardins	Canadian Premier	CIBC	RBC
2007	Scotia	Assurant	National	TD
2006	TD	CIBC	Canadian Premier	BMO

CAFII Members

- American Express
- Assurant
- BMO Life Insurance Company
- Canada Life Assurance
- CIBC Insurance
- CUMIS Services Incorporated
- Desjardins Financial Security
- Manulife
- RBC Insurance Services
- ScotiaLife Financial
- TD Life Insurance Company
- valeyo (formerly Canadian Premier Life Insurance Company)



Travel Medical Insurance Study Wave 2 Report



April 2018



Background and Methodology



Study Background and Objectives

- In 2015, a survey was conducted by Pollara on behalf of CAFII, as part of an industry review of Travel Medical Insurance requested by the Canadian Council of Insurance regulators, triggered by concerns raised in the media. In 2018, CAFII decided to repeat this quantitative research to determine if consumer perceptions and experience changed over the past three years.
- The specific objectives of this study are to quantitatively test:
 - The general public's perceptions of the travel medical insurance sector and the level of confidence in travel medical insurance
 - Experiences and satisfaction levels with the travel medical insurance purchase process among recent buyers (past 12 months)
 - Experiences and satisfaction with the travel medical claims submission process and outcomes among recent claimants (past 24 months)
- CAFII again engaged Pollara, an independent market research firm, to conduct a Canada-wide study that would provide answers to the aforementioned topics.
- Results of this study are compared to the 2015 benchmark study wherever possible.

Methodology

- Survey conducted nationally between February 16th and March 5th using an online methodology
 - First wave conducted August 17 - 28, 2015
- Stratified sample in 2018 was increased to 1,200 adult Canadians from 1,000 in 2015 to allow for more in-depth analysis of purchasers and claimants:
 - General population - Non-buyers of insurance, or purchased more than 12 months ago: n=400 (n=400 in 2015)
 - Purchased travel medical insurance over the past 12 months: n=800 (n=600 in 2015)
 - Subsample #1: made a claim over the past 24 months: n=400 (2015 – made a claim over past 12 months n=300)
- Three-part survey, completed by the following respondent groups:
 - Section 1: Perceptions of the travel medical insurance – completed by all respondents (n=1,200; 2015 n=1000)
 - Section 2: Travel medical insurance purchase experience and satisfaction – completed by buyers (n=800; 2015 n=600)
 - Section 3: Experience and satisfaction with travel emergency experience, claims submission and outcomes – completed by claimants (n=400; 2015 n=300)
- Because of very low incidence levels of buyers and claimants, quota were set to ensure that a sufficient number of completes was obtained for these sub-segments.



Key Observations



Key Observations

- Over the past 12 months, 30% of Canadians purchased travel medical insurance (31% in 2015); 64% have access to coverage through work or a credit card (63% in 2015).
- Buyers of private coverage are 2 to 3 times more likely to claim extensive knowledge of their work/credit card coverage suggesting that the higher the level of knowledge, the greater the likelihood of buying private coverage.
- While many do not read policies in detail, they do read some and feel they are laid out in an easy to understand way. Claimants and purchasers feel more strongly positive than those less involved in the process.
- The main observation regarding satisfaction is that positive attitudes toward industry and specific experiences with travel medical insurance far outweigh negative ones.
- While the intensity of the positive impressions varies across respondent groups, there are no obvious areas of concern within any segment.
- The more involved the consumer is with the industry (through purchase or making a claim) the more positively they feel. That said, positive attitudes among non-buyers prevails 3 to 1 over negative ones.
- High satisfaction levels are virtually identical by channel – phone, online including mobile and in-person. While all demographics feel satisfied, it is more intense among older consumers.
- Higher regard toward travel medical insurance in general and purchase experience in particular correspond with having a claim event.
- Most importantly, 98% of processed claims were paid: 75% fully, 23% partially, 2% denied (2015: 75% fully, 24% partially, 1% denied)

Comparison to 2015

- Usage of travel medical insurance, purchased or through credit cards/work coverage, remains consistent this year.
- Overall positive attitudes toward travel medical insurance remain unchanged since 2015, with involvement (making a purchase or a claim) continuing to have a positive impact on impressions.
- Consumers have become even more discriminant with their travel insurance purchase; wanting even more from their policies, such as a better price, ease of purchase, coverage for pre-existing conditions, than they did in 2015.
- While satisfaction remains high all on factors, there has been an increase in satisfaction with access to live representatives and their explanation of policies
- The incidence of reading policies and the confidence in knowledge of coverage has seen little change since the first wave of study.
- Satisfaction with the purchase and claims process remains high.
- However, consumers are less likely to know who to call in case of an emergency, and are less likely to feel the process of making this call lived up to expectations.
- While claimants continue to make complaints at the same rate as they did in 2015, they are even more likely to complain about the time it took to process. Policy-wording is less likely to be blamed, but unclear expectations (not tested in 2015) is a primary complaint.



Summary of Key Findings

Key Findings

- As in 2015, confidence in the travel medical insurance industry is high, with consumers continuing to expect they would receive a high quality service that would provide the assistance they need and the expected reimbursement to cover the cost of the emergency. The more involved the consumer has been in this process (through making a purchase or a claim) the more confident they are.
- Providers in the insurance or financial industry and associations generate the highest trust, more so than those working in the travel field (consistent with 2015 findings). Consumers are most likely to make purchases from insurance companies (up since 2015), associations or banks, and continue to do so via telephone, online or in-person, in almost equal proportions.
- Consumers are looking for a number of factors when it comes to the policies they buy. More than four-fifths are influenced by features and benefits, amount of coverage, ability to speak to someone, and price, with price being more important now than it was in 2015.
 - While ease of purchase and coverage for pre-existing conditions are slightly less important than other factors, they are more important now than in 2015.
- Consumers are likely to buy single trip insurance, and will buy it as a package, particularly if it means a cost savings.
- While consumers do not always read their policy thoroughly, they feel the policies are laid out in a way that is at least somewhat easy to read and they have an at least reasonable understanding of the coverage terms and limitations, amount of coverage and who to contact in an emergency. Results are similar to that of 2015.

Key Findings

- Purchasers continue to be satisfied with the purchase experience, with at least eight-in-ten being satisfied with each tested factor: the highest being ease of purchase (92%) and the lowest being value for money (84%). Satisfaction with ease of access to a live insurance rep and policy details explained well by live rep has increased, while other factors remain consistent from 2015 findings.
- Those who made an emergency call were satisfied with the experience and said it met or exceed expectations. That said, the number who felt it was in line with expectations, while still high, did drop compared to 2015.
- Almost all claims continue to be paid by travel medical insurance. Satisfaction with this process overall as well as specific aspects of it, is high, not surprisingly even more so by those receiving full payments. However, three-quarters of those receiving partial payments were also satisfied overall. Satisfaction on all factors rose slightly from 2015. However, there was a drop in those who said their payment exceeded their expectations.
- Despite high satisfaction, one-third continue to make a complaint during the claims process, mostly through the insurance representative or manager and mostly about the length of time it took to process the claim. While the level of satisfaction with the result of this complaint is lower than last wave (73%), when looking specifically at those who had made a claim in the past year, the satisfaction with the result of the complaint is similar to 2015 findings.



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May 8, 2018

Mr. Brian Mills
Chief Executive Officer and Superintendent of Financial Services
Financial Services Commission of Ontario
5160 Yonge Street, Box 85
Toronto, Ontario M2N 6L9

Subject: FSCO's Draft 2018 Statement of Priorities

Dear Mr. Mills:

I am writing on behalf of the Canadian Association of Financial Institutions in Insurance (CAFII) with respect to FSCO's Draft 2018 Statement of Priorities. Given that matters related to the Financial Services Tribunal (FST) are out-of-scope for our Association and its members, our comments focus on general thematic feedback and FSCO Priorities 1 through 4 only.

General Thematic Feedback

CAFII congratulates FSCO for maintaining – throughout the Commission's final period of existence as the province's financial services regulator – a central focus on achieving the optimal/right balance between consumer protection and fostering a competitive and dynamic financial services marketplace, marked by innovation.

In that connection, we support FSCO's overarching goals for 2018-19, namely: (i) empowering consumers; (ii) fostering innovation; and (iii) providing leadership on the national financial services regulatory stage.

We concur with the tenor and content of the Draft Statement's transmittal letter with respect to the commitment, creativity and drive of FSCO's staff and the achievements of the organization over the past 20 years. CAFII has always valued its relationships and interactions with FSCO's capable staff. We thank the Commission for the open and transparent approach it takes in communicating with the industry, and for its commitment to principles-based regulation and stakeholder consultation on key regulatory matters.

Create Greater Consumer Awareness and Understanding of Their Rights and Responsibilities and How to Protect Themselves

CAFII agrees that empowering consumers by enhancing Ontarians' financial literacy is an important priority; and that to generate sustainable, long-term gains in this area, initiatives should have a proportionate focus on consumers' responsibilities as well as their rights. Part-and-parcel of enhancing the fair treatment of consumers is raising their level of financial literacy.

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

With respect to the imminent Superintendent's Treating Consumers Fairly (TCF) Guideline, we were pleased to see that the April 3/18 transmittal message, by which FSCO released the draft TCF Guideline to stakeholders for consultation, stated that the Commission will be taking specific steps to ensure alignment and coherence between Ontario's TCF Guideline and the CCIR's "Guidance: Conduct of Insurance Business and Fair Treatment of Customers." It is of the utmost importance to CAFII members that the two documents be harmonized to the maximum degree possible, in order to achieve the benefits of a consistent, clear, and uniform standard for both consumers and the industry.

With respect to any new expectations of the industry which may be introduced in the finalized TCF Guideline, we ask that a reasonable period of time for implementation be provided, with a minimum of 90 days being our recommendation.

Be Proactive With Respect to Industry Transformation and New Technologies

CAFII strongly supports FSCO's commitment to reassess and realign its processes over the coming year, in order to find ways to be more responsive to innovation in its regulated sectors. Our Association stands ready to meet with FSCO representatives, at the Commission's convenience, to offer suggestions on what becoming more responsive to innovation – while at the same time maintaining strong consumer protection – would look like from the perspective of alternate channel distributors of life and health insurance.

CAFII believes that the future of the life and health insurance industry will be marked by continued innovation and an increase in consumer demand for electronic commerce and other alternate forms of distribution. Consumers continue to demand greater access to sales through digital channels; and we believe these channels will play an increasingly important role in meeting the needs of Ontarians.

We believe that regulatory structures should foster a harmonized, flexible, and open marketplace where consumers are able to choose how and where to purchase coverage. Regulation should embrace the role of all insurance channels in meeting the insurance needs of consumers. In that connection, it is important that regulatory frameworks help to foster and support the ongoing growth and development of technology-enabled, alternate distribution channels.

FSCO leadership in this area, through the CCIR, should include reviewing and updating regulatory requirements which were designed for traditional paper-based and personal interaction sales practices, to ensure that they do not create obstacles for meeting consumers' needs in the digital space. The regulatory framework should focus on the quality of consumer outcomes regardless of the mode of interaction or the delivery channel.

We also encourage FSCO to move Ontario forward on the legislative and/or regulatory changes necessary to permit electronic beneficiary designations and electronic termination of insurance contracts, where both the insurer and the individual insured agree to those options.

Achieve A Higher Degree of Harmonization, Supervisory Cooperation, and Jurisdictional Participation

CAFII congratulates FSCO for its commitment to playing an increasingly important leadership role in national co-ordinating bodies such as CCIR and CISRO. That commitment and successful, nationally harmonized initiatives which result will provide an excellent example for FSRA, as successor regulator, to emulate and a strong signal that it should maintain and strengthen FSCO's legacy in this area.

In that same vein, CAFII thanks FSCO, as a leader at the CCIR table, for its commitment to ongoing improvements to the Annual Statement on Market Conduct; and to using the data generated to focus on the intended consumer protection outcomes.

Support The Implementation of The Financial Services Regulatory of Ontario

CAFII strongly supports FSCO's commitment in this area and its resolve to act on that commitment, as achieving a seamless transition from FSCO to FSRA, for all regulated sectors, is an important priority which will bring significant benefits for both consumers and businesses which operate in the regulated sectors.

Conclusion

CAFII appreciates the opportunity to comment on FSCO's Draft 2018 Statement of Priorities and we look forward to continued communication and input on policy matters. Should you require further information from CAFII or wish to meet with representatives of our Association at any time, please contact Brendan Wycks, CAFII Co-Executive Director, at brendan.wycks@cafii.com or 647-218-8243.

Sincerely,

Peter Thorn
Board Secretary and Chair, Executive Operations Committee

ABOUT CAFII

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

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

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

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

4 May 2018

Mr. Brian Mills
Chief Executive Officer and Superintendent of Financial Services
Financial Services Commission of Ontario
5160 Yonge Street, Box 85
Toronto, Ontario M2N 6L9

Subject: FSCO's Consultation Draft, "Treating Financial Services Consumers Fairly"

Dear Mr. Mills:

I am writing on behalf of the Canadian Association of Financial Institutions in Insurance (CAFII) with respect to FSCO's draft Treating Consumers Fairly (TCF) Guideline, referred to as a "Superintendent's Guideline" in the Commission's Draft 2018 Statement of Priorities. We appreciate the attention that FSCO is putting on the fundamental principle that consumers need to be treated fairly. We agree with the basic thrust of the draft, including that the interests of consumers are paramount, and that information about financial transactions must be communicated in an accurate and transparent manner.

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

The April 3/18 transmittal message, by which FSCO released the draft TCF Guideline to stakeholders, states that the Commission will be taking specific steps to ensure alignment and coherence between Ontario's Treating Consumers Fairly (TCF) Guideline and the CCIR's "Guidance: Conduct of Insurance Business and Fair Treatment of Customers." CAFII hopes and expects that the two documents will be harmonized to the maximum degree possible. Harmonization of regulations between different provincial authorities, and between provincial authorities and the CIIR, are of critical importance to our members and to the efficiency of the industry. In a similar vein, we would request the Guideline align with the AMF's existing Fair Treatment of Consumers document (the *Sound Commercial Practices Guideline*).

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

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

CAFII members place strong emphasis on ethical behaviour: not just on complying with regulations – as important as that is – but in a recognition that the principles which the regulations uphold are fundamental to our own businesses. The comprehensive and rigorous training which we provide to our own employees and to the staffs of suppliers we may engage to interact with consumers on our behalf, such as third party administrators, along with related monitoring and controls, to cite just two areas where CAFII members dedicate significant resources, demonstrate our commitment to the principles set out in the draft Treating Consumers Fairly (TCF) Guideline.

By way of more specific feedback, CAFII is comfortable with and supports the draft TCF Guideline because

- it is rooted in a principles-based approach, rather than prescriptive rules;
- it incorporates the principle of proportionality, which will provide needed flexibility for licensees to tailor solutions to achieve the desired outcomes contained in FSCO's expectations;
- it uses carefully considered and well-defined language, taking pains to use "must" when a statutory requirement is in place for all licensees; and "should" when there is not a consistent statutory requirement but a licensee is still expected to consider a particular conduct to comply with the relevant principle; and

With respect to any new expectations of the industry which may be introduced in the finalized TCF Guideline, we ask that a reasonable period of time for implementation be provided, with a minimum of 90 days being our recommendation.

Sincerely,

Peter Thorn
Board Secretary and Chair, Executive Operations Committee

About CAFII

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

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

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

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

CONSULTATION DRAFT

Superintendent's Guideline No. XX/18: Treating Financial Services Consumers Fairly

Introduction

Context

Risks to the stability of the financial system can arise not only through failings in financial and capital management, but also from poor conduct of business practices and unfair treatment of financial services consumers. Consumers need to be confident that providers of financial services and products will act in their best interest and treat them fairly.

The Financial Services Commission of Ontario ("FSCO") expects financial services providers it regulates to already be treating consumers fairly; in fact, FSCO audits this metric during its monitoring and oversight activities. There is, however, a need to further clarify FSCO's expectations as part of its statutory mandate to protect the public interest and enhance public confidence in FSCO's regulated sectors.

Scope

FSCO is issuing this Guideline to inform all those licensed or registered by FSCO in the insurance, credit union/caisse populaire, loan and trust and mortgage brokering ("the financial services") sectors of FSCO's expectations regarding the fair treatment of financial services consumers, and members of credit unions/caisses populaires and Ontario farm mutuals.

For the purposes of this Guideline, financial services consumers and members of credit unions/caisses populaires and Ontario farm mutuals will be referred to collectively as "consumers"; and those FSCO-licensed or registered individuals and businesses to which this Guideline applies will be referred to as "Licensee(s)." The term "consumers" includes all actual and potential customers of Licensees.

Purpose

The purpose of this Guideline is to ensure there is common understanding between FSCO and its Licensees as to what it means to treat consumers fairly. The Guideline provides direction for the conduct of financial services business, and seeks to strengthen public trust and consumer confidence in the financial services sectors regulated by FSCO.

Much of what FSCO expects is already contained, directly or indirectly, in existing legislation or is part of accepted industry best practices. However, treating consumers fairly is not just about the law; it is also about an ethical way of doing business, and a corporate culture that places consumer interests at the centre of business decisions. It is about putting consumer first, and considering what they expect or need at every stage

of the product life cycle, from the moment a product is envisioned and distributed, through to the fulfillment of a business contract.

Implementation

Responsibility to treat consumers fairly

FSCO's expectations apply to all Licensees, whether or not they have a direct interface with the consumer, and whether or not they are involved in all stages of the product life cycle. These include Licensees designing a financial services product, and those distributing or selling products to consumers (sometimes referred to as "intermediaries").

Where more than one Licensee is involved in the design, marketing, distribution and post-sale servicing of a financial product or service, FSCO sees treating consumers fairly as a shared responsibility among all those involved. The particular role or function fulfilled by a Licensee may vary based on the product or service, or particular arrangements in place. Licensees should ensure that documented arrangements are established in respect of their business dealings with each other, to clarify their respective roles and responsibilities on matters related to the fair treatment of consumers. Consumer outcomes should not be affected by whether a product is provided by one, two or more Licensees.

Licensees are also accountable/responsible for ensuring that their non-licensed employees and third party contractors involved in the product life cycle, and any intermediaries distributing the Licensee's product to the consumer, know and comply with FSCO's expectations to treat consumers fairly.

Principle of proportionality

Although FSCO's expectations apply to all Licensees including individuals, sole proprietorships, partnerships, and corporations, implementation of this Guideline is not a "one size fits all" approach and may differ in a manner proportionate to:

- the Licensee's size, ownership structure, risk profile, and the nature and complexity of its operations;
- the characteristics of the financial services sector in which the Licensee operates;
- the complexity of the financial product or service offered; and
- the sophistication of the financial services market segment or consumers.

The proportionality principle gives room for Licensees to tailor solutions to achieve the desired outcomes contained in FSCO's expectations. For example, FSCO may not expect extensive policies and procedures for a Licensee that is an individual or sole proprietor, but it would still expect the Licensee to have appropriate internal controls in place to ensure and demonstrate it has met the treating consumers fairly principles.

Principle-based approach

This Guideline applies to multiple financial services sectors. In addition, the activities of Licensees to whom this Guideline applies are diverse, ranging from large financial services institutions offering many highly complex products to individuals who give advice on the suitability of a product. Therefore, FSCO believes it is neither possible nor desirable to specify exactly what it expects from every Licensee against detailed or prescriptive rules. This Guideline is not intended to be an exhaustive list of best practices. Rather, it provides guidance and examples of what FSCO expects to see during compliance examinations and other touchpoints such as questionnaires and attestations, as part of its consumer protection mandate. FSCO has set high-level principles that provide Licensees, owners, officers, directors and senior management with the flexibility to apply these principles in a way that is best suited to their particular organization.

FSCO's Expectations for Treating Financial Services Consumers Fairly

The Guideline uses “must” when a statutory requirement is in place for all Licensees, and “should” when there is not a consistent statutory requirement, but a Licensee is still expected to consider a particular conduct to comply with a principle. The Guideline provides examples to illustrate some of the various ways to achieve the outcome, without necessarily implying there is only one prescribed course of action. Licensees are responsible for knowing their legal obligations.

1. FSCO expects that a core component of a Licensee's business governance and culture is fair treatment of consumers.

- A treating consumers fairly culture should be driven from senior levels of an organization (“tone from the top”). It is the responsibility of the Licensee, its owners, partners, officers, board of directors and/or senior management to build this culture.
- Licensees should design, implement, communicate and monitor compliance with codes of conduct, and/or policies and procedures that reinforce a culture of treating consumers fairly. Policies should also be made publicly available, especially those relating to how consumers can obtain advice, access to information and services, or file a complaint.
- Policies and procedures that promote treating consumers fairly should be incorporated into any outsourcing contract or arrangement with intermediaries that clarifies roles and responsibilities in relation to specific duties or the product life cycle.
- All Licensees should comply with the code of conduct and treating consumers fairly policies and procedures of their business, organization or association.
- FSCO's expectation to establish a culture of treating consumers fairly applies to all Licensees, regardless of their size. Licensees who are individuals, sole proprietorships, or partnerships should align their business decisions and priorities with treating consumers fairly outcomes in a manner proportionate to the size and complexity of their business. For example, these Licensees should

scrutinize their day-to-day business decisions as to whether or not they support the fair treatment of consumers.

- Licensees should have appropriate mechanisms in place that are reasonably designed to measure the effectiveness of treating consumers fairly policies and practices (e.g. regularly soliciting consumer feedback).

2. FSCO expects Licensees to act with due skill, care and diligence at all times, but especially when dealing with consumers or designing financial services or products for consumers.

- Licensees involved in sales, service and advice to consumers must meet the required statutory proficiency qualifications, and act with the due skill, care and diligence appropriate for the product involved and the disclosed personal circumstances and financial needs of the consumer.
- Licensees involved in the design and governance of products should have regard to the needs of their target market. This may also require choosing the most appropriate distribution methods tailored to the target market, and having an established process to identify/mitigate risks that a product may pose to particular consumers (e.g. stress-testing product performance in changing market conditions, and monitoring products post-launch to ensure they meet the needs of the selected market).
- Licensees should regularly deliver and/or participate in training programs on ethics and integrity, specifically related to their own code of conduct or standards.

3. FSCO expects Licensees to promote financial services and products in a manner that is clear, fair and not misleading or false.

- Licensees must comply with the legal requirements to provide consumers with product information and illustrations that are accurate, clear and not misleading or false.
- Although the level of product information that should be made available to consumers will depend on the type, complexity and specific legal requirements of each product, financial services consumers should always receive information that:
 - is easy to understand (plain language used wherever possible);
 - is clear regarding any risks, exclusions or limitations of a product;
 - does not hide, diminish or obscure important statements or warnings, but rather makes sure important information is prominently displayed; and
 - is based on the disclosed personal circumstances and financial needs of the consumer.
- Where there is no statutory format for disclosure, industry best practices should be adopted.

- Where there is no statutory timing for disclosure, Licensees should consider when the information may be most useful to the consumer during their decision-making process.
 - Consumers should receive clear information about their rights and obligations (e.g. the right to file a complaint or to cancel a product or service, responsibilities to disclose material changes), including whom they may contact.
 - Licensees involved in the design and governance of products should establish controls to ensure that those soliciting, selling and/or providing advice understand the target market for which the product was developed, and are not inappropriately selling outside this target market.
 - Licensees involved in developing marketing material should obtain the approval of the product manufacturer, as necessary, and ensure that a consumer lens and a high degree of objectivity are used when reviewing promotional or advertising materials and other communications intended for consumers, to ensure there is clarity, plain language and compliance.
 - If financial products and services are offered digitally, the same level of transparency and disclosure should be applied as with traditional means, in a manner appropriate to the medium, including, where necessary, access to an intermediary who is qualified to provide advice.
- 4. FSCO expects Licensees to recommend products that are suitable, taking into account the consumer's disclosed personal circumstances and financial condition.**
- The Licensee and the consumer should have a common understanding of the nature of products or services to be provided, e.g., determine whether the consumer wants to purchase a specific product, or if they are seeking professional advice and/or a product recommendation. This common understanding should be documented. FSCO recognizes that there are simple transactions like making payments or deposits that are more service-oriented and do not require a recommendation or advice.
 - Licensees should follow a three-step process to ensure the product offered is in the best interest of the consumer, having regard for the consumer's needs and circumstances:
 1. Get to know your client by using methods such as fact-finding.

The means and information collected may differ depending on the type of product and legal requirements, but generally, Licensees should collect information about the consumer's financial knowledge and experience; needs; life-stage priorities and circumstances; ability to afford the product; and risk appetite. The discussion should be documented.

2. Understand the products fully – do your own due diligence around the products, including how they work, their limitations, exclusions, and material risks.
3. Conduct a thorough needs analysis to fully understand the consumer's objectives and needs based on the facts and information obtained from the consumer.

Licensees should only provide a recommendation or advice after completing the process above. The recommendation or advice should be documented and reflect the linkage between fact-finding, needs assessment and product. The financial services consumer should be able to understand why the recommendation was made.

- In cases where advice would normally be expected but the consumer chooses not to accept the advice, acknowledgment of the consumer's decision to decline the advice should be documented.
- Licensees who do not interface with consumers but have responsibility for the product should establish systems and controls to promote/monitor the suitability of the advice given to consumers related to that product. They should provide continuous training programs and monitor mandatory education to make sure their employees and intermediaries distributing the Licensee's products are aware of market trends, economic conditions, product innovations, and changes to the law.

5. FSCO expects Licensees to disclose and manage any potential or actual conflicts of interest.

- Licensees must comply with legal requirements to disclose and manage any potential or actual conflicts of interest. Actual or potential conflicts of interest are best managed by avoidance.
- Some examples of situations where conflicts of interest may arise include:
 - Payment or acceptance of an incentive, commission, or any non-monetary benefit for the sale of financial services or products.
 - Making a financial gain or avoiding a financial loss at the expense of the consumer.
 - Inability to act in the best interest of one consumer without adversely affecting the interest of another.
 - Any relationship that may be perceived to potentially affect the independence of advice given.
- Licensees may manage conflicts of interest in different ways, depending on the circumstances. For example, some conflicts may be managed by disclosure, or by providing the consumer with information about the names of all the companies

or markets the Licensee represents. If there is a situation where a conflict cannot be managed satisfactorily, Licensees should decline to provide the service and/or product.

- Licensees should develop, implement, monitor and communicate a conflict of interest management policy to all officers, directors, employees, intermediaries distributing the Licensee's products, and third-party contractors involved in the product life cycle.
- Licensees should develop incentives that take into account the fair treatment of consumers, rather than incentives oriented only towards the sale of specific products, or based solely on sales volumes.
- Licensees should conduct audits to assess potential for product and commission conflicts and biases.

6. FSCO expects Licensees to provide continuing service and keep consumers appropriately informed, through to the point at which all obligations to the financial services consumer have been satisfied, including claims handling or the diligent provision of benefits.

- Licensees must comply with legal requirements to keep a record of their claims-handling procedures, including all steps from the claim being raised to its settlement or conclusion.
- Licensees should have agreements in place that clearly define the conditions, scope and limits of contracted services, and clarify roles and respective responsibilities on matters such as post-sale policy servicing, claims notification and handling, and any other matters related to the relationship with consumers.
- Licensees should provide consumers with timely information and easy access to the means of making a claim, applying for benefits, or accessing dispute resolution mechanisms.
- The Licensee should take all reasonable steps to disclose information to the consumer regarding any contractual changes during the life of the product, and any other information relevant to the consumer (e.g. corporate or legislative changes that may affect the consumer).
- Consumers should be informed of what their obligations are post-sale and throughout the product life cycle (e.g., inform the Licensee if their life circumstances change).
- Where there are changes in terms and conditions of the contract, the consumer should be notified of their rights and obligations; their consent should be obtained as needed.

- Licensees should provide ongoing service to consumers when they switch between products, and information about cancelling a contract early.

7. FSCO expects Licensees to have policies and procedures in place to handle complaints in a timely and fair manner.

- Consumers are encouraged to make complaints directly to industry as a first step. A complaint is an expression of dissatisfaction about the product or services provided. FSCO considers complaints, including those not required to be reported to FSCO, to be a key indicator of how a Licensee's business is conducted. Licensees should analyze complaint data to identify individual or systemic issues that are adversely affecting consumers and take corrective action, as necessary.
- Licensees must comply with legal requirements to have clear, transparent and accessible policies and procedures in place to review and resolve consumer complaints in a timely and fair manner, and a system for record-keeping for each complaint and the measures taken for its resolution. Where a complaint cannot be resolved, Licensees must provide the complainant with a final position letter that includes options to seek further redress.
- Where the Licensee does not have a statutory obligation to be part of an independent dispute resolution mechanism, the Licensee should consider what alternative resolution mechanisms it might establish.
- Licensees should monitor complaints-handling processes and outcomes to ensure their ongoing effectiveness.

8. FSCO expects Licensees to protect the private information of financial services consumers and inform them of any privacy breach.

- Licensees must comply with applicable privacy legislation, including legal requirements to obtain consent prior to accessing or using a consumer's personal information (e.g. obtaining a credit report), and to notify consumers of a privacy breach.
- Licensees should have policies and procedures for the protection and use of personal and financial data. This includes creating safeguards to prevent the misuse, or inappropriate access or communication of any personal information in their records, and providing a safe online environment for consumers.
- Licensees should establish and comply with policies and processes that mitigate cyber risk, enhance cyber resilience, and help prevent cyber crime. They should have a well-functioning risk management program that allows them to

understand, prevent, detect, respond to, and address cybersecurity incidents.

DRAFT

18 June, 2018

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

Subject: Financial Institutions Act & Credit Union Incorporation Act Review

CAFII is pleased to provide the following input in response to the issues and questions raised in the Initial Public Consultation Paper that are relevant to our members' insurance-related activities. Our responses are offered from the perspective of insurers and distributors that:

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

Objectives of the Legislative and Regulatory Framework.

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

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

Recommendation #1: Establish FICOM as a Crown agency.

CAFII supports the establishment of FICOM as a Crown agency which would be authorized to operate as an independent government agency, accountable to the provincial legislature through the Minister of Finance. We support a funding model that gives FICOM greater independence, but we would express concern about a self-funding model if that model is based on the agency only being able to operate from revenues associated with fines. MORE WORDING TO BE ADDED – BRENDAN TO SEND TO KEITH

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

Giving the Commission the power to appoint the CEO and statutory decision makers of FICOM will enhance the authority and effectiveness of FICOM and is a positive step.

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

We agree with the general thrust of this recommendation, but we feel details about the public consultation process and oversight rules are critical to the successful implementation of this recommendation. Where a substantive rule change is being contemplated in any jurisdiction, CAFII believes that best practice is to publish the proposed rule for stakeholder/public consultation before adoption, following which the relevant Minister can either consent to or reject the proposed rule. If FICOM is to be granted rule-making authority, it should be required by statute to engage in a meaningful consultation process whenever it uses that authority. It is also critically important to our members that new rules, regulations, and guidelines be given a sufficient timeline for implementation. This is particularly true where our members need to make process or system changes, which require investments of time and effort and the ability to test the changes to ensure that they are not going to adversely affect other processes or systems.

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

With respect to national databases, CAFII has emphasized in the past to FICOM and the Insurance Council of BC the compelling need for an integrated national database to facilitate licensing and monitoring of insurance agents across all jurisdictions. A nationally integrated electronic licensing system could become the foundation for a system of mutual recognition for vetting of applications and for ongoing supervision. In that respect, we are pleased with the development by CCIR, under the auspices of the AMF, of an Annual Statement on Market Conduct, which our members participated in and whose continued evolution and enhancement we support.

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

We agree that the legislation should not be amended because this activity should be voluntary. However, we wish to emphasize that we also believe that a critical building block to enhancing the fair treatment of consumers is raising their level of financial literacy. Consumer education around financial literacy is a shared, multi-stakeholder responsibility and something in which CAFII members and other industry stakeholders are actively involved. While consumers are ultimately responsible for their purchase decisions, governments and regulators such as FICOM have an important role to play, alongside the industry, in providing education which can help consumers better understand the benefits and limitations of products and improve their financial literacy.

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

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

CAFII does not believe that any legislative and/or regulatory changes are required in this area, as the current FIA contains provisions requiring insurers to maintain facilities that the Superintendent considers adequate for FICOM to be able to obtain access to records. As well, insurance industry

participants are required to comply with the province's Personal Information Protection Act (PIPA). PIPA's Part 9 – Care of Personal Information sets out requirements for the protection and retention of such information.

With respect to federally-incorporated insurers, they must also adhere to the Personal Information Protection and Electronic Documents Act (PIPEDA) and follow the rules set out in sections 260 to 270 of the Insurance Companies Act. Records can be outsourced but the Superintendent of OSFI can require records processing to be done in Canada if that is seen to be appropriate. OSFI Guideline B-10 sets out expectations for financial institutions related to outsourcing, including outsourcing to providers outside of Canada. Insurers are required to ensure that OSFI can readily access in Canada any records necessary to fulfill its mandate. If legislative changes are contemplated, we encourage consideration of OSFI's approach, with a view to adapting and incorporating the expectations in place at the federal level.

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

CAFII believes that BC's current system of insurance retailing and licensing exemptions is working well. However, if the province feels that additional legislation and/or regulations are required, CAFII members would be open to the introduction of an RIA/ISI regime and we would encourage BC to harmonize with the existing regimes in the other western provinces.

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

As a general principle, CAFII believes that the Insurance Council of BC should be "channel neutral." That is, the Council should be designed such that the interests of all distribution channels are well-served and the representatives of any particular channel are not in a position to make decisions which could negatively impact consumers' access to competing distribution channels. These principles in our view should be incorporated into any new Restricted Insurance Agent regime.

Critical to the successful implementation of such a regime is harmonization with the regimes in other provinces, and consistency across jurisdictions. A B.C. regime should be structured such that it is aligned with the principles of other existing regimes. A thorough consultation process with industry will help ensure that such a new regime is structured in a way that will produce the results that the recommendation seeks.

Should an RIA/ISI regime be established, care must be taken to ensure that the interests of RIA licence holders are well-served in terms of representation on Council and that the representatives of competing channels are not in a position to make decisions which could negatively impact consumers' access to alternate distribution channels. More specifically, because we are operating in a competitive marketplace, we would request that the administrators of an RIA regime have an Advisory Counsel on which our Association could have representation. This would permit us to clarify and provide input on issues that could affect our members, and would assist FICOM in ensuring that all the nuances of an issues are fully understood before a decision is taken.

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

CAFII believes that insurers already shoulder an appropriate level of responsibility for their exempt sellers and that the current system is working well for most such relationships.

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

CAFII members adhere to the market conduct and consumer protection provisions of the province's FIA, Insurance Act, and PIPA. In addition, the distribution of creditor insurance products is federally regulated in the case of most CAFII members. In that connection, consumers are well-protected through their compliance with the CBA Code of Conduct for Authorized Insurance Activities; and, in the case of all CAFII members, through their adherence to CLHIA Guidelines, including Guideline G7 Creditor's Group Insurance, G9 Direct Marketing, and G5 Travel Insurance.

CAFII members, whether insurers or distributors, have training of employees and others who act on the company's behalf; controls; monitoring; and other processes to ensure that the highest standards of ethical behaviour, fair treatment of consumers, and compliance with regulations—both the letter of the law as well as its spirit.

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

This recommendation appears to make assumptions that we believe are inaccurate. Underwriting refers to determining the risk involved in offering insurance to a potential policyholder, and then determining the premium appropriate to that risk. At the time of offering the insurance and the appropriate premium, there is a trade off between the amount of information gathered, and the simplicity of enrollment. Creditor Group Insurance products attempt to simplify the process by asking limited questions and avoiding where possible taking para-medical samples, and by enrolling the customer as part of a group policy, of which they are then a certificate-holder. At the time of a claim, the responses to the questions asked at time of enrollment need to be verified. This is not "post claims underwriting," but a claim adjudications process that all insurers would apply. Our members do not enroll members who are not eligible to make a claim, and a claim will be paid if the original questions during enrolment were answered truthfully.

The reference to "post claims underwriting" is a myth, perpetuated in some cases by competitors who seek to cast doubts on our products and offerings. It is our view that this recommendation is misguided and the restrictions contemplated unnecessary.

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

The CCIR is currently developing a Fair Treatment of Consumers Guideline, a process in which CAFII and its members are actively engaged. We support a Guideline on the Fair Treatment of Consumers, but consistency across jurisdictions is critically important to the efficiency of the industry. FICOM's proposal to consider aligning with a CCIR Guideline is very much in line with what we consider best practices, and is strongly supported by CAFII.

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

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

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

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

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

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

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

We would support dropping, as least partially, the residency requirement for participation in the ICBC, so as to permit expert advice and input from those who conduct business in B.C., even if the chosen representative is not physically residing in the province.

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

We support allowing consumers to have choice in a competitive marketplace. Choice includes that they have options to purchase insurance through a licensed broker, or to purchase it directly from an insurance company through whatever channel they prefer, depending on their preference. Consumers have much information available to them, including about the products of our members', and it is the consumer's right to decide what channel, level of advice, or method of purchase they prefer. We therefore support the overall thrust of this recommendation, while counselling against the use of the term "and making consumers aware of the importance of obtaining advice" which is a biased statement, favouring one purchase method over others. Consumers differ in their own level of knowledge, and some products may not require advice and can be purchased more cheaply directly and without the involvement of a commissioned agent. It is for the consumer to make that decision without the competitive marketplace being tilted by favouring one channel or method of purchase over another.

Conclusion

Thank you for the opportunity to share CAFII's comments and recommendations in this important legislative review. We look forward to being engaged with the Ministry in next steps on this process. Should you require further information from CAFII or wish to meet with our Association at any time as the review progresses, please contact Keith Martin, our Co-Executive Director, at ketih.martin@cafii.com or 647.460.7725.

Sincerely,

Peter Thorn
Board Secretary and Chair, Executive Operations Committee

About CAFII

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

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

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

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2018 Digital Performance, Awareness and Video

Action	Benefit	Investment
Quarterly Reporting		
Quarterly reporting on website & digital key performance metrics, presented by conference call.	How many people are visiting; how long they stay; what they are looking at; and what your results are in terms of SEO	\$985 (x2) Per Report
Directory Building		
Placement of CAFII business information on 100 Directories.	Search improvement, consumer trust, consumer awareness, access to CAFII.	\$985 One-time
Wikipedia Entry Creation		
Creation and submission of a CAFII Wikipedia entry.	Search improvement, consumer trust, consumer awareness, access to CAFII.	\$1,800 One-time
Membership Badge Creation		
Creation of membership badge and guidelines for member deployment.	Search improvement, consumer trust, consumer awareness, access to CAFII.	\$1,800 One-time
Website - Consumer Examples (16 Insurance products)		
Creation of new format for consumer examples.	Product application awareness, real-life examples of insurance products.	\$2,400 One-time
Website - News & Research		
Redesign of the News & Research section of the website.	Inclusion of research section and improvement to visuals of News posts.	\$1,200 One-time
Website - Home Page		
Incorporation of an image and video slider on the home page.	Allow CAFII to feature research publications and video content on the home page.	\$1,200 One-time
Video Production		
White board: Creation of 30 second whiteboard video. *English & French voice talent included.	Explain products, benefits and consumer application of creditor insurance products.	French & English - \$6,500 Est. both videos
Package Option	Efficiencies in Website Updates & Membership Badge Creation	\$16,665 \$14,780

Video Production (Optional)		
Live Action & Animation: Creation of video introducing CAFII to consumers, for placement on the website and YouTube. *Actor talent investment not included.	Introduce CAFII and Creditor Insurance to consumer leveraging consumer facing positioning and slogan.	French & English - \$8,000 Est. both videos

Manulife joins Canadian Association of Financial Institutions in Insurance

by The IJJ Staff April 16, 2018 © 09:45 a.m.



Wally Thompson

The **Canadian Association of Financial Institutions in Insurance** (CAFI) announced April 16 that **Manulife** has become a member of the association and that **Wally Thompson**, Vice President of Sales and Marketing, Consumer Markets, at Manulife, will be joining the CAFI Board of Directors at its next meeting.

"We are delighted to welcome Manulife as a CAFI member and look forward to benefiting from the insights and contributions of its representatives in helping our Association fulfill its mission," said **Peter McCarthy**, Chair of the CAFI Board.