

CAFII Executive Operations Teleconference Committee Meeting

Date: Tuesday, April 30, 2019
Location: Teleconference Only
Chair: M. Boyle

Time: 2:00 – 3:30 p.m. EST
Dial-in: 416-477-0921 / 1-888-543-2249
Pin #: 1500

Agenda

Item		Presenter	Action	Document
1. Call to Order	2:00 p.m.	M. Boyle		
2. Consent Items	2:02 p.m.			
a. Draft Minutes of March 26, 2019 EOC Meeting				✓
b. Draft Minutes of April 16, 2019 Board Meeting				✓
c. Regulatory Update				✓
d. Consultations/Submissions Timetable				✓
e. CAFII Insurance Regulator and Policy-Maker Meetings During 2019 CLHIA Conference, May 8-10/19, Niagara Falls				✓
f. Proposed June 11 or 12/19 Meeting with FCNB Around RIA Licensing Regime Plans				✓
g. Proposed Dates for Fall 2019 CAFII Western Canada Insurance Regulators and Policy-Makers Visits Tour				✓
3. CAFII Financial Management and Governance Matters	2:05 p.m.			
a. Financial Statements as at March 31, 2019		T. Pergola	Update	✓
b. Revised 2019 Fiscal Year Forecast, Reflecting Loss of Amex Bank of Canada		T. Pergola	Update	✓
c. Timelines and Processes for CAFII 2019 Annual Meeting of Members		B. Wycks	Update	
d. Board-Requested Stikeman Elliott Review of CAFII Meeting Processes and Minutes, For Competition Act Compliance and Privilege Protection		B. Wycks/K. Martin	Update	
e. Update on June 4, 2019 CAFII Board Meeting and Reception, including Speaker		B. Wycks/K. Martin	Update	
f. Need For Meeting Space For September 24/19, November 19/19 EOC Meetings		N. Hill/B. Wycks		
4. Recent and Upcoming CAFII Regulatory and Strategic Initiatives	2:20 p.m.			
a. CAFII/Industry Next Steps Response On AMF Spousal Coverage Issue		B. Wycks/K. Martin	Discussion	✓ (6)
b. April 17/19 CAFII Meeting With AMF On Regulation Respecting Alternative Distribution Methods; and Next Steps		K. Martin/B. Wycks	Discussion	✓
c. March 27/19 CAFII Meeting with CCIR/CISRO Fair Treatment of Consumers Working Group; and Approach to June 2019 Follow-up Meeting		B. Wycks/K. Martin	Discussion	✓
d. Next Steps in Pursuit of CAFII “Creditor Insurance and Education Dialogue Meeting” with Richard Bilodeau, Acting Deputy Commissioner, FCAC		K. Martin/B. Wycks	Update	
e. FCNB Informal Consultation on Licensing Exemptions		B. Wycks/ K. Martin	Update	✓
f. BC Consultation on Self-Funding for New “Financial Services Authority” Crown Corporation		B. Wycks	Update	✓
g. Outcomes of April 16/19 CAFII Board Meeting Related To CCBPI Special Project; and Next Steps		K. Martin/B. Wycks	Update	
h. Presentation of Pollara Consumer Research Results on Mortgages/HELOCs to CCIR/CISRO		K. Martin/B. Wycks	Update	✓
i. Possible Public/Media Results Release of Pollara Consumer Research on Mortgages/HELOCs (following presentation to CCIR/CISRO and assessment of Regulators’ reaction)		K. Martin	Update	✓
j. CAFII 2019 Research Update		K. Martin	Update	
k. CAFII Initiation Member and Associate Prospects			Update	
l. Concern Related To Clause 5-79(2) in New Saskatchewan Insurance Act Re Limitation On RIA Licensees		B. Wycks	Update	✓
5. Other Business	3:20 p.m.			
6. Tracking Issues				
a. BC 10-Year Review of Financial Institutions Act				
b. FCNB Insurance Act Rewrite; and Linked Plan To Introduce An RIA Regime				
c. AMF Consultation on Updating Sound Commercial Practices Guideline				
d. Alberta Government Plans to Create a Single Financial Services Regulator				
e. FCAC: Phase 2 of Domestic Bank Retail Sales Practices Review				
f. Start-Up of Financial Services Regulatory of Ontario (FSRA)				

Next EOC Meeting: Tuesday, May 28/19, 2:00 – 4:30 p.m., Location: BMO Insurance, 60 Yonge St., 6th floor Boardroom, Toronto

Next Board Meeting: Tuesday, June 4/19, 3:00 -- 6:00 p.m., Location: Manulife Financial, 250 Bloor St. East, Toronto

CAFII Executive Operations Committee
Tuesday, March 26, 2019
BMO Insurance
6th Floor Boardroom, 60 Yonge St. Toronto ON
MINUTES

EOC Present: Martin Boyle, BMO Insurance *Chair*
John Lewsen, BMO Insurance
Rob Dobbins, Assurant
Charles Blaquiere, Canadian Premier Life *(by teleconference)*
Tony Pergola, Scotialife Financial *Treasurer (by teleconference)*
Monika Spudas, Manulife Financial
Moirra Gill, TD Insurance *(by teleconference)*
Michele Jenneau National Bank Insurance *(by teleconference)*
Scott Kirby, TD Insurance
Anita Mukherjee, RBC Insurance
Joanna Onia, CIBC Insurance
Brad Kuiper, Scotialife Financial
Peter Thorn, TD Insurance *(by teleconference)*

Also Present: Keith Martin, CAFII *Co-Executive Director*
Brendan Wycks, CAFII *Co-Executive Director*
Nicole Cork, Managing Matters *Recording Secretary*

Regrets: Diane Quigley, CUMIS Group Inc.
Dallas Ewen, Canada Life Assurance
Vivek Sahni, RBC Insurance
Anita Mukherjee, RBC Insurance
Mindy Tarantelli, Scotialife Financial
Nina Desai, Manulife Insurance
Jérôme Savard, Desjardins Financial Security
Nicolas Moskiou, National Bank Canada
Karyn Kasperski, RBC Insurance
Sharon Apt, Canada Life Assurance
Dana Easthope, Canadian Premier Life
Isabelle Choquette, Desjardins
Anuraj Bains, CIBC Insurance
Shawna Sykes, The Co-operators
Dominique Julien, CIBC Insurance
Charles MacLean, RBC Insurance

1. Call to Order

The meeting was called to order at 2:09 p.m.; M. Boyle acted as Chair; N. Cork acted as Recording Secretary. M. Boyle welcomed new EOC members Joanna Onia of CIBC and Afzal Baig of TD Insurance.

2. Consent Items

The following Consent Items were received for the record, without discussion:

2. a. Consultations/Submissions Timetable

2. b. Summary of Board and EOC Action Items

2. c. April 3/19 CCIR Q&A Session/Webinar on Year 3 Changes to Annual Statement on Market Conduct

It was mentioned that the organizer of the CCIR webinar, Adrienne Warner, had asked if anyone had any questions that should be addressed in this webinar. Anyone who would like a specific issue to be addressed should pass these along to B. Wycks so he can share them with her.

2.d. Meeting Notes of February 26/19 EOC Teleconference Meeting

3. Approval of Agenda and Previous Minutes

3.a. Agenda for March 26/19 EOC Meeting

The agenda for this March 26/19 meeting was approved as circulated.

3.b. Minutes of January 15/19 EOC Meeting

The Minutes of January 15/19 EOC Meeting were approved as presented

3.c. Minutes of November 20/18 EOC Meeting

The Minutes of the November 20/18 EOC Meeting were approved as presented.

3.d. Minutes of March 1/19 CAFII Special Purpose Board Meeting

The Minutes of the March 1/19 CAFII Special Purpose Board Meeting were endorsed, for presentation to the Board at its next meeting on April 16/19.

4. Strategy and Governance

4.a. CAFII Special Project on CCBPI

4.a.i Next Steps with selected Law Firm Stikeman Elliot

4.a.ii. RFP Process for Business Consulting Firms

K. Martin updated the EOC on the Special Project. The first step in the process was the selection of a law firm which would ensure compliance with the Competition Act, and maximize the protection of client-solicitor privilege. Two law firms were shortlisted, Stikeman Elliott (Stuart Carruthers, lead) and Torys (Jill McCutcheon, lead). Upon further investigation and discussion, Stikeman Elliott was chosen as the law firm for the Special Project.

Invoices for the shared costs of engaging the law firm have been sent to members, based on a funding formula that was approved by the Board. However, Stikeman Elliott will only invoice CAFII at the end of the engagement. An engagement letter has also been signed between Stikeman Elliott and CAFII. Stikeman Elliott has also circulated documents related to the protection of privilege, including a Common Interest Privilege and Joint Defense Agreement, which is currently being reviewed by members' internal legal counsel.

The next step in the process is the selection of a business consultancy firm to do the research, benchmarking, and strategy components of the project. An RFP has been circulated and responses are due by Thursday, 28 March, 2019. The full project RFP was circulated to accounting firms with a strategy department, as well as to full-service strategy firms. Two actuarial firms were also invited to bid on the benchmarking component.

Next Monday, 1 April, 2019 there will be a full-day set of presentations with the bidding firms and CAFII. It was also mentioned that the final report will be submitted to Stikeman Elliott to protect privilege, but the law firm had no concerns with the RFP and RFP submissions being managed by CAFII. Stikeman Elliott lawyers will be present during the 1 April, 2019 business consultancy presentations. When the business consultancy firm (or firms) is chosen, a second round of member funding will be required.

The winning business consultancy firm will be given eight (8) weeks to complete the research, benchmarking, and strategy project, and a special purpose CAFII Board meeting will be called when the project is complete, at which the results will be presented.

4.b. CAFII Submission to FCAC on Draft Online/Web Consumer Education Materials

The FCAC invited CAFII to comment on content that FCAC proposed to educate consumers on credit protection insurance and balance protection insurance. The original content was one-sided and biased, and CAFII made a series of detailed changes in its submission to the FCAC on this content. The revised version is still one-sided, but it is much less so than before and significant progress has been made in terms of the content that will be posted.

4.c. Proposal That CAFII Pursue a “Creditor Insurance Education and Dialogue Meeting” with Richard Bilodeau, Acting Deputy Commissioner, FCAC

It was observed that the meeting in September with FCAC Deputy Commissioner Brigitte Goulard was a positive development that produced useful two-way dialogue. Ms. Goulard has since left the FCAC to join Torys LLP, and it appears that Richard Bilodeau has stepped into her role. It was suggested that a follow-up meeting with him be organized, to continue the dialogue with the FCAC and to educate Mr. Bilodeau about CAFII members’ products.

It was mentioned that the Pollara research on credit protection insurance could form a good basis for the discussion. Developing a relationship would also provide an avenue for ongoing discussion and for FCAC to reach out to CAFII if it had any questions or concerns related to credit protection insurance. Ideally, such a meeting could take place at the offices of the FCAC in Ottawa.

4.d. EOC Feedback on February 18-22/19 Visit of Helen Troup, Executive General Manager, Comminsure, Australia, to CAFII and Member Companies

The EOC feedback on the visit by Helen Troup was uniformly positive, with both the full CAFII meeting as well as the individual member meetings being viewed as very insightful and useful. However, it was not felt that such a visit from a guest needed to occur every year, as the value of Ms. Troup very much emanated from her personality and communication skills. Rather, the feedback was that this might be worth doing again, but that should occur on an ad hoc, opportunistic basis.

4.e. Strategy Around March 27/19 CAFII Meeting with CCIR/CISRO Fair Treatment of Consumers Working Group

There was a review of the strategy being proposed for CAFII’s 27 March, 2019 meeting with the CCIR/CISRO Fair Treatment of Consumers Working Group.

It was agreed that Helen Troup's visit might be mentioned to the Working Group at a future date, but tomorrow's meeting was not the right time to do so. An effort will be made at tomorrow's meeting to keep the discussion high level and attempt to avoid getting into individual members' action plans.

4.f. CAFII Membership Status of Amex Bank of Canada

There has been a management restructuring at AMEX Bank Canada and, as a result, CAFII needs to re-establish relationships with key decision-makers. B. Wycks and K. Martin had a short, late February teleconference meeting with Joe Ryan, the recently appointed Vice-President responsible for making a decision about maintaining membership in CAFII. It was clear that the value of CAFII membership is not well-understood by AMEX. It was agreed that CAFII would send a note with the benefits of membership to AMEX shortly. However, CAFII Co-Executive Directors B. Wycks and K. Martin both communicated to the EOC that the membership of AMEX was tenuous and at risk.

5. CAFII Financial Management

5. a. Financial Statements as at February 28/19

A financial update was provided by CAFII Treasurer Tony Pergola. The budget is tracking as expected and any deviations from expectations are largely due to timing issues. CAFII is still on track to have a financial reserves ratio of 22% of annual operating expenses at the end of the 2019 fiscal year, which while lower than our preferred minimum of 25% is still in line with our expectations.

5. b. Draft CAFII 2018 Audited Financial Statements

KPMG's audit of CAFII's 2018 financial statements has been completed and it was a clean audit, with no significant issues or concerns identified.

6. Regulatory

6. a. Regulatory Update

6.a.i CAFII Submission to AMF on Other than Debtors/Spousal Coverage Issue

The AMF has been challenging to deal with on the issue of spousal balance protection insurance. A submission has been developed and circulated for feedback, and after feedback is received will be submitted to the AMF to meet the stated March 29/19 deadline.

6.a.ii Next Steps Arising From AMF's Regulation Respecting Alternative Distribution Methods

It was noted that submissions to the AMF on its Regulation Respecting Alternative Distribution Methods (RADM) were made on December 10/18, nearly four months ago. No final version of the Regulation has been circulated, and the Regulation is supposed to be in-force on 13 June, 2019. CAFII did request a one-year implementation timeline, but no response to that request has been received. At tomorrow's CAFII meeting with the CCIR/CISRO Fair Treatment of Consumers Working Group, which is chaired by the AMF's Louise Gauthier, timelines for next steps on the RADM will be queried privately.

6.a.iii Communication to Insureds Arising From Manitoba Change in PST Rate

Some CAFII members have questions about the impact of the decision by the Government of Manitoba to reduce the PST rate by 1% on periodic insurance premium payments. These questions have been sent to the Manitoba Ministry of Finance and CAFII is waiting for a response.

6.b. Regulator and Policy-Maker Visit Plan

6.b.i. Proposed Change In Timing For 2019 CAFII Western Canada Insurance Regulators and Policy-Makers Visits Tour

CAFII's Strategic Plan calls for visits with regulators in their own jurisdictions no less than once every 18 months, and that means that a Western tour (B.C., Alberta, Manitoba, and Saskatchewan) should take place this Spring. However, the Special Project is just underway and the output from it might provide valuable material to speak to with regulators, and might permit a proactive, positive discussion as opposed to one that is defensive. Furthermore, many of the regulators we would meet will be at the 8-10 May, 2019 CLHIA Conference in Niagara Falls. For those reasons, it was proposed and the EOC supported a delay in the Western regulators and policy-makers visit to the Fall of 2019.

6.b.ii. CAFII Insurance Regulator and Policy-Maker Liaison Meetings During 2019 CLHIA Compliance and Consumer Complaints Conference, May 8-10/19, Niagara Falls

Feedback was shared by some EOC members that there were too many meetings CAFII meetings with insurance regulators and policy-makers during the 2018 CLHIA Conference in Calgary, making it difficult to balance those meetings with the conference sessions. It was suggested that perhaps a lunch on the Friday afternoon with multiple regulators might be a better approach, although it was noted that many regulators might no longer be around by then. B. Wycks will review the approach to regulator and policy-maker meetings during the 2019 CLHIA Conference.

6.b.iii. FCNB 2019 "Consumer Protection Conference," June 11/19, Fredericton

FCNB is holding a one-day consumer protection conference in Fredericton on Tuesday, June 11, 2019 which will be a good opportunity to have side-bar discussions on a variety of New Brunswick regulatory developments. B. Wycks and K. Martin are planning on attending on behalf of CAFII.

7. Committee Updates

7. a. Research & Education

7.a.i Public/Media Results Release of Pollara Consumer Research on Mortgages/HELOCs, including Webinar for CCIR/CISRO

The recommendation of the EOC, the Research & Education Committee, and the Media Advocacy Committee, was to publicly release an executive summary on and press release about the Pollara consumer research on mortgage and HELOC credit protection insurance. The Board agreed with this approach in principle, but there have been some subsequent reservations expressed about the timing, with concerns that some regulators may view the public release of this research as provocative.

Amendments to the press release have therefore been made, and this will be discussed at the 16 April, 2019 Board meeting. It was also noted that Pollara has advised that although the research was completed in the Fall of 2018, and the report was completed in January 2019, it was not uncommon for organizations to want to study research results before publicly releasing them; and, as such, releasing the research in the early summer period of 2019 would still be credible and legitimate.

7.a.ii CAFII Research Priorities, 2019

The Research & Education Committee is aware that it has not yet provided recommendations on 2019 research priorities. There are two reasons for this. First, a final decision on the public release of the Pollara consumer research has not been made, and that decision is necessary before committing to further research; if the Board does not have an appetite for releasing research publicly at this time, perhaps further investments in research should be delayed. Second, the Special Project includes a significant amount of research, and if that occurs it may not be possible or desirable to spend the \$60,000 budgeted for research in 2019. After there is more clarity on these two points, the R&E Committee will make a recommendation, but it may be the case that it is recommended that the 2019 research budget not be spent at this time.

7.b. Market Conduct

7.c. Media Advocacy

7.c.i. New CAFII Website Video On Travel Medical Insurance Research Results

7.c.ii. CAFII Website Enhancements, 2019

A new video has been published on the CAFII website on the results of the Pollara Travel Medical insurance consumer research results. Feedback has been very positive. K. Martin will be attending the CLHIA Travel Medical Committee meeting tomorrow and will update that committee on the video.

Now that the video is published, we can move forward on the 2019 website investments. C. Blaquiere and K. Martin updated the EOC on those investments, which include new videos, bi-annual reporting, and additional visually-pleasing vignettes on CAFII products. The EOC was supportive of the direction being taken to continue to enhance the CAFII website.

7.d. Licensing Efficiency Issues, including

7.d.i. Saskatchewan Restricted Insurance Agent Advisory Committee

Among the Licensing Committee priorities will be the launch of a Saskatchewan Restricted Insurance Agent (RIA) Advisory Committee with the Insurance Councils of Saskatchewan; and discussion with New Brunswick on the development of an RIA regime.

7.e. Travel Medical Experts

The Travel Medical Experts Working Group is engaged with CLHIA on how best to respond to the data requests from the CCIR Working Group on Travel Medical Insurance.

7.f. Networking & Events

7.f.i. EOC Feedback on 2019 CAFII Annual Members' Luncheon

The EOC provided positive feedback on the 2019 CAFII Annual Members' Luncheon, including the three-lawyer panel format used this year. It was suggested that a similar-type approach could be used in alternating years at future CAFII Annual Members' Luncheons.

7.f.ii. Speaker for April 16/19 CAFII Reception

A data analytics expert has agreed to be the speaker at the April 16, 2019 reception. His name is Vikram Kamath, and he is the Director of LIMRA's Center of Excellence for Analytics.

7.f.iii. Speaker For June 4/19 CAFII Reception

Various possible speakers are being explored for the 4 June, 2019 Reception. One topic that is being looked at is the impact of climate change on health and life insurance. While typically climate change is discussed in connection with property damage (floods, fires, hurricanes), there is increasing attention being paid to its impact on mortality and morbidity.

8. Other Business

8.a. Proposal That Duration of CAFII EOC Teleconference-Only Meetings Be Extended To 90 Minutes, To Be Used Only If Necessary

It was noted that in alternating months, the EOC meeting is currently slated to be a one hour-long teleconference-only meeting. As of late, 60 minutes has not been long enough for some of these meetings, so it was agreed that on a go-forward basis, EOC teleconference-only meetings would be scheduled for 90 minutes, but the additional 30 minutes would only be used if necessary.

8.b. Feedback On Powerpoint Template Used To Highlight Agenda Items and Related Documents

At this EOC meeting, the Zoom webinar portion included a powerpoint template that allowed not-in-person participants to follow along more easily. EOC members, both those attending via the Zoom link and those present in-person, provided very positive feedback on that innovation and asked that it be continued for future EOC in-person meetings.

9. Termination

There being no further business, the meeting was terminated at 4:18pm.

BOARD MEETING
CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE
Tuesday, April 16, 2019
The National Club, Blake Lounge, 3rd Floor, 303 Bay St.,
Toronto, Ontario

MINUTES

Directors Present:	Nicole Benson	Canadian Premier Life <i>Chair</i>
	Christian Dufour	Desjardins Financial Security
	David Fear	Canadian Life Assurance
	Peter Thompson	National Bank Insurance
	Chris Lobbezoo	RBC Insurance
	Peter McCarthy	BMO Insurance
	Chris Knight	TD Insurance (outgoing Director)
	Janice Farrell Jones	TD Insurance (incoming Director)
	Paul Cosgrove	Assurant
	Kelly Tryon	CUMIS Services Incorporated
	Sandra Rondzik	CIBC Insurance
	Zack Fuerstenberg	ScotiaLife Financial
	Wally Thompson	Manulife Financial (<i>by teleconference</i>)
EOC Members Present:	Martin Boyle	BMO Insurance
	Charles Blaquiére	Canadian Premier Life
	Scott Kirby	TD Insurance
	Bradley Kuiper	ScotiaLife Financial
	John Lewsen	BMO Insurance
	Tony Pergola	ScotiaLife Financial
	Dallas Ewen	Canada Life Assurance
	Sharon Apt	Canada Life Assurance
	Rob Dobbins	Assurant
	Anita Mukherjee	RBC Insurance (<i>by teleconference</i>)
	Vivek Sahni	RBC Insurance
	Mindy Tarantelli	ScotiaLife Financial
	Peter Thorn	TD Insurance
	Afzal Baig	TD Insurance
	Joanna Onia	CIBC Insurance
	Charles MacLean	RBC Insurance
	Karyn Kasperski	RBC (<i>Teleconference</i>)
	Laura Bedford	RBC Insurance
	Moir Gill	TD Insurance
Also Present:	Gillian Noble	BMO Insurance
	Aaron Kreaden	Stikeman Elliot (<i>for part</i>)
	Chris Lofft	Stikeman Elliot (<i>for part</i>)
	Stuart Carruthers	Stikeman Elliot (<i>for part</i>)

Mike Kilby	Stikeman Elliot (<i>for part</i>)
Gillian Noble	BMO Insurance
Mike Garofalo	KPMG
Keith Martin	CAFII <i>Co-Executive Director</i>
Brendan Wycks	CAFII <i>Co-Executive Director</i>
Natalie Hill	Managing Matters Inc. <i>Recording Secretary</i>

1: Call to Order, Meeting Confirmation, & Governance Matters

N. Benson, Chair, called the meeting to order at 3:03 p.m. N. Benson acted as Chair; M. Boyle acted as Secretary; and N. Hill acted as Recording Secretary.

M. Boyle confirmed that Notice of the meeting had been sent to all Directors in accordance with the Association's By-Laws. He also confirmed that there was a quorum of Directors present at the meeting, noting that 11 Directors were present in-person; and one Director was present on the phone.

N. Benson welcomed everyone to this meeting of the CAFII Board of Directors, and extended a special welcome to first time attendees; legal counsel representatives Stuart Carruthers, Aaron Kreaden, Chrif Lofft, and Mike Kilby from Stikeman Elliott; Peter Thompson, new CAFII Director from National Bank Insurance, who was appointed by a Special Resolution of the Board in January and was attending his first Board meeting; and Janice Farrell-Jones, whose appointment as the CAFII Director from TD Insurance, succeeding Chris Knight, was an item in the opening section of the agenda.

A special welcome was also extended to several new Executive Operations Committee members who had joined that committee since the Board's last meeting:

- Michele Jenneau from National Bank Insurance;
- Nicolas Moskiou from National Bank Insurance;
- Karyn Kasperski from RBC Insurance;
- Joanna Onia from CIBC Insurance; and
- Afzal Baig from TD Insurance, who is also the new Chair of the CAFII Travel Medical Insurance Experts Working Group.

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

1.1: Approval of Agenda

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that the meeting Agenda be and is approved as presented.

1.2: Appointment of a CAFII Director

N. Benson noted that in early March, CAFII was advised that Chris Knight, the current CAFII Director from TD Insurance, would be assuming a new senior executive role at TD Bank; and that, given that he would be handing off the leadership reins at TD Insurance to a successor, he would be resigning from the CAFII Board of Directors, effective with this meeting.

In accordance with Article 4.2 of the CAFII Bylaw, the fixed number of Directors shall be equal the number of Members of the Association.

As a Foundation Member of the Association, TD Insurance had recommended that Janice Farrell-Jones, the new Head of its Life & Health Insurance Business, be appointed to the CAFII Board of Directors until the next Annual Meeting in 2019. A capsule CV for Janice was included in the materials for this meeting.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that Janice Farrell-Jones be appointed as the Director representing TD Insurance on the CAFII Board of Directors, effective April 16, 2019 until the next Annual Meeting on June 4, 2019.

N. Benson congratulated Janice Farrell-Jones on her appointment as the CAFII Director from TD Insurance; and expressed thanks to Chris Knight on behalf of the Board for his many years of exemplary service as the Director from TD Insurance.

1.3: Loss of Amex Bank of Canada as a CAFII Member

N. Benson noted that Directors would be aware, from an advisory notice that was circulated by Co-Executive Director B. Wycks the previous week, that Amex Bank of Canada had decided to terminate its CAFII membership, effective immediately. A document related to this development was also posted as part of the materials for this meeting.

1.4: Next Steps for the Special Project on Credit Card Balance Protection Insurance (CCBPI) 3:10 p.m.

1.4(i): Common Interest Privilege and Joint Defence Agreement

N. Benson mentioned that Directors would be aware, from an advisory notice circulated by Co-Executive Director K. Martin on April 12/19, that three Members of the Association had recently expressed serious concerns and reservations about proceeding further with the CAFII Special Project on Credit Card Balance Protection Insurance, such that the next steps for the Special Project were now in doubt.

At Ms. Benson's invitation, Stuart Carruthers from Stikeman Elliott began the discussion of Special Project-related matters by introducing his colleagues more fully and identifying their areas of legal expertise and roles within Stikeman Elliott.

Mr. Carruthers addressed issues around this initiative, including the use of a Common Interest Privilege and Joint Defense Agreement to maximize confidentiality and client-solicitor privilege.

Mr. Carruthers explained that some outputs from the Special Project, such as benchmarking and data collection, were not privileged and likely could not be protected, but that was true currently in any event.

1.4(ii): Recommendations Arising from Presentations Meeting with Business Consultant RFP Respondents

K. Martin updated the Board on the recommendations coming out of the 1 April, 2019 full-day set of presentations by business consultancy firms who made submissions in response to a related RFP for the Special Project. It was recommended that PwC be awarded the contract for the overall project, with Towers Watson recommended as the firm to conduct the benchmarking component.

1.4(iii): CCBPI Special Project Funding Issues

K. Martin updated the Board on CCBPI Special Project Funding Issues. He noted that if the Special Project moved forward, a second round of funding would be required.

1.4(iv): Next Steps in the CCBPI Special Project

N. Benson noted that a conclusive discussion on the next steps for the Special Project was critical, as it would determine whether or not the project would proceed, and if so in what form.

In Board discussion, Directors raised a variety of issues.

C. Lobbezoo indicated that RBC Insurance had concerns with proceeding further, with the introduction of much risk in return for only limited benefits being the principal concern.

S. Rondzik of CIBC Insurance felt that the value of the outputs needed to be clearer.

K. Martin noted that a consensus had emerged that the Special Project should not include strategic recommendations, just a list of strategic options, but P. McCarthy of BMO Insurance said that a regulator might not make a distinction between a recommendation and an option.

Z. Fuerstenberg of ScotiaLife Financial felt that perhaps the project, as currently constituted, tried to do too much; and perhaps if it was scaled back, it could move forward.

P. Cosgrove of Assurant felt that there were issues around protecting solicitor-client privilege raised by the Special Project.

It was agreed that further discussion about the Special Project would occur during the Board's in camera session at the conclusion of today's meeting, at which point the representatives from Stikeman Elliott were excused from the meeting.

Following the departure of the Stikeman Elliott representatives, and in a separate but related discussion, C. Lobbezoo opined that CAFII Board meetings were increasingly delving into areas of heightened sensitivity and it was important to ensure that proper procedures were being taken, including for Board meeting minutes.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that CAFII engage legal counsel to conduct a review, with the Co-Executive Directors, on proper Board and committee meeting procedures and minuting; and that upon its completion, a report on the findings of that review be tabled with the Board.

1.5: Deployment of Credit Protection Insurance Research Results

K. Martin reported that the EOC, the Research & Education Committee, and the Media Advocacy Committee had previously recommended to the Board that an executive summary of the results of the Pollara Consumer Research on Credit Protection Insurance be publicly released, along with a press release, and also shared with regulators. However, more recently, some Board members had expressed concerns about publicly releasing the results. At a time of increasing regulatory scrutiny, might this be viewed as the industry not listening, and potentially provoke regulators?, the concerned Directors had opined.

K. Martin mentioned that at the March 27/19 CAFII meeting with the CCIR/CISRO Fair Treatment of Consumers Working Group, Working Group Chair Louise Gauthier of the AMF had said that a good way to demonstrate a commitment to the fair treatment of customers was to conduct surveys of customers.

P. McCarthy said that the regulators had made that point in the past for many years, and that the research conducted by CAFII on consumer views of travel medical insurance had shifted the views of regulators.

S. Rondzik felt that if the research is released, great care has to be taken to ensure that the press release is very tight.

There was agreement by the Board that prior to releasing the results publicly, they should be shared with regulators through a meeting with CCIR/CISRO, to gauge the reaction and views of regulators on the new research. After that occurs, and depending on how regulators react, consideration could be given to a public release of the results including a press release.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that the CAFII Co-Executive Director seek to arrange an opportunity to share an executive summary of the results of the Pollara consumer research on Credit Protection Insurance with insurance regulators, through CCIR/CISRO; and then share the results of that presentation with the CAFII Board at its 4 June, 2019 meeting.

2: Approval/Receipt of Consent Items

N. Benson advised that documents had been provided for each of seven (7) consent agenda items.

On a motion duly made, seconded and unanimously carried

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

And further, it is **RESOLVED** that the minutes of the Meeting of the Board of Directors held November 27, 2018; the minutes of the Special Teleconference Meeting of the Board of Directors held December 10, 2018; and the minutes of the Special Teleconference Meeting of the Board of Directors held March 1, 2019 be and are adopted in the form presented, and that a copy of those minutes be signed and placed in the minute book of the Corporation.

3: Financial Matters

3.1: CAFII Financial Statements as at March 31, 2019

Treasurer T. Pergola provided a high level overview of the March 31/19 financial statements, noting that the Association's finances were tracking as expected to this point in the fiscal year.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that the March 31, 2019 financial statements be and are approved in the form presented.

3.2: Revised 2019 Budget Forecast, Reflecting Loss of Amex Bank of Canada

Treasurer T. Pergola updated the Board on the Revised 2019 Budget Forecast, which was included in the meeting materials and had been prepared to reflect the loss of Amex Bank of Canada as a Member of the Association; and to identify management control actions on the expenses side of the ledger which can be taken to offset the loss of approximately \$38,000 in membership revenue.

Mr. Pergola noted that the 2019 CAFII budget includes a \$60,000 expense for research. The EOC has discussed the research budget, noting that we have not yet released the 2018 Pollara consumer research study on credit protection insurance, and we may conduct research in 2019 in relation to the Special Project.

For these reasons, and in light of the need to find expense reductions to offset the revenue loss from AMEX Bank of Canada's decision to leave as a member, it was recommended that the 2018 research budget be reduced by \$55,000 to \$5,000.

By general assent, the Board endorsed that recommendation.

3.3: Draft 2018 Audited Financial Statements

N. Benson noted that the 2018 Audited Financial Statements must be approved by the Board prior to being presented to the membership at the Association's 2019 Annual Meeting which is coming up on June 4/19.

Mike Garafalo from KPMG, CAFII's auditor, highlighted for the Board the Draft CAFII 2018 Audited Financial Statements, noting that there were no significant issues found and this was a clean audit. Mr. Garafalo also formally communicated that KPMG is an independent auditor.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that the Draft 2018 CAFII Audited Financial Statements be and are approved in the form presented.

4: Regulatory Matters

4.1: EOC Recommendation That CAFII Pursue a Liaison and Education Meeting with Richard Bilodeau, Acting Deputy Commissioner, FCAC

N. Benson noted that the Executive Operations Committee had recommended that CAFII pursue a liaison and education meeting with Richard Bilodeau, Acting Deputy Commissioner of the FCAC.

B. Wycks mentioned that coming out of the September 17/18 CAFII Special Purpose Board meeting with then-FCAC Deputy Commissioner Brigitte Goulard, it was felt that CAFII should proactively cultivate a relationship with the FCAC.

M. Gill indicated that having a more frequent contact relationship with the FCAC would allow for a more positive dialogue, and that approach had been successfully used with the FCAC in the past.

By way of general assent, the Board endorsed the EOC's recommendation that a meeting with Richard Bilodeau, Acting Deputy Commissioner of the FCAC, be organized, with the Pollara consumer research results being a possible key item to be shared with him and FCAC colleagues.

4.2: CAFII Dialogue with CCIR/CISRO Re Fair Treatment of Customers Guidance

B. Wycks updated the Board on a March 27/19 CAFII meeting with the CCIR/CISRO Fair Treatment of Consumers Working Group. The meeting was positive with excellent two-way dialogue. There will continue to be quarterly meetings around the industry's implementation of the CCIR/CISRO FTC Guidance, for the foreseeable future.

4.3: AMF Regulation Respecting Alternative Distribution Methods; and Next Steps

K. Martin noted that the AMF's Regulation Respecting Alternative Distribution Methods is supposed to be in-force as of 13 June, 2019, but the final version of the Regulation has not yet been released. CAFII asked Louise Gauthier about this following its March 27/19 meeting with the CCIR/CISRO Fair Treatment of Consumers Working Group, which she chairs, and Ms. Gauthier said that the AMF would be reaching out to CAFII soon to set up a meeting. That AMF outreach had now occurred, with a meeting set up in Montreal for tomorrow, 17 April, 2019.

4.4: AMF Spousal Coverage Issue; and Next Steps

B. Wycks updated the Board on the AMF Spousal Coverage issue. CAFII is continuing to engage with the AMF on this issue, with a May 3/19 deadline for affected Members to submit detailed action plans to the AMF fast approaching. However, to date the AMF has not appeared to be open to the strategies and solutions which CAFII and CLHIA have proposed to address the regulator's concerns.

B. Wycks shared his view that the AMF was under great pressure from the advisor channel around Quebec's opening up and facilitating of direct-to-consumer insurance sales through the Regulation on Alternative Distribution Methods; and an arbitrary clampdown on sales of creditor's group insurance spousal coverage under the Distribution Without a Representative regime was perhaps a way to make a modest offsetting concession to the advisor channel. P. McCarthy shared the view that the AMF was under tremendous pressure and that might explain its reluctance to move off of what seemed a very capricious new interpretation of Section 76 of the province's Regulation Respecting Insurance, on the spousal coverage issue. C. Dufour noted his belief that the AMF wanted to eliminate the offering of creditor's group insurance spousal coverage entirely; and they were therefore holding fast to a very strict and narrow interpretation on this issue.

4.5: FSRA Start-Up as Successor Regulator to FSCO in Ontario

B. Wycks updated the Board on the current status of the Financial Services Regulatory Authority of Ontario, and its taking up the role of successor regulator to FSCO.

Through the Industry Advisory Group – Life and Health Insurance consultation sessions with FSRA’s management and Board of Directors, CAFII had had an opportunity to meet many members of FSRA’s recently hired senior staff executives team. CAFII was generally impressed with the calibre and knowledge of those individuals, although there was a concern about the lack of specific life and health insurance knowledge and expertise among that senior executives group.

K. Martin noted that FSRA President and CEO Mark White, as well as Anatol Monid of FSCO, would be in attendance at this evening’s CAFII Reception.

4.6: BC Ministry of Finance: 10-Year Review of Financial Institutions Act

B. Wycks updated the Board on the current status of the BC Ministry of Finance’s 10-Year Review of the Financial Institutions Act. On April 4/19, he had circulated a CAFII Alert about the BC government’s moving forward on its previously stated intention to transform FICOM into an independent Crown Agency. Subsequently, CAFII had been informed by Harry James of BC FICOM that, as a Crown Agency, the new authority, BC Financial Services Authority, would need to be self-funded through contributions from industry; and that consultations with industry on the funding formula would begin shortly.

4.7: Saskatchewan Implementation of New Insurance Act and Regulations on January 1, 2020

B. Wycks provided an update on Saskatchewan’s implementation of its new Insurance Act and related Regulations, which will have an in-force date of January 1, 2020. Saskatchewan has posted modifications to the original regulations, which address many industry concerns including removing the need for a physical address in Saskatchewan to be displayed in documentation to customers, as well as longer transition periods for implementation of the regulations, and additional guidance, he advised.

4.8: Insurance Councils of Saskatchewan Launch of RIA Advisory Committee

B. Wycks updated the Board on the Insurance Councils of Saskatchewan’s plans to launch a Restricted Insurance Agent Advisory Committee in that province. Despite the delay in the implementation of Saskatchewan’s new Insurance Act and Regulations, Ron Fullan and April Stadnek of the Insurance Councils of Saskatchewan have assured CAFII that the implementation of the new Advisory Committee will not be unduly delayed; and it is expected that the Advisory Committee will be launched within the next few months.

4.9: Manitoba: July 1/19 Reduction in PST Rate and Impact on Periodic Life and Health Insurance Premiums

B. Wycks updated the Board on CAFII’s recent correspondence and interaction with Manitoba’s Ministry of Finance with respect to its reduction in the rate of Provincial Sales Tax, effective July 1, 2019, and the impact of that change upon periodic life and health insurance premiums. CAFII submitted questions about communications with consumer insureds and about precise implementation timing details to the Manitoba Ministry of Finance; responses were recently received and they’ve been shared with CAFII members.

4.10: New Brunswick Insurance Act Rewrite

- (i) Introduction of RIA Licensing Regime**
- (ii) Consultation on Licensing Exemptions**

B. Wycks updated the Board on the New Brunswick Financial and Consumer Services Commission’s plans to undertake a rewrite of its Insurance Act; to introduce an RIA licensing regime in that province; and its recent undertaking of an informal consultation on licensing exemptions.

4.11: CAFII Regulator and Policy-Maker Meetings during 2019 CLHIA Conference

B. Wycks updated the Board on plans to arrange liaison meetings with insurance regulators and policy-makers during the upcoming 2019 CLHIA Compliance and Consumer Complaints Conference, which is being held from May 8 to 10 in Niagara Falls.

CAFII has always attempted to arrange meetings with regulators and policy-makers during the CLHIA Conference, but our Association may hold fewer meetings during this year's Conference than in the past or attempt to have meetings with multiple regulators at the same time, in an effort to streamline the meetings and reduce the time pressures upon CAFII members attending the Conference.

4.12: CAFII Western Canada Regulators and Policy-Makers Visits Tour: Deferral to Fall 2019 Recommended

K. Martin updated the Board on plans for a CAFII visits tour this year to insurance regulators and policy-makers in Western Canada; and he outlined why a deferral to the Fall was being recommended.

Mr. Martin noted that the Board-approved CAFII Strategic Plan included a mandate for CAFII to organize meetings with regulators on their own turf no less than every 18 months. The Spring of 2019 was the time originally targeted to go back to Western Canada. However, with the increased scrutiny by regulators on creditor's group insurance and incidental sales of insurance more broadly, it would be advantageous to have new information and insights to proactively share with regulators during the planned liaison meetings.

The CCBPI Special Project might produce such information and insights, and the recent Pollara consumer research on credit protection insurance could also be helpful material to share with Western Canada regulators and policy-makers.

By way of general assent, the Board endorsed the recommendation that the planned CAFII visits tour to Western Canada insurance regulators and policy-makers should be postponed to the Fall of 2019, to allow for the development of a strategy that included possible use of those materials.

5: Strategy & Research

5.1: Feedback on H. Troup, Australia, Visit to CAFII and Its Members

Board member feedback on the February 2019 visit by Helen Troup, Executive General Manager, Comminsure, Australis, was very positive, with Board members feeling that it was a valuable initiative.

5.2: CAFII Initiation Member, Returning Member, and Associate Prospects

B. Wycks reported that CAFII continues to court Sun Life, but that initiative has been slowed down by numerous leadership changes at that company.

There were also discussions with MCAP, an underwriter for creditors group insurance referred to CAFII by RSM Canada, about the prospect of becoming a CAFII Initiation Member.

B. Wycks and K. Martin have also met with executives from a research company called RIWI Canada, about becoming a CAFII Associate; two individuals from that company will be in attendance at this evening's CAFII Reception.

6: Committee Reports Addressing CAFII Priorities

6.1: Market Conduct Committee

B. Kuiper, Chair of the Market Conduct Committee, reported that there were no further updates beyond those matters previously discussed in the meeting.

6.2: Media Advocacy Committee

C. Blaquiere, Chair of the Media Advocacy Committee, reported that feedback has been very positive on the recently published CAFII website video on the results of the travel medical insurance research results.

6.2(i): CAFII Website Enhancement Investments in 2019

K. Martin updated the Board on planned 2019 investments to continue enhancing the CAFII website, which will include new videos, additional consumer vignettes, and RankHigher reporting to monitor progress against key metrics.

6.3: Licensing Efficiency Issues Committee

M. Gill, Chair of the Licensing Efficiency Issues Committee, reported that there were no further updates beyond those matters previously discussed in the meeting.

6.4: Research & Education Committee

K. Martin reported that despite the recommendation to not spend the 2019 research budget spend from \$60,000 to \$5,000, there was a consensus among CAFII Members that research was a critical component of CAFII's Strategic Plan and, therefore, research should again be prioritized in future years' budgets.

6.5: Travel Medical Experts Working Group

A. Baig, Chair, updated the Board on recent initiatives of the Travel Medical Experts Working Group, noting that a key current priority was working with the CCIR Travel Insurance Working Group (TIWG) on its request to receive travel health insurance industry data on an ongoing basis. Efforts are being made to move this forward, in close collaboration with CLHIA and THIA.

A. Baig also noted that Harry James, Chair of the CCIR TIWG, had recently expressed an interest in turning his group's attention to trip cancellation insurance.

In a related vein, a meeting was recently held with the Ontario Ministry of Health and Long-Term Care on its exploration of reducing or eliminating OHIP coverage for Ontarians when they travel outside of Canada.

7: Other Business

7.1: Expected Regulator and Policy-Maker Attendance at April 16/19 CAFII Reception

B. Wycks noted the following expected regulator attendees at this evening's CAFII Reception; Adrienne Warner (FSCO), Allan Amos (FSCO), Anatol Monid (FSCO), and Mark White (FSRA).

7.2: Next CAFII Board Meeting and Reception: June 4/19 at Manulife Financial

B. Wycks expressed thanks to Manulife Financial for hosting the June 4/19 CAFII Board Meeting and Reception at its corporate offices at 250 Bloor St. East in Toronto.

7.3: Speaker at June 4/19 CAFII Reception

K. Martin noted that CAFII's Events and Networking Committee was looking at several options with respect to a speaker for the 4 June, 2019 CAFII Reception following.

7: Termination and *In Camera* Session

N. Benson thanked all attendees for their participation in this meeting.

There being no further business, the meeting was terminated at 5:39 p.m.

The Board adjourned into its *in camera* session; and non-Directors departed from the meeting.

CAFII Consultations/Submissions Timetable 2019-20

Regulatory Issue	Deliverable	Deadline	Accountable
BC Ministry of Finance 10-Year Review of FIA (Initial Public Consultation Paper released June 2, 2015)	<ul style="list-style-type: none"> Preliminary Recommendations Paper on policy proposals for change CAFII Response to Preliminary Recommendations Paper Proposed Revised Financial Institutions Act released for consultation CAFII submission on proposed revised FIA <u>Ministry announces FICOM transition into Financial Services Authority (FSA)</u> <u>FICOM-led Consultation on Self-Funding of FSA, a Crown Corporation</u> <u>CAFII submission on Self-Funding of BC's FSA</u> <i>Meeting with Ministry of Finance officials, if necessary</i> 	<ul style="list-style-type: none"> Released March 19/18 June 19/18 Q3 2019 (expected) Q3 2019 <u>April 4/19</u> <u>Q2/Q3 2019 (expected)</u> <u>Q2 or Q3 2019</u> <i>Q3 or Q4 2019</i> 	<ul style="list-style-type: none"> Joint Market Conduct/Licensing Committee; Co-EDs to monitor
AMF Sound Commercial Practices Guideline Update	<ul style="list-style-type: none"> 2018 "update" consultation announced by L. Gauthier AMF releases consultation document CAFII submission on updated Sound Commercial Practices Guideline 	<ul style="list-style-type: none"> May 3/18 Q3 2019 (expected) Q3 or Q4 2019 	<ul style="list-style-type: none"> Market Conduct Cttee; Co-EDs to monitor
Quebec Bill 141 and Related Regulations	<ul style="list-style-type: none"> CAFII submission on Bills 141 and 150 to National Assembly Committee National Assembly passes Bill 141 (certain Bill 150 provisions included) AMF releases Regulation Respecting Alternative Distribution Methods (RADM) CAFII submission on Regulations Supporting Bill 141 <u>AMF Response to Feedback on RADM</u> <u>Implementation/In-Force Date for RADM (varies by Article/Chapter)</u> 	<ul style="list-style-type: none"> January 16, 2018 June 2018 October 10, 2018 December 10, 2018 <u>April 17/19</u> <u>In general, June 13/19 for Chapter 2; and June 13/20 for Chapter 3</u> 	<ul style="list-style-type: none"> Joint Mkt Conduct/Licensing Committee; Co-EDs to monitor
CCIR/CISRO Guidance: Conduct of Insurance Business and Fair Treatment of Customers	<ul style="list-style-type: none"> CCIR releases Draft 2 of Guidance for formal industry consultation CAFII submission on Draft 2 of CCIR Guidance document CCIR issues final version of FTC Guidance document Meeting with CCIR/CISRO Working Group re Guidance implementation Meeting with CCIR/CISRO Working Group re Guidance implementation <i>Meeting with CCIR/CISRO Working Group re Guidance implementation</i> 	<ul style="list-style-type: none"> May 3, 2018 June 18, 2018 September 27, 2018 November 28, 2018 March 27, 2019 <i>June 2019 (date TBC)</i> 	<ul style="list-style-type: none"> Market Conduct Cttee; Co-EDs to monitor
CCIR Review of Travel Health Insurance	<ul style="list-style-type: none"> CCIR Travel Health Insurance Products Position Paper Released Meeting with TIWG Re Position Paper and industry reforms Follow-up meetings with TIWG re travel insurance data collection <u><i>Further meeting with TIWG re travel insurance data collection (CAFII, CLHIA, and THIA)</i></u> 	<ul style="list-style-type: none"> May 31, 2017 January 29, 2018 Oct. 24 & Dec. 5, 2018 <u><i>May 17, 2019</i></u> 	<ul style="list-style-type: none"> EOC; Co-EDs to monitor
SK Bill 177	<ul style="list-style-type: none"> FCAA releases The Insurance Amendment Regulations, 2018 CAFII submission on The Insurance Amendment Regulations, 2018 <i>FCAA delays implementation of new Act and Regulations to Jan 1/20</i> 	<ul style="list-style-type: none"> August 10, 2018 September 14, 2018 November 26, 2018 	<ul style="list-style-type: none"> Market Conduct Cttee; Co-EDs to monitor
FCNB Insurance Act Rewrite and Introduction of RIA Regime	<ul style="list-style-type: none"> FCNB informs CAFII that development of RIA regime is well-advanced Meeting with David Weir, FCNB re Insurance Act Rewrite and Introduction of RIA Regime (embedded within Rewrite initiative) FCNB launches industry consultation on RIA licensing regime model CAFII submissions on FCNB's Insurance Act Rewrite and RIA Regime <u>CAFII submission on FCNB Informal Consultation on Licensing Exemptions</u> 	<ul style="list-style-type: none"> May 14, 2018 December 5, 2018 <u>Q3 2019 (expected)</u> Q2 2019 May 2019 	<ul style="list-style-type: none"> Licensing Committee; Co-EDs to monitor

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

**Opportunities for CAFII Insurance Regulator and Policy-Maker Liaison Meetings
In Connection With 2019 CLHIA Compliance and Consumer Complaints Annual Conference
May 8-10/19, Niagara Falls, Ontario**

Insurance Regulator/Policy-Maker	Date/Time On Conference Program	Priority
Angela Mazerolle, Superintendent of Insurance, FCNB, New Brunswick	Wednesday, May 8, 11:00 a.m. to 12 Noon, Panel on "Regulatory Perspectives from Across Canada"	High
Michael McTavish, Acting Executive Director, Market Conduct, BC FICOM	Wednesday, May 8, 11:00 a.m. to 12 Noon, Panel on "Regulatory Perspectives from Across Canada"	Medium
Glen Padassery, Executive Vice-President of Policy, Financial Services Regulatory Authority of Ontario (FSRA)	Wednesday, May 8, 11:00 a.m. to 12 Noon, Panel on "Regulatory Perspectives from Across Canada"; and Wednesday, May 8, 4:30 to 5:00 p.m. "FSRA" plenary presentation	High
Julien Reid, Director, AMF, Quebec	Wednesday, May 8, 11:00 a.m. to 12 Noon, Panel on "Regulatory Perspectives from Across Canada"; and Thursday, May 9, 9:45 to 10:30 a.m. "Quebec Update"	Medium
Joanne Abram, CEO, Alberta Insurance Council	Friday, May 10, 9:15 to 10:15 a.m. "Provincial Insurance Councils Panel"	High
April Stadnek, Director of Strategic Initiatives, Insurance Councils of Saskatchewan (Ron Fullan, Executive Director, ICS, will also be in attendance at the Conference, but not presenting)	Friday, May 10, 9:15 to 10:15 a.m. "Provincial Insurance Councils Panel"	Medium
Barbara Palace Churchill, Executive Director, Insurance Council of Manitoba	Friday, May 10, 9:15 to 10:15 a.m. "Provincial Insurance Councils Panel"	Medium
Janet Sinclair, Executive Director, Insurance Council of British Columbia	Friday, May 10, 9:15 to 10:15 a.m. "Provincial Insurance Councils Panel"	High
Brian Mills, CEO and Superintendent of Financial Services, FSCO, Ontario; and Vice-Chair of CCIR	Wednesday, May 8, 10:15 to 10:45 a.m., "Update from the Canadian Council of Insurance Regulators"	Low
Carrie Hagerman, Relationships and Guidance Manager, Compliance, FINTRAC	Thursday, May 9, 11:15 a.m. to 12:15 p.m. Workshop on "Anti-Money Laundering and Anti-Terrorist Financing"	Low
Elsbeth Bowler, Managing Director, Insurance Supervision Sector, Office of the Superintendent of Financial Institutions (OSFI)	Thursday, May 9, 9:15 to 9:45 a.m. "Update from the Office of the Superintendent of Financial Institutions"	Low

Agenda Item 2(f)
April 30/19 EOC Teleconference Meeting

FCNB is holding a one-day consumer protection conference in Fredericton on Tuesday, June 11, 2019 -- which will present a timely opportunity for CAFII to arrange to a side-bar liaison meeting with Angela Mazerolle, Superintendent of Insurance, and/or David Weir, Deputy Director of Insurance on a variety of New Brunswick insurance regulatory developments including the province's plan to introduce a Restricted Insurance Agent (RIA) licensing regime.

From: Wilson, Sara (FCNB) <sara.wilson@fcnb.ca>

Sent: March-12-19 9:27 AM

Subject: Save the Date! / Notez la date !

Save the date! 11 June 2019

The Financial and Consumer Services Commission invites you to our

2019 Consumer Protection Conference

Setting High Standards for Consumer and Investor Protection

Wu Conference Centre
6 Duffie Drive,
Fredericton, NB

Visit FCNB.ca/conference
for more information.



FINANCIAL AND
CONSUMER SERVICES
COMMISSION

This event is for registrants, licensees and members of professional associations



Kristin
Matthews,
BBB Atlantic



Kelley Keehn,
author and
consumer
advocate



Norm Bossé,
Child, Youth and
Senior Advocate

The Financial and Consumer Services Commission invites our registrants, licensees and members of professional associations to our consumer protection conference on Tuesday, 11 June 2019.

During this full day event, hear from speakers on:

- The community's role in preventing, recognizing and reporting senior financial abuse
- Latest trends and how to protect your customers against cybersecurity and fintech risks
- Building customer trust

- **Compliance and enforcement of New Brunswick's insurance, securities and consumer protection laws**
- And more!

Who should attend? Those working or providing professional services to those working in the following industries:

- Real estate
- Mortgage brokers
- Securities
- Credit unions
- Pensions
- **Insurance**
- Pre-arranged funeral services

Cost: Free (breakfast and lunch provided)

Featuring: Keynote speaker Kelley Keehn, media personality, author and consumer advocate with the Financial Planning Standards Council; Kristin Matthews, marketing and communications specialist with Atlantic Canada's Better Business Bureau; and Norm Bossé, child, youth and senior advocate

Limited registration opens in the spring.

Check [FCNB.ca/conference](https://fcnb.ca/conference) for more information coming soon.

Agenda Item 2(g)
April 30/19 Board EOC Teleconference Meeting

Proposed Dates For Fall 2019 CAFII Western Canada Insurance Regulators and Policy-Makers Visits Tour

Based on the 2019 CAFII Schedule of Meetings and Events, the following Fall 2019 weeks appear to be the most viable opportunities for a CAFII visits tour to Western Canada insurance regulators and policy-makers (potentially as many as 9 or 10 distinct meetings in four provinces, over four or five days):

- Monday, October 7 to Friday, October 11, 2019; or
- Monday, October 21 to Friday, October 25, 2019; or
- Monday, October 28 to Friday, November 1, 2019.

These dates will be vetted with EOC Members initially, during the week of April 29 to May 3/19.

Thereafter, the favoured week for the CAFII visits tour will be vetted with CCIR's Policy Manager; and with CISRO's Policy Manager and Chair.

By mid-May, a draft itinerary for the Western Canada visits tour will be formulated and availability/invitation emails will be sent to the primary/senior contact person at each of the 9 to 10 insurance regulator/policy-maker entities which CAFII would like to visit.

By the end of May, we should have a clear sense as to how well the proposed itinerary will work in achieving the desired liaison meetings and whether any adjustments will be necessary.

CAFII

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

Statement of Operations As at Mar 31st 2019

	Current Month	Budget Mar-19	Variance to Monthly Budget	Current YTD	Budget '19 YTD	Variance Budget to YTD	Budget 2019
Revenue							
Membership Dues	\$55,302	\$63,159	(\$7,857)	\$184,266	\$189,476	(\$5,210)	\$757,904
Luncheon Revenue	\$0	\$0	\$0	\$195	\$0	\$195	\$0
Interest Revenue	\$4	\$0	\$4	\$4	\$0	\$4	\$0
TOTAL REVENUE	\$55,306	\$63,159	(\$7,853)	\$184,465	\$189,476	(\$5,011)	\$757,904
Expenses							
Management Fees	\$40,219	\$40,167	(\$53)	\$120,748	\$120,500	(\$248)	\$482,000
CAFII Legal Fees/Corporate Governan	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000
Audit Fees	\$1,217	\$1,217	\$0	\$3,651	\$3,651	\$0	\$14,600
Insurance	\$439	\$458	\$19	\$1,318	\$1,374	\$56	\$5,500
Website Ongoing Maintenance	\$407	\$283	(\$124)	\$449	\$1,249	\$800	\$5,330
Telephone/Fax/Internet	\$803	\$483	(\$320)	\$1,567	\$1,449	(\$118)	\$5,800
Postage/Courier	\$47	\$33	(\$14)	\$109	\$99	(\$10)	\$400
Office Expenses	\$211	\$166	(\$45)	\$455	\$498	\$43	\$2,000
Bank Charges	\$0	\$4	\$4	\$0	\$12	\$12	\$50
Miscellaneous Expenses	\$0	\$42	\$42	\$0	\$126	\$126	\$500
Depreciation Computer/Office Equipm	\$95	\$100	\$5	\$284	\$300	\$16	\$1,200
Board/EOC/AGM							
Annual Members Lunch	\$0	\$0	\$0	\$12,089	\$12,000	(\$89)	\$12,000
Board Hosting (External)	\$0	\$0	\$0	\$0	\$0	\$0	\$30,000
Board/EOC/Meeting Expenses	\$575	\$2,600	\$2,025	\$17,133	\$7,800	(\$9,333)	\$26,000
Industry Events	\$0	\$0	\$0	\$0	\$0	\$0	\$1,300
EOC Annual Appreciation Dinner	\$0	\$0	\$0	\$2,193	\$800	(\$1,393)	\$800
Sub Total Board/EOC/AGM	575	2,600	2,025	31,415	20,600	- 10,815	70,100
Provincial Regulatory Visits	\$1,108	\$0	(\$1,108)	\$2,221	\$0	(\$2,221)	\$12,000
Research/Studies	\$226	\$5,000	\$4,774	\$1,342	\$15,000	\$13,658	\$60,000
Website SEO and Enhancements	\$0	\$3,333	\$3,333	\$0	\$10,000	\$10,000	\$40,000
Regulatory Model(s)	\$0	\$5,000	\$5,000	\$3,389	\$5,000	\$1,611	\$25,000
Federal Financial Reform	\$0	\$0	\$0	\$0	\$0	\$0	\$500
Media Outreach	\$2,260	\$2,917	\$657	\$7,429	\$8,750	\$1,321	\$35,000
Marketing Collateral	\$17	\$1,000	\$983	\$444	\$2,000	\$1,556	\$5,000
Speaker fees & travel	\$0	\$700	\$700	\$0	\$700	\$700	\$2,000
Gifts	\$0	\$150	\$150	\$0	\$150	\$150	\$500
Networking Events	\$0	\$0	\$0	\$0	\$0	\$0	\$500
Sub Total Networking & Events	-	850	850	-	850	850	3,000
TOTAL EXPENSE	47,625	63,653	16,027	174,820	191,458	16,638	768,980
NET INCOME	7,680	- 494	8,174	9,645	- 1,982	11,627	- 11,076

Explanatory Notes:

- 1 - Amortization of office equipment based on 4 year straight line depreciation
- 2 - Management fees includes Mananging Matters and Executive Director
- 3 - Website includes hosting cafii.com, subscription and website improvements

CAFII

411 Richmond Street E, Suite 200

Toronto, ON M5A 3S5

Balance Sheet As at Mar 31st 2019

	CAFII Operations			CCBPI Project			Combined		
	31-Mar 2019	28-Feb 2019	31-Dec 2018	31-Mar 2019	28-Feb 2019	31-Dec 2018	31-Mar 2019	28-Feb 2019	31-Dec 2018
ASSETS									
Current Assets									
Bank Balance	\$310,921	\$264,787	\$193,381	\$0	\$0	\$0	\$310,921	\$264,787	\$193,381
Savings Account	\$4	\$0	\$0	\$63,156	\$0	\$0	\$63,160	\$0	\$0
Accounts Receivable	\$91,674	\$206,632	\$0	\$142,101	\$0	\$0	\$233,775	\$206,632	\$0
Interest Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Prepaid Expenses	879	4,569	2,197	\$0	\$0	\$0	\$879	\$4,569	\$2,197
Computer/Office Equipment	\$8,014	\$8,014	\$8,014	\$0	\$0	\$0	\$8,014	\$8,014	\$8,014
Accumulated Depreciation -Comp/Equip	(\$4,889)	(\$4,795)	(\$4,605)	\$0	\$0	\$0	(\$4,889)	(\$4,795)	(\$4,605)
Intangible Assets-Trademarks	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accumulated Amortization-Trademark	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Current Assets	\$406,602	\$479,207	\$198,986	\$205,257	\$0	\$0	\$611,859	\$479,207	\$198,986
TOTAL ASSETS	\$406,602	\$479,207	\$198,986	\$205,257	\$0	\$0	\$611,859	\$479,207	\$198,986
LIABILITIES									
Current Liabilities									
Accrued Liabilities	\$18,591	\$17,374	\$18,409	\$0	\$0	\$0	\$18,591	\$17,374	\$18,409
Account Payable ^B	\$2,300	\$10,140	\$10,379	\$0	\$0	\$0	\$2,300	\$10,140	\$10,379
Deferred Revenue	\$205,868	\$279,530	\$0	\$205,257	\$0	\$0	\$411,125	\$279,530	\$0
Total Current liabilities	\$226,759	\$307,044	\$28,788	\$205,257	\$0	\$0	\$432,016	\$307,044	\$28,788
TOTAL LIABILITIES	\$226,759	\$307,044	\$28,788	\$205,257	\$0	\$0	\$432,016	\$307,044	\$28,788
UNRESTRICTED NET ASSETS									
Unrestricted Net Assets, beginning of year	\$170,198	\$170,198	\$180,447	\$0	\$0	\$0	\$170,198	\$170,198	\$180,447
Excess of revenue over expenses	\$9,645	\$1,964	(\$10,248)	\$0	\$0	\$0	\$9,645	\$1,964	(\$10,248)
Total Unrestricted Net Assets	\$179,843	\$172,163	\$170,198	\$0	\$0	\$0	\$179,843	\$172,163	\$170,198
Total Unrestricted Net Assets	\$179,843	\$172,163	\$170,198	\$0	\$0	\$0	\$179,843	\$172,163	\$170,198
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$406,602	\$479,207	\$198,986	\$205,257	\$0	\$0	\$611,859	\$479,207	\$198,986
Financial Reserves Targets as per 2018 Budget:									
Minimum 3 months (25%) of Annual Operating Expenses=	\$ 192,245								
Maximum 6 months (50%) of Annual Operating Expenses=	\$ 384,490								
Current Level of Financial Reserves (total unrestricted net assets):	\$179,843								
Current Level of Financials Reserve (%) :	23%								

CAFII

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

Membership Fees As At Mar 31st, 2019

	<u>Jan-18</u>		<u>Jul-18</u>	
	<u>To be billed</u>	<u>Received</u>	<u>To be billed</u>	<u>Received</u>
BMO Bank of Montreal	\$ 36,719.00	14-Mar-19	\$ 36,719.00	
CIBC Insurance	\$ 36,719.00	28-Feb-19	\$ 36,719.00	
RBC Insurance	\$ 36,719.00	25-Feb-19	\$ 36,719.00	
ScotiaLife Financial	\$ 36,719.00	11-Feb-19	\$ 36,719.00	
TD Insurance	\$ 36,719.00	11-Feb-19	\$ 36,719.00	
Desjardins Financial Security Life Assurance Company	\$ 36,719.00	8-Apr-19	\$ 36,719.00	
AMEX Bank of Canada				
Assurant Solutions	\$ 18,360.00	12-Feb-19	\$ 18,359.00	
Canadian Premier Life Insurance Company	\$ 18,360.00		\$ 18,359.00	
Cumis Group Ltd/Co-operators Life Insurance Co.	\$ 18,360.00	14-Mar-19	\$ 18,359.00	
National Bank Life Insurance Company	\$ 27,540.00	15-Feb-19	\$ 27,539.00	
Manulife Financial	\$ 22,000.00		\$ 22,000.00	
The Canada Life Assurance Company	\$ 22,000.00	25-Feb-19	\$ 22,000.00	
RSM Canada	\$ 4,800.00	15-Feb-19		
Willis Towers Watson	\$ 4,800.00	4-Apr-19		
KPMG MSLP	\$ 4,800.00	27-Feb-19		
Munich Reinsurance Company Canada Branch (Life)	\$ 4,800.00	15-Feb-19		
Optima Communications	\$ 4,800.00	28-Mar-19		
RGA Life Reinsurance Company of Canada	\$ 4,800.00	25-Feb-19		
DGA Careers Inc.				
AXA Assistance Canada	\$ 4,800.00			
Torys LLP	\$ 4,800.00	13-Feb-19		
PWC	\$ 4,800.00			
Feb Invoices	\$390,134		\$346,930	
July Invoices	\$346,930			
Total Membership Fees	\$737,064			
Total amount to reallocate monthly Jan-Sept	\$ 61,422			
Total amount to reallocate monthly Oct-Dec	\$ 61,422			

2019 CAFII Budget

	2016 Actual	2017 Actuals	2018 Actuals	2019 Budget	2019 YTD (Mar 31 19)	2019 Revised Forecast	Comment/Rationale
Revenue							
Membership Dues	\$435,750	\$475,425	\$695,545	\$757,904	\$184,266	\$737,064	See breakdown in Member Dues Revenue Tab
Luncheon 2019	\$231	\$126	\$0	\$0	\$195	\$195	
Interest	\$231	\$126	\$0	\$0	\$4	\$33	
TOTAL REVENUE	\$ 436,212	\$ 475,677	\$ 695,545	\$ 757,904	\$ 184,465	\$ 737,292	
EXPENSE							
Management Fees	\$279,042	\$442,012	\$460,299.15	\$482,000	\$120,748	\$482,000	Includes MM Fees (3% increase) and two Co-Eds (3% increase)
CAFII Legal Fees/Corporate Governance	\$10,565	\$2,954	\$563	\$1,000	\$0	\$1,000	
Audit Fees	\$13,560	\$14,271	\$14,432	\$14,600	\$3,651	\$14,600	Same as 2018 Budget
Insurance	\$5,238	\$5,238	\$5,258	\$5,500	\$1,318	\$5,500	Same as 2018 Budget
Website Ongoing Maintenance	\$13,060	\$42,575	\$6,461	\$5,330	\$449	\$5,330	Includes CG Technology (\$250 per month), Translation (\$400), Domain (\$30) & CAFII Insurance Domain Name Renewal (\$999 USD)
Telephone/Fax/Internet	\$3,538	\$6,119	\$5,939	\$5,800	\$1,567	\$5,800	Same as 2018 Budget
Postage/Courier	\$180	\$380	\$458	\$400	\$109	\$400	Same as 2018 Budget
Office Expenses	\$5,257	\$1,312	\$2,423	\$2,000	\$455	\$2,000	Same as 2018 Budget
Bank Charges	\$25	\$38	\$23	\$50	\$0	\$50	Same as 2018 Budget
Amortization Expense	\$0	\$0	\$0	\$0	\$0	\$0	
Depreciation Computer/Office Equipment	\$467	\$1,564	\$1,136	\$1,200	\$284	\$1,200	Same as 2018 Budget
Miscellaneous Expense		\$433	\$0	\$500	\$0	\$500	Same as 2018 Budget
Board/EOC/AGM							
Annual Members Luncheon	\$12,044	\$10,247	\$10,503	\$12,000	\$12,089	\$12,089	Increase to \$12,000 to cover costs
Board Hosting (External)	\$19,407	\$7,500	\$19,515	\$30,000	\$0	\$30,000	Four events at \$7,500
Board/EOC Meeting Expenses	\$8,145	\$25,493	\$20,715	\$26,000	\$17,133	\$26,000	Same as 2018 Budget
Industry Events		\$36	\$1,270	\$1,300	\$0	\$1,300	CAFII Purchase of full table of 11 seats at Economic Club of Canada Luncheon
EOC Annual Appreciation Dinner	\$2,079	\$8	\$763	\$800	\$2,193	\$2,193	Same as 2018 Budget
Total Board/EOC/AGM	\$41,675	\$43,284	\$52,766	\$70,100	\$31,415	\$71,582	
Provincial Regulatory Visits	\$10,395	\$11,011	\$11,230	\$12,000	\$2,221	\$12,000	Same as 2018 Budget
Research/Studies	\$1,356	\$17,807	\$77,345	\$60,000	\$1,342	\$5,000	Pollara Proposal on Creditor's insurance research
Website SEO and Enhancements			\$21,702	\$40,000	\$0	\$40,000	Continuing enhancements including videos
Regulatory Model(s)	\$0	\$15,001	\$6,490	\$25,000	\$3,389	\$25,000	includes provision for legal advice re RIA representatiion on Sask, Alta, Manitoba; possible new RIA regime in BC; new single integrated regulators in Ontario and Alta; and additional provision re Regulations supporting Quebec Bills 141 and 150
Federal Financial Reform	\$0	\$0	\$0	\$500	\$0	\$500	Same as 2018 Budget
Media Outreach	\$27,408	\$44,023	\$38,522	\$35,000	\$7,429	\$35,000	Includes Media Consultant's Monthly Retainer (\$2,260.00 per month)
Marketing Collateral	\$1,781	\$0	\$557	\$5,000	\$444	\$5,000	
Tactical Communications Strategy	\$446	\$379	\$0	\$0	\$0	\$0	
CAFII Reception Events		\$500	\$0	\$0	\$0	\$0	
Media Relations	\$0	\$164	\$0	\$0	\$0	\$0	
Speaker fees & travel		\$0	\$191	\$2,000	\$0	\$2,000	Same as 2018 Budget
Gifts	\$221	\$452	\$0	\$500	\$0	\$500	Same as 2018 Budget
CAFII 25th Anniversary Celebration (Formerly CAFII 20th Anniversary Celebration)		\$26,495	\$0	\$0	\$0	\$0	Deferred to 2022
Networking Events		\$350	\$0	\$500	\$0	\$500	Same as 2018 Budget
TOTAL EXPENSE	\$ 414,214	\$ 675,862	\$ 705,793	\$ 768,980	\$ 174,820	\$ 715,462	
Excess of Revenue over Expenses	\$21,998	(\$200,185)	(\$10,248)	(\$11,076)	\$9,645	\$21,830	
Unrestricted Net Assets (beginning of year)	\$358,991	\$380,758	\$180,447	\$170,198	\$170,198	\$159,122	
Unrestricted Net Assets (end of year)	\$380,989	\$180,573	\$170,198	\$159,122	\$179,843	\$180,952	

Explanatory Notes:

(1) Assumes Two Co-Executive Directors, one @ 5 days per week; one @ 4.5 days per week; plus Managing Matters Admin support

(2) Amortization of office equipment based on 4 year straight line depreciation

Actual/Forecasted Financial Reserves	2016 Actual	2017 Actuals	2018 Actuals	2019 Budget
Minimum 3 months (25%) of Annual Operating Expenses =	\$103,554	\$168,965	\$176,448	\$192,245
Maximum 6 months (50%) of Annual Operating Expenses =	\$207,107	\$337,931	\$352,897	\$384,490
Actual/Forecasted Level of Financial Reserves :	\$380,758	\$180,573	\$170,198	\$159,122
Actual/Forecasted Level of Financial Reserves %:	92%	27%	24%	21%

2019 Revised Forecast
\$178,865
\$357,731
\$180,952
25%

Québec, le 18 avril 2019

PAR COURRIER ÉLECTRONIQUE

Monsieur Brendan Wycks
L'association canadienne des institutions financières en assurance
411, rue Richmond Est, bureau 200
Toronto (Ontario) M5A 3S5

**Objet: Distribution sans représentant
Article 76 du Règlement d'application de la Loi sur les assurances (« RALA »)
Offre d'assurance collective à des personnes autres que le débiteur**

Monsieur,

La présente fait suite à votre lettre du 29 mars 2019 concernant l'offre d'assurance collective sur la vie ou la santé des personnes autres que le débiteur, pour laquelle nous vous remercions.

Il est entendu que chacun de vos membres verra à nous transmettre d'ici le 3 mai 2019 un plan détaillé qui prendra en compte son modèle d'affaires et son mode de distribution. Ce plan intégrera les stratégies qui permettront de s'assurer que le créancier qui offre de couvrir la vie ou la santé de personnes autres que le débiteur détient un intérêt pécuniaire réel dans leur vie ou leur santé, conformément à l'article 76 du RALA.

En effet, en matière d'assurance collective sur la vie ou la santé des personnes autres que le débiteur, l'assureur doit s'assurer que son produit soit offert à des personnes autres que le débiteur uniquement dans les cas où **le créancier possède un intérêt pécuniaire** dans la vie ou la santé de ces personnes.

Par ailleurs, la Ligne directrice sur les saines pratiques commerciales (« Ligne directrice ») mentionne que l'assureur est responsable de contrôler la conformité de son processus d'offre de produits. Elle indique également les attentes de l'Autorité en matière de conception et commercialisation des produits, dont le fait que les institutions :

- identifient des groupes de consommateurs auxquels les produits sont susceptibles de convenir, tout en limitant l'accès des consommateurs auxquels les produits sont susceptibles de ne pas convenir;
- utilisent des méthodes de distribution adaptées aux produits et aux consommateurs ciblés, c'est-à-dire, tenant compte du besoin en information et en conseil ainsi que de l'impact potentiel du produit sur la situation financière des consommateurs.

De plus, selon la *Loi sur la distribution des produits et services financiers*, RLRQ, c. D-9.2 (« LDPSF »), un distributeur offre de façon accessoire, pour le compte d'un assureur, un produit d'assurance afférent uniquement à un bien qu'il vend.

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Bien que nous comprenions que des conjoints peuvent être interdépendants financièrement, nous nous attendons à ce que les plans d'action de vos membres prévoient un processus robuste, adapté au mode de distribution sans représentant (« DSR »), qui permettra au créancier de déterminer, au moment de l'adhésion, s'il détient un intérêt pécuniaire dans la vie ou la santé de chacune des personnes autres que le débiteur qu'il offre de couvrir, notamment par l'intégration de critères qui sont cohérents avec le processus d'octroi du crédit.

Dans les cas où il n'est pas possible d'établir l'existence d'un tel intérêt pécuniaire pour le créancier, nous sommes d'avis que les besoins d'assurance de la personne autre que le débiteur devraient être évalués par l'entremise d'un autre mode de distribution que celui de la distribution sans représentant afin de respecter le RALA, la LDPSF et les principes de la Ligne directrice.

Par ailleurs, voici nos commentaires à haut niveau sur vos trois catégories générales d'assurance collective de créanciers offertes au conjoint de débiteurs assurés au Québec :

1. Produits de protection du solde de cartes de crédit - Conjoint titulaire d'une carte secondaire

Le créancier n'a pas automatiquement un intérêt pécuniaire dans la vie ou la santé d'une personne, autre que le débiteur, qui a été autorisée par le débiteur à effectuer des achats dont il sait être l'unique responsable des paiements.

Dans tous les cas, la couverture automatique est incompatible avec la démonstration que le créancier a un intérêt pécuniaire réel dans la vie et la santé de chaque personne autre que les débiteurs auxquels elle offre une couverture. Lorsque la couverture est automatique, il n'est pas possible de démontrer qu'un créancier a un intérêt pécuniaire réel dans la vie ou la santé d'une personne à chaque fois que cette personne devient un « conjoint » au sens du contrat d'assurance. Chaque relation étant unique, ce type de présomption est erroné. L'analyse de l'intérêt pécuniaire doit être fait, au cas par cas.

2. Produits de protection du solde des cartes de crédit / 3. Couverture d'assurance liée aux prêts

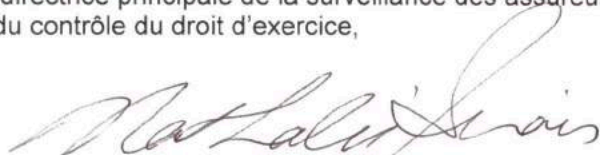
Nous sommes d'avis qu'une déclaration liée à l'admissibilité, tant des débiteurs que de leur conjoint, à l'effet que le créancier a un intérêt pécuniaire dans la vie ou la santé du conjoint ne répond pas aux exigences de l'article 76 du RALA et ne respecte pas les principes de la Ligne directrice.

Pour la couverture offerte sans prime supplémentaire, veuillez noter que votre compréhension des discussions du 6 février est erronée. Nous sommes également préoccupés par les situations dans lesquelles la couverture du conjoint est fournie sans prime supplémentaire. Nos commentaires s'appliquent à tous les types de personnes autres que les débiteurs. L'article 76 du RALA ne fait aucune distinction, à cet effet. Vos membres doivent donc inclure ces produits dans leur plan d'action.

Si vous avez des questions ou commentaires, n'hésitez pas à communiquer avec madame Nancy-Audrey Whittom, au 418 525-0337, poste 4694, ou par courriel à nancy-audrey.whittom@lautorite.qc.ca.

Veuillez recevoir, Monsieur, nos cordiales salutations.

La directrice principale de la surveillance des assureurs
et du contrôle du droit d'exercice,



Nathalie Sirois, CPA, CGA, MBA, CRMA

- c.c. M^{me} Isabelle Berthiaume, directrice de la surveillance prudentielle des assureurs, Autorité des marchés financiers
M. Mario Beaudoin, directeur des pratiques de distribution alternatives en assurance, Autorité des marchés financiers

Translation

Quebec, April 18, 2019

BY E-MAIL

Mr. Brendan Wycks
The Canadian Association of Financial Institution in Insurance
411, Richmond Street East, Suite 200
Toronto (Ontario) M5A 3S5

Sir:

**Subject: Distribution without a representative
Section 76 of the *Regulation under the Act respecting insurance* ("RALI")
Coverage offered to persons other than debtors**

This follows your letter dated March 29, 2019, regarding coverage offered to persons other than debtors, for which we thank you.

We understand that each of your members will submit us a detailed plan by May 3, 2019 that will take into account their business model and distribution method. This plan will incorporate their strategies/solutions to allow them to ensure that the creditor offering to cover the life or health of persons other than debtors has a real pecuniary interest in their life or health, in accordance with section 76 of RALI.

Indeed, in terms of group insurance on the life or health of persons other than debtor, the insurer must ensure that its product is offered to persons other than debtors only in cases where the creditor has a pecuniary interest in the life or health of those persons.

Furthermore, the Sound Commercial Practices Guideline ("Guideline") states that the insurer is responsible for monitoring compliance of the process of its product offering. It also sets out the Authority's expectations for design and marketing of products, including the fact that the institutions:

- identify consumer groups for whom products are likely to be suitable, while access to consumers for whom products are likely to be unsuitable should be limited; and
- use distribution methods tailored to the products and target consumers, that is, methods taking into account the need for advice and disclosure and what potential impact the product can have on consumers' financial situations.

In addition, according to the *Act respecting the distribution of financial products and services*, CQLR, c. D-9.2 ("ADFPS"), a distributor offers, as an accessory, for an insurer, an insurance product which relates solely to goods it sells.

Although we understand that spouses may be financially interdependent, we expect that your members' action plans will provide a robust process, suitable to the distribution other than through a representative, which will allow the creditor to determine, at the time of enrollment, if it has a pecuniary interest in the life or health of each person other than the debtors it offers a cover, in particular by implementing criteria which are consistent with the credit-granting process.

Where it is not possible to establish the existence of such pecuniary interest for the creditor, we are of the opinion that the insurance needs of persons other than debtors should be assessed through another distribution method than the distribution other than through a representative, in order to comply with the RALI, the ADFPS and the principles of the Guideline.

Here are our high-level comments on your three general categories of creditor group insurance that are offered to the spouse of insured debtors in Québec:

1. Credit card balance protection products – spouse who is authorized secondary cardholder

The creditor has not automatically a pecuniary interest in the life or health of a person, other than debtors, who is authorized by the debtor to make purchases for which he knows to be solely responsible for payments.

In all cases, automatic coverage is inconsistent with a demonstration that the creditor has a real pecuniary interest in the life and health of each person other than debtors to whom it offers coverage. When the coverage is automatic, it is not possible to demonstrate that a creditor has a real pecuniary interest in the life or health of a person at every time that this person becomes a "spouse" within the meaning of the insurance contract. Since every relationship is unique, this type of presumption is mistaken. The pecuniary interest must be analyzed on a case-by-case basis.

2. Credit card balance protection products / 3. Loan-related insurance coverage

We are of the opinion that an eligibility-related "declaration statement", both from debtors and their spouse, to the effect that the creditor has a pecuniary interest in the life or health of the spouse does not meet the requirements of Article 76 of the RALI and does not meet the principles of the Guideline.

For the coverage provided at no additional premium, please note that your understanding of the February 6, discussions is wrong. We are also concerned with situations where spousal coverage is provided at no additional premium. Our comments apply to all types of persons other than debtors. Section 76 of the RALI makes no distinction to that effect. Your members must include these products in their action plan.

In the meantime, if you have any questions or comments, please contact Ms. Nancy-Audrey Whittom, by phone at 418-525-0337, ext. 4694, or by e-mail at Nancy-audrey.whittom@lautorite.qc.ca.

Yours truly,

Nathalie Sirois, CPA, CGA, MBA, CRMA
Senior Director, Supervision of Insurers and Control of Right to Practise

cc: Mrs. Isabelle Berthiaume, Director, Prudential Supervision of Insurers, Autorité des marchés financiers
Mr. Mario Beaudoin, Director, Alternative Distribution Practices, Autorité des marchés financiers

(French translation to follow, via separate transmittal)

March 29, 2019

Ms. Nathalie Sirois
Senior Director, Supervision of Insurers and Control of Right to Practise
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1

Dear Ms. Sirois:

Re: CAFII Proposed Strategies and Possible Solutions Submission Re Creditors Demonstrating That They Have A Pecuniary Interest In the Life and/or Health Of A Debtor's Spouse In Order To Offer Him/Her Creditor's Group Insurance Coverage Under Québec's Distribution Without a Representative Regime

Thank you for your March 6, 2019 email reply to CAFII's letter of March 1, 2019. Our Association appreciates the AMF's willingness to grant our requested deadline extension to March 29, 2019 for delivering the *Proposed Strategies and Possible Solutions* included herein.

Although CAFII Members still believe that all aspects of their offering of group debtor life, health, and employment insurance in Québec are in compliance with the applicable legislation and Regulations, our Association understands the AMF's concerns with respect to the fair treatment of consumers. As such, all affected CAFII Members are currently reviewing their products, as part of both internal continuous improvement processes and collaborative work with the AMF to maintain sound commercial practices.

CAFII's affected Members are therefore grateful for your granting of a deadline extension to May 3, 2019 for their submission of detailed action plans and related data which the AMF has requested. That extension will allow our affected Members to have the benefit of

- the *Proposed Strategies and Possible Solutions* developed at the Association level which are set out below;
- the consultation discussions with which we would now like to have with you and AMF staff executive colleagues on those *Proposed Strategies and Possible Solutions*; and
- an opportunity to consider the outcomes of our consultation discussions in their action plan submissions.

CAFII's Proposed Strategies and Possible Solutions

As an opening comment and key caveat to our *Proposed Strategies and Possible Solutions* set out below, CAFII views it as critically important that the AMF recognize that not all strategies/solutions will work for all affected Members/industry players. Further, the AMF should not try to choose a one-size-fits-all strategy/solution and impose it upon the industry for any given product. Rather, it is essential that the AMF provide flexibility by endorsing a range of acceptable strategies and solutions which will assist the industry in achieving compliance with the expectations arising from your interpretation of Section 76 of the *Regulation Under the Act Respecting Insurance*.

As the AMF is aware, CAFII Members offer a variety of life, disability, critical illness, and job loss creditor's group insurance to consumers, both debtors and their spouses. For purposes of our *Proposed Strategies and Possible Solutions*, we have identified three (3) general categories of creditor's group insurance that are offered to the spouses of insured debtors in Québec.

In the first category, we believe that the creditor's pecuniary interest in the life and/or health of the spouse is already demonstrated and self-evident. In the other two categories, CAFII Members are prepared to consider changes/enhancements to their practices to address the AMF's concern that a creditor must be able to demonstrate that it has a pecuniary interest in the life and/or health of a spouse in order to offer him/her such coverage.

1. For credit card balance protection products which provide insurance coverage for a spouse who **is** an authorized secondary cardholder (i.e. an additional person authorized to use the credit card, but who is not directly responsible to repay the credit card debt) – whether that coverage is automatic or must be separately applied for – CAFII and its Members believe that the creditor's pecuniary interest in the life and/or health of the spouse is demonstrated and self-evident because (i) the spouse has been issued a credit card and is entitled to make purchases/charges to the card account; and (ii) as a result, the creditor has an appreciable financial interest which is directly linked to the life and/or health of the spouse (as explained in our related January 25/19 CAFII submission to the AMF).

(Based on our discussion with you and AMF colleagues during our February 6/19 meeting on this issue in Montréal, it is CAFII's understanding that for situations where spousal coverage is provided **at no additional premium**, the AMF is not concerned about a creditor having a demonstrated pecuniary interest in the life and/or health of the spouse. Therefore, we have not contemplated that scenario in this submission.)

2. For credit card balance protection products which cover a spouse who **is not** an authorized secondary cardholder and where such coverage is put in place through the debtor's application to add coverage for his/her spouse to existing insurance coverage or through the debtor's application for a product that specifically includes coverage for a spouse, CAFII Members would be prepared to do the following to demonstrate the creditor's pecuniary interest in the life and/or health of the spouse who is to be covered:

- include an eligibility-related “qualification statement” in the insurance materials to the effect that “You should only apply for this spousal coverage if your spouse is involved in your household or business, such that his/her contribution, monetarily or otherwise, contributes to your ability to make credit card payments.”

This qualification statement would be included in the balance protection insurance application.

3. For loan-related insurance coverage where the spouse of a debtor can apply to be covered, such as for creditor insurance on a mortgage, home equity line of credit, other consumer loan, or on a business loan or line of credit, CAFII Members would be prepared – in addition to obtaining the spouse’s signature on the insurance proposal -- to do the following to demonstrate the creditor’s pecuniary interest in the life and/or health of the spouse who is applying for coverage:

- include an eligibility-related “qualification statement” in the insurance materials to the effect that “You should only apply for this coverage if, as the spouse of the borrower, you contribute to the household or business such that your contribution, monetarily or otherwise, contributes to the ability of the borrower to make repayments on the [loan, line of credit, or other debt obligation].”

This qualification statement would be included in the loan-related insurance application.

Conclusion

Thank you for receiving and considering this CAFII *Proposed Strategies and Possible Solutions* submission. We look forward to having an opportunity to dialogue with you and AMF staff executive colleagues about these proposals at your earliest convenience, bearing in mind the imminent May 3, 2019 deadline for affected CAFII Members to submit the detailed action plans and related data which the AMF has requested.

In closing, we feel it important to reiterate our key caveat that not all of our proposed strategies/solutions will work for all affected Members/industry players; and, as well, our strong belief that the AMF should not try to choose a one-size-fits-all strategy/solution and impose it upon the industry for any given product. It is essential that flexibility and a range of acceptable strategies and solutions be provided to assist the industry in achieving compliance with the AMF’s expectations arising from its interpretation of Section 76 of the *Regulation Under the Act Respecting Insurance*.

Sincerely,



Martin Boyle
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; National Bank Insurance; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players Assurant, Canadian Premier Life Insurance Company, CUMIS Services Incorporated, Manulife (The Manufacturers Life Insurance Company), and The Canada Life Assurance Company.

Agenda Item 4(a)(iii)
April 30/19 EOC Teleconference Meeting

From: Sirois Nathalie <nathalie.sirois@lautorite.qc.ca>

Sent: March-06-19 11:16 AM

To: Brendan Wycks <brendan.wycks@cafii.com>

Cc: Gauthier Louise <Louise.Gauthier@lautorite.qc.ca>; Berthiaume Isabelle
<isabelle.berthiaume@lautorite.qc.ca>; Beaudoin Mario <Mario.Beaudoin@lautorite.qc.ca>; Whittom
Nancy-Audrey <Nancy-Audrey.Whittom@lautorite.qc.ca>

Subject: RE: CAFII Response To AMF Letter of February 19, 2019 Re Distribution without a
representative – Section 76 of the Regulation under the Act respecting Insurance: Coverage offered to
persons other than debtors

Sir :

This follows your letter dated March 1, 2019, in which you requested an extension until March 29, 2019,
to submit joint change proposals to the Autorité des marchés financiers (“AMF”).

Given that you are working with your members to find a solution to make the offering of group debtor
life, health and employment insurance products compliant with Section 76 of the *Regulation under the
Act respecting insurance*, we confirm that the AMF accepts to grant you an extension until March 29,
2019, as requested.

We also agree to give your members until May 3, 2019, to present the AMF with detailed action plans
and provide with the requested data.

We would appreciate you to inform your members of these new deadlines. Please note that the AMF
will not grant any additional delay.

In your letter of March 1, 2019, your members question the fact that the AMF asks for a wide range of
historical data on in-force certificates of insurance for this coverage. This information will allow the AMF
to adequately assess the implementation of the action plans.

We remain available to further discuss with you and your members and to meet with them, in persons
or via conference call, if needed.

Yours truly,

Nathalie Sirois, CPA, CGA, MBA, CRMA
Directrice principale / Senior Director
Direction principale de la surveillance des assureurs et du contrôle du droit d'exercice
/ Senior Direction for Insurers Supervision and Control of Right to Practise
Autorité des marchés financiers

Québec, le 18 avril 2019

PAR COURRIER ÉLECTRONIQUE

Madame Lyne Duhaime
Présidente ACCAP-Québec
Vice-présidente principale, Politiques et réglementation des marchés
Association Canadienne des compagnies d'assurance de personnes inc.
1001, boul. de Maisonneuve Ouest, bureau 630
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**Objet: Distribution sans représentant
Article 76 du Règlement d'application de la Loi sur les assurances (« RALA »)
Offre d'assurance collective à des personnes autres que le débiteur**

Madame,

La présente fait suite à votre lettre du 29 mars 2019 concernant l'offre d'assurance collective sur la vie ou la santé des personnes autres que le débiteur, pour laquelle nous vous remercions.

Il est entendu que chacun de vos membres verra à nous transmettre d'ici le 3 mai 2019 un plan détaillé qui prendra en compte son modèle d'affaires et son mode de distribution. Ce plan intégrera les stratégies qui permettront de s'assurer que le créancier qui offre de couvrir la vie ou la santé de personnes autres que le débiteur détient un intérêt pécuniaire réel dans leur vie ou leur santé, conformément à l'article 76 du RALA.

En effet, en matière d'assurance collective sur la vie ou la santé des personnes autres que le débiteur, l'assureur doit s'assurer que son produit soit offert à des personnes autres que le débiteur uniquement dans les cas où **le créancier possède un intérêt pécuniaire** dans la vie ou la santé de ces personnes.

Par ailleurs, la Ligne directrice sur les saines pratiques commerciales (« Ligne directrice ») mentionne que l'assureur est responsable de contrôler la conformité de son processus d'offre de produits. Elle indique également les attentes de l'Autorité en matière de conception et commercialisation des produits, dont le fait que les institutions :

- identifient des groupes de consommateurs auxquels les produits sont susceptibles de convenir, tout en limitant l'accès des consommateurs auxquels les produits sont susceptibles de ne pas convenir;
- utilisent des méthodes de distribution adaptées aux produits et aux consommateurs ciblés, c'est-à-dire, tenant compte du besoin en information et en conseil ainsi que de l'impact potentiel du produit sur la situation financière des consommateurs.

De plus, selon la *Loi sur la distribution des produits et services financiers*, RLRQ, c. D-9.2 (« LDPSF »), un distributeur offre de façon accessoire, pour le compte d'un assureur, un produit d'assurance afférent uniquement à un bien qu'il vend.

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Bien que nous comprenions que des conjoints peuvent être interdépendants financièrement, nous nous attendons à ce que les plans d'action de vos membres prévoient un processus robuste, adapté au mode de distribution sans représentant (« DSR »), qui permettra au créancier de déterminer, au moment de l'adhésion, s'il détient un intérêt pécuniaire dans la vie ou la santé de chacune des personnes autres que le débiteur qu'il offre de couvrir, notamment par l'intégration de critères qui sont cohérents avec le processus d'octroi du crédit.

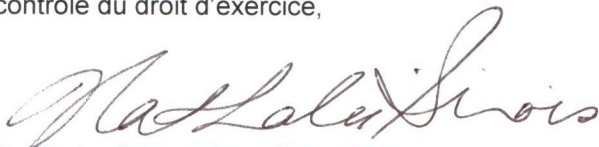
Nous vous précisons qu'une simple « déclaration d'admissibilité » d'un débiteur à l'effet que le créancier possède un intérêt pécuniaire dans la vie ou la santé d'une autre personne, notamment son conjoint, ne satisfait pas aux exigences de l'article 76 du RALA et ne rencontre pas les principes de la Ligne directrice.

Dans les cas où il n'est pas possible d'établir l'existence d'un tel intérêt pécuniaire pour le créancier, nous sommes d'avis que les besoins d'assurance de la personne autre que le débiteur devraient être évalués par l'entremise d'un autre mode de distribution que celui de la distribution sans représentant afin de respecter le RALA, la LDPSF et les principes de la Ligne directrice.

Si vous avez des questions ou commentaires, n'hésitez pas à communiquer avec madame Nancy-Audrey Whittom, au 418 525-0337, poste 4694, ou par courriel à nancy-audrey.whittom@lautorite.qc.ca.

Veuillez recevoir, Madame, nos cordiales salutations.

La directrice principale de la surveillance des assureurs
et du contrôle du droit d'exercice,



Nathalie Sirois, CPA, CGA, MBA, CRMA

- c.c. M^{me} Isabelle Berthiaume, directrice de la surveillance prudentielle des assureurs, Autorité des marchés financiers
M. Mario Beaudoin, directeur des pratiques de distribution alternatives en assurance, Autorité des marchés financiers



TRANSLATION

March 29, 2019

Sent by email: nathalie.sirois@lautorite.qc.ca

Ms. Nathalie Sirois
Senior Director, Supervision of Insurers
and Control of Right to Practise
Autorité des marchés financiers
2640, boulevard Laurier, 3^e étage
Quebec City, QC G1V 5C1

RE: OFFERING OF CREDITOR'S GROUP INSURANCE TO A DEBTOR'S SPOUSE

Dear Ms. Sirois:

This is further to our letter dated February 28, 2019, and our recent discussions concerning the AMF's oversight initiative aimed at some of our member companies for the distribution without a representative of creditor's group insurance on the life or health of a debtor's spouse.

We first wish to reiterate our members' position to the effect that Quebec legislation allows them to offer creditor's group insurance to a debtor's spouse, as outlined in our letter dated February 28, 2019.

That said, our members are committed to ensuring they adopt appropriate business practices that generate the fair treatment of consumers. With a focus on continuous improvement, they are currently reviewing their business practices relating to creditor's group insurance on the life or health of a debtor's spouse and they will each be submitting to the AMF an individual action plan applicable to their specific offering no later than May 3, 2019.

The fact is the industry markets a wide range of creditor insurance products that are broadly accessible to consumers through many types of distributors and various channels. For example, consumers can enrol in creditor insurance through a merchant or a financial institution, or in the form of optional credit card protection, and they can do so by different means, such as the Internet, in person, or over the phone. For the same type of product distributed by the same type of distributor, the offering varies across insurers.

Consequently, it is impossible to identify a single strategy or a single solution that would fit in all situations. The strategies and potential solutions considered by our members to satisfy the AMF's request must be adapted to their specific offering and their business model, all the more so as

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each member will have to develop and implement its own action plan based on multiple factors, including what is allowed by the configuration of its IT systems.

In view of the foregoing and as requested, a non-exhaustive list is provided below, for illustration purposes only, enumerating the possible strategies and potential solutions that may be considered by our members in their individual action plans to address the concerns raised by the AMF in this matter. Please note, however, that each insurer will have to review its own specific offering and determine the appropriate means to satisfy the AMF's request. Consequently, an insurer may or may not choose to adopt one or more of the following solutions to identify, for example, whether a pecuniary interest exists and, if so, to clarify the existence of that interest:

- Review of the contractual documentation (e.g. application forms, definitions of insured persons);
- Review of documentation provided when coverage is offered (e.g. distribution guides, advertising);
- Timely communication of relevant information to insureds (e.g. client correspondence, distribution guide/product summary and other information on the financial institution's website);
- Review of offer process (Internet, in person, over the phone), (e.g. review of scripts used by distributors);
- Confirmation from creditors that a pecuniary interest exists with regard to spouses;
- Review of training tools/messages to include the concept of pecuniary interest;
- Inclusion of the concept of pecuniary interest when developing the new summary that will replace the distribution guide.

In conjunction with these strategies and potential solutions, additional effort, initiatives and collaborative work between the industry and the AMF will help continue to ensure that appropriate mechanisms are in place so that debtors and their spouses are treated fairly when enrolling in creditor's group insurance distributed without a representative and they are able to make informed decisions, namely:

- Sound Commercial Practices Guideline;
- The Draft Regulation respecting alternative distribution methods, which will be adopted shortly, contains an entire section dedicated to consumer protection where insurance is offered through a distributor, with the following provisions:
 - a fact sheet and a summary will be delivered upon enrolment in creditor's group insurance to inform consumers, in a concise, user-friendly manner, of their rights and the main features of the product they are purchasing;
 - the insurer must oversee and supervise the offering of insurance products by its distributors, particularly by providing distributors with training; and
 - certain prohibitions with respect to compensation;
- The joint AMF-CLHIA work group, tasked with reviewing compliance issues relating to distribution through distributors and working jointly to find mutually satisfactory solutions to the identified issues;
- The annual DWR disclosure that the AMF intends to require from insurers will allow the AMF to effectively track the development of practices in this business segment and intervene in a targeted manner, when necessary;
- The ongoing work of various CLHIA committees relating to distribution without a representative, one goal of which is to foster sound and equitable principles in the conduct of the business of member life and health insurers operating in Canada;
- A review of CLHIA's Guideline G7 – Creditor's Group Insurance, which promotes consistent practices and standards in the life and health insurance industry.

We are confident that by embracing a holistic view of ongoing strategies and initiatives, maximizing synergies, and adopting a collaborative approach, we will be able to find a mutually satisfactory conclusion to this matter and we can assure you that our members are committed to working towards that end with the AMF.

Please do not hesitate to contact the undersigned if you have any questions or would like to discuss the matter at further length.

Sincerely,

(signed)
Lyne Duhaime
President, ACCAP-Quebec, and Senior Vice President,
Quebec Affairs and Market Conduct Policy and Regulation

(French translation to follow, via separate transmittal)

January 28, 2019

Ms. Nathalie Sirois
Senior Director, Supervision of Insurers and Control of Right to Practise
Autorité des marchés financiers
Place de la Cité, tour Cominar
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Québec (Québec) G1V 5C1

Dear Nathalie:

Re: CAFII Submission On Why The AMF's December 11, 2018 Letter Re: Distribution without a representative – Coverage offered to persons other than debtors Should Be Reconsidered

This letter is CAFII's formal response to your letter of December 11, 2018 **Re: Distribution without a representative – Coverage offered to persons other than debtors** sent to CAFII members who underwrite or distribute creditor's group insurance products which include the offer of coverage for the spouse of a debtor.

In your December 11/18 letter, the AMF invokes an interpretation of Section 76 of the Regulation Under the Act Respecting Insurance to rule that, under creditor's group insurance offered under the province's Distribution Without A Representative regime, no life or health insurance can be provided to the spouse of a debtor, when such spouse is not a co-debtor, because the creditor has no pecuniary interest in the life or the health of the non-debtor spouse.

CAFII and its members respectfully disagree with the AMF's interpretation and opinion on this matter.

While Section 76 of the Regulation Under the Act Respecting Insurance clearly requires creditors to have a pecuniary interest for persons "other than debtors," a distinction must be made between spouses and other persons. First, spouses may be co-borrowers on loans and other debt obligations, in which case they themselves are indeed debtors and the creditor has a clear pecuniary interest in the life and health of the spouse. Second, even if the spouse of a debtor is not a co-borrower, spouses are so closely financially integrated with and dependent upon each other that the creditor does indeed have a pecuniary interest in the life and health of the spouse, for a number of compelling reasons as outlined below.

CAFII and its affected members were surprised by the December 11/18 letter, particularly given that the Regulation Under the Act Respecting Insurance has been in existence for many years and some of our members have been offering creditor's group coverage to Québec spouses who are not co-debtors for more than 25 years, based on their desire to make simple, accessible, and affordable insurance protection available to consumer households; and their understanding of both federal law and Québec law, as explained below.

Federal Bank Act and Insurance Business (Banks and Bank Holding Companies) Regulations

By way of context, we note that the federal Bank Act and the Insurance Business (Banks and Bank Holding Companies) Regulations (IBBRs) define the types of "authorized insurance" which federally regulated banks are permitted to offer to consumers throughout Canada and those types of insurance include coverage for spouses.

The Bank Act and the IBBRs include creditor's group insurance as part of "authorized insurance products" and they permit the offering of spousal coverage under such creditor's group insurance. The relevant sections of the IBBRs are excerpted in italics below (with spousal coverage wording underlined):

authorized type of insurance means

- *(a) credit or charge card-related insurance,*
- *(b) creditors' disability insurance,*
- *(c) creditors' life insurance,*
- *(d) creditors' loss of employment insurance,*
- *(e) creditors' vehicle inventory insurance,*
- *(f) export credit insurance,*
- *(g) mortgage insurance, or*
- *(h) travel insurance; (assurance autorisée)*

creditors' disability insurance, in respect of a bank, means a group insurance policy that will pay all or part of the amount of a debt of a debtor to the bank, or to a loan company that is an affiliate of the bank, in the event of bodily injury to, or an illness or disability of,

- *(a) where the debtor is a natural person, the debtor or the spouse or common-law partner of the debtor,*
- *(b) a natural person who is a guarantor of all or part of the debt,*
- *(c) where the debtor is a body corporate, any director or officer of the body corporate, or*
- *(d) where the debtor is an entity, any natural person who is essential to the ability of the debtor to meet the debtor's financial obligations to the bank or to the loan company; (assurance-invalidité de crédit)*

creditors' life insurance, in respect of a bank, means a group insurance policy that will pay to the bank, or to a loan company that is an affiliate of the bank, all or part of the amount of a debt of a debtor or, where a debt is in respect of a small business or a farm, fishery or ranch, all or part of the amount of the credit limit of a line of credit, in the event of the death of

- *(a) where the debtor is a natural person, the debtor or the spouse or common-law partner of the debtor,*
- *(b) a natural person who is a guarantor of all or part of the debt,*
- *(c) where the debtor is a body corporate, a director or officer of the body corporate, or*
- *(d) where the debtor is an entity, any natural person who is essential to the ability of the debtor to meet the debtor's financial obligations to the bank or to the loan company; (assurance-vie de crédit)*

Québec Legislation

The *Civil Code of Québec (CCQ)* includes several provisions which indicate a legislative intention to recognize the financial inter-connectedness of spouses and that a person in Québec has an insurable interest in his or her spouse. It follows that a creditor's pecuniary interest in a person in Québec extends to his or her spouse with whom he or she is financially integrated.

Section 2419 of the CCQ states the following:

A person has an insurable interest in his own life and health and in the life and health of his spouse, of his descendants and the descendants of his spouse, or of persons who contribute to his support or education.

He also has an interest in the life and health of his subordinates and staff or of persons in whose life and health he has a pecuniary or moral interest.

Section 392 of the CCQ says this:

The spouses have the same rights and obligations in marriage. [...]

Section 396 of the CCQ states the following:

The spouses contribute towards the expenses of the marriage in proportion to their respective means.

The spouses may make their respective contributions by their activities within the home.

Section 397 of the CCQ says this:

A spouse who enters into a contract for the current needs of the family also binds the other spouse for the whole, if they are not separated from bed and board.

However, the non-contracting spouse is not liable for the debt if he or she had previously informed the other contracting party of his or her unwillingness to be bound.

Section 414 of the CCQ states the following:

Marriage entails the establishment of a family patrimony consisting of certain property of the spouses regardless of which of them holds a right of ownership in that property.

Those CCQ provisions describing the “family unit” are also reflected in provisions on divorce and death, as follows:

Section 416 of the CCQ says this:

In the event of separation from bed and board, or the dissolution or nullity of a marriage, the value of the family patrimony of the spouses, after deducting the debts contracted for the acquisition, improvement, maintenance or preservation of the property composing it, is equally divided between the spouses or between the surviving spouse and the heirs, as the case may be. [...]

Section 653 of the CCQ states the following:

Unless otherwise provided by testamentary provisions, a succession devolves to the surviving married or civil union spouse and relatives of the deceased, in the order and according to the rules provided in this Title. [...]

The following provisions, from Section 521.6 of the CCQ, also apply to civil union spouses:

The spouses in a civil union have the same rights and obligations.

They owe each other respect, fidelity succour and assistance.

They are bound to share a community of life.

The effects of the civil union as regards the direction of the family, the exercise of parental authority, contribution towards expenses, the family residence, the family patrimony and the compensatory allowance are the same as the effects of marriage, with the necessary modifications.

Whatever their civil union regime, the spouses may not derogate from the provisions of this article.

It is clear that the CCQ establishes that spouses occupy a special, inter-connected role in each other’s life which distinguishes them substantially from other “persons other than debtors.”

This is further supported by a 2015 Québec Government report titled “Pour un droit de la famille adapté aux nouvelles réalités conjugales et familiales,” which takes a deep dive into the “financial interdependence” between spouses.

Creditors have long accepted and planned in accordance with the financial interdependence that exists between spouses: there is a reason why banks ask loan and credit card applicants for marital status, household income, and household debt information. Debtors may only qualify for a certain credit card if they meet the requirement of a specified household income level.

When two people live together, both assume responsibility for and contribute to the household. Without such “joint endeavour” contributions, a person whose spouse becomes disabled or critically ill may be left in a position where, due to the absence of financial or other contributions from the disabled or critically ill spouse, he/she may not be able to repay debt(s). This is not only about the debts which one spouse may have assumed for the family, but also about other mutually assumed debts that need to be repaid. Such debt repayments rely on the contributions of both spouses. As such, a strong financial interdependence exists between spouses.

This argument is supported by the fact that it is recognized in law that a person who is no longer married to, or who does not live with, his/her ex-spouse or ex-de facto (common law) spouse has a pecuniary interest in the life of that ex-spouse or ex-de facto (common law) spouse from whom he/she receives alimony, which allows that person to apply for insurance coverage on the life of his/her ex-spouse or ex-de facto (common law) spouse to replace the financial support he/she currently receives, in the event of an untimely death of the ex-spouse or ex-de facto (common law) spouse.

Moreover, as set forth in the *CCQ* Section 397, a legally married or civil union spouse in Québec who enters into a contract for the current needs of the family binds his/her spouse for the entirety of the contractual obligations. And a surviving spouse is obliged to assume the debt(s) of his/her deceased spouse (unless the spouse renounces the succession), which confirms the legal reality of financial interdependence between married and civil union spouses.

Currently in Québec, as in most other Canadian provinces, a legally married or civil union spouse has property rights with respect to the family patrimony, which provides one half of the net value of all residences, vehicles, moveables, etc. acquired during the marriage or civil union. Therefore, it is fair and reasonable to argue that a creditor has a pecuniary interest in the life and health of a debtor’s spouse because that spouse, upon partition of the family patrimony which is triggered in the case of death of the debtor spouse, has a right to one half of the net value of the household’s property/assets.

In a similar vein, it is noteworthy that a current marketplace reality in the credit cards business, in Québec as in other parts of Canada, is that many credit cards are issued to a spouse as an “authorized user” rather than as a “co-debtor,” such that the debtor’s spouse is jointly accumulating debt to the creditor while not being contractually obligated to repay the debt to the creditor. Jointly-secured credit cards where both spouses are legally co-debtors are quite rare in the current market. In fact, for certain prestige/elite credit cards, creditors “incentivize” applications for authorized user spousal cards by offering a reduced overall annual fee under that approach, as compared to the spouse having to pay a full annual fee if he/she were to apply for a separate credit card.

Considering this marketplace reality, prohibiting the issuance of creditor’s group insurance protection for losses that might be suffered by a non-debtor spouse, thereby potentially leaving the debtor spouse with no coverage for the jointly accumulated debt, appears to be contrary to consumer protection and the public interest.

Finally, while there is currently no specific legislation in Québec governing a de facto (common law) union, section 61.1 of the Québec *Interpretation Act* includes de facto spouses in the definition of spouse. Additionally, the Québec government is currently contemplating legal reforms to better protect the interests of a de facto couple. In November 2018, Sonia Lebel, Québec’s new Minister of Justice, promised a major reform of the province’s family law within the CAQ’s first mandate, to recognize the economic interdependence between de facto spouses especially where the union has produced children.

Conclusion

Fundamentally, for all of the reasons advanced in this letter, CAFII and its members believe that a creditor does indeed have a pecuniary interest in the life and the health of the spouses of its debtors. The purpose of creditor insurance is to ensure that the debt will continue to be paid in the case of the death, disability, or critical illness of a debtor. The death, disability, or critical illness of any spouse (married, civil union or common law) is of pecuniary interest to a creditor because the debtor will more likely be in a position to continue debt repayment if his/her spouse is healthy and contributing to the household.

We also believe that had Québec's legislators intended Section 76 of the *Regulation Under the Act Respecting Insurance* to limit creditors group insurance to covering only guarantors on loans in addition to the actual debtors, such a limitation would have been explicitly stated. Given that Section 76 does not expressly define "other than debtors" as guarantors only and given the financial interdependence that exists between spouses, the rules of statutory interpretation suggest that Section 76 was not intended to prohibit the offering of creditor's group insurance coverage for non-debtor spouses.

Recognizing that our Association holds a view quite contrary to the AMF's view on this matter, we thank you for your immediate and accommodating response to the requests made in our January 16/19 letter. We are pleased and grateful that

- the AMF has granted an initial one month response deadline extension – to February 28/19 -- to CAFII member recipients of the December 11/18 AMF letter. (As per your request, Mr. Wycks informed all CAFII members immediately of that news; and of your indication that the AMF would be following up with an official communique to recipients of the December 11/18 letter to confirm the one month response deadline extension); and
- you have arranged an initial in-person meeting between CAFII representatives and the relevant AMF staff executives to discuss the December 11/18 letter and CAFII's position on it, on the afternoon of Wednesday, February 6/19 in Montréal.

In that connection, we ask at this time that the current February 28/19 deadline for action plan responses from recipients of the December 11/18 letter be deferred until such time as consultation discussions between the AMF and industry Associations on this matter are concluded. In our view, it does not make sense for affected industry participants to have to respond with an action plan when dialogue with the AMF related to the industry's request for reconsideration is still ongoing.

Thank you for receiving and considering this CAFII formal response to your AMF letter of December 11/18. We look forward to the opportunity to dialogue with you and with relevant AMF staff executive colleagues about this matter at our upcoming meeting in Montréal on Wednesday, February 6/19.

Sincerely,



Martin Boyle
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; National Bank Insurance; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players American Express, Assurant, Canadian Premier Life Insurance Company, CUMIS Services Incorporated, Manulife (The Manufacturers Life Insurance Company), and The Canada Life Assurance Company.

Agenda Item 4(b)
April 30/19 EOC Teleconference Meeting

Memo To: CAFII EOC and Market Conduct Committee Members, and Participants in the 17 April, 2019 AFM Meeting on the Regulation Respecting Alternative Distribution Methods (RADM) in Montreal

Memo From: CAFII Co-Executive Directors Keith Martin and Brendan Wycks

Date: 23 April, 2019

The following are the key insights and action plan outcomes for CAFII Members emerging from a 17 April, 2019 meeting at the AMF offices in Montreal between CAFII representatives and Mylène Sabourin and Mélissa Perreault (attending in-person) from the AMF's Distribution Practices and Self-Regulatory Organizations Directorate and Jean-Christophe Bernier, AMF legal department (participating by phone). Approximately 10 CAFII representatives were at the meeting in-person, with about eight joining by the phone. (Participants at the meeting can be found in Appendix A to this document.)

Change In Chapter Numbering/Reference Markers in the RADM

The RADM's original Article 9 has been removed from the new version of the Regulation; therefore, any numeric reference to an Article in the new Regulation, from Article 9 on, will have a numeral that is one lower than in the original draft. See illustrative examples below:

Draft RADM Article 1	=	Final RADM Article 1
Draft RADM Article 8	=	Final RADM Article 8
Draft RADM Article 10	=	Final RADM Article 9
Draft RADM Article 33	=	Final RADM Article 32
Etc.		

Two Separate and Distinct Regulatory Regimes Under the RADM

It is important, the AMF emphasized, to keep in mind that there are two distinct regimes under the RADM: (i) one in Chapter Two on the offering of products and services without the involvement of a natural person as an intermediary (e.g. a firm offering insurance via the internet without the involvement of an intermediary/advisor in the sale); and (ii) the other in Chapter Three on the offering of insurance products through a distributor, which is also known as Quebec's Distribution Without a Representative (DWR) regime.

Changes/Adjustments Under The Revised RADM (In Final Version 2, Still To Be Released)

Important Terminology Changes: A key change being made by the AMF is that the former requirement that certain information be visible on each page of an online platform will be changed to “accessible on each page.” As well, the term “platform” is being dropped in favour of “digital space,” (*“espace numérique” en français*) to provide more opportunity for emerging technologies, such as those that will be voice-driven versus requiring keystroke inputting of information.

Clarification: The original version of the RADM led to some believe that Chapter 2 would be applicable to enrollment-only sites (for example, a website that was not intended to sell a product, but only to enroll customer, for example to enable them to enrol in a group / employee insurance policy, pension plan, or annuity). However, the AMF stated unequivocally that Chapter 2 does **not** apply to such enrollment-only or non-transactional sites.

Clarification: If a firm’s website / digital space requires an intermediary/advisor representative to become involved at some point in the sales process, then Chapter 2 does **not** apply. Chapter 2 is only applicable to sites / digital spaces where it is possible to complete the process entirely without any involvement of a natural person as an intermediary/advisor.

Clarification: The original version of the RADM led some to believe that the insurance “specimen” which the AMF expects to be provided to the customer is the Master Policy. However, the AMF stated unequivocally that that is not the case; only the Certificate of Insurance needs to be provided.

Clarification: The original language in Article 30 (4) changes “target audience” to “eligibility criteria.”

Overall, however, the RADM will remain largely unchanged from the original version published in October 2018.

In-Force Date, Transition Period, and Phased-In “Enforcement”

The revised version of the RADM will be the final version of the Regulation; and it will be published and publicly released sometime early in May 2019, and have a nominal/technical in-force date of 13 June, 2019.

However, perhaps the most important take-away from the 17 April meeting with the AMF is that Chapter 3 of the RADM, which relates to the distribution of insurance products without a representative, will generally be subject to a one-year transition period – to 13 June, 2020 -- to implement most elements of this Chapter of the RADM.

The one-year transition period does not apply to Chapter 2, so insurance companies selling insurance on the Internet or directly to consumers without a live person being involved need to implement the RADM requirements by 13 June, 2019. Specifically, the Distribution Guide needs to be available on the insurance firm’s websites as of **13 June, 2019**. That said, the Summary which will replace the Distribution Guide under the RADM does not need to be available until 13 June, 2020, **but with one exception**. The exception is that if a new product is introduced, the new Summary document, which will replace the Distribution Guide, must appear on the insurer’s website at the same time that the new product is offered.

Speaking to a Representative if the Customer So Desires. The requirement that information on how to access a representative needs to be on every page of the insurer's digital space, also applies as of **13 June, 2019**.

However, the requirement is no longer for that information to be "visible" on each page of the digital space, but rather that it must be "readily accessible" from each page (for example, a live link button that opens up the information or connects to a PDF on how to reach a representative would satisfy this requirement).

Phased-In Enforcement. The AMF understands that these requirements may be difficult or nearly impossible to implement by 13 June, 2019, **so they will accept reasonable action plans that defer the actual implementation of these elements past that nominal/technical in-force date.**

The organizational structure of the section of the AMF which is responsible for the RADM is relevant and informative to understanding some of the direction the AMF is taking.

Frédéric Pérodeau is the Superintendent of Client Services and Distribution Oversight. One of his Directors is Louise Gauthier, Directrice principale des politiques d'encadrement de la distribution (Principal Director, Policy Framework on Distribution), and on her team is Mylène Sabourin (Mélissa Perreault reports to Mylène Sabourin) and Mario Beaudoin, Directeur des pratiques de distribution alternatives en assurance (Director of Alternative Distribution Practices in Insurance). The key here is that Mylène Sabourin and Mélissa Perreault are policy specialists; Mario Beaudoin is focused on enforcement. While Mario Beaudoin was not at the meeting in question, the AMF did share with CAFII, and we have heard from other meetings that Mario Beaudoin was at, that he will **not** be in "strict enforcement mode" as of 13 June, 2019, so long as industry participants are making best efforts to be compliant; there is an action plan; there are communications with the AMF on efforts to become compliant; and there are no egregious behaviours displayed.

This leniency will apply to Chapter 2 rules. For Chapter 3, distributors generally have a one-year transition period.

There have been concerns expressed about the 13 June, 2019 implementation deadline for the required initial elements of the RADM, and a suggestion that CAFII ask for an extension. Based on the information provided by the AMF and the dialogue at the 17 April meeting, it is the view of CAFII management that there is no willingness on the AMF's part to extend the deadline, and that asking for such an extension with respect to the initial implementation elements would be counter-productive. However, we will continue to monitor the RADM implementation requirements closely and continue to communicate the need for the AMF to provide sufficient time for the industry to be able to implement and comply with any new regulatory requirements.

Appendix A

Participants at the CAFII Debrief by the AMF 17 April, 2019 Montreal, Quebec

From the AMF :

Mesdames Mylène Sabourin et Mélissa Perreault de la Direction des pratiques de distribution et des OAR

From ACIFA / CAFII :

In - Person

<u>Name</u>	<u>Title</u>	<u>Firm</u>
Martin Boyle	CAFII Executive Operations Committee (EOC) Chair Director, Governance & BUCO	BMO Insurance
Dana Easthope	Chief Legal Officer, Chief Compliance Officer and Corporate Secretary	Canadian Premier Life
Isabelle Choquette	Conformité, Assurances Finances, Trésorerie et Administration	Desjardins
Marie Nadeau	Senior Advisor, Compliance, Projects and Documentation	Banque National Assurances
Lynne Chlala	Assistant Vice-President, Senior Business Compliance Officer, Québec	Canada Life
Josée Bortoluzzi	Vérificatrice principale de la conformité	TD Insurance
Sylvain Larocque	Conseiller juridique principal – Assurances Senior Counsel - Insurance	Manulife
Brendan Wycks	Co-Executive Director	ACIFA / CAFII
Keith Martin	Co-Executive Director	ACIFA / CAFII

By Teleconference

<u>Name</u>	<u>Title</u>	<u>Firm</u>
Rob Dobbins	Senior Director, Compliance	Assurant
Cecillia Xiao	Director, Lead Counsel Canada	Assurant
Nadine Roy	Senior Legal Analyst	Assurant
Brad Kuiper	Senior Compliance Manager	ScotiaLife Financial
Louise Nash	Senior Director Insurance Risk	CIBC Insurance
Laura Bedford	Senior Compliance Officer	RBC Insurance
Manpreet Singh	Senior Manager—Regulatory Compliance	RBC Insurance

Agenda Item 4(c)

April 30/19 EOC Teleconference Meeting

CAFII Dialogue With CCIR/CISRO Re Fair Treatment of Customers

Summary of CAFII Meeting With CCIR/CISRO Fair Treatment of Consumers (FTC) Working Group

27 March 2019

Attendees From CCIR/CISRO:

Louise Gauthier, Senior Director, Distribution Management Policy, AMF, Quebec
Sophie Jean, Director of Supervision of Intermediaries, AMF, Quebec
Ron Fullan, Executive Director, Insurance Councils of Saskatchewan
April Stadnek, Director of Compliance, Insurance Councils of Saskatchewan
Swati Agarwal, FSCO
Wendy Horrobin, FSCO
Timothy Goff, Registered Insurance Brokers of Ontario (RIBO)
Vivian Lee, RIBO
Tony Toy, CCIR Policy Manager
Joanna Reading, CISRO Policy Manager
Adrienne Warner, CCIR Policy Associate

Attendees From CAFII (In-Person)

Rob Dobbins, Assurant
Charles MacLean, RBC Insurance
Huma Pubani, TD Insurance
Martin Boyle, BMO Insurance
Brendan Wycks, CAFII
Keith Martin, CAFII

On The Phone

John Lewsen, BMO Insurance
Michelle Costello, CUMIS Services Inc.
Anu Bains, CIBC Insurance
Dominique Julien, CIBC Insurance
Louise Nash, CIBC Insurance
Joanna Onia, CIBC Insurance
Pete Thorn, TD Insurance
Fay Coleman, TD Insurance
Karyn Kasperski, RBC Insurance
Michele Jenneau, National Bank Insurance
Dallas Ewen, Canada Life Assurance
Sharon Apt, Canada Life Assurance
Dana Easthope, Canadian Premier Life Insurance/Valeyo

Meeting Summary

Louise Gauthier, Chair of the CCIR/CISRO Fair Treatment of Consumers Working Group, opened the meeting by thanking CAFII for its participation. She noted that it had been one and a half years since the initial consultations began with respect to CCIR/CISRO's intention to issue a Guidance document on the Fair Treatment of Customers; and these quarterly meetings were an opportunity to continue the dialogue on this critical issue in a "safe environment." It was the desire of CCIR and CISRO that the Guidance be embraced by industry and that it lead to specific initiatives.

It was noted that there likely were still areas where the regulators could provide greater clarity around the Guidance, and this would be a continued focus for the Working Group. It was also noted that CCIR and CISRO understood the strong desire of the industry for regulatory harmonization; and, in that respect, it was mentioned that three jurisdictions -- namely British Columbia, Nova Scotia, and New Brunswick -- had now each publicly and formally endorsed the CCIR/CISRO Guidance document. Other provincial/territorial jurisdictions were working on following suit.

Some questions had been submitted by CAFII in advance of the meeting, and Ms. Gauthier and Mr. Fullan both noted that the Working Group had separately also received six Guidance-related questions from industry more generally. Ms. Gauthier said that they would go through the answers to those questions first, as they might answer CAFII's particular questions as well.

One question was about the meaning of Section 6.8 on Advice.

Another was a request for clarity around the meaning of the part of Section 6.6 which states that intermediaries must "disclose the services provided, including whether they offer products from a full range of insurers, from a limited range or from an exclusive insurer."

Another question pertained to Section 5 which states that insurers and intermediaries are expected to "make available their strategies, policies and procedures dealing with the fair treatment of customers," with the question being whether making these strategies available was to occur only upon request.

A related question was around the expectation that insurers and intermediaries must "promptly advise regulatory authorities if they are likely to sustain serious harm due to a major operational incident that could jeopardize the interests or rights of customers and the insurer or the intermediary's reputation," with clarity sought around precisely what "promptly advise" meant and what was a "major operational incident"? It was also noted that this section referenced expectations of insurers, and the view expressed was that this was too narrow and these expectations should also fall on intermediaries.

Based on some of the comments made in response to these questions, it was agreed that many of the questions which CAFII had posed had been addressed.

CAFII then offered to update the FTC Working Group on the progress of its members, and to address that component of the agenda.

Brendan Wycks delivered the following update statement:

CAFII Members initially embraced Fair Treatment of Consumers six years ago, when the AMF first released its FTC-related Sound Commercial Practices Guideline.

Currently, CAFII Members are now using the new CCIR/CISRO Guidance: Conduct of Insurance Business and Fair Treatment of Customers as both a guide and a benchmarking reference tool which informs their ongoing Risk and Control Self-Assessment Activities to identify potential gaps and plan remediation initiatives, as necessary.

Such gaps could be in Members' current practices, or in the ability of Member companies to demonstrate adherence to the Guidance document's principles in an immediate and tangible manner.

CAFII Members are also embracing the new Guidance document as a tool in reviewing and updating their governance and business culture documentation; and as part of their scheduled compliance monitoring and testing activities.

The following is a compilation summary of some of the implementation progress initiatives with respect to the Guidance which CAFII Members have taken since it was released last September, and which are at various stages of development and progress among our Members:

- (a) conduct a high-level review against principles to determine alignment.
(Common feedback received from the review was that the biggest opportunity was the need for a framework to continually demonstrate FTC, as opposed to having to undertake a separate exercise if asked by a regulator to demonstrate FTC. A strong consensus emerged that there is a lot of value in these frameworks to reinforce existing organizational values around FTC.)*
- (b) communicate with the business about the need for an in-depth gap analysis against the Guidance.*
- (c) perform an in-depth (paragraph by paragraph) gap analysis against the Guidance (done by First Line of Defence and Second Line of Defence).*
- (d) assign accountabilities for any gaps and opportunities identified.*
- (e) currently at various stages of (i) developing action plans; (ii) implementing action plans; or (iii) have already completed some action plans.*
- (f) develop and/or update a Fair Treatment of Customers Policy to set expectations for all employees.*
- (g) develop and implement a mandatory, annually recurring Fair Treatment of Customers training module, with successful completion required by all employees.*

The discussion then turned to other areas for continued review of adherence to the Guidance, including training.

Charles MacLean of RBC Insurance noted that product development was another area that had been the subject of focus in his company, where those developing products were coached on keeping FTC principles top-of-mind as they worked on new products.

Louise Gauthier said that this sort of initiative was of interest and asked if our members could share some of these developments with the Working Group in writing. It is, she said, comforting for the regulators to obtain information on these sorts of initiatives.

CAFI representatives agreed that we would see if there were updates that could be provided in writing; and, if there were, they would be sent to Tony Toy.

Another area that was mentioned as a priority for the industry was to identify where there might be gaps between the expectations laid out in the Guidance and actual practices. The importance of continued training on the importance of the principles in the Guidance was also mentioned.

Keith Martin noted that a challenge for the industry is that measuring business culture is very difficult to do, with Rob Dobbins agreeing that this made it difficult to demonstrate progress even if it was occurring.

Louise Gauthier and others from the FTC Working Group agreed with that observation. Ms. Gauthier added that there were some measures that could be proxies for or indicators of adherence to the Guidance, or of potential problems in adhering to the Guidance. She cited reviews of complaints as an example, including the source of the complaint, noting that if a complaint occurs repeatedly and it is determined that the customer is complaining due to a lack of understanding of the product, that is a signal to the company that they have an issue to address, as customers should not continuously be having difficulty understanding a product.

Turnover among staff, staff morale, and customer retention were also cited as possible measures. Ms. Gauthier said that customer satisfaction surveys were another good measure that allowed a company to see if customers were satisfied with the different parts of their exposure to products.

It was added that the International Association of Insurance Supervisors (IAIS) is looking at developing Key Performance Indicators (KPIs) around FTC.

There was discussion about the importance of open communication on these initiatives, and of not just checking boxes but rather making fair treatment of customers a front and centre priority in all company initiatives. It was stated that there had been a shift in societal expectations and companies are being held to ever-higher standards.

Incentives management was cited as a particular priority for the regulators. Incentives-driven conflicts of interest were inconsistent with the fair treatment of customers, and needed to be looked at in detail.

Ms. Gauthier advised that an FTC Working Group sub-committee was looking at these issues, with a focus on four specific areas:

- 1) incentives that are challenging from a public optics perspective, for example a trip to Hawaii as a reward for meeting a sales target.
- 2) behaviour by the seller that is not aligned with the interests of customers, such as volume bonuses, quotas, etc.

- 3) contractual programs that restrict competition. The example was given of sliding commissions where commissions grow per sale if certain volumes with an individual company are met, which means that the seller has an incentive to send more business to one firm, even if the terms might be better for the customer at another firm.
- 4) customer service issues, for example where compensation is paid for the sale of a product, but there is no compensation for proper post-sale servicing of the consumer.

Ron Fullan spoke to these issues and said that as progress was made by the FTC Working Group sub-committee, the industry would be fully consulted, including being given the opportunity to offer written submissions in response to an Issues Paper which the Working Group sub-committee would be issuing. Initially, requests for responses will be made to industry Associations.

CCIR/CISRO representatives added that it would be appreciated if CAFII could share any information on how compensation and incentives management works within our member companies.

Conclusion

It was agreed that the next quarterly meeting between CAFII and the CCIR/CISRO FTC Working Group would be held in late June 2019. The Working Group asked if CAFII would be agreeable to very high level minutes of this meeting being developed and shared with other stakeholders, and the response was generally yes, so long as care was exercised around attribution and revealing details. It was agreed that draft high level minutes would be shared with CAFII prior to circulation, to ensure our comfort prior to dissemination.

CAFII members present at this meeting felt that the discussion was positive and collaborative and that there was a good rapport and dialogue during the session.

CAFII Meeting With CCIR/CISRO Fair Treatment of Consumers Working Group: 28 November, 2018 **Meeting Summary**

Attendees From CCIR/CISRO:

Louise Gauthier, AMF; Chair of CCIR/CISRO Fair Treatment of Consumers Working Group
Nathalie Sirois, AMF
Izabel Scovino, FSCO
Ron Fullan, Insurance Councils of Saskatchewan (ICS); Chair of CISRO
April Stadnek, ICS
Timothy Goff, RIBO
Vivian Lee, RIBO
Tony Toy, CCIR Policy Manager
Joanna Reading, CISRO Policy Manager

Attendees From CAFII:

In-Person

Rob Dobbins, Assurant
Charles MacLean, RBC Insurance
Huma Pubani, TD Insurance
Martin Boyle, BMO Insurance

Brendan Wycks, CAFII
Keith Martin, CAFII

On The Phone

John Lewsen, BMO Insurance
Michelle Costello, CUMIS Services Inc.
Brad Kuiper, ScotiaLife Financial
Sue Manson, CIBC Insurance
Laura Bedford, RBC Insurance
Leena Khan, Manulife Financial
Anita Mukherjee, RBC Insurance
Dallas Ewen, Canada Life Assurance
Dana Easthope, Canadian Premier Life Insurance/Valeyo

The agenda was focused on reviewing CAFII members' progress on implementing CCIR/CISRO's "Guidance: Conduct of Insurance Business and Fair Treatment of Customers," the final version of which was released on September 27/18. However, between the time the original agenda was circulated to Brendan Wycks and Keith Martin on 19 November and the 28 November meeting itself, an additional item on "credit card balance insurance" had been added to the agenda.

Louise Gauthier, Chair of the CCIR/CISRO FTC Working Group, welcomed all in attendance to the meeting and indicated that the CCIR/CISRO FTC Working Group was the "regulators' hub" on FTC and it was continuing to meet biweekly with a recurring agenda item on "the FTC Guidance" at each meeting, with a particular focus on the industry's implementation efforts.

Initially seeming to be reading from a prepared script during the introductory part of the meeting, Ms. Gauthier said that the Working Group wanted an open and collaborative dialogue with the industry on FTC Guidance implementation, and wanted the Working Group to be a "safe environment" for open discussion. She repeatedly said that the Working Group would find it valuable if industry could provide it with data and information about its practices, and share information as openly as possible.

She stated that there is more than one way for regulators to monitor industry implementation of the FTC Guidance; regulators could bring in Regulations. At several points in the meeting, she made reference to "possible future Supervisory action." On that same subject of monitoring and enforcement options, Ms. Gauthier added that some of the provincial insurance regulators already have a "full enforcement kit" which they are willing to use, if necessary, to compel implementation of and compliance with the FTC Guidance. But she also indicated that another option is for the industry to self-regulate; and good industry practices and adhered-to industry Guidelines are respected by the regulators. She stated that that it was better for the industry to align itself with the FTC Guidance, rather than regulatory authorities having to dictate what the industry must do.

The FTC Working Group's ultimate goal at this stage is to find and strike the right balance or "the right cocktail of actions" between regulatory enforcement and industry self-regulation, Ms. Gauthier emphasized. (Ms. Gauthier also mentioned that a related initiative being undertaken by the FTC Working Group at this time is a canvas of all provincial/territorial insurance regulators to find out exactly "what is in their enforcement toolkit?")

It was suggested and agreed that these FTC Guidance implementation monitoring-focused meetings between the CCIR/CISRO FTC Working Group and CAFII should be held quarterly. *(In a phone call on January 8/19, Tony Toy advised that the next quarterly meeting would be held on Wednesday, March 27/19, with CAFII's slot likely being from 3:30 to 5:00 p.m.)*

Ms. Gauthier asked for feedback and input from CAFII representatives on where additional clarity in the Guidance was needed, and where elements of the FTC Guidance might not be fully understood. In response, Keith Martin advised that because many elements of the FTC Guidance were about corporate culture, it could be challenging to provide hard measures of the adoption and implementation of some elements, as these are softer attributes that can be difficult to measure concretely. Ms. Gauthier replied that she thought that was a valid point.

CAFII representatives then offered preliminary examples of how the FTC Guidance is being implemented within their own businesses:

Huma Pabani, TD Insurance, said that TD Insurance was reviewing many existing TD Insurance documents to ensure their complete consistency with the FTC Guidance.

Rob Dobbins, Assurant, said that his company had given the Guidance a considerable amount of thought, and has developed an FTC Policy; implemented a complaints workshop with the FTC Guidance's regulatory expectations built-in; and is developing a training module to reflect the Guidance's expectations.

Charles MacLean, RBC Insurance, said that his company was working with its HR team to bake FTC components into "Executive Mandates" and that everyone in the chain of command was now focused on FTC expectations. There were multiple documents and policies at his company that addressed issues in the Guidance, but they were not centralized in one document. RBC Insurance was therefore examining how to develop one framework that captured everything FTC Guidance-related within one document or policy.

Ms. Gauthier said that one of the current priorities for the FTC Working Group was securing evidence that the industry's FTC Guidance implementation efforts were filtering down to the front line. Evidence of good governance policies among industry players was also a key area of focus. She asked CAFII to provide input at the next quarterly meeting on what priorities the FTC Working Group should focus in the area of governance policies and practices.

She said the FTC Working Group was concerned that there were incentives or sales practices that could trigger "bad behaviour" among employees, and could create conflicts of interest. The FTC Working Group wanted to have a frank and open dialogue with the industry about these issues; that there might be some "difficult discussions" around the ways things have been done in the past; and that we may need to rethink our approach on some of product offerings in the future.

Ms. Gauthier re-emphasized that the FTC Working Group wanted data and information, and asked us to focus on the following issues:

- how we handle credit card balance protection insurance;
- information on our incentive management programs;
- demonstrating some "quick wins" that involve our changing or eliminating certain practices, which CCIR and CISRO could then share on their websites; and
- our recommendations around demonstrating that we have absolutely complied with informed consumer consent, and the need to respond to negative public perceptions and doubts about some of our products.

The subject of the CBC Marketplace 9 November, 2018 story on credit card balance protection insurance was raised, with Ms. Gauthier saying it had publicized certain issues that required a response. She implied that the CBC story put pressure on the regulators, who now needed to demonstrate that they were “doing something” in response, and this led her to ask if there were any actions which CAFII or its members could take which the regulators could publicize as an example that they were responding.

Ms. Gauthier specifically asked “are there incentives embedded in the credit card balance protection insurance business which stimulate bad behaviours, i.e. sales targets?” As an addendum to this question, she again re-iterated that “there may be intense discussions about this that we need to have with you.”

Brendan Wycks let the Working Group know that CAFII and its members did not view the story as fair or evidence-based, and invited Keith Martin to elaborate on this point.

Mr. Martin said that the story was one-sided, had many factual inaccuracies, and did not provide an even-handed overview of how these products worked.

Ms. Gauthier and the FTC Working Group did not challenge these comments, but an impression was left that the story had created pressures on them as regulatory authorities to demonstrate that they were regulating effectively and addressing industry bad practices.

In closing, Ms. Gauthier said that while there should be standard agendas for the agreed-upon quarterly FTC Guidance implementation-focused meetings between the FTC Working Group and CAFII, there could also be a special meeting on credit card balance protection insurance alone. It was agreed that there would be quarterly, one-hour meetings for the time being, at which CAFII and its members would be expected to demonstrate how the FTC Guidance was being implemented.

FCNB Informal Consultation On Licensing Exemption

From: Weir, David (FCNB) <david.weir@fcnb.ca>

Sent: April-03-19 11:03 AM

To: Brendan Wycks <brendan.wycks@cafii.com>; Keith Martin <Keith.Martin@cafii.com>

Subject: Exemptions from licensing - Request for feedback.

Hello Brendan and Keith,

I hope that you are well. Please find attached a request for feedback.

David Weir

Tel/Tél : 866-933-2222

Fax/Télé : 506-453-7435

Financial and Consumer Services Commission

Commission des services financiers et services aux consommateurs



www.fcnb.ca

Licensing Exemptions

As you are aware, the Financial and Consumer Services Commission of New Brunswick has undertaken a review of our *Insurance Act* with the goal of carrying out a complete rewrite. At this time, we are focusing on intermediary licensing and market conduct. In 2015, the Commission issued a Position Paper with proposals for updating the licensing regime for other-than-life agents and brokers. The Paper, entitled *Modernizing the Insurance Licensing Framework*, proposed to eliminate the distinction between agents and broker and proposed the following definition for agent:

“insurance agent” means a person who, for compensation,

(i) solicits insurance on behalf of an insurer, insured or potential insured,

(ii) transmits an application for insurance from an insured or potential insured to an insurer,

(iii) transmits a policy of insurance from an insurer to an insured,

(iv) negotiates or offers to negotiate insurance on behalf of an insurer, insured or potential insured or the continuance or renewal of insurance on behalf of an insurer or insured, or

(v) examines, appraises, reviews or evaluates an insurance policy, plan or program or makes recommendations or gives advice with regard to any of the above.

but does not include an insurer.

Section 351 of the *Insurance Act* provides that:

351 No person shall act or offer or undertake to act or represent himself as an insurance agent, broker, adjuster or damage appraiser in this Province unless he holds a subsisting licence issued under this Act or is otherwise authorized to do so under this Act.

The relevant provisions for the licensing of agents and brokers can be found in s. 352 of the Act. Section 352 also includes several exemptions from the requirement to be licensed. We believe that anyone who is carrying on the activities of an insurance agent should be licensed and that there should be very few exemptions. With the significant changes in the insurance industry and the desire for greater oversight, it is not clear whether these exemptions continue to be necessary. We are seeking your feedback on the rationale for the current exemptions to assist us in determining whether to retain them. We appreciate that some of the provisions do not relate to your area of business.

Collector of Insurance Premiums

352(14) A collector of insurance premiums who does not solicit applications for or the renewal or continuance of insurance contracts, or act or aid in negotiating such contracts or the renewal thereof, may carry on such business without a licence therefor, if the collection fee does not exceed five per cent of any amount collected.

This is a common exemption and we do not have any issues with continuing it. However, we welcome any thoughts that you may have on the matter.

Pension Fund Association or Mutual Insurer Members

352(15) A member of a duly licensed pension fund association, other than a salaried employee who receives commission, or a member of a mutual fire, weather or livestock insurance corporation, carrying on business solely on the premium note plan, may, without a licence, solicit persons to become members of such society, association or corporation.

New Brunswick appears to be the only jurisdiction that has this provision. We appreciate that it is archaic, in that we understand that “pension fund associations” and mutuals operating on a “premium note plan” are things of the past. The provision relates to soliciting “persons to become members”. How does this engage carrying on the business of insurance? If these individuals are promoting and giving advice on an insurance product, why should they be exempt from licensing?

Fraternal Societies

352(16) An officer or a salaried employee of the head office of a duly licensed fraternal society, who does not receive commission, may, without a licence, solicit insurance contracts on behalf of the society.

352(17) Any member not an officer or salaried employee described in subsection (16) may without a licence solicit insurance contracts on behalf of the society unless such member devotes or intends to devote more than one-half of his time to soliciting such contracts or has in the preceding calendar year solicited and procured life insurance contracts on behalf of the society in an amount in excess of twenty thousand dollars.

Ontario, PEI and the Territories have these provisions. However, if these individuals are promoting and giving advice on an insurance product, why should they be exempt from licensing? Manitoba's provision is different and only references members soliciting persons to become members:

378(6) A member of a duly licensed fraternal society, other than a member whose major occupation is, in the opinion of the superintendent, the solicitation of life insurance contracts, may, without a licence, solicit persons to become members of the society.

Officers or Salaried Employees of a Licensed Insurer

352(18) Unless the Superintendent otherwise directs, an officer or salaried employee of a licensed insurer who does not receive commissions, or an attorney or salaried employee of a reciprocal or inter-insurance exchange at which no commission is paid except to such attorney, may, without a licence, act for such insurer or exchange in the negotiation of any contracts of insurance or in the negotiation of the continuance or renewal of any contracts that the insurer or exchange may lawfully undertake, but officers or employees whose applications for licences as insurance agents, insurance brokers or salesmen have been refused or whose licenses have been revoked or suspended may not so act without the written approval of the Superintendent, and in the case of insurers authorized to undertake life insurance, only the officers and salaried employees of the head office who do not receive commissions may so act without a licence.

We would like to better understand the purpose of this provision. Again, if these individuals are promoting and giving advice on an insurance product, why should they be exempt from licensing? We do not consider the question of whether they are "customer facing" to be determinative. If a person is giving advice directly to a consumer, or indirectly by advising an agent on an appropriate product for a consumer, we believe that they should be licensed. We have had some individuals claim that employee's working in a call centre dealing with clients would fall within this exemption.

Manitoba has similar provisions, but includes "who does not receive commissions or his salary in lieu of commissions". The relevant Manitoba provisions are as follows:

378(7) Unless the superintendent otherwise directs, but subject to subsections (8) and (9), an officer or salaried employee of a licensed insurer who does not receive commissions or his salary in lieu of commissions, or an attorney or salaried employee of a reciprocal or inter-insurance exchange at which no commission is paid except to the attorney may, without a licence, act for the insurer or exchange in the negotiation of any contracts of insurance or in the negotiation of the continuance or renewal of any contracts that the insurer or exchange may lawfully undertake.

378(8) Officers or employees whose applications for licences as agents have been refused or whose licences have been suspended or cancelled, may not act as provided in subsection (7) without the written approval of the superintendent.

378(9) In the case of insurers authorized to undertake life insurance only the officers and salaried employees of the head office who do not receive commissions or salaries in lieu of commissions, may act as provided in subsection (7) without a licence.

Ontario's exemption is much narrower:

An officer or salaried employee of the head office of an insurer who solicits contracts of life insurance and accident and sickness insurance on behalf of the insurer and who does not receive any commission. (paragraph 9(1)4 *Agents Regulation*)

Office Staff

352(19) An employee of a licensed agent or broker who normally performs office duties and does not receive commissions may, without a licence but only as incidental to his normal office duties, take applications for insurance and the renewal thereof.

As discussed in our Position Paper, we don't see the need for licensing employees who do clerical work. However, we believe that any employee carrying on any of the activities under the definition of "insurance agent" should be licensed. Therefore, we question the need for this provision.

Agenda Item 4(f)

April 30/19 Board EOC Teleconference Meeting

BC Consultation on Self-Funding for New "Financial Services Authority" Crown Corporation

From: James, Harry FIN:EX <Harry.James@ficombc.ca>

Sent: April-24-19 11:12 AM

To: Brendan Wycks <brendan.wycks@cafii.com>; Keith Martin <Keith.Martin@cafii.com>

Subject: RE: BC FICOM Consultation

Hi Brendan

Let's target Friday morning, May 17 after the Travel Insurance Meeting. I'll get in touch with Tony Toy at CCIR and see if we can use a meeting room right after.

Harry

From: James, Harry FIN:EX <Harry.James@ficombc.ca>

Sent: April-15-19 10:58 AM

To: Brendan Wycks <brendan.wycks@cafii.com>; Keith Martin <Keith.Martin@cafii.com>

Subject: BC FICOM Consultation

Hi Brendan/Keith

As you are aware, FICOM is soon going to convert to a Crown Corporation. As a Crown Corporation, it will need to be self-funded through funding from industry. Our current fees have not been adjusted since FICOM was first created in 1989. Another issue is that for non-BC domiciled insurers, the fees charged are based on assets and not the degree of business conducted in the province.

We will soon be issuing a consultation paper on insurance fees and we wish to engage your members through you. Your members will also have the opportunity to provide individual feedback, if they wish.

I will be out in Ontario in early May and I hope we can schedule a meeting to discuss this consultation. The consultation paper should be out by then and I hope to get some preliminary feedback as well as answer questions you or your members may have. At the moment, I'm just trying to get some placeholders for the meetings in place. I expect the meeting may take about an hour and a half. We can look to adjust the time allotted once you see the consultation paper.

Also while I'm out there, I expect CCIR will be arranging another meeting with you regarding the travel insurance data collection. Tony Toy and/or Joan Weir may be in touch with you regarding that meeting.

The dates I have open are May 15, 16 and the morning of the 17th. Please let me know if you are interested in meeting and some possible times.

Harry James, Senior Regulatory Advisor
Financial Institutions Commission
Phone 604.398.5061 | Fax 604.660.3365
Suite 2800 - 555 West Hastings Street | Vancouver, BC | V6B 4N6
Website: www.fic.gov.bc.ca

From: FIN Deputy Minister FIN:EX <FIN.DeputyMinister@gov.bc.ca>
Sent: April-04-19 1:44 PM
Subject: Financial Services Authority Act (FSAA) Introduction

Dear Stakeholder:

I'm pleased to share with you today that the B.C. government is delivering on its commitment to strengthen oversight of the financial services sector by establishing a new Crown agency, the BC Financial Services Authority.

Today the B.C. government introduced enabling legislation, the *Financial Services Authority Act*, to update the structure of the Financial Institutions Commission (FICOM) to make it an independent Crown agency. The new agency will have responsibility for regulation of mortgage brokers, insurance and trust companies, pensions and credit unions. It will be operationally independent, yet accountable to government, and funded by industry. For more information, [read the news release now](#).

We know the financial services sector is rapidly evolving. The government is making these changes to improve the regulator's stability, address high vacancy rates within the organization and better align the structure of the organization with international standards and best practices.

The new Authority is expected to be fully operational later this year. In the meantime, FICOM will continue to be the regulatory authority for the credit union, insurance and trust sectors.

I would like to thank you for your support as we go through this transition, and we are working hard to ensure it is as seamless as possible for stakeholders and the public.

Should you have any questions about the new legislation please contact the Financial and Corporate Sector Policy Branch at FCSP@gov.bc.ca.

Sincerely,

Lori Wanamaker, FCPA, FCA
Deputy Minister, Ministry of Finance

New Crown agency will better protect people's financial interests

News Release

Victoria

Thursday, April 4, 2019 10:14 AM

New legislation establishing the B.C. Financial Services Authority will more effectively protect people when they use financial services and boost oversight of the sector to support a strong, sustainable economy and make life better for people.

The Financial Services Authority Act establishes a new, independent Crown agency to regulate credit unions, insurance and trust companies, pensions and mortgage brokers.

"People in B.C. work hard to make a living and it's our responsibility to make sure their financial interests are protected, whether that's applying for a mortgage, using a credit union, getting insured or contributing to their pension," said Carole James, Minister of Finance. "The financial services sector is rapidly evolving. This legislation will make sure B.C.'s financial services regulator is modern, effective and efficient for decades to come."

The Act is designed to improve accountability and oversight, and align with international best practices and be consistent with other regulators.

"British Columbians expect a financial regulator to protect their interests," said Stanley Hamilton, chair, Financial Institutions Commission. "This is a significant achievement that demonstrates government's commitment to making the changes needed to ensure we can successfully deliver on our mandate."

The legislation requires the Authority to be managed by a board of directors that will appoint a CEO. The Authority will be accountable to the Minister of Finance. As a Crown agency, the B.C. Financial Services Authority will receive a mandate letter from the B.C. government and must maintain a service plan and other transparent reporting requirements.

Modernizing this key provincial regulator will protect people using financial services into the future. The province has worked with stakeholders over the past year, including as part of a larger legislative consultation and through direct meetings, to ensure a smooth transition for the sector. The new B.C. Financial Services Authority is expected to launch later this year.

Quick Facts:

- In British Columbia, there are:
 - 42 credit unions with more than \$72 billion in assets;

- 4,000 mortgage brokers;
 - 677 pension plans with approximately \$158 billion in assets; and
 - over 200 insurance and trust companies.
- The Authority will be a self-funded Crown agency focused on sector regulation. It will not raise provincial revenue.
- The B.C. Financial Services Authority replaces the Financial Institutions Commission (FICOM). FICOM will continue as the regulator until the Authority is fully operational.
- FICOM was created in 1989 with a mandate letter from the Minister of Finance.
- Establishing FICOM as a Crown agency was a recommendation from a 2017 independent review of FICOM, as well as previously supported by B.C.'s Auditor General.

Learn More:

Financial Institutions Commission: <https://www.fic.gov.bc.ca/>



Credit Protection Insurance

cafii acifa

The Canadian Association of
Financial Institutions in Insurance

L'association canadienne des
institutions financières en assurance

pollara
strategic insights

February 2019

Study Objectives and Methodology

- The Canadian Association for Financial Institutions in Insurance (CAFII) would like to get a better understanding of Canadian consumers' views of Credit Protection Insurance.
- The specific objectives of this study are to quantitatively test:
 - The general perception of Credit Protection Insurance on a number of factors, including value for money and ability to cover expenses
 - Experience and satisfaction with purchasing Credit Protection Insurance
 - Level of confidence in Credit Protection Insurance in the event of a claim
 - Experience and satisfaction with the claim's process
 - Incidence of making a claim on Credit Protection Insurance
- Survey conducted nationally between **October 3rd and 16th, 2018**, using an online methodology.
- Stratified sample among **1,490* Canadians aged 18 and over, who fit into the following categories :**
 - Who have a mortgage or Home Equity Line of Credit and currently have Credit Protection Insurance: N= 1003
 - Who have a mortgage or Home Equity Line of Credit and do not have Credit Protection Insurance: N = 424
 - Who have made a credit protection insurance claim: N = 286

Key Takeaways

A strong majority of Canadians who own credit protection insurance (CPI) believe that these products are an affordable, convenient and effective way of protecting themselves and their families in case of certain unexpected events

- In addition, most CPI holders do not know what they would do without it should something happen to them and/or their family, further illustrating the importance of these products

CPI holders are highly satisfied with the purchase process overall and are confident in their knowledge of these products (i.e. payout amounts and policy terms)

- High levels of purchase satisfaction and policy knowledge are being driven by sharing of quality information by representatives of financial institutions vs. information outlined in CPI documents

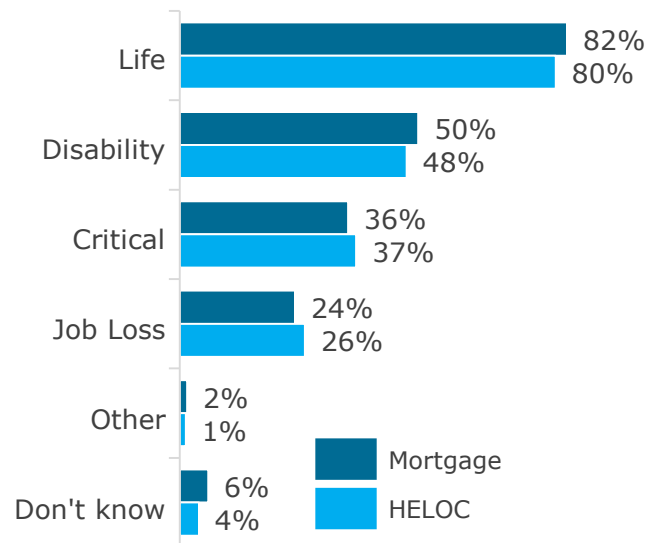
CPI holders' expectations of claim payouts are being met by the industry

- This indicates that the industry is effective at educating its consumers, open and transparent with consumers at the time of purchase, and consistently delivers on its promises

Canadians purchase a range of CPI products today

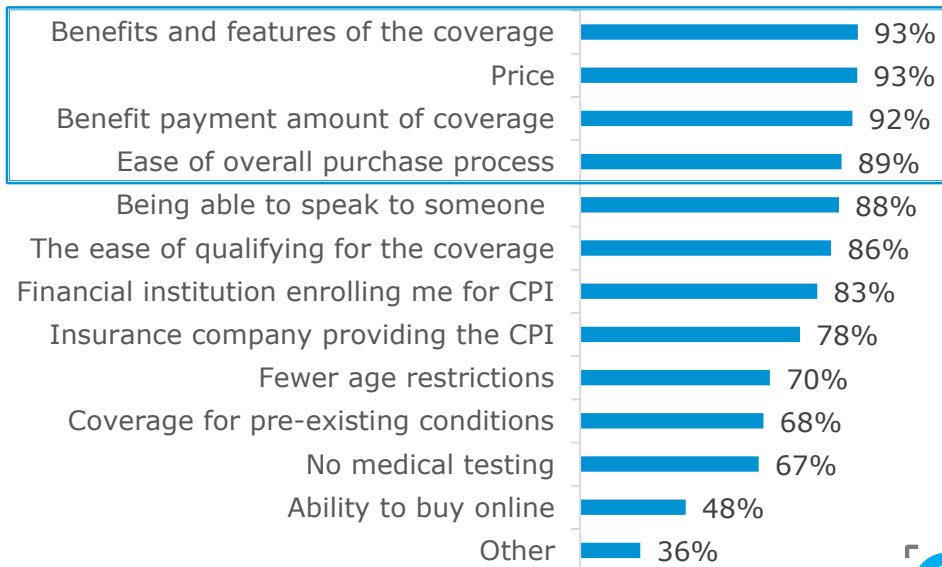
- The most important factors when purchasing CPI are the features and benefits of the coverage, price, coverage amounts, and ease of the purchase process overall

Type of Coverage Purchased



Base: All CPI Holders n=1,003

Importance of Factors when Purchasing CPI (% somewhat / very important)

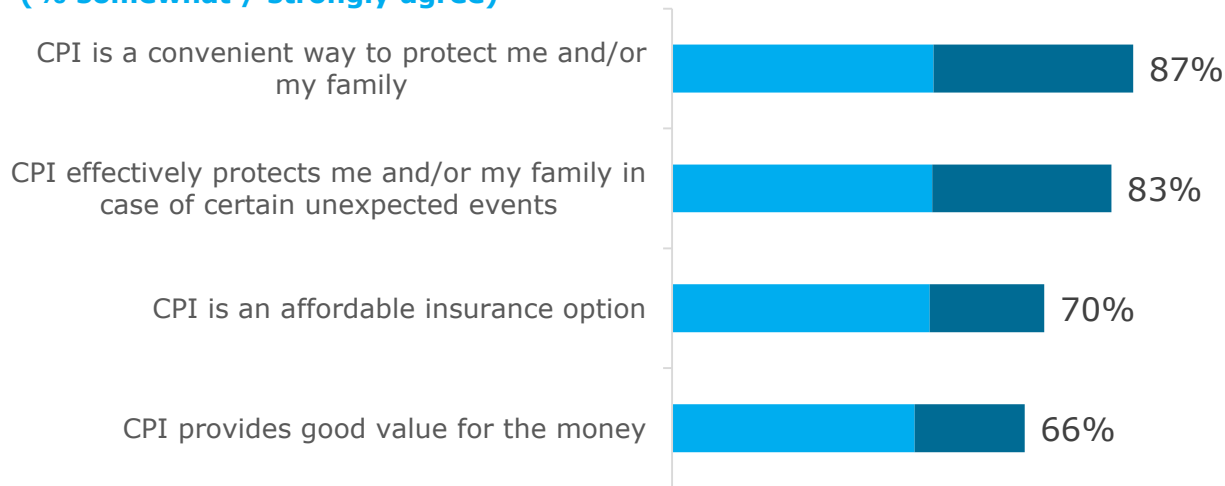


A strong majority of CPI holders have positive impressions of these products

- CPI holders agree that these products are a convenient, effective and affordable way to protect their families in case of certain unexpected events

Agreement with Statements Regarding Credit Protection Insurance among CPI Holders

(% somewhat / strongly agree)



71% do not know what they would do without CPI, should something happen to them and/or their family



■ Somewhat agree ■ Strongly agree

Base: All CPI Holders n=1,003

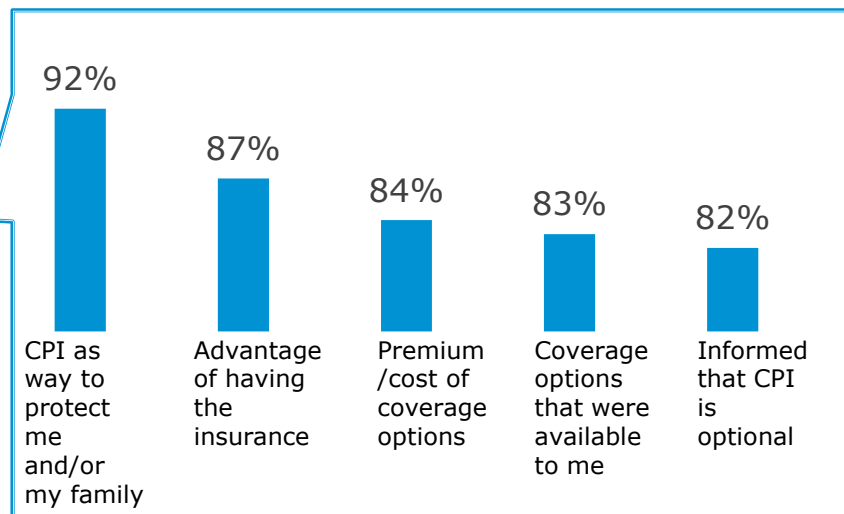
CPI holders are highly satisfied with the purchase experience overall

- CPI holders are satisfied with the information provided by representatives of financial institutions at purchase (e.g., benefits, price, coverage options, etc.).

Satisfaction with Purchase Experience (% somewhat / very satisfied)



Elements of CPI Discussed by Representative

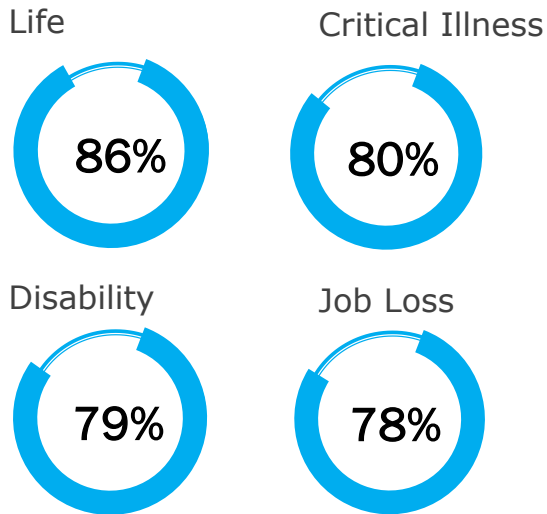


Base: All CPI Holders n=1,003

CPI holders are confident in their knowledge of insurance payout amounts and policy terms

- These high levels of confidence are in contrast to slightly lower levels of agreement that CPI documents are easy to understand

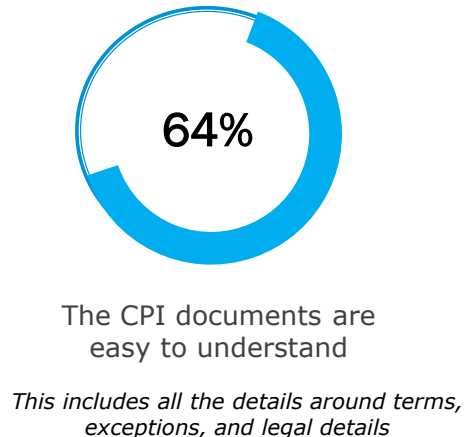
Confidence among CPI Holders in Knowledge of Payment Amount (% somewhat / very confident)



Understanding of Credit Protection Insurance Terms (% understand somewhat / very well)



Comprehension of Documents which Outline CPI (% somewhat / strongly agree)



CPI holders' expectations for claim payout are in-line with actual results of claim submissions

- The high incidence of claim payouts results in high levels of satisfaction with the claims process overall

Confidence in Credit Protection Insurance in event of a claim (% somewhat / very confident)



CPI holders' expectations for claim payout are in-line with actual results of claim submissions

- The high incidence of claim payouts results in high levels of satisfaction with the claims process overall

Results of Claim Submission Among Processed Claims (all products) (% that were paid)



94%
of those whose claims
were paid are satisfied
with the claims process
overall (**80%** for
claimants overall)

A speech bubble containing text about satisfaction levels. It states that 94% of those whose claims were paid are satisfied with the claims process overall, and that this is 80% for claimants overall.

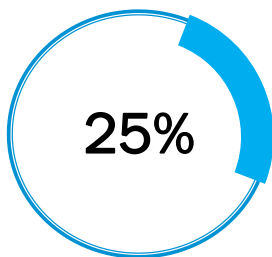
Aggregated self-reported data
provided by CAFII members
validates this finding, with **94%**
of Life claims paid

A rounded rectangular box containing text that validates the finding using aggregated self-reported data from CAFII members, noting that 94% of life claims were paid.

The few CPI holders who have made a complaint during a claim are generally satisfied with how it was handled

- Complaints most often relate to the timeliness of payout and/or the quality of communication of the provider (e.g., proactiveness, responsiveness, etc.)

% Made A Complaint During Claim process

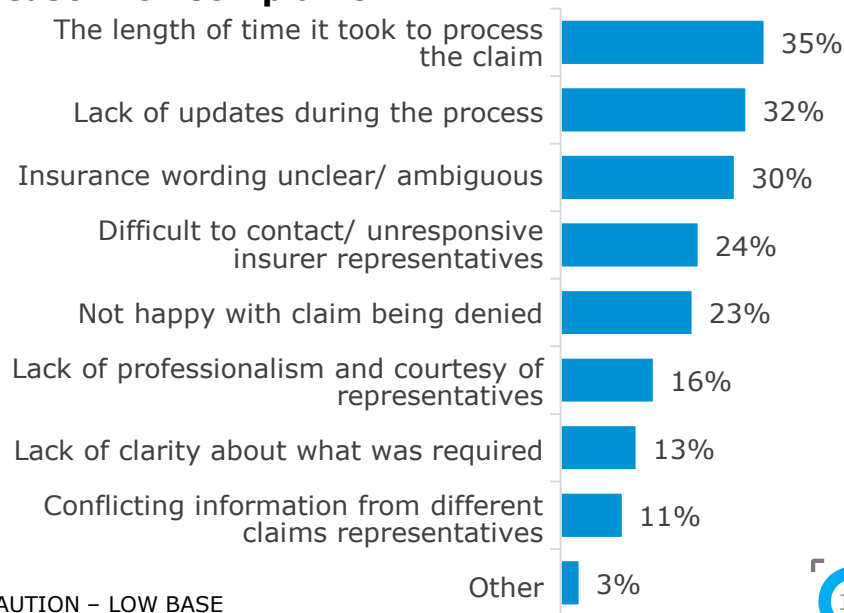


Of the 25% who made a complaint during the claims process, **85%** were satisfied with how the claim was handled



Base: CPI Claim/ Claim Resolved (N=244)

Reason for Complaint*



* CAUTION – LOW BASE

Base: CPI Claim/ Made Complaint (N=53)

VERSION 7, April 15 – FOR DISCUSSION ONLY

**CANADIANS SURVEYED WITH SAY CREDIT PROTECTION INSURANCE SAY IT IS A
CONVENIENT, EFFECTIVE, AND AFFORDABLE FORM OF FINANCIAL
PROTECTION FOR MORTGAGES AND LOANS**

Consumer expectations for claims payouts are being exceededmet by the industry

TORONTO, March XX, 2019 – The experience of Canadians with Credit Protection Insurance (CPI) on their mortgages and Home Equity Lines of Credit (HELOCs) who took part in a survey is very positive, with 87% saying it is a convenient way to protect themselves and/or their families against major financial setbacks arising from death, disability, critical illness, or job loss.

Survey respondents Canadians with CPI coverage also report that they are somewhat or highly satisfied with the purchase experience overall (87%), and are confident in their knowledge about CPI products (90% at time of purchase). In addition, the surveyed CPI holders say their expectations of the claims process are being met by the industry, with 80% reporting satisfaction with their claim experience (94% for those whose claims were paid.).

Those are the key findings of new public opinion research by Pollara Strategic Insights that asked Canadians about their experience with CPI on their mortgage and/or HELOC. This type of insurance, also known as creditor's insurance, is used to pay off or pay down a mortgage or HELOC, or to make debt payments in the event of covered occurrences such as death, disability, critical illness, or job loss.

According to the research, 83% of Canadians surveyed with CPI coverage said it is an effective way to protect themselves and their families from unexpected life occurrences. Furthermore, 71% said that without CPI, they do not know how they and/or their family would be able to cope, should an unexpected life occurrence negatively impact them financially – for example, not being able to work and earn a regular income. And 70% said CPI is an affordable insurance option.

With respect to the purchase process experienced by CPI holders in the survey, 87% said they were satisfied with the overall purchase process; 77% reported satisfaction with the product explanations provided to them; and 74% said they were satisfied with the information provided to them to make an informed purchase decision.

Surveyed Canadians with CPI coverage also expressed confidence in the CPI claims process, and that their expectations for claims payouts are being met or exceeded. For example, 89% of survivors/next-of-kin who made a CPI life insurance claim reported that it was paid. (The 89% level of CPI life insurance claims payouts reported by the survivors/next-of-kin of CPI insureds in the survey is close to the level found in aggregated self-reported data from CAFII members, which shows that 94% of CPI life insurance claims were paid in the 2018 fiscal year.)

With respect to the factors which surveyed Canadians believe are the most important when purchasing Creditor Protection Insurance:

- 93% said benefits and features of the coverage;
- 93% said price;
- 92% said benefit payment amount of coverage;
- 89% said ease of overall purchase process; and,
- 88% said being able to speak to someone to answer my questions.

Surveyed Canadians also said they have a reasonable understanding of CPI coverage terms and limitations, and about the amount of coverage. For example, at the time of signing up for their CPI coverage, 90% of insureds said they understood “very well” or understood somewhat their credit protection insurance terms.

The survey also identified some areas which CAFII members and other providers of CPI coverage on mortgages and HELOCs in Canada can look at to improve the consumer’s experience with this insurance.

For example, 25% of CPI claimants in the research sample said they had made a complaint about the claims process, with the top two complaints being the following:

- 35% complained about the length of time it took to process the claim; and,
- 32% complained about the lack of updates during the process.

However, 85% of claimants who made a complaint said they were satisfied with how their complaint was handled.

Furthermore, some 22% of CPI holder respondents in the survey expressed a lack of confidence that a life insurance claim would be paid, without even having made a claim. As this level of confidence is well below the actual claims payout ratio, it is an issue that is concerning to the industry.

“We’re pleased that Canadians feel Credit Protection Insurance is a convenient, effective and affordable type of financial protection for them and their families,” said Keith Martin, Co-Executive Director of the Canadian Association of Financial Institutions in Insurance (CAFII), which commissioned the Pollara research. “However, the survey also shows that there is room for improvement. As an industry, we will continue to look for ways to improve customer satisfaction, and enhance the value to consumers of the Credit Protection Insurance products that our members provide.”

These are the key results from a national online survey of 1,490 adult Canadians who have Credit Protection Insurance on a mortgage and/or home equity line of credit. The survey was conducted from October 3 to 16, 2018.

About CAFII:

The Canadian Association of Financial Institutions in Insurance is a not-for-profit industry

Association dedicated to the development of an open and flexible insurance marketplace. CAFII believes that consumers are best served when they have meaningful choice in the purchase of insurance products and services. CAFII's members include the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Financial Security; National Bank Insurance; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players American Express Bank Canada; Assurant; Canada Life; Canadian Premier Life Insurance Company; CUMIS Services Incorporated; and Manulife (The Manufacturers Life Insurance Company).

About Pollara Strategic Insights:

Founded in 1980, Pollara Strategic Insights is one of Canada's premier full-service research firms – a collaborative team of senior research veterans who are passionate about conducting research through hands-on creativity and customized solutions. Taking full advantage of their comprehensive toolbox of industry-leading quantitative and qualitative methodologies and analytical techniques, Pollara provides research-based strategic advice to a wide array of clients across all sectors on a local, national, and global scale.

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